

• PSF

Commerce: Jesse Jones

PSF: Jesse Jones

RECONSTRUCTION FINANCE CORPORATION
WASHINGTON

JESSE H. JONES
CHAIRMAN OF THE BOARD

file
personal
✓

Dear Mr. President

your very cordial
birthday note made
me very happy even
if birthdays are getting
to be entirely too monotonous

Thanks a lot

Yours friend
Jesse

April 5-1937

PSF: Jesse Jones
12/14
Commerce

THE WHITE HOUSE
WASHINGTON

December 14, 1937.

MEMORANDUM FOR

HON. JESSE JONES

I am a good deal troubled by the last paragraph on Page 9 of your speech of December third in New York. The trouble is that you and I know that tax changes were and are physically impossible at this session of the Congress, and that the House Committee has been working really hard since early November on a bill to correct actual inequities. Furthermore, the Administration has consistently said that it is impossible to "provide that the changes when made apply to this year's business. You and I know that dividend declarations in the case of a very large number of companies were determined on before December first. And, furthermore, that if we lose two or three hundred million dollars of revenue for the business year 1937, we have got to make it up by tax receipts of the same amount during the current government fiscal year. That makes the suggestion silly.

THE WHITE HOUSE
WASHINGTON

-2-

The statement that the present tax law works a hardship on the great majority of corporations is not strictly true. The great majority of corporations made so little in the way of profits that they were not affected by the tax bill at all. Of the balance, it is true that many, in point of numbers, faced a hardship, but it is also true that the great majority of this balance, from the point of view of production and also of dollars, were not affected by the undistributed earnings tax -- to wit -- big corporations like General Electric, General Motors, U. S. Steel, etc.

At the end of paragraph 3 on Page 10 -- it is open to serious question that the present tax laws are actually stifling business and industry. They are working a hardship on a very small minority of corporations, from the point of view of numbers, and a very small minority of production and dollars from the point of view of the total of business.

I think we must all be very careful not to make general assertions but to separate the sheep from the goats and talk in terms of actual facts.

THE WHITE HOUSE

WASHINGTON

-3-

I hope the next time you speak you will point out that Government competition in the electric power field touches, or plans to touch, only between 10% and 20% of the geographical area of the national population and of the total output of power. Therefore, in between 80% and 90% of these thirty criteria private power companies have complete and full sway without Government competition.

F. D. R.

Memo to the President
From Morgenthau
July 14, 1939

PSF:

Commerce

Jesse Jones

~~He Jones~~
Drawer 2-39.

In re-memo attached which he received from Ed Foley
about testimony of Jesse Jones before the Senate
Banking Committee--it was reported to Foley by
Kades.

See--Morgenthau folder-Drawer 1--1939

PSF: Jesse Jones, Jr.
Commerce Dept. ✓

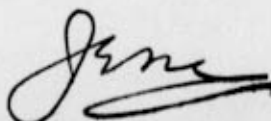
RECONSTRUCTION FINANCE CORPORATION

file

August 31, 1939

MEMORANDUM TO THE PRESIDENT:

Steve Gibbons will go into the
Hudson Trust Company, Union City, New
Jersey, as a Vice President, at \$12,000
a year, about the first of October.



JESSE H. JONES

THE WHITE HOUSE
WASHINGTON

PSF:

file
Jesse Jones
Commerce

Sept. 23, 1939

R.F.

To find out, confidentially, how
Stewart McDonald can occupy this private
position and also remain Chairman of the
Federal Housing Administration.

September 23, 1939

MEMORANDUM FOR THE PRESIDENT:

Jesse Jones advises me, confidentially,
that this new position for Stewart McDonald
is purely an honorary one from which he
receives no salary and that he devotes his
full time to the Housing Administration.
Mr. Jones thinks under these circumstances
that there is no conflict and stated that
he would be glad to speak to you about
the matter if you wish.

R. F.

FEDERAL LOAN AGENCY WASHINGTON

JESSE H. JONES
FEDERAL LOAN ADMINISTRATOR

September 21, 1939

THE WHITE HOUSE
SEP 21 10 46 AM '39
RECEIVED

Dear Mr. President:

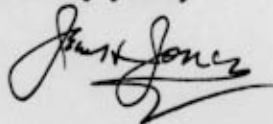
Mr. Silliman Evans is today resigning as Chairman of the Board of the Maryland Casualty Company but will remain on the Board.

Stewart McDonald will succeed Silliman as Chairman. Stewart has been Vice-Chairman since January and a member of the Board for almost two years. He will continue as Federal Housing Administrator.

The Maryland has a good working organization. Edward J. Bond, Jr. is President of the Company, and Edward G. Lowry, Jr., Vice President and General Counsel.

Silliman has done a good job with the Maryland, but felt that he could not continue commuting between Baltimore and Nashville and do justice to both his paper and the Maryland.

Sincerely yours,



The President
The White House
Washington, D. C.

Silliman Evans' Statement to Directors of Maryland Casualty

The increasingly heavy demands of my publishing business at Nashville and other business connections make it impossible for me to continue the executive responsibilities that I am carrying with your Company. Accordingly, I resign as Chairman of the Board of Directors.

The Maryland Casualty Company has occupied my thought, affection and labor during the past five years. It has an excellent organization comprised of as fine a body of men as it has ever been my privilege to be associated with. Certainly there is no better casualty insurance man than President Bond. The Company is in excellent condition, and its business is continually increasing.

In remaining a member of your Executive Committee and Board of Directors, my active interest in the Company will continue.

PSF J. Jones

Jan 2

file
personal

THE WHITE HOUSE
WASHINGTON
January 19, 1940.

MEMORANDUM FOR THE PRESIDENT:

From what I regard as dependable information, Finland has paid on her dollar bonded debts, held largely if not entirely in this country, eighty million dollars since 1930 or 1932; that her debt now, including that to the government, is only about sixteen million dollars. The government debt was approximately nine million dollars, upon which nine hundred thousand dollars principal has been paid and about four million, six hundred thousand dollars interest. The interest rate for the first ten years of the funded debt to the government was 3%. It is now 3½%.

Approximately ten million dollars Russian gold bars have been bought in November and December. About half of it came from Italy and the other half from Sweden. It can be assumed that we may be buying Russian gold from other markets.

The information about gold I got from Dan Bell.

JESSE JONES.

THE WHITE HOUSE
WASHINGTON

1-19-40

MEMORANDUM FOR GENERAL WATSON:

Jesse Jones dictated this on the telephone to me, asking that Kannee get it to the President in time for Cabinet. (You were at lunch). He wanted me to mail him a copy, which I have not done without your approval. It is attached, as well as a copy for you.

Roberta

OK to mail to JGG,
Emm

RECONSTRUCTION FINANCE CORPORATION
ELECTRIC HOME AND FARM AUTHORITY
THE RFC MORTGAGE COMPANY
DISASTER LOAN CORPORATION
FEDERAL NATIONAL MORTGAGE ASSOCIATION

PSF J. Jones
FEDERAL HOUSING ADMINISTRATION
HOME OWNERS' LOAN CORPORATION
FEDERAL HOME LOAN BANK BOARD
FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION
EXPORT-IMPORT BANK OF WASHINGTON

FEDERAL LOAN AGENCY
WASHINGTON

JESSE H. JONES
FEDERAL LOAN ADMINISTRATOR

*File
Personal*

3
January 30, 1940

Dear Mr. President:

Another happy and altogether
successful birthday. I salute you. May
you have many more.

Yours in admiration and affection,

Jesse

The President
The White House

RECONSTRUCTION FINANCE CORPORATION
ELECTRIC HOME AND FARM AUTHORITY
THE RFC MORTGAGE COMPANY
DISASTER LOAN CORPORATION
FEDERAL NATIONAL MORTGAGE ASSOCIATION

FEDERAL HOUSING ADMINISTRATION
HOME OWNERS' LOAN CORPORATION
FEDERAL HOME LOAN BANK BOARD
FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION
EXPORT-IMPORT BANK OF WASHINGTON

FEDERAL LOAN AGENCY WASHINGTON

JESSE H. JONES
FEDERAL LOAN ADMINISTRATOR

August 23, 1940

Dear Mr. President:

I spoke to the Attorney General this afternoon about my accepting the Secretaryship of Commerce and carrying with it the work of the Federal Loan Administrator.

He thinks that it would be advisable to have a joint resolution similar to the one adopted when Colonel Fleming became Administrator of the Wages and Hours Division, to the effect that my total salary should not exceed that fixed by law for the office of Secretary of Commerce.

Sincerely yours,

Jesse H. Jones

The President
The White House
Washington, D. C.

PSF J. Jones

FEDERAL LOAN AGENCY
OFFICE OF THE ADMINISTRATOR

DATE August 23, 1940

Memorandum to the President:

I called Louis Johnson at New York for the purpose of making an appointment to see him.

He did not give me a chance to talk, but asked me abruptly if I was going to accept the Secretaryship of Commerce.

I told him that I was; whereupon, he said he was glad of it, and, without further conversation stated that he would not accept the Under Secretaryship.

This is all that was said in our talk.

J. Jones



file journal

THE SECRETARY OF COMMERCE
WASHINGTON

P. E. J. Jones
Commerce

October 4, 1940

Copy

Dear Senator Glass:

With reference to our talk last night about the appropriation for the construction, improvement and repair of airports, I am advised that the President has never seen the prospectus showing an ultimate of four thousand landing fields and am sure that he does not expect Congress to approve that plan even in principle.

I am convinced, and I believe the President will be, that sufficient landing areas can be constructed with the eighty million dollar allocation and such additional WPA help as may be available. This should provide between two and three hundred landing areas, and this number is undoubtedly needed, or will be, as soon as the delivery of planes and training of pilots get under way.

Sincerely,

Jones

*we got \$40,000,000. cash.
no contract amount.
not more than 250 landing fields
JEJ*

Honorable Carter Glass
Chairman, Appropriations Committee
United States Senate
Washington, D. C.

COPY

175 F 3, Jones

J. Jones
Confidential

EXECUTIVE OFFICE OF THE PRESIDENT
Bureau of the Budget
Washington, D. C.

Mr. Forster:

The word "Secret" was written on these letters in the President's own handwriting at the time he signed them, and they were sent under confidential cover to the addressees.

M. A. Johnston

COPY

PSF J. Jones

THE WHITE HOUSE
WASHINGTON

Oct 10, 1940

My dear Mr. Administrator:

I have allocated to the War Department from the emergency fund for the President provided by the Military Appropriation Act, 1941, approved June 13, 1940, the sum of \$12,000,000 for the purpose of developing or assisting in the development of airfields and other facilities for the defense of the Western Hemisphere. In developing these facilities, it is contemplated that Pan American Airports Corporation, or such other person or corporation as shall do the work, will need loans or advances from time to time as the work proceeds.

It is requested that you arrange for these loans or advances up to but not exceeding \$12,000,000.

I am directing the Secretary of War to repay out of the \$12,000,000 fund allotted to him for this purpose the amount that may be thus loaned or advanced.

Sincerely yours,

(Signed) FRANKLIN D. ROOSEVELT

Honorable Jesse H. Jones,
Administrator,
Federal Loan Agency,
Washington, D. C.

DECLASSIFIED

By Deputy Archivist of the U.S.

By W. J. Stewart Date _____

(original carbon copies of these - Stinson folder - Drawer 1 - 1940)

COPY

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

Oct 10, 1940

My dear Mr. Secretary:

In connection with the \$12,000,000 which has been allotted to the War Department out of the emergency fund for the President provided by the Military Appropriation Act, 1941, approved June 13, 1940, for the purpose of developing and assisting in the development of airfields and other facilities for the defense of the Western Hemisphere, it is requested that you provide in the contract which you will make with Pan American Airports Corporation, or such other person or corporation as shall do the work, for repayment from this fund of loans and advances arranged, with your approval, through the Federal Loan Agency for such purposes.

Sincerely yours,

(Signed) FRANKLIN D. ROOSEVELT

Honorable Henry L. Stimson,
Secretary of War.

DECLASSIFIED
By Deputy Archivist of the U.S.
By W. J. Stewart Date _____

PSF: James Galden
1-41
Commerce

THE WHITE HOUSE
WASHINGTON

May 15, 1941.

MEMORANDUM FOR

HON. JESSE H. JONES

Dear Jesse:-

How can I answer this?

I really think you should do something.

F. D. R.

THE WHITE HOUSE
WASHINGTON

May 5, 1941

*file
personal*

Memorandum For The President:

Lyndon Johnson

I got this information confidentially from Lyndon Johnson over the telephone last night. I seem to be on my pet subject again, but Jesse Jones is letting us all down pretty badly.

I have this suggestion: You could send my memorandum to you to Jesse Jones, saying "How can I answer this?". This would put him right on the spot, and he would have to do something affirmative.

If you do send it, I hope I never need an RFC loan.

JHR

James Rowe, Jr.

COPY

May 5, 1941

MEMORANDUM FOR THE PRESIDENT:

WHERE IS JESSE?

It was my understanding that along with your private undercover support of Lyndon Johnson for Senator, Jesse Jones was going to give him public support, including press and radio help.

Every other department and agency of the Government are cooperating 100% behind Johnson, but nothing has been heard from the Secretary of Commerce.

In fact, the reverse seems to be true. The following has been reported to me from Texas:

(1) Last week Jesse Jones telephoned Governor O'Daniel, according to information from a man who was in the Governor's office at the time, urging O'Daniel to run for the Senate and saying that he could win if he did.

(2) The R. F. C. lawyer for Texas (obviously a personal appointee of Jesse Jones) who is now a General commanding one of the Selective Service camps in Texas, called his officers together, told them O'Daniel should run and directed his officers to urge O'Daniel among the men. This caused quite a row. If this report is true, obviously disciplinary action should be taken by the War Department.

(3) The editor of one of the Secretary's papers publicly says he is for O'Daniel.

All of this adds up to show that not only is Jesse Jones not supporting Lyndon Johnson but that he is doing exactly the opposite.

The only Cabinet member from Texas is Jesse Jones. Johnson's opponents and some of the men from Texas who want a good excuse for not going down the line for Johnson are using Jones' silence as an excuse. They point out if a Cabinet member does not back Johnson publicly, that means the President is not for him and they can do what they please.

Incidentally, O'Daniel's campaign manager today announced his own candidacy for the Senate, which is good news for Lyndon Johnson as indicating O'Daniel will not run. Reports have it that if O'Daniel does not run, Lyndon will probably be his choice.

Everyone in the race except Johnson is strictly anti-New Deal, including O'Daniel, as Jones well knows. Every other Texan in the Administration is supporting Johnson. The question is, whether Jesse Jones is above the Administration, or takes orders like the rest of us. If he is not above the Administration, where is he today?

James Rowe, Jr.

PSF: I. Jones

THE WHITE HOUSE
WASHINGTON

May 23, 1941.

MEMORANDUM FOR

J. H. J.

I sent you a memorandum on
May fifteenth in regard to Texas.
I hope you received it. What is
the answer?

F. D. R.

PSF. Jesse Jones told us

THE WHITE HOUSE
WASHINGTON

May 24, 1941.

MEMORANDUM FOR

J. H. J.

I sent you a memorandum
on April 30, 1941. What is the
answer?

F. D. R.

PS F

Pres Folder



488

THE SECRETARY OF COMMERCE
WASHINGTON

May 27, 1941

Dear Mr. President:

From my contacts and impressions, I am convinced that the great majority of people want you to take a positive position in the present situation. I believe they will follow you in whatever course you outline.

They want to help the British effectively, which means that our materials must get to them. They are greatly disturbed about strikes and threatened strikes that delay our efforts.

I am sure you know this, but feel that I want to pass on to you the impressions I get.

Sincerely,

A handwritten signature, likely of James C. McGowan, is written in dark ink. The signature is stylized, with a large, flowing 'J' and a distinct 'M'.

The President
The White House



*file
personal*

PSF; Jesse Jones Folder

THE SECRETARY OF COMMERCE
WASHINGTON

July 3, 1941.

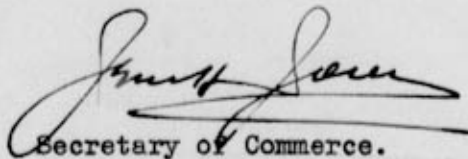
MEMORANDUM for the President:

In accordance with your request of June 16th the National Bureau of Standards has examined the paper used by the FRANKFURTER ZEITUNG in its issue of March 14, 1941 (returned herewith) and reports as follows:

"We find that the newsprint paper of this publication has a very unusual composition. The fibers are 1/3 rag fiber, 1/3 sulphite fiber, and 1/3 fiber from a crop plant, apparently potato tops. According to statements made in news releases, the Germans are using potato tops as a source of paper fiber. The paper contains 35 percent clay filler. This very large amount of filler accounts for the opacity, which is very good considering the thinness of the sheet.

"United States standard newsprint paper is composed of 24 percent or less of sulphite fiber, the balance being groundwood fiber. It contains no filler.

"The newsprint paper of the German publication could readily be duplicated in this country but at greatly increased cost over the standard newsprint paper."


Secretary of Commerce.

H24

THE WHITE HOUSE
WASHINGTON

June 16, 1941.

MEMORANDUM FOR

THE SECRETARY OF COMMERCE x3

This is a clipping from the
Frankfurter Zeitung and shows the
x kind of newsprint now being used
in Germany. #

x144-A

I think it may be of interest
to the Bureau of Standards to study
this because, while very improbable,
we might have to save on the thick-
ness and quality of newsprint our-
selves, and there should be an
investigation of that possibility.

x3-4

F. D. R.

Clipping from the "Frankfurter Zeitung".

x198
x198-A



THE SECRETARY OF COMMERCE
WASHINGTON

file

June 18, 1941.

①

Memorandum for The President.

I have your note of the 16th and shall be glad to have the Bureau of Standards study the quality and properties of the accompanying clipping from the "Frankfurter Zeitung" in anticipation of possible economies in newsprint in this country if necessity therefor should arise.

I will acquaint you with the findings.

John D. Brown
Secretary of Commerce.

Frankfurter Zeitung

Luftpost-Wochenausgabe / Seite 2

Der Botschafter des New Deal.

Winant — der neue Vertreter Roosevelts in London.

MB New York, im März.

ische Botschafter in London, John
den Amerikanern oft mit Abraham
of, eckig, ungeschickt in den Be-
rk ausgeprägten Gesichtszügen und
eine Spezialität ist das Interesse für
Freundschaft zu den Labourleuten
alb gilt er als der größte Gegensatz
en Botschafter, der vor einem Monat
Schlachtschiff den Potomac herauf-
treten, der von vielen Beobachtern

velts befürwortete, da gab der Sohn nicht nach, sondern
brach das Studium ab und wurde Geschichtslehrer an seiner
früheren Schule. Damals zeigte sich sein erstes Interesse für
die sozialen Fragen. Er verbrachte viele Stunden in Stein-
brüchen und unterhielt sich mit Arbeitern. Sein Interesse
war immer stark theoretisch. Die Arbeiter dachten an ihre
täglichen Sorgen, Winant dachte an das Problem „Labour“.
Als er in den zwanziger Jahren in New Hampshire zum
Gouverneur gewählt wurde, führte er, Jahre vor Roosevelt,
in diesem reaktionären Staat ein New Deal ein. Nachdem
Roosevelt an die Macht gekommen war, zog er den Repu-
likaner Winant zu den

PSF; Jones Folder

THE WHITE HOUSE
WASHINGTON

July 25, 1941.

~~CONFIDENTIAL~~

MEMORANDUM FOR JESSE JONES:

I have long felt that it would pay the Federal Government to put all of the Federal offices in and around New York City into one central building.

We all know that the Empire State Building is a losing proposition, but on the other side, it is ideally located for a central Federal Office Building.

I wish you would look into this whole subject, without passing it over to anyone else or speaking to anyone else about it. We can talk it over next week.

F.D.R.

Note in Pres. handwriting: "J. Jones
To put together & justify if possible"
Also typewritten list of number of square ft.
available etc.

Jones Folder
3-42

THE WHITE HOUSE
WASHINGTON

January 13, 1942.

MEMORANDUM FOR

JESSE JONES

What is the answer? I really think we should do something and this is much the best time to buy those Puget Sound Light and Power Company properties.

F.D.R.

Letter from the Secretary of the Interior, 1/9/42, to the President, referring to the President's memorandum of several weeks ago to Jesse Jones, suggesting to him directly what the President had already authorized Mr. Ickes to suggest, namely, that he and I join in a request to the Attorney General to determine whether or not there is power under existing laws for RFC to finance the purchase of the properties of the Puget Sound Light and Power Company. Mr. Ickes states he has heard nothing from Jesse Jones in this matter and wonders if the President has.

PSF: Jones Goldie

THE WHITE HOUSE
WASHINGTON

February 26, 1942.

MEMORANDUM FOR

HON. JESSE H. JONES

How well do you know Kelly, the President of Anaconda? Is there some way in which you can persuade him and the Montana newspapers he controls (practically all in the State) not to fight Jim Murray this year in the Democratic Primaries. Jim Murray is a thoroughly decent soul, whom Wheeler is trying to get, and I cannot see the sense of Kelly going along with a man like Jim O'Connor or Wheeler.

Let me know if you can do something privately.

F. D. R.

Dependent

RECONSTRUCTION FINANCE CORPORATION
ELECTRIC HOME AND FARM AUTHORITY
THE RFC MORTGAGE COMPANY
DISASTER LOAN CORPORATION
FEDERAL NATIONAL MORTGAGE ASSOCIATION

PSF: J. Jones
FEDERAL HOUSING ADMINISTRATION
HOME OWNERS LOAN CORPORATION
FEDERAL HOME LOAN BANK BOARD
FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION
EXPORT-IMPORT BANK OF WASHINGTON

Commerce

FEDERAL LOAN AGENCY WASHINGTON

JESSE H. JONES
FEDERAL LOAN ADMINISTRATOR

y

SPECIAL PARTNERSHIP

Invested Capital - F. D. R.	\$6.00	
Invested Capital - J. H. J.	<u>6.00</u>	
Total Capital		<u>\$12.00</u>
Investment in Bimelech	\$4.00	
Dividend		\$7.60
Investment in Gallahadion	4.00	
Dividend		0.00
Investment Mioland	4.00	
Dividend		<u>13.80</u>
Total Dividends	\$21.40	
Less Expense - 4 hot dogs	<u>.40</u>	<u>\$21.00</u>
Dividend in liquidation to F. D. R.		\$10.50
Dividend in liquidation to J. H. J.		<u>10.50</u>
		<u>\$21.00</u>



THE SECRETARY OF COMMERCE
WASHINGTON

BSF
Jesse Jones
Commerce

March 24, 1943

Dear Mr. President:

Enclosed is copy of a letter I am sending Senator Truman, and which I am releasing to the press.

These aluminum contracts were discussed in the Washington-Merry-Go-Round of March 22nd, and in PM of the same date, copies of which are enclosed.

The information about these contracts could only have been given out by BEW which has copies of our foreign purchase contracts, and it is by no means the first time BEW has fed distorted facts to these scandalmongers in an effort to serve its purpose to smear me.

The PM story apparently caused a heated discussion in the Parliament at Ottawa.

Sincerely yours,

The President
The White House





C O P Y

THE SECRETARY OF COMMERCE
WASHINGTON

March 24, 1943

Dear Senator Truman:

In reply to your inquiry about Metals Reserve Company's purchases of aluminum from Canada, beg to advise that May 2, 1941, at the request of OPM, Metals Reserve Company contracted with the Aluminum Company of Canada for the purchase of 170,000 metric tons (374,680,000 pounds) of aluminum at 17¢ per pound, the then prevailing price of aluminum in this country.

This contract and all subsequent contracts in this program were approved by the President.

In connection with the purchase, the Aluminum Company required an advance of \$25,000,000, which we agreed to make at 2% interest. Such advances are authorized in connection with the purchase of critical and strategic materials under Section 5d of the Reconstruction Finance Corporation Act, as amended, and do not require interest. The interest was computed to equal 0.295¢ per pound of aluminum, and in drawing the contract this was deducted from the price of 17¢. The advance was to be amortized at the rate of 6-2/3¢ per pound of aluminum delivered.

Substantial advances on purchase contracts of critical and strategic materials have been made to China and Russia, and in connection with purchases in some Latin American countries.

May 13, 1941, OPM requested that the initial contract be doubled. This was concluded at the same price. The company asked for an advance of \$25,000,000 against this contract, and a loan for this amount was made to it by the Export-Import Bank at 3% interest.

In negotiating contracts with the Aluminum Company of America to build and operate aluminum plants in the United States for our account, we secured a reduction from Alcoa in the price of aluminum in the United States from 17¢ to 15¢ per pound, thereby saving the government a great many millions of dollars.



After getting the reduced price from Alcoa, we asked the Aluminum Company of Canada to reduce their price from 17¢ to 15¢, notwithstanding we had contracted to pay 17¢. The company was reluctant to reduce the price since they were getting 17¢ from the British and Canadian governments. However, we finally prevailed upon them to reduce the price to 15¢ on 80% of the shipments. To get this reduction in price, we waived the interest on the advances, and made a reduction in the amortization requirements. The reduction from 17¢ to 15¢ saved Metals Reserve Company \$16,000,000, while only \$2,500,000 was waived in interest. This revision of the previous contracts provided for an increase in our purchases of aluminum from Canada to 1,000,000,000 pounds.

February 23, 1942, we were requested by WPB to increase the purchase of Canadian aluminum by an additional 370,000,000 pounds. These purchases were made at the reduced price schedule. The latter contracts also provided for advances against deliveries.

Total loans and advances to date in connection with all purchase contracts aggregate \$69,500,000, and repayments have been \$15,919,477. Total amount of aluminum contracted for is 1,370,000,000 pounds, and deliveries to date have been 368,000,000 pounds.

The contracts made provision for a fixed basis of cancellation on any part of the aluminum that we might determine not to buy.

Metals Reserve Company has had no control over the expenditure of the loans and advances, that is, whether they were to be used for working capital, plant expansion, or otherwise.

Sincerely yours,

(Signed) JESSE H. JONES

Secretary of Commerce

Honorable Harry S. Truman
United States Senate
Washington, D. C.

The Washington *Merry- Go- Round*

—By Drew Pearson

Jones Lends Alcoa Millions Without Interest

ANOTHER of Jesse Jones' interesting banking deals has just leaked out.

This time the genial Jesse has extended his generous bank-roll—on behalf of the United States taxpayer—to the Aluminum Corp. of Canada to build a giant power plant in the wilds of Quebec rivaling Boulder Dam. There it will be beyond United States control, will escape United States taxes, and will increase the control which Alcoa holds in both Canada and the United States.

The Alcoa power project to which Jesse Jones has been so generous is the Shipshaw development on the upper Saguenay River. To build it, the Aluminum Corp. has received from Jesse a loan of \$68,500,000 of United States Government cash. Furthermore, Jesse is charging no interest.

But most interesting of all, he provides that if the plant's contract is canceled before December 31, 1945, the balance of the \$68,500,000 not repaid by the delivery of aluminum will remain in Alcoa's hands and need not be repaid to the United States.

Since everyone hopes the war will be over before the end of 1945, in which case the United States plans to cancel all war orders immediately, the Aluminum Corp. stands ready to get a nice little windfall.

More Money From Jesse

IN ADDITION to this \$68,500,000 advanced without interest, Jesse also has advanced the Aluminum Corp. \$34,240,000 at 3 per cent. In other words, the original \$68,500,000 will just about pay for the cost of the power plant, after which Alcoa can borrow up to \$34,240,000 at 3 per cent to operate it. Thus Alcoa has no expense and absolutely no risk.

While Jesse was helping promote this giant plant in Canada, with its large use of strategic materials, various American public power projects, which could have supplied ample power, were abandoned for lack of strategic materials.

Among them were the Shasta project on the Sacramento River; Grand Coulee units 7, 8 and 9; one new TVA dam; the Colorado-Big Thompson project; and the the Davis Dam on the Colorado River.

Jesse Jones, however, never has been a public power enthusiast, apparently ignoring that his chief in the White House is.

NOTE: For some reason word of the big aluminum power project in Canada has been a closely guarded secret until recently. Actually Jesse signed the contract in the spring of 1942, but his outfit has been very mum about it.

CANADA FINANCES ALUMINUM OUTPUT

Munitions Minister Explains
Operations in the House
of Commons

METAL SOLD IN ADVANCE

Loan by British Government;
None From United States
—Charges Denied

Special to THE NEW YORK TIMES.

OTTAWA, Ont., March 23.—Charges made by Colonel George Drew, Progressive Conservative Leader in the Ontario Legislature, and by a Washington correspondent of a New York newspaper regarding the financing of the Shipshaw power plant of the Aluminum Company of Canada provoked this afternoon a stormy scene in the usually placid Canadian House of Commons and an explanation from C. D. Howe, Munitions Minister, which was finally applauded by a large majority of members.

Mr. Howe gave a direct denial to Colonel Drew's charge that public funds had been spent on the Shipshaw development and to the newspaper charge that it had been financed by American funds. The development, he said, had been built with the corporate funds of the Aluminum Corporation of Canada and all the aluminum produced in Canada was sold at the same price to whoever bought it. The price in Canada to Great Britain, the United States and Australia was exactly the same and any statements to the contrary were "wholly erroneous."

It was Mr. Howe's reference to Colonel Drew's military record that produced the storm. When this had subsided he settled down to give his account of how, by a combination of private enterprise and government support, the aluminum production of Canada had been stepped up to many times its pre-war output and had given the United Nations the airplanes that were bombing and outfighting the enemy into submission.

Growth of Production

Before the war, he said, Canada's aluminum production was 100 million pounds yearly, which was increased to 160 millions in 1935, when war seemed likely, and to 200 millions in 1939. In 1940 the British Government offered to finance a large expansion of the Aluminum Company and lent \$25,000,000, which resulted in an expansion of production to 435 million pounds. The Canadian Government was in no way involved in this transaction.

The United States was at the same time pressing for an increase in aluminum. Power had to be brought to the Saginaw from all quarters, and finally it had to be decided to increase the available power which the Minister said was the cheapest in the Dominion. In view of the importance of aluminum in war, the work had to be rushed and pre-war estimates of costs had in some cases nearly doubled, and the conclusion was reached, Mr. Howe said, "that it would be reasonable to write off 60 per cent of the cost of the project from the earnings of the company in war years. The company would by this arrangement finish the war with a huge power plant, over a million horsepower, for the output of which it would have no immediate market. But it would be relieved for a few years at least of having to write off depreciation."

That, Mr. Howe said, was the story of the Shipshaw development. No money from the United States went into that development, unless it was by private borrowing of the corporation. The transaction was between the Government of Canada and the Aluminum Company of Canada, and it was clearly understood on both sides that no other than these two parties had anything to do with the transaction.

THIS OVERSIZE ITEM HAS BEEN
MICROFILMED IN SECTIONS.

Financing by Sales

Turning then to the question of advance payment for aluminum, Mr. Howe described how by the middle of 1941 the total demands were 1,823,500,000 pounds of aluminum, of which about 80 per cent was for the Metals Reserve Corporation of the United States.

"You can see the difficulty at that point" he continued. "Here was a plant which had been expanded nearly four and a half times from its pre-war size. I took objection to other governments lending money to the company, subject to repayment after the war, sufficient to meet the capital outlay. We have tried to avoid burdens of that kind. What was finally evolved and accepted by the purchasers was that the Aluminum Company would sell a block of aluminum at the current market price totaling the figure I have just given. To manufacture that aluminum meant an investment of \$117,000,000 in manufacturing plants.

"The company did what is common practice in contracts involving the building of new plant. They asked for an advance payment on that purchase. The advance payment for the share of the United States was \$68,500,000.

"Exactly the same terms were offered to the three countries involved in the transaction. In addition, arrangement was made to borrow certain funds at interest from the United States and Great Britain at the same terms."

The money asked for advance payment for the metal, Mr. Howe explained, was not capital. It was revenue. The only money that came in was payment for metal, even though advance payment

advance payment which was subject to taxation under the excess profits tax in the year in which the metal was delivered.

"I may add," Mr. Howe said, "that it has not been our policy to tax products sold to the United States under the Hyde Park agreement or sold to Britain for war purposes. Anything we do for Britain is done tax-free and we have applied for the same principle and policy to the United States."

In reply to a question, he said that 5 or 5½ cents a pound went to write off the value of the assets as the metal was delivered. The price of the metal was fixed and the price had gone down instead of up. The first British contract called for a base price of 20 cents per pound. It was later reduced to 18½ cents. While in the United States the Federal Reserve Bank could dictate the price in the United States, the price in Canada was a matter of negotiation with the government and the price here was exactly the same as in the United States, having regard to the relative value of the two currencies—15 cents in the United States and 16 cents in Canada.

THE NATION

Jesse Jones Finances Plant for Aluminum Trust While Government Bans Public Power Projects

ALCOA Affiliate Gets \$68,500,000 Without Interest to Build Plant in Canada

By I. F. STONE
PM's Bureau

WASHINGTON, Mar. 22.—While construction of new public power projects in this country was being stopped by War Production Board priority orders, the U. S. A. has been quietly financing one of the world's greatest power projects in Quebec and preparing to hand it free of charge to Aluminum, Ltd., of Canada, corporate Siamese twin of the Aluminum Co. of America.

Jesse Jones' agreement with Aluminum, Ltd., hitherto kept secret not only from the public, but from interested officials, turns out to be an even more one-sided horse trade than the agreements he made with the Aluminum Co. of America revelation of which caused a sensation in the Summer of 1941.

The Canadian project, the Shipshaw Power Development on the Saguenay River, rivals Boulder Dam. When completed, it will have cost \$65,900,000. Construction costs Aluminum, Ltd., nothing since the U. S. A. advanced \$68,500,000 to the Canadian company, interest free, under two contracts negotiated by Jones through his Metals Reserve Co. last Spring. The advance is \$2,600,000 more than the cost of the project.

Debt Cancellation Provision

The \$68,500,000 given Aluminum, Ltd., by the U. S. Government is an advance against 1,370,000,000 pounds of aluminum to be delivered by Dec. 31, 1945. Should the war end before that time and the Government decide to cancel the contract, Aluminum, Ltd., will not be accountable for the balance.

Shipshaw, paid for by U. S. Government funds, will give the ALCOA's international aluminum trust its most powerful weapon against our own new publicly owned and financed—but ALCOA-managed—aluminum plants and against the great public power projects which serve those plants.

While the public plants in this country in most cases will have to meet interest and amortization on the bonds issued to finance them, Aluminum, Ltd., will have a cost-

free project, ready to undercut our own Government plants with some of the cheapest power in the world.

Shipshaw also will give the aluminum trust a whip hand in "restoring order" on the world market as soon as the war is over, since the Canadian company will be in position to undersell new European competitors. As a Canadian company outside the jurisdiction of the anti-trust laws of the U. S. A., it also will be free to use this economic power to re-establish and rule the pre-war aluminum cartel.

Higher Lend-Lease Price

Foreshadowing restoration of the cartel is a provision in the contracts which provides that the U. S. Government shall pay 15 cents a pound for aluminum destined for its own use, but 17 cents a pound for Lend-Lease use. Presumably the idea is to preserve the higher fixed price on the world market even in time of war.

While construction has been speeded on this 1,200,000-horsepower project in Quebec, priorities and stop orders have shut down work on new public power projects totalling close to 1,600,000 horsepower in this country, some of them badly needed, especially in the Northwest.

Scarcity of such items as generators was the reason given for stopping the projects in this country, but the Canadian project seems to have found it possible to obtain all it needed from U. S. concerns and from such Canadian subsidiaries of U. S. firms, as Canadian General Electric.

Most important of the public power projects which have suffered while Shipshaw went ahead are TVA, which had to suspend construction on some 650,000 horsepower of additional capacity, and Grand Coulee, which stopped work on three units, 480,000 horsepower of additional capacity.

Farm Development Curtailed

An important factor in the eyes of members of Congress from the Pacific Coast is that the public power projects stopped by priorities not only were to have served the vastly expanded aircraft industry but also were linked with valuable flood control, reclamation, and irrigation projects which had promised to increase the food-producing possibilities of that area. They regard this as a national, rather than a sectional, problem.

An example is curtailment of the Central Valley project in California by priorities. Another is the Colorado-Big Thompson power and irrigation project.

The combination of these power and land projects with new wartime aluminum, electro-chemical, electro-metallurgical and aircraft industries is regarded as offering the hope of a tremendous expansion of production in the West on just such joint basis of public ownership and private enterprise as is envisaged in the National Resources Planning Board's new post-war program.

Representatives of that area also look for-



The Shipshaw hydro-electric development is nearing completion in the wilds of Northern Quebec to supply power for Aluminum, Ltd., of Canada. The Chute a Caron powerhouse and dam are shown.

ward to the time when they can produce aluminum from native clays instead of being dependent on ALCOA's bauxite holdings in Arkansas and the Guianas.

But while the public projects must prove their worth by making both ends meet and paying interest and amortization, they may have to meet competition from aluminum and other light metals produced in Canada with electricity generated by cost-free facilities at Shipshaw. Here the usual argument is reversed. The private project will be "Government subsidized," while the Government projects will have to pay normal interest and amortization charges.

Discrimination in Reverse

Shipshaw thus would become a winning card in two battles—one between public and private ownership, the other between the established private industries and monopolies of the American-Canadian Eastern Seaboard and the new joint public-private enterprises of the West.

In this conflict, the Government's own financing agency, the Reconstruction Finance Corp., is accused of being far friendlier to the great private monopolies than to the Government.

First contracts with Aluminum, Ltd., were signed by Jesse Jones in May and July, 1941. In August, the company was given a down payment of \$50,000,000—half as an advance payment against de-

liveries of aluminum, half as a loan at 3 per cent.

Construction began in October, 1941. On Mar. 6, 1942, and Apr. 1, 1942, two new contracts were signed, which supersede the old ones. The older contracts called for payment of 17 cents a pound for aluminum. The new contracts reduced this to 15 cents—the same price charged by ALCOA in this country—but the old 17-cent price was left in effect on Lend-Lease aluminum. The new contracts called for delivery of a total of 1,370,000,000 pounds by the end of 1945.

In the Summer of 1941, there had been criticism by the Truman Committee of the plan to pay 17 cents for aluminum from Canada while the price in this country had been reduced to 15 cents.

How Arrangement Works

Presumably in return for the price reduction and in consideration of the larger deliveries negotiated, Jones increased the interest-free advance from \$25,000,000 to \$68,500,000. In addition he gave Aluminum, Ltd., the right to borrow \$34,500,000 from the Export-Import Bank at 3 per cent.

This is how the arrangement works: For every pound of aluminum delivered at 15 cents, the Government pays Aluminum, Ltd., 10 cents and credits 5 cents against the \$68,500,000 advance. For every 5 cents so credited, Aluminum, Ltd., may borrow 5 cents at 3 per cent interest from the Export-Import Bank, up to \$34,500,000.

A little pencil-and-paper work will show what a happy financial arrangement this is—for Aluminum, Ltd. The contracts call for delivery of 1,096,000,000 pounds at 15 cents a pound and 274,000,000 pounds at 17 cents a pound and Aluminum will enjoy a large income long before the Government advance is repaid.

Votes for 18-Year-Olds

PM's Bureau

WASHINGTON, Mar. 22.—Thirty-four States will be represented at a meeting to be held here soon to organize a National Committee of Votes for Youth. It will direct a nation-wide campaign planned by Harold Moskowitz, president of the Affiliated Young Democrats of New York, to get the voting age lowered from 21 to 18.



Jesse Jones

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NRPB Foresees Free Schools for All

Post-War Plan Would
Give Children Equal Access to
Grade and High Schools

By VOLTA TORREY

FM's Bureau

WASHINGTON, Mar. 22.—The World of Tomorrow that is envisaged by the National Resources Planning Board (NRPB) will have no forgotten child.

He is the child who does not go to school now, the child who is cheated by circumstances. Giving every such youngster a chance, and improving as well as expending America's school systems, will more than double the cost of public education. But a world in which everyone who works will be able to afford it.

The NRPB has recommended that all children be given equal access to grade and high schools, and that additional specialized education be made available according to young people's abilities.

The Facts

The statistics behind those simple suggestions are startling. The NRPB report reveals:

PRE-SCHOOLS: Nurseries and kindergartens can help most children between 3 and 5 years old. In 1940, about 650,000 children received such help. The enrollment should have totalled 2,500,000.

GRADE SCHOOLS: In 1940, about 750,000 children of elementary-school age were not in school. With few exceptions, all the 18,000,000 children of that age should have been in school.

HIGH SCHOOLS: Nine-tenths of the children of high-school age should be in high school and eight-tenths of them should finish high school. In 1940, American high schools had about 7,000,000 pupils. They should have had 1,700,000 more.

JUNIOR COLLEGES: Four-tenths of the young people of junior-college age should continue their education beyond high school. In 1940, about 870,000 were in freshman and sophomore classes at college or in technical schools. That number should be increased 130 per cent.

UNIVERSITIES: In 1940, about 687,000 students were beyond the second year of college work. The best interests of society require that enrollment in such advanced classes be increased about 25 per cent.

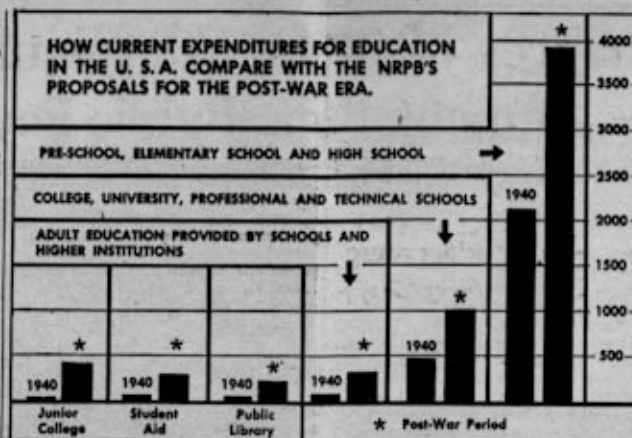
Poverty Shares Blame

Poverty is what keeps many children out of school. For those under 15 or 16 years old, this handicap should be removed where necessary by family allowances through social agencies. For older boys and girls, there should be scholarships, loans and jobs.

"Fewer than half of the Nation's youth who are able to do acceptable college work now continue their education beyond high school," the NRPB has found. "In the post-war period no youth should be barred by economic circumstances from carrying his education as far as he profitably can."

The postwar planners maintain, too, that the schools must provide more care for children whose mothers work, for those from broken homes, for those who don't get enough to eat at home, and for those with physical handicaps.

In many districts, the NRPB suggests, the school day and the school term should be lengthened. It recommends specifically that children be sent to camps under school auspices because it finds that most children



Figures are in millions of dollars. Post-war estimates are based on 1940 purchasing power.

who need the experience of camp life are not getting it now despite the efforts of the Boy Scouts, the YMCA, the YWCA, and other such organizations.

Adult Services Too

More adequate educational services for all adults are recommended, too. Particular attention is directed to public libraries. Although a reasonably good library costs only \$1.50 per capita, 35,000,000 Americans who live in rural regions now have no adequate public libraries.

Emphasis also is placed on the necessity of pre-employment training or retraining for several million men when they are released from the armed services after the war. This program will have to be diversified for the training of war workers, and special provisions will be necessary for those who are disabled.

Where is the money for all this going to come from?

"During the years immediately following the war," says the NRPB, "it does not appear probable that the total revenue available for education from state and local sources can be greatly increased. . . . It also appears improbable that any great increase will occur in the governmental funds available for education. It is therefore evident that most of the increase in expenditures for education in the postwar period must be financed almost if not entirely by Federal funds."

Discrepancies Among States

The report recommends that the wealthier districts be required to help the poorer districts, in order to equalize educational opportunities.

"Measured in terms of the number of children to be educated and the ability to raise school revenue, some states are six or seven times as able as others to support education. Within the states the discrepancies among the school districts are even greater. . . ."

"Most state plans for equalization should be revised to distribute state funds more nearly on the basis of need. The only agency that can remedy the inequality among the states in the tax burden for education is the Federal Government. It should accept this role."

NEXT: Recreation in the Post-War World

Farm Lobbyist Hit By Farmers Union

FM's Bureau

WASHINGTON, Mar. 22.—The current issue of the *National Union Farmer*, official publication of the National Farmers Union, charges "John L. Lewis, Ed O'Neal and Tory big business" with threatening "to launch the Nation on a perilous economic course."

The editorial declares that Lewis believes in "the principle of the 'boss' running the show with his own men, just as Hitler runs Germany with his own Storm Troopers." It says he runs the United Mine Workers in that fashion.

It accuses Lewis and O'Neal, the president of the American Farm Bureau Federation, of fighting on a common front "to break down the Nation's price structure."

"The 'cost of production' theory was used to wipe out small farmers in Germany just as it could wipe them out in America," the editorial continues. "Suppose our government guaranteed cost of production to all farmers. . . . The large farmers, who exploit labor, provide squalid housing and force relief agencies to support their seasonal labor, would come out 'top dog.'"

"The National Farmers Union has, consequently directed itself toward the real goal—the security of the farm family on the land in an economy of abundance brought about by a free interchange of goods and services."

Waverly Root:

State Dept. Prejudiced Against De Gaullists

Waverly Root (WINS) said over the week-end that the primary objective of the State Dept. "is not to get ships or sailors on our side but to get rid of the Fighting French." Root said:

"Having this blind and obstinate prejudice against the Fighting French, the State Dept. has been unable to draw the obvious conclusion from the fact that all the deserters are from Giraud to De Gaulle, and none from De Gaulle to Giraud, that it is attempting to impose an unwanted man on the French. . . . Politically, the State Dept. is trying to repeal the law of gravity."

GOP Freshmen OK Peace Plan

26 Republicans in House
Indorse 'Win the Peace' proposal

FM's Bureau

WASHINGTON, Mar. 22.—Twenty-six Republican freshmen in the House have signed a statement indorsing the "win the peace" resolution introduced last week by Sens. Joseph H. Ball (R., Minn.), Harold H. Burton (R., O.), Lister Hill (D., Ala.) and Carl A. Hatch (D., N. M.).

The President signified Friday that he had no objections to the broad principles of the resolution, which calls for immediate collaboration of the United Nations to work out a limited set of rules to minimize the possibility of future wars and create an international force to back up the rules.

That House Republicans are not unanimous in their indorsement is shown by the latest issue of the *Congressional Record*, which contains an article placed there by Rep. Roy Woodruff (R., Mich.).

This article, written by John T. Flynn, economist and former America Firster, describes the proposal as an attempt "to hurry America into commitment" while our people are in "a state of high emotional voltage."

Said the junior Republicans' statement: "The only sure way to keep the United States out of future wars is not to have future wars. Our Nation alone cannot prevent wars. The world can progress toward permanent stability and peace only through the collaboration of its component peoples."

Among the signers are Reps. Winifred Stanley, of New York; Clare Luce, Ranulf Compton and John D. McWilliams, of Connecticut; James C. Auchincloss and Harry L. Towse, of New Jersey; Daniel Ellison, of Maryland; Walter J. Judd, of Minnesota; Harry P. Jeffery, of Ohio, and Alvin E. O'Konski, of Wisconsin.

Sens. Ball, Burton, Hill and Hatch revealed, meanwhile, that they have been getting from 10 to 15 times as many letters in favor of their resolution as against it.

Profits Seen as Bar To Labor Draft

FM's Bureau

WASHINGTON, Mar. 22.—Sen. Lister Hill (D., Ala.), a supporter of universal service legislation, said today that big war profits are the obstacle to enactment of a compulsory draft bill.

Hill, a member of the Senate Military Affairs Committee now considering the Austin-Wadsworth labor draft bill, recognized labor's objections to the measure.

Hill said when workers are drafted into the Army they know they are working for the Government, but if they were drafted to work in an industry "they feel they would be made to work to help make a profit" for some company.

While he recognized the situation, Hill said there was nothing his Committee could do about it, because tax legislation is handled by other Congressional committees.

Hill conceded that labor draft laws were working in other countries, but said:

"There are two main reasons why it has worked so well in England. First, England is a battle front, with the war brought closer by bombings; and, second, under the British tax system practically no one in England is making any war profits."

PSF Jesse Jones folder
Commence file
per April 2-43

THE WHITE HOUSE
WASHINGTON

April 19, 1943.

MEMORANDUM FOR

HON. JESSE H. JONES

Please let me have a copy
of the Shawsaw Dam contract
with the Aluminum Company.
Honestly I do not remember
specifically approving the
contract -- but I may be
wrong.

F. D. R.



THE SECRETARY OF THE INTERIOR
WASHINGTON

April 13, 1943.

ESPECIALLY PRIVATE

My dear Mr. President:

I note that Jesse Jones has said in a letter to Senator Truman, with reference to the Shapsaw Dam that has been built by the Aluminum interests in Quebec, that the original Aluminum Company contract and "all such contracts in this program were approved by the President."

Personally, I doubt this because I know from personal experience that Jesse doesn't like to show his contracts to anyone. Moreover, I do not believe that you would "O.K." in an off-hand manner a formal written contract submitted to you. You would, naturally, refer it to the Department of Justice or to some lawyer in whom you have confidence.

But I am not so certain that you have not "O.K.'d" a written memorandum that Jesse could flash as a pretended approval by you of a form of contract. Such a memorandum, if it exists, would probably be in general and not too clear terms. It might recite, for instance, how much aluminum was to be contracted for and its price -- perhaps even the delivery dates of the aluminum. I am certain that it would not show the explicit terms of this contract under which it became possible for the Aluminum Company to build this great plant, in the Province of Quebec, with funds advanced by this Government, without interest and containing a forfeiture clause under which, in certain circumstances, a large sum may be forfeited to the Aluminum Company without any benefit having been received by this country.

I beg of you Mr. President, not to sign any letter, contract, or memorandum even, without submitting it to some trusted person for scrutiny, and a report. After all, we must remember that the history of this era is still to be written. We won't want anything in the record that would cause a lifting of eye-brows. We must remember that this Congress is only beginning to investigate matters connected with the war. These investigations are likely to continue for many years under more critical and even Republican Congresses when there may be in the White House a President who will not be interested in protecting your record.

Sincerely yours,

Secretary of the Interior.

The President,
The White House.



~~#~~ Jesse Jones
Lt. Col. MP *en*

BOARD OF ECONOMIC WARFARE
OFFICE OF EXECUTIVE DIRECTOR
WASHINGTON, D. C.

March 31, 1943

RECEIVED
MAR 31 3 52 PM '43
WHITE HOUSE

The President,

The White House. *Miss Turner*

Dear Mr. President:

Thank you for sending me Mr. Jones' letter of March 24th. His assumptions are quite without foundation. After careful checking, I am sure that no one in BEW gave Drew Pearson, PM, or any other outsider any information on this aluminum matter either directly or indirectly.

As the war goes on, it is inevitable that more instances of this sort will receive public attention. For example, I should like to mention the Nicaro Nickel case. This is a recent instance in which BEW stopped a very loose handling of government funds by the Defense Plant Corporation. The situation is covered by the Vice President's letter of February 8th to Mr. Jones, a copy of which is enclosed.

BEW has had the enthusiastic support of the Army, Navy and WPB in cleaning up this situation. Several people,

both within government and outside government, know the facts, however. We have cautioned our people to "keep their traps shut and saw wood", but there are many sources from which such a story could come to light.

In the future, therefore, we shall very much appreciate it if Mr. Jones will furnish us with any concrete and specific evidence he may have regarding any possible impropriety on the part of any of our employees rather than taking "pot-shots in the dark". This is the policy we have followed in dealing with similar cases with the RFC Corporations where the situation has been reversed.

Only last week, for example, we brought to Mr. Clayton's attention certain statements which our Brazilian representative informed us were directly traceable to Warren Pierson, President of the Export-Import Bank, who was then in Brazil. It may well be that these statements, attributable to Mr. Pierson, were the foundation for certain untrue and unfair stories in the New York Times, date lined at Rio. Mr. Clayton was very decent about this and he knows that he can count on equally decent consideration of such matters by members of our staff.

Because of the large amount of secret work we are doing for the Army and Navy, we have the most stringent regu-

lations within BEW to protect the security of information available to us. Any specific facts Mr. Jones can give us in the future that will help us to protect the integrity of this system will be very much welcomed.

Respectfully yours,

Milo Perlman

Executive Director

Enclosures

BOARD OF ECONOMIC WARFARE

WASHINGTON, D. C.

C
O
P
Y

OFFICE OF THE CHAIRMAN

February 8, 1943

The Honorable
The Secretary of Commerce

Dear Mr. Secretary:

I want to call to your attention several very serious developments in the Nicaro Nickel situation which would seem to call for immediate investigation and action. Some of these raise the question of the desirability of continuing with this project at the present time, in view of doubts as to the feasibility of the metallurgical process involved and the requirements within our own country of strategic war materials which are being used in the construction of this plant. Others involve the adequacy of management and supervision controls established for this project by Defense Plant Corporation. Still others point to practices, chiefly on the part of Nicaro officials, so unusual as to suggest the desirability of independent investigation by the Department of Justice.

This project, as you know, calls for the construction of mining and milling facilities for the production of nickel oxide in Cuba, the oxide to be transported to the United States for refining. The contract was entered into by Defense Plant Corporation and Nicaro Nickel Company and Freeport Sulphur Company on March 12, 1942, prior to Executive Order 9128, and therefore without prior consultation with or clearance by the Board of Economic Warfare. The contract provided that Defense Plant should not be required to expend more than \$19,300,000. The estimates, approved by Defense Plant, contemplated that the plant would be completed within twelve months.

Nine months later, Defense Plant advised the Board of Economic Warfare for the first time that the plant could not be completed for the original contract figure of \$19,300,000 and that an additional \$10,000,000 would be necessary. It appears now that construction will probably be completed in November instead of in March, as originally contemplated.

The proposal for increasing expenditures by \$10,000,000 was submitted to the Board on December 14th in a letter from John W. Snyder of Defense Plant, enclosing a copy of a proposed supplementary agreement. The original of the agreement had previously been sent to Nicaro and Freeport Sulphur, without consultation with the Board, and had been executed by these companies on December 5, 1942.

Mr. Snyder's letter did not include any detailed explanation of the need for additional expenditures and no report was given to us as to the present justification for carrying on the delayed construction in the light of our urgent need for critical materials for use within the United States. Accordingly, we advised Mr. Snyder that we could not assume the responsibility of approving the completion of this project without further information. Pending such investigation, Defense Plant was authorized to continue making advances so as to permit Nicaro to go ahead with its construction operations for the time being.

The preliminary investigation which we have been making, in collaboration with representatives of the Defense Plant Corporation, indicates three major points which call for immediate action:

1. The matter of first importance, of course, is to reexamine the soundness of the decision to proceed with this project in the light of developments since last March. It does not appear that Defense Plant Corporation has given any technical consideration to the feasibility of the process since the original contracts were executed.

On this point, the following facts have come to our attention in the course of our investigation:

- (a) At a conference on February 5, Mr. Leith of the War Production Board stated that he was not at all satisfied with the feasibility of the metallurgical process involved in the Nicaro project; that the process had only been tried in a small pilot plant, and metallurgical experience indicates that it may not work out in as large an operation as that involved at Nicaro. As you probably know, the War Production Board approval of the \$10,000,000 increase has recently been withdrawn.

(b) Our engineers find that the trade in general concurs in Mr. Leith's skepticism. The Nicaro project seems to be widely known in the trade as "the \$20,000,000 pilot plant".

(c) There have as yet been no final arrangements made for the refining in this country of the oxide produced at Nicaro and there is apparently considerable doubt as to whether satisfactory use of this oxide can and will be made.

(d) Army and Navy representatives advise us informally that Nicaro nickel will not be in actual battlefield use before 1945.

We hope to be in a position by March 1 to make a report which will serve as a basis for determining what, if any, modifications should be made in the plans for going ahead with this project.

2. There is next the point of the adequacy of management and supervisory control of these operations by Defense Plant Corporation. When our investigators tried to obtain some explanation for the \$10,000,000 revision in the cost of the project, they found an almost complete lack of independent accounting procedures and disbursement controls. The following are suggestive of the way in which expenditures on this project appear to have been handled:

(a) It has apparently been the Defense Plant practice to accept the Nicaro engineers' reports as final. I understand that the Defense Plant accountant in the New York office submits a semi-monthly report on the Nicaro project which is signed by him, but which is prepared entirely by Nicaro and is not checked independently by the accountant.

(b) I am further informed that it has been the practice of the Defense Plant officials in New York, whenever the Nicaro representatives presented requisitions for expenditures not included in the original schedules, not to reject them but simply to insist that a revised page be inserted in the proper schedule. This substitution would include a description of the new item added but no statement of justification for the change.

(c) At the February 5 conference referred to above, Mr. Repass of Defense Plant Corporation stated that "Defense Plant does not have the engineers to manage these jobs insofar as their technical features are concerned". Mr. Leith added that "Defense

Plant is simply not in a position to check up on a project of this kind and must accept the reports of the Nicaro engineers as final."

(d) Illustrative of the lack of engineering or accounting supervision is the manner in which the \$10,000,000 increase was approved by Defense Plant. The Nicaro request for the \$10,000,000 increase, when it was presented to Defense Plant Corporation in November, was apparently supported by a statement broken down into only five general items, with but a single sentence explanation of the reasons for the tremendous increases involved. The \$10,000,000 increase appears to have been approved without any detailed information as to the items for which the additional money was needed. The only justification received by Defense Plant officials in Washington was apparently a one-page statement broken down into the following five items: Labor - \$2,387,026 increase; Materials and Construction Equipment - \$4,769,156 increase; Freight - \$2,193,861 increase; Engineering Overhead - \$1,375,851 increase; Contingencies - \$725,894 decrease. There were single sentence explanations following each item. Each of these items has subsequently been substantially revised.

3. The following irregularities appear to call for a further and different type of investigation:

(a) Two days after the BEW investigation began, Mr. George Wentworth, the Defense Plant representative in New York charged with responsibility for approving all Nicaro requisitions, was discharged. Inquiring as to the reasons for such discharge, our investigators were advised it was because of "drunkenness". The dismissal of Mr. Wentworth was followed within a few days by the resignation of the two secretaries assigned to assist him. Our investigators were advised further that Mr. McQuillan, in general charge of the New York Defense Plant office, is entertained extensively by some of the Nicaro officials.

(b) It appears that there are included as construction costs on the Nicaro project and paid by Nicaro the salaries of 19 clerical and stenographic employees of Defense Plant; that Nicaro also pays for Defense Plant stationery, rental, postage and telephone service; that Nicaro pays the entire rent for the offices of Mr. John McQuillan at 39 Broadway, although McQuillan performs services of projects other than the Nicaro project. No explanation has been made as to why this method was adopted for the handling of Defense Plant administrative overhead.

(c) The revised estimates submitted by Nicaro have proven inaccurate and unreliable. At least three different estimates have been submitted and although they all add up to the same total, the breakdown has been different each time.

In one of the summary statements justifying the increase which was submitted to our people, there was a "Freight" item of \$3,171,380. On January 7, 1943, our engineers asked the Nicaro people about this estimate. They were shown certain calculations supporting this figure. A duplication of a \$185,000 item was discovered in these calculations. In the revised estimate breakdown submitted on January 18, the freight figure had been reduced to \$2,671,380, that is by an even \$500,000. This \$500,000 had been distributed, however, among the other schedules in the revised estimate, so that the total remained at \$10,000,000.

The revised estimate is broken down into seven schedules. The first six cover the various parts of the project (e.g., mining plant, docks, metallurgical plant, townsite, etc.). These schedules appear to include items of construction expense. All of them show the revised estimate as at least 250 percent more than actual costs to date. The seventh schedule is entitled "Construction Expense". The revised estimate is \$2,608,315, as against an original estimate of \$238,000. The revised estimate for this schedule is to the exact dollar the same as actual cost to date. One item in this schedule, covering "Auxiliary and Service Equipment" was \$90,400 in the original estimate; but \$1,167,082 was actually spent to December 31, 1942, and the revised estimate is in this exact amount.

The revised estimate includes one item which, when inquiries were made with respect to it by a Board of Economic Warfare engineer, was stated to have been, as a result of inadvertence, overestimated by \$50,000.

The revised estimate includes \$52,254 for an airplane. This plane, purchased by Nicaro, was never used on this project but was, several months ago, requisitioned by Defense Supplies Corporation for reconnaissance flights in connection with searches for strategic materials in Brazil and other Latin American countries. Yet it is still carried as an item of estimated cost on the Nicaro project.

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(d) The total payroll on this project is now running at between \$700,000 and \$800,000 per month. Included in this total are salaries and wages not only for the more than 5,000 employees of Frederick Snare Corporation (the Company doing the actual construction work), but also for several hundred Nicaro employees and executives and a number of Freeport Sulphur Company top officials. There is evidence, unsubstantiated, of salaries as high as \$12,000 being paid employees who are doing work for which they had no previous experience before the date of their employment by Nicaro.

(e) A number of rental and purchase contracts have been made between Nicaro and Frederick Snare Corporation. Such contracts are undoubtedly called for in this situation, but several of those referred to appear to represent substantial departures from the original plans.

(f) All or part of the designing work on the project was originally subcontracted by Nicaro to Ford, Bacon and Davis. This contract was subsequently terminated before completion of this work but not until after expenses and fees totaling over \$100,000 had accumulated.

It may perhaps be that these last items can all be satisfactorily explained and that they are simply the result of a failure by Defense Plant to prescribe orderly accounting methods. It is my feeling, however, that we cannot be sure of this without having the entire matter checked into independently.

I am suggesting, therefore, that this matter be referred to the War Frauds Unit of the Department of Justice. Irrespective of whether or not any legal proceedings might appear to be called for, such an investigation would furnish us with a basis for determining, if the project is to be continued, whether its operation should be placed in different hands.

Please advise me at your earliest opportunity as to whether you desire to join with me in this proposed handling of this situation.

Sincerely yours,

H. A. Wallace