

PSF Subject File: War Production Board: Nelson, Donald

Retired

statements, and other similar statements in the letter and report, taken together, reveal two fundamental misconceptions. They misconceive the nature of the "materials problem"; and they misconceive the relationship of strategy to production.

First. The letter and the report seem to proceed on the assumption that the management of "raw and basic industrial materials" can be ripped out of the process of managing production, segregated and handled separately. This overlooks the simple fact that the management of materials is one phase of the process of guiding production. The materials problem, the facilities problem, the management problem, the labor problem, all are inextricably intertwined. As a matter of fact, most of the acute "material shortages" are not shortages in raw materials, but in processed materials with respect to which the limiting factor is the amount of facilities. For instance, the limiting factor in aircraft production today is aluminum forgings; and increasing the supply of aluminum forgings depends not on finding more aluminum, but on tools and dies and labor in the forging shops. Similarly, the limiting factor in shipbuilding at this time is steel plate; and the supply of plate is limited not by the availability of steel but by the availability of rolling facilities.

The report seeks to draw a parallel between the work of the Munitions Assignment Board and the work of a proposed Combined Resources Board which would occupy a corresponding position in the structure of the Combined Chiefs of Staff. In all candor, I must say that the attempted parallel seems to me to miss the point. The work of the so-called Combined Resources Board must be an integral part of the whole vast process of production, and must be subject to the direction of those charged with ultimate responsibility for production. The munitions assignment operation, on the other hand, is essentially a scheduling operation, dealing with specific completed military and products, and based upon military needs as of the time of the assignment.

Second. As I have said, I fully agree that strategy and production must be mutually coordinated. But it is strategy and production goals which must be correlated, not strategy and the apportionment of raw and basic industrial materials. The concepts of strategy govern, not the use of resources, but the determination of the production program. When the program has been determined, responsibility for utilizing all resources--raw materials, basic industrial materials, machine tools, fabricating machinery, plants, management and labor--to achieve this program rests not with the Chiefs of Staff, but with the chiefs of production. The President of the United States has placed upon the Chairman of the War Production Board the duty of exercising direction over the entire war procurement and production program.

in many Chinese industries also made it necessary that China's government banks reduce interest rates for war production to a point where management would once more find it possible to borrow capital and borrow it quickly. With the approval of the Generalissimo I put the issue before the newly appointed Minister of Finance and participated in negotiations among the Chinese War Production Board, the Ministry of Finance, and the four government banks. The bankers agreed to reduce interest rates on loans for war production purposes to 20% per annum, or less than half the previous customary rate. The time necessary to negotiate a loan has been reduced from four or five months to a few days. Complicated red tape in granting and servicing loans has been sharply cut.

5. Additional transportation facilities have been allocated to China. On October 19, after my return to the United States from my first visit to China, I recommended and you approved the production of 10,000 additional trucks for China, now scheduled

for production in 1945. At the same time you approved my negotiating with General Arnold for 30 C-46 cargo planes for use of the Chinese National Aviation Company; and General Arnold agreed to this proposal, deliveries to begin in January or February, 1945.

6. Shifts were made in the Chinese Cabinet with a view to strengthening the war effort. On November 27, the Generalissimo announced a number of important cabinet changes, in which new ministers were appointed for War, Finance, Education, and Information. While these changes by no means mark a new era in the government, yet they certainly represent a step toward a more aggressive war policy. Following on the heels of the cabinet reorganization, and closely related to it, came important changes in the Chinese system of military supply and far closer cooperation between the Chinese and American High Command. Conversations between the National Government and Communist leaders looking toward war co-operation were also benefited.

7. Moves have been made to bolster Chinese civilian morale. The establishment of the Chinese War Production Board and the arrival of the technical mission had an immediate effect on the morale of the Chinese civilian. These were the first constructive economic achievements which the country had seen for a long while. During November, I discussed the morale problem with the Generalissimo, and he stated that he would personally assume responsibility for strengthening morale. With the same purpose, I accepted an invitation to address the Praesidium and Resident Members of the People's Political Council in Chungking-- China's nearest approach to a representative legislative body. Taking the need for co-operation within China as my theme, I also talked before the China-American Institute of Cultural Relations, as well as to leaders of Chinese industry and finance. Before I left Chungking, I attended a joint meeting of the Chinese War Production Board, the Ministry of Information, and the American OWI, to discuss the possibility of reaching

Chinese workers with inspirational and educational material. A cabled report from Chungking states that such material is beginning to be actively used in factories.

Results

The Kweiyang-Kungming-Chungking triangle, with its great agricultural wealth, and the possibility of driving the Americans out of China, may prove an irresistible temptation to the Japanese. Apparently, they have men and supplies available, should they decide on another offensive aimed at Kweiyang. In that event, the crisis would arise again. The morale of the Chinese armies in Kweichow, even as now reinforced, is still a doubtful factor. Fortunately, the recent close cooperation between the Chinese and American military may make a profound difference in the near future. On the whole, time is now working for the Chinese--a new development.

In addition to the improvement in the military situation, we can look for far-reaching gains on the economic front, as a result of action taken this autumn in China. The 1945 schedule of the Chinese WPB for production of entrenching tools and trench mortar shells is double the program previously prepared by China's Ordnance Department, and increased production rates will be felt within the next few weeks on the fighting fronts of China. Alcohol schedules are similarly double rates planned prior to the arrival of

our mission. By spring of 1945, I expect the rate of China's total war production should be at least double the November rate.

The expected opening of the Ledo-Burma road in February for one-way traffic, and the opening of the Calcutta-Kunming pipeline--which will be the longest in the world--will greatly strengthen the supply situation. The Ledo-Burma road should carry about 30,000 tons, and the pipeline should deliver some 17,000 tons per month when they are operating smoothly. In November ATC and CHAC flew over the Hump 37,000 tons of cargo--a record figure. Indications are that next summer we should be getting into Kunming around 75,000 tons per month of cargo from all sources. This compares with 25,000 tons in September, 1944.

Increased and coordinated production, plus improved transportation will make itself felt in an accession of strength to the entire Chinese economy. Better distribution of regional and local production, and less scarcity of manufactured products will be forces operating to check the inflation. Over a period of time, technological improvement in an expanding economy will mean greater productivity of industrial workers, higher real wage levels, larger purchasing power and tax returns, and more government funds with which to tackle urgent problems such as increasing per capita agricultural output in China.

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Commerce Dept. Letter, 11-16-72
By RHP, Date MAR 28 1973

The feeling that China's economy is being strengthened and that the country's productive ability is growing will do more than any amount of propaganda to raise the morale of the Chinese people and hearten them for a sustained and intensified war effort. Growing confidence in the national future will make for greater governmental effectiveness and stability, as will experience gained in war production planning, which is teaching the advantages and techniques of cooperation.

The government should also benefit from its closer relations with industry. At the same time, the heightened status of Chinese industry under the War Production Board will tend to exert a liberalizing influence. Under that influence, there is more likelihood that moderate elements in the Kuomintang will continue to gain power, adding to the chances of genuine cooperation between the national government and the Communists. Such cooperation, if attainable, will be of historical importance both in speeding the progress of the war and in strengthening the bases of the peace.

The success of China's venture in planned war production, if properly followed up through American government and business channels, will make for close postwar economic relations between China and the United States. China has the capacity and the desire to develop herself industrially with American aid. If that aid is realistically planned, and if

financial arrangements are put on a sound business basis, China should soon after the war begin to replace Japan as the leading industrial nation of the Orient. In that event, a market of enormous size should progressively open up for American export industries. I believe, too, that with American guidance, China's development can be turned into peaceful and democratic channels, eliminating much of the fear of war which has for so long shaped political attitudes in the Orient and South Pacific.

Recommendations

The creative work in aiding China to organize her economy effectively for war is virtually completed. From this time forward, our job will be to sustain and advise the Chinese War Production Board on a day to day basis. Arrangements have been made to this end, and continuous reports will keep me in close touch with the situation. With a view to creating the most favorable background for my deputies in China, I have tentatively accepted, subject to your approval, an invitation from the Generalissimo to become High Economic Advisor to the Chinese Government.

After leaving China on December 4, I stopped at Pearl Harbor to acquaint Admiral Nimitz with the existing Chinese situation. In the course of our conversation, I found that the information which had reached the Admiral

through usual channels did not accord with the facts as General Hurley and I had learned them. Accordingly, I suggested to Admiral Nimitz that arrangements be made with General Hurley to transmit to him and to General MacArthur regular reports on the Chinese situation, as viewed by General Hurley and General Wedemeyer.

In the same conversation with Admiral Nimitz, we discussed the importance of Chinese waterways for military transport, especially in the event of a coastal invasion of China. Proper use of the waterways for war purposes would undoubtedly require special river boats and equipment, and the Admiral was deeply interested in this aspect of the matter.

If the Chinese war effort progresses well, I believe that the spring of 1945 would be a good time to begin work on a postwar program of Chinese-American economic cooperation. I recommend that at that time, the military situation permitting, a seven-man American mission be appointed to go to China to work with the Chinese Government in planning the progressive expansion of Chinese-American trade on a realistic business basis. In my judgment, this Commission should comprise business men of wide experience, high standing, and awareness of America's stake in expanding foreign trade. To obtain the kind of aid implicit in such a mission, the Chinese government, I feel sure, would make strenuous efforts to meet all pre-requisite conditions.

In the interest of healthy diplomatic relations, I believe it would be advisable to keep the governments of Russia, Great Britain, Australia, and New Zealand informed of the measures we have taken and may hereafter take, in aiding China to develop her economy. During my return trip from China, I stopped at Canberra and at Wellington to talk with members of the Australian and New Zealand governments both on the Chinese situation, and on postwar trade problems. Together with Mr. Nelson Johnson, your Minister to Australia, I also visited Prime Minister Curtin at Melbourne, where he is convalescing in a hospital from a recent serious illness, and discussed with him the American and Australian positions in postwar foreign trade.

I found the views of Prime Minister Curtin and of Dr. Evatt, the Australian Minister for External Affairs, particularly satisfying from an American standpoint. Prime Minister Fraser of New Zealand and Mr. Nash, the Minister of Finance, were also sympathetic to the expansionist viewpoint on foreign trade. I believe that both governments felt pleased at having been given direct information on developments in China; and they show keen interest in the considerably enlarged potentialities of postwar trade between their countries and the United States.

[REDACTED] - 19 - [REDACTED]

As reports reach me on the progress of Chinese war production, I shall, of course, keep you informed of salient points.

Respectfully,

Donald M. Nelson

The President

The White House

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Commerce Dept. Letter, 11-14-72
By BHP, Bels MAR 28 1973

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The battle of production is the primary responsibility of the Chairman of the War Production Board in much the same sense that the military battles are the primary responsibility of the military chiefs.

As the report recognizes, the reciprocal adjustment of strategy and production, to be effective, implies the integration of the American and British production programs, just as it implies the integration of American and British strategic decisions. I have been discussing the need for such an integration of production programs with Mr. Hopkins for some time. By a letter dated April 22 to the Chairman of the British Supply Council in North America (copies of which were sent to the Secretary of War and the Secretary of the Navy), I arranged for the preliminary phases of the work. I have recently asked Mr. Lyttleton, the British production chief, to come to America to carry the work forward with me, with particular emphasis upon 1942 and the early part of 1943, in order that the combined production program, together with a statement of adjustments therein required by production factors, may then be placed before the Combined Chiefs of Staff for final determination in the light of strategic decisions. Mr. Lyttleton has agreed to come.

The Combined Chiefs of Staff cannot determine their plans without a picture of the current facts and the future practical possibilities of production. The Chiefs of production cannot achieve the best possible results without accurate and up-to-date knowledge of the material requirements of the Services. It is only through close and continuous relations between the Combined Chiefs of Staff and those charged with ultimate responsibility for production that we can bring about a situation in which equipment will be ready for military action--in the right amount, of the right kind, in proper balance, and at the right time.

Sincerely yours,

Donald M. Nelson
Chairman
War Production Board

Enclosure

PSF: WPB: *D. Nelson Folder*

THE WHITE HOUSE
WASHINGTON


June 8, 1942.

MEMORANDUM FOR

HON. DONALD M. NELSON

On further investigation I very much doubt the wisdom of appointing Peter Nehemkis at the head of the Smaller War Plants Corporation. There are two men you might look over -- one is Paul Appleby of the Department of Agriculture, who is an excellent administrator; the other is Murray Lattimer, the Chairman of the Railroad Retirement Board, and also a very able administrator.

F. D. R.

Department of Justice

Office of the Assistant to the Attorney General

Washington

June 3, 1942

MEMORANDUM FOR THE PRESIDENT.

Peter Behemkis - Smaller War Plants Corporation

You sent to me on May 27th a memorandum "For checking. F.D.R.", attaching letters to you from Senators Smathers and Barbour recommending Peter Behemkis as a director of the Smaller War Plants Corporation; and also attaching a copy of your memorandum to Donald Nelson: "I am rather taken with the idea of appointing Peter R. Behemkis, Jr. of Newark, New Jersey, as director of the Smaller War Plants Corporation which is to be established within the W.P.B. pursuant to the terms of S. 2250. What do you think? F.D.R."

As I think you know, these appointments, according to the bill which has not yet reached your desk, are to be made formally by Donald Nelson.

Because of the difficulty of appraising Behemkis' abilities in a vacuum, I have taken the liberty of scouting around to find out who the leading candidates are. All in all, the question of whether Behemkis should be appointed is very close but should probably be answered No. Reasons:

Behemkis, who is being actively pushed by Senator Murray, is about 32, a graduate of Yale Law School and an unusually able lawyer. There are very few in Washington who are up to his general intellectual capacity and understanding of the present world. I have known him for some years, in fact shared an office at the SEC with him for a while. He has a very good personality.

However, the men who know him best have their fingers crossed about him. He is regarded as having a great capacity for office intrigue and for taking care of himself above all else. I have talked to several men under whom he has worked. From Bill Douglas I got only a frozen silence which was more articulate than words. I know he and Jerry Frank had a very serious quarrel when Jerry was Chairman of the SEC because he felt Behemkis had put him in an embarrassing situation. Tom Blaisdell, now on the Planning Committee of W.P.B., refused to allow him on the Planning Committee staff because he did not trust him. I understand Nelson will recommend against him.

There is one story which I cannot confirm but which I have heard often enough to report to you. While he was the head of a special study investigating several Wall Street firms, including Sidney Weinberg's, he borrowed some money, due to some personal financial difficulties, from a Sidney Weinberg partner.

There is no question but that he knows the small business field. He has deliberately set out to become a government expert in it and has done excellent work. The general feeling is he should be made General Counsel, and should be held in check by the directors.

In fairness to Achenkiss, I should say my own personal opinion is very favorable to him. However, I have never been actively engaged in any work with him.

Of the other candidates mentioned, there is only one I should like to add a word of warning about - Ted Granik - he is a quasi-lawyer, and is best known for a Washington Forum of the Air which he runs Sundays. You came very close at one time to appointing him to the Federal Communications Commission, but it worried everyone so much that at the last moment you made another appointment. If I remember correctly, Steve Early knows about this. Granik is being actively pushed by Senator Wagner. My own doubts about him are certain suspicions about his political loyalties in the sense he has often been suspected of being closely identified with the Congressional isolationist group. This may have been for business reasons in the field of radio. He has no particular qualifications for this field.

(3) Paul Appleby. There is some indication Nelson will recommend Paul Appleby to you as Chairman. This would ease the situation in the Department of Agriculture and would place at the head of this organization one of the most able administrators in the government. But you have heard too often my high opinion of Appleby.

(4) Murray Lattimer. He is Chairman of the Railroad Retirement Board and is a very able administrator. He has been mentioned as Deputy Director, which is a sort of liaison between the Director and Nelson.

Others mentioned by persons in W.P.B. closely connected with this problem possess technical qualifications which I am unable to pass upon.

There has been some mention of Tom Morgan of Sperry Corp. and Tolson, Nelson's man now in the Navy. Morgan is a very able man and should be somewhere in Washington. However, both of these men are representatives of big business and it would look rather silly to have them on this Board.

There is a vital need for men of imagination to be appointed to the Smaller War Plants Corporation. In one sense, this corporation is no more than a touching tribute to a corpse that has been dead for more than a year - small business. If there is any attempt to revive the corpse, it will at this late date merely hinder the war program.

There is, however, a vital field within which smaller plants can operate. With proper financial backing, the Corporation could set up small plants in vital fields such as aluminum and magnesium to be used as yardsticks for the big plants. This is neither visionary nor idealistic; it is the only way in which this Corporation can be of any practical use.

JHR
James Howe, Jr.

THE WHITE HOUSE
WASHINGTON

May 27, 1942.

CONFIDENTIAL

MEMORANDUM FOR

DONALD NELSON
AND THE DIRECTOR OF THE BUDGET

I am rather taken with the idea of appointing Peter R. Nehemkis, Jr. of Newark, New Jersey, as director of the Smaller War Plants Corporation which is to be established within the W.P.B. pursuant to the terms of S. 2250.

What do you think?

F.D.R.

WALTER F. GEORGE, GA., CHAIRMAN
 DAVID I. WALSH, MASS.
 ALBEN W. BARKLEY, KY.
 TOM CONNALLY, TEX.
 JOSEPH W. BAILEY, N. C.
 BENNETT CHAMP CLARK, MO.
 HARRY FLOOD BYRD, VA.
 PETER G. GERRY, R. I.
 JOSEPH P. GUFFEY, PA.
 PRENTISS M. BROWN, MICH.
 CLYDE L. HERRING, IOWA
 EDWIN C. JOHNSON, COLO.
 GEORGE L. RADCLIFFE, MD.
 WILLIAM H. SMATHERS, N. J.

ROBERT M. LA FOLLETTE, JR., WIS.
 ARTHUR CAPPER, KANS.
 ARTHUR H. VANDERBERG, MICH.
 JAMES J. DAVIS, PA.
 HOWRY CABOT LODGE, JR., MASS.
 JOHN A. DANAHY, CONN.
 ROBERT A. TAFT, OHIO

CHRISTIE B. KENNEDY, CLERK

United States Senate

COMMITTEE ON FINANCE

Washington, D. C.
 May 18, 1942.

My dear Mr. President:

I am advised that Senator James Murray has presented to you the name of Peter R. Nehemkis, Jr. of Newark, New Jersey, as one who is qualified to serve as a director of the Smaller War Plants Corporation -- a corporation to be established within the War Production Board pursuant to the terms of S. 2350. It is also my understanding that Senator James Mond, co-sponsor with Senator Murray of this important measure to aid small business, likewise endorses Mr. Nehemkis for this post.

May I take this opportunity of informing you that were Mr. Nehemkis selected to be a director of the Smaller War Plants Corporation it would meet with my heartiest approval.

Indeed, I can think of few persons better qualified for such a post. Since his graduation from the Yale Law School in 1934, Mr. Nehemkis has served the Administration in various capacities -- with the Reconstruction Finance Corporation, the Securities and Exchange Commission, as Special Counsel to the Temporary National Economic Committee in charge of the hearings on Savings and Investment, Investment Banking, and the Financial Problems of Small Business. Shortly after the establishment of the National Defense Advisory Commission, Mr. Donald M. Nelson (then Federal Coordinator of Defense Purchases) requested Mr. Nehemkis to serve on a Committee to prepare for that Commission a plan for bringing the smaller business enterprises into the then defense program. In this connection, he served as an Assistant to Mr. Nelson in the Office of Small Business Activities -- the first of several efforts to aid small business. Subsequently, he served as a Special Assistant in the Defense Contract Service when the Office of Production Management was established. He assisted Judge Rosenman in the preparation of the Executive Order

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United States Senate

COMMITTEE ON FINANCE

CHRISTIE B. KENNEDY, CLERK

Honorable Franklin D. Roosevelt - 2 -

May 18, 1942.

which established the Division of Contract Distribution and in that organization, he was Mr. Floyd B. Odum's Assistant. He is now associated with the War Production Board. I know of no other person possessing the same continuity of experience with and technical knowledge of the problems of small business as Mr. Nehemiah. Equally important, I know of few persons who over the years have been more devoted in their efforts toward aiding in the solution of the problems of small business than Mr. Nehemiah.

His appointment as a director of the Smaller War Plants Corporation would go far toward reassuring the world of Little Business as well as many of my own colleagues who are deeply concerned over the plight of the smaller business enterprises that at least one member of the Corporation's Directorate would be a true "friend at court" of the small business man.

Believe me, Mr. President.

Very respectfully yours,

William H. Smathers

William H. Smathers,
 U. S. S.

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

W. WARREN BARBOUR
NEW JERSEY

United States Senate
WASHINGTON, D. C.

COMMITTEES:
COMMERCE
MANUFACTURES
NAVAL AFFAIRS
PUBLIC BUILDINGS AND GROUNDS
RULES

May 18, 1942

Dear Mr. President:

I am very happy to join in with my good colleague, Senator William H. Smathers, in recommending to you the name of Peter R. Nehemkis, Jr., of Newark, New Jersey, who, I understand, is being considered for the office of Director of the Smaller War Plants Corporation.

Senator Smathers has gone into great detail in his letter to you regarding the background of Mr. Nehemkis, and this is simply a note to advise you that I am in complete accord with his views.

With kind regards, believe me

Sincerely yours,

Warren Barbour

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

WAR PRODUCTION BOARD
WASHINGTON, D. C.

file

OFFICE OF
DONALD M. NELSON
CHAIRMAN

June 5, 1942

My dear Mr. President:

In reply to your note regarding Mr. Peter R. Nehemkis, Jr., I would prefer to wait until such time as I have an opportunity to discuss with you a list of names which I am having prepared and from which we can select the Directors of the Smaller War Plants Corporation.

Respectfully yours,

Donald M. Nelson
Donald M. Nelson

The President

The White House

PSF: WPB: Nelson

WAR PRODUCTION BOARD
WASHINGTON, D. C.

LABOR DIVISION

March 28, 1942

IN REPLY REFER TO:

MEMORANDUM

To: The President
From: Sidney Hillman

THE WHITE HOUSE
MAR 31 1 10 PM '42
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Don Nelson has prepared a letter for you with respect to Mr. Kaltenborn's statement that 200 bombers could have been built during the time lost by strikes in February. I am in thorough agreement with Mr. Nelson's analysis of this absurd statement.

S.H.



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December 1, 1942

My dear Admiral Leahy:

There is a serious conflict for component parts today between the synthetic rubber program, the 100 octane gasoline program, and the escort vessel program. In the report submitted by the committee appointed by the President under the chairmanship of Mr. B. M. Baruch to study the situation, the following statement was made:

"The military men must decide what things come first in war production; but it is the duty of this Committee to point out that, unless the flow of materials for the construction of these synthetic rubber plants is insured, there will be no rubber in the fourth quarter of 1943 with which to equip a modern mechanized army."

"Of all critical and strategic materials, rubber is the one which presents the greatest threat to the safety of our nation and the success of the Allied cause. Production of steel, copper, aluminum, alloys, or aviation gasoline may be inadequate to prosecute the war as rapidly and effectively as we could wish, but at the worst we still are assured of sufficient supplies of these items to operate our armed forces on a very powerful scale. But if we fail to secure quickly a large new rubber supply our war effort and our domestic economy both will collapse. Thus the rubber situation gives rise to our most critical problem."

There is no question but what if the program for synthetic rubber is not given a complete green light over the 100 octane gasoline program and the escort vessel program there will be a delay of from one to three months in the construction of these synthetic rubber plants, and a delay in the synthetic rubber plants will in all probability bring about a crisis in the rubber situation in October and November, 1943.

It is needless for me to point out to you that rubber is an all important material in furnishing the necessary transportation of men and materials to make up the whole war program, as well as being extremely important in the manufacture of war materiel.

I today made the decision that we would freeze 20% of the rubber and the 100 octane gasoline plants and bring them along concurrently, and that we would attempt to work out at once the conflict between these two programs and the naval escort ships. It is my considered opinion

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Admiral William D. Leahy
December 1, 1942

that we can solve the conflict between these two programs and the escort vessels without unnecessary delay in the escort program. This will necessarily delay the rubber program from one to three months and bring the inventory of rubber in October and November down to a dangerously low level.

In view of the importance of these three programs to the whole war effort I should like very much to have you review my decision to see whether or not you agree.

Sincerely yours,

(Signed) Donald M. Nelson
Donald M. Nelson

Admiral William D. Leahy
United States Navy
Chief of Staff to the Commander in Chief
of the United States Army and Navy

cc: The President of the United States ✓
Mr. William M. Jeffers

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By RHP, ~~11/16/74~~ MAR 28 1973

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My dear Admiral Leahy:

In further explanation of my letter of December 1st, I specifically gave instructions, in respect to the rubber and aviation gasoline programs, that a Directive should be sent to the builders of about 25% of the authorized programs for construction of these plants, instructing them to in turn instruct their suppliers to complete the equipment for these plants on dates which will permit completion on or about the dates at which the plants are now scheduled to come in, irrespective of other high-rated orders which these suppliers might have in their factories.

Since orders for all of this equipment have long since been placed, such a Directive will act as a freeze order on the delivery dates requested for the equipment, in spite of triple A ratings on other or subsequent orders. Promulgation of such a Directive, of course, required definite scheduling of the high octane gas and rubber plants involved in the Directive. There are some sixty of them, including those to be sent to Russia, and they have been given relative urgency numbers from 1 to 60. The equipment to be delivered takes the urgency rating given to each plant, so as to effect scheduling by each manufacturer and avoid confusion.

Although the equipment required for these plants is, for the most part, in special categories and, therefore, not in general conflict with that used by other "claimant agencies," Admiral Robinson, who was present during our discussion, felt that certain items like heat exchangers, pumps, boilers, and turbines, common to these plants and to naval programs, might conflict with certain naval orders and mentioned even the possibility of conflict with naval escort ships. There was considerable discussion as to whether or not such conflict would occur, or at least to what degree it would occur, and my own feeling was that Admiral Robinson was unduly concerned. But I would not deny that the steps which I have taken might, in a few instances at least, conflict in various plants with urgent items for naval construction.

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Admiral William D. Leahy--2

You will appreciate that because of the extension of such a Directive to sub-contractors, it is not easy to foresee exactly what conflicts may come about until the Directive has actually been issued. With this in mind, I have given instructions that the Directive require telegraphic advice to the Deputy Director General for Distribution of the War Production Board from each and any manufacturer in whose shop such conflict occurs and, as stated in my letter, I am confident that we can resolve any which do occur.

The procedure is admittedly drastic but, as it involves less than 20% of the material and equipment for these plants (since they are in various, but, on the whole, advanced stages of completion), I think the impact on other programs will not be very serious and, at any rate, these programs are themselves so urgent that I feel that this procedure must be adopted.

I trust that this will serve to clarify my former letter.

Sincerely yours,

(Signed) Donald M. Nelson

Donald M. Nelson
Chairman

Admiral William D. Leahy,
United States Navy,
Chief of Staff to the Commander in Chief
of the United States Army and Navy

cc: The President of the United States
Mr. William M. Jeffers

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PRIVATE AND
~~CONFIDENTIAL~~

December 29, 1942.

MEMORANDUM FOR

HON. DONALD M. NELSON

After many efforts on your
part and mine, the ~~Small~~ Business
problem is not yet solve . What
would you think of my asking
Joe Kennedy to have a go at it?
Maybe a new face and a new
approach would succeed.

F. D. R.

DECLASSIFIED
E.O. 11652, Sec. 11

By RDP, NARS Date

MAR 28 1973

PSF: WPB 5.22.2 ~~7.22.2~~

THE WHITE HOUSE
WASHINGTON

December 18, 1942.

MEMORANDUM FOR

HON. JAMES F. BYRNES

This Small Business problem has baffled me, as you know, for nearly two years. We have not met it -- and I am not sure that it can be met.

What would you think of the rather wild idea of putting Joe Kennedy in charge of the Smaller War Plants Corporation? He might do a good job with it and he might do us no harm. In any event, can you suggest what kind of reply I should make to Wright Patman?

F. D. R.

I think it would be a splendid thing to put Kennedy in charge of this Corporation. I doubt that much can be accomplished but the Congress will not feel satisfied unless some individual of his type is given the opportunity to direct the affairs of the corporation.

J. F. B.

P.S.F: War Production Bd.: Nelson

THE WHITE HOUSE
WASHINGTON

January 14, 1943.

MEMORANDUM FOR

SECRETARY MCINTYRE:

The following reply has been received from the President in response to the message which was dispatched to him for you with reference to Mr. Kennedy's appointment:

"FOR HAMMOND. THE PRESIDENT STATES
'GO AHEAD WITH KENNEDY TO HEAD SMALL BUSINESS.
ALL WELL'."

C. P. Hammond
CHESTER HAMMOND
Lt. Colonel, General Staff.

P.S. War Production Board Nelson folder 2-43

THE WHITE HOUSE
WASHINGTON


May 4, 1943.

MEMORANDUM FOR

HON. DONALD M. NELSON

Of course, I know that in all probability we will not completely meet the goals set for airplane production for 1943. But I am told the excuse will be that there is a shortage of aluminum. This I doubt.

What I wonder is whether they are getting sufficient orders, even at the present moment, to keep their mills running at capacity.

The trouble seems to be in determining the final plans by the War and Navy Departments. If my suspicions in regard to aluminum as above stated are correct, please let me know.

F. D. R.

DECLASSIFIED
E.O. 11652, Sec. 11

By RHP MAR 28 1973
NARS Date

MEMORANDUM FROM OSCAR R. EWING

April 30, 1943

TO THE PRESIDENT:

According to my information, the goals you set for 1943 airplane production are not likely to be reached. For an excuse, you may be told that there is a shortage of aluminum. So far as I can ascertain, this just "ain't so."

For some weeks, the Aluminum Company of America has not been receiving orders in sufficient quantity to keep their mills running at capacity. In March alone they piled up 33,000,000 lbs. of pig aluminum and had on hand 24,000,000 lbs. of finished sheet.

It seems that Wright Field will not or cannot determine the kind and quantity of planes which are to be produced, so that proper orders can be placed for the materials required. When confronted with this fact by WPB, Wright Field says there will be a shortage of aluminum and lays down requirements that are fantastic in the light of any past experience and then refuses to discuss and analyze those stated requirements. So far as WPB or Alcoa can see, there will be aluminum capacity adequate for the number of planes that can possibly be built by the plane manufacturers in 1943.

This is just to let you know the situation in case the matter comes to your attention.

April 30, 1943

The Honorable
James F. Byrnes
The White House
Washington, D. C.

Dear Jimmy:

Thanks for yours of the 21st enclosing copy of General Somervell's letter of the 19th with reference to my memorandum to the President of March 24, 1943 in which I cited facts indicating excessive purchases by the government of canned fruits and vegetables and also of narcotics and suggested to the President the advisability of superimposing civilian control over purchases for the armed forces to prevent them from going "hog-wild" in their buying, thereby needlessly disrupting civilian economy.

General Somervell's letter is really a masterpiece. In substance he says: (1) laymen do not understand these things - only the professional soldier knows what it is all about; and (2) as the Sheriff of Nottingham sung in "Robin Hood",

"I've never yet made one mistake,
I'd like to for variety's sake."

Bless their hearts, the Army is not going to concede anything!!

The memorandum, however, apparently did some good. Shortly after it was written, the Army released large quantities of meats and canned goods to relieve acute civilian shortages. Furthermore, General Somervell's letter says that the Army has recomputed its requirements for canned vegetables and fruits and has made appreciable reductions; that other government agencies are also recomputing their requirements so that the percentage of the 1943 pack to be taken by the government can be reduced. As to narcotics, I am advised that the Army has just now begun taking inventories every two weeks to make sure that its purchases have some relation to consumption.

It is possible that these various steps may correct the conditions about which I wrote. On the whole, the Army has done a wonderful job and it should probably be given a chance to correct its own absurdities. If it fails to do so and do so promptly, then the President should probably superimpose some kind of control. If neither of these things are done, I think it is quite likely that the Maloney Bill, creating a civilian supply administration, will be enacted. I would much prefer to have the President get the credit

WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

March 27, 1942

MAR 31 1 10 PM '42
THE WHITE HOUSE
RECEIVED

My dear Mr. President:

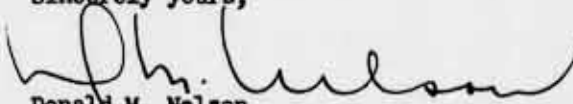
Answering your question regarding the Kaltenborn broadcast, I cannot imagine how Mr. Kaltenborn arrived at the conclusion that 200 more bombers could have been built during the time lost by strikes in February of this year. Certainly there is no data available in the War Production Board which would permit a conclusion of this kind.

We have just made an extensive study of the strike situation in February and find only two stoppages which would have any measurable effect on aircraft production, namely in the manufacture of aircraft castings at the Detroit plant of the Aluminum Company of America where approximately 5,400 man days were lost and in aircraft welding at the Boeing plant at Seattle, where it is extremely difficult to determine how many man days were lost although it is believed to be a small number because other welders took the places of those who stopped work.

Naturally, the above two strikes and certain smaller ones in connection with the manufacture of propellers, bearings and turrets have not aided production, but after a careful study of the situation, I am unable to find any evidence that strikes during February prevented the completion of a single bomber more than was actually produced. The total production in February was 134 four-engine bombers, 481 two-engine bombers, and 14 one-engine bombers.

Another way of looking at the matter is that during the month of February a total of something less than 500,000 man days of labor were lost in strikes of all kinds including restaurants, beauty parlors, etc., and even making the extreme assumption that all of this labor could have been utilized in bomber production, when it is considered that it takes at least 50,000 man days to make a bomber, not more than ten additional bombers could have been produced.

Sincerely yours,


Donald M. Nelson
Chairman



The President
The White House

East of line

James H. Ewing
Vice Chairman

Honorable James F. Byrnes

Page 2.

for doing something to protect civilians and civilian economy. In the public mind, every existing agency is taking something from civilians or imposing restrictions on them. The civilian has no friend anywhere in government. We must not forget that the biggest factor in Germany's defeat in 1918 was the collapse of the home front. I am deeply concerned about our own home front.

Cordially and sincerely,

Oscar R. Ewing
Vice Chairman

Y B O C

PSF:WPB: D. Nelson *file* 2-43

WAR PRODUCTION BOARD
WASHINGTON, D. C.

May 13th, 1943

IN REPLY REFER TO:

THE WHITE HOUSE

MAY 14 3 02 PM '43

RECEIVED

The President,
The White House.

Dear Mr. President:

In my letter to you under date of May 1st, I outlined the understandings which had been reached by Admiral Land and Admiral Vickery, and Messrs. Wilson and Gibbs with respect to the controversial question concerning the propulsion equipment to be used in the Victory type ships.

The investigation which has been made pursuant to the understanding reached by the group referred to has confirmed the position taken by Mr. Gibbs. It thus appears, by standardization of turbine and gear equipment for all types of naval and merchant ships, it will be possible to supply the full number of turbines and gears required for the Victory ships which will be built in 1944.

At a meeting attended by Admiral Land and Admiral Vickery, and Messrs. Gibbs and Wilson on May 12th, the solution arrived at was considered entirely satisfactory by Admiral Land and Admiral Vickery, who expressed appreciation for the result, which will insure Victory ships of higher speed, greater economy, greater carrying capacity, and the avoidance of hazard associated with the use of a Lentz engine of untried size in a multiple shipbuilding program.

I believe that the above circumstances fully justify the necessity of an over-all coordination of shipbuilding by the War Production Board as between the Army, Navy and Maritime Commission.

Respectfully,

Donald M. Nelson

Donald M. Nelson
Chairman



WAR PRODUCTION BOARD
WASHINGTON, D. C.

April 30, 1943

IN REPLY REFER TO:

The President
The White House

Dear Mr. President:

Following your telephone inquiry of yesterday morning to Mr. Wilson, a conference was held with Admirals Vickery and Land and Mr. Gibbs and the matter of the Victory type ship was discussed, particularly with respect to what has become a controversial question, namely, the type of propulsion equipment to be used in approximately 300 of the total number of 500 of these ships projected for 1944 construction.

Admirals Land and Vickery conceded that the geared turbine ship as suggested by Mr. Gibbs would be faster and more economical in fuel consumption than the Lentz engine driven ships and would thus remove the hazard of using an engine of untried size. The only difference of opinion was whether industry could furnish the necessary number of turbines and gears required. Mr. Gibbs contends that if certain steps are taken to promote the maximum standardization of turbine and gear equipment for all types of Naval and Merchant ships resulting in great economy in facilities and manpower, it may be possible to supply the full number of turbines and gears for the Victory ships which will be built in 1944.

The Combined Chiefs of Staff have recently appointed a Combined Shipbuilding Committee (Standardization of Design), of which Admirals Land and Vickery are members and Mr. Gibbs is the Chairman. This Committee, with the concurrence of Admirals Land and Vickery and under the direction of Mr. Gibbs, had initiated a complete industry investigation to definitely determine whether turbines and gears could be made available for all the Victory ships to be built next year.

In view of the foregoing, yesterday's conference drew up a statement that I incorporate for your information:

"It was unanimously agreed that if the investigation currently under way, which will be concluded May 8th, develops the fact that the turbine and gear industry can produce the 500 turbines and gears to meet the program of 500 Victory ships which the Maritime Commission contemplates producing in 1944, this would be a more desirable construction to adopt than the use of Lentz engines for these Victory ships.



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E.O. 11652, Sec. 3(E) and 5(D) or (E)
Commerce Dept. Letter, 11-15-72
By RHP, Date MAR 28 1973

- 2 -

~~SECRET~~

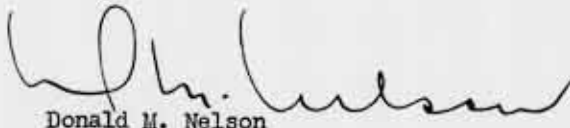
"This means that 300 simplified turbines and gears will be supplied, in addition to the turbines and gears to be supplied for C-1, C-2, C-3, and C-4's already contracted for by the Maritime Commission; it being noted that about 200 shafts are already earmarked for Victory ships. That is, a total of 500 shafts for Victory ships.

"It was further agreed that the above group (Admirals Land and Vickery, Messrs. Gibbs and Wilson) will meet on Tuesday, May 11, to receive the report, and, in the event that this report does not develop the fact that sufficient turbines and gears will be available in 1944 for the above-mentioned 500 Victory ships, then it is further agreed that there will be no further objection on the part of the Controller of Shipbuilding to the use of Lentz engines to make up the deficit in turbines and gears required for the above Victory ship program".

I understand that it is the War Production Board's responsibility to resolve questions of this kind. Past experience has conclusively proven that there cannot be three major agencies designing ships and contracting for them without some central agency to review and coordinate the projects and resolve questions of standardization, critical materials and components, as otherwise serious interferences between the programs is bound to occur with a consequent loss of production control over all.

If the various agencies are to proceed, each according to its own views, chaos with respect to over-all shipbuilding would result, and particularly in the supply of common components; then obviously it will be impossible for the War Production Board to coordinate the requirements of critical materials and manpower of shipbuilding with corresponding requirements of the other important vital programs.

Respectfully,


Donald M. Nelson
Chairman

~~SECRET~~

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E.O. 11652, Sec. 3(E) and 5(D) or (E)
Commerce Dept. Letter, 11-16-72
By RHP, Date

MAR 28 1973

PSF:WPB: *W. Nelson folder*
2-43

THE WHITE HOUSE
WASHINGTON

May 19, 1943.

MEMORANDUM FOR

HON. HARRY HOPKINS

FOR YOUR INFORMATION AND RETURN
FOR MY FILES.

F.D.R.

Secret letter from Donald Nelson to the President May 14th re survey of material requirements for the 1943 memo. Refers to the President's memo of May 4th

WASHINGTON

THE WHITE HOUSE

THE WHITE HOUSE
WASHINGTON

*D. Nelson folder
2-43*

*Noted
H.H.*

May 19, 1943.

MEMORANDUM FOR

HON. HARRY HOPKINS

FOR YOUR INFORMATION AND RETURN
FOR MY FILES.

F.D.R.

WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

THE WHITE HOUSE

May 14, 1943

MAY 17 9 44 AM '43

RECEIVED

Dear Mr. President:

In answer to your memorandum of May 4,
I had hoped to talk to you about this.

We have made a most careful survey of
the material requirements for the 1943 program,
and we have given the Army and the Navy assur-
ance that there will be material enough for
their original 8-L program (107,000 planes) if
they want the planes. There is no surplus of
aluminum either in the form of ingot or extrusions,
but we are sure that with careful control and the
proper distribution of inventories, the production
program can be met. However, there are certain
types of planes which the Army and Navy are now
making on which they desire to reduce the pro-
duction schedules for various reasons and give
preference to certain other types which are more
desirable from a tactical standpoint. We will
see to it that the aluminum is made available.

Respectfully,



Donald M. Nelson

The President

The White House



DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
Commerce Dept. Letter, 11-16-72
By RHP, Date MAR 28 1973

(1741)

Signed originals of these letters returned to Hon. Harry L. Hopkins
for forwarding, 9/13/43.

hms

PSF; War Production Bd.:

D. Nelson folder
2-78

September 11, 1943

Dear Admiral Leahy:

For your information and that of the Chiefs
of Staff, I enclose herewith copies of letters
which I have just given to Mr. Donald M. Nelson
and which are self-explanatory.

Sincerely,

FRANKLIN D. ROOSEVELT

Admiral William D. Leahy
Chief of Staff to the
Commander in Chief of the Army and Navy

(1741) Signed originals of these letters returned to Hon. Harry L. Hopkins
for forwarding, 9/13/43.
hms

September 11, 1943

My dear Mr. Secretary:

Within the next week or two, I am sending Mr. Donald M. Nelson, Chairman of the War Production Board, to the United Kingdom, North Africa, the Middle East, and Russia. He will probably return to the United States via Air Transport Command routes through Africa and South America to Florida. The purpose of his visit will be to study, on my behalf, production problems as they relate to supplies needed by both the Armed Forces and the essential civilian economy of this country and its Allies. He will report directly to me regarding this trip immediately upon his return.

Mr. Nelson will be accompanied by his Assistant, Mr. E. A. Locke, Jr., and I request that you provide them both with such courtesies and facilities as may be helpful to them in accomplishing this mission.

Sincerely,

FRANKLIN D. ROOSEVELT

The Honorable
The Secretary of State

(1741) Signed originals of these letters returned to Hon. Harry L. Hopkins
for forwarding, 9/13/43.
hms

September 11, 1943

Dear General Eisenhower:

Within the next week or two, I am sending Mr. Donald M. Nelson, Chairman of the War Production Board, to the European theater and thence to your theater, the Middle East and Russia. The purpose of his visit will be to study production problems as they relate to supplies needed by both the Armed Forces and the essential civilian economy of this country and its Allies.

I request that you make available to him and his party every facility including such air transportation as he requires to accomplish this mission. Please provide him with any information he desires and furnish him such officers of his own selection as he may request to assist him during both his stay in your theater and for the balance of his trip.

Sincerely,

FRANKLIN D. ROOSEVELT

General Dwight D. Eisenhower

PSF: WPB: *Nelson Folder*

THE WHITE HOUSE
WASHINGTON

June 2, 1942.

MEMORANDUM FOR

JACK CARTER:

For your confidential information and return for our files.

F.D.R.

Report on synthetic rubber "scandal"
from Don Nelson to the Pres. 5/26/42

*Report returned & in Jack Carter's
Folder.*

(1741)

Signed originals of these letters returned to Hon. Harry L. Hopkins
for forwarding, 9/13/43.
hms

September 11, 1943

Dear General Devers:

Within the next week or two, I am sending Mr. Donald M. Nelson, Chairman of the War Production Board, to your theater and thence to North Africa, the Middle East and Russia. The purpose of his visit will be to study production problems as they relate to supplies needed by both the Armed Forces and the essential civilian economy of this country and its Allies.

I request that you make available to him and his party every facility including such air transportation as he requires to accomplish this mission. Please provide him with any information he desires and furnish him such officers of his own selection as he may request to assist him during both his stay in the United Kingdom and for the balance of his trip.

Sincerely,

FRANKLIN D. ROOSEVELT

Lieutenant General Jacob L. Devers

(1741) Signed originals of these letters returned to Hon. Harry L. Hopkins
for forwarding, 9/13/43.
hms

September 11, 1943

Dear General Arnold:

Within the next week or two I am sending Mr. Donald M. Nelson, Chairman of the War Production Board, and a party of one or two assistants to the European and North African theaters, the Middle East and Russia, for the purpose of studying certain problems relating to our production programs.

In order that he may make this trip as expeditiously as possible, I request that you provide him with such air transportation facilities as he may require. I have asked him to contact you directly on the details of these arrangements.

Sincerely,

FRANKLIN D. ROOSEVELT

General H. H. Arnold
Commanding General
Army Air Forces

(1741) Signed originals of these letters returned to Hon. Harry L. Hopkins
for forwarding, 9/13/43.
has

September 11, 1943

Dear Admiral Standley:

Within the next month I am sending Mr. Donald M. Nelson, Chairman of the War Production Board, to Russia, via the European and North African theaters, for the purpose of discussing with you and Russian officials the production problems relating to our supply of material to them. In this connection I would like you to arrange for him to meet Premier Stalin and such other high Soviet officials as is necessary for carrying out his mission.

Sincerely,

FRANKLIN D. ROOSEVELT

Admiral William H. Standley

THE WHITE HOUSE
WASHINGTON

September 10th
1943

MEMORANDUM FOR

MISS GRACE TULLY

Dear Grace:

Donald Nelson is very anxious
to get these signed and returned at
once because he is leaving on the
15th.

Sincerely,

Harry L. Hopkins
HARRY L. HOPKINS

encs.
Letters for
the President's signature
to Admiral Leahy
General Arnold
Admiral Standley
General Devers
General Eisenhower
The Secretary of State

Date when
Saturday
return the
Harry Hopkins
Office

PSF: War Production

Bd.: Nelson's folder

Nelson's folder

2-43

WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

file

September 18, 1943

My dear Mr. President:

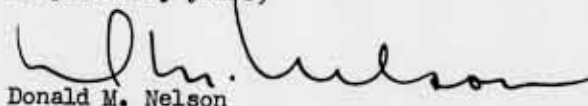
I want to thank you very much for signing the documents authorizing my trip to England, North Africa, and Russia.

I would have liked to talk over several matters with you before I left, but I know that you were very busy finishing off the very excellent message you sent to Congress, and I fully understand just why General Watson was not able to arrange an appointment.

Mr. C. E. Wilson will carry on during my absence and I am sure that you will be perfectly satisfied with the way he runs the War Production Board.

I shall refrain from discussing any details of my commission and upon my return I shall make my report to you.

Respectfully yours,


Donald M. Nelson

The President

The White House



PSF:WPB: *Donald M. Nelson folder*
2-44

February 12, 1944

Dear Jesse:

I would appreciate it if you would not give
any publicity to the attached letter until after a
representative of the Kaiser-Hughes Company visits
you to discuss some aspects of the contract. They
expect to have a man here Tuesday, February 15.

I shall be glad to help in any way that I
can.

Sincerely,

Donald M. Nelson

The Honorable Jesse H. Jones
Secretary of Commerce

cc: Mr. Henry Kaiser
Mr. Howard Hughes

*(This
Copy given to ACT for filing by L.B. 3/8/44.)*

February 11, 1944

Dear Mr. Jones:

I refer to your letter of September 17, 1942, regarding my request to you to arrange with Howard Hughes and Henry Kaiser for the construction of three large cargo planes. I formally approved your letter, and the details outlined therein, by appending my signature to a copy thereof.

After extensive consideration of the developments and progress to date on this project, I have determined to request you to take two actions relative to the HK-1 project. First, I should like to ask you to cancel immediately the existing Defense Plant Corporation contract with Kaiser-Hughes. Secondly, I should like you to invite a prompt and reasonably detailed proposal from the Kaiser-Hughes Company for the development of the HK-1 design in metal. In the opinion of a number of the experts consulted by us, the design itself appears sound in its main aerodynamic and hydrodynamic fundamentals and, if capable of being successfully executed in metal, may be of value to the war effort. In the event that it is decided to go ahead with the plane in metal, it is advisable to consider whether or not a prototype should be completed in wood, if this will shorten the time of finishing the plane in metal.

In order that you may have a full understanding of my reasons for this action, I am enclosing herewith a report that I have just prepared in response to an inquiry from the Truman Committee, together with the exhibits which were attached thereto.

Sincerely,

Donald M. Nelson

The Honorable Jesse Jones
Secretary of Commerce

KAL:cjg

Copy #9

CONFIDENTIAL
WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

February 11, 1944

Dear Senator Truman:

In answer to the inquiries made by your Committee in its letters to us of January 11th and 31st regarding the Kaiser-Hughes cargo plane, I shall do my best to give you an overall summary of the situation as I see it at this time.

In May 1942 I set up a Cargo Plane Committee, composed of representatives of several of the government agencies concerned with the movement of cargoes by air. Many different reasons had been previously advanced in support of this move, but the one which was uppermost in my own mind, and which I considered to be the principal basis for my action, was a conviction that the military had not, up to that time, evidenced an adequate understanding of the great potential need of the cargo plane, either in absolute terms of quantity and quality or in relation to other tactical aircraft. Looking ahead, above all, to the day when we would take the offensive, it was easy to see that we would need large numbers of cargo planes, especially those of longer range for use in the Pacific. Military operations in the air, such as the transport of troops, front-line supplies and equipment, the evacuation of wounded, and, in fact, the use of air task forces on any scale at all would clearly require a cargo plane fleet of much greater capacity and range than what was then programmed. The need to undertake such operations was likely to crystallize with great suddenness. Thus, it seemed wise and prudent to make the best possible preparations beforehand through greater production of the more efficient types and by pushing the development of better and longer range planes.

With these thoughts in mind, then, I established a Cargo Plane Committee, and in July 1942, after nearly two months of most intensive work, the Committee submitted its report. Among other things it recommended that greater impetus be given to the development of larger and longer range cargo planes. A copy of the report was sent to your Committee.

At that time the principal interest in the development of the larger type of cargo plane was displayed by Mr. Henry Kaiser, who presented strong and convincing arguments, coinciding with those already used by our Cargo Plane Committee, for undertaking such a development. After detailed discussions with Mr. Kaiser, his associate Mr. Howard Hughes, the Army, Navy, Civil Aeronautics Administration, National Advisory Committee for Aeronautics, and the aircraft industry, I requested Mr. Jesse Jones to effect certain



CONFIDENTIAL

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E.O. 11652, Sec. 3(E) and 5(D) or (E)
Commerce Dept. Letter 11-15-73
By RHP, Date MAR 28 1973

~~CONFIDENTIAL~~

The Honorable Harry S. Truman

-2-

February 11, 1944

arrangements through the Defense Plant Corporation with Messrs. Kaiser and Hughes for the design and construction of three cargo planes of about a 200 ton gross weight size. The understandings, which formed the basis for these arrangements and which had the approval of the Army, Navy and other interested agencies, included the following:

1. The planes were to be constructed of non-critical materials, which at that time meant something other than aluminum or steel. Presumably this was to be wood in one form or another, particularly since Mr. Hughes maintained that his extensive experience with the designing and building of wooden planes would enable him to build these large planes as well, if not better, with wood than with metal.
2. No technical personnel were to be taken from manufacturers engaged in the war effort, without the prior written consent of the respective employers.
3. The first plane was expected to be completed in December 1943, the second in May 1944 and the third in October 1944.
4. The total cost was to be approximately \$18,000,000.

These were formidable conditions. It is to the credit of Messrs. Kaiser and Hughes that they accepted them willingly, and with courage and confidence. It is further to their credit that they agreed to derive no profit from designing and manufacturing these three planes but instead to contribute their time and talent in the interest of what they believed would be a major contribution to the war effort. On our side, we felt that this was a promising though risky venture for the government, albeit one that the urgencies of the war situation and Mr. Kaiser's long record of success with exceptionally difficult undertakings appeared to justify.

Since its inception we have actively and constantly followed the progress being made on this project, working in the closest collaboration with Mr. Durden, Aviation Assistant to Mr. Jones, and with representatives of the CAA and NACA. By the end of March 1943, the design work had progressed to the point where a preliminary general specification was prepared. Inasmuch as this specification indicated a number of features that in our opinion warranted careful consideration by all interested government agencies, a joint meeting was held early in May of those agencies and representatives of the Kaiser-Hughes Company. Many helpful suggestions were offered to the latter, and although the results they had achieved up until that time were perhaps not as

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E.O. 11652, Sec. 3(E) and 5(D) or (E)
Commerce Dept. Letter, 11-16-72
By RHP, Date MAR 28 1973

~~CONFIDENTIAL~~

PSF:WPB:Nelson

THE WHITE HOUSE
WASHINGTON

1-42

192

June 8, 1942.

MEMORANDUM FOR

H.H.

To read and return for my
confidential file.

F.D.R.

NOTED

H.L.H.

~~CONFIDENTIAL~~

The Honorable Harry S. Truman

-3-

February 11, 1944

encouraging as we had hoped and expected, we did not feel that at such an early stage in its development we had any sound grounds for considering any basic changes in the project.

By October, however, various subassemblies of the plane began to near completion and to show positive signs of being considerably heavier than provided for in the original specifications. This meant that the plane as a whole was likely to be way over its design weight, thus detracting greatly from its efficiency as a cargo carrier. Consequently, we decided that the time had come when the entire project had to be objectively and expertly restudied and reappraised from every angle. Many conferences were held, including several with Messrs. Kaiser and Hughes and their representatives to whom we wanted to give ample opportunities for presenting their side of the case. The problem was fully discussed in several meetings of the Aircraft Production Board, and on November 1st the Board decided that the Kaiser-Hughes Company ought to be allowed a further 30 days to static-test a number of subassemblies, at which time an examining board of engineering experts would be sent to the Kaiser-Hughes factory "to determine the engineering feasibility of the project".

In accordance with these arrangements the Engineering Examining Board visited the factory on several occasions during December and, under date of January 15, 1944, submitted its report to the Aircraft Production Board. A copy has already been made available to your Committee. On the basis of the technical facts established therein, the Board reached the unanimous conclusion that continuation of the Kaiser-Hughes project was not merited and recommended to me that the contract be cancelled.

I have given full consideration to the Board's views and to every other aspect of the situation. It seems to me that three facts stand out clearly as the key to any decision on this problem. They are as follows:

1. The plane is considerably less efficient than other already proven cargo aircraft. Enclosed herewith are four charts (Exhibits A and B) and one tabulation (Exhibit C). They are based on the findings set forth in the Engineering Board report and on all other available authoritative data, and show most conclusively that by all criteria of efficiency the Kaiser-Hughes plane is considerably inferior to the Martin Mars and, in many respects, to a number of other planes as well.

2. The wooden construction is excessively heavy and unreliable. The various weight figures on the Kaiser-Hughes plane, particularly on the wings and empennage, show dramatically that wooden construction is excessively heavy, and way above reasonably efficient levels as compared with metal.

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Commerce Dept. Letter, 11-16-72
By RHP, Date MAR 28 1973

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
The Honorable Harry S. Truman

-4-

February 11, 1944

And because of the large size of the plane, a new method of wood construction had to be devised. This has turned out to be still highly experimental and very expensive. Repeated failures at unsafe levels, under the static testing so far conducted, have also proved it to be unreliable to a very dangerous degree. Moreover, serious gluing difficulties have been encountered, which have raised further doubts as to the reliability of the plane's structure. What is more, this unfavorable experience with wood confirms similar experiences during the past year on other wooden aircraft, such as the C-76, gliders, and training planes. It further substantiates the now generally accepted conclusion that in the extremes of climate, in which American aircraft must operate, there are many disadvantages to wooden construction in weight, fabrication costs, maintenance and reliability.

3. The Martin Mars is now being built. It is a much better plane. After very extensive and grueling tests, the Navy has finally proven to its own full satisfaction that the Martin Mars is by far our most efficient cargo plane. It is also thoroughly reliable. The Navy has therefore recently contracted with the Glenn L. Martin Company for the construction of 20 Mars, these to be delivered as follows:

1 - March 1945	2 - July 1945	2 - November 1945
1 - April 1945	2 - August 1945	2 - December 1945
1 - May 1945	2 - September 1945	2 - January 1946
1 - June 1945	2 - October 1945	2 - February 1946

The first several Mars will be equipped with the Wright R-3350 engine, and the remainder with the Pratt and Whitney R-4360, the same engine that the Kaiser-Hughes design calls for. The total cost to the Navy of these 20 Martin Mars is expected to be approximately \$40,000,000.

Accordingly, I have requested Mr. Jesse Jones to take immediate steps to cancel the Defense Plant Corporation contract with Kaiser-Hughes. At the same time, I have also requested him to invite a prompt and reasonably detailed proposal from the Kaiser-Hughes Company for the development of the HK-1 design in metal. In the opinion of a number of the experts consulted by us, the design itself appears sound in its main aerodynamic and hydrodynamic fundamentals and, if capable of being successfully executed in metal, may be of value to the war effort. A copy of my letter to Mr. Jones on this matter is enclosed (Exhibit D).

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The Honorable Harry S. Truman

-5-

February 11, 1944

As you may know, we have rather extensive files on this project, and, if at any time your Committee wishes to explore the matter further, I shall be glad to make them completely available.

Sincerely,



Donald M. Nelson

The Honorable Harry S. Truman
Chairman
Special Committee Investigating
the National Defense Program
United States Senate
Washington, D. C.

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*Exhibit A
#9*

CHART 1

RATIO OF CARGO AND FUEL LOAD TO GROSS WEIGHT
60% POWER AT 10,000 FT. ALTITUDE FOR 3000 MILES

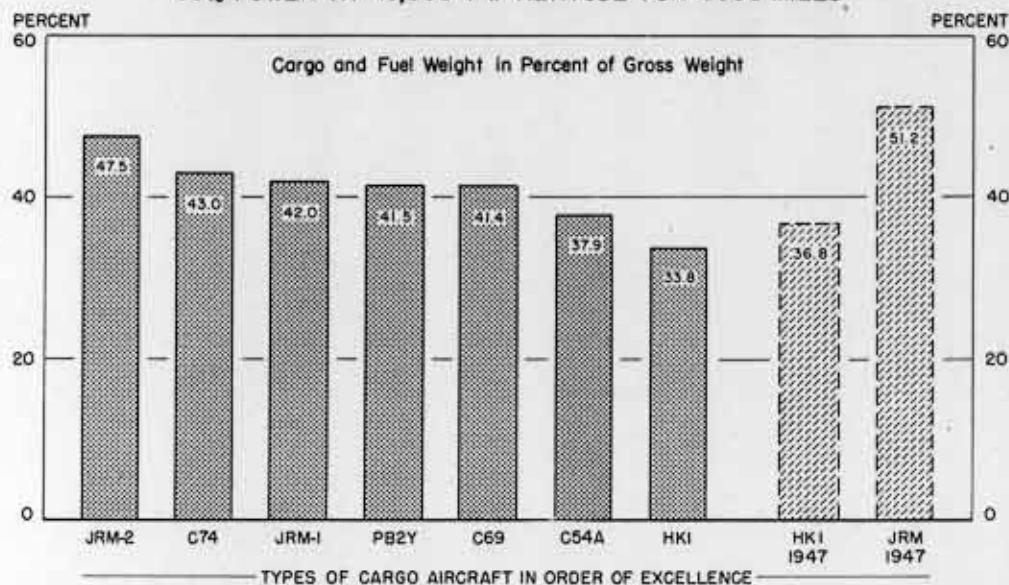
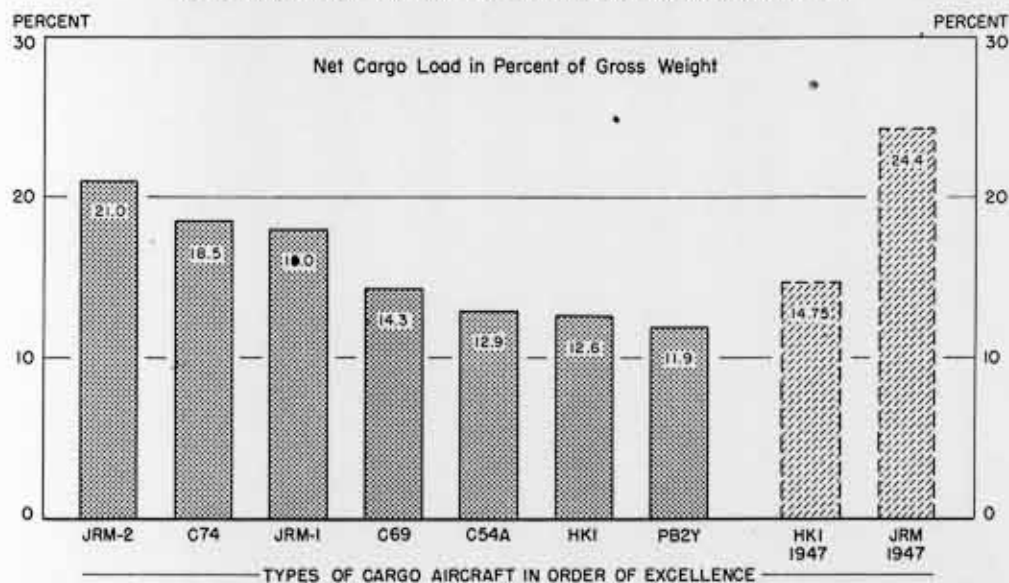


CHART 2

RATIO OF CARGO ONLY TO GROSS WEIGHT
60% POWER AT 10,000 FT. ALTITUDE FOR 3000 MILES



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WAR PRODUCTION BOARD
February 7, 1944

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and its disclosure, its transmission or the revelation
of its contents in any manner to an unauthorized
person is prohibited by law.

*Exhibit 8
#9*

CHART 3

POUNDS OF LOAD CARRIED PER GALLON OF FUEL
AVERAGE 60% POWER AT 10,000 FT. ALTITUDE FOR 3000 MILES

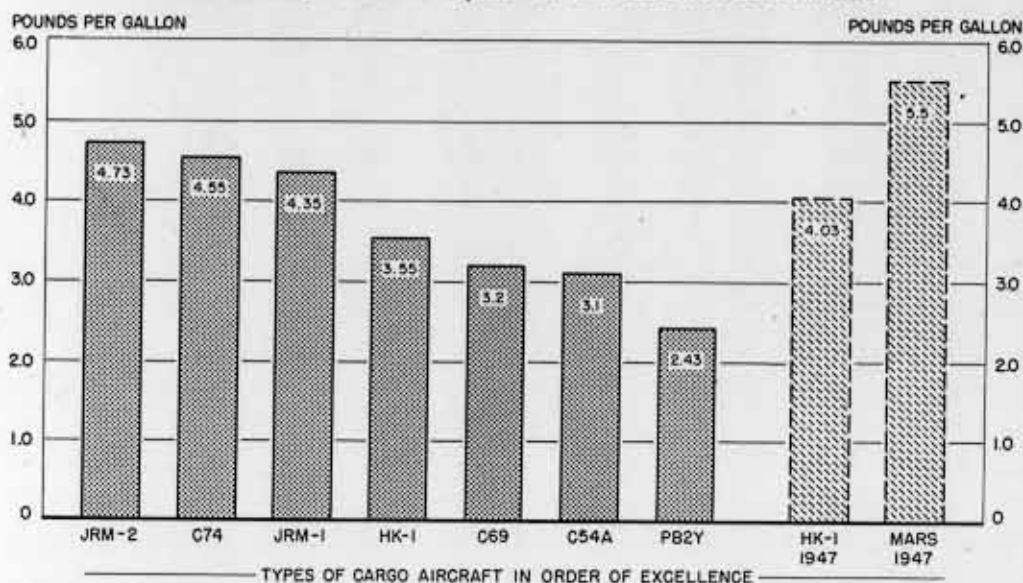
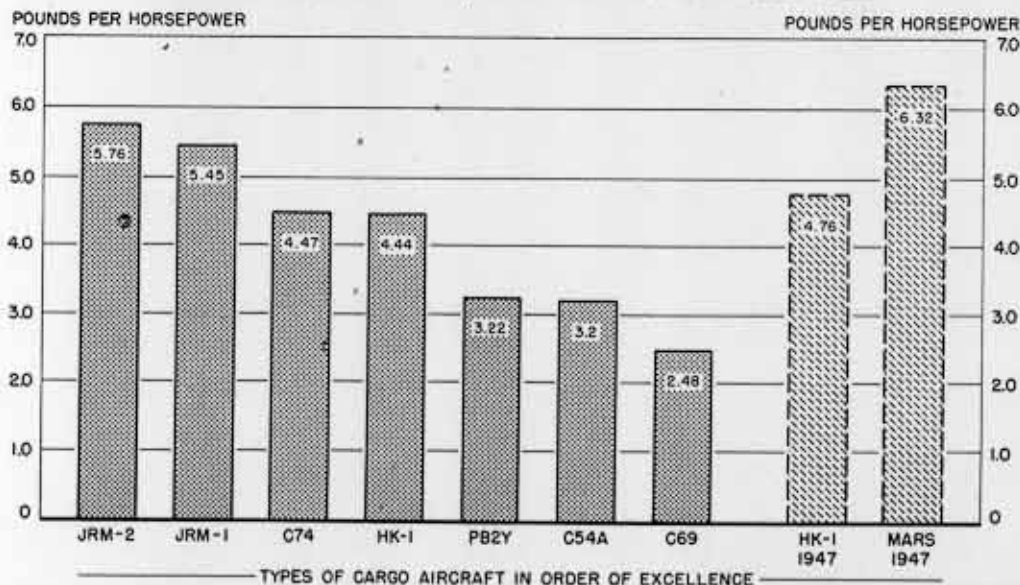


CHART 4

POUNDS OF CARGO CARRIED PER CRUISING HORSEPOWER
AVERAGE 60% POWER AT 10,000 FT. ALTITUDE FOR 3000 MILES



WAR PRODUCTION BOARD
February 7, 1944

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By RHP, Date **MAR 28 1973**

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Revised C. 17
Copy #9

COMPARISON OF HK-1 AND OTHER AIRCRAFT IN 3000 MILE RANGE

TYPE OF AIRCRAFT	C-54-a Douglas	C69 Lockheed	C74(Exp) Douglas	FBW1 Consolidated	JRM-1 Waco-176.1	JRM-2 Waco-194a	HK-1(Exp) Kaiser-Hughes	HK-1 1947	JRM-3 1947
Engines	4, R2000-3	4, R-1350	4, R-4360	4, R-1830	4, R-1350	4, R-4360	8, R-4360	8, R-4360 X	4, R-4360 X
Horse Power - Takeoff and -10,000' alt.	1350 - 1100	2300 - 2100	3000 - 2500	1200 - 1050	2200 - 2000	3000 - 2500	3000 - 2500	3400 - 2900	3400 - 2900
Span - feet	117'6"	123'	173'3"	115'	200'	200'	320'	320'	200'
Area - square feet	1462	1650	2900	1780	3585	3665	11430	11430	3685
Cubic Capacity for Cargo - cubic feet	2700	3530	6500	4000	6200	6200	15000	15000	6800
Gross Weight - operational average used or planned	65000	87000	145000	68000	115000	165000	124000	149000	180000
Wing Loading - pounds per square foot	44.5	53	58	30.3	39.3	44.8	37.1	39.4	48.8
Power Loading - pounds per h.p. takeoff	12	9.5	12.1	14.2	16.5	13.8	17.7	16.5	13.2
Weight empty with crew, oil, and equipment ^{a/}	16400	51000	82800	39600	82000	86700	280700	280700	88000
Net Cargo and Fuel Load permissible	24600	36000	62200	28400	33000	78300	143300	143300	92000
Ratio of Cargo and Fuel Load to Gross Weight - per cent	37.9%	41.4%	43%	41.5%	28%	47.5%	33.8%	36.8%	51.2%
60% Power for cruising at 10,000' altitude	2640	5060	6000	2520	1800	6000	12000	12920	6960
Fuel used per hour at 0.45 lbs. per h.p. per hour (gals.)	1188(198)	2270(380)	2700(450)	1135(189)	2160(360)	2700(450)	5400(900)	5400(900)	3130(522)
Cruising Speed average at 60% Power, M.P.H. ^{b/}	220	290	230	170	175	185	180	190	195
Fuel used per mile - pounds	5.4	7.64	11.8	6.7	12.3	14.6	30	33	16
3000 Mile Range (2100 miles / 25% reserve)									
Fuel used for 3000 miles - pounds (gals.)	16200(2700)	23500(3920)	35400(5900)	20100(3350)	36900(6150)	43800(7300)	90000(15000)	99000(16500)	48000(8000)
Net Cargo Weight for this distance - pounds (tons)	8400(1.2)	12500(6.25)	26800(13.4)	8100(4.05)	26100(13.1)	30500(17.2)	53300(26.6)	66300(33.2)	44000(22)
Ratio of Cargo only to Gross Weight - per cent	12.9%	14.3%	18.5%	11.9%	22%	21%	12.6%	14.75%	24.4%
Ton-Miles per hour	920	1820	3080	690	2290	1180	4790	6310	4300
Ton-Miles per hour per gallon fuel	4.66	4.8	6.86	3.64	6.4	7.1	5.3	6.05	8.23
Ton-Miles per hour per h.p. (60% cruising)	.35	.36	.51	.27	.68	.53	.399	.453	.62
Cargo in pounds carried per gallon fuel	3.1	3.2	4.55	2.43	4.35	4.73	3.55	4.03	5.5
Cargo in pounds carried per h.p. (60% cruising)	3.2	2.68	4.47	3.22	5.45	5.76	4.44	4.76	6.32

- a/ This includes oil, residue oil, de-icing provision, cargo handling gear, and for 4-engine aircraft a crew of 5 for C54 and C69, 11 for C74 and FBW1 and JRM, and 15 for HK-1 at 200 pounds each, and also includes 1200 pounds for emergency overseas equipment for all aircraft listed except HK-1, which requires larger crew and 1800 pounds emergency sea equipment.
- b/ Cruising speed here listed is ground average on a long range, using 60% power at 10,000' as an average. This is a convenient average for comparison, giving remarkably close results to actual cruising practice, which would be much slower at the heavy load start of flight and faster if 60% average maintained when lightly loaded at end of flight.
- c/ This HK-1 weight empty is derived from most probable weight figure estimated in the Warner Comm. report - 270,000 empty plus loads indicated above.
- d/ This is a very generous high speed at 60% power average and may not be feasible due to structure gust load limitations.
- e/ With more power, higher cruising speed and added fuel tank requirements, the weight empty of structure, propellers, etc., must be increased.

War Production Board
February 7, 1944

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Commerce Dept. Letter, 11-18-73
By RHP, Date MAR 28 1973

as I saw the original of this case signed & handed to Mr. James M. Barnes 5/11/44

PSF: War Production Bd. i

me.

of action forms

2-44

May 11, 1944

My dear Mr. President:

It is with great pleasure that I have received a report prepared by the War Production Board on the 1944 Program of Industrial Projects for Mexico, as developed by the Mexican-American Commission for Economic Cooperation. This report is a concrete expression of the broad economic strategy on which you and I agreed during our meeting at Monterey in April 1943, and subsequently when we took action to establish the Commission. The 1944 program is a carefully planned and realistic step toward strengthening the Mexican economy, and it is clear that improved conditions in Mexico will in turn strengthen the overall war effort of the United Nations. It is a source of great satisfaction to me, as I am sure it is to you, to see this tangible proof of the esteem and close economic ties that underlie the military alliance of our two countries.

Now that the 1944 program has been approved and the preparation of a longer range program is well advanced, a closer first-hand exchange of views between your Government and the War Production Board would be of benefit. To this end, I have asked Mr. Donald M. Nelson, Chairman of the Board, to visit Mexico. Mr. Nelson has been working in close cooperation with the Secretary of State, the Foreign Economic Administrator and the Coordinator for Inter-American Affairs of this Government, and is in a position to discuss the sound development of the economic relations between our two governments, and to crystallize further the broad concept outlined at Monterey.

I have asked Mr. Nelson to hand this letter to you, and I want to use this opportunity to convey at the same time my high and warm regard and best wishes, both for your country and for you personally.

Very sincerely yours,

FRANKLIN D. ROOSEVELT

His Excellency Avila Camacho
President of Mexico

(copy of this ltr. file - Mexico folder, 1-44)

(copy of this ltr. was sent to file, 11/21/44)

*EG B says the original of this was signed &
handed to Hon. James M. Barnes 5/11/44.
Lme.*

May 11, 1944

My dear Mr. Secretary:

In the near future Mr. Donald M. Nelson, Chairman of the War Production Board, is proceeding at my request to Mexico and to the Canal Zone.

The purpose of his trip will be to study production problems in Mexico, particularly as they relate to the work being carried on by the Mexican-American Commission for Economic Development, with which he has been collaborating in working out a sound industrialization program for that country.

In the Canal Zone I am asking Mr. Nelson to review broad supply and production problems with our military and naval authorities. Immediately upon his return, he will report directly to me regarding this trip.

Mr. Nelson will be accompanied by his Assistant, Mr. E. A. Locke, Jr., and probably by one or two other members of his staff, and I request that you provide them with such courtesies and facilities as may be helpful to them in accomplishing this mission.

Sincerely,

FRANKLIN D. ROOSEVELT

The Honorable
The Secretary of State

(Copy of this ltr filed - Hull folder, dr. 2-44.)

Donald M. Nelson folder

(2904) Signed original and 1 copy of this letter sent to Hon. James M. Barnes. 2-44

May 11, 1944

My dear General Brett:

In the near future Mr. Donald M. Nelson, Chairman of the War Production Board, is proceeding at my request to Mexico and to the Canal Zone.

The purpose of his trip will be to study production and supply problems as they relate to needs of both the Armed Forces and the essential civilian economy of this country and of Central America.

I request that you make available to him and his party every facility, including such information as he may require to accomplish this mission.

Sincerely,

FRANKLIN D. ROOSEVELT

Lieutenant General George H. Brett
Commanding General
Panama Canal Department and
Caribbean Defense Command

THE WHITE HOUSE
WASHINGTON

My dear General Brett:

In the near future Mr. Donald M. Nelson, Chairman of the War Production Board, is proceeding at my request to Mexico and to the Canal Zone.

The purpose of his trip will be to study production and supply problems as they relate to needs of both the Armed Forces and the essential civilian economy of this country and of Central America.

I request that you make available to him and his party every facility, including ~~any~~ information ~~and~~ he may require to accomplish this mission.

Sincerely,

Lieutenant General George H. Brett
Commanding General
Panama Canal Department and
Caribbean Defense Command

WAR PRODUCTION BOARD
WASHINGTON, D. C.

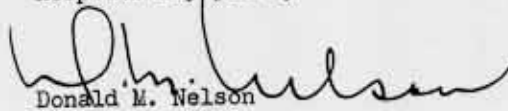
OFFICE OF
DONALD M. NELSON
CHAIRMAN

June 1, 1942

My dear Mr. President:

Attached is the letter about which
I spoke to you today. I think you will be
interested in reading this.

Respectfully yours,


Donald M. Nelson

The President

The White House

THE WHITE HOUSE
WASHINGTON

PSF

Bx 192

My dear Admiral Train:

In the near future Mr. Donald M. Nelson, Chairman of the War Production Board, is proceeding at my request to Mexico and to the Canal Zone.

The purpose of his trip will be to study production and supply problems as they relate to needs of both the Armed Forces and the essential civilian economy of this country and of Central America.

I request that you make available to him and his party every facility, including ~~any~~ information ~~and~~ as he may require to accomplish this mission.

Sincerely,



Rear Admiral Harold C. Train
Commandant
15th Naval District

FF: War Production (2967) hms Nelson folder 2-V4

THE WHITE HOUSE

WASHINGTON

May 22, 1944.

MEMORANDUM FOR

HON. DONALD M. NELSON

From several parts of the country I get reports that very few people on the farms have been able to get radio batteries. It is said that 50% of the farmers have no radio because they cannot get radio batteries.

What would you think of putting on a campaign to provide more radio batteries by this summer so that people can listen in to the political debates?

If you can do this, I suggest that you personally take credit for it -- on the air!

F. D. R.

No papers accompanied the original of this memorandum to Mr. Nelson.

50% more of the
famous West since
the radio set batteries
let after it.

PSF: War Production B.I. Nelson folder 2-44
File Nelson folder

WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

THE WHITE HOUSE
JUL 24 8 33 AM '44
RECEIVED
JUL 22 1944

Dear Mr. President:

I am attaching a memorandum forwarded to me from the Office of Civilian Requirements on the distribution of radio batteries which I think will be of interest to you in further reply to your letter of May 22, 1944. I conclude from this memorandum that the poorer sections of the country and the more isolated sections are most out of radio contact. It should be pointed out that this survey is a rough sample, but it does indicate a serious situation.

As you know, only half of what we regard as the minimum basic requirements for farm radios have been met. The Army and Navy inform us that we are taking even these away from uses that could be immediately made of them overseas. At the same time military services are making every effort to preserve the life of their radio batteries during shipment and storage.

In the light of the military shortage, I believe that I have pushed the civilian claims as far as I have any right to push them. The real answer lies in more production of all types of batteries. Everything is being done to accomplish this objective.

We are now getting all military rejects and surplus stocks (old batteries) for civilian use, which is some help.

Sincerely,

for *D. M. Nelson*
Donald M. Nelson

The President
The White House
Washington, D. C.

attachment



June 23, 1944

MEMORANDUM

TO: Mr. W. Y. Elliott
Vice Chairman for Civilian Requirements

FROM: Charles E. Noyes, Director /S/
Civilian Relations Division

SUBJECT: Distribution of Radio Batteries.

I now have some further breakdowns which give significant information on this subject, in addition to the report attached to my memorandum addressed to you on May 30. In that report I was able only to make some plausible assumptions about the data in relation to non-electrified households. The figures are now available from actual tabulation:

Non-electrified homes with radio
but no radio working

- 16 percent of the non-electrified city households which had at least one radio had no radio in working condition at the time of the survey.
- 23 percent of the non-electrified rural non-farm households which had a radio had no radio working at the time the survey was made.
- 32 percent of non-electrified farm households which had a radio had no radio working at the time the survey was made.

Distribution of radios, compared
with battery sales to non-electrified
households

- 68 percent of non-electrified households with radios are on farms.
- 58 percent of the radio battery purchases reported in the survey went to farmers.
- 20 percent of non-electrified households having radios are rural non-farm.
- 24 percent of radio battery purchases reported in the survey went to rural non-farm households.
- 13 percent of non-electrified households having radios are in cities of 2,500 population and over.
- 17 percent of radio battery purchases reported in the survey went to city families.

W. Y. Elliott

- 2 -

June 23, 1944

The above comparisons contain the most important information we have on distribution of radio batteries. The following facts may also be of interest:

- 95 percent of all electrified households in the United States have radios.
- 59 percent of non-electrified households have radios.
- 65 percent of non-electrified farms have radios.
- 57 percent of non-electrified rural non-farm households have radios.
- 42 percent of non-electrified city households have radios.
- 28 percent of all households with electricity have two or more radios.
- 4 percent of all non-electrified households have two or more radios.

CEN_oyes:rl

BLUE 79

PSF:WPB: as Nelson folder 2-44

C O P Y

5 August 1944

MEMORANDUM FOR:

The Chairman, War Production Board

There is quoted below a message received via White House Map Room Communications Channels at 6:35 a.m., this date, for transmittal to you:

"Memorandum for:

The Chairman, War Production Board.

"With reference to your letter of June 15, I consider that it is desirable to organize a United States technical mission to the Japanese mandated islands to survey as soon as possible after the occupation by United States armed forces, the material resources, including bauxite, and as you suggest make a report thereon.

"The Joint Chiefs of Staff have advised me that there is no military objection to the dispatch of a small mission, subject to the usual considerations applying in cases where civilians are sent to active theaters, and provided the approval of the theater commander is obtained. Further arrangements in this connection should be made through the Joint Chiefs of Staff.

"Inasmuch as the proposed mission is of considerable interest to other agencies of the government (the Department of State, for example) it is desired that you integrate all such interests before you take final action in this matter.

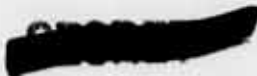
Signed: Franklin D. Roosevelt."

RICHARD PARK, JR.,
Colonel, General Staff.

DECLASSIFIED
E.O. 11652, Sec. 11

By RAH NAJIS Date MAR 28 1973

BLUE 78



5 August 1944

MEMORANDUM FOR:

The Secretary of the General Staff.

There is quoted below a message received via White House Map Room Communications Channels for transmittal to General Marshall.

"From the President to General Marshall.

"Have sent your suggested draft of reply to Chairman, War Production Board exactly as you have suggested.

Signed: F.D.R."

RICHARD PARK, JR.,
Colonel, General Staff.

- 1 -



DECLASSIFIED
E.O. 11652, Sec. 11

By RND Date MAR 28 1973

THE WHITE HOUSE

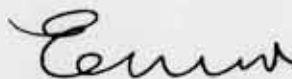
WASHINGTON

July 10, 1944.

MEMORANDUM FOR ADMIRAL LEAHY

Dear Admiral:

May I present this to you
for your reaction as requested by the
President in his attached memorandum?


E.M.W.

THE WHITE HOUSE
WASHINGTON

July 3, 1944.

MEMORANDUM FOR GENERAL WATSON:

Take up with the Joint Staff
and prepare a memorandum of reply.

F.D.R.

X

COPY

May 21, 1942

Lt. General Brehon Somervell
Commanding General, Services of Supply
War Department
Washington, D. C.

Dear General Somervell:

This will acknowledge and thank you for your letter of May 15, 1942, together with an accompanying "Report On Certain Features Of The Organizational Problems Involved In Developing Resources To Meet Strategic Requirements", setting forth certain proposals relating to the control of materials and to the correlation of strategic organization with production organization. Broadly stated, the proposals embody four principal elements, which I should like to discuss separately. All are important, but one has especial significance. I refer to the suggested overall arrangement for the coordination of strategy and production. I should like to consider this at some length, after first dealing more briefly with the other factors.

1. The Inadequacy of the Present Machinery For Controlling the Distribution of Materials.

The letter and the accompanying report describe certain weaknesses which have developed in the mechanism for controlling the distribution of materials. These weaknesses are real, and have been foreseeable for some time. (Your analysis overlooks certain of the contributing causes, such as the loose issuance and extension of PD-3A preference rating certificates by the procurement officers of the Army and Navy, and the failure of the Services to present accurate statements of their requirements.) For several months, the War Production Board has recognized that, following substantial completion of the vital curtailment program and the effective launching of the program of conversion, it would be necessary to shift the primary emphasis of the entire organization to the development and operation of a new and uniform basis for guiding the distribution of materials. In the light of extensive analysis and developmental work, in consultation with the staff of the Army and Navy Munitions Board, and after preliminary testing of new devices, we have tentatively adopted a new system for administering the distribution of materials, to take effect July 1st of

4/11
read - return
for my
file
LJR

THE WHITE HOUSE
WASHINGTON

June 27, 1944

MEMORANDUM FOR THE PRESIDENT:

Wilbur Nelson asked me to give you this letter. You will recall he is Professor of Geology, University of Virginia, now on leave, and working for the War Production Board.

You will probably also recall that he was selected by the National Geographic Society to command a scientific expedition to the South Seas, and a Coast Guard Cutter had been assigned him. The expedition was called off at the outbreak of war.


E. A. Tamm

WAR PRODUCTION BOARD

WASHINGTON, D. C.

June 21, 1944

IN REPLY REFER TO

Major General Edwin M. Watson
Military Aide to the President
The White House
Washington, D. C.

Dear Pa:

I am enclosing, in accordance with your request, a letter to the President signed by Mr. Donald M. Nelson in regard to the proposed expedition to the Caroline Islands and adjacent Japanese mandated areas.

If you wish, I would like to have an opportunity to discuss this matter personally with you in the near future.

With best wishes,

Sincerely yours,

Wilbur A. Nelson

Wilbur A. Nelson
Deputy Director
Mineral Resources Coordinating Division

Enclosure



WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

June 15, 1944

Dear Mr. President:

Reports on the Japanese Mandated Islands show large bauxite deposits, said to be one of the major sources of supply for the Japanese aluminum industry.

If these bauxite reserves can be made available to this country, they would aid the development of the aluminum industry of our Pacific Northwest, using hydro-electric power generated by government plants in the Bonneville district. This development might well be brought about in time to further the war effort, and it could also be of real value to the postwar economy of the country.

Of the five aluminum plants in the Pacific Northwest, one is owned and operated by the Aluminum Company of America and another by the Reynolds Metals Company. The remaining three are government-owned, one being operated by the Olin Corporation and the other two by the Aluminum Company. Four of these plants now use alumina from plants owned or operated by the Aluminum Company in the lower Mississippi Valley. Under peacetime conditions, these Alcoa-operated alumina plants would get their bauxite largely from South America.

The Northwest aluminum industry would be greatly strengthened if it produced its own alumina. This requires the necessary facilities and, if possible, a source of bauxite closer than the north coast ports of South America. It seems feasible to meet both conditions, if large quantities of bauxite actually do exist in the Mandated Islands. The alumina-producing facilities could be obtained by dismantling and shipping to the Northwest the government-owned alumina plant at Baton Rouge, Louisiana, as soon as cut-backs in the aluminum and other war considerations permit; and the Japanese Mandates are a shorter and cheaper haul to the Northwest than the South America import route.

First-hand information on bauxite reserves and mining operations in the Japanese Mandates is needed before plans can be developed. If the international situation permits, this country might gain by organizing at once a technical mission to be sent to the Japanese Mandates as soon as possible after their occupation by the armed forces, to recommend measures for obtaining early shipment of bauxite to the Pacific Northwest in returning cargo ships, now largely empty. The commission might at the same time report on all other resources of the islands.

If you think well of this idea, I should be glad to work out recommendations as to personnel, functions, and program.



The President
The White House

Sincerely yours,

Donald M. Nelson
Donald M. Nelson

197

July 10, 1944.

MEMORANDUM FOR ADMIRAL LEAHY ^{x4189}

Dear Admiral:

May I present this to you
for your reaction as requested by the
President in his attached memorandum?

E.M.W.

^{x4736}
Ltr 6-15-44 to President from Donald Nelson re mission to
Japanese Mandates as soon as possible after their occupation by
armed forces, for early shipment of bauxite. At same time commission ^{x287}
might report on all other resources of the islands. Note 6-21-44
to Gen. Watson from Wilbur A. Nelson, Deputy Director, Mineral Resources
Coordinating Division, ^xWPD forwarding Donald Nelson's ltr. Memo referring
papers to President 6-27-44 from Gen. Watson. Memo from President 7-3-44
"Gen. Watson -- Take up with the Joint Staff and prepare a memorandum of
reply. F.D.R."

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*W Nelson folder
2-44*

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THE WHITE HOUSE
WASHINGTON

July 3, 1944.

MEMORANDUM FOR GENERAL WATSON:

Take up with the Joint Staff
and prepare a memorandum of reply.

F.D.R.

Memorandum for the President from
Gen. Watson, 6/27/44, with attached note
to the General from Wilbur A. Nelson,
Deputy Director, Mineral Resources
Coordinating Division, WPB, 6/21/44, with
accompanying letter for the President
from Donald M. Nelson, 6/15/44, in re
reports on the Japanese Mandated Islands
which show large bauxite deposits, said
to be one of the major sources of supply for
the Japanese aluminum industry.

PSF: War Production Pot: ~~Return~~ *Return* 2-114
Draft for Byrnes to tell them

M. President: *this is what we said to them* August 9, 1944
Henry

•The desperate internal economic situation in China makes it essential that this government send one of its top civil officials to that country at once. The purpose of the mission would be -

1. To secure from Generalissimo Chiang Kai-Shek and his advisers their own immediate estimate of the situation and what might be done about it
2. To give the President and other appropriate government officials an independent judgment as to the immediate economic situation with particular emphasis on the effect of China's economy on her ability to continue with the war.
3. To make a study and analysis, with recommendations, of China's postwar economic conditions with particular reference to the relationship of the United States Government to China's postwar economy. Proper consideration should be given to an exploration of what part of Japan's pre-war industry could appropriately be transferred to China.
4. And, finally, throughout the course of the visit and study to assure the Generalissimo and his advisers that this nation does not wish to dominate China's internal economy but rather to take an appropriate economic interest with the full knowledge that China is a sovereign power and that in the long run the Chinese people should dominate their own internal economy.
5. The mission should be concluded with a report and recommendations as to this government's economic policy toward China, with an

-2-

indication as to what parts of their industrial economy would require public or underwritten private loans on the one hand, and what parts of the conomy could be assisted purely by private Americal capital, and the restrictions which should be placed on those investments by American citizens.

To be given to the
President when Don Nelson
comes in to see him before
leaving for China -

PSF: War Production Bd. ~~Donald Nelson~~ folder 2-44
Nelson folder

August 18, 1944

Dear Don:

There is attached a formal letter authorizing your mission to China.

I consider the whole question of our economic relations with China to be one of utmost importance to this country. I am particularly anxious that the Generalissimo and his advisers in the economic field understand that we are not going in there as exploiters and yet I feel sure that we have a proper function to perform to help to put China on its feet economically.

I want you to extend to the Generalissimo my warmest personal regards.

I wish you great luck and will be anxiously waiting to get your observations and views.

Sincerely yours,

FRANKLIN D. ROOSEVELT

encl.

Mr. Donald M. Nelson, Chairman
War Production Board,
Washington, D.C.

(copy of this letter filed - China folder, dr. 1-44)

August 18, 1944

Mr. Donald M. Nelson, Chairman,
War Production Board,
Washington, D.C.

Dear Mr. Nelson:

I wish that you, acting as my personal representative, would go to China at once. Your mission will be as follows:

1. To secure from Generalissimo Chiang Kai-shek and his advisers their own estimate of the existing economic situation and what they think can be done about it.
2. To give the President and other appropriate government officials your own independent judgment as to the immediate economic situation with particular emphasis on the effect of China's present economy on her ability to continue prosecution of the war.
3. To make a study and analysis, with recommendations, of China's postwar economic conditions and with particular reference to the relationship of the United States Government to China's postwar economy. Proper consideration should be given to an exploration of what part of Japan's pre-war industrial exports could appropriately be utilized to foster China's economy.
4. To assure the Generalissimo and his advisers that this nation does not wish to dominate China's internal economy, but rather to take an appropriate economic interest with the full knowledge that China is a sovereign power, and that, in the long run, the Chinese people should dominate their own internal economy.

(Copy of this letter filed - China folder, dr. 1-44.)

this year. The system will substitute for the present multiplication of devices, which have grown up more or less independently of one another, a single system for the distribution of materials based upon the importance to the war of the products of the various applicants, accurate estimates of the material actually needed by them to make the products, knowledge of their inventories, and the scarcity of the particular materials and the possibilities of increasing the supply, or reducing the demand by substitution and conservation. By letter of May 13, 1942, I advised the Under Secretary of War and the Under Secretary of the Navy of the prospective institution of the new system; solicited their further advice and criticism; and indicated that we desired to be able to announce our decision at the earliest possible date, preferably not later than May 24th. A copy of the letter to Mr. Patterson, together with the enclosures, is enclosed for your information.

There is another aspect of the matter which must be emphasized. The control of the distribution of materials is not merely a matter of mechanism. It depends also upon the determination of the uses to which materials are to be put. Unless these uses are soundly determined, no mechanism will work, for the mechanism must be guided by the established purposes. It is with this in mind (and related considerations affecting management, labor and machine tools) that we have so drastically curtailed the production of consumers durable goods and other goods for civilian use, and that we are pushing our programs for the conservation and substitution of materials. But the determination of uses has more than a civilian aspect. It has the all-important military side. That is why I have pressed during the past weeks for the earliest possible determination of the production program. It also explains why, in the development of a comprehensive program, adjustments must be made in the light of production factors, as well as the strategic direction of the war. As you know, the War Production Board has been acting upon a recognition of these facts. I have in mind, among other things, the Committee on Facilities and Construction which I recently constituted with your collaboration and the collaboration of the Navy, in order to screen out all new facilities not really needed for the accomplishment of the munitions program. I think I may also appropriately mention at this point our difficulties with the stated requirements of the Services for non-military items. You will recall, for example, that the Army's original stated requirement for additional new typewriters for the year 1942 was more than twice the total calculated to be adequate for the entire civilian economy during the same period.

2. The Situation with respect to Civilian Supply.

There is another fundamental which I believe your suggested plan of organization violates. The War Production Board not

5. The mission should be concluded with a report and recommendations as to this government's economic policy toward China, with an indication as to what parts of their industrial economy would require public or underwritten loans on the one hand, and what parts of the economy could be assisted purely by private American capital, and the restrictions which should be placed on those investments by American citizens.

6. The American Ambassador to China should be kept fully informed by you.

7. The mission should be accomplished in from four to six months.

Sincerely yours,

FRANKLIN D. ROOSEVELT

"Personal"

August 19, 1944.

My dear Generalissimo:

This will introduce to you my two very good personal friends, General Hurley, former Secretary of War, and now a Major General; and Mr. Donald M. Nelson the head of the War Production Board.

General Hurley is to be my personal representative on military matters and you can talk to him with the utmost freedom. His principal mission is to coordinate the whole military picture under you as Military Commander-in-Chief -- your being, of course, the Commander-in-Chief of the whole area -- to help to iron out any problems between you and General Stilwell who, of course, has problems of his own regarding the Burma campaign and is necessarily in close touch with Admiral Mountbatten.

Mr. Nelson was, as I have written you, the head of Sears Roebuck Company, the largest distributing company for all manner of goods -- farm goods, industrial goods and household goods -- the greatest business of that kind in the United States. As soon as we got into the war he came to the Government in charge of the War Production Board and has made a splendid record in multiplying American production many fold, so that it has arrived at the point where we are talking not only of keeping the present production up, but of making plans for the restoration of this production to terms of peace. I think that you will find him extremely understanding and sympathetic.

*(copy of this letter filed - China folder, dr. 1-44 and
Gen Corcoran "H", dr. 3-44.)*

- 2 -

He does not, of course, supersede the Secretary of the Treasury in matters of finance, but he has many original ideas and will quickly understand your economic policy.

In the case of both of them, I want you to feel free to talk to them frankly, as they are both literally my personal representatives.

Good luck -- and keep up the good work.

Always sincerely,

FRANKLIN D. ROOSEVELT

Generalissimo Chiang Kai-shek,
President of the Republic of China,
Chungking, China.

PSF WBBd.: ~~Confidential~~ 2-44
Nelson folder
August 24, 1944

MEMORANDUM FOR CONFERENCE WITH NELSON

1. Wilson has resigned for the reason that he states he cannot continue to serve because of irreconcilable dissensions within the Board.
2. These dissensions have gone on for many months and are the constant cause of criticism in press and radio.
3. The President must give all of his time to the conduct of the war against our enemies and cannot devote his time to a minor, but irreconcilable, war within one of his administrative agencies.
4. The immediate situation with its widespread publicity could well damage, irrevocably, Mr. Nelson's usefulness on the China mission. The China mission is vitally important. It will take at least four to six months.
5. The President, therefore, believes that Nelson should resign with Wilson in an atmosphere of friendly disagreement, giving the President a chance to appoint a new Director immediately; Nelson to have his mind relieved of all the headaches in the War Production Board and give his full time and attention to his mission in China.

DECLASSIFIED
E.O. 11652, Sec. 11
By *RMP* DATE *MAR 28 1973*

P.S.F. War Production Bd. 100-2-44 Nelson folder file Personal 2-44

THE WHITE HOUSE
WASHINGTON

September 23, 1944.

MEMORANDUM FOR

GENERAL WATSON:

The President does want to
see Donald Nelson on his return
from China.

G.G.T.

THE WHITE HOUSE
WASHINGTON

September 23, 1944.

MEMORANDUM FOR THE PRESIDENT:

What instructions do you wish
to leave -- and with whom -- for Donald
Nelson in case he returns to Washington
during your absence?

G.G.T.

THE WHITE HOUSE
WASHINGTON

September 21, 1944

MEMORANDUM FOR:

THE PRESIDENT

IN RE: DONALD NELSON

I think it is advisable that you should see Mr. Nelson as soon as possible on his return. He stands for a symbol with many businessmen and has a strong following on the Hill and with Labor. A slight in this respect might be politically harmful.


JAMES M. BARNES

file
THE WHITE HOUSE
WASHINGTON

Nelson folder 2-44

*PSF
WPB:
Nelson folder*

October 6, 1944

MEMORANDUM FOR: The President

FROM: Jonathan Daniels *JD*

I have learned that Donald Nelson has been asked by the Democratic National Committee to make important campaign speeches on the networks. He is most willing to make the speeches but he feels that he is in an awkward situation on account of the uncertainty of his present status. I gather that he doesn't want to speak as ex-chairman of the War Production Board but that he is nothing else yet and still not quite a private citizen. It would be very helpful if his new job could be defined now.

The most important of the proposed speeches for Mr. Nelson is scheduled for October 22nd and it is necessary to make the announcement some time in advance.

PST: War Production Bd.; ~~Return from~~ 2-4v
Nelson folder

— THE WHITE HOUSE
WASHINGTON

October 7, 1944

MEMORANDUM FOR THE PRESIDENT

Dear Mr. President:

This is the job Don Nelson wants.

I don't see how it could be done unless you, personally, see Hull about it.

I have a feeling that you would be subject to some political criticism on a fancy title like this outside of the State Department.

Don seems to be very anxious to get an answer on this.

H.L.H.
H.L.H.

encl. draft of
letter

✓
DRAFT - October 3, 1944

My dear Mr. Nelson:

I hereby appoint you as Personal Representative of the President and Ambassador Extraordinary and Plenipotentiary at Large of the United States of America.

In this capacity you will advise and represent me in our broad economic relationships with other nations, with respect both to the war and postwar periods. You will also undertake specific assignments and missions which I shall designate from time to time, and you are empowered to obtain from existing government agencies such assistance as you may require.

I feel confident that your work in this new post will be of the greatest benefit to this country and to the post-war world.

Sincerely,

only has responsibility for production of materiel for war, but also for the production of the necessary material for the essential civilian economy. It is a fact that no war program can go forward with the required speed unless the essential civilian services are maintained at the same time. Transportation and communication systems must be sound; the health, police and fire services of our municipalities must be maintained and the minimum needs for the economy must be met; otherwise no war program can be carried forward in any country. In my opinion, it would be a fundamental mistake to put the apportionment of materials for the essential civilian economy under the military.

3. Organizational Changes Within
The War Production Board.

The War Production Board has recognized that the substantial completion of the curtailment program, and the adoption of the new system for controlling the distribution of materials, will require a radical reorientation of the work of the War Production Board, and corresponding changes in its organization. Related changes will be necessary in the procedure of the Army and Navy Munitions Board and the procurement arms of the Services. Your suggestion for the reorganization of the Requirements Committee, and for the formation of commodity committees, is helpful, and corresponds in certain aspects to plans which we have under consideration. I have asked Mr. Knowlson, the Director of Industry Operations for the War Production Board, and Mr. Batt, the Chairman of the Requirements Committee, to discuss this aspect of the matter further with you and Mr. Eberstadt.

4. Proposed Overall Arrangement For
Correlation of Strategy and Production.

As I have indicated, this phase of the proposal seems to me the most far reaching and fundamental. With the need for perfecting the mutual coordination of strategy and production, I emphatically agree. For the rest, however, your proposal seems to me to be basically in error.

The report on page 2 refers to the "coordination of strategy and the utilization of available industrial resources". On page 6 it refers to the "formulation of strategic decisions on the basis of availability of industrial resources". At the foot of page 6 and on page 7, it states that the Combined Chiefs of Staff must "take into account not only purely military questions but also economic factors", and that the "responsibility for establishing policies to govern the mobilization, use and apportionment of resources is essential to the fulfillment of their primary mission". In my judgment, these

W. F. War Production Bol.: ~~2-44~~
Nelson folder 2-44

file
PP
THE WHITE HOUSE
WASHINGTON

October 31, 1944.

MEMORANDUM FOR THE PRESIDENT:

I called Donald Nelson to tell him you thought it would be helpful if he would make a speech for Bob Wagner in New York. He explained to me he had been asked by at least a dozen Senators and Congressmen to make speeches in their respective states, including Scott Lucas, of whom he is very fond. He has turned them all down and he does not feel he can make a speech for Sen. Wagner.

He wanted his all-out effort to be for you and nothing to detract from it.

G.

(Orig. filed - China folder, 1-44) PSF, WPE; W. Nelson folder 2-44

December 20, 1944

My dear Mr. President:

This is my report to you on my work in China this autumn. As I cabled you from Chungking on November 22, the situation there has undergone marked improvement, particularly with respect to the cooperation between the Generalissimo and our military forces. It is clear, however, that China is passing through her greatest crisis of the war. Most of our military authorities in China believe that if the Japanese are able to press their drive through Kweiyang, they will direct their next thrust against Kunming, rather than Chungking. If Kunming were to fall, it is generally agreed that China would cease to be an active belligerent. Under those conditions, there is no doubt in my mind that at least an additional year and possibly several additional years of warfare, with an expenditure of many American lives, would be required to beat Japan and liberate China.

Fortunately, the Generalissimo is working energetically with General Wedemeyer to halt the Japanese advance. If they are successful--and I think they will be--steady progress from defensive to offensive warfare should follow in the China theatre.

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
Commerce Dept. Letter, 11-15-72
By RHP, Date MAR 28 1973

My main effort in China to date has been concentrated on measures of immediate benefit to the war effort. During my visit to Chungking in September, I was disturbed by the widespread postwar thinking in official circles, and by a relative lack of constructive war effort. This situation, I am glad to report, has been largely corrected. China's government is now throwing its weight into the job of winning the war. In my many talks with Chinese leaders in November, postwar questions were put aside by mutual agreement. With your approval, I shall reserve postwar discussions in China until the Chinese war effort is farther advanced.

Findings on China's War Effort

China's ability to wage war, as I found it in my September visit to Chungking, was deteriorating rapidly. General Wedemeyer has no doubt reported the tragic defects in the leadership, training, equipment, and supply of the Chinese armies. The long persistence of these defects was due in large part to the attitude of the Ministry of War, which clung to traditional practices in the face of imminent disaster.

Prior to the cabinet changes in November, this attitude was characteristic of most of the Generalissimo's cabinet. The chief officials surrounding him rested on the assumption that the United States would defeat Japan, and

that China could do little to help. Attempts to bring about cooperation between the National Government and so-called Communist China were sternly resisted by certain key ministers. Although these ultra-conservative officials were obedient to the Generalissimo, their influence upon him was profound. Most of the news that reached him was filtered through their offices.

While the Chinese government persisted in a stand-pat military and political policy, her war economy steadily disintegrated and production declined. Chinese arsenals have been operating in the midst of war on only 55% of capacity. Operating rates of most other industries have been even lower. The steel industry has been operating at less than 20% of capacity.

Another factor undermining China's war effort has been her vicious price inflation. It has made hoarding profitable and production unprofitable. To meet swiftly rising costs of raw materials and labor, factories were forced to raise prices, and China's war procurement agencies were unable to meet those prices. The bad price situation has been further aggravated by uneconomical production practices in key industries.

Moreover, the Chinese Ministry of Finance and the four government banks had established an excessively "tight" policy. Funds allocated for Ordnance Procurement were

insufficient to keep arsenals and other war plants operating at full capacity. The government banks had established interest rates of over 40% per annum, together with certain outmoded practices which made it virtually impossible for war industries to borrow.

On another side, China's feeble war production effort was handicapped by her unbelievable transportation difficulties. As you know, there are only 6,000 trucks in China and those old and in bad condition. Free China is also desperately short of planes, liquid fuel, usable rolling stock for the country's few small and unconnected railroads, and spare parts.

The economic war effort of the nation was poorly planned and entirely uncoordinated. Chinese Ordnance procurement officers made little use of plants owned by other agencies of the government and by private sources. Government departments had no mechanism for cooperation with each other or with private industry in the war effort. Procurement was piece-meal. Statements of requirements by government departments were non-existent or completely unrealistic. No system of priorities existed, nor any mechanism to subsidize high cost production of essential materials such as iron and steel.

Along with the military and economic vitality of the nation, the morale of the Chinese people was being drained away.

In September, I found the civilians of China wavering between resigned reliance on the United States to defeat Japan, and bleak pessimism. Their will to victory withered for lack of strong moral leadership. In the educated, salaried middle class, which has been nearly ruined by the inflation, resentment of hoarding and speculation by the wealthy, and of official corruption had been steadily growing.

In recent years, leaders of the country, from the Generalissimo down, have been unable effectively to rally the people to the war effort. It must be kept in mind, too, that the civilians of China receive little war news, largely because of lack of communication. For the most part, they have no feeling of participation in the war. The lack of an army postal system and prevailing illiteracy virtually prevent communication between civilians and soldiers.

Although the Generalissimo is highly respected and widely regarded as the one man capable of holding China together, there are many rumors of disaffection among powerful provincial leaders. For example, the allegiance of the Governor of important Yunnan Province, General Lung, is reported to hang by a thread. Such rumors, whether true or not, depress morale.

Action Taken

It was clear to General Hurley and to me, as we faced the situation in September, that if China was not to drop out of the war as a belligerent, she had to move rapidly. Swift action by the Generalissimo was the goal of the talks which we had with him in September. Such action obviously required the closest cooperation with the representatives of this country. Your appointment of General Wedemeyer to the command of the China Theatre, your subsequent appointment of General Hurley as Ambassador, and the arrival of the American war production mission in China, laid the ground work for a number of significant measures, since put into effect:

1. Active steps were taken to check the

Japanese advance. The diversion of Chinese troops from the border of Yenan Province to the fighting zone in Kweichow suggests a shift in attitude of the National Government toward the Communists; while the movement of Chinese troops from Burma to Kweichow was the work of the newly established military command in China. The latter development was made possible only by close cooperation among the Chinese, Americans, and British.

In talks which I held at General Wedemeyer's

request with ranking American and British commanders in Calcutta and Ceylon, I found a healthy understanding of the Chinese military situation, and a willingness to make far-reaching changes in campaign plans, so as to give full cooperation to General Wedemeyer. Of great importance also is the fact that the Chinese Service of Supply has now been put under the command of General Wedemeyer.

2. The Chinese War Production Board was established and is functioning. In September, I obtained the enthusiastic agreement of the Generalissimo to create an agency in the Chinese government to plan and coordinate Chinese war production and related economic activities. Following your approval in our Washington conversation of November 2, I returned to China with a small group of men who have had long experience in American war production. Our first step was to work with a group of Chinese officials headed by Dr. Wong Wen-Hao, Minister of Economics, to draft the basic law for a Chinese War Production

Board. This law, which grants very wide powers, was immediately approved by the Generalissimo, and has since been passed by the Executive and Legislative Yuans. We worked closely with Dr. Wong on organization and policy, participated in working up firm ordnance requirements for the Chinese Army, and aided in winning cooperation for the Chinese War Production Board from all Ministries of the Chinese government and from leading financial and industrial groups.

For the first time, the Chinese economic war effort is now coordinated. Two members of the staff of the American War Production Board have remained in Chungking to act as my deputies in further advising the Chinese War Production Board on problems of policy and operation. Excellent arrangements also have been made for close liaison between the Chinese War Production Board and U. S. Army Ordnance, represented in Chungking by officers of high ability.

3. An American technical production mission has begun work in China. By arrangement with the Foreign Economic Administration, on my return to China in November, I brought with me six American production specialists, five of whom are experts in steel production, one in alcohol production. These highly qualified men immediately began to visit Chinese industry and to study production methods there. They will work with Chinese plant managers and government officials over a period of three months with a view to increasing output, improving quality, and reducing costs. Attention was focused at once on measures to obtain immediate increased production of entrenching tools, small arms, trench mortars and ammunition needed by the Chinese Armies.

4. War production requirements have been financed. The four Chinese government banks have contracted to lend 10 billion CNC to the Chinese War Production Board to finance essential production. The urgent need for additional working capital

MAR 28 1973