

Office of Price Administration

Box 161

PSF: DPA ~~Handwritten~~ *Folger*

OFFICE OF PRICE ADMINISTRATION
WASHINGTON, D. C.

LEON HENDERSON
ADMINISTRATOR

*file
journal*

April 24, 1942

MEMORANDUM

TO: The President
FROM: Leon Henderson

Politics has reared at least the ugly part of its head (vide Josh Lee) and I need to see you quickly, for a few minutes, to tell you how I am handling the situation and being helpful. (I've talked this over with Harry).

Baruch and I have steadfastly agreed that I should use "committees of neighbors" in our price and rationing work. We are doing this on tire, auto, sugar and gasoline rationing, and expect to do so with retail prices.

You asked that state and local defense councils be set up. OPA found these ready-made for our work, and the state governors seemed delighted to have a sense of participation in the war effort, which was your wish in setting up the state and local defense councils. Frank Bane has been running this for me and I've been pleased. Some of these benighted states have chosen Republican governors and some have even selected Democratic governors who disagree with the Democrats in Congress. Some of these members of Congress, like Guffey, want to control or dictate

my state personnel. I can't permit this, but despite the Price Control Law provision that "no political test or qualification shall be permitted or given consideration," many persons recommended by Senators and Congressmen have obtained positions with OPA through recommendations from them. I intend to see that no one of capacity is barred from consideration just because he is recommended by a member of Congress.

OPA faces a nation-wide control of rents, prices and rationing reaching down into every county. I have discussed a Federal organization with Harold Smith and he has tentatively approved an OPA regional office set-up, with a state OPA director in each state, and with the continuance of the local boards as price and rationing boards. All the working staff will be Federal employees subject to OPA control. However, in order to make use of the well organized state defense councils and to tap the state organization resources, I have asked each governor and his state council of national defense to suggest a panel from which I would pick the state director. These names are coming in well. It is a necessity of the highest order that this man be a person respected by the business community and one in whom the people have confidence. We are using the state school systems for sugar and gasoline rationing registration. We are using the state motor vehicle registration bureaus. In some cases the state police are our delivery boys for instructions. As time goes on we will need to utilize many other state outfits and have their enthusiastic help in securing community compliance with our orders.

Nothing could ruin our effort so easily as to have OPA become political, and to have the public feel that a right political connection could get favors on rents, prices and rations.

Leon

PSF OPA ~~11-1-42~~ Folder
1-42

THE WHITE HOUSE
WASHINGTON

May 20, 1942.

MEMORANDUM FOR

HON. LEON HENDERSON

Once upon a time I found that the State Highway Department in up-State New York had about 95% of Republican employees as against 5% of Democratic employees. I laid down the rule that while the State Administration was Democratic under me, I did not ask that the proportions be reversed. I recognized that up-State New York was about 60% Republican to 40% Democratic. I insisted that highway employment be made 60% Republican and 40% Democratic.

Enough said!

F. D. R.

Memo from Ed Flynn 5/9/42 re way in which OPA State Directors are being selected.

FROM THE DESK OF
LEON HENDERSON, ADMINISTRATOR
OFFICE OF PRICE ADMINISTRATION
AND CIVILIAN SUPPLY

12-15
42

GRACE TULLY

IT IS VITAL
THAT THE BOSS
READ AT LEAST THE
FIRST PART OF THE
ATTACHED BEFORE
HE SEES
SEN. PRENTISS BROWN
JUSTICE^T BYRNES
AT LUNCH TODAY,
Leon

PSF: DPA - ~~Handwritten~~ *2-42*

OFFICE OF PRICE ADMINISTRATION
WASHINGTON, D. C.

LEON HENDERSON
ADMINISTRATOR

*File
personal
confidential*

December 15, 1942

The President
The White House

Dear Mr. President:

I have determined to cut my connection with government completely. I deeply desire that no effort be made to change this stubborn decision, which is dictated by health impairment, political liabilities, and a most happy and appropriate timeliness.

My termination can be immediately if it suits you best.

However, February 15, 1943, at the latest, might give me a chance to clean up several matters which are peculiarly tied to me and would also provide transition time.

I have had three jobs — (1) Price and Rent Administrator, (2) Rationing Administrator, and (3) Director of Civilian Supply in WPB.

CIVILIAN SUPPLY

Last week I resigned as Director of Civilian Supply because the recent Food and Fuel executive orders taken together with the Rubber order, had destroyed the concept of civilian supply, under New Deal direction, as I had maintained it for a year and a half. After I talked with you about civilian supply some weeks ago, I went back and licked the dollar-a-year men, but, as in the case of the dispersion of rationing responsibility, I could not survive your organization advisors. I left Don a good man, Joe Weiner, and a good staff of your kind of people.

PRICES AND PRENTISS BROWN

As I indicated my intention when I saw you last, I have asked Prentiss Brown to come into OPA as Senior Deputy. He will

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

talk to you at lunch today, I understand. I believe he will accept my offer if you favor it, and I urge you so to do. I believe Jimmy Byrnes would approve. Prentiss knows our legislation, while our entire staff, Washington and field, admire and respect him. Prentiss would be available to take on all new top OPA matters as Senior Deputy and, if you desired, to take over as Administrator when I go - February 15th.

This would leave me free:

(1) To make positive replies to Byrd, Tydings, Reed of Kansas, Steagall and Wolcott, the Republicans, the farm bloc, and any other attackers, with unrestrained vigor and without jeopardy to OPA's future.

(2) To complete a simplification of retail pricing, already well along.

(3) To ride herd on fuel oil rationing and mileage rationing.

(4) To complete plans for meat and canned foods rationing which are critically important.

(5) To pass on to Jimmy Byrnes and Prentiss whatever this great pair might want from me.

I have a reasonable pride in the price and rent control record and the capacity and the integrity of the staff I have built. OPA's top staff are 100 percent Roosevelt and New Deal, which cannot be said of any other war-time agency, except BEW.

Rents have been reduced in many communities and stabilized in all others. Rents for the whole country have gone down 1.8%.

In the first year of the war, the wholesale price index went up only 6 points. The Price Control Law was signed January 30, 1942. Since that time the index has gone up but two points, and some part of that two-point rise of course was in the farm commodities which I could not stop.

We fixed retail or consumer prices May 18. Since that time the cost of living has gone up but $\frac{1}{2}$ percent a month and some of that rise, resulting from parity limitations and new excise taxes, was uncontrollable.

ONE UNASSAILABLE FACT STANDS OUT. THE PRICE FUNCTION SHOULD NEVER BE DIVIDED.

RATIONING

Rationing is vital to the war at home, to international aid, to 1944, and to post-war. At present, rationing of sugar, coffee, tires, automobiles, gasoline in the East, protective footwear, and typewriters is going well. Fuel oil and nation-wide mileage rationing, I predict, will shortly have the same citizen acceptance.

However, the power to decide on future rationing is incredibly messed up because of recent executive orders creating commodity czars.

Byrnes knows the conflict and is getting ready to act.

I am prepared to show that control of rationing should never be given to anyone who does not deep in his soul believe in the Roosevelt aims; that a rationing job well done will prove a political asset and not a handicap in the months to come.

Right now, because of their executive orders, as Rationing Administrator I am subject to directives from Eastman on transportation, Jeffers on rubber, Ickes on oil, Wickard on food and textiles, Nelson on everything else, with "policy" to be made by Byrnes. All, too, without the slightest reference each to the others.

OPA, since it is the only direct contact with people, takes the rap for their delays, miscalculations of supply, crazy questionnaires, pompous and conflicting statements. This cannot go on.

At present, I have only the administrative responsibility for rationing, which I discharge through the OPA Washington and field organization but mainly through 5600 "committees of neighbors", all volunteers, and literally hundreds of thousands of special volunteers. There are values in these democratic boards which must be preserved.

With the announcement of your 7-point anti-inflation program in April of this year, it seemed evident that WPB, which had the power of rationing, would not be the appropriate agency for making a national policy on rationing. Rather, some type of organization was indicated which would deal with taxes, savings, credit, subsidies, and price policies. For this reason, I kept rationing on a mechanical, organizational, and experimental basis, awaiting the proper time for consideration of an all-inclusive policy.

I have some ideas on rationing requirements, which I have set down in an attached memorandum so that you can distribute it without including this personal note. From conversations with Byrnes, I know that his proposals will mesh with my ideas.

How you decide to organize the rationing function will depend, I suspect, on your desires as to future organization of war functions. The trend of recent orders seems to indicate a WPB charged only with production of war goods, with separate commodity czars as in food and fuel and civil matters generally under guidance of Byrnes. The formation of some over-all agency seems inescapable to me.

Byrnes and I agree that, independent of its organization location, rationing should have enlarged, definitive status and be directed by a well-known man.

Labor has a big stake in equitable rationing. I advise that the top rationing executive chosen be a person acceptable to labor, with some top administrative appointments coming directly from the ranks of labor. I suggest the following names as types: Charlie Poletti, Jim Patton, Frieda Miller, Tom Eliot, Tom Murray the receiver for I.R.T. in New York City, ex-Governor Van Waggoner of Michigan, Joe Casey, Ray McKeough, Lyndon Johnson, President Dykstra of Wisconsin.

Wayne Coy or Milo Perkins, from your own group, would be swell for top man. So would Charlie Poletti.

HENDERSON AND HIS BOSS

Different times require different types of men. I hope I have been suited to the battling formative period. I am decidedly not adjustable to the requirements of the future as it now begins to disclose its outlines.

Your most lovable weakness is said to be loyalty to and continuance in service of your folks long after they should have departed.

The stakes are so tremendous that I could not run the risks of your affection for me, even if I were physically able to go on, which I am not.

Sincerely yours,

Leon
Administrator

December 14, 1942

MEMORANDUM

TO: The President
FROM: Leon Henderson
SUBJECT: Rationing

1. Because of the critical importance of more immediate things, relatively little attention has been given to the problem of overall policy and organization for rationing. Intelligent and effective rationing, however, is extremely important. It touches every single individual in the country in an extremely personal and intimate way -- it is one of the few instances in which individuals in all income groups deal directly with their Federal Government. It is particularly important to labor and common people generally, especially now with the sharply decreasing volume of civilian goods. To many it will mean the difference between effective minimum requirements and acute privation. It's the stuff from which morale and national unity is made.

It has, moreover, a direct bearing on the amount of materiel we can produce for war and on the amount of foods and other goods we can divert to our allies -- more effective distribution means we can get along with less at home and still be happy at sending great quantities abroad.

2. There must be a single rationing authority. But as a result of recent Executive Orders we now have six agencies in the field making rationing policy. Jeffers is responsible for rubber; Ickes for oil; Eastman transportation; Wickard for food and clothing; WPB handles the rest, and Byrnes has a general policy-making and arbitrating responsibility. Wickard and Ickes also have some further responsibility for rationing techniques. Presumably this trend will be continued in subsequent Orders.

OPA presently has no responsibility whatever for policy and only a partial responsibility for administration. It has to take policy from six agencies, and must pull and haul on rationing plans until all objections are met. This takes time; and the resulting compromises are rarely satisfactory.

Since OPA is the only agency that actually deals with the public, it must bear the brunt of criticism for the policies and inaction of others. It is as a result of the disorganization in rationing that public support of price control and rent control -- which are the exclusive statutory responsibility of OPA and which are working well -- is wavering.

There are other difficulties. No one agency now has authority to formulate and put into effect a coordinated rationing program — no one can use rationing intelligently as an economic control rather than as an emergency makeshift to avoid the worst impact of already existing shortages. Moreover, conflicts are bound to develop among the several Czars and with the administrative agency. "Policies" sound in theory are often not administratively feasible when the job must be done by thousands of overworked volunteers. Administration and policy can not be so sharply divided.

3. Just what should be done obviously depends on future plans for the mobilization and control of the civilian economy. Whatever is done, however, rationing policy making must be pulled together. In view of the rank and position of those already charged with rationing responsibilities, the only person immediately available to do this job is Director Byrnes. The additional authority which he would need — based upon months of experience with rationing — is set forth in a supplement to this memorandum.

4. The next question is whether OPA should continue to handle the administrative aspects of rationing or whether this task should be divorced from OPA and given to some other agency. It can be done either way.

Through OPA. It seems clear that administration is a job for a single agency. 5600 Local Boards cannot receive directions from more than one source, and duplicate nationwide organizations to handle each rationing program could not be justified. Probably it would be easier if administration were left with OPA. It is a going concern, and important new programs are imminent. But such an arrangement could only succeed if Byrnes had sufficient confidence in the head of OPA to use him as a policy advisor and assistant. Some practical connection must be made between policy and administration. For Byrnes to set up an independent staff to review policy and proposed regulations would mean only more friction and delay.

Through a new agency. Another possibility would be to put rationing administration in a new rationing authority, the head of which would be responsible to Byrnes. OPA would then transfer its rationing staff in Washington and in the field, as well as the 5600 Local Boards, to the new authority. In Washington there are over 1000 people working on rationing; in our 58 State and District offices about 6000 people. There are about 26,000 paid clerks working for the Local Boards as well as about 60 to 100 thousand full time volunteers. This severance would be difficult, but by no means impossible. It can be done.

5. Printing and administrative management may seem like small points, but they aren't. All printing must now go through the Government Printing Office which just isn't big enough or good enough to handle the job. Even though GPO subcontracts a lot of the work, too many things go wrong and the goods aren't delivered on time. Only the rationing authority can appreciate the irritated reaction of a community which has closed down its schools and enlisted hundreds of volunteers for an already unpopular rationing program, only to find that its efforts were fruitless because a critical form which could have been printed locally has not been delivered on time. Whatever the agency, it must have authority to get quantity printing done in the field.

Secondly, OPA as well as the Office of Economic Stabilization are under OEM. This means that Central Administrative Services (CAS) controls a substantial part of the field administration. Rationing is big enough to handle its own housekeeping — and must handle it if the job is to get done. Volunteers just don't understand the ordinary delays and apparent inefficiencies that a paid staff might ignore. Only the rationing authority is critically aware of the needs and psychology of these volunteers, and only the rationing authority will give to the housekeeping function the necessary drive and emphasis that far exceeds the usual standards of administrative management in government.

6. It is possible and it may be desirable to consolidate the Office of Civilian Supply with OPA, or with the new rationing authority. The Executive Order of April 11, 1941, (which created the Office of Price Administration and Civilian Supply — OPACS) first identified the function of Civilian Supply and attempted to distinguish between military and civilian functions in a war economy. Personality issues and the compromises which led to SPAB caused the severance. Recent Executive Orders have further dispersed the authority. If it is now thought desirable to have a single agency assume responsibility for civilian welfare the concept of OPACS might be revived. This of course raises organizational problems comparable to those which exist in the consolidation of the rationing policy-making authority. Needless to say the rationing agency is deeply concerned with problems of civilian supply. If the two functions were closely meshed, both would profit by the arrangement.

Leon Henderson

EFFECTIVELY TO CONTROL RATIONING POLICY DIRECTOR BYRNES SHOULD
BE DELEGATED THE FOLLOWING AUTHORITY BY EXECUTIVE
ORDER

- (a) The power to ration contained in the Second War Powers Act. This would not detract from powers already vested in other administrators, but would be an independent grant of authority without reference to any particular commodity.
- (b) The power to review rationing proposals initiated by other agencies. He would coordinate them, and pass on the matter of timing. Too many programs coming out at one time will destroy the Local Boards, and we can't get along without them.
- (c) The power to initiate rationing programs.
- (d) The power to issue Limitation Orders (L-Orders), which is now the exclusive prerogative of WPB. This is important because rationing programs take time to put into effect. If a run starts during the period of preparation, precious stocks are lost. A Limitation Order prevents the manufacturer or distributor from selling the retailer more than a certain percentage of normal. In this way stocks are conserved during the interim period. This is a necessary complement of the rationing power itself. If Byrnes is to have authority to initiate rationing programs, he must also have power to safeguard the supply.
- (e) The exclusive power over publicity. All publicity on rationing policy must come from a single source. Conflicting statements on rationing from the Czars, or their subordinates, can no longer be tolerated. Such statements must come exclusively either from Byrnes or the agency that administers the program. Control of publicity is almost of the essence.
- (f) The power to get information not only from other government agencies (especially Civilian Supply), but from industry and the public directly. Otherwise he couldn't determine the necessity for rationing or the feasibility of the plan.