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## LEASE LEND

*What it is and how it works*

BY

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## PART I.

### I.—*The Genesis of Lease-Lend*

“ We are not furnishing this aid as an act of charity or sympathy, but as a means of defending America. We offer it because we know that piecemeal resistance to aggression is doomed to failure; because the ruthless machine which now bestrides the Continent of Europe can be combated only by the combined efforts of all free peoples and at all strategic points where the aggressor may strike.

The lend-lease program is no mere side issue to our program of arming for defence. It is an integral part, a keystone, in our great national effort to preserve our national security for generations to come, by crushing the disturbers of our peace.

To those peoples who are gallantly shedding their blood in the front lines of this struggle, we must offer not only a shield but a sword, not merely the means to permit the stalemate of protracted defence, but the tools of a final and total victory ”.

The President of the United States of America in *Second Report on the Lease-Lend Act*, p. IV.

The immediate occasion for the introduction into the Congress of the United States (on January 10, 1941) and the subsequent passage into law on March 11, of the legislation popularly known as the “ Lease-Lend Act ”\*—its official title is “ An Act to Promote the Defence of the United States ” was the threatened early exhaustion of the dollar resources of the Sterling area (primarily, of course, the dollar resources of the United Kingdom). This would have meant the impossibility of maintaining, under the then existing state of the law in the United States, the flow of essential supplies to the war front. This was a situation which obviously not only imperilled the position of the Allies, but it also threatened the position of the U. S. A. itself, since it was becoming clear (and had become accepted as axiomatic by the United States Administration) that the safety of that country was essentially linked up with an Allied Victory.

From the date almost of the outbreak of the War, the financial relations between the belligerents and the U. S. A. had been governed by the terms of the Neutrality Act of November 4, 1939. Whilst the Act did not prevent the supply of munitions of war to the belligerents, it did embody the principle of what became known as “ Cash and Carry ”, that is, it prohibited the supply of materials by means of borrowing operations and made the transfer of ownership a condition precedent to the removal of the goods in question, whilst at the same time it prohibited the use—within certain defined areas which did *not*, it may be noted, include the Pacific or Indian oceans or the Red Sea area—of American shipping as a means of transport. Thus essential supplies had to be paid for in cash and the Allies were obliged to transport supplies in their own ships, at any rate so far as the European zone of operations was concerned.

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\* In American discussion, the Lease-Lend Legislation is always referred to as Lend-Lease Legislation. Neither phrase is used in the official title to the Act, but it may be pointed out that Section 3 (a) of the Act refers to authorisations “ to sell, transfer title to, exchange, lease, lend or otherwise dispose of. . . . . ” Thus the British practice appears to be more in accordance with the actual terms of the Legislation itself.

How difficult the position was becoming is indicated by figures presented by the Secretary of the United States Treasury to the Foreign Affairs Committee of the House of Representatives. Though the statement as presented by Mr. Morgenthau was prepared by the American authorities themselves, it was necessarily based on data supplied by the British Government itself\*. The *net* change in the gold and dollar resources held by the United Kingdom between August 31, 1939 and December 31, 1940, was as follows:—

(Figures in million).

Gold and silver resources.	Amount held on 31st August 1939.	Expended between 1st September 1939 and 31st December 1940.	Amount held on 31st December 1940.		
			Total.	Un-avail-able.**	Net avail-able.
Gold . . . . .	2,038	1,746	292	51	241
Dollar balances . . . . .	595	236	359	305	54
Market securities . . . . .	950	334	616	..	616
Direct and miscellaneous invest-ments.	900	..	900	..	900
Total	4,483	2,316	2,167	356	1,811

A further table, presented in connexion with Congressional discussion of the bill, made it clear that (a) taking into account the balance of available resources remaining after the expenditure up to December 31, 1940, (b) the accruing dollar receipts of the entire sterling area, there would be a further drain of 1,464 million dollars on the dollar resources of the United Kingdom during the calendar year 1941, which would, in fact, exhaust what was left of the available resources and leave a small deficit†, *i.e.*

Net amount available (table above) . . . . . 1,811—356=1,455

Net amount required over and above accruing resources . . . . . 1,464

Whilst the Bill was being discussed in both Houses of the Legislature, the process of liquidating British investments in the U. S. A. was being steadily pursued. "The exhaustion of available British reserves" remarked the Federal Reserve Bulletin in May, 1941†† "which is the immediate occasion of the diminished gold movement, has forced the British into heavy sales of their American investments in order to continue making dollar payments.

\* The figures as cited here are taken from 27 Federal Reserve Bulletin, page 100 *et seq.*

\*\* The British Official view was that the following items should be regarded as un-available: \$30 million of gold scattered in different parts of the world, \$21 millions of gold held against outstanding forward exchange contracts, and \$305 millions representing private dollar balances, considered to be at the minimum level necessary for the transaction of current business.

† The computation will be found in detail in 27 Federal Reserve Bulletin, page 101.

†† 27 Federal Reserve Bulletin, pages 385 *et seq.*

Both market securities and direct investments have been liquidated. By April 1, the British had completely liquidated their holdings of 112 common stocks, 31 preferred stocks and 22 bond issues. Later in the month the British Treasury mobilized another group of U. S. dollar securities. . . . . A beginning was also made on direct investments. On March 16, it was announced that a Syndicate of investment banking firms had purchased from the British Government the bulk of the outstanding shares of the American Viscose Company, hitherto a subsidiary of the British rayon firm of Courtaulds Ltd.—and perhaps the most valuable holding among British direct investments here. In an announcement accompanying this transaction, the British representative, Sir Edward Peacock, stated that negotiations were proceeding for the sale of further British direct investments here, especially those in industrial properties—Liquidation has also been reported of a part of the British investment in plants of American suppliers who have received capital assistance from the British Government during the war period. . . .”

The Bill had a by no means easy passage through the Legislature, as indeed, is clear from the time taken between introduction and acceptance. Opposition came from various quarters: from the Isolationists, who took the line that the bill would involve in the U. S. A. in war: the opponents of President Roosevelt, who thought that the bill conferred too much power on the President and from those who, whilst approving aid to Great Britain, thought that this aid could be furnished as effectively, and with a smaller grant of power to the Administration, by alternative methods of approach.

## II.—Analysis of the Lease-Lend Act.

The fundamental purpose of the Act is clear: it is to enable countries “whose defense the President deems vital to the defense of the United States” to procure assistance from the agencies of the United States Government, from the “Secretary of War, the Secretary of the Navy or the head of any other department or agency of the Government”. In order that such agencies may act, however, they require authorization from the President of the United States, and, as already pointed out, he must deem the defense of the countries in question to be vital to the defense of the United States.

What acts can such authorizations cover? Section 3 of the Act, which is the vital one in this regard, enables the agencies of the United States Government—

- (1) “To manufacture in arsenals, factories and ship yards under their jurisdiction, or otherwise procure. . . . any defense article” for the country authorized to be assisted.
- (2) “To sell, transfer title to, exchange, lease, lend or otherwise dispose of, to any such Government any defense articles” subject to certain limitations. The principal of these limitations are:—
  - (a) No such article which is not specifically manufactured for the purpose shall be disposed of “except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy or both”.
  - (b) There is a monetary limitation on the transfer of defense articles not specifically manufactured under the authority of the Act of \$1,300 millions.

- (c) Defense articles manufactured in the future under the authority of appropriations other than those authorized in the Lease-Lend Act itself may not be disposed of under Lease-Lend Legislation "except to the extent hereafter authorized by the Congress in the Acts appropriating such fund or otherwise".
- (3) "To test, inspect, prove, repair, outfit, recondition or otherwise to place in good working order..... any defense article.... or to procure any or all such services by private contract".
- (4) "To communicate to any such Government any defense information\* pertaining to any defense article furnished to such government....." (Such government means, of course, any government to whom Lease-Lend assistance is being granted).
- (5) "To release for export any defense article disposed of in any way... .... to any such government".

To sum up: Lease-Lend contemplates (a) direct manufacture for an assisted government, (2) transfer to an assisted government of articles manufactured under other executive authority, (c) the communication of information, (d) the facilitation of affairs. How these powers are interpreted in action will be described below in Section III.

### III.—Conditions to be observed by assisted governments.

Assistance granted under Lease-Lend is not intended to be gratuitous or to be extended without other conditions being accepted by the assisted governments.

In the first place, the Act gives the President power to impose such conditions as he deems satisfactory. Section 3 (b) of the Act lays it down that "The terms and conditions upon which any such foreign government receives any aid authorized..... shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any direct or indirect benefit which the President deems satisfactory". It may be noted that the conditions of transfer may specifically include sale † (see previous sections) as well as exchange or loan.

Secondly, by Section 4 of the Act, "All contracts or agreements made for the disposition of any defence article or defense information..... shall contain a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense article or defense information by gift, sale, or otherwise, or permit its use by any one not an officer, employee or agent of such foreign government".

\* Section 2 (b) defines "defense information" as being "any plan, specification, design, prototype or information pertaining to any defence article".

† Section 102 of the Second Lease-Lend Appropriation Act specifically lays it down that:—

"The President may, from time to time, when he deems it in the interest of national defense, authorize the head of any department or agency of the Government, to enter into contracts for the procurement of defense articles, information, or services, for the government of any country whose defense the President deems vital to the defense of the United States, to the extent that such Government agrees to pay to the United States for such defense articles, information or services prior to the receipt thereof and to make such payment from time to time as the President may require to protect the interests of the United States; and, upon payment of the full cost, the President may dispose of such articles, information or services to such government subject to a limit of \$600 millions in respect of outstanding contracts at any one time".

*IV. The Finance of Lease-Lend.*

The Lease-Lend Act does not itself provide for any global sum to be expended on the purposes envisaged in the Act, nor does it—except incidentally—limit the amount which can be expended in any one direction. The financial aspects are directly covered by a series of Acts, the first of which was approved on March 27, 1941, and is known as the “ Defense Aid Supplemental Appropriation Act, 1941 ”. A second Act : the “ Defense Aid Supplemental Appropriation Act ” was passed on October 21, 1941, and other such acts will inevitably be forthcoming. In all, these two Acts appropriated the sums of \$7,000 millions and \$5,985 millions respectively, the amount involved to remain available until June 30, 1943. This aggregate sum of 12,985 million dollars is approximately equal to 43,380 million rupees or 4,300 crores of rupees.

The main heads under which these sums are appropriated are as follows :—

- (1) Ordnance and ordnance stores, supplies, spare parts, and materials : under the first two Acts, \$2,533 millions or 20 per cent of the total.
- (2) Aircraft and aeronautical materials, including engines, spare parts and accessories : under the first two Acts, \$2,739 millions or 21 per cent of the total.
- (3) Tanks, armoured cars, automobiles, trucks and other automobile vehicles, spare parts and accessories : under the first two Acts, \$747 millions, or 6 per cent of the total.
- (4) Vessels, ships, boats and other watercraft (including the hire and other temporary use thereof, and equipage, supplies, materials, spare parts and accessories) under the first two Acts, \$1,479 millions or 11 per cent of the total.
- (5) Miscellaneous military equipment, supplies and materials : under the first two Acts, \$415 millions or 3 per cent of the total.
- (6) Facilities and equipment for the manufacture, production or operation of defense articles and for otherwise carrying out the purposes of the Lease-Lend Act, including the acquisition of land and the maintenance and operation of such facilities and equipment : under the first two Acts, \$1,127 millions or 9 per cent of the total.
- (7) Agricultural, industrial, and other commodities and articles : under the first two Acts, \$3,225 millions or 25 per cent of the total.
- (8) Testing, inspecting, proving, repairing, outfitting, reconditioning, or otherwise placing in good working order any defense articles for the Government of any country whose defense the President deems vital to the defense of the United States (including services and expenses in connexion therewith) : under the first two Acts, \$375 millions or 3 per cent of the total.
- (9) Necessary services and expenses for carrying out the purposes of the Lease-Lend Act, not specified or included in the above : \$325 millions or 2 per cent of the total.
- (10) Administrative expenses : under the first two Acts, \$20 millions. An element of elasticity has, however, been introduced into these appropriations by the proviso that the President may re-allocate 20 per cent of any of the appropriations (other than the ninth and tenth), subject, however, to the limitation that no appropriation could be increased by more than 30 per cent.

### V. *The General Working of Lease-Lend.\**

(a) *The structure.*—At the present time, the executive authority of the United States Government charged with the general administration of Lease-Lend activities is the Office of Lend-Lease Administration, established by Executive Order of October 28, 1941. There had been previously set up by Executive Order of May 2, 1941, a "Division of Defense Aid Reports" within the Office for Emergency Management of the President's Executive Office. It was intended that this Division "should provide a central channel for the clearance of transactions and reports; that it should co-ordinate the processing of requests for aid under the Lend-Lease Act; that it should maintain a system of reports and accounts.....and that it should serve as a clearing house of information for agencies participating in the Lend-Lease program". (1st Report on L/L, page 14).

Nevertheless, the President "retains the authority to determine what nations shall receive aid under the Lend-Lease Act and he continues to determine all major policies for the guidance of the Lend-Lease Administrator". Secondly, the "master agreements setting forth the general terms and conditions under which countries receive Lend-Lease aid" are negotiated by the State Department "with the advice of the Economic Defense Board and the Lend-Lease Administration. All matters affecting the economic defense of the United States are brought to the attention of the Economic Defense Board. Procurement of strategic and critical materials is subject to the review of the Office of Production Management. Provision is thus made for insuring that the Lend-Lease program will be in accord with latest developments in America's foreign policy, its economic defense and its strategic production situation" (3rd Report on L/L, page 28). The assisted governments are, however, not only in close touch with the Lease-Lend Administration, but also with the departments which are actually responsible for furnishing the goods, the "procurement" agencies, as they are called technically. Thus, the "War Department" has established "Defense Aid Requirements Committees" including in their membership representatives of the foreign governments actually receiving assistance.

(b) *Procedures.*—It must never be overlooked that Lease-Lend is only a part of a very complicated situation. The United States, in addition to providing Lease-Lend aid, is engaged upon a vast process of building up its own armed forces. The United Kingdom has a great armaments industry of its own, and has still large supplies accruing from pre-Lease-Lend contracts. The number of countries seeking Lease-Lend aid is constantly growing, as the actual or potential battle-fronts extend. British, American and allied production generally is itself steadily becoming more integrated and something of the nature of "industrial division of labour" in the armaments field is being arrived at under the grinding pressure of events. It follows that the kind and volume of assistance to be afforded under Lease-Lend not only depends upon the specific needs of each assisted country and the obligations in all directions resting upon the U. S. A., but upon the whole complex of circumstances which constitutes the economic side of the war-effort.

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\* This section is based on the material contained in the First, Second and Third Reports on the Lease-Lend Act, reports which by virtue of Section 5 (b) of the Act, the President is required to submit from time to time, "but not less frequently than once very ninety days".

Procedures under Lease-Lend Administration fall under three main categories, viz. :—

(1) "Cash reimbursements transactions."—This procedure is described in the 2nd Lease-Lend Report as follows: "This system of purchasing provides for the procurement of an item in precisely the same way as that used for other lend-lease operations with the exception that the foreign government deposits cash with the United States Treasury against the value of the goods to be purchased.

The use of the lend-lease mechanism for the making of such purchases is beneficial to the United States defense program, because, under such a system, foreign orders, even though paid for in advance, become United States' Government contracts under the supervision and control of United States Government agencies. This obviates the need for separate foreign priority ratings as well as limiting the chances for conflicting production, exorbitant prices and the misuse of raw materials, labour, and plant facilities." (*Loc. cit.*, p. 7).

(2) Direct cash contracts with American suppliers for the purchase of defense articles: "In order that such direct cash operations may be made more effective, foreign governments file a Purchase Negotiation Report for the purpose of securing an allocation of production capacity, adequate priority ratings, and information as to sources of supply. The Lease-Lend Administration clears all Purchase Negotiation Reports with the Office of Production Management which, in turn, co-ordinates the views of the War and Navy Departments with its own, so that a composite recommendation may be made to the foreign governments requesting such help."

(3) Lastly, Lease-Lend transactions proper. The 3rd Lease-Lend Report (pages 29-30) sums up current procedure as follows :—

"...a requisition must be filed with the Lend-Lease Administration by the country seeking aid. This requisition must set forth the use to which the requested article or service is to be put and the reason why it is needed. No items are approved, whether on a program or an individual basis, unless the following conditions are met :—

*One.*—The Lend-Lease aid requested must be for a use essential to the war or defense effort of a country whose defense the President has found vital to the defense of the United States.

*Two.*—Lend-Lease funds must be available to supply the requested Lend-Lease aid or it must be available for transfer from appropriations made prior to March 11, 1941.

*Three.*—The requested Lend-Lease aid must come within the legal scope of the Lend-Lease Act.

*Four.*—The defense aid requested must not be obtainable as a practical matter, by payment therefor in American dollars or other currency available to the requisitioning country.

*Five.*—The requested Lend-Lease aid must be of the most economical and efficient type suitable for the intended use."



The financial procedures involved in making allocations to the agencies actually procuring materials have been speeded up in the course of the working of the Act. As the 3rd Lease-Lend Report points out—

“ Allocations of fund to the procurement agencies are now handled in two ways.

First, allocations are made on a program basis to cover items the need for which can be readily foreseen. Under the procedure recently adopted, these programs are submitted to the Lend-Lease Administration by the various agencies in collaboration with representatives of the Lend-Lease countries. If a program is approved by the Lend-Lease Administration, the funds required to put it into operation are allocated to the appropriate agency. The submission and review of programs in this manner have the great advantage of presenting the needs of the Lend-Lease countries in their proper perspective. An airplane program or a steel program for six months, for example, can be more quickly and more accurately evaluated, in terms of need, available funds and available supplies, than can piecemeal and recurring requests for small quantities of defense articles.

Second, blanket allocations are made to cover the cost of the many items which cannot readily be planned in advance on a program basis, such as emergency ship repairs. These items must be handled separately, from day to day, as critical needs arise. These blanket allocations are available to the procurement agencies for “ spot ” and other rush purchases and are replenished from time to time as they are depleted.”

#### VI.—The Statistical Record.

It is obvious from the figures cited in Section IV, that Lease-Lend not only covers a vast field of activity, but that the aggregate sums involved are equally immense. It must, on reflection, be clear that the amount of aid *in prospect* at any one moment of time must be greater than the amount actually furnished *up* to that time, for production takes time and the resources of the U. S. A. were not fully geared to the exigencies of war at the time that the Lease-Lend program was decided upon. It is also clear that certain forms of aid can be rendered much more speedily than other forms, for the period of production, *e.g.* of a battleship must inevitably be greater than that of an aeroplane or a motor car. This simple fact also explains (in part) why the absolute amount of Lease-Lend which it has been possible to give to one country should be greater than that given to another. If, *e.g.*, the U. S. A. is prepared to Lease-Lend \$1,000 million to two countries, one of which requires food in large quantities, whilst the other requires ships, it will be obvious that it will take longer to exhaust the \$1,000 million in the second case than in the first.

It has already been pointed out that the Lease-Lend Legislation appropriated certain sums for purposes defined in the legislation itself, subject to a limited form of re-appropriation. From the statistical point of view, therefore, it is necessary to draw distinctions between (a) the sums appropriated, (b) the amounts actually allocated to the various spending authorities for Lease-Lend purposes, (c) the sums *obligated* (this is the technical phrase used in the American reports to describe the money value of the obligations incurred towards the assisted States by the various departments concerned

with actually procuring the commodities required), (d) the amounts spent up to a given point of time and (e) the amount of commodities transferred. It will be clear that these sums will be in a descending order of magnitude at any one moment of time, but, as time goes, the amount allocated and obligated, spent and goods transferred (in terms of money value) will approximate more closely to the amounts allocated and appropriated to Lease-Lend under current legislation.

At the end of November 1941, the statistical position was as follows:—

(In million dollars.)

	Appropriations*.	Allocations.	Obligations.
Ordnance and Ordnance stores . . . . .	2,650	2,215	947
Aircraft and aircraft material . . . . .	2,710	2,040	1,727
Tanks and other vehicles . . . . .	847	628	316
Ships . . . . .	1,628	1,303	713
Miscellaneous military equipment . . . . .	431	311	70
Production facilities in United States . . . . .	977	757	427
Agricultural and industrial commodities . . . . .	3,043	1,665	930
Servicing, repair of ships etc. . . . .	341	167	109
Services and expenses . . . . .	325	95	3
Administrative expenses . . . . .	20	5	1
Total . . . . .	12,972	9,186	5,243

The total amount of Lease-Lend aid up to November 30, amounted to 1,200 million dollars. "This figure" as the 3rd Lease-Lend Report points out, "is comprised of two things—the value of articles transferred from other than Lend-Lease appropriations, and expenditures under the two Lend-Lease appropriation Acts". (Section 3 of the Lease-Lend Act provided that a maximum of \$1,300,000,000 of goods procured from appropriations made prior to March 11, 1941, the date of Act, might be transferred to Lease-Lend countries).

Total Lease-Lend assistance up to the date mentioned, was distributed as follows:—

Type of aid.	Millions of dollars. (Cumulative to (30-11-1941.)
Defence articles transferred . . . . .	723
Articles awaiting transfer or use . . . . .	140
Articles in process of manufacture . . . . .	92
Servicing and repair of ships . . . . .	79
Rentals and charter of ships etc. . . . .	92
Production facilities in U. S. . . . .	75
Miscellaneous expenses . . . . .	1
	1,202

\* First and Second Acts, including adjustment of appropriations under the First Act.

The 3rd Lease-Lend Report explains these various items as follows:—

“Defense Articles Transferred” represents the value of goods which have actually been transferred to the different Lend-Lease countries. “Articles Awaiting Transfer or Use” are finished articles ready to be transferred to a Lend-Lease country or to be used in the manufacture of other articles for such countries; in this category would be a finished airplane ready to be flown to the point of transfer. “Articles in Process” represents expenditures for items such as ships, upon which payment is made by the Government as the work progresses; this category does not include the great majority of Lend-Lease articles in process of manufacture which are not paid for until the finished goods are delivered. “Servicing and Repair of Ships” includes the cost of repairing, servicing and reconditioning the ships of Lend-Lease countries in United States ports. “Rental and Charter of Ships etc.” represents the cost of transporting Lend-Lease cargoes to foreign countries. “Production Facilities in United States” represents production facilities being built in this country for the manufacture of Lend-Lease goods. “Miscellaneous Expenses” includes the cost of administration and other items not otherwise classifiable”.

## PART II.

*India and Lease/Lend Aid.*

1. Lease/Lend is given by one Government to another and this involves in effect a Government office at each end, one to put the demands, another to receive them and this is in fact what exists. There is an office of Lease/Lend Administration in America and an American Purchase Section here: with between them the India Purchasing Mission in America fulfilling the important roles of agent and adviser combined.

2. Actually before Lease/Lend came in, the need for a person or body to operate with authority on India's behalf in America had made itself felt. For whenever the supply position in one country becomes difficult, the ordinary channels of individual trade are apt to shrink rather like a river which in periods of plenteous water runs freely through many channels, but at other times is reduced to one or even has to be canalised. In several commodities, e.g., steel, the demands on America including its own internal demand, had reached such a stage that it was necessary more and more for each demanding country itself to ask i.e., the government rather than individuals, and consequently it needed someone to act on its behalf in the United States. Even if there had been no Lease/Lend India would have had to have a Purchasing Mission sooner or later. The U. K. had one for a long time before Lease/Lend.

It is important, therefore, to realise that the creation of the Mission was not the result solely of Lease/Lend; although the coming of Lease/Lend made it inevitable, it would have become inevitable for purely supply reasons also.

3. The Mission had as its first head a distinguished Indian, Sir Shanmukham Chetty, a former President of the Legislative Assembly and Dewan of Cochin. As Secretary it has an officer of the India Office, Mr. A. C. B. Symon who had been on the Supply side of that office for a considerable time before. It has on its staff officers with stores experience and other technical staff and advisers, and combines with the B. P. C. or other Missions in using a common consulting staff. Clerical and other similar staff is recruited in America.

4. The Mission's headquarters were first in New York. Since, however, the Government of the U. S. A. is at Washington, the increasing canalisation of the supply situation through the U. S. A. Government meant that more and more problems had to be discussed and solved in Washington, not in New York. Accommodation difficulties presented themselves, however, and as a first step only a detached branch could be opened. Further developments, however, continued to enforce the need for a headquarters at the capital of the U. S. A. and with accommodation becoming available, the headquarters will be shifted to Washington this month. (June 1942). Only the shipping section will remain in New York, obviously a convenient location for it.

5. The parallel on this side to the Indian Purchasing Mission is the American Purchasing Section in the Supply Department under Mr. M. W. M. Yeatts, Joint Secretary. The function of this section is, as it were, the reciprocal of the I. P. M. inasmuch as it has to collect and collate the demands and present them in as digestible a form as possible to the Mission. It acts also as a channel for collecting the information necessary for the Mission's activities in America and forwarding it, and in the other direction seeing that its questions are distributed and answered.

6. For certain kinds of material such as munitions, the Empire field is looked at as a whole in London and in such cases, the American Purchase Section places no direct demands on the United States. It is, however, concerned with the watching of all receipts from America under Lease/Lend and consequently has intimations of all shipments of Lease/Lend articles, whether procured on its own indents or on an indent originally placed on London.

7. Lease/Lend as a practical piece of administration has undergone many changes in its year of life. Originally it followed a job basis; that is, American insistence was on presentation of a completely worked out job and the materials required for it. This involved rather an elaborate break-down of classes and systematic indenting—and also of course a lag in supply represented by the fact that material could not be asked for till the job had been worked out. In the case of steel, for example, sixteen classes were decided with a weekly indent for each except that the first two and the second two classes were indented for at the same time. This produced, therefore, a twelve-week or three-month sequence and from the beginning of September last year these indents for the bulk demands of India in steel went forward week by week.

8. It is evident that in a tightening supply situation it will be necessary to look far ahead and ultimately to break away from the job basis on to the estimate basis, and this has come about in steel and oil, to name two notable examples, and the intention is to work towards this in every commodity procured from America. This means in one way more thought and skill on the part of departmental officers, since it is easier to say what is required for a specific job than to set out with reasonable detail what is expected to be required over a period running far into months or even into years for the whole country. On the other hand, once the estimate basis is adopted, there is not only simplified procurement but a step will have been taken towards the solution of the other prevailing difficulty, shipping, since then it is possible for the Mission on the other side to arrange a steady flow.

9. A main desideratum therefore is for all-India's requirements from the U. S. A. in regard to materials in which there is any scarcity or difficulty in procurement, to be put as a whole and expressed in a forward estimate, and one main concern of the A. P. section is to extract estimates in this form. It is not only specific government demands that are concerned. There are many materials which the country as a whole needs apart from its Government. But if the supply position in these is at all difficult, the same tendency arises, namely for the U. S. A. to require justification. There is an obvious and early limit to the extent to which justification can be given on individual commercial orders and the position is developing of a forward estimate which America will be asked to approve, and against this Lease/Lend procurement, or commercial licences, as the case may be, will be set.

It will be observed that this is merely the job *vs.* estimate question again; for in effect the former import system was based on the job *i.e.*, the specific necessity and production was against this. Now production will be against the estimate.

10. Several details of technique are involved by this change. The first is the utmost simplification in demand. America is no longer a shop into which India can go and take what she likes or leave without purchasing if there is dissatisfaction. In fact India will now have to take what is available or go without and over an increasing field, fancy items will simply not be produced at all. This applies with additional force in the case of Lease/Lend, for in that case Government is receiving a favour and those who ask for favours are not in a

position to be exigent ; it is therefore a standing feature of Lease/Lend that unless there are particular circumstances American specifications have to be accepted and India cannot insist on a particular supplier. But even in the non-Lease/Lend field this applies also and will apply more and more. With the whole of American production more or less under control in order to achieve the maximum amount of conversion possibilities, production trimmings are removed and must be done without.

11. Following out the principle that America must not be looked on as a shop there is the requirement of a substantial indent. This is cardinal in Lease/Lend, where America will not save in quite exceptional circumstances, look at a requisition for less than a thousand dollars and the A. P. Section will not forward one. Clearly since the official stages have to be gone through for each requisition there would be an intolerable waste of effort and time if fractional individual orders were to be put up. The A. P. Section therefore insisted on bulk orders from the first and this leads naturally into the forward estimate, which itself is on a bulk basis *ex hypothesi*. Any forward estimate is bound to be more simplified than a set of specific demands and thus fits in with the production limitations referred to already. The position, (to which the public in all the allied nations must accustom themselves), is approaching that of a standardised supply based on minimum demand, and a demand moreover not representing the mere summation of individual fancies but a governmental estimate to which individual demands must be fitted.

12. Where commercial procurement still operates in a shrinking supply field and against severe contractions in shipping space, there is bound to be the development of more goods lying on U. S. A. wharves for shipment than there is shipping space to take them. At once therefore a question of priorities arises and supporting messages have to go in regard to consignments considered to have particular importance. This is linked up with the American insistence on specific description of purpose, user, etc.

These recommendations had to relate not only to shipment but also to the prior stage of production. For with the whole production field under control, Government has in many cases to give justification even before an article could be made.

13. As the estimate basis is more and more resorted to then the role of these individual recommendations evidently shrinks and should finally disappear, unless Government wishes for special reasons to secure an exceptional priority for a particular article. This stage is near at hand, and it is already practically impossible for individual shippers to secure space and what will emerge is a monthly determination of how much can be shipped from the U. S. A. and what will be shipped in this available space, both determinations being made by governmental authority in accordance with a general plan.

14. Lease/Lend is between Governments and must be according to the American Act itself. The articles received must serve the war effort. Consequently no direct individual relationship either of a firm or of a person in India can arise, still less any claim to receive a Lease/Lend material on individual grounds. If a firm or an individual receives Lease/Lend material at all, it is only because its or his activity towards the war effort had been considered as justifying the receipt of that particular article.

Firms may be used as Government agents in the distribution of Lease/Lend material, but in essence their position does not differ from that of an individual and in regard to their handling of all such material they are subject to the direction and control of the Government of India. It is not the intention to crowd

out ordinary business agencies and in fact practice is in the other direction, of making the utmost use of them. In the case of many commodities already individual firms are used to handle the distribution side, and thus it is hoped to bring about a position which will reconcile the inevitability of consolidated procurement from America with distribution through former channels within India. This will only apply of course in cases where even the civil consumption of a commodity is put under Lease/Lend, but as the production system tightens in America, it will probably come about that even for commercial procurement this difference will arise, i.e., that bulk orders will have to be put on America by the Government and distributed within India through the agency of individual firms.

15. Lease/Lend is against U. S. A. funds and the U. S. A., like other countries, has to pay regard to its own taxpayers. Consequently, it is idle to put forward considerations of the Indian taxpayer as reasons for influencing or directing the flow of Lease/Lend goods. It is the general need of the country as a partaker in the war effort that forms the criterion.

16. Summed up, therefore, Lease/Lend for India embodies the following main points :

- (i) the transactions must be between governments ;
- (ii) they must be directed towards the war effort ;
- (iii) they must not be the opportunity for speculation or improper profit ;
- (iv) consequently receipt of Lease/Lend material by an individual or firm can be only for the purposes of the war effort and subject to condition (iii) ;
- (v) for proper application of these principles there must be a watch over the receipt and the disposal of Lease/Lend goods ; and
- (vi) Lease/Lend is part of a wider scene against which it must be viewed for full comprehension of its significance. That scene is one of complete control of American production and of shipments.

## PART III.

*Misunderstandings.**(i) Recent developments in Anglo-American relations.*

As already remarked, Lease/Lend policy is part of a much wider whole and a whole that is not only very complex, but which is changing greatly with the intensification of the War-effort. It is inevitable, therefore, that misunderstandings should arise from time to time. Some of these are dealt with below. But it may be desirable, as a preliminary to what follows, and as a supplement to what has been said in previous sections, to refer to two important acts of State which impinge upon Lease/Lend policy in the wider sense.

In January 1942, the Governments of the United Kingdom and of the United States arrived at a common policy as regards the co-ordination of the Allied War Effort and created the necessary machinery for the implementation of that policy.

The policy laid down was as follows :—

- (1) "The entire munitions resources of Great Britain and the United States will be deemed to be in a common pool, about which the fullest information will be interchanged." The instrument chosen to implement this policy was the Munitions Assignment Board, with Committees in London and Washington.
- (2) "In principle, the shipping resources of the two countries will be deemed to be pooled. The fullest information will be interchanged." This policy was to be implemented by the creation of a "Combined Shipping Adjustment Board".
- (3) "A planned and expeditious utilisation of the raw material resources of the United Nations is necessary in the prosecution of the War. To obtain such a utilisation of our raw material resources in the most efficient and speediest possible manner, we hereby create the "Combined Raw Materials Board" to be composed of a representative each of the two Governments." Whilst the Board was to "plan the best and speediest development, expansion and use of the raw material resources under the jurisdiction or control of the two Governments, and make the recommendations necessary to execute such plans", it was also "In collaboration with others of the United Nations to work towards the best utilisation of their raw material resources, and, in collaboration with the interested nation or nations, to formulate plans and recommendations for the development, expansion, purchase, or other effective use of their raw materials".

When this policy was announced, it was widely held that since it provided for a policy of pooling resources, it necessarily implied a pooling of financial resources, i.e. an abrogation of the financial aspects of Lease/Lend. But, as was pointed out by an expert interpreter in the Bulletin of International News (Vol. XIX, page 132) "neither in the White Paper, nor in any other official pronouncement is there yet any evidence that pooling in the second sense is contemplated, nor does there seem any particularly strong immediate reason why it should be. The "book keeping" or financial problems connected with the marrying of complementary resources are much less likely to create immediate difficulty between allies at War than between, for instance, a belligerent and a neutral. It may be true, for instance, that, before Lend/Lease, British financial difficulties limited the amount of materials which could



be obtained from the United States but it is very improbable that it would have been allowed to do so, even if Lend/Lease had never been invented, once the United States entered the War. The difficulties connected with such borrowing are not immediate, but relate to the post-war period when, as both Britain and the United States have reason to know from bitter experience, they can work havoc. The Lend/Lease principle having enabled such consequences to be reduced greatly in seriousness, or avoided altogether, there is little obvious reason for not debiting each of the United Nations with aid received and crediting it with aid given by it, the nature of the repayment being left so conveniently vague".

That the policy of "pooling" provided for in the January Agreement did not dispose of the financial aspects of Lease/Lend was made clear by the conclusion of a new Anglo-American Agreement "on the Principles applying to mutual aid in the prosecution of the War against aggression", signed in Washington on February 23, 1942. This makes it clear that the "final determination of the terms and conditions upon which the Government of the United Kingdom receives aid.....and.....the benefits to be received by the United States of America in return therefor should be deferred until the extent of the defence aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States of America and the United Kingdom and will promote the establishment and maintenance of world peace." The agreement was, therefore, a preliminary agreement in regard to the provision of defence aid and in regard to "certain considerations which shall be taken into account in determining" the terms and conditions referred to above. Articles 1, 3, and 4 of the Agreement provide for continuance of defence assistance by the U. S. A. to the United Kingdom, binds the United Kingdom not to transfer articles without the consent of the President of the U. S. A. and reserves the patent rights of American citizens. Articles 2 and 6 obligate the United Kingdom to assist the defence of the U. S. A. and provide that "in the final determination of the benefits to be provided to the U. S. A. by the Government of the United Kingdom", full cognisance shall be taken of all such provision of defence assistance by the Government of the United Kingdom (such assistance has since technically become known as "Reverse Lease/Lend"). Article 5 provides for a return in kind to the U. S. A. of any defence articles "as shall not have been destroyed, lost or consumed, and as shall be determined by the President to be useful in the defence of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America".

The most important article is the seventh: this provides that "in the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and in general, to the

attainment of all the economic objectives set forth in the Joint Declaration made on August 12, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom. At an early convenient date conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments."

This declaration, also, has been the subject of misunderstanding. Its preamble *explicitly* defers the terms of a final settlement and —apart from the specific condition that certain defence articles will be returned —throws no light upon the positive terms of the future settlement. The conditions it poses are in effect negative : whatever the final terms, they shall *not* be such as to impede commerce between the two countries. There is no warrant whatever for the assumption that the United States of America will regard the abolition of discriminatory trade barriers as the substantial fulfilment of the obligations resting upon the United Kingdom. This *may* prove to be so, but the terms of the Agreement are not drawn in such a way as to permit this inference to be validly drawn.

(ii) *British Exports and Lease/Lend.*

The earliest difficulty over the interpretation of Lease/Lend, in point of time, occurred in connexion with British export policy. American export interests complained that British exporters to South America in particular had been given the use of Lease/Lend materials. On the facts of the situation, these charges were without foundation, as the Second Lease/Lend Report frankly acknowledges :—

" The Defence Aid Supplemental Appropriation Act, 1941, was enacted on March 27, 1941. Requests for raw materials and articles available for re-export were not filed for some considerable time thereafter and shipments of such articles, *e.g.*, semifinished steel tinsplate, etc., did not begin until mid-July or later. Thus it is almost impossible that lend/lease materials could have been fabricated and re-exported when these charges were made. The competition complained of was clearly competition from Britain's own products, and occurred at a time when Britain was rapidly depleting her own capital resources in America in order to pay for her war supplies ". (page 19).

It was thought desirable, nevertheless, to arrive at a formal agreement on the whole problem, and on September 10, 1941, a formal memorandum on the whole subject was transmitted by the Secretary of State for Foreign Affairs to the Ambassador of the United States in London. The Memorandum was in fact concerned with two issues and not the single one of export policy : the question of the distribution in the United Kingdom of Lease/Lend goods was also taken up. So far as the use of Lease-Lend material in the export trade was concerned, the principle laid down was that—

" (1) No materials of a type the use of which is being restricted in the United States on the grounds of short supply and of which we obtain supplies from the United States either by payment or on Lend-Lease terms will be used in exports with the exception of the following special cases—

(a) Material which is needed overseas in connection with supplies essential to the war effort for ourselves and our Allies, and which cannot be obtained from the United States.

- (b) Small quantities of such materials needed as minor though essential components of exports which otherwise are composed of materials not in short supply in the United States.
- (c) Repair parts for British machinery and plant now in use, and machinery and plant needed, to complete installations now under construction, so long as they have already been contracted for.

Steps have been taken to prevent the export (except to Empire and Allied territories) of such goods which do not come within the exceptions referred to in (a), (b) and (c) above.

- (2) Materials similar to those being provided under Lend/Lease which are not in short supply in the United States will not be used for export in quantities greater than those which we ourselves produce or buy from any source."

(iii) *Lease/Lend and the Individual in India.*

The second part of the memorandum of September 10, 1941 concerned, as already pointed out, the distribution of Lease/Lend Goods\*, and this part of the memorandum is of distinct interest to India, in view of current comment in certain quarters. The following may be taken as a fair example of such comment: ".....We are informed that Indian industrialists who receive plant and equipment from America for war industries, under the Lease and Lend arrangement, are required to deposit the full equivalent in rupees of their dollar prices with the authorities in this country. We do not know whether this is what the British industrialist is also asked to do, but it seems incredible that while the Government get the advantage of the Lease and Lend procedure from another country, they are not prepared to pass even part of their advant-

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\*" The general principle followed in this matter is that the remuneration received by the distributors, whatever the method of distribution, is controlled and will be no more than a fair return for the services rendered in the work of distribution. The arrangements rigorously exclude any opportunity for a speculative profit by private interests from dealing in lend-leased goods. In most cases, lend-leased supplies will be distributed through organizations acting as agents of His Majesty's Government in the strict sense of the term and not as principals. Where for strong practical reasons this cannot be done a full explanation will be supplied to the United States administration and their concurrence sought beforehand in any alternative arrangements proposed. The justification for retaining existing channels of distribution operating under strict Government control, is that the creation of elaborate new organizations in their place would inevitably result in loss of efficiency and the wasteful use of manpower, and retard the war effort. In the distribution of lend-lease goods there will be no discrimination against United States firms.

Food is a special case. Only some 5 or 6 per cent in tonnage of the total British food supply is coming from the United States and without great practical complications it would be impossible to have a separate system for the distribution of lend-leased food. Food distribution is carried out in the United Kingdom by wholesalers, to whom the Government sells food as principals. In fact, the Ministry of Food has established a close control over all distributive margins so that neither the wholesalers nor the retailers receive any greater remuneration than is adequate to cover the cost of the services performed. No food obtained on lend-lease terms is or will be sold at uncontrolled prices. Thus the general arrangements as regards the issue of lend-leased food fit into His Majesty's Government's policy of stabilizing the whole price level of foodstuffs, a policy to which the Government contributes £100 millions a year.

In some cases direct free distribution is practicable and will be adopted. For example some milk products (including lend-leased supplies from the United States) are distributed direct and free of charge to children and others in need through schools, clinics and hospitals. The distribution is undertaken by State agencies and the cost of the distribution is borne by the Government."

age to the people of their own country. To ask industrialists to find the full capital for the plant and equipment necessary for placing war industries at their maximum efficiency and increasing their production to the fullest possible extent is itself an indirect handicap to the full development of the War effort, and it seems to us that this is also a matter in which the Government of India must change their policy to suit the changing needs and the increased tempo of war production."

In considering this whole question, the following points must be borne in mind :—

- (i) The discretion of the Government of India in the distribution of Lease/Lend material is *not* unlimited, for (a) as already pointed out, by Section 4 of the Lease/Lend Act, the consent of the President of the United States must be obtained when Lease/Lend articles are transferred, or when they are used "by any one not an officer, employee or agent of such foreign government". (b) Until a definitive agreement is arrived at with the Government of the U. S. A., at least a contingent liability remains on the shoulders of the Government of India.
- (ii) Under the pooling arrangements already described, the question of whether the producer of a particular article is the U. S. A. or some other belligerent, is a matter of high policy. It would, therefore, be highly discriminatory between one user or another to require one to pay for any articles which he requires, and to make a free gift to another of articles transferred to him, merely because in the second case the article was a Lease/Lend article.
- (iii) Articles transferred may be required for war purposes, but the nature of the article may be such as to have a peace-time value as well as to possess value as an instrument of war-production. There is no case for a free gift in such circumstances. Where industrialists are asked to assist in war production and to sink capital which will be without value in peace time, special financial arrangements are made.
- (iv) Supposing *all* Lease/Lend articles required for war purposes were distributed free to industrialists, it would obviously be an impossible task for Government to decide who should be the favoured beneficiary.
- (v) Where the article enters into production generally, *e.g.* lubricating oil, free distribution would not benefit the final consumer, but only the manufacturer or other intermediary and it is clearly desirable, in addition, that a price should be charged in order to check over-consumption.
- (vi) Even if the Government of India does not eventually have to "pay" for Lease/Lend articles, it can make the benefit available to the public generally by passing the amounts involved to general revenues. This is, in fact, the only way in which the public generally can be advantaged, apart from special cases, *e.g.* foodstuffs for certain defined classes of consumers, a case which is not likely to be of great importance in India.
- (vii) Pending a final settlement, the Government of India does not, in fact, get Lease/Lend Supplies free. It assumed an obligation for consideration. It cannot pass that obligation on to a private

industrialist, and the only way available to Government to recover its obligation for Lease/Lend from a private industrialist is cash.

- (viii) *Mutatis mutandis*, what has been said of the position of individuals in receipt of Lease/Lend assistance applies also to subordinate government authorities within India. The consideration for Lease/Lend must be pledged by the Central Government and hence the Centre must charge any such authorities to whom Lease/Lend assistance is transferred, and the only possible method of charge is a cash one. Where the subordinate government authority in its turn disposes of the Lease/Lend material to the public and charges cash, it would clearly be inequitable to allow the subordinate authority to retain the cash proceeds, whilst the liability towards the U. S. A. Government remained that of the Central Government ; and it is not feasible for the Government of the U. S. A. to enter into separate Lease/Lend agreements with the Provinces or States, still less so with other minor governmental agencies.

(iv) *The Quantitative Distribution of Lease/Lend.*

There has been some tendency to belittle the significance of Lease-Lend and to compare unfavourably the amount of aid received by India with that received by other countries. The following is a typical press comment (dated April 26, 1942) --

“ A study of the help so far received from the United States under the Lease/Lend arrangement will show that very little, almost negligible, help has been received by this country. While so far assistance to the value of over 1,800 million pounds had been received by the United Kingdom under the Lease and Lend procedure, that to India does not exceed two crores of rupees. Of course, there have been indents of Rs. 47 crores into India from America, but all these were on British Government's account and not for strengthening India's own defences. Now if the object of America is to help India to the maximum the paltry amount of a crore of rupees does not go any length to achieve that object. Surely, “ the maximum of India's ability for an all-out production ” to quote Colonel Johnson's own words, cannot be attained by an assistance so insignificant.”

Apart from the obvious absurdity of attempting to draw an absolute distinction between the defences of India and the Allied War-effort as a whole, this comment overlooks two facts. The first is that the amount of assistance afforded lies within the discretion of the United States Government, and it is not possible for the Government of India to question the discretionary authority of the United States Government in its choice of beneficiaries. Secondly, the needs of different areas, and therefore the amount of Lease-Lend assistance differ, both absolutely, and from time to time. The food requirements of the United Kingdom are very large and account for a considerable part of the Lease/Lend assistance afforded. Statistical comparisons are therefore entirely out of place. From the standpoint of India, what is valuable is not the amount of Lease/Lend assistance which may have been afforded up to a certain period of time, but the right to approach the United States Government on equal terms and to place the needs of India before that Government.

(v) *Lease/Lend Accounting.*

In his Budget statement of February 28, 1942, the Hon'ble the Finance Member announced that pending the determination of the precise obligations

that supplies under Lease/Lend will impose upon assisted governments, "it is . . . . . considered prudent for the time being to budget and account for these stores in the same way as though they had been obtained for cash purchase until the precise manner in which the Lease/Lend liability will ultimately be liquidated becomes known." The full passage relating to Lease/Lend is as follows :—

"The decision of the U. S. A. early in 1941-42 to make available to the democratic powers the great resources of that country in equipment and stores of all kinds required for war purposes on Lease/Lend terms, constituted one of the most significant and heartening developments of the war. In order to ensure that India participated to the fullest possible extent in these Lease/Lend facilities an Indian Purchasing Mission was created in the U. S. A. under the chairmanship of Sir Shanmukham Chetty, and it is due in large measure to his able exposition of India's case for Lease/Lend assistance that India has now been admitted to the benefits of Lease-Lend facilities on the same terms as the United Kingdom itself and other members of the British Commonwealth of Nations. The indents placed for supplies on Lease/Lend terms up to the end of January 1942 amounted in value to roughly 47 crores. How far, if at all, America's entry into the war may have the effect of postponing deliveries against these indents or of diverting them to other sources of supply, it is impossible to say, but assuming that no such retardation or diversion occurred, a very rough computation indicates that goods valued at Rs. 11 crores against these indents may arrive in India during 1941-42. The corresponding amount for 1942-43 is Rs. 34 crores. The bulk of the items included in these indents comprise stores required either for direct supply to the Defence Services in India or for supply in connection with contracts for the production of war-like stores. A relatively negligible portion of the demands relate to civil requirements, i.e., for A. R. P. stores, etc. In so far as stores received on Lease/Lend terms are utilised for the equipment of troops sent overseas or for other needs which are paid for by His Majesty's Government under the Financial Settlement the benefits and obligations conferred by Lease/Lend will of course be passed on to that Government. The value of such of the stores as are utilised for Indian purposes, whether by the Defence Services, Civil Departments of the Central Government, or Provincial Governments, will be debited to the budgets concerned and corresponding credits will for the time being be taken to a Suspense Head of Account. We have not yet been informed of the precise nature of the obligation that these Lease/Lend facilities will impose on the Governments making use of them and it is therefore considered prudent for the time being to budget and account for these stores in the same way as though they had been obtained by cash purchase until the precise manner in which the Lease/Lend liability will ultimately be liquidated becomes known. As I have already said, the great bulk of the amounts mentioned above relate to stores supplied for the Defence Services in India but the precise division of these amounts between His Majesty's Government and the Government of India cannot at this stage be determined."

This procedure has been the subject of criticism on the ground that as the obligation is at present indeterminate, there is no need to burden the Budget

until the amounts for which India will ultimately become liable are definitely known. This criticism is not universally shared in commercial circles : a well-known financial weekly, for instance, recently remarking that " it will not be sound budgetting, we feel, if no provision is made for contingent liabilities. After all, the expenditure on this account has to be met some day, and instead of allowing to accumulate and charging the future accounts with a lump sum, it is far better that such is spread over a series of years. Considered from this point of view, the procedure adopted by the Finance Member is to be welcomed " .

Popular interest in this technical issue is probably due to the feeling that if, in the end, Lease/Lend aid is furnished gratuitously, the net financial burden imposed on the country will, to that extent, be less than it would otherwise have been. So far as it goes, this is true : if articles costing so many crores are obtained free, the burden on the tax-payer is correspondingly reduced, *so far as that item of expenditure is concerned*. But it does *not* follow that Lease/Lend can, or should, be welcomed on the ground that thereby the volume of taxation which would otherwise have to be imposed can be reduced. India and the belligerents are engaged on a Total War, involving the *maximum* use by *all* countries of their resources ; and the real advantage of Lease/Lend is that it enables more to be done than could have been done in its absence, *i.e.*, the financial resources which might have had to be used for Lease/Lend can *now* be used for other purposes, so enabling the *total* effort to be increased. The *object* of Lease/Lend is to increase the aggregate war-resources of the belligerents, not the limitation of the financial sacrifices which each belligerent is called upon to bear.

As regards the specific technical point at issue, it will be noted that the Finance Member expressly said that " for the time being " the policy under discussion will be pursued. In other words, there is *no* reason for assuming that as the situation develops, a different procedure will not be resorted to, if the circumstances warrant a change.