

DIARY

Book 5 - Part 1

April 23 - May 30, 1935

125  
127

128 A  
128 B

American Bankers' Association  
See Lending Agencies, Interdepartmental Committee of..... V 46

Banking Bill, 1935

See also Congress, Statements before..... 91+

Bulkley asks HMJr about Title II - does Treasury want it  
dropped? HMJr says "no" - shows him new draft very  
confidentially - 5/28/35..... 183

Bonus (arranged chronologically)

At FDR's press conference his proposed veto is discussed  
5/17/35..... 92

HMJr talks to newspaper men, asking for their assistance  
to FDR in connection with bonus veto - 5/20/35..... 109

a) HMJr and Aylsworth confer concerning radio talk  
by Young..... 109 A+

b) Asks Gibbons to check on New York delegation vote  
in House..... 109 H

c) Transcript of typical conversations with Roy Howard,  
et cetera, attached..... 110+

At lunch 5/20 HMJr finds a coolness on part of FDR to what  
he's doing; FDR says, "We may have to compromise"; tells  
HMJr, "Never let your left hand know what your right is  
doing"..... 116

Veto message 5/22/35..... 119

a) HMJr asks J. Edgar Hoover about Justice men protecting  
FDR..... 121 A

Resume'..... 128+

At lunch - probably May 6 - FDR told HMJr Garner advised  
acquiescing in having bonus veto overridden and so not  
having it a political issue in 1936; on 5/16 FDR and  
HMJr go over suggestions by Ray Moley, Hines, and  
C. B. Upham (see page 120); FDR then dictates to "Missy"  
HMJr then urges him not to acquiesce in having veto  
overridden - finally FDR agrees to fight, HMJr wants  
speech given over radio Sunday evening, not to the  
unsympathetic Congress FDR is bound to find

5/17 HMJr goes to White House. FDR, McIntyre, Early, and  
Moley present

a) Early advises against going on air - insulting to  
Congress

b) McIntyre implied Garner was right and HMJr was  
giving wrong advice

c) Moley said very little; HMJr finally agrees to  
speech before Congress; Moley has a headache and  
withdraws; later tells FDR he is going back to  
New York since HMJr's speech is to be used. FDR  
urges him to stay and promises HMJr will not be  
present

FDR, "two Elinors," HMJr, Rosenmans, and "Missy" go on  
board "S/S Potomac"; HMJr tells FDR there must be  
follow-up work after veto is given; FDR agrees

	Book	Page
Bonus (Continued)		
HMJr sees FDR early day after veto message - FDR very calm; tells HMJr if bonus veto is overridden it can be financed - 1. greenbacks 2. bonds 3. \$4.8 billion, which Glass and Byrd prefer; FDR will tell country every man on relief projects who loses his job can thank veterans' lobby in Washington.....	V	133
Walsh (Massachusetts) asks HMJr to ask White House to hold up name of Collector of Internal Revenue at Boston for another ten days so that it won't seem he (Walsh) is "being paid for vote on bonus" 5/27/35.....		182

Canada		
See Customs, Bureau of.....		54,56, 62,186
Columbia Distillery Company, Limited (Canada)		
See Customs, Bureau of.....		54
Congress, Statements before, by HMJr		
Senator Nye's Committee on Munitions and Armament does not agree with Mills that "nothing can be done to take profit out of war until we are actually at war" -		
Appeared at 10 A.M. 4/23/35.....		3,9
Senate Finance Committee on bonus bill at 11:30 A.M. 4/23/35		4,6,8
Revenue measure to provide funds for bonus transmitted by letter.....		11,14
Banking Act of 1935 (Senate) 5/17/35.....		91+
At FDR's press conference HMJr's statement that Government should own stock in Federal Reserve Banks is discussed 5/17/35.....		92
Present at hearings before Senate Finance Committee were:		
Rudolph Hecht (President, American Bankers' Association),		92+
Francis M. Law, et cetera.....		92+
HMJr asked to define inflation; begs to be excused.....		
Consolidated Gas Company		
See LaGuardia, Fiorello.....		81,87
Coolidge, Thomas J.		
See Silver.....		28,61, 62,63
Coughlin, Father		
FDR irked at constant attacks; will use "file" and talk to Apostolic delegate, et cetera, if they continue 5/23/35		133
Customs, Bureau of		
Goldberg case: Waite (Paris) refused access to records of Goldberg shipments by French customs; Straus asked for assistance 4/25/35.....		18
HMJr talks to Conboy, who is leaving Justice Department 4/8/35.....		80 A-B
Goldberg case: Merle Cochran tells HMJr he has necessary information and has turned it over to Waite 5/29/35.....		173

	Book	Page
Customs, Bureau of (Continued)		
Memorandum to Oliphant from Frank, itemizing documents formally requested through State Department from Canadian Government - 4/29/35.....	V	54
(1) Certified photostatic copies of Excise Form B54 - Columbia Distillery Company, Limited, New Westminster, British Columbia		
(2) Certified photostatic copies of Customs Form B9 - Joseph Kennedy, Limited - Vancouver, British Columbia		
(3) Certified photostatic copies of Customs and Excise entries filed by Joseph Kennedy, Limited		
(4) Certified photostatic copies of Marine documents		
(5) Certified photostatic copies of Customs Form A7 Report Outwards and A6 Report Inwards filed at Newminster, Vancouver, and Victoria		
Outline of Canadian claims.....		56
Canadian Minister confers with HMJr, Oliphant, and Frank 5/1/35.....		62
Canadian Minister confers with HMJr 5/29/35.....		186

- D -

Daniels, Josephus (Ambassador to Mexico)		
See Silver.....		2

- E -

Emergency Relief Appropriation  
See Unemployment Relief

- F -

Federal Reserve Bank, New York		
Crane, J. E., Deputy Governor in charge of Foreign Department, resigns (See also Book IV, page 256 E)		
a) Hansen consults HMJr about successor; Earl Bailie mentioned - 4/23/35.....		12 A-C
Federal Reserve System		
HMJr tells FDR he is to testify on Banking Act, 1935, before Carter Glass and wishes to recommend that Government buy stock in Federal Reserve System; FDR agrees - 5/16/35.....		129
Financing, Government		
See also Open Market Committee		
Home Owners' Loan Corporation offering of 4-year 1 $\frac{1}{2}$ % bonds of Series F, 1939, in payment for which only Home Owners' Loan Corporation bonds of Series 1933-51 called for redemption 7/1/35 may be tendered - 5/20/35.....		116 A
a) Subscriptions will close 5/29/35.....		173 B

- F - (Continued)

	Book	Page
Financing, Government (Continued)		
5/27/35 - Additional issue of 3% Treasury bonds of 1946-48 in the amount of approximately \$100 million..	V	173 A
a) Results - 5/31/35.....		191
\$4 Billion 8 Fund		
See Unemployment Relief		
France, Negotiations with		
See Customs, Bureau of.....		18,173
See Stabilization.....		135+

- G -

Gold		
See Stabilization		
Goldberg, Isadore, and Company		
or		
Goldberg, I., and Sons, Incorporated		
See Customs, Bureau of.....		18,173
Goldsborough, Thomas Alan (former Congressman, Maryland)		
HMJr interviews concerning membership of Federal Deposit Insurance Corporation - 4/23/35.....		13
Guaranty Trust Company		
See <u>Stabilization</u> for arrangement with Bank of France concerning shipment of earmarked gold.....		141

- H -

Home Owners' Loan Corporation		
HMJr 'phones Steagall about opening Home Owners' Loan Corporation for another 60 days - 4/24/35.....		14 A-C
See Financing, Government - 5/20/35.....		116 A

- I -

Indo-China (French)		
See Silver.....		90,117

- J -

Jackson, Robert		
Says "Government is my client"; brings Court to senses by offering to withdraw; HMJr tells FDR Jackson is doing grand job - 5/1/35.....		63

- K -

Kennedy, Joseph, Limited (Canada)		
See Customs, Bureau of.....		54

	Book	Page
LaGuardia, Fiorello (Mayor, New York City)		
HMJr conference with - 5/8/35.....	V	81
a) Consolidated Gas Company contracts with United States and New York City discussed from point of view of municipal plant built with Public Works Administration allotment		
Press release concerning.....		87
Leith-Ross, Sir Frederick William		
See Stabilization.....		187,189
Lending Agencies, Interdepartmental Committee of		
Report of Banking subcommittee 4/29/35.....		46
a) Eccles says American Bankers' Association would reduce Federal Reserve Board from 8 to 5 by removal of Secretary of Treasury, Comptroller of Currency, and one appointive member House of Representatives is opposed to Reserve Bank Governors on Open Market Committee		
b) HMJr repeats Open Market Committee should consist of 3 members of Federal Reserve Board and 2 Reserve Bank Governors		
c) Eccles wants Comptroller of Currency to unite with Federal Deposit Insurance Corporation and Federal Reserve Board for bank examinations		
d) HMJr says he and Eccles are <u>still</u> 100% apart		
e) Eccles says ideal set-up is. eliminate Secretary of Treasury and Comptroller of Currency from Board - put Federal Deposit Insurance Corporation chairman on; let Federal Reserve System charter banks and Federal Deposit Insurance Corporation examine them		
f) Coolidge says ideal set-up would be large Board with Secretary of Treasury, Secretary of Commerce, and 2 or 3 others, plus 4 Federal Reserve Bank Governors serving seriatim for short periods <u>or</u> a Washington Board made up of a Governor and 2 Deputies with Governor of Federal Reserve Board sitting occasionally with them		
Meeting of Committee on Recapitalization of Banks - 5/3/35.		64
a) Discuss slow progress of Banking Bill		
b) Coolidge says HMJr wants whole recapitalization program completed by August 1		
Leon, Rene		
HMJr and Irely confer concerning - 4/30/35.....		61
Liquor		
HMJr talks to Speaker Byrnes about "the Mrs. McClary bill" - husband (a policeman) killed in Virginia rounding up moonshiners - 5/7/35.....		78 A-C,H
HMJr talks to Congressman Truax - 5/7/35.....		78 D-G

Mellon, Andrew W.

HMJr tells Jackson he can "go the limit" in tax trial  
5/8/35..... V 80

Mexico

Ambassador Najera calls on HMJr:

Rodriquez to be removed, HMJr states United States  
wishes to buy silver which was purchased in London  
without knowledge of President or Secretary of  
Treasury in Mexico - 4/23/35..... 1

New York City

Municipal Power Plant discussed by LaGuardia and HMJr  
5/2/35..... 63 A-B  
5/8/35..... 81,87

Open Market Committee

See also Lending Agencies, Interdepartmental Committee of -  
HMJr tells Eccles, so far as he can see, Open Market  
Committee does not help Government in any way; no increase  
in holdings since HMJr came to Treasury to date; only  
various Trust Funds have kept market where it is; doesn't  
want Treasury to have anything to do with it; so far as  
HMJr is concerned, Federal Reserve doesn't exist - 5/15/35 90  
See also Congress, Statements before (Banking Act, 1935).... 91+  
Meeting 5/22/35..... 122

- a) Coolidge suggests selling bonds on a bid basis  
(approximately \$100,000,000) each two weeks
- b) Haas shows chart: 30 bonds from Moody's broken down  
and 9 which were uncallable taken. Governments had  
gone parallel to these 9
- c) HMJr says: maturities in 1939 of only \$1,250,000,000;  
therefore he feels sure \$700,000,000 or \$800,000,000  
could be added and still have a reasonable maturity  
of \$2,000,000,000 then; he wants to sell \$100,000,000  
at auction, stay out of market until after Labor Day,  
and then offer conversion of the called Fourths
- d) New method agreed to: offer of 3's 1946-48 to be  
made with expectation of having bids around 103½

Parker, Clark V.

Editor-in-chief of Scripps-Howard papers, Howard says he  
will send him to see HMJr concerning bonus veto..... 112

	Book	Page
Peek, George N. (Special Adviser to President on Foreign Trade)		
"Letter to President on Foreign Trade and International Investment Position of United States as of 12/31/34" discussed by Treasury, State, Agriculture, and Commerce representatives - 5/6/35.....	V	69
Press release by Commerce concerning this letter 5/8/35		76
Jesse Jones and HMJr confer on FDR's wishes as to financing of Peek's organization after 6/30 - 5/23/35		121 C-F
Peru		
HMJr tells Hull Peru is in same trouble as Mexico; suggests ascertaining whether United States can help 5/7/35.....		78
Pittman, Key		
See Silver.....		90
Public Buildings - Treasury Activities		
Buchanan asks HMJr whether he needs Annex or new Bureau of Engraving and Printing building more - 5/15/35....		89 A-D

- R -

Randolph, Congressman		
Asks HMJr to make commencement address at Potomac State College 5/20/35.....		107 A-B
Recovery Agencies		
HMJr conceives idea of check-up by intensive study in a medium-sized city - 4/23/35.....		12
Roosevelt, Franklin Delano		
See Bonus (revelation of character to HMJr).....		116

- S -

Silver (arranged chronologically)		
HMJr tells Mexican Ambassador United States wants to buy silver purchased in London without knowledge of President or Secretary of Treasury in Mexico 4/23/35.....		1
Daniels' statement concerning Mexican gratitude to United States for silver policy.....		2
Mexican Ambassador transmits proposal to Secretary of Mexican Treasury, who will transmit to Bank of Mexico		2
Press representatives resent being told "nothing on silver" and about two hours later an important release; HMJr explains - 4/25/35.....		19
HMJr tells FDR Coolidge's fears if silver goes to \$1.29; FDR promises HMJr "no more silver legislation this year"; FDR hopes price will stay approximately 75¢ "into 1936" - 4/26/35.....		28

Silver (Continued)

HMJr confers with "silver" Senators: one of three things can be done:

- (1) Recommend FDR issue another proclamation
- (2) Put domestic mined silver at \$1.29
- (3) Put domestic mined silver at \$1.00

Tells Senators of Mexican situation - says Mexican representative is on way for discussion with him; accordingly, Senators agree to do nothing just now

4/26/35..... V 29

a) McCarran regrets he was not asked; sees HMJr at 8:30 A.M. 4/27/35..... 32 C-D

Assistant Secretary of Mexican Treasury (Robert Lopez) and HMJr confer 4/28/35..... 33

- (1) Mexico asks that present price be maintained for 30 days
- (2) Can United States mint rapidly for Mexico? HMJr says "yes"
- (3) Can United States help print bank notes? HMJr says "yes"
- (4) HMJr says nothing United States can do to stop price of silver from going up; suggests Mexicans sell in London and New York
- (5) HMJr promises to see FDR about holding price stable until May 27

Lopez calls at HMJr's home at 11 o'clock 4/29 (Sunday); Mrs. Morgenthau present as witness:..... 38

- (1) Mexico thinks crisis is past - no longer fears rise in price
- (2) Mexico will give United States first option on any silver sold in New York and London; HMJr says "nothing new - United States pays best price - mutually advantageous"

HMJr tells Lochhead to buy  $\frac{1}{2}$  million ounces at 74¢ and  $\frac{1}{2}$  million at every  $\frac{1}{4}$ ¢ down to 72¢; thinks only explanation for Mexican reaction is, they are under terrific political pressure not to sell..... 38

HMJr explains entire Mexican situation to FDR..... 39

Lopez asks HMJr to tell press Mexico did not come to protest price - HMJr promises to "handle press situation". 40

HMJr gives Hull resume'..... 41

Lopez statement to press..... 45

New York Times: "Mexico satisfied over silver price" 4/30/35 60

Coolidge asks HMJr to promise he will not raise price of silver to 75¢ as long as he is Under Secretary; HMJr refuses; tells Coolidge he is constantly upsetting him (HMJr) 4/30/35..... 61

Coolidge again says, "I can't go along"; HMJr tells him he must stop threatening to resign; Coolidge promises to stop 5/1/35..... 62

HMJr asks FDR to see Coolidge - 5/1/35..... 63

	Book	Page
<b>Silver (Continued)</b>		
King George V's birthday - London silver market closed - HMJr offers Mexico at trifle over 73¢, FDR pleased; HMJr plans to keep a million ounces always in London for sale purposes - 5/6/35.....	V	78
Jumps from 73.60 to 76.31; HMJr sells 250,000 ounces in London 5/14/35.....		89
HMJr tells Pittman vote of confidence brings silver down and United States "picks up" 10 million ounces at less than 72¢; Pittman tells HMJr one can never tell what Wheeler, McCarran, and Thomas will do - 5/15/35.....		90
French Indo-China sells 4,500,000 ounces to United States 5/21/35.....		90,117
Walsh (Massachusetts) tells HMJr present silver buying policy is hurting manufacturers; HMJr says the law was started by the Senate and <u>not</u> the Administration - 5/29/35		185
<b>Speeches, by HMJr</b>		
HMJr shows FDR copy, FDR pleased except with end - thinks stabilization may be overstressed. Tells FDR Early told Gaston he thought speech should not be given by radio - only FDR should "talk to the people", asks Gaston to try to arrange for radio time on Monday, May 13.....		79
"The American Dollar" delivered by radio 5/13/35.....		88 B+
a) Burgess has no reactions to speech as yet - 5/14.....		88 C
b) Robinson congratulates HMJr.....		88 D-E
c) Comment on.....		89 E-S
d) List of those present at broadcast.....		89 T
e) See Book V, Part 2, for Chester T. Growell's complete description of various steps		
<b>Stabilization (arranged chronologically)</b>		
French Negotiations: Conversations between Cariguel (Banque de France) and L. W. Knoke (Federal Reserve Bank, New York) 5/17/35.....		135
a) Cariguel. Will United States buy francs against dollars and take gold?		
b) Knoke tells Cariguel Societe Generale is principal seller of francs		
c) New uneasiness on Cariguel's part noted		
d) HMJr says Banque de France may sell dollars as offered by him through Crane on 4/8 (i.e., \$5,000,000 at 658 or better)		
See also Book V, page 144, again confirming this		
Knoke reports that member of French Parliamentary Budget Committee states Flandin resignation is foregone conclusion. Laval will form new government, retaining Germain-Martin as Minister of Finance, public will be more amenable to Government's wishes - nothing unfavorable will happen to franc - 5/24/35.....		138
HMJr tells Federal Reserve Bank, New York, "all francs purchased on our behalf by Bank of France must be immediately converted into gold and shipped to Federal Reserve Bank of New York" - 5/24/35.....		139

	Book	Page
Stabilization (Continued)		
French Negotiations (Continued)		
Cariguel assures Knoke gold earmarked by them for us would be absolutely free for export 5/23/35.....	V	140
Cariguel calls attention to agreement with Guaranty Trust Company concerning shipment of earmarked gold.		141
Knoke and Cariguel discuss operations in New York after close of market in Paris; Governor of Bank of France consulted 5/24/35.....		142
Cariguel again confirms agreement.....		143
Cariguel reports discount rate raised "to make a good impression" 5/25/35.....		145
Cariguel refers to \$5,000,000 worth of gold sold to United States 5/25 to be sent to United States by first available steamer: asks about another order.....		145
Knoke tells Cariguel HMJr has authorized further purchase of \$25,000,000 of gold in Paris at \$35 - to be regarded as a reserve offer - 5/27/35.....		146,148
5/27/35 Cariguel telephones Knoke "bad time again"; he gladly accepts second \$5,000,000 against gold in Paris as offered 5/25; total of \$27,000,000 today Guaranty Trust Company \$22,000,000 and Bank of France \$5,000,000		147
5/28/35 Cariguel telephones Knoke: total dollar amount is \$32,500,000, of which \$7,500,000 is against our \$25,000,000 offer.....		149
5/29/35 Cariguel another bad day. \$17,500,000 offered by HMJr taken; through Cochran he is going to ask for something like \$200,000,000; Cariguel confirms Knoke's understanding that insurance for gold shipped to United States will be for dollars.....		150
Loree (Guaranty Trust Company) recapitulates \$68,000,000 in gold now in transit.....		151
5/29/35 From American Embassy in Paris Cariguel discusses with Knoke Washington offer of \$150,000,000 if British will advance \$50,000,000; Cariguel states (1) if Flandin resigns, Laval, Marques, or Mandel will succeed him. (2) Great Britain has not less than £40,000,000 worth of gold earmarked in Paris. (3) no United States gold to be kept in Paris - to be shipped as fast as space on ships is available.....		152
Governor Harrison to see FDR; HMJr asks Harrison to explain Bank of France request for \$200,000,000 which is to be made by Cochran. Harrison approves of this plan - thinks Stabilization Fund should handle it. Oliphant thinks United States <u>and</u> England should handle this.....		153

Stabilization (Continued)

French Negotiations (Continued)

- Cochran calls HMJr - explains reasons for request of \$200,000,000; HMJr asks Cochran to ascertain amount of gold the British Equalisation Fund has earmarked with Bank of France; later Cochran and Cariguel call; Cariguel states British Equalisation Fund has a minimum of £30,000,000 of gold earmarked with Bank of France; HMJr suggests to Cariguel that he ask British to take \$50,000,000 if United States takes \$150,000,000; Cariguel agrees - states they are mainly interested in dollars..... V 154
- Telephone conversation, Cochran-HMJr - 5/29/35..... 155
- a) 40 members of French Finance Committee went to Flandin's house; turned down Flandin's and Germain-Martin's proposals, 25-15; rumored Flandin will now resign
  - b) Cochran says Tannery has assured Cariguel, in event of gold embargo, United States gold will not be interfered with; if necessary, it will be shipped to England; HMJr does not want this
  - c) Cariguel says Bank of England is not helping them just at this time; Guaranty Trust Company, operating in London, is bearing the brunt there; Cariguel wants answer on \$200,000,000 request Friday, May 31 (Paris time) at latest
  - d) HMJr asks Cochran if Bank of France wants this amount even though Government falls; Cariguel says "yes, absolutely"
  - e) HMJr asks amount of gold earmarked for Bank of England; Cariguel says "£30,000,000, roughly speaking"
  - f) HMJr says again, "United States will enter a joint account with Bank of England: 150 million to 50 million"; tells Cariguel himself this in Cochran's office
  - g) Cariguel says France needs only dollars
  - h) HMJr reiterates Bank of France must ask Bank of England before United States gives answer..... 169
  - i) HMJr says technical and legal foreign exchange questions should be taken up with Federal Reserve Bank, New York
  - j) HMJr also says if Bank of England doesn't want to use pounds in this transaction, United States will lend them dollars..... 172
- Cochran again telephones to HMJr 5/30/35..... 174
- a) Cariguel says Bank of France does not think they should approach Bank of England, who have already cooperated fully
  - b) This information transmitted to FDR
  - c) Cariguel informed Treasury will purchase up to \$150,000,000 of gold in Paris against dollars to be made available in New York

Stabilization (Continued)

French Negotiations (Continued)

Cochran again telephones to HMJr 5/30/35 (Continued)....	V	174
d) HMJr instructs Harrison to tell Bank of France no publicity will be given this transaction here, but they may in Paris if they wish		
e) Treasury will also purchase, in London, from Guaranty Trust Company, gold at \$35 an ounce up to \$50,000,000 - this permitting Guaranty Trust Company to operate in French market to a greater extent (Guaranty Trust Company has legal limit of \$65,000,000 outstanding at any one time)		
f) HMJr thinks any acquisition of gold in London by Treasury may be profitable within course of next few days		
Straus tells HMJr conditions are fairly critical in France; advises credit limit of \$25 million.		
HMJr tells FDR 6/3/35.....		176
HMJr talks to Cochran at 4.30. Flandin had appeared in Chamber - fainted - made bad impression. HMJr tells FDR and asks for OK on plan to give credit of \$150 million and revolving fund of \$50 million to Guaranty Trust Company, FDR OK's plan. HMJr tells Straus - no release to newspapers; <u>only</u> Bank of France to be notified.....		176
Leith-Ross tells Bingham (American Ambassador at Court of St. James) no ground for belief on part of Treasury that activities were being made known to Bank of England or British Treasury; Bingham asks Leith-Ross to take under advisement plan for reciprocal exchange of information - 5/30/35.....		187
Leith-Ross reports Chancellor of the Exchequer considers this exchange not possible at this time - 6/6/35.....		189
Stewart and Company contract		
Senator Robinson asks about W. E. Reynolds a) How long in Treasury? HMJr tells him "Chip" Robert brought him to Treasury 5/14/35.....		88 D-F

Taxation

Senator King tells HMJr he has been concerned about overlapping Federal and State taxation for over 8 years 4/30/35.....		60 A-B
Oliphant advises HMJr against sending tax message to FDR; FDR does <u>not</u> agree - wonders what is in back of Oliphant's mind - 5/27/35.....		182
Thompson, Beriah M. (Commander)		
Ships flying American flag to be given preference in entrance to Port of New York.....		61
a) Telephone conversation with HMJr 4/25/35.....		14 D-F

Unemployment Relief

\$4 Billion 8 Fund

HMJr tells Bell, Oliphant, and McReynolds to prepare an Executive Order - one good for the President - disregarding what Hopkins, Walker, and Ickes each wanted - 5/3/35..... V 79

Allotment Committee meets; LaGuardia asks about United States policy with regard to loans to municipalities; resolution before Committee authorized loans and grants on 50-50 basis, interest at 3.8% - thereby enabling municipalities to sell their bonds privately; HMJr prefers grant of not more than 50- and possibly 40% plus loan of 50- to 60% at 3% - 5/23/35..... 133 A

HMJr tells FDR 5/24/35 he advises Government granting 40% plus loan of 60% at 3%; final decision: grant to be 45%; rate of interest to be 3%..... 133 B

Release covering above decision - 5/24/35..... 180

Walsh, David I. (Senator, Massachusetts)..... 182

See Bonus..... 185

See Silver.....

White, Harry

Representative of Treasury Department in Europe; Phillips of State Department calls HMJr concerning mission. HMJr says any time a Treasury Department representative clashes with a State Department representative abroad, Treasury representative will be recalled - 4/23/35.... 12 D-E

April 23d

H. M. Jr. sent for the Mexican Ambassador, Dr. Don Francisco Castillo Najera, this morning. The following is their conversation.

- H.M.Jr: I hear that Rodriquez is going to be removed.
- N: Yes and the new appointee will be appointed to come here to discuss matters with you.
- H.M.Jr: You know the pressure that I am under to buy silver and we have not been buying in London for some time. You have this silver in London which evidently was bought without the knowledge of the President and the Secretary of the Treasury in Mexico. I would like to buy this silver which you accumulated in London, four or five million ounces, and bring it over here. If I can do this the pressure will be less upon me and I will not have to go on buying much more here and silver will not go up so much. Silver closed in London on Thursday at 31 pence, there being no silver market since then. I want to make your government an offer to buy to-day whatever silver they have accumulated in London at 31 pence an ounce. I would like you to communicate with your government and let me know before 9 o'clock tonight.
- N: As soon as I leave here, I will call them on the telephone, give them your message and have the answer for you by this evening.
- H.M.Jr: We have to buy silver until we have one third silver in relation to gold. That policy is going to be vigorously pursued. We have a mandate from Congress to carry out that policy and we have to go ahead with it.

The Ambassador called Mr. Morgenthau's attention to the statement made by Ambassador Daniels on silver. It is attached herewith.

\*\*\*\*\*

H. M. Jr. then called Secretary Hull and gave him the gist of his conversation with the Mexican Ambassador.

The Mexican Ambassador telephoned the Secretary at 8 o'clock and read the following statement which he received from the bank of Mexico:

Agreeable to the request of Mr. Morgenthau, communicated by his Secretary over the telephone, the Ambassador of Mexico will endeavor to make an informal resume of his telephone conversations with the Secretary of the Treasury of his country, held yesterday.

The Secretary of the Treasury of Mexico was greatly interested in the proposal made by Mr. Morgenthau to the Ambassador of Mexico. He was prompt to state that he would acquaint the Bank of Mexico with such proposal, since it was the Bank itself that had to decide upon it.

The newly appointed Director of the Bank of Mexico informed the Secretary of the Treasury that he was not in a position to give a definite answer due both to the briefness of the time fixed by Mr. Morgenthau as well as to the fact that as yet he is still taking charge of the Bank and acquainting himself with its functions. The Director expressed regret in being unable to avail himself of this opportunity to establish at once contact with the Department of the Treasury of the United States. It is his belief, however, that once this initial stage of his work has passed, he will establish such contact with all pleasure and interest.

The Secretary of the Treasury of Mexico asked the Ambassador of Mexico that he convey to Mr. Morgenthau his earnest hope that the purposes the Department of the Treasury of the United States has in view, and those of Mexico itself, be attained through a true spirit of cooperation.

*NY Times*

**MONDAY, APRIL 22**

**DANIELS ARRIVES;  
DENIES HE'LL QUIT**

Envoys Intends to Return to Mexico in June—Problems There Held Purely Local.

**INTERPRETS CHURCH ROW**

Believes Religious Controversy Has Reached Impasse, With Aid to Indians a Factor.

Josephus Daniels, United States Ambassador to Mexico and former Secretary of the Navy, arrived yesterday from Vera Cruz on the Orotoba of the Ward Line accompanied by Mrs. Daniels.

The Ambassador, who is in his seventy-third year, said he had no intention of resigning and would return to Mexico June 12. He will remain in New York several days, he said, then go to his home at Raleigh, N. C., for a rest and sail later at the State Department in Washington before leaving for his post.

Mr. Daniels, when questioned about the alleged oppression of Catholics in Mexico, asked to be excused from discussing it at length on the ground that the State's reluctance to investigate religious intolerance in Mexico was still before the Senate Committee on Foreign Relations.

He said the most significant thing in Mexico today was that the Indians had at last come into his own and had a vote and a voice in the government for the first time since Hernando Cortez conquered the country in 1521.

The total population of Mexico is 18,000,000, the Ambassador said, and 14,000,000 of that number are either full-blooded or part Indian. The President of the country is half Indian and so are most of the people in his Cabinet, he declared.

Mr. Daniels said conditions in Mexico were generally quiet when he left. Mexico is comparatively prosperous, due, in part, he said, to the increase in the price of silver, with little unemployment, and an economic situation the best in its history.

There was more building going on in Mexico, D. F., in his opinion, than in any other city in the world.

"The Government of Mexico," the Ambassador explained, "realizes that the problems in the country at the present time are purely local, which is hard for Americans to understand because they have no clashes between church and State and those have been going on in Mexico since 1857, when the Constitution which was put into power decreed that the property of the churches become national. It was not enforced until 1917.

"The government claims the church has been against the revolution movement which began in 1909 to improve the condition of the Indians and provide schools, etc., and is still going on. The church has shown no sympathy with the movement and is still working against it and is active in politics. The church denies this and says the government is made up of agnostics who want to crush all religion. The religious situation now in Mexico is at a complete impasse.

"The Mexican Government insists there has been no persecution of Catholics and that all religious are treated alike in the republic. To say otherwise, he said, there has been no complaint made to the United States Embassy in Mexico City of any American being denied religious freedom. The Mexican people have a sovereign will in their country and would resent any interference from an outside nation in any of its problems, which they consider they should be allowed to settle by themselves."

The Ambassador added that the Mexican people felt greatly indebted to the Roosevelt administration because of its silver policy, as Mexico is one of the chief silver-producing countries of the world.

April 23d

H. M. Jr. appeared before Senator Nye's Committee at 10:00 A.M. this morning on munitions and armament.

Mr. Morgenthau was accompanied by Mr. Oliphant and Mr. Upham.

The members of the Committee present were Senators Nye, Vandenberg and Barbour. Representatives of the War Department and the Navy Department were also present.

Mr. Morgenthau told the Committee that he was enthusiastically in favor of the objectives sought to be reached by the bill in preparation.

Asked specifically if he shared the opinion formerly voiced by Ogden L. Mills, that nothing can be done by legislation along the lines of taking the profit out of war until we are actually in the war, he replied that he did not share that view, but on the contrary was of the opinion that such action must be taken during peace time or likely would not be taken at all. He voiced the opinion that if the United States had had a proper and adequate taxing system during the World War, we would have escaped many of the difficulties that have beset us since.

The Secretary said that he had not gone over the details of the tax proposals in the bill but that he would be glad to have the experts in the Bureau of Internal Revenue do that and give to the Committee the benefit of their opinion. He said that the matter would be handled through the legislative section of the Office of the General Counsel, Mr. Oliphant.

Mr. Morgenthau was asked if, in his opinion, there was any real difference between the wholly guaranteed bonds which are a contingent liability on the Treasury and the direct obligations of the United States so far as practical effect on the debt is concerned.

His reply was that he looked upon them as very much the same - that there was little real practical difference.

Before leaving the Committee, Mr. Morgenthau agreed that if they wish him to return after they had considered the technical suggestions of Treasury tax experts, he would be glad to appear again.

April 23, 1935.

4

Mr. Morgenthau appeared before the Senate Finance Committee at 11:30 A.M. to testify on the Bonus Bill.

He read a prepared statement, copy of which is attached.

The members of the Committee asked the Secretary only a few questions.

During the reading of his statement, Mr. Morgenthau was interrupted by Senator Bailey who asked if the Bankhead Bill for loans to farm tenants had been referred to the Treasury.

Mr. Morgenthau said he did not believe it had.

Senator Gore asked Mr. Morgenthau for a comment on his resolution S.71 which would authorize the President to enter into agreements with our debtors abroad upon condition that they pay enough to take care of the bonus certificates, and the money be applied to that use.

Mr. Morgenthau assured Senator Gore that he would be glad to communicate with him in writing with respect to that matter.

Senator LaFollette asked if the Treasury had given any consideration to a program for raising additional revenue to meet the cost of the bonds.

Mr. Morgenthau replied that he would recommend a Federal inheritance tax on the same basis as the income tax and administered in the same way. He agreed to give to the Committee, for Executive use, an outline of the proposal within 24 hours.

Mr. Morgenthau said that as Secretary of the Treasury he had to take the position that if a Bonus Bill were passed it would be necessary to raise taxes to meet the cost.

The Secretary reaffirmed his stand for a scrupulous adherence to the President's budget.

Asked specifically if taxes would be necessary in the case of the passage of the Harrison Bonus Bill as well as the Patman or the Vinson Bills, the Secretary replied in the affirmative.

The Secretary stated that the Harrison Bonus Bill is a measure of relief which would be passed by the House of Representatives and would be sent to the Senate. He stated that the Harrison Bonus Bill is a measure of relief which would be passed by the House of Representatives and would be sent to the Senate. He stated that the Harrison Bonus Bill is a measure of relief which would be passed by the House of Representatives and would be sent to the Senate.

I believe it is one of all the so-called bonus settlement bills which you have had under consideration that each one of them calls for greater or smaller payments from the Treasury than were contemplated in the original budgeting process. The Harrison Bonus Bill and the Vinson Bill are no exception in this regard.

All of the financial plans made by the Treasury for the coming year have been based on a budget of \$10,000,000,000. Moreover, the credit of the United States Government is very largely, in my opinion, upon the confidence of the President's program. I don't think we can continue to have a budget which is based on a budget of \$10,000,000,000. I don't think we can continue to have a budget which is based on a budget of \$10,000,000,000. I don't think we can continue to have a budget which is based on a budget of \$10,000,000,000.

The Treasury, therefore, would have to meet with great concern the enactment of any bill which would require additional expenditures, without corresponding additional taxes. It seems to me of the utmost importance that if any additional service certificates are authorized, that these should be taken into account, or for similar conditions that these should be taken into account, or for similar conditions that these should be taken into account, or for similar conditions that these should be taken into account.

It is always desirable to have an adequate source of funds for the Treasury and I am glad to offer the Treasury the opportunity to have an adequate source of funds for the Treasury and I am glad to offer the Treasury the opportunity to have an adequate source of funds for the Treasury.

April 23d

At 11:30 o'clock H. M. Jr. testified before the Senate Finance Committee on the Bonus Bill.

The following is the statement which Mr. Morgenthau made before Senator Harrison's Committee:

"Your Committee has under consideration a number of bills proposing plans for settlement of the World War veterans adjusted service certificate claims. I shall not attempt to go into the merits of any of these bills or to analyze them in detail, believing that to be a service that can best be performed by other officers of the Government. The Treasury is, however, deeply interested in any problems which involve additional or earlier expenditure of public funds than those for which careful preparation has already been made in budget and financing plans.

I believe it is true of all the so-called bonus settlement plans which you have had under consideration that each one of them calls for greater or earlier payments from the Treasury than were contemplated in the original adjusted service certificate plan and payments during the fiscal year 1936 for which no provision has been made in the budget of that year.

All of the financial plans made by the Treasury for the coming year have been based on adherence to the President's budget. Moreover, the credit of the United States Government depends very largely, in my opinion, upon scrupulous adherence to the President's program. I don't think we can continue to enjoy the present favorable rates and favorable market for the sale of Government securities if new expenditures are incurred which go far beyond the limits of those which have already been outlined. A material decline in the market price of Government securities, which would be very likely to result from large expenditures outside the budget, would work a grave injustice upon all purchasers of Government securities, and would tend to slow up the whole recovery program.

The Treasury, therefore, would view with great concern the enactment of any bill which calls for large additional expenditures, without compensating additional taxes. It seems to us of the utmost importance that if any adjusted service certificate settlement calling for increased expenditures, or for earlier expenditures than those already taken into account, should be enacted, Congress should make provision for raising revenues sufficient to cover the additional expenditures in the year or years in which they are to be incurred.

If it should be thought desirable to seek new sources of revenue for this purpose, the Treasury would be glad to offer its suggestions."

April 23d

At 11:30 o'clock H. M. Jr. testified before the Senate Finance Committee on the Bonus Bill.

The following is the statement which Mr. Morgenthau made before Senator Harrison's Committee:

"Your Committee has under consideration a number of bills proposing plans for settlement of the World War veterans adjusted service certificate claims. I shall not attempt to go into the merits of any of these bills or to analyze them in detail, believing that to be a service that can best be performed by other officers of the Government. The Treasury is, however, deeply interested in any problems which involve additional or earlier expenditure of public funds than those for which careful preparation has already been made in budget and financing plans.

I believe it is true of all the so-called bonus settlement plans which you have had under consideration that each one of them calls for greater or earlier payments from the Treasury than were contemplated in the original adjusted service certificate plan and payments during the fiscal year 1936 for which no provision has been made in the budget of that year.

All of the financial plans made by the Treasury for the coming year have been based on adherence to the President's budget. Moreover, the credit of the United States Government depends very largely, in my opinion, upon scrupulous adherence to the President's program. I don't think we can continue to enjoy the present favorable rates and favorable market for the sale of Government securities if new expenditures are incurred which go far beyond the limits of those which have already been outlined. A material decline in the market price of Government securities, which would be very likely to result from large expenditures outside the budget, would work a grave injustice upon all purchasers of Government securities, and would tend to slow up the whole recovery program.

The Treasury, therefore, would view with great concern the enactment of any bill which calls for large additional expenditures, without compensating additional taxes. It seems to us of the utmost importance that if any adjusted service certificate settlement calling for increased expenditures, or for earlier expenditures than those already taken into account, should be enacted, Congress should make provision for raising revenues sufficient to cover the additional expenditures in the year or years in which they are to be incurred.

If it should be thought desirable to seek new sources of revenue for this purpose, the Treasury would be glad to offer its suggestions."

The members of the Committee asked the Secretary only a few questions.

During the reading of his statement, Mr. Morgenthau was interrupted by Senator Bailey who asked if the Bankhead Bill for loans to farm tenants had been referred to the Treasury.

Mr. Morgenthau said he did not believe it had.

Senator Gore asked Mr. Morgenthau for a comment on his resolution S.71 which would authorize the President to enter into agreements with our debtors abroad upon condition that they pay enough to take care of the bonus certificates, and the money be applied to that use.

Mr. Morgenthau assured Senator Gore that he would be glad to communicate with him in writing with respect to that matter.

Senator LaFollette asked if the Treasury had given any consideration to a program for raising additional revenue to meet the cost of the bonds.

Mr. Morgenthau replied that he would recommend a Federal inheritance tax on the same basis as the income tax and administered in the same way. He agreed to give to the Committee, for Executive use, an outline of the proposal within 24 hours.

Mr. Morgenthau said that as Secretary of the Treasury he had to take the position that if a Bonus Bill were passed it would be necessary to raise taxes to meet the cost.

The Secretary reaffirmed his stand for a scrupulous adherence to the President's budget.

Asked specifically if taxes would be necessary in the case of the passage of the Harrison Bonus Bill as well as the Patman or the Vinson Bills, the Secretary replied in the affirmative.

Before the Senate Finance Committee, April 23, 1935.

Your Committee has under consideration a number of bills proposing plans for settlement of the World War veterans adjusted service certificate claims. I shall not attempt to go into the merits of any of these bills or to analyze them in detail, believing that to be a service that can best be performed by other officers of the Government. The Treasury is, however, deeply interested in any problems which involve additional or earlier expenditure of public funds than those for which careful preparation has already been made in budget and financing plans.

I believe it is true of all the so-called bonus settlement plans which you have had under consideration that each one of them calls for greater or earlier payments from the Treasury than were contemplated in the original adjusted service certificate plan and payments during the fiscal year 1936 for which no provision has been made in the budget of that year.

All of the financial plans made by the Treasury for the coming year have been based on adherence to the President's budget. Moreover, the credit of the United States Government depends very largely, in my opinion, upon scrupulous adherence to the President's program. I don't think we can continue to enjoy the present favorable rates and favorable market for the sale of Government securities if new expenditures are incurred which go far beyond the limits of those which have already been outlined. A material decline in the market price of Government securities, which would be very likely to result from large expenditures outside the budget, would work a grave injustice upon all purchasers of Government securities, and would tend to slow up the whole recovery program.

The Treasury, therefore, would view with great concern the enactment of any bill which calls for large additional expenditures, without compensating additional taxes. It seems to us of the utmost importance that if any adjusted service certificate settlement calling for increased expenditures, or for earlier expenditures than those already taken into account, should be enacted, Congress should make provision for raising revenues sufficient to cover the additional expenditures in the year or years in which they are to be incurred.

If it should be thought desirable to seek new sources of revenue for this purpose, the Treasury would be glad to offer its suggestions.

April 23, 1935. 9

Mr. Morgenthau, accompanied by Mr. Oliphant and Mr. Upham met at 10:00 A.M. with the Sub-committee, of which Senator Nye is Chairman, to investigate munitions and armament.

The members of the Committee present were Senators Nye, Vandenberg and Barbour. Representatives of the War Department and the Navy Department were also present.

Mr. Morgenthau told the Committee that he was enthusiastically in favor of the objectives sought to be reached by the bill in preparation.

Asked specifically if he shared the opinion formerly voiced by Ogden L. Mills, that nothing can be done by legislation along the lines of taking the profit out of war until we are actually in the war, he replied that he did not share that view, but on the contrary was of the opinion that such action must be taken during peace time or likely would not be taken at all. He voiced the opinion that if the United States had had a proper and adequate taxing system during the World War, we would have escaped many of the difficulties that have beset us since.

The Secretary said that he had not gone over the details of the tax proposals in the bill but that he would be glad to have the experts in the Bureau of Internal Revenue do that and give to the Committee the benefit of their opinion. He said that the matter would be handled through the legislative section of the Office of the General Counsel, Mr. Oliphant.

Mr. Morgenthau was asked if, in his opinion, there was any real difference between the wholly guaranteed bonds which are a contingent liability on the Treasury and the direct obligations of the United States so far as practical effect on the debt is concerned.



April 24, 1935.

Dear Senator:

In accordance with the Committee's request during yesterday's hearing, I am glad to outline below a revenue measure which would provide funds for the payment of the soldiers' bonus.

1. From the standpoint of immediate feasibility no less than that of our fundamental objectives, the best source of additional revenue at this juncture would be a system of taxes on the receipt of inheritances and gifts.

Such a system, supplementing our present estate and gift taxes, would fit in well with the rest of our Federal tax structure; would add to its balance and strength; and would not materially interfere with the present estate and gift taxes.

2. The program that is here suggested would be relatively simple to formulate and to administer; yet it would be effective. In brief, it is, with certain qualifications, to subject all inheritances and gifts to a system of rates similar to that of the Federal income tax law.

3. The result of this proposal would be that gifts and inheritances would be taxed at progressive rates, and, under it, the Congress could provide for the effective rates to vary with the tax-paying capacity of the recipients of bequests and gifts. On very large bequests or gifts during a single year -- one million dollars or more -- if the existing income tax rates are applied, the total tax would approximate 60 percent.

4. To prevent the necessity for hasty liquidation of large properties, in order to pay the tax, it might be provided that inheritance taxes be payable in a convenient number of installments.

5. The preliminary estimate is that such a tax would yield in 1936 approximately \$300 millions and might range upward to \$600 millions annually. Our present estate tax is estimated to yield ~~some~~ \$190 millions in 1936. It may be observed that, from estate and inheritance taxes, England, with a population of approximately one-third that of the United States, and a smaller per capita wealth and income, collected more than \$600 millions in death duties in the fiscal year ended March 31, 1935.

Sincerely yours,

Honorable Pat Harrison, Chairman,  
Senate Finance Committee,  
United States Senate,  
Washington, D.C.

April 23d

The following idea occurred to Mr. Morgenthau to-day and he had hoped to present it to the President after the Executive Council this afternoon. However, he did not get an opportunity and planned to do it when he saw the President Wednesday morning.

In order to check up on the various recovery agencies, I suggest that we carefully select a medium-size city in which to make an intensive study as to the activities of the various recovery agencies.

After this study has been made, my suggestion is that you appoint one representative from each agency to go down to this city and put on a recovery drive. Out of this drive we will find which agencies are doing their work well, which are competing with each other and which have fallen down on their job. Every large manufacturing company before it puts a new product on the market first tests it out in a locality. You did not have time to do this. I am, therefore, suggesting that we now make this test announcing that whatever mistakes are uncovered will be corrected. I think that we would learn a lot and that a test of this kind would give the public confidence in your sincere effort to not leave a stone unturned to re-establish good business conditions.

April 23, 1935.  
Tuesday.

H.M.Jr: Hello.

George  
Harrison: Hello, Henry.

H.M.Jr: Hello, George?

H: Yes, sir. How are you?

H.M.Jr: Fine. They say you called me.

H: Well, I called up just to have a chat with you.

H.M.Jr: I see.

H: Now that I'm running the Foreign Department.

H.M.Jr: Now that you're what?

H: Running the Foreign Department.

H.M.Jr: Are you?

H: Well, now, I'm sitting here with - chatting with Crane  
and now, how we're going to handle it all.

H.M.Jr: I see. What did Earle Bailey say?

H: He's coming around to see me this afternoon at three  
o'clock, I don't know.

H.M.Jr: I see.

H: I don't know whether it's final one way or another. He  
wanted yesterday to talk with some of his partners, I  
think.

H.M.Jr: I see.

H: What's happened, I don't know. Have you got any plans  
on him yourself?

H.M.Jr: I spoke to him over the week-end and he didn't seem very  
enthusiastic, but -

H: Well, he's very enthusiastic when he talked to me as far  
as he personally was concerned.

H.M.Jr: Oh. Yes, but I mean, enthusiastic as to the possibilities  
of his getting it.

H: Yes, yes.

H.M.Jr: Taking it.

H: Yes, well, that's what I thought.

H.M.Jr: Well, we haven't heard anything from abroad of any interest, have you?

H: No, not a word. We've had no calls, nothing. It's very quiet.

H.M.Jr: What ever happened to the bond man, J. P. Morgan, who left them; that you once spoke to me about?

H: Oh, he's gone into some private concern.

H.M.Jr: I see.

H: I forget the name of it now. He left them about a couple of months ago, but I checked on him; he wasn't quite what we wanted anyway.

H.M.Jr: Well, in the meantime, I think we're in another lull.

H: We're what?

H.M.Jr: We're in another lull, I think.

H: Yes.

H.M.Jr: I made quite a statement on the bonus today.

H: You did make a statement?

H.M.Jr: Oh, yes.

H: Public hearing?

H.M.Jr: Yes. It'll all be in the paper tonight.

H: I see.

H.M.Jr: Quite.

H: Well, did you scratch it?

H.M.Jr: What?

H: Did you scratch it?

H.M.Jr: Well, you'll see. You see, -I don't know how you'll like it.

H: Yes.

H.M.Jr: But -

H: Henry, did you get a chance to talk across the street about that matter of -

H.M.Jr: No, I didn't.

H: What?

H.M.Jr: No, I didn't - I didn't know that you wanted me to.

H: Well, I suggested that you would do it if you got a chance.

H.M.Jr: Oh, I - no, I didn't think you really wanted to go.

H: It's not a question of my going,

H.M.Jr: Oh.

H: - to this particular meeting. It's a question whether or not I should again reign at the Federal Reserve Board.

H.M.Jr: Well, I'll take it up with them now and I'll -

H: - my taking - my next official membership on the Board.

H.M.Jr: I see.

H: Then, having done that, what meeting I'll go to.

H.M.Jr: I see.

H: Now, if you and the President feel as you did last year, my thought was I'd take it up with Eccles again.

H.M.Jr: O,k.

H: being the one that was about it before Black and Miller -

H.M.Jr: All right. Thank you.

H: If you will find out whether he has not changed his mind. That gives me a basis upon which to approach Eccles again.

H.M.Jr: All right, George.

H: All right. Thank you, sir.

70-51220

April 23, 1935.  
Tuesday.

12 D

William  
Phillips: Mr. Secretary, we had a telegram from the Hague -

H.M.Jr: Why so formal?

P: This is Phillips speaking.

H.M.Jr: Yes.

P: We had a telegram from the Hague -

H.M.Jr: I said, why are you so formal?

P: What?

H.M.Jr: Why are you so formal?

P: (Laughing) I don't know, why?

H.M.Jr: Henry still goes.

P: It's a mistake; I take it all back.

H.M.Jr: All right.

P: - which reads as follows: Has Dr. White special official -

H.M.Jr: Pardon me, I have it right here now.

P: All right. Now, here's the draft which I want to read to you before we send it.

H.M.Jr: Please.

P: Draft reply. <sup>W.H.K.</sup> Feis is one of the Treasury's technical men in touch with their operations, who has been sent to Europe to study the actual exchange situation in various markets and the method of operation of these markets. He is not in any way authorized to negotiate on military matters or enter into discussions of policy. The Department hopes you will facilitate his work. The Treasury has every reason to believe Feis understands nature of his mission, but if you believe incorrect impression is being created, within your discretion, talk the matter over with him in friendly and cooperative spirit.

H.M.Jr: Entirely satisfactory.

P: All right.

H.M.Jr: Entirely - I told Herbert Feis when he was here, and I guess he repeated this to you, any time a Treasury representative in a foreign country interferes with a diplomatic representative our fellow leaves the country.

P: Well -

H.M.Jr: So there can't be any conflict.

P: Yes.

H.M.Jr: I mean any -

P: Yes.

H.M.Jr: - time any fellow I send over in any way disobeys orders or is embarrassing to the State Department's representative, our fellow is withdrawn, see?

P: Very well. Thanks very much, Henry.

H.M.Jr: Well, I mean, then they - they never find the Treasury - there never can be any misunderstanding - your man will always be right and our fellows will always - will have to abide by the decision of the State Department's representative.

P: Yes. Well, I have no doubt that this telegram will make it all right.

H.M.Jr: So on that basis, the cooperation will be a hundred per cent.

P: Yes. Goodbye. Thank you very much.

H.M.Jr: Thank you.

April 23d

H.M.Jr. sent for Ex-Senator Goldsborough at the request of the President.

H.M.Jr: I am seeing you at the request of the President. He sent up your name last night as a member of the FDIC. He does not expect you to vote the Democratic ticket but he would like to ask you not to play Republican politics.

G: I will be loyal. If you will follow my career in the Senate you will see that I never made a criticism of the Administration.

H.M.Jr. He is putting you on as a Republican and he simply wants me to ask you for your personal loyalty.

G: I would not take the position if I could not do that.

H.M.Jr: The President wants to make a success of Federal Deposit Insurance.

Mr. Bell made an investigation for the President and found that their overhead is in pretty good shape.

Jr: We do not want to run it on a partisan basis.

G: I think I can cooperate with you 100%.

G: I am the Republican National Committeeman from my state and I will hand in my resignation.

## TREASURY DEPARTMENT

14

Washington

April 24, 1935.

Dear Senator:

In accordance with the Committee's request during yesterday's hearing, I am glad to outline below a revenue measure which would provide funds for the payment of the soldiers' bonus.

1. From the standpoint of immediate feasibility no less than that of our fundamental objectives, the best source of additional revenue at this juncture would be a system of taxes on the receipt of inheritances and gifts.

Such a system, supplementing our present estate and gift taxes, would fit in well with the rest of our Federal tax structure; would add to its balance and strength; and would not materially interfere with the present estate and gift taxes.

2. The program that is here suggested would be relatively simple to formulate and to administer; yet it would be effective. In brief, it is, with certain qualifications, to subject all inheritances and gifts to a system of rates similar to that of the Federal income tax law.

3. The result of this proposal would be that gifts and inheritances would be taxed at progressive rates, and, under it, the Congress could provide for the effective rates to vary with the tax-paying capacity of the recipients of bequests and gifts. On very large bequests or gifts during a single year — one million dollars or more — if the existing income tax rates are applied, the total tax would approximate 60 percent.

4. To prevent the necessity for hasty liquidation of large properties, in order to pay the tax, it might be provided that inheritance taxes be payable in a convenient number of installments.

5. The preliminary estimate is that such a tax would yield in 1936 approximately \$300 millions and might range upward to \$600 millions annually. Our present estate tax is estimated to yield some \$190 millions in 1936. It may be observed that, from estate and inheritance taxes, England, with a population of approximately one-third that of the United States, and a smaller per capita wealth and income, collected more than \$400 millions in death duties in the fiscal year ended March 31, 1935.

Sincerely yours,

Henry Morgenthau, Jr.  
Secretary of the Treasury.

Honorable Pat Harrison, Chairman,  
Senate Finance Committee,  
United States Senate,  
Washington, D.C.

April 24, 1935.  
Wednesday.

14 A

H.M.Jr: Hello.

Steagall: All right -

H.M.Jr: How are you?

S: Mr. Steagall. How are you?

H.M.Jr: Have a good trip?

S: Very nice little trip. I didn't have any time, but I got a chance to run down home and spend one night and day, and then I took a sun bath at the Gulf, and talked with Louisiana bankers and had a pretty nice trip. Feel a little better; I'm in a good humor with the world and I hope you're all right.

H.M.Jr: Well, I'm the same. Mr. Steagall, I'm just sort of talking to you kind of off the record, as the boys say -

S: Yes, yes.

H.M.Jr: On this Home Owners' Loan Bill -

S: Yes.

H.M.Jr: I talked to Senator Bulkley and he asked me whether I would call you up. He's been talking to me about this - opening up this thing for sixty days again, see?

S: Yes.

H.M.Jr: Well, from the standpoint of the Treasury, frankly it kind of worries us, see?

S: Yes.

H.M.Jr: And, but - it may be too late -

S: Well, I'll tell you what the situation is. I - I made a devil of a fight in the House to fix - to shut off those loans. I worked at it like the dickens; I finally, as a sort of compromise, agreed to raise the amount available because I knew doggone well the amount wasn't the thing that counted anyhow, and then I didn't want them to come back here next year and say they couldn't get the loan because they didn't have money enough. That would mean a billion dollars, you know, on a campaign here.

H.M.Jr: Yes.

S: So, I made a hard fight and held it down, and it's my thought to stand by what the House did as far as I can.

I'm glad to know that you all feel that way about it. I think they ought to be shut off, I - I -

H.M.Jr: Well, now -

S: There ought to be something. We ought not just be running that business.

H.M.Jr: That's the thing. And - and the delinquencies are terrible.

S: Well, here's the thing about it. We know and don't but, we know doggone well that when we get through we've got a bunch of losses or that we bought a lot of real estate before we get through with that thing, and when we - we begin to take over that real estate it's going - as we're supposed to do ultimately. By Gad, then you've got another accumulation of real estate on the market.

H.M.Jr: Well, it's going to be another farm board, but it's going to be real estate instead of a lot of commodities.

S: Well, it will be all that kind of stuff. That's where we're driving up to. If we overdo it, and we can't help overdoing it with the tax situation, and of course, they're going to make loans that they can't collect, and loan companies and mortgage lending companies have gotten enough out of this thing, doggone it, to eat them up.

H.M.Jr: Well, I just want to let you know, if you wanted any assistance from this end, and I can talk also for the White House -

S: I know the President feels that way -

H.M.Jr: That - that -

S: He thought that I ought to have held down that amount, but I - I gradually can shut off the loans -

H.M.Jr: Well, I'm not -

S: compromising.

H.M.Jr: Yes, well, I think you'll find Bulkley sympathetic and he asked me whether I would call you.

S: Well, I'm glad you did.

H.M.Jr: And if you need - if you need us down there I

S: Well, that's very fine. I'll let you know what we do. I don't think we'll confer until tomorrow and we won't - we'll go - we'll hold a preliminary conference and think a little before we act finally. That's the way

we'll handle it.

H.M.Jr: Thank you very much.

S: I'll talk to you again.

H.M.Jr: Fine.

S: Goodbye.

April 25, 1935.  
Thursday.

14 D

H.M.Jr: - how when boats come into the New York Harbor, flying the United States flag, whether Customs and the Health people give them the preference or whether they go ahead and look after the foreign boats first, see?

B. M.  
Thompson: Yes, sir.

H.M.Jr: Now, what he wants done - because I'm only telling you and nobody else that it's from the President, see?

T: Yes, sir.

H.M.Jr: Nobody else knows. If, for instance, a French boat and a United States boat comes in within ten or fifteen minutes of each other, we want to give the boat flying the United States flag the break.

T: Yes, sir.

H.M.Jr: Now, he's been told that when a United States steamer goes into Liverpool or Cherbourg, and as an English or French, each country takes care of their own boats and let ours stand around, and he said he's fed up on it and he wants to clear the American boats first.

T: Yes, sir.

H.M.Jr: Now, I'd like you to - I want action on this thing - I'd like you to get down to New York tonight, see?

T: Yes, sir, I'll do that.

H.M.Jr: And get out there- I'd get out in the harbor tomorrow morning.

T: Yes, sir.

H.M.Jr: If you need any more authority from me, I'll give it to you.

T: Yes, sir.

H.M.Jr: But, I'd like you to watch that. I imagine there's quite a lot of boats come in on Saturdays.

T: I can - I can catch some - I can watch tomorrow. You see, it's Friday, Mr. Secretary.

H.M.Jr: Well, I'd like you to be down there Friday and Saturday and watch.

T: Yes, sir.

H.M.Jr: See?

T: Yes, sir, I'll do that.

H.M.Jr: Now, watch that Friday and Saturday and then if there's three or four boats standing around let them clear the American - the United States steamer first.

T: Yes, sir.

H.M.Jr: And, as a matter of ten or fifteen minutes, why - in other words, we want to give the preference, but we don't want to be too obvious about it. See?

T: Yes, sir.

H.M.Jr: But, if these boats come in and - come in as the President said - eight or ten minutes of each other, give the United States flag the preference.

T: Yes, sir.

H.M.Jr: But, you can't get anything in writing on it.

T: Would you like me to have that initiated as a - that'll be - what's to be done in the future.

H.M.Jr: Is that - yes, but I'd like to have you watch Friday and Saturday how they handle it.

T: To see what - to see how it is down there.

H.M.Jr: To see how it is done.

T: Yes, and then I'll let you know.

H.M.Jr: And then let me know, and I think you ought to be down here Monday anyway and let's have a talk.

T: I'd counted on being down, Mr. Secretary.

H.M.Jr: Well, I'd like you to watch this Friday and Saturday.

T: I'll do that, sir.

H.M.Jr: And see how they are handling it, and then come down and tell me about it and then we'll do it.

T: Yes, sir.

H.M.Jr: Well, I - I don't see - if - I don't see why we don't do it right away.

T: If I find that we're not getting what we should I can initiate it there in New York without it coming to anybody but me.

H.M.Jr: Yes, I mean if - if - I'd go down - I'd go down the

harbor tomorrow morning.

T: Yes, sir.

H.M.Jr: And see how they co-ordinate that thing Friday.

T: Yes, sir, I'll get -

H.M.Jr: And if you find - and then by Saturday have the thing working, will you?

T: Yes, sir, I'll do that.

H.M.Jr: And then be in here Monday to see me.

T: I'll do that, sir.

H.M.Jr: Thank you.

T: Goodbye, sir.

H.M.Jr: Goodbye.

April 25, 1935.  
Thursday.

15

H.M.Jr: Hello.

Dr. Feis:

H.M.Jr: Yes.

F: I just had a visitor whose knowledge of European monetary affairs I rate very highly.

H.M.Jr: Yes.

F: He's just come from London. I didn't put the question to him, he talked on his own. Here's his picture; I give it to you for what it's worth.

H.M.Jr: Yes.

F: I can't - he says the strength of sterling is - owing to the situation on the continent that no one knows exactly how much foreign money there is in London, but it's very great.

H.M.Jr: Yes.

F: The estimates are between two hundred and five hundred billion pounds. He's much more - he's inclined to put it in the middle of the two.

H.M.Jr: Yes.

F: The Stabilization Fund has made a profit. There's only very limited holdings of foreign currencies and gold at the present time.

H.M.Jr: I see.

F: Certainly at least three-quarters of it, he says, is in sterling.

H.M.Jr: I see.

F: Therefore, that the only other added source of strength is a certain secret reserve of the Bank of England - gold reserve which is built up by buying half of the gold from South Africa every week, irrespective of price.

H.M.Jr: I see.

F: He said that within the last four weeks for the first time there is half the that the fund could not control if any very large movement of that capital came out - began to leave London.

H.M.Jr: I see.

F: It hasn't the present foreign resources and that that

would bring the pound down; that that's - that situation is naturally known to a certain number of people.

H.M.Jr: I see.

F: And that is his account. Whether it'll come off or not will depend on -

H.M.Jr: Could you tell me who this person was?

F: Well, yes, but don't - I'll tell you; don't you pass it on.

H.M.Jr: No, No.

F: It's Gustave Souperre. There used to be an Eng - a German weekly -

H.M.Jr: A German what?

F: There used to be a German weekly called The Deutchdam Shop,

H.M.Jr: Oh, yes, oh, yes.

F: - which is like the Economist -

H.M.Jr: Oh, yes.

F: He was its editor and he was also chairman of the Finance Committee at the Reichstag.

H.M.Jr: Oh, yes.

F: He is now in the employ of a small group of large banks, including, I think, the Westminster.

H.M.Jr: I see.

F: That may be wrong; somebody's bank.

H.M.Jr: I see.

F: He served three or four banks.

H.M.Jr: I see.

F: He has just been to London; I know he knows the Economist and -

H.M.Jr, He's been in to see me once.

F: What?

H.M.Jr: He's been in to see me.

F: Yes.

H.M.Jr: Not this time, but a couple of months ago.

F: Right.

H.M.Jr: Now, Herbert -

F: That's his picture -

H.M.Jr: Thanks very much. Herbert, are you free tonight?

F: Where am I - Thursday?

H.M.Jr: Yes.

F: Yes. As a matter of fact, I was going to try to finish an article.

H.M.Jr: Well, would you keep it free until I - we think we want to work on this Mexican monetary thing tonight.

F: We haven't given them any answer, have we?

H.M.Jr: They haven't asked for any.

F: What?

H.M.Jr: They haven't - there's no answer coming to them.

F: Oh, the Mexican Ambassador - Well, I - you saw them, did you?

H.M.Jr: Yes.

F: Well, I don't know how you left it -

H.M.Jr: Well, there is no answer. I just want to get it clear in our own minds and three or four of us will most likely sit down tonight and work on it.

F: All right.

H.M.Jr: And if you wouldn't mind keeping yourself open.

F: All right.

H.M.Jr: Will you?

F: Right.

H.M.Jr: Thank you.

F: So long.

April 25th

I called the President at 3:15 to-day and said that I needed a little help; that silver has gone to 77.25. I told the boys that I would tell them definitely at 4:30 whether we are going to do anything. They are trying to buy another 100,000 ounces in New York. I bought for Stabilization 1,300,000 ounces. We do not think that we ought to sell any but I just raised the point. The President said he would do nothing.

Oliphant handed H.M.Jr. the following memorandum:

In connection with the special Customs investigation being conducted in New York City, Manning reports that Treasury Attache' Wait, now located at Paris, has been refused access to the records of Goldberg shipments by the French Customs. When Goldberg was arrested he had a letter from his brother in Paris, stating that they were using every pressure possible to prevent Wait from obtaining information from French Customs. Goldberg's brother sent Goldberg a copy of the memorandum Wait had left with the French Customs stating the information which Wait wanted from them. I have had Harlan contact the Division of Western European Affairs in the State Department and request them to cable Ambassador Straus to intercede and to expedite the securing of this information. Quick action would be most helpful. Do you know of any more direct and effective method of getting the cooperation of French Customs?

H.M.Jr. immediately called Ambassador Straus in Paris and asked for his assistance which he promised to give. He said he would take care of the matter at once.

The minutes of the Press Conference this afternoon are attached herewith as they are very interesting.

April 25, 1935

PRESS CONFERENCE -- MR. MORGENTHAU

Q. We are looking for Mr. Gaston and he isn't here!

A. I will say for Mr. Gaston he arranged a week ago to go away last night.

Q. It is a good thing he did. You remember in the early days of the Administration we used to come in and squawk? Well, we have a squawk this morning.

A. Go ahead.

Q. Several of us were told, last evening, between five and six, that there would be absolutely nothing on silver and a lot of people went home and some sent messages to their New York offices that they were informed reliably that there would be nothing and then, about eight, here it came. It was embarrassing, to say the least.

Tell them where you were, Bob.

A. I was in the middle of a steak out in Rockville.

A. Was it good?

Q. Excellent!

The first half was swell.

A. This is all off the record. When I go on the record, I will say so. It was a chain of circumstances and I think that you fellows have to take part of the responsibility for the news that went out over the ticker between five and six. Let's be -- I mean, I don't think this is all a one-sided thing. I wasn't here

-2-

and I only heard about it, to be perfectly frank, about seven o'clock, last night, but the stories that went out, as I understand it, gave a wrong impression of what Gaston told you fellows.

Q. What was on the ticker was based on the fact that we didn't know what was happening; that there was apparently some misinformation given out. Here it is. We are ready to play ball with the Treasury, of course, and have done the best we can, but sometimes we would like to know what's coming, don't you know?

A. I am being perfectly frank. I either can't answer or I do, but I have never given you a bum steer and it was after that stuff came out -- let's call a spade a spade -- on the U.P. ticker that ...

Q. It was entirely unjustified.

A. ... I can't say where they got the information, but as a result there were four stories in an hour that came out and when those were read to me at seven o'clock I went through the ceiling, because whether that is a correct interpretation of what you were told or were not, it was incorrect as far as my position was concerned. So when I heard that, there was only one thing for me to do and that was to call up the President and recommend he raise the price of silver and on the strength of that, he did. That's the whole story. As things were read to me, I called him up and made the recommendation and he said all right and at seven-thirty it was over there and he signed it and at a quarter of eight, Hull signed it.

-3-

Q. I was told that everybody who brought silver in would be treated as an individual private deal and so on, which certainly indicated that they would pay the world price.

A. Look, Gridley! I don't know what conversation took place. Let's say there was a misunderstanding on both sides and call it "washed up".

A. Swell!

Q. There was no intention to mislead you. I am telling you what time I came in the picture, what time I heard about the stories and what happened after seven o'clock. Let's say both of you misunderstood.

Mr. Gridley: Anyway, you raised the price.

A. You can take the credit for raising the price. That's the whole story. I am giving you the exact time. And Gridley takes credit for raising the price. It's true it's his story.

Q. Find out what Gridley's position is.

It may have been premeditated. Gridley, do we have to divide?

Mr. Morgenthau: I think so. Everybody still all satisfied?

Q. I think it would help, off the record or on, if you would tell us what is your attitude on this.

A. Now I will go on the record.

Q. One more, off the record. I just want to be sure there would not have been an advance in silver price except for that story.

A. I think that's correct. Let's put it this way. If that story had not come out on the ticker, I would not have raised the price of silver last night. I think there were four different stories between five-thirty and six-thirty. About four different stories. Every one a little bit different. The answer is that if it had not, no one would have called me up and ...

Q. Do you always raise the price of silver when you get mad?

A. If they knew that they would know how to raise the price of silver. As a matter of fact, I don't get angry often.

Q. The price was up four cents this morning in London and if we had not raised it last night, would the price have gone up four cents today?

A. Do you want me to go on the record?

Q. I just wanted to know what your attitude was on this thing.

A. I am operating under direct mandate from Congress.

Q. But not as to that bonus you pay.

A. We are operating here that we should buy silver until it either reaches \$1.29 or equals one-third of the monetary stocks. We are operating under that and we are carrying out that mandate.

Q. Is there any limit within which you can build up your one-third? Any time limit?

A. No. We are operating under that mandate from Congress and further, verbal agreement with the people on the Hill, between myself and them, that I would carry this out.

-5-

Q. Has either you or the President authority by Executive Order to raise the price of silver above \$1.29?

A. You have got me on that. If you want the answer, I will try to get it.

Q. I have a suspicion that you can raise it to 16-to-1 to gold.

You can devalue to the same extent as gold?

A. I think you can by the Gold Reserve Act of 1934.

Q. The fact that you had not raised the price -- which was off the record -- but the knowledge that we had that you were not going to raise the price indicated your policy that you would always follow the world price is not correct.

A. That's not correct. The price yesterday was 71.41 in London and our price was 71.11. It was so close to the thing ...

Q. An international situation resulted with the newspaper stories?

A. I can't say anything more than I have. I am repeating that I am operating under a mandate from Congress and I am carrying that mandate out to the best of my ability. I can't enlarge upon it. I am operating under that mandate and I am doing the best I know how.

Q. That mandate does not go to the premium price paid for domestic silver? There is nothing in the Silver Purchase Act where it says anything about the policy of giving to domestic producers a premium over the prevailing world price?

A. No.

Q. That is a matter of your own option and one of the questions we are most interested in is whether that premium will be continued or whether there will come a time when domestic producers will have to take the world price and do nothing about it?

A. That question never came up until yesterday and I think the best way to answer it is our actions will have to speak for themselves.

Q. Past actions?

A. Actions up to and including last night.

Q. Last night there came a question of whether you were going to give them that premium?

A. I think that question was answered last night at 7:30 when the President signed the Proclamation. I think actions speak better than words.

Q. Is there any disposition to declare your silver price increase in the morning rather than in the evening so the London people don't have a big jump on you.

A. Why don't you say so, the morning papers can get a break.

Q. The gold price used to be set in the morning after things were open.

A. These things happen so fast I can't lay down a rule that we are going to do it in the morning or afternoon. The only thing you can say is you would rather have it after all the markets are closed. If you can do it on Saturday afternoon that would be the ideal time to do it, but naturally what we are trying to do here is that everybody gets an even break.

-7-

Q. Because they are open they get a preliminary break.

A. Of course our people are operating in London just as well as anybody else.

There is no disadvantage. Foreign exchange men go on the job at 4 in the morning. We try to do it at a time when everybody will be given an advantage.

Q. This is a purely speculative market now?

A. I had rather not answer that. Everybody happy now?

Q. I was before.

A. Oh, yes, what organization are you connected with. Look at the U.P. give him a dirty look.

Q. Anything on the Consolidated Gas situation yet?

A. No, when Mayor LaGuardia returns from his boyhood haunts he.....

Q. He is back?

A. We are just waiting to give the city as good a break as we got.

Q. On that bonus testimony. Did they ask you to present a tax plan?

A. They did.

Q. You are working on that now?

A. That went up to Senator Harrison and Mr. Doughton.

Q. Can you tell us about it?

A. Senator Harrison said they would receive this in executive session.

Q. You said up there the other day that inheritance taxes would soon be on a graduated scale like the income taxes. You will have to raise the gift taxes?

A. The thought was we would treat inheritance taxes just like income taxes.

Q. Can you explain this? You said on the same basis as income taxes. Do you mean that if this plan were adopted inheritances would be taxed at the same rate as income?

A. Yes.

Q. So that rates that now apply to income would apply to inheritance?

A. That is the way we based our figures.

Q. A man would be paying a higher surtax on the inheritance than he would on income in view of the extremely large total, would he not?

A. Yes. They both go in together. I asked somebody in New York how he like it. He said those who have no grandpas or grandmoms and have gotten theirs think it is a swell idea but those who think they are going to get something they don't think it's so hot.

Q. If you had really wanted to kill the bonus it would have been better to hit everybody, each taxpayer.

(No answer)

If you fellows want advice on the technical side of it we could have someone in Internal Revenue sit down with you and you can ask him any technical questions. We will bring somebody over who can answer.

-9-

Q. Senator Harrison said you were not referring to his bill and Patman said that they were just going to bring this money.

A. Well, what do you expect me to say?

Q. Do you distinguish between the primary objectives on this silver program? Do you think there is any preference in getting silver up to \$1.29 or to 1 to 3 ratio of the monetary stocks?

It really makes a difference. You can put up the price if that was your primary objective. Timmie is looking out the window.

A. Me too. I refer you all to Will Rogers who certainly hit the bulls eye today. No, I cannot answer. I just have to go back to that mandate of Congress.

oOo-oOo

April 26th

I went to see the President this morning at 9:15. I told the President about silver going to \$1.29 and perhaps giving me the right to sell if necessary. The President said you do that you might find that silver might settle at 75¢ and stay there indefinitely. I then told him of Coolidge's fears that if we continue the way we are that silver would get to \$1.29, we would get our one third in monetary stocks and when we would be out of the market and there would be a collapse in the silver market because we would no longer be a buyer. The President said if silver did go to \$1.29 we could greatly strengthen the London agreement and if necessary agree to buy 10,000,000 ounces that India has the right to sell each year; that the South American countries would back us up especially those who are producers of silver. He was not greatly interested in Mexico's predicament. He said "It is just too bad". I explained to him that they had two months to get ready and had not taken advantage of the time - that we had two propositions (1) putting silver up to \$1.29 or continuing raising the price by proclamation above the world price. I said "don't you think you ought to drive a bargain with the Senators and tell them that if we put the price to \$1.29 that they would agree to no more silver legislation this session". He then took me completely by surprise by saying "don't worry about any more silver legislation this session. I have at least 65 votes. I can positively defeat any silver legislation, so the question of more silver legislation does not need to be considered". He was most emphatic.

He then suggested that we compromise by putting silver up to \$1.00 and then come out with the statement that the treasury would buy no more silver until the speculative interests were shaken out. I pointed out to him that we could not do this because both he and I had given our word that we would buy until silver reached \$1.29 or one third of the monetary stocks. He said "well you can at least make a statement that we do not like the speculative interests in silver, that the American mining interests are not speculating and that we realize that the Silver Purchase Program of the United States Government had lent itself to the support of speculation."

He then suggested that his statement laid a good foundation to doing nothing until Saturday afternoon. I told him that I had the same idea and then asked him if I could talk this over with the Senators and he said "fine".

He also said he was afraid that if we put the newly mined silver to \$1.29 and the world price stayed around 75¢ that the Administration would be criticized for giving the mining interests too big a subsidy. Personally I would be glad to see

the price of silver stay around 75¢ for a few months as I think that the advance has been entirely too rapid. The President said "if the price of silver stayed around 75¢ I think it would stay there the balance of this year and in to 1936" and he raised his eyebrows when he said "1936" - that he had the election in mind.

\* \* \* \* \*

H.M. Jr. called Senator Key Pittman at 10:30 and told him that he wanted to see him if he could come over right away and talk silver. They decided also to invite Senator Adams, Senator Wheeler, Senator King and Senator Borah. The Senators all came at 11 o'clock. H.M.Jr. told them that silver opened this morning in London at 78.53 and the last proclamation price was 77.57 and that the Chase National Bank sold silver this morning at 81.25. He told them the President could announce another proclamation but before doing anything he wanted to tell them some of the things that were worrying him and get their advice. He said "In the first place the speculators have this thing on the run. The American Mining Companies are not speculating so most of this speculation is in London, China and India. I think up to about ten days ago it had been moving just right. Silver mining stocks are going up five points to-day. This speculation in silver has me worried. We can do three things:

1. Recommend to the President that he issue another proclamation.
2. We could put domestic mined silver to \$1.29.
3. Or do the thing in between and put it to \$1.00.

"I talked to the President this morning and he thinks that whatever we do we ought not to do anything until tomorrow afternoon. The markets will be closed and we can take enough time to do it. Nothing has been settled and I called you here to ask your advice.

The Mexicans are sending their financial man here and he ought to arrive tomorrow or Sunday.

(Mr. Morgenthau then told the Senators about his conversation with the Mexican Ambassador on April 16th. This interview is in the diary)

April 26, 1935.  
Friday.

29A

H.M.Jr: Senator -  
Key  
Pittman: Yes.

H.M.Jr: I'd like very much to have a talk with you this morning.

P: I can come down now if you want me to.

H.M.Jr: Well, now just - I have a                      well, now just a min-  
ute before you do.

P: Yes.

H.M.Jr: Who do you think wants the other Senators who are interest-  
ed in silver who are sympathetic that we might ask to  
come down with you?

P: I see. All right.

H.M.Jr: Now, who would you suggest?

P: Well, I think you ought to have Adams for one.

H.M.Jr: Adams.

P: And I think probably you should have - you'd better  
have Wheeler down there too if you're going to do any-  
thing peculiar.

H.M.Jr: Wheeler; how about King?

P: What?

H.M.Jr: How about King?

P: I think King ought to come.

H.M.Jr: Yes. Well, now which is the most tactful way to do it,  
to have you ask them to come with you or to have me call  
them direct?

P: I'd call them direct.

H.M.Jr: Have them - call them direct?

P: Yes.

H.M.Jr: Now, you suggested Adams, Wheeler, King and - well, that  
would be enough, wouldn't it?

P: I think so. You get the                      right there.

H.M.Jr: Pardon me?

P: Who?

H.M.Jr: I didn't hear what you said.

P: I say that will be a representative part of that group.

H.M.Jr: Well, supposing I call each one up and ask them if they could be down here, say, at eleven o'clock.

P: I think that's a good idea.

H.M.Jr: How would that be?

P: That's all right.

H.M.Jr: You don't think of anybody else?

P: No, but -

H.M.Jr: Borah?

P: Who?

H.M.Jr: Borah?

P: Borah?

H.M.Jr: Yes.

P: I would, yes.

H.M.Jr: Borah?

P: Yes.

H.M.Jr: All right.

P: All right, yes.

H.M.Jr: And then I'll see you at eleven.

P: All right.

H.M.Jr: Thank you.

Senator King: As far as I am concerned I would squeeze the Mexicans.

H.M.Jr: The speculators have taken this thing away from us and the market is going up too fast. There will be a sudden drop and this will hurt the whole Recovery Program. We have the Mexican situation on our hands. Their problem is that silver in pesos is worth 72¢. They have been speculating themselves in silver in London and as a result of this they fired the head of their Central Bank of Mexico.

Senator Pittman: Has Mexico got silver bullion?

H.M.Jr: Yes. About 25,000,000 ounces of newly mined silver.

Senator Pittman: Why doesn't she sell some silver?

H.M.Jr: I suggested that to them but they are withholding it.

Senator Wheeler: If you raise the price of silver and got the proper ratio to gold you would stop speculation.

H.M.Jr: Which do you think would take the speculation out of this? Putting the price to \$1.00 or \$1.29?

Senator Pittman: The only thing that will stop speculation is to give the speculators a loss.

Finally Mr. Morgenthau again said "there are four things we can do:

1. Do nothing.
2. Raise the price 5% again.
3. Put the price to \$1.00.
4. Put the price to \$1.29.

Senator Pittman: It would be a mistake to put it to \$1.29 because I want this government to get all of the silver into its vaults.

- H.M.Jr: If we put silver to \$1.29 we will get more silver than the way we are doing it now.
- H.M.Jr: Up to ten days ago I kept my word 100% with you gentlemen and feel that I did as good a job as I could but now I have lost control of this situation. I was able to control the silver market but now the control has been taken away from me.
- H.M.Jr: We are not getting any silver in the Treasury and will not if we raise it 5% at a time. These people who have accumulated it are holding it but if it went to \$1.29 they would give it up.
- Senator Borah: I think that is true. I would like to see it go to \$1.29.
- H.M.Jr: If we did this thing I think during the excitement of the first week if legitimate users wanted silver out of our Stabilization Fund I would let them have it. Legitimate users just can't buy silver.
- H.M.Jr: Senator Borah supposing we go to \$1.29 how would you feel if we sold some in New York?
- Senator Pittman: The government should not sell and speculate in silver.
- H.M.Jr: If on Monday the Gorham Company for instance wanted to buy 100,000 ounces of silver in New York should I sell?
- Senator Borah: I am satisfied with what you are doing up to date. I accept your judgment and would go to \$1.29. I do not see how we can take speculation out of it unless we go to \$1.29.
- Senator Pittman: I do not see how we can get any more silver by going to \$1.29.
- Senator Adams: I don't think you ought to jump 5% at a time. It is not dignified.
- Senator Pittman: I think you ought to sit tight and do nothing and wait four or five days.

Senator  
Wheeler:

I think we ought to wait.

Senator  
Borah:

I have no objection to it.

H.M.Jr:

Very well then since the Mexican man is on his way  
I think it would be courteous to wait and hear what  
he has to say and in the meantime let's see what  
happens.

April 26, 1935.  
Friday.

H.M.Jr: Morgenthau speaking.  
Herbert Feis: Good afternoon, Mr. Secretary.

H.M.Jr: Now, what I don't understand - are you people waiting for an answer from us to let you know whether we can or cannot mint pesos for Mexico.

F: Well, don't you think, Mr. Secretary, we can wait until Mr. Lopez gets here?

H.M.Jr: Well, none of the dispatches came in.

F: I beg pardon?

H.M.Jr: Well, I just - I - I don't want to have - my own conscience - we're holding you up.

F: Yes.

H.M.Jr: Now, if you think you can wait until Lopez gets in, that's that much better. Now, he ought - he'll be in here Sunday, won't he?

F: He'll be in here - he ought to arrive tomorrow, yes sir.

H.M.Jr: Well, -

F: Because he arrives, yes, Sunday. Sunday's right.

H.M.Jr: Sunday.

F: He left - we just had a wire from Lockett -

H.M.Jr: Yes.

F: - rather from the embassy down there, saying that Lockett was leaving with Lopez this morning by plane.

H.M.Jr: Well, you know I got him last night.

F: Yes. Did you have to wait a long time?

H.M.Jr: No, but he - he argued with me - he couldn't get the money and I said, don't be silly, you can get the money, and I said you be on that plane with Lopez tomorrow morning -

F: Yes.

H.M.Jr: I said, you've simply got to make it.

F: Yes, well, he's done it all right.

H.M.Jr: Well, what I would suggest, if you think it's all right, that you call up the Mexican Embassy here and ask them whether they could wait until Lopez comes back or whether they want to announce it sooner.

F: All right, I'll be very glad to do that.

H.M.Jr: And then would you call me back?

F: Yes, sir.

H.M.Jr: I'll be - I'll wait for another fifteen minutes.

F: All right, I'll call you back.

H.M.Jr: I mean I'd like - I don't want to feel that we might be forcing them into something by not answering them.

F: Yes, surely.

H.M.Jr: See?

F: Well, I'll call them up right away and then - then I'll call you back.

H.M.Jr: Thank you.

F: All right, Mr. Secretary.

7/15/53

April 26, 1935.  
Friday.

326

H.M.Jr: Hello.

McCarran: Hello, Mr. Secretary.

H.M.Jr: How are you?

M: How are you?

H.M.Jr: I'm still alive.

M: I'm very sorry that I didn't have the advantage of your invitation to come down to your office today on the silver matter.

H.M.Jr: Well, I just called up two or three, four people and I did the thing so hurriedly. I wish I could have gotten you.

M: Yes, I know you could have.

H.M.Jr: I didn't - I didn't - I said I wish I had thought of it.

M: I'm very sorry you didn't.

H.M.Jr: Well, I am sorry.

M: I'd like to have conferred with you.

H.M.Jr: Well -

M: I should have liked very much to express my views.

H.M.Jr: Well, how - how can I get the advantage of your views?

M: I'd like to have a conference with you tomorrow.

H.M.Jr: Well -

M: If there's to be a change in the market between now and tomorrow, why, my conference will mean nothing.

H.M.Jr: Pardon me?

M: I say, if there's to be a change in the American price between now and tomorrow my - our conference will mean nothing.

H.M.Jr: Well, where are you now?

M: In my office.

H.M.Jr: Are you - do you go home now?

M: I'll go home in probably an hour.

M.Jr: Well, could I - could I get together with you early tomorrow morning?

M: I'll be very glad to - any hour you make.

M.Jr: Well,

M: You make the hour, Mr. Secretary, and I'll be glad to be with you.

M.Jr: Well, would you mind stopping at my home in the morning?

M: No, I'll be glad to. Where is it?

M.Jr: Is eight-thirty all right?

M: Oh, surely.

M.Jr: Well, let's say eight-thirty; I live at 2447 -

M: 2447 -

M.Jr: Kalorama Road,

M: Kalorama Road,

M.Jr: Yes.

M: That'll be eight-thirty in the morning?

M.Jr: Yes, I'd be - I'd appreciate it.

M: I'll be very glad to be with you.

M.Jr: Thank you.

M: Thank you very much for the courtesy.

M.Jr: Well, I - thank you for calling me.

April 26, 1935.  
Friday.

H.M.Jr: Hello.

Senator Adams: Hello.

H.M.Jr: Senator Adams?

A: Yes, good morning.

H.M.Jr: Morgenthau.

A: Yes, sir.

H.M.Jr: I'm asking a few of you gentlemen who are interested in silver if you could come down at eleven o'clock and see me. I'd like to get your advice and go over the situation.

A: All right, sir. I'll try to make it, I've got a committee meeting, but I think I can break away.

H.M.Jr: Well, it's got - it's pretty important.

A: All right. I'll be down.

H.M.Jr: Thank you.

A: All right.

Sunday - April 28th

Secretary of the Mexican Treasury Interview between H.M.Jr. and the Assistant

H.M.Jr: Will you tell us what you have in mind?

Mexicans: Events have happened in Mexico to make it necessary for the Mexican Government to take steps to protect its monetary system, and the Mexican Secretary of the Treasury has delegated me to come here to have conversation with the Secretary of the Treasury of the United States to arrive at new things to correct the problem.

H.M.Jr: Have you any suggestions as to how we could help?

Mexicans: From the Mexican Government viewpoint after measures that have been taken in Mexico it would be desirable that the price of silver should not go higher than at present.

H.M.Jr: As far as the price of silver is concerned that was taken out of our hands about two weeks ago.. We had control of the world price until about two weeks ago and the action that touched off the fire was the withholding of Mexico of all newly mined silver combined with the purchasing of the silver in London. In the Mexican Embassy there is the understanding that in this situation the government of Mexico had no connection but the Bank of Mexico.

H.M.Jr: It was done by Mexico and it is unimportant who did it.

Mexicans: The new situation is that if the price of silver continues rising Mexico runs the risk of having its monetary silver leave the country and create a very serious situation.

H.M.Jr: May I go back - the Ex-President of Mexico was here three months ago and visited the President of the United States and at luncheon I brought up this question and asked, as I remember it, what the government of Mexico was going to do. Then Rodriquez, the President and I discussed this thing when he was here. I feel that your government has had two or three months to get ready and the fact that it has not gotten ready rests with you.

- Mexicans: Now as a matter of fact after this situation has arisen some ten days ago the Secretary of the Treasury of the United States suggested the possibility of having further conversation. From the Mexican standpoint it would be highly desirable to maintain the present price of silver.
- H.M.Jr: For how long?
- Mexicans: 30 days as a minimum for the provision of circulation of silver.
- H.M.Jr: You issued certain decrees yesterday.
- Mexicans: Two have been issued. One modifying the monetary laws and two modifying the laws of the Bank of Mexico.
- H.M.Jr: If that is possible if we were able to hold up the price of silver what other steps are there in which we could help?
- Mexicans: It would be perhaps desirable to have the Secretary of the Treasury of the United States to connect us with the Mint at Philadelphia to see if rapid minting of silver could be done.
- H.M.Jr: I can tell you right now. By putting aside our own currency and making way for yours, and to show our friendship and spirit of cooperation, and by working three shifts of eight hours each we could produce 20 million 50 centavos a month at Denver and San Francisco. The Mexican government would have to furnish the dies.
- H.M.Jr: We would just keep Philadelphia to finish up the order for Cuba. We would turn over the entire production of Denver and San Francisco to the Mexican government. What else can the United States government do to help?
- Mexicans: There is also the point connected with the printing of bills and bank notes. We had a contract with American Bank Note Company whereby on the 15th of May we would get 500 thousand and every week thereafter, namely, the 22d and 29th etc. 2 million a week for Mexico needs about 80 million in paper money as soon as possible. Could the United States government help us print these bank notes?
- H.M.Jr: We can. I was not prepared to answer that but it would be just a question of your having the engravings. We could do it very rapidly.

- Mexicans: The plates could be made by the American Bank Note Company and I would have to find out.
- H.M.Jr: You would have to provide the paper.
- H.M.Jr: What else is there for the time being?
- H.M.Jr: You will call in all the silver money that is out now?
- Mexicans: Yes.
- H.M.Jr: Will the 50 centavos be the highest price silver coins that you get out? Will there be smaller coins?
- Mexicans: There will have to be smaller ones.
- H.M.Jr: Will they be based on \$1.29 because Mr. Oliphant points out that our coins 25¢, 10¢ and 50¢ our silver is based on \$1.38? Our \$1.00 is \$1.29. It is of no importance - just information.
- Mexicans: The pesos are going to be substituted by bank notes and silver money will be 50 centavos and smaller. For the time being there will be small coins of bronze due to the convenience of handling such coins.
- H.M.Jr: How many pesos will there be to the American dollar?
- Mexicans: 3.60.
- H.M.Jr: Now we get down to the price of silver. I am not very diplomatic. I just want to talk Treasury to Treasury on this price of silver.
- Mexicans: That would be agreeable to us.
- H.M.Jr: The silver market opens tomorrow in London and there is nothing that we can do to stop the price of silver going up. If you want me to make a suggestion I will be glad to do so. We can't sell silver on account of the political situation. It is impossible for us to sell silver. Therefore, if you have silver in London and some of your newly mined silver I suggest that you sell some of your silver in London tomorrow either in bullion or future also that through whichever bank you use that you offer to sell some silver in New York.

- Mexicans: I have been very grateful to hear your suggestion and I will transmit it to my government immediately and I am sure it will be well received. However, my own personal opinion is that if the Mexican government would offer some silver for sale after these drastic statements I think it would have a bad effect.
- H.M.Jr: I have gone so far for Monday. I have done nothing - The Federal Reserve Bank of New York is open. We have waited and done nothing until this meeting. The only way you can stop this is to throw some silver on the market.
- Mexicans: With equal frankness assuming that the Mexican Treasury acts upon this suggestion and we do sell some silver what assurance have we got that you would not raise the price of silver anyway?
- H.M.Jr: I am not a diplomat. You must know that the year I have been here I have been able to get the confidence of the people of the United States. I do not want anything wrong about this. If you will let me know and work with us so that we know just what your orders are, and you say you need two weeks before you sell one ounce of silver I will give you my word and the President's if you will let us know before you sell an ounce of silver.
- Mexicans: About how many million ounces would be necessary to dispose of between now and May 15th in order to maintain the price?
- H.M.Jr: I think it would take very little. I think if we hit the market hard tomorrow and you sold two to five million ounces in London and maybe one million in New York you might not have to sell any more. It is just a guess. It is very hard to tell. On 200,000 or 300,000 ounces the price in New York may go up 5¢.
- Mexicans: This sale of 5 million in London and 1 million in New York would it be necessary to make it all at once?
- H.M.Jr: You would have to get some very clever market operator to do it for you. I have seen silver go up 5¢ on 100,000 ounces. It takes somebody who knows this business to manipulate it for you.
- Mexicans: I am going immediately to get in touch with the Secretary of the Treasury of Mexico and shall let you know as soon as I receive a reply.

- H.M.Jr: You will have to do this by telephone.
- Mexicans: I will do it immediately.
- H.M.Jr: Fine. We have put in no orders of any kind in London waiting to hear from you.
- H.M.Jr: I said until May 15th. Will that be time enough?
- Mexicans: Silver in Mexico will have to continue its circulation until May 27th.
- H.M.Jr: If you will talk to your government I will talk to the President of the United States and I will then tell you whether I can wait that long. As I understand it, we will be glad to be of assistance on the coining and printing of money and if you do go into the operating of silver you will let us know from day to day what you do on silver and we will let you know. The price of silver broke 5¢ on Saturday and in order to make this thing effective it should be done tomorrow. When the price is dropping it is much easier to push it down and hold it below 77½¢. You want to keep silver below our proclamation price of 77.50 for the month of May.
- H.M.Jr: It boils it down to this. They want us to hold the price of silver where it is until May 27th but they want us to give our promise that we will keep the price down until then and then they will be out of the woods. I will see the President of the United States and if he does this I think their troubles will be over.

April 29th

Lopez called up the White House at 10:10 last night and said that he would have an answer for me in 30 minutes. I left the White House at 20 minutes to eleven telling them to call Lopez and say that he could reach me at home. However he called me on his own at the White House and they told him I could be reached at 11 o'clock. He phoned and said he had to see me. He came over with his interpreter and I asked Mrs. Morgenthau to be present as I wanted a witness.

He said he had difficulty in getting the Secretary of the Treasury in Mexico and thanked me for the offer of cooperation and said that the Mexican monetary policy had been a great success; that they no longer feared a rise in the price of silver; that their edict for bringing in the money were working very well and that the crisis had passed. I told him I was delighted. He then said that they would give the United States government first option on any silver that they sold in New York or London. I said "that is very nice but it is nothing new". You have been doing this for months. You have been selling to us because we paid you a better price than anybody else would." I then smiled and said "this has been mutually advantageous". He said "we wish to assure you that we will positively not speculate any more in silver in New York or London and that we would like to sell you our silver in London". I said "how much have you got" and he replied "two and one half million ounces". Last time the Ambassador told us 2,800,000 ounces. I told them I could not give them an answer until 10 o'clock next morning. Just before he left he again said "how about buying our silver in London" and I said that I could not give him an answer.

I said "how about minting or printing money for you" and he said "we would first have to check up our production in Mexico City.

I then called up Lochhead on the telephone and gave him orders to buy a half million ounces of silver at 74¢ and to buy a half million every 1/4¢ down until it reached 72¢. This policy evidently kept silver from dropping because Monday morning they fixed the price in London at 74.15. Evidently the Mexicans are under as much political pressure as we are not to sell silver. That is the only explanation that I can give for their action.

\* \* \* \* \*

H.M.Jr. called the President at 9:20. He said to the President "I received the Mexican delegation at my home last night and fortunately for me your diplomatic buccaneer kept his mouth shut and didn't talk and the Mexicans turned us down.

I am going to pull my peg out and put it in at 72¢." The President said "in regard to buying your silver in London just wait for a couple of days".

\* \* \* \* \*

I saw the President last night at 7:15 and told him that the Mexicans wanted us to agree not to raise the price of silver for the month of May as it would take them until May 27th to call in their silver money and replace it with new paper money and new 50 centavos. I asked the President how he felt about it and he said "that is an awfully long time and I doubt if we can get away with it". I said "don't you think you could sell the idea to the Silver Senators to hold off on the price of silver in order to keep Mexico in the dollar bloc" and he said "I doubt it". He said "I told you what you can do. You can tell them that we will not pay above 74¢ for silver for the month of May and that we will operate between 72¢ and 74¢. He said this certainly ought to give them an opportunity, but tell them if the world price goes above 77.51 I will have to raise the price for newly mined silver." Fortunately for me I did not have to tell this to the Mexican Mission. I will however tell it to Cordell Hull in order to keep him advised and posted.

\* \* \* \* \*

H.M.Jr. phoned Secretary Hull at about 9:30 and told him about the Mexican conference. He also said to Hull "we are beginning to think that this is a "phoney mission" and that somebody in the government are long on silver and what they are trying to do is to sell us this silver in London". Silver dropped another 2¢ to-day and it is down to 74¢.

\* \* \* \* \*

Lopez called at 11 o'clock to-day and H. M. Jr. told him that we wanted to wait one or two days until the market became more steady. He told Lopez to call him again on Wednesday.

3 P.M. Lopez came in to see the Secretary again. He said "I have come to express appreciation for your kind offer of cooperation".

H.M.Jr: I appreciate getting to know Mr. Lopez and hope to return the call in Mexico City. (As regards the possible purchase of English silver)

Mexicans: As regards the possible purchase of English silver the Mexican Ambassador will keep in touch pending any decision of the American government. Have you any comment to make on our statement to the press.

H.M.Jr: It is very friendly and excellent.

- Mexicans: In some of the dispatches there seems to be a shadow cast that the Mexican government came here to protest on the rise of silver.
- H.M.Jr: I have given no interviews to the press on your mission and I see the press to-day at 4 o'clock. I was not going to say anything but if you have any suggestions to make I would be glad to receive them.
- Mexicans: Nothing special. It might be desirable to say that the Mexican government did not come here to protest against the rise in silver.
- H.M.Jr: The press manufactured those stories. The State Department gives out communiques but we do not do that here. I was going to say "our conversations were mutually agreeable and helpful. The Lopez mission was ended and we feel that the objectives of Mexico and the United States in regard to silver are the same".
- Mexicans: That would be very desirable if the impression was created that Mexico did not come here to protest.
- H.M.Jr: Newspapermen are the same wherever you go and if I say that Mexico did not come here to protest they will say ah ha they did and the story will be repeated. I think it would simply emphasize this morning's story. I think I ought to say Lopez and I have met and we have had mutually satisfactory conversation.
- Mexicans: That is satisfactory.
- H.M.Jr: You are big miners of silver and we mine a lot of silver. If the world got the idea that you no longer were going to use the peso I am afraid they would say the use of silver is decreasing for money.
- Mexicans: For this reason Mexico wants to have in its reserves a considerable amount.
- H.M.Jr: Are you going to continue to have a one peso silver?
- Mexicans: The new law does not provide for a one peso.
- H.M.Jr: I want to draw your attention if this is so that Mexico is withdrawing from its use of silver as money.
- Mexicans: The government at/<sup>the</sup>present moment will have to adhere to the new law and will have to maintain a high silver reserve. This will tend to counteract this impression.

- H.M.Jr: If you find that it has an unfavorable effect you can always change it and begin to use the one peso silver.
- H.M.Jr: There are a great many people in the United States who want to see our silver policy fail and their argument against our silver program is that as the price of silver goes up the countries that use silver will have to use it less and, therefore, I am afraid that just as soon as they learn that Mexico no longer uses the peso they will say that the American policy made Mexico use less silver for money.
- Mexicans: Of course the measures of the program of the Mexican government is not of a permanent nature. Future circumstances may make us change our policy.
- H.M.Jr: I am sure you will see in the papers that the American silver policy has driven Mexico on a paper basis. We get it all the time. We get it about China that our silver policy is ruining China.
- Mexicans: Taking this into consideration we have endeavored to give the impression to the public that we are in good shape.
- H.M.Jr: The fact that you only closed your banks one day gave a very good impression. It is the impression of your long-term policy. I want to congratulate Mexico on how quickly she has called in her money. This has been done very cleverly.
- H.M.Jr: This is not a suggestion. I am simply calling this to your attention as a long-term policy.
- Mexicans: It is a very important viewpoint and I will take it back to my country.
- H.M.Jr: I am awfully glad Lopez came and I think we understand each other better. I wish to say that if you decide to use our Mints or the Bureau of Engraving they are at your service.
- Mexicans: I want to again express our appreciation and we hope you will come to see us soon.

\* \* \* \* \*

H.M.Jr. called Hull and gave him a summary of his interview with Lopez. Lockett who is came in and congratulated H.M.Jr. on the way he handled the whole thing from the Mexican standpoint. He said that they were very

Lockett told H.M.Jr. that the State Department pumped him and he got the impression that the State Department resent H.M.Jr's handling these things and taking them out of their hands. They hoped that H.M.Jr. would not make a commitment without consulting them.

[The following text is extremely faint and largely illegible. It appears to be a list of points or a detailed report, possibly numbered 1 through 10, but the specific content cannot be accurately transcribed.]

At the request of Mexico the United States will be willing to cooperate in carrying out the Mexican program as follows:

1. Regulate imports of silver so as to prevent the importation of Mexican silver coins or Mexican silver known to have been melted from Mexican silver coins.
2. Mint Mexican pesos and 50 centavo pieces as rapidly as possible, provided:
  - a) A formal authorization is given through the State Dept.
  - b) Master dies are sent from Mexico.
  - c) The \_\_\_\_\_ ounces of silver owned by the Banco de Mexico is turned over to the United States for this purpose.
  - d) Sufficient additional silver is furnished to coin amounts in excess of that which can be struck from the English silver.
3. Endeavor during a reasonable period while Mexico is calling in its silver coins to maintain the price of silver within a range of \_\_\_\_\_ to \_\_\_\_\_ an ounce, provided that during this period no silver will be bought or sold for the account of the Banco de Mexico or the Mexican government except in agreement with the United States Treasury. (The quota withdrawals under the London Agreement would of course be agreed to.)

1. Mexico will call in all silver coins (20 and 10 centaves?)
2. Mexico will prohibit export of silver coins; and regulate export of other silver so as to prevent export of melted silver coins.
3. Mexico will cause \_\_\_\_\_ pesos of one peso denomination and \_\_\_\_\_ pesos of 50 centavo denomination to be struck; the former to contain 103.1 grains of pure silver and the latter 51.55 grains.
4. The new pesos will be put in circulation as rapidly as possible and held as a reserve for one peso and other notes.

old Peso now 12 grams fine silver  
 360 Pesos = \$100.00 = .72¢

~~Peso is worth~~

New Peso 6.6 grams fine silver  
 = ~~1.29~~

worth face value when silver 1.29  
 keep exchange value same.

~~old~~ U.S.A. \$ silver 37 1/4 grams  
 our \$ because worth 1 \$ as bullion  
 when silver reaches 1.29

April 29th

1146

LOPEZ ON SILVER SITUATION

WASHN - ROBERT LOPEZ ASST SECY OF THE  
MEXICAN TREASURY HAS ISSUED THE FOLLOWING STATE  
-MENT REGARDING HIS CONFERENCE SUNDAY WITH SECY  
OF THE TREASURY MOR~~M~~ENTHAU-

-THE CONVERSATION I HAD WITH MR MORGENTHAU  
WAS MOST CORDIAL- I FEEL INDEBTED TO HIM FOR  
THE FRIENDLY RECEPTION HE HAS ACCORDED ME- WE  
HAVE EXCHANGED VERY USEFUL INFORMATION REGARD-  
ING THE SILVER SITUATION - EVEN THOUGH MEXICO-S  
MONETARY DIFFICULTIES ARE OVER MUCH GOOD WIE  
ACCOMPLISHED THRU OUR COLLABORATION-

The sub-committee on Banking of the Interdepartmental Loan Committee met at 11 o'clock in the office of the Secretary of the Treasury. Those present were:

- Henry Morgenthau, Jr. Secretary of the Treasury,
- T.J. Coolidge, Undersecretary of the Treasury,
- Marriner S. Eccles, Governor, Federal Reserve Board,
- Leo T. Crowley, Chairman, Federal Deposit Insurance Corporation,
- Herman Cliphant, General Counsel, Treasury Department,
- George C. Haas, Director Research & Statistics,
- C. B. Upham.

Mr. Eccles said that the matter of most importance in the Banking Act of 1935 has to do with who will exercise monetary control in the United States. He said that the American Bankers Association is in agreement with the control set up in the bill with the exception of the open market committee arrangement. The ABA would reduce the Federal Reserve Board from 8 to 5 by the removal of the Secretary of the Treasury, the Comptroller of Currency and one appointive member and have the open market committee consist of the 5 members of the Board and 4 Reserve Bank Governors. The House of Representatives, he said, is opposed to Reserve Bank Governors being a part of the open market committee.

Mr. Morgenthau reiterated his position that the open market committee consist of 3 members of the Federal Reserve Board and 2 Reserve Bank Governors as provided for in the original bill.

Mr. Eccles was of the opinion that power over open market operations should be with the Federal Reserve Board if we had the Board we ought to have. He said he would like to have the office

of the Comptroller of Currency combined with the FDIC (for examination of banks) and with the Federal Reserve Board, put the FDIC Chairman on the Federal Reserve Board in lieu of the Comptroller and the Governor of the Federal Reserve Board on the FDIC Board.

Mr. Morgenthau said that he did not think the President would give up examination by the Comptroller to examination by a private system. He questioned that we could go that far unless we took over the stock of the Federal Reserve Banks.

Mr. Coolidge and Mr. Eccles were in agreement that stock ownership was not important and that it is too late in the session to raise that question.

Mr. Morgenthau said that if we go to the Hill now and suggest that the office of the Comptroller be combined with the FDIC, Senator Glass will ask why it was not recommended sooner and our reply will have to be that we were afraid it would interfere with Mr. Eccles confirmation. He added that the fact that he and Mr. Eccles and Mr. Crowley are going to the White House today is notice of a fight on O'Connor.

Mr. Coolidge said that if there is a combination at this time he would suggest having 12 chief bank examiners responsible to both the FDIC and the Comptroller.

Mr. Crowley advanced the idea that both bills should be passed as they are and then adjustments made in conference.

Mr. Eccles suggested that there should be some determination of how strong a case to make in the Senate on the proposal suggested by the ABA for a Board of 5 and an open market committee of 9.

Mr. Morgenthau suggested that the committee is where it was months ago -- that he and Mr. Eccles are 100% apart. He suggested

that the committee let the President decide. He said that he prefers an open market committee of 3 Board members and 2 Governors; that he will not fight the proposal for an open market committee of 5 Board members and 4 Governors; but he does object to Governors as advisors only (with the present Federal Reserve Board).

Mr. Coolidge said that we stick to the original bill (3 Board members and 2 Governors) or accept the ABA proposal for 5 and 4.

Mr. Morgenthau said that when he last had been visited by Senator Glass, the Senator asked him if he were satisfied with the present open market committee and that he told the Senator he had been able to work very well with the present committee. He told the Senator further that in his opinion the Government should control National credit and that the Government should own the stock of Federal Reserve Banks. With respect to stock ownership, he said the Senator shot back at him "that is not in the bill, why do you bring it up". He said Senator Glass is opposed to putting the Board over the open market committee.

Mr. Eccles said there is a big difference between an open market committee of 5 Board members and 4 Governors and one composed of 3 Board members and 2 Governors because, while in either case one Board member siding with the Governors can outvote all the other members of the Board on matters of open market policy, the fact that 5 of them are on the open market committee will be greater assurance that that will not happen.

Mr. Morgenthau said he was willing to wager that Senator Glass would not propose that the Secretary of the Treasury be removed from the Board.

Mr. Eccles interposed to say that he did not want the Secretary removed.

Mr. Morgenthau said that since he had made known that he wanted off the Board there was no fun in putting him off. He said that Mr. Coolidge was carrying the ball for him on this committee and that he would like to let the President settle the differences of opinion when the committee goes to the White House this afternoon. He added that he does not think it is time to talk about abolishing the office of the Comptroller of Currency.

Mr. Crowley suggested that a committee be appointed later to look into the matter of overlapping examinations and the like.

Mr. Morgenthau suggested that it might be well for Congress to make such a study.

Mr. Oliphant was of the opinion that a basic matter was being overlooked. "Suppose", he said, "when the gold cases were about to come up that the whole Supreme Court had died over night, would the President have picked a 5 and 4 setup with the chance that one man might shift either way? I disagree with all 5 and 4 or 3 and 2 proposals. The Administration should have control. We don't know what the situation calls for until there is a vote on the Senate floor. I suggest that we keep the idea of a Governor and 2 Deputies in the back of our heads as a proposal to bring forward later and to put in the bill."

Mr. Coolidge said that he was somewhat on the other side, that he would like to cooperate with the banks and he added that we do not get the same diversity of types on Federal Reserve Boards that we do on the Supreme Court.

-5-

Mr. Morgenthau said that he would like to avoid testifying on the bill but that if he goes up to the Hill he will tell them just exactly what he thinks.

Mr. Eccles said that if the Secretary testifies that the present setup is O.K. there would appear to be no need for the bill.

Mr. Morgenthau said that his statement that he has been able to work with the present open market committee doesn't mean that he is not in favor of a change. He added that he must say in all honesty that the whole Federal Reserve System hasn't figured in the monetary situation the last year and a half.

Mr. Eccles replied that there had been no occasion for it to. He said the trouble with the Board is personnel. O'Connor, Miller, James and Thomas cannot be counted on, he said. One never knows where they will be. This leaves Hamlin, Szymczak, Morgenthau and Eccles to work together.

Mr. Oliphant suggested that two things were being confused. One question was the position of the Administration at the time of consideration of the bill by the Glass sub-committee. Another is what we will trade for on the floor.

Mr. Morgenthau said the third thing was an ideal setup.

Mr. Coolidge suggested a commission to study the whole banking laws.

Mr. Morgenthau expressed the view that we are not yet ready for a permanent Federal monetary authority and that he would recommend another Aldrich monetary commission.

Mr. Crowley said that a proposal was under consideration to let the House pass the bill, send it over to the Senate where it would be

referred to the full Banking and Currency Committee and the full committee could then consider the House bill, effectually shutting off consideration of the Senate bill by the Glass sub-committee. He thought the committee ought to stand by the original bill or it would be open to the charge of "making changes already" and not knowing what we want.

Mr. Oliphant stated his recollection that at the appropriate time Mr. Morgenthau would recommend a Federal Reserve Board made up of a Governor and 2 Deputy Governors, to which Mr. Morgenthau rejoined that that was what Mr. Eccles wanted him to do but he certainly had not agreed to do it.

Mr. Coolidge said that if the Board was made up of 3 members certainly 2 Governors should be put on the open market committee, to which Mr. Eccles dissented, advancing the idea that final authority for open market operations should be with the Federal Reserve Board.

Mr. Morgenthau suggested that a statement of propositions upon which there is a difference of opinion should be drawn up on a single sheet of paper to be placed on the President's desk this afternoon.

-----  
Mr. Coolidge, Mr. Eccles, Mr. Crowley and Mr. Upham adjourned to Mr. Coolidge's office where some further discussion took place.

Mr. Crowley said that there would be criticism of suggested changes advanced by the Administration. He proposed standing by the original bill, having Mr. Eccles agree if he wished to an open market committee composed of the Board with Governors as advisers, and then let the matter be fought out in conference.

Mr. Eccles said that the issue is control by the Government or control by the banks.

Mr. Coolidge said that he did not think people spending their lives in Washington should exercise monetary control.

Mr. Eccles said then the alternative was to let the banks exercise it. That is the issue. No central banks have bankers in control. The Federal Reserve Board should be an independent body. There are no railroad men on the Interstate Commerce Commission.

Mr. Crowley said he thought an open market committee made up of the 8 members of the Federal Reserve Board and 5 Governors was as good as a 5 and 4 combination.

Mr. Eccles said he thinks the Secretary of the Treasury would have more influence off the Board than on, but thinks the Secretary and the Comptroller should be off.

Mr. Coolidge said he favors the 5-4 proposal and he thinks that lines up with the President's suggestion of cooperation between the Government and the bankers.

Mr. Crowley advanced the idea that the FDIC should have control over chartering banks.

Mr. Coolidge and Mr. Eccles agreed that the Treasury should be kept separate from the Federal Reserve System.

Mr. Eccles said the ideal arrangement would be to eliminate the Secretary and the Comptroller from the Board, put the Chairman of the FDIC on, let the Federal Reserve System charter banks and the FDIC examine them. We would then have a Board of 7, 2 of whom are Administration appointments and 5 long term members. Under that arrangement at present, Eccles, Crowley, Hamlin and Szymczak would be a majority in a Board of 7.

Mr. Coolidge said that in his opinion the Governor of the Federal Reserve Board should always be on the open market committee.

Mr. Eccles replied that the House would not like this and the Nation would not like it.

Mr. Coolidge said that what he would like to see would be either a large Board made up of the Secretary of the Treasury, the Secretary of Commerce and 2 or 3 others with 4 Federal Reserve Bank Governors serving seriatim for reasonably short periods or a Washington Board made up of a Governor and 2 Deputies with a Federal Reserve Bank Governor coming in occasionally to sit with them.

The meeting adjourned without having drawn up any proposals to present at the White House this afternoon, that presumably to be taken care of by Mr. Eccles in the interim.

*[Faint, illegible text]*

*[Faint, illegible text]*

*[Faint, illegible text]*

*[Faint, illegible text]*

April 29, 1935.

54

TO MR. OLIPHANT,  
FROM MR. FRANK.

The following is an itemized list of documents formally requested through the Department of State from the Canadian Government:

1. Certified photostatic copies of Excise Form B54 - Entry for Export - which were executed by the British Columbia Distillery Co., Ltd., New Westminster, B. C., and filed at the office of the Collector of Customs and Excise, New Westminster, covering the exportation of liquors for the period July 6th, 1929 to December 6th, 1933, not including shipments of 24 cases or less or 4 casks or less. The photostatic copies supplied to also show the completed foreign landing certificate on the back of the form or in whatever form the landing certificate is.
2. Certified photostatic copies of Customs Form B9 - entry for Export Ex-Warehouse, which were executed by Joseph Kennedy Ltd., Vancouver, B. C., and filed at the office of the Collector of Customs and Excise at Vancouver, covering the exportation of liquors from their bonded warehouse for the period July 6th, 1929 to December 6th, 1933, not including entries of 24 cases or less or 4 casks or less. The photostatic copies to show the completed foreign landing certificate printed on the back of the form or in whatever form such landing certificate was received.
3. Certified photostatic copies of Customs and Excise entries filed at the office of the Collector of Customs and Excise, Vancouver, B. C., by Joseph Kennedy Ltd., covering payments of duties and excise taxes on liquors during the period July 6th, 1929, to the date of the closing of the export houses in Canada, which date was on or about July 31, 1930, with the exception of entries covering 24 cases or less or 4 casks or less.
4. Certified photostatic copies of Marine documents filed at the office of the Collector of Customs and Excise at Vancouver, B. C., covering the registration or licensing of the following vessels during the five year period immediately preceding July 6th, 1934:

Lillehorn  
Odeon  
Seal Cove (now Sea Gypsy)  
Northern Exchange  
Skeezix  
Ryuo II  
Kitnayakawa  
Amigo (now Carry Bell)

Prince Albert  
Oucukinish  
Plays Isla  
Ragna  
Zip  
Ruth B.  
Hurry Home

5. Certified photostatic copies of Customs Form A 7 Report Outwards and A 6 Report Inwards filed at the offices of the Collectors of Customs and Excise at the Ports of Newminster, Vancouver and Victoria, B. C., covering movements of the vessels mentioned in the preceding paragraph during the five year period immediately preceding July 6th, 1934."

There seems no reason why the Canadian Government should not give us this information in accordance with its obligations under the Treaty of June 6, 1924.

We are also anxious to get other information for other cases not yet filed in court.

If it is possible at the interview between the Secretary of the Treasury and the Canadian Minister to touch upon this information it will be sufficient to refer to it as the B13's which Customs Agents were copying in Ottawa for one day prior to permission being refused. It had been decided by the State Department not to press this request until the request for the information in the Reifel case, itemized above, was disposed of.

The proposed amendment to the Federal Alcohol Control Administration regulations, or to the Code of Fair Competition for the Alcoholic Beverages Importing Industry, to which the Federal Alcohol Control Administration had tentatively agreed prior to objection thereto by the State Department, is as follows:

"No importer shall import or bring into the territorial limits of the United States a product of any foreign manufacturer from and after the time that he shall be notified that the Director of the Federal Alcohol Control Administration has certified that civil proceedings have been instituted against such manufacturer on a claim under the customs laws in connection with articles illegally imported or brought into the United States by or for such manufacturer, and that such manufacturer has refused and continues to refuse to submit himself to the jurisdiction of the courts of the United States for an adjudication of such proceedings. Such restriction shall continue so long as such foreign manufacturer refuses to submit himself to the jurisdiction of the United States courts; and shall apply whether such product has been obtained by the importer from the manufacturer direct or from some other person."

(Signed) Eli Frank Jr.

Outline re: Canadian ClaimsIntroductory

Our claims against Canadians are civil and criminal. The individual Canadian citizens against whom the claims would be asserted would probably in no event total much more than a dozen. The companies against whom the claims would be brought would not exceed eight; of these eight, in fact, one (Brewers and Distillers of Vancouver, Ltd.) is already being sued (this is the Reifel case). Practically speaking, those against whom we would proceed are:

Distillers Corporation-Seagrams (the Bronfman company).  
 Hiram Walker-Gooderham and Worts  
 Canadian Industrial Alcohol.  
 United Distillers, Ltd.

There is also a possible claim against Melchers Distilleries, Ltd., a comparatively small outfit.

1. Civil Claims. Our civil cases comprise claims

- (a) For \$6.40 per proof gallon of distilled spirits imported (title 26, U. S. C. A. sec. 245);
- (b) For \$5.00 per proof gallon of distilled spirits as import duties (title 19, U. S. C. A., sec. 121, para. 502, continued in the Tariff Act of 1930 as sec. 1001, para. 802)—there is also a possibility, considered legally doubtful by the Bureau of Customs, that we are entitled in addition to the forfeiture value of the merchandise;
- (c) Income taxes for profits arising out of the business done in the United States—we would contend that all of the business was transacted in the United States, for the purpose of income taxes.

The amount of claims is, at the outside, determined by the amount of production and exportation of American type whiskey from Canada by each of the distilleries involved during the Prohibition period. The exact figures are known by the Canadian

- 2 -

Government, being contained in the records at Ottawa. It is possible to arrive at an approximate figure for each operating distillery based on evidence as to the size of the plant as well as upon the direct testimony of friendly, or hostile, individuals subject to our subpoena. From the point of view of proof available in the United States, the committee of Treasury investigators under Mr. Green, the Supervising Customs Agent from Seattle, has been able (through bank accounts, records of transmissions of funds, conversations with and records of agents in the United States, etc.) to compute liability against the Bronfman interests alone on 835,101 proof gallons for the period between 1930 and 1933 with the possibility of largely increasing this figure by additional investigation.

II. Criminal Claims. A case for conspiracy to defraud the United States of revenue (the revenue being that provided by the internal revenues, customs, and income tax laws) and to violate the specific customs laws with regard to entry of merchandise into the United States could be definitely proved against each of the Canadian defendants. Charges would be based not on transactions in Canada, as such, but on personal activity in the territorial jurisdiction of the United States in the form of drumming up business, long distance telephone conversation, appointment and supervision of salesmen and agents, taking of orders, etc. It is simply not true that these Canadians, and more particularly the Bronfman and Hiram Walker groups, remained on the Canadian side and sold their merchandise C. O. D. in Canada. Our evidence shows — and additional investigation will undoubtedly unearth very large amounts of corroborative and supplemental evidence — that these Canadians worked with racketeers, rumrunners, bootleggers, and other lawless elements in the United States, and themselves smuggled or facilitated the smuggling of merchandise. Bank accounts which we have discovered show activity in the United States under assumed names. Competent witnesses have shown and continue to show readiness, willingness, and ability to prove the Government's case.

It is not necessary for us to prove, or indeed to indict on the ground of, a smuggling case (which is usually difficult to prove inasmuch as specific articles must be identified). Nor would it be a defense to any of our prosecutions that the Eighteenth Amendment has been repealed, for the prosecutions would be based on statutes that do not derive their validity from the Eighteenth Amendment — income tax, internal revenue, and customs.

III. The Canadian Picture. It should be kept in mind that while the Canadians are said to have about 20,000,000 gallons of American

- 3 -

type whiskey in warehouse which they want imported into the United States, the advantages to Canada in the premises are not particularly great. The Canadian distilling industry was built up during prohibition as an industry for smuggling purposes. Canada does not offer and never has offered a market for American type whiskey, which was practically the sole product distilled in Canada in any appreciable quantity. Nor are the individual Canadian citizens who are involved concerned with continuing any distilling industry in Canada. Each of them has either built one or more distilleries in the United States or has made arrangements to dispose of its entire stock to United States interests. These Canadians are simply anxious to get their whole business out of Canada into the United States in the cheapest possible way. Under the Canadian laws, as I understand them, no duty is payable upon merchandise shown to be exported from Canada; on the other hand, duties, as in the United States, become payable to the Canadian Government after the goods have been in warehouse for a certain number of years. In such instances, apparently, a drawback is obtainable upon proof of export.

It would seem, therefore, that the interest evinced by the Canadian Government is for the protection of a few persons whose sole claim to protection is merely their citizenship and not any particular economic benefit to Canada as such.

IV. What We Want. To facilitate our cases we want records of exportation and production by companies, available in the files of the Canadian Government; and we want a certain amount of cooperation in permitting us to examine and to interview persons resident in Canada. We have not yet attempted to make any investigations of moment in Canada. We have, however, been thwarted by the Canadian Government in seeking certain statistical data and records.

V. What We May Do. If we must proceed as we are now going, we can commence civil and criminal actions. This would involve indictment and arrest of defendants if found in the United States and the holding of others as material witnesses. Being foreigners their bail would be high.

In civil actions, we could probably proceed by attachment, and, in income tax cases, in any event, we could proceed by jeopardy assessments, all involving the seizure in this country of distilleries, bank accounts, stock interests in American companies, specific merchandise, accounts receivable, and the like. This would undoubtedly result in serious injury to the companies and individuals

- 4 -

concerned. We would be justified in such procedure not only legally, but morally, in the eyes of the American public.

It has already been demonstrated that the smugglers into the United States are also smugglers into Canada. Effective cooperation with us would undoubtedly prove advantageous to both sides.

Furthermore, while we are anxious to clean the slate, we are also anxious to do nothing that would leave us open to criticism. The American people have a right to demand that foreigners who come into this country to compete with Americans should at least pay the taxes they owe to the extent of their ability to pay.

NEW YORK TIMES

4-30-35

## MEXICO SATISFIED OVER SILVER PRICE

Looks 'Favorably on Revalorization of Metal,' Says Lopez After Morgenthau Talks.

### THE TREASURY MARKS TIME

Secretary's Only Remark Is on 'Mutually Satisfactory' Nature of Conversations.

Special to The New York Times.

WASHINGTON, April 30.—The Treasury and the Mexican Government came to a "mutually satisfactory" understanding today on Washington's silver-purchasing program, with Mexico favoring a policy, it is understood, which would increase the price, but asking that it receive a breathing spell to complete a readjustment of its internal monetary affairs.

Except to say that there would be no further increase today in the domestic price for the metal, Secretary Morgenthau restricted comment to a statement that the conversations which he had been carrying on with Roberto Lopez, Assistant Secretary of the Mexican Treasury, had been "satisfactory."

Mr. Lopez supplemented this with a more comprehensive announcement, however, the significant part of which was that as a large silver producer, his country "cannot but look favorably on revalorization of the metal," and expressing readiness to cooperate toward that end.

### THE LOPEZ STATEMENT.

Mr. Lopez's statement read as follows:

My conversations with Mr. Morgenthau came today to a most satisfactory end. Contrary to current comments, my mission to this country was of a friendly nature.

As it is well known, Mexico had to adopt certain measures in order to meet the situation arising from the increase in silver prices. The laws enacted while I was flying to Washington had been carefully planned before my departure from Mexico City. On that account I was able to express to Mr. Morgenthau in our first conversation that those measures had been most timely and successful, that banks would not be closed for more than one day and that the Bank of Mexico was ready to meet any demands of foreign currencies.

I was pleased to learn that Mr. Morgenthau was favorably impressed as to the rapidity and effectiveness of the steps taken by the Mexican Government.

Our conversations covered other aspects of the silver situation. As a silver producing and using nation Mexico cannot but look favorably upon the revalorization of the metal. For this reason she will always be ready to cooperate toward the attainment of that end.

On leaving Washington I want to express my deep obligation to Mr. Morgenthau for the courtesies he extended to me and the friendly cooperation he has offered my government.

There was the intimation also in Mexican circles that that government would seek to acquire more

Continued on Page Thirty-one.

## MEXICO SATISFIED OVER SILVER PRICE

Continued From Page One.

American gold in exchange for silver so as to continue the process of building up its monetary reserve on a basis which would assure the stability of its currency. Silver, it was said, now forms about 60 per cent of the monetary base.

The exact course that the Treasury will pursue was difficult to guess because of Mr. Morgenthau's refusal to discuss policy beyond today, or comment upon any further talks he may have had with Senators of the silver bloc.

The indications, however, were that no sharp increase in the domestic price was being considered at this time. Monetary, also, the Treasury's hand is not being forced by speculative advances, the world price remaining well below the domestic price of 77.37 cents fixed by Presidential proclamation on April 24.

There appeared to be the greatest satisfaction in Mexican circles here as a result of the turn taken by the Morgenthau-Lopez conversations. It was pointed out in one quarter that since Mexico had succeeded in getting her currency safely on a managed basis, with substantial metallic reserves locked up in the Treasury, that country would profit as a producer by price enhancement and the value of the silver in its reserves also would increase.

### Paper Circulation Increases.

The Bank of Mexico was established in 1925, and until about three years ago the paper currency in circulation was not much more than from 5,000,000 to 5,000,000 pesos. In 1927, however, its use as a medium increased and there is in circulation around 110,000,000 pesos.

The Mexicans feel that it will be readily accepted and used by the people, and that no depreciation in its value will occur so long as the Mexican Treasury maintains a large metallic reserve, which is understood to be its present program.

The indications here today were that the different problems presented by Mexico, China and India would be considered separately as they present different aspects.

Secretary Morgenthau, at his conference with the newspaper men today, got aside all questions as to Mexico with the statement:

"Mr. Lopez, a representative of the Mexican Treasury, and I had mutually satisfactory conversations today. I just have to stand on that statement."

Asked if silver could be sold as well as bought through the use of the stabilization fund of \$2,000,000,000 which was set up by the Gold Reserve Act, Mr. Morgenthau replied in the affirmative. It was pointed out, however, that the Silver Purchase Act of 1934 forbade the Treasury from selling any of the silver acquired under it, unless the value went above \$1.25, the statutory monetary value of the metal.

Whether any silver has been acquired by the stabilization fund which could be sold in an effort to prevent a runaway speculative market has never been revealed, but the supposition has been that that purpose has been restricted to buying silver the authority of the Silver Purchase Act and by the taking over of newly mined metal

at prices fixed by Presidential proclamation.

### Mexican Banks Are Reopened. By The Associated Press.

MEXICO, D. F., April 28.—Hundreds of persons today formed a queue, two abreast, which encircled the bank of Mexico as they sought and obtained license change for paper money.

The crowd, which was calm and cheerful, was kept in line by policemen and admitted, one-by-one, to the bank.

The shortage of small silver coins was becoming acute as silver was withdrawn into the vaults of the Bank of Mexico, but officials said the new 20-centavo bronze coins were being put into circulation rapidly and the situation would be normalized within a few days.

Bankers in general counted business as usual after Saturday's holiday. The United States dollar was again quoted at 2.61 pesos and other foreign currencies returned to the rate at which they were fixed before the rise in the world price of silver and the pump up and forced the government to take measures to defend the country's currency.

### QUIET IN SILVER MARKETS.

Small Declines Again Follow Unchanged Position by Treasury.

Quiet was restored to the silver markets on this continent yesterday as the Treasury maintained unchanged at 77.37 cents an ounce its price for newly mined domestic silver. The Hamdy & Harman spot price, posted at 1 P. M., two hours later than the general custom, was 1 cent lower at 75 cents for foreign and unchanged at 77 cents for domestic silver.

Late in the day bids at 75 cents an ounce were recorded, with no business done. In Montreal prices were 45 to 110 lower, with May silver ending at 75.90 cents bid after touching 75 cents at noon. The turnover there was 1,520,000 ounces. Most of the trading conducted by American interests yesterday was done in Montreal.

The London price for silver was 24 1/16d, down 1 1/16d. The market there was somewhat firmer after the posting of the price, and activity was on a large scale. No action on behalf of the Treasury was discerned on any of the international markets.

# U. S. Pledges Aid to Mexico In Silver Crisis

## Complete Accord Indicated as Morgenthau, Lopez Terminate Conferences

### Details of Talks Guarded

### Washington Offers Minis to Speed Coinage Change

From the Herald Tribune Bureau  
 WASHINGTON, April 29.—Complete accord between Mexico and the United States on the silver-purchase policy of this country was indicated today, when statements by that and were made by Roberto Lopez, Assistant Secretary of the Treasury of Mexico, and by Henry Morgenthau Jr., Secretary of the Treasury, who have been conferring here on the Administration's program of increasing silver stocks until the metal reached a price of \$1.25 an ounce or until a ratio in the gold stock of one to three had been reached.

The United States' policy pursued during the last three weeks of immediately raising the price paid for newly mined domestic silver substantially above the open market world price had forced a banking holiday in Mexico and had resulted in that country ordering in its silver coins the replacement by paper certificates and copper coins. This caused complications across the border but, with Mexico the largest producer of silver in the world, the moves of this country did not cause any anxiety.

Mr. Morgenthau, who had seen Mr. Lopez both on Saturday and today said that their "conversations had been mutually satisfactory." His statement was promptly followed by one from the Mexican representative, who expressed favor toward a revaluation of the metal and who pledged cooperation toward that end.

#### Smuggling Suspended

With both parties declined to go into details on their conferences, it is believed that among the topics discussed was Mexico's problem of preventing the smuggling of silver from that country into this country for sale. The price of silver has risen so high that has been profitable to melt the Mexican pieces for the silver they contained.

The United States, it is reported, through Mr. Morgenthau, agreed to aid Mexico in preventing such smuggling. Although no statement could be secured at the Treasury, it was said that a close border watch would be maintained to guard against transfers.

Another problem of the Mexican government—the immediate shortage of \$ 20, 25 and 50 centavo pieces—was believed to have been considered by the two and the Treasury head. Here, in the spirit of cooperation, Mr. Morgenthau was reported to have offered the facilities of the United States mints to aid rapid coinage. Whether Mr. Lopez said that his government would take advantage of the offer was not determined. Here again, Treasury cooperation was pending.

A new method of Mexican "inferior national coinage" of extremely small denominations, the Treasury gave further signs that it was inclined to be in a hurry to coordinate. Given and money. Titled by HANLEY during the open gold domestic production for the world. While Mr. Morgenthau declined to explain the future course of silver production, controlled by Congressional statute, he did say that there would be no increase tonight.

#### Independent Steps Taken

The Treasury's failure to act since the last hope had been left for a revaluation policy to be taken by Mr. or another silver revaluation was. Consequently, it is known, has been given in the position of what the Secretary of the Treasury has announced in the letter. The Secretary of the Treasury has been advised to be doing what is possible to bring the revaluation to a point where the situation is not too serious.

In our first conversation, that these measures had been most timely and successful, that the banks would not be closed for more than one day, and that the Bank of Mexico was ready to meet any demands of foreign countries. I was pleased to learn that Mr. Morgenthau was favorably impressed as to the rapidity and effectiveness of the steps taken by the Mexican government.

"Our conversations covered other aspects of the silver situation. As a silver producing and using nation, Mexico cannot but look favorably upon the revaluation of the metal. For this reason, she will always be ready in co-operation towards the attainment of that end.

"On leaving Washington I want to express my deep obligation to Mr. Morgenthau for the courtesies he rendered to me and the friendly cooperation he has offered my government."

## Silver Advance Held Favorable By Mexico

Markets Steadier After Further  
Decline in Price Here and  
Abroad

Treasury Continues Silence

BY CLINTON R. HARROWEN

New encouragement to bulls on silver came from Washington last night when Roberto Lopez, assistant secretary of the Mexican Treasury, announced that Mexico is interested in higher prices for silver. He said also he had obtained proffers of aid from Secretary of the Treasury Morgenthau designed to minimize the effect of higher silver on the Mexican internal economy.

Senor Lopez has been in Washington conferring with Secretary Morgenthau regarding the American silver program and its effect upon Mexico. Last Saturday, the Mexican government was forced to declare a bank holiday, withdraw all silver coin from circulation and to prohibit the export of silver coins because the high price of silver had made the coins more valuable as bullion than currency and had resulted in an actual currency shortage as the coins were hoarded.

In view of the difficulties in which Mexico had found itself, there was some belief that the flying visit of the Mexican official would be devoted to protesting against the American aim of higher silver. On the contrary in a statement issued on his departure from Washington, Lopez declared that "as a silver producing nation, Mexico cannot but look favorably upon the revalorization of the metal. For this reason, she will always be ready to cooperate toward the attainment of that end".

### Sentiment Changes

This was the first definite statement to come out of the week end conference. Whether or not the speculative market had intimation of the position taken by the Mexican delegate, the statement confirmed a sudden change which took place in speculative sentiment in the silver market yesterday and brought new buying orders to check the decline which had been continuous since Friday afternoon.

The aid which Mr. Morgenthau promised was to offer the use of the Denyer and San Francisco mills for minting new Mexican coins. Mr. Lopez expects to reply within the next two weeks. Mr. Morgenthau also offered to assist Mexico in preventing smuggling of silver coins out of Mexico, but Mexican officials declared that the possibility of any large volume of smuggling has passed.

The statement gave no inkling of what the American Treasury would do next. Secretary Morgenthau earlier in the day announced that there would be no announcement on the silver price during the evening so the market is still in doubt regarding the next official move.

One idea advanced last night was that, although Mexico favors the higher silver price, the Treasury may continue its policy of silence for the time being in order to give Mexico a breathing space until the new coins can be put into circulation. This would fit in with what the Treasury obviously is attempting, namely to create such an atmosphere of uncertainty as to make speculation on last week's scale undesirable. In this aim, the Treasury must depend entirely on the psychological reaction to its action.

Please Turn to Page Two

## Silver Market Steadies

(Continued from First Page)

tenure, inasmuch as it cannot sell any of the silver it holds.

In some quarters, the opinion is growing that a powerful speculative group is determined to force the Treasury's hand. All evidence points, it is said, to the belief that most of the speculative buying entering the market is not coming from small lots from powerful individuals.

The action of the silver markets yesterday indicated the complete change in sentiment. After official London quotations came in at 34½d per ounce for spot silver and 34½d for forward, a drop from Saturday of 1 1/16d in both cases. Handy & Harman's quotation for spot silver dropped only 1 cent to 75¢ cents per ounce. On Saturday London's decline of 1½d had been the forerunner of a 4½ cent break here.

In London speculative buying came in after the fixing and in the afternoon, over-the-counter trading prices moved up sharply. By the close, there was a bid of 34½d for forward silver, up 8-16d from the fixing. This is an exceptionally wide move for afternoon trading. London reported private American buying in good volume in the afternoon. Local foreign exchange circles attributed the rise of nearly one cent in sterling to 44.84½, partly to demand for hoarding from New York in order to pay for silver acquired in London.

### Today's Indianapolis Heavy

Ordinarily, the rise in late London dealings would be interpreted as indicating an advance the following day in the official posted price. Speculative opinion now, however, apparently is hanging on advice from Washington and there is always the possibility that lack of Treasury action would bring more selling.

The Montreal market, in the second biggest day of trading which the Canadian Commodity Exchange has had in silver, opened lower and various months in later trading lost 200 to 250 points. Strength came into the market in late trading and while the market closed down 40 points from the lows of the day, total sales were 1,620,000 ounces.

In the New York market trading was at a complete standstill and it was difficult to fix the "official" price for foreign silver because of the lack of business.

Silver shares were quick to reflect the improved tone in the metal, and many stocks were up sharply on the day. Cerro de Pasco showed an outstanding performance on the Stock Exchange, closing at 87½, up 4½, after having been as high as 62½. American Smelting gained 1½ points to 44½, while U. S.

The situation in Mexico is quieting down, according to advices received during the day, and the banks have reopened after the imposed bank holiday. The Government has reimposed the peso-dollar peg at its former level and the peso dropped in New York to 27.29 cents compared with 30.25 on Saturday, and 30.40 on Friday.

### WASHINGTON—

Receipts of silver by the Treasury under the authorization order amounted to 49,348 ounces during the week ended April 24, the treasury announced Monday. This figure is a record of silver under this order since August 9, 1894, to 112,719,040 ounces.

60 A  
April 30, 1935.  
Tuesday.

King: Mr. Secretary?

H.M.Jr: Yes.

K: Mr. King.

H.M.Jr: Hello, Senator.

K: How are you this morning, my dear fellow?

H.M.Jr: Fine.

K: Say, several years ago, I, appreciating the dangers we were going to encounter and the difficulties and complexes by reason of each state having - most of the states having very heavy laws dealing with the estates of deceased persons and each state trying to grab more of the estate, then the Federal Government grabbing part of it, it did seem to me that there ought to be some cooperation between the Federal Government and the states in dealing with income taxes and certainly with the state taxes.

H.M.Jr: Well, I think you're perfectly right -

K: And I offered - wait - I offered a resolution over eight years ago in the Senate auth - asking the President of the United States or authorizing him to call a conference of the several states and the Federal Government so as to take up that question to see if we could work out something.

H.M.Jr: Well, I think you're perfectly right. I'd like sometime to talk to you about it because it's something which I personally have been very much interested in.

K: Well, that's mighty nice and I anticipated it eight years ago, but I couldn't get any support.

H.M.Jr: Well, you'll get support from this end.

K: Well, I know that; you've got more sense than most Secretaries of the Treasury and most Senators and Congressmen. (Laughter)

H.M.Jr: Well, well, I'm full of mistakes, but I'll do the best I can.

K: Well, I'll - I'll take an opportunity to talk to you about it.

H.M.Jr: I wish you would.

K: How did we get - how did we get along with our matters the other day?

H.M.Jr: I thought very well.

K: I thought so. I - my view was the correct one. I think - still think - I didn't ask you to express any opinion, but -

H.M.Jr: No, well I thought (Coughing) -

K: Beg your pardon.

H.M.Jr: For a day or two I've had a cough.

K: Yes, sir.

H.M.Jr: It seems a little quieter, but I thought that, oh, maybe in another few days I'd ask - have a chance to confer with you gentlemen again.

K: Yes. Well, I didn't have any doubt in the world that - but that we ought to get - hold up for a little while, as I said on that very hurried little - three or four lines that I wrote.

H.M.Jr: But everybody, I think, for the moment is satisfied, don't you?

K: Yes, I think so. Well, the Lord be with you.

H.M.Jr: Thank you.

April 30th

Had Irey at the house last night and gave him absolute secret instructions to tap all the wires of Rene Leon.

I called the President at 9:15 and told him that silver closed last night at 75.15 - China selling - India buying. Yesterday we bought 250,000 ounces at 74¢ in London. This morning the Chase is trying to get it and can't get it at any price. The normal thing would be to let 250,000 ounces go and supply the market with a little silver. Under the present law we cannot sell any silver. The Stabilization Fund is provided to stabilize currency. The President said he thinks it is perfectly legitimate and told H.M.Jr. to sell that 250,000 ounces. I then told Lochhead to sell it in London and make them reach for it. I told him to sell it at 34 - 12/16ths.

H.M.Jr. said that Commander Thompson had accomplished what he sent him out to do. Nothing was done in writing and therefore we explain that it is purely an accident. From now on all ships that come into an American harbor flying an American flag gets preference and comes in first. In foreign ports they do the same thing and let their own ships come in first. This is the President's idea and H.M.Jr. carried out his wishes.

Mr. Coolidge wanted H.M.Jr. to promise him that as long as he was Under Secretary H.M.Jr. will not raise the price of silver to 75¢. Under the law he was charged with the responsibility of the fiscal affairs and that H.M.Jr. would have to consult him. He implied that last week H.M.Jr. told him that he was not going to raise the price and the next day he did. H.M.Jr. told him that he positively would not make him any promises that he was getting fed up on it and that he had plenty of things to do such as the banking, RFC etc. and that they were not being attended to. He also told Coolidge that he could not have people around him who were not happy and he was just warning him that he was pushing H.M. Jr. too far. Coolidge said he wanted to see the President so H.M.Jr. reminded him that when he returned from Montana last August that he took over the silver program and handled it himself and at that time he told Coolidge that he was going to do it and that Coolidge knew all about it. H.M.Jr. told Coolidge that he was constantly upsetting him and that he simply could not stand it any longer. H.M.Jr. got very angry.

May 1

62

Mr. Coolidge came in and said to me "Henry I don't know whether I can go along with you on account of silver". I said "Jeff please never say that to me again. If you can't go along then resign". He said "do you want me to walk out?" "I do not want you to walk out but please never threaten again. I just can't stand somebody around me constantly threatening to resign". I was very quiet, did not get excited but was very firm. He had tears in his eyes and I said "do we understand each other" and he said "yes I will never threaten to resign again unless I am ready to go".

H.M.Jr. called in the Canadian Minister to-day and had Eli Frank and Mr. Oliphant present. They discussed the attached memorandum. The Canadian Minister said he would look into the various questions raised by Mr. Oliphant and Mr. Frank and would come in to see the Secretary in about a week.

Silver yesterday was 75.45 in London and to-day it is 76.00. Nearly 10,000 Treasury notes have now been sold and that we sold silver.

\*\*\*\*\*

H.M.Jr. told the President about Coolidge and asked the President to see him. When H.M.Jr. told the President about Coolidge wanting H.M.Jr.'s word about not raising the price of silver above 75 he said "Does Coolidge expect to have no money?"

May 1st

H.M.Jr. phoned the President and told him the following:

We got Bob Jackson's letter and had another conference and decided to let it rest. Instead of answering him again I think my telegram is sufficient. He was forced to do that in order to bring the Court to its senses and by offering to withdraw he scared them. They begged him to withdraw his motion which he refused. He said "the government is my client and if you are not satisfied I will resign". I telegraphed him that I was satisfied that he was doing a grand job and to go ahead.

\*\*\*\*\*

Silver yesterday was 75.45 in London and to-day it is 74.91. Nobody in the Treasury knows that our trick worked and that we sold silver.

\*\*\*\*\*

H.M.Jr. told the President about Coolidge and asked the President to see him. When H.M.Jr. told the President about Coolidge wanting H.M.Jr's word about not raising the price of silver above 75¢ he said "does Coolidge expect to have me impeached?"

May 2, 1935.  
Thursday.

63A

Guardia: Hello.

H.M.Jr: Morgenthau.

LaG: Yes. I - I missed you yesterday; I was in Washington.

H.M.Jr: What do you mean you missed me? You didn't look me up.

LaG: That's - that's true.

H.M.Jr: If that's missing me, you missed me by a mile.

(Laughter)

LaG: We'll be ready Wednesday.

H.M.Jr: What?

LaG: We'll - we will be ready Wednesday.

H.M.Jr: Next Wednesday?

LaG: Yes.

H.M.Jr: What - where're you going to sign?

LaG: In Washington as we agreed.

H.M.Jr: Fine.

LaG: Yes, you see our - the advertisement is up, I think, Monday or Tuesday.

H.M.Jr: Will you come down here next Wednesday?

LaG: Oh, yes, that's tentative - Will you invite the other gentlemen there?

H.M.Jr: We'll take care of it.

LaG: Yes. Wednesday, I'm pretty sure we'll be ready.

H.M.Jr: Want to do it in the forenoon?

LaG: To suit your convenience.

H.M.Jr: Well, if the - why not let's say, how're you coming down, by - the night before or coming down -

LaG: I could come the night before, but it's always better for me to take that 9:40 plane.

H.M.Jr: What time does that get in?

LaG: 11 o'clock sharp.

May 3, 1938

H.M.Jr: Is that - is that standard time?

LaG: 11 o'clock your time.

H.M.Jr: Well, then why not let's say - why not let's say 11:30?

LaG: 11:30 Wednesday.

H.M.Jr: 11:30 Wednesday.

LaG: That's fine.

H.M.Jr: O.k.

LaG: Thank you.

Mr. O'Connor was disturbed about the progress of the Banking Bill. He regarded the situation as serious. It will probably be two weeks, in his opinion, before the House passes the bill and the Senate Sub-committee has only just begun. He suggested the advisability of splitting the bill, getting Titles I and III through as expeditiously as possible and treating Title II separately. He and Mr. Crowley pointed out that insured banks are getting nervous about the possibility of the permanent increase plus say 10% or 15% going into effect on July 1st if the Banking Act of 1938 has not been passed by that time. They anticipated that substantial withdrawals will be coming in from some of their banks not later than June 1st.

Mr. O'Connor stated they appreciate the Senate Bill and the House Bill, which are contradictory in vital details, are both expected to have expeditious hearings. If the House Bill prevails, he said, (and with the Senate agreed) the FDIC will be destroyed.

Mr. O'Connor stated that discussion on the Bill was to the effect

May 3, 1935. ~~AAA~~  
64

A meeting on the program for recapitalization of banks was called for 3 o'clock in the office of Under Secretary Coolidge.

Those present were:

T.J. Coolidge, Under Secretary of the Treasury,  
Jesse H. Jones, Chairman, Reconstruction Finance Corporation,  
Leo T. Crowley, Chairman, Federal Deposit Insurance Corporation,  
J.F.T. O'Connor, Comptroller of the Currency,  
R.L. Hoguet, Jr.  
C. B. Upham.

Before taking up the matter of bank recapitalization, there was some discussion of the pending Banking Act of 1935.

Mr. O'Connor was disturbed about the progress of the Banking Bill. He regards the situation as serious. It will probably be two weeks, in his opinion, before the House passes the bill and the Senate Sub-committee has only just begun <sup>hearings.</sup> He suggested the advisability of splitting the bill, getting Titles I and III through as expeditiously as possible and treating Title II separately. He and Mr. Crowley pointed out that insured banks are getting nervous about the possibility of the permanent insurance plan now on the books going into effect on July 1st if the Banking Act of 1935 has not been passed by that time. They anticipate that withdrawal notifications will be coming in from some of their banks not later than June 1st.

Mr. O'Connor stated that apparently the Senate Bill and the House Bill, which are contradictory in vital details, are both reputed to have Administration backing. If the House Bill prevails, he said, (and with the Mr. Coolidge agreed) the FDIC will be destroyed.

Mr. O'Connor stated that discussion on the Hill was to the effect

that the Treasury has a record of having given a better account of itself in the last two years than ever before -- that its financing and refunding has been handled in excellent fashion and money secured at low rates -- that there has never been a better job of liquidating closed banks and supervising going banks -- that the condition of National banks and Member banks was never better -- and for that reason why invite the hostile criticism of the country in the face of this by insisting upon a controversial Title II.

Mr. O'Connor suggested the possibility of the President indicating to Congress his satisfaction with the passage of the non-controversial Titles I and III with further discussion, if Congress desires, of Title II.

With respect to Title I, Mr. Crowley was of the opinion that even if the House passed the Steagall Bill in its present form, that the FDIC would be protected by different language in the Senate Bill which could be maintained in conference.

---

Mr. Coolidge stated that Secretary Morgenthau thinks the progress of bank recapitalization has been much too slow and that he wants the whole program completed not later than August 1st.

A statistical table showing the disposition to date of confidential commitments made to the Treasury and the FDIC by the RFC on December 18, 1934 was presented by Mr. Hoguet, who prepared it, and discussed by the group.

It was indicated that the first group of 77 banks with \$216,000,000 deposits could be taken care of by the RFC.

It was indicated that the second group of 36 banks with deposits of \$274,000,000 would have to be pressed by the Comptroller

and the FDIC to agree to strengthen their capital or liquidate.

It was indicated that the third group of 60 banks with \$140,000,000 deposits would have to be looked after by the FDIC, working with State supervisors.

The task of the FDIC will be made easier if the Banking Act of 1935 becomes law.

It was stated that there are a number of large banks included in the picture which account for a major share of the deposits. One of these is the Central United Bank of Cleveland which has \$8,000,000 of RFC money but only \$6,000,000 of sound capital.

Mr. O'Connor said it must be kept in mind that in our tabulations in figuring capital impairments we include both doubtful and losses, whereas the Comptroller in sending out impairment notices does not have so wide a discretion. He did agree with Mr. Coolidge that about all he could do in some cases was to request the banks to sell preferred stock.

Mr. Crowley said after July 1st the FDIC could ask banks to get out of the insurance fund. He added that another examination by the Comptroller throwing doubtful into the losses column might make impairment notices possible.

Mr. Coolidge asked about the possibility of sending examiners in again and have them be a little tougher than last time.

Mr. O'Connor replied that if that were done two things would happen. In the first place people on the Hill would point to the fact that the RFC is urging banks to lend <sup>and</sup> the Comptroller is bearing down on them for the loans they have, and, second, he said there would be many letters to the President and to Congress complaining about the Comptroller and his policies.

It was agreed that Mr. Hoguet would work with the RFC staff in fixing up the 77 banks in the first group and the Comptroller and the FDIC would push action on the 36 banks in the second group where such persuasion was possible.

It was agreed that there would be a meeting at 5 o'clock every Friday to check up on what has been done and that special attention would be given to the larger banks, Mr. Coolidge being of the opinion that the deposit total was of more significance than the number of banks.

It was agreed that nothing much can be done with the third group until and unless the Banking Act of 1935 passes.

It was agreed that effort would be made to secure disbursements to banks in group 4 by August 1.

It was agreed that an attempt would be made to make commitments for group 5.

It was agreed that nothing need to be done about the banks in group 6.

It was agreed that the banks in group 7 are a pretty bad lot and that action ought to be taken. Included in this group are banks in Ann Arbor, Michigan which everyone agrees ought to have something done about them promptly.

Mr. Crowley said that things would be helped by the passage of the Banking Act of 1935 which would enable them to buy assets. He thought there was some disadvantage to RFC disbursements of this group before the bill passes.

Mr. Coolidge thought the banks in group 7 ought to be put out of business and that is what will eventually be done.

Mr. Crowley urged that action be postponed until the bill passes.

Mr. O'Connor asked how much money was wanted from the RFC as a total and Mr. Hoguet estimated \$80,000,000.

Mr. O'Connor said that so far as National banks were concerned, they want \$6,081,500 and a liberalization of the regulations on 22 National banks with respect to "B" stock, in connection with which there are commitments of \$13,811,000.

Mr. Coolidge brot up one other point which he thought was not of too great importance -- the matter of giving the RFC money to newly organized banks. He asked opinion as to whether the RFC should put up Government money for the organization of new banks if there were no release of deposits.

Mr. Jones said he saw no objection to it.

Mr. O'Connor said he did not think there had been any cases of National banks where this had happened.

Meeting held in the office of Secretary of the Treasury Morgenthau  
at 9:30 A. M., May 6, 1935

Present:

Treasury Department  
Secretary Morgenthau  
Mr. Oliphant  
Mr. Gaston  
Mr. Lochhead  
Mr. Upham  
Mr. Viner  
Mr. Haas

State Department  
Herbert Feis, Economic Adviser

Agriculture Department  
Mordecai Ezekiel, Economic Adviser  
Leslie A. Wheeler, Chief of Foreign Section

Commerce Department  
Claude T. Murchison, Director of Bureau of Foreign and Domestic Commerce  
Grosvenor Jones, Chief Financial Division  
Amos E. Taylor, Assistant Chief Financial Division

At this meeting there was a discussion regarding Press Release # 17, issued by the office of the Special Adviser to The President on Foreign Trade, entitled "Letter to The President on Foreign Trade and International Investment Position of the United States as of December 31, 1934" submitted by George N. Peek, April 30, 1935, copy of which is attached.

The main points covered in these discussions were:

1. Mr. Taylor stated that Mr. Peek based his assumptions in that report on Department of Commerce balance of payment data for 1934 and that on the basis of these figures Mr. Peek's interpretation was unjustified.
2. Secretary Morgenthau called attention to the confidential data which the Treasury Department had been obtaining since December 1, 1934, a compilation of which provides a detailed picture of capital movements from that date. If Mr. Peek had made the same interpretation of these data as he did for the year 1934, his interpretation would have been decidedly erroneous.
3. Mr. Murchison suggested that inasmuch as the figures on which Mr. Peek based his interpretation came from his Bureau, the Secretary of Commerce might be willing to issue a press release discussing the international balance of payment data which would serve to counteract the erroneous impressions created by Mr. Peek's release.

Note: A press release was issued by the Department of Commerce dated May 8, 1935, a copy of which is attached.

Press Release #17

Office of the Special  
Adviser to The President  
on Foreign Trade.

For release, morning  
papers, Monday,  
May 6, 1935.

Office of the Special Adviser to The President  
on Foreign Trade,  
Washington, April 30, 1935.

**LETTER TO THE PRESIDENT**

The President

ON

The White House

**FOREIGN TRADE**

Dear Mr. President:

AND

**INTERNATIONAL INVESTMENT POSITION**

**OF THE**

**UNITED STATES**

I. Foreign Trade, 1934.

as of

**DECEMBER 31, 1934**

II. Capital Transactions, 1934.

III. Foreign Trade, by Principal Trade Areas, 1934.

IV. Summary of International Investments of United States,

Submitted by George N. Peek  
1899-1934, April 30, 1935

V. International Investment Position of United States as of  
December 31, 1934.

Exhibits I, II, and IV are in the form used in my letter to  
you of May 23, 1934, on Foreign Trade, and that of August 20, 1934, on  
International Credits. Exhibits III and V are new.

The purpose has been to extract from available governmental  
statistics and to summarize in concise and readable form the principal com-  
mercial and financial transactions of the United States with the

LETTER FROM GEORGE H. PECK, SPECIAL ADVISER TO THE PRESIDENT, ON  
FOREIGN TRADE AND INTERNATIONAL INVESTMENT POSITION OF THE  
UNITED STATES AS OF DECEMBER 30, 1934.

Office of the Special Adviser to The President  
on Foreign Trade,  
Washington, April 30, 1935.

The President

The White House

Dear Mr. President:

I enclose for your consideration the following exhibits dealing with the trade and investment position of the United States in its relation with the world, as of December 31, 1934:

- I. Foreign Trade, 1934.
- II. Capital Transactions, 1934.
- III. Foreign Trade, by Principal World Areas, 1934.
- IV. Summary of International Investments of United States, 1896-1934.
- V. International Investment Position of United States as of December 31, 1934.

Exhibits I, II, and IV are in the form used in my letter to you of May 23, 1934, on Foreign Trade, and that of August 30, 1934, on International Credits. Exhibits III and V are new.

The purpose has been to ascertain from available governmental statistics and to summarize in simple arithmetic the recorded commercial and financial transactions of the United States with the

rest of the world for the period 1896-1933, now extended to include 1934. In this task the Department of Commerce has cooperated in setting up a system of national bookkeeping, country by country, and in undertaking an inventory of our foreign portfolio investments and foreigners' portfolio investments in the United States.

This inventory disclosed that previous estimates of foreigners' portfolio investments in the United States were far too low, and an increase of \$2,795,000,000 has been made in this estimate by the Department of Commerce. When the inventory has been completed final adjustments will be made in this estimate, as well as in the estimates of our annual payments to foreigners.

#### Exhibit III

This is a new exhibit, and segregates the totals shown in exhibit I into world trade areas. When the work now in progress has been completed it will be possible further to segregate these totals so that our commercial and financial relations with each trading nation may be known.

#### Exhibit V

Exhibit V is new also. While it must be remembered that the statistical background is as yet incomplete and unsatisfactory in certain respects, the work now has progressed to a point where it is possible to indicate the approximate book position of our international creditor status, set up in the form of a simple statement of assets and liabilities as between ourselves and the world. Domestic assets representing wealth within the country and domestic liabilities such as internal debt, public and private, are excluded from this statement, as they do not of themselves alter our position on international account and affect it only after they have crossed

our borders in the form of goods, gold, silver, or paper evidence of ownership.

As a result of recent investigations the information on our present holdings of foreign securities and of our securities held by foreigners (items 1) is far more accurate than it has been in the past, and the estimates used in this exhibit appear conservative.

Items 2 and 3 are self-explanatory, although it may be observed that there is subject to "standstill" agreement . . . . . \$200,000,000.

The book figures for items 4, our direct investments in foreign countries and foreign direct investments in this country, are obsolete. A detailed study should be made of these investments, as the estimated returns from them loom large in our balance of payments, and the investments themselves represent extremely important factors in determining our international creditor or debtor position.

The war debts (item 5) are stated at \$10,304,000,000. Of the amount contracted by the allies, only the obligations of the Republic of Finland with a principal value of \$8,400,000 were serviced during 1934. Until service is resumed on the war debts in default, the often stated necessity for our purchasing from abroad additional goods, gold, silver, or services, in order to create sufficient dollar exchange to permit the transfer of funds for this debt service is not apparent.

The book creditor position, \$16,897,000,000, may be considered analogous to the surplus account of a corporation before adjustments in inventory to market value and before providing reserves. Obviously the determination of our actual position will be dependent largely upon the

findings of the value of direct investments and upon the status of the war debts.

-----

Progress has been made during the year in summarizing existing records and in providing that more complete and more accurate basic data will be available in the future, but the work is far from complete. It should be carried forward so that all departments of the Government concerned with foreign trade, for their guidance, will be provided with current summaries in simple arithmetic of our foreign trade and financial position. Such summaries also will provide the business men of the United States with information essential to the proper conduct of their foreign operations.

In conclusion I submit for your consideration two recommendations:

1. The inauguration of a detailed study of our direct investments abroad and of foreigners' direct investments in the United States, to supplement the studies now in progress of capital movements.
2. A review of all national policies based in whole or in part upon our international creditor status.

Faithfully yours,

George H. Peek  
Special Adviser

- Exhibit I -

## FOREIGN TRADE \*

1934

During 1934 -

1. We sold to the world goods in the amount of -----	\$2,133,000,000
we bought from the world goods in the amount of -----	1,655,000,000
thereby placing the world in debt to us for goods in the amount of -----	478,000,000
2. Our tourists spent abroad and our immigrants, charitable organizations and others sent abroad the net amount of -----	352,000,000
leaving a balance owed to us of -----	126,000,000
3. Services sold to the world and miscellaneous items amounted to -- \$264,000,000	
services bought from the world and miscellaneous items	
amounted to -----	374,000,000
decreasing the balance owed to us by -----	10,000,000
leaving a balance owed to us of -----	116,000,000
4. Interest and dividends received from -	
foreign bonds held in United States -----	\$217,000,000
foreign bonds (interest funded) -----	13,000,000
direct investments abroad -----	125,000,000
short-term banking funds abroad -----	25,000,000
stock transfer taxes, commissions, etc. -----	10,000,000
a total of -----	390,000,000
less interest and dividends paid -----	125,000,000
increased the balance owed to us by -----	265,000,000
leaving a balance owed to us by the world for goods, services, interest and dividends of -----	381,000,000
5. We bought gold (including earmarking) in the net amount of ---- \$1,217,000,000	
we bought silver in the net amount of -----	86,000,000
we bought paper currency in the net amount of -----	48,000,000
a total of -----	1,351,000,000
thereby placing us in debt to the world in 1934 in the amount of -----	\$ 970,000,000

We paid this debt to the world by the transfer to foreigners of capital assets owned by us in the net amount of \$970,000,000.

The detail of capital transactions is set forth on the following page.

\* Distributed by Principal World Areas - Exhibit III.

CAPITAL TRANSACTIONS

1934

During 1934 -

1. Foreigners bought and redeemed (a) foreign stocks and bonds held in the United States and (b) American direct investments and private and commercial balances in foreign countries - - - - -	\$1,090,000,000
Foreigners bought American stocks and bonds and made new direct investments in the United States - - - - -	615,000,000
Foreigners' banking funds and short-term investments in the United States were increased - - - - -	103,000,000
Our banking funds and short-term investments in foreign countries were decreased - - - - -	<u>92,000,000</u>
a total of - - - - -	1,900,000,000

As against this sum -

2. We bought American stocks and bonds - - - - -	-\$480,000,000
We bought foreign stocks and bonds and made new direct investments in foreign countries - - - - -	<u>450,000,000</u>
a total of - - - - -	<u>930,000,000</u>
leaving net capital assets transferred to foreigners in 1934 - - - - -	<u>\$ 970,000,000</u>

On December 31, 1933 -

1. Our <u>gross</u> foreign creditor balance amounted to - - - - -	-\$25,202,000,000
Based on a census conducted in 1934, the estimate has been increased by - - - - -	<u>17,000,000</u>
making the revised estimate of our <u>gross</u> creditor balance - - - - -	25,219,000,000
Foreigners' investments in the United States were estimated at - - - - -	-\$4,557,000,000
Based on the 1934 census, the estimate of these investments has been increased by 1/ - - - - -	<u>2,795,000,000</u>
making the revised estimate of foreigners' investments in the United States as of December 31, 1933 - - - - -	<u>7,352,000,000</u>
resulting in a corrected net creditor balance on December 31, 1933, of - - - - -	17,867,000,000

2. Net capital assets transferred to foreigners during 1934 represented -	
a decrease in our investments in foreign countries - - - - -	\$732,000,000
an increase in foreigners' investments in the United States - <u>238,000,000</u>	
a total of - - - - -	<u>970,000,000</u>
thereby reducing the net creditor balance of the United States (including war debts), on December 31, 1934, to - - - - -	<u>-\$16,897,000,000</u>

1/ It is impossible to determine the proportion of this increase that may have occurred in 1934. However, since the major portion of the increase reflects an under estimate of the position on December 31, 1933, the total adjustment is allocated to the position as of December 31, 1933.

Note: Market values are used for transactions recorded through the Balance of International Payments, while face values are used for bonds in the summary of our international investment position.

**FOREIGN TRADE**  
By Principal World Areas  
1934

- Exhibit III -

- (In millions of dollars) -

	Totals for World	Europe including United Kingdom	Latin America	Canada and New- foundland	Asia	Africa	Oceania	Not Distributed
1. We sold goods-----	\$2133	\$950	\$340	\$308	\$401	\$ 57	\$ 77	
We bought goods-----	1655	489	390	238	490	33	15	
Balance - due to us or due from us-----	478	461	50	70	89	24	62	
2.(a) Foreign tourists spent in the United States-----	94	30	10	47	6	.5	.5	
Our tourists spent in foreign countries-----	322	140	48	121	9	4.		
Balance - due to us or due from us-----	228	110	38	74	3	3.5	.5	
(b) Our immigrants, charitable organizations, and others sent abroad--	124	68	3	3	50			
Balance - due to us or due from us-----	124	68	3	3	50			
3.(a) We sold shipping and freight services-----	58	19	8	21	7	2	1	
We bought shipping and freight services-----	95	72	1	15	7	-	-	
Balance - due to us or due from us-----	37	53	7	6	-	2	1	
(b) We sold miscellaneous items - motion picture royalties, etc.-----	206	111	40	40	12	2	1	
We bought miscellaneous items - insurance, etc.-----	179	69	40	34	34	1	1	
Balance - due to us or due from us-----	27	42	-	6	22	1	-	
BALANCE DUE TO US OR DUE FROM US FOR GOODS AND SERVICES (Items 1 to 3 inclusive)-----	116	272	84	5	164	23.5	63.5	
4. We received interest on foreign bonds held in the U.S.-----	217	79	21	81	18		10	8
We paid dividends and interest on U.S. stocks and bonds held in foreign countries-----	125	80	10	30	4	.5	.5	
Balance - due to us or due from us-----	92	1	11	51	14	.5	9.5	8
We received securities for interest funded and earnings on our direct investments in foreign countries - estimated transfer-----	125	30	32	48	10	.5	4.5	
Balance - due to us on long-term investments-----	230	30	55	99	24	-	14.0	8
We received interest on our banking funds in foreign countries-- and for brokerage fees, commissions, stock transfer taxes, etc. (net)	25	19	4	1	1			
Balance - due to us-----	10	6	0.5	3	.5			
	265	55	59.5	103	25.5	-	14.0	8
5.(a) We exported gold-----	53	51	2	-	-	-	-	
We imported gold (including earmarking)-----	1270	931	62	87	106	-	1	83
Balance - due to us or due from us-----	1217	880	60	87	106		1	83
(b) We exported silver-----	17	7	6	3	1			
We imported silver-----	103	44	30	3	26			
Balance - due to us or due from us-----	86	37	24	-	25			
(c) We imported paper currency from abroad (net)-----	48	40	5	2	1			
Balance - due to us or due from us-----	48	40	5	2	1			
Thereby placing us in debt to the world for goods, services, gold, etc. in 1934 in the amount of-----	970	630	113.5	19	270.5	23.5	76.5	75

SUMMARY OF INTERNATIONAL INVESTMENTS OF THE UNITED STATES  
1896-1934

	<u>United States loans to and investments in foreign countries</u>	<u>Foreigners' investments in the United States</u>	<u>Balance United States net debtor or net creditor</u>
Total investments July 1, 1896 - - - - -	\$ 500,000,000	\$2,500,000,000	\$2,000,000,000
Net increase in total investments, 1896-1933 - - - - -	<u>24,702,000,000</u>	<u>2,957,000,000</u>	<u>22,645,000,000</u>
Total investments December 31, 1933 - - - - -	25,202,000,000	4,557,000,000	20,645,000,000
Other adjustments (See Exhibit II) - - - - -	<u>17,000,000</u>	<u>2,735,000,000</u>	<u>2,773,000,000</u>
Corrected total investments December 31, 1933 - - - - -	25,219,000,000	7,352,000,000	17,857,000,000
Net increase or decrease in total investments during 1934 - - - - -	<u>732,000,000</u>	<u>233,000,000</u>	<u>970,000,000</u>
Total investments December 31, 1934 - - - - -	\$24,487,000,000	\$7,590,000,000	\$16,897,000,000

## INTERNATIONAL INVESTMENT POSITION OF THE UNITED STATES

December 31, 1934

<u>Assets</u>		<u>Liabilities</u>	
1. Foreign bonds held in the United States - face value <u>1/</u> -----	\$ 5,270,000,000	1. American stocks and bonds held in foreign countries - market value for shares: face value for bonds <u>1/</u> -----	\$ 6,000,000,000
(Market value \$4,016,000,000)			
2. Deposits and short-term funds of American banks in foreign countries <u>2/</u> -----	990,000,000	2. Deposits and short-term funds of foreign banks in the United States <u>6/</u> -----	590,000,000
3. American funds "blocked" in foreign countries <u>3/</u> -----	100,000,000		
4. American branch factories and other direct investments in foreign countries - book value <u>4/</u> -----	7,823,000,000	4. Foreign branch factories and other direct investments in the United States - book value <u>5/</u> -----	1,000,000,000
5. War debts as <u>5/</u> -----	10,304,000,000	5. United States net creditor: Balance Dec. 31, 1933 -----	\$ 20,645,000,000
		Adjustments <u>7/</u> -----	2,778,000,000
		Corrected balance Dec. 31, 1933	17,867,000,000
		Decrease during 1934 <u>8/</u> -----	970,000,000
		Balance December 31, 1934 -----	16,897,000,000
	<u>\$24,487,000,000</u>		<u>\$24,487,000,000</u>

Our status as a creditor nation thus appears to depend upon the value of our direct investments in foreign countries and that of the war debts.

1/ Estimate based on "census of securities" in progress by Department of Commerce.

2/ Estimated by Department of Commerce. Includes some \$200,000,000 subject to "standstill" agreements.

3/ Based upon questionnaire January, 1935. Largely commercial balances.

4/ Estimate by Department of Commerce. Based on questionnaire in 1929. In 1933 the Department of Commerce stated - "these investments are undergoing severe tests during the present world depression, and it is entirely probable that the recorded values will have to be reduced when the necessary adjustments have been completed. No basis for making appropriate reductions can be said to exist at this time." In the absence of a census of these investments the figure should be considered subject to adjustment.

5/ Accrued interest at time of refunding and interest in arrears are not included in this amount.

6/ Estimate by Department of Commerce.

7/ See Exhibits II and IV.

8/ See Exhibit II.

DEPARTMENT OF COMMERCE  
Washington

May 8, 1935

Secretary Roper today stated that the Department of Commerce has recently received numerous inquiries regarding certain interpretations that have been placed upon some of the items contained in its preliminary report on the balance of International Payments issued April 6. In response to these inquiries Secretary Roper stated that certain of the implications which have been drawn from the report are not supported by the Department's figures.

For example, the implication that foreigners are not making use of available dollar exchange to purchase American commodities is refuted by the fact that in 1934 American exports increased 27 per cent in value, whereas merchandise imports increased only 14 per cent. Our net balance for the year on account of merchandise exports was \$478,000,000, the largest since 1930, and over twice the net balance for 1933. This indicates that foreigners have, in fact, been purchasing our exports in increased volume.

Another erroneous implication is to the effect that the net creditor position of the United States is becoming relatively unimportant. On the contrary, the Department's figures show that in 1934 the total interest and dividends received by Americans from their holdings of foreign securities and from direct investment abroad was nearly three times as great as the estimated amount of interest and dividends which foreigners derived from their investments in the United States.

A proper appraisal of our international credit position, therefore, leads to the inference that the present foreign trade policy of the Government is sound and that every effort should be made for the further promotion of reciprocal trade treaties of the type now being negotiated by the State Department. Resort to the exclusive bilateral type of trade agreement would in effect be a denial of a trade policy which is in thorough accord with the present international creditor position of the United States.

The principal source of the misconception placed upon the Department's report of April 6, is the use that has been made of an item of \$549,000,000, representing the total of a number of unidentifiable transactions, which has been erroneously grouped with identifiable items to make up a total of \$970,000,000, in order to support a particular contention. The Department's report contains no such figure as \$970,000,000.

All international movements of stocks and bonds, as well as net payments on account of direct investments and the transfers of short-term banking funds, were assembled in so far as they were identifiable and presented in a separate classification indicating a net inflow from such transactions of \$421,000,000. It is unsound to assume that the residual items of \$549,000,000 are made up to any great extent of security transactions. Therefore, no conclusion as to the purchase of American securities by foreigners can be drawn by the process of adding this residual item of \$549,000,000 to the \$421,000,000 which represents the identifiable transactions in securities.

May 6th

H.M.Jr. called the President and told him that he bought 2 $\frac{3}{4}$  million ounces of silver during the week. To-day, in honor of the King of England, the silver market is closed, so he thought it was a good time to make the Mexicans an offer which he did - he made them an offer of a trifle over 73¢ - that is the silver which they bought in London for speculation. The President was very pleased. H.M.Jr. said he was always going to keep a million ounces over in London in case he should want to sell them.

May 7th

H.M.Jr. talked with the President and told him that sterling was 4.84 $\frac{1}{2}$  - silver is up a little. We finished up our Mexican deal. We are paying them in sterling and that will reduce our silver balances. We got an order from Mexico to mint for them 60 million 50 centavos.

H.M.Jr. phoned Hull and told him that Peru is in the same trouble as Mexico. He asked him whether he did not want to have some of his people sound them out and find out whether there was anything we could do for them.

77A  
May 7, 1935.  
Tuesday.

H.M.Jr: Hello.

Yes, Mr. Morgenthau.

H.M.Jr: Mr. Speaker, please.

Byrnes: Hello.

H.M.Jr: Hello, Mr. Speaker.

B: All right, Mr. Secretary.

H.M.Jr: How are you?

B: Very well, thank you sir. How are you?

H.M.Jr: I'm fine.

B: That's good.

H.M.Jr: Mr. Speaker, the bill that we call the Mrs. McClary Bill -

B: The which?

H.M.Jr: Mrs. McClary - she's the widow of this policeman down in -  
got shot down in Virginia, you know, going after those  
moonshiners.

B: Yes.

H.M.Jr: It's known as HR6825 and it's to give her \$75 a month.

B: I see.

H.M.Jr: And it come up today and I wanted to let you know. I've  
been down to see her. She's got four children and she  
hasn't got a penny; her husband was a policeman  
down there and because he went out of the city limits to  
help the Federal Government get these moonshiners, why,  
the city down there - of Alexandria - won't pay them any-  
thing.

B: I see.

H.M.Jr: And he was a very courageous, very brave man and he  
volunteered his time and went out on Sunday to help us  
out.

B: Yes.

H.M.Jr: And he got shot and killed up in the hills there.

B: Yes.

H.M.Jr: And as I understand it, this bill is coming up today and

I wanted to let you know that I thought it was a very worthy thing.

B: Well I'm glad you did. Now here's the trouble Mr. Secretary, today. Of course no one knows, you know.

H.M. Jr: Yes.

B: Somebody may object. It takes two objections.

H.M. Jr: I see.

B: And nobody knows who is going to do the objecting or if anybody will object --

H.M. Jr: Yes.

B: Until the field is actually called.

H.M. Jr: I see.

B: And then under the rules nobody can explain it or reserve the right and offer any explanation or urge the objector to refrain.

H.M. Jr: I see.

B: In other words they just get up and object and that ends it. Now then it's referred -- if that, if that should happen today, and of course we're not able to prevent it,

H.M. Jr: Yes.

B: I'll make inquiry. If I can find out the-Truax is probably the man that would be most likely to object to it.

H.M. Jr: Why - why would Truax do it,

B: Well, he just objects to everything up there like that. I just say - he, he may not object to this.

H.M. Jr: Well if you --

B: I really think if you'd - do you know Truax very well?

H.M. Jr: I know him pretty well.

B: Well, you call Truax and explain to him.

H.M. Jr: Yes.

- 3 -

B: Now I think he's the most likely man to object, and if he don't object I don't think anybody -

H.M.Jr: Well I know Truax pretty well --

B: Now, if it's objected to though by somebody else, two objectors, why it'll have to go back to the Committee.

H.M.Jr: I see.

B: Then when the Committee reports it back it goes into what we call an omnibus bill and it is not subject to objection.

H.M.Jr: I see.

B: It comes up on the floor and somebody can move to strike it out, and then those who oppose it can get up and state the facts.

H.M.Jr: Well I --

B: There isn't any question about its passage unless some individual just exercises that arbitrarial right to object.

H.M.Jr: Well I'll call him up.

B: You call Truax about it.

H.M.Jr: I'll do that.

B: Well, if you call him I'll not speak to him, but I was going to say I would but if you call him it would be better.

H.M.Jr: Supposing I call him and I'll let - I, I'll call you back and let you know what he said.

B: All right.

H.M.Jr: How's that?

B: All rightie - and tell him

H.M.Jr: Yes.

B: Tell him to -- if he says he won't object -- tell him to see if he can't keep down objections. He's out on the floor, you know, and I'm up in the chair.

H.M.Jr: I'll tell him that.

B: All right.

H.M.Jr: Thank you.

May 7, 1935.  
Tuesday.

Mr. Truax: Hello.

H.M.Jr: Hello Mr. Truax.

T: Yes.

H.M.Jr: How are you?

T: Fine, sir.

H.M.Jr: Haven't seen you in a long time.

T: Is - is this the Secretary?

H.M.Jr: This is Morgenthau talking.

T: Well, I'm mighty glad to hear you.

H.M.Jr: Mr. Truax, we've got a little Bill coming up today -- I wanted to tell you about it.

T: All right.

H.M.Jr: There was a policeman by the name of McClary down in Alexandria. Here about a couple of months ago he volunteered his services on a Sunday and went out and helped our boys get a moonshiner up in the hills. In doing the job he got shot. I went down and saw his wife. She's got four children. They haven't got a penny, and due to the fact that he left the city limits why Alexandria won't help out his family. See? And if you'd ever seen the wife and the four children you'd feel the way I do about it.

T: Yes sir.

H.M.Jr: Now as I understand it there's coming up to give her a pension of \$75.00 a month - the Bill comes up today.

T: What's the number of it?

H.M.Jr: It's HR6825.

T: 6825.

H.M.Jr: Yes.

T: You don't have the number on the past calendar?

H.M.Jr: Yes, I've got that.

T: Have you?

H.M.Jr: 393.

T: What is it:

H.M. Jr: 393.

T: 393?

H.M. Jr: Yes.

T: Well I doubt whether we get to that Bill today but we may.

H.M. Jr: Well, if you could see your way to giving a little boost or at least not objecting why I - I'd appreciate it. I saw the woman and I saw her children and it's a terrible case.

T: What ages are the children?

H.M. Jr: What's that?

T: What are --

H.M. Jr: From six months up to seven years.

T: I see, and there's four of them.

H.M. Jr: Yes, four of them.

T: And she has no --

H.M. Jr: She has no support. Nothing. She is penniless.

T: Was this fellow killed?

H.M. Jr: He was killed.

T: I see.

H.M. Jr: And--

T: When was that?

HM. Jr: When was that?

T: Yes.

H.M. Jr: About a month ago.

T: Well I'll look up the Bill, and I'll see that it goes through.

H.M. Jr: Well that's awfully nice.

T: And I wish you'd do something for me.

H.M.Jr: O.K. That's fair enough.

T: This is for - in the interests of the Administration, see?

H.M.Jr: Yes.

T: When you see the President, you tell him to veto more of these Bills that do pass the private calendar and on the consent calendar.

H.M.Jr: Yes.

T: Now he has vetoed quite a few of them.

H.M.Jr: Yes.

T: And we have new rules on this private calendar. You can't make a reservation of objection and thereby express your opinion on the Bill.

H.M.Jr: Yes, I see.

T: All you can do is object or pass.

H.M.Jr: Well, now --

T: As a result there's a lot of lousy, rotten Bills go --

H.M.Jr: Would you, would you do something for me so that I can get it straight? Would you send me down, and mark it personal confidential, a little, a one page memo expressing your views?

T: All right.

H.M.Jr: And I'll hand it to the President.

T: That's right.

H.M.Jr: How's that?

T: Now he has somebody down there that is doing this vetoing and they're doing a hell of a good job of it.

H.M.Jr: Yes.

T: But they don't get them all because they can't get the low-down on them. I've got a complete report on every one of these Bills.

H.M.Jr: Fine.

T: And, and on those Bills that are passed today I'll give you that report on those that should be vetoed.

H.M.Jr: Yes. O.K.

T: Everything o.k.?

H.M.Jr: I think so.

T: How's your Banking Bill? That's going through.

H.M.Jr: I think so.

T: Yes.

H.M.Jr: The - Oh! I think - they'll put up a fight but they got no votes.

T: Oh! no.

H.M.Jr: No.

T: Well, it's a long step in the right direction.

H.M.Jr: Yes.

T: It doesn't go as far as I'd want to go but of course I can't expect it.

H.M.Jr: Well, civilization moves slowly.

T: (Laughter) Yes, that's right. Rome wasn't built in a day.

H.M.Jr: No.

T: Well, I'll look after this for you Mr. Secretary, and get this other word to you.

H.M.Jr: Thank you.

T: You bet.

May 7, 1935.  
Tuesday.

H.M. Jr: Hello.

Mr. Secretary.

H.M. Jr: Hello.

Go Ahead.

H.M. Jr: Hello.

Byrnes: Hello Mr. Secretary.

H.M. Jr: Mr. Speaker.

B: Yes.

H.M. Jr: Hello

B: Yes, Hello.

H.M. Jr: Henry Morgenthau.

B: Yes.

H.M. Jr: I spoke to Truax and he said, "I'll see that that Bill gets through".

B: Well that's fine. You see he's out on the floor and he's the only man that I can think of, and I didn't mean to say that he would --

H.M. Jr: Well --

B: You understood it, but he's the only one I thought might object.

H.M. Jr: Well, he came back and asked me something and I don't know whether I can do it or not. (Laughter).

B: (Laughter)

H.M. Jr: But he said, "I'll see that that Bill gets through".

B: All right, fine.

H.M. Jr: Thank you.

B: I'll see what I can do.

H.M. Jr: Thank you.

Dictated      May 8th

May 3d, Friday morning, I went over to the White House and showed my speech to the President. He liked it very much. The only part that he hesitated about was the very end when he thought I might be stressing stabilization too much. I then asked him how he thought I should deliver the speech and he hesitated a little bit and said, "it is too long for a radio" so I said, "how else would you give it" and he said, "I suppose that is the only way you can give it".

I told him that Steve Early had told Gaston the day before that he thought I should not go on the air, (and that it was too much like what the President did and that only the President should talk to the people over the radio in fireside chats.)

After the meeting I came back to the office and told Gaston to try to arrange for a time for me on the radio for Monday a week.

Then got Bell, Oliphant, McReynolds together in regard to the Executive Order for the 4 billion 8. I told them all to help Bell to prepare an order and told them to give them one that was good for the President and to disregard what Hopkins, Walker and Ickes each wanted for themselves. Oliphant thought that we ought to prepare three separate Executive Orders and lay them on the President's desk and let him decide. McReynolds and I thought we ought to prepare one order.

Went to the farm over the week-end.

Lunched with the President Monday after having gone over Executive Order which was being drafted along the suggestions that I made on Friday.

Dictated by Mr. Morgenthau for diary on May 8th

Mr. Jackson came in on the eve of Mellon's trial and asked me whether he should expose Sir Joseph Devine's methods of conducting his business on his being put on the stand tomorrow as witness for Mr. Mellon. I said to Jackson "why do you ask me this question" and he said "because I have been accused of having been too ruthless". I said "you can't be too tough in this trial to suit me". He jumped up and said "thank God I have that kind of a boss" and for some reason Mr. Oliphant got tears in his eyes. They started to leave the room but I said "wait a minute. I consider that Mr. Mellon is not on trial but Democracy and the privileged rich and I want to see who will win".

May 8, 1935.  
Wednesday.

DA

Operator: Mr. Conboy.

H.M.Jr: Hello.

Conboy: Hello.

H.M.Jr: Mr. Conboy?

C: Yes.

H.M.Jr: Morgenthau talking.

C: Yes, sir.

H.M.Jr: How are you?

C: Fine and how are you?

H.M.Jr: Fine. Mr. Conboy, I happened to be in the President's office the other day when the Attorney General was talking and I - I couldn't help but overhear that they said that you were getting out on the 15th of May -

C: Yes.

H.M.Jr: - much to my surprise and sorrow.

C: Thank you very much.

H.M.Jr: And on account of my great interest in this Customs Case, I wondered if one of the last shots whether you could have time to get that confession out of Goldberg before the 15th.

C: Yes.

H.M.Jr: I don't know who's going in to succeed you and I -

C: I went in and had a talk with Oliphant -

H.M.Jr: Yes.

C: And I told him that in view of the fact that you would express a desire to

H.M.Jr: Yes.

C: - and it might continue - of course, I'll be glad to render it

H.M.Jr: Yes.

C: And he spoke to the Attorney General about it and the Attorney General mentioned it to me the same afternoon.

H.M.Jr: Yes.

C: Now, I don't know what there will be accomplished between now and the date that you refer to, but I had a call from a man representing that fellow the other day. At that time, it was expected that he would - that another attorney was coming in to see if we would take  
Of course, the indictment has not yet be returned -

H.M.Jr: Yes.

C: - but - let me - let me handle the situation and I'll communicate with you.

H.M.Jr; Thank you very much. Thank you very much.

C: All right, all right. Goodbye.

H.M.Jr: Goodbye.

REPORT ON SECRETARY MORGENTHAU'S  
AND MAYOR LA GUARDIA'S PRESS CON-  
FERENCE, May 8, 1935:

Mr. Morgenthau: Sorry for this delay but the Mayor and I -- it's the first time we've had a chance to get together and talk the thing over and after talking the thing over, we prepared these two statements -- the statement of the Mayor and my statement; you can read them and any questions you have to ask, why we're here to dispose of them.

Q. There's one question I'd like to ask -- your statement says the contract with Consolidated Gas will be for the fiscal years 1935 and 1936 and the Mayor's statement says the contract will be retroactive to January 1, 1935.

A. That's the federal contract.

Mr. LaGuardia: We're retroactive -- we have the option; we're on the calendar year.

Q. Your contract is just for the calendar year 1935; the government contract is for two years?

Mr. LaGuardia: That's right.

Mr. Morgenthau: It goes back to July 1, 1934, and runs to July 1, 1936.

Q. Mr. Secretary, some time ago you told us, that was off the record, that contracts were subject to renewal; did that mean renewal for a definite period or just for one or two years?

A. I think we have the right to a one-year renewal.

Q. What's the effect of this on the proposed bill for the

federal and city plant?

A. Talking for the federal government, it has no effect, one way or the other.

Q. Mr. Mayor, were the bids submitted on December 17th on the same basis as the contracts under which you were then operating?

Mr. LaGuardia: Yes, the same basis.

Q. No reduction at that time?

A. No-- an increase to meet my tax.

Q. How much was that increase?

A. The difference between \$1,725,000 and \$2,000,000.

Q. Mr. Mayor, I notice in your statement that it says arrangements not to preclude the city taking such action as may be advisable to protect the consumers. Do you contemplate anything?

A. A subtraction may be necessary to give the consumer a break.

Q. Do you have any plans in mind?

A. We always have plans in mind.

Q. Such as a city-owned plant to sell to the consumers?

A. That's one of the methods of approach.

Q. Do you have such a yard-stick plan?

A. I'll have a statement on that after I consult my colleagues on the Board of Estimates.

Q. I haven't had a chance to read this thing, but it simply applies to the service given to the city government and not the consumers.

A. That's right; you see, that's under the jurisdiction of the Public Service Commission.

Q. You are not leaving your application for a loan or grant for a plant on this visit?

A. The channels are through New York. Through the State Engineer in New York; it would have to come from New York.

Q. Have you done anything about that up there?

A. Oh, a lot of it.

Q. I know you've done a lot of planning, but you haven't submitted anything definite --

A. No.

Q. The Treasury will take its allotment for a Federal plant, Mr. Secretary?

Mr. Morgenthau: I don't know. We've been concentrating on this contract; now that this is over, why we can think about it.

Q. How much was that allotment, Mr. Secretary?

A. I think it was around three and one-half -- just over \$3,000,000.

Q. Can you retain a PWA allotment for a project which will not be started immediately?

A. All PWA projects have to be started by the 16th of June or the decision will have to be made by that time.

Q. You are not going to start a plant by that time?

A. I'd say the chances are that we will return the money.

Q. That would be just giving it back to yourself, wouldn't it?

A. Well, it's a lot of fun.

Q. Turnover.

A. 100% profit.

Q. Have you any large cities lined up for a similar contract, Chicago, for instance?

A. This is the only one.

Q. Mr. Mayor, do you think that steps are definitely possible to give the consumer a break?

Mr. LaGuardia: It's a very good idea.

Q. What do you think of the offer the Consolidated made to Public Service this morning?

A. They made quite a few offers since the city got the help and cooperation of the Federal Government.

Q. Didn't they make a new one this morning?

A. It wouldn't surprise me a bit; now we're past the office stage -- we want to see something definite and concrete on the consumer's discount bill.

Q. Can you give us the estimated cost of your electricity in one year?

A. In the neighborhood of \$10,000,000.

Q. Are you satisfied with the consumer rates now, Mr. Mayor, or do you contemplate just to protect them so that the rates won't be any higher?

A. No, no -- they're too high.

Q. They have just given you a reduction in consumer rates.

A. When, last night?

Q. No. I read in the paper not long ago about the Public Service Commission --

A. That's the application; they have submitted some plan to the Public Service Commission.

Q. Con Gas?

A. Yes.

Q. Is that plan satisfactory to you?

A. Not quite.

Q. Mostly based on the idea of the Washington plan?

A. Yes, the idea; but again we need something more than an idea.

Q. What are the plans for the rest of the day?

A. Four o'clock plans.

Q. Are you going to see anybody else?

A. I'm going to do some telephoning; I was at the Housing Authority all morning until I came down here.

Q. How's that getting along?

A. We're getting beyond the housing stage.

Q. The PWA housing?

A. That's right.

Q. When are you going to open your projects up, Mr. Mayor?

A. What do you mean by projects?

Q. The story in the papers --

A. I'll be here every Thursday and Monday until further notice.

HEALTH DEPARTMENT

Q. Mr. Secretary, will he take Dr. Viner's place?

Mr. Morgenthau: Well, we could do worse - lots worse.

Secretary Morgenthau: ...  
to the ...  
offices and establishments in New York ...  
average of approximately \$200,000, ...  
The contracts are for the fiscal year ...  
contracts controlled by the ...  
year 1936 with the ...

Each of the contracts is made ...  
by ...  
as ...  
through ...  
regulations with the ...

The contracts for 1935 are ...  
extended during the ...  
amount ...  
of last year, the cost to the ...  
in New York City this fiscal year ...  
last under the new contract is ...  
\$200,000, or about 75-80% per cent ...

The ...  
the ...  
in the ...  
conditions is ...

(1) The Government is not obligated to ...

TREASURY DEPARTMENT

37

Washington

FOR IMMEDIATE RELEASE,  
Wednesday, May 8, 1935.

Press Service  
No. 4-91

Secretary Morgenthau announced today that he had given his approval to the signing of new contracts for supplying electric current to Government offices and establishments in New York City which will result in annual savings of approximately \$200,000, or more than 35%, to the Government. The contracts are for the fiscal years 1935 and 1936 with the four city companies controlled by the Consolidated Gas Company and for the fiscal year 1936 with the two Westchester County companies.

Each of the contracts is based on an outline of a rate plan submitted by Floyd J. Carlisle, Chairman of the Board of the Consolidated Gas Company to Admiral C.J. Peoples, Director of Procurement of the Treasury Department through Admiral R.E. Bakenhus of the Navy Department, who has carried on negotiations with the power companies on behalf of the Treasury Department.

The contracts for 1935 are retroactive and will apply to all current consumed during the present fiscal year. It has been estimated by the Procurement Division that, on the basis of the contracts in force up to June 30th of last year, the cost to the Federal Government for electric current in New York City this fiscal year would amount to \$572,439. The estimated cost under the new contracts is \$368,475, representing a saving of \$203,964, or about 35-2/3 per cent, for the fiscal year 1935.

The Treasury Department has incorporated into the contracts, with the agreement of the electric companies, four new conditions not contained in the outline proposal made by Chairman Carlisle in January. These conditions in substance are:

- (1) The Government is not obligated to purchase its entire require-

ments of power from the companies, but, if it should not do so, the contract rates shall be subject to an equitable adjustment.

(2) The Government reserves full liberty at any time to build and operate an electric power plant of its own in New York City if it should decide to do so.

(3) The companies concede that the rates under the new contracts are reasonable and adequate to cover the cost of the service plus a reasonable profit.

(4) The books of the companies will be open at all times to representatives of the Federal Government and of the State and City of New York to permit determination of the relation of the rates charged to the Government to those to other consumers.

In entering into the new contracts, each of the companies concerned will accept the principle of a single consolidated contract for all service to Government establishments for which the Treasury Procurement Division acts as buying agent. The advantage to the Government of the consolidated form of contract covering all Government establishments served by a single operating company is that it permits the application of quantity rates, based on a large volume of current, which are similar to the rates in effect for large industrial users of electricity. The Treasury Department since early in 1934 has been negotiating with Consolidated Gas and its subsidiaries in an effort to obtain these quantity rates, based on the principle that the Government is a single user of electric energy. Consolidated Gas and its companies had consistently refused to grant this concession until after it had become publicly known that the construction of a Government power plant in New York City was under serious consideration.

None of the Government establishments in New York City has had any contract for electric current since June 30, 1934, when 176 separate contracts for that many different Federal buildings and establishments expired. In each of these 176 contracts the same rates had been applied as if each contract represented a separate user of electric current. Substantially these same rates had been in effect to Federal establishments for more than twenty years.

In response to calls for bids, after months of negotiation by the Procurement Division with Consolidated Gas and its subsidiaries, the operating companies on July 20, 1934, submitted bids on the old basis virtually identical with the contracts previously in effect, refusing to recognize the Government as a single buyer for all its establishments. The Procurement Division rejected these bids, and, since July 1, 1934, service has been furnished without contract and without payment, pending further negotiations.

Late last year Consolidated Gas and its various subsidiaries made known their definite refusal to execute the blanket contracts which the Government sought. On January 21st of this year, however, Chairman Carlisle of Consolidated Gas submitted an outline of a plan conceding the Government's contention and offering the rates incorporated into the present contracts.

May 8, 1935,

The following statement was made by Mayor LaGuardia:

After conferring with Secretary Morgenthau I have decided to accept the new bids of the Consolidated Gas Company and have instructed Commissioner Davidson to execute contracts for service for the year 1935.

Like the Federal contracts the rates are retroactive to January 1, 1935. The bids submitted by the Consolidated Gas Company on December 17, 1934 for the 1935 service were rejected. The rates obtained by the City for public building lighting and power are comparable to the bids submitted to the Federal Government and our saving will amount to \$1,092,965.20, or about 36.06%. The saving in our street lighting system is about \$692,554.00. There is a corresponding reduction of cost of current.

The companies assume the entire servicing of street lighting and the greater portion of the charges is for personnel and material. We have succeeded in obtaining for the first time a break-down of the street lighting costs and are now in a position to study them very carefully.

The City specifications embodied what have become known as the Federal clauses stated by Mr. Morgenthau today.

The situation insofar as the servicing for public buildings and public purposes is concerned is settled for the year 1935. The City has an additional responsibility and that is the rates to the consumers. The arrangements do not preclude the City taking such action as may be advisable to protect the consumers at this time.

Our total saving is a little over two million four hundred thousand less than their bids on December 17.



13/25  
10 PM  
St Line

The American Dollar

Total cards  
3059

It is my purpose, tonight, to state a few simple facts which, I hope, will contribute to a clearer understanding of the monetary policy of the United States. I shall not enter into complicated discussion of the theory of money. I shall merely tell you what was done....why....and the effect.

In order to examine the record in logical sequence, it is necessary to review, briefly, the background of our present problems. Foreign trade has, from the beginning, been an important factor in the business of the American people. During the eighteen years immediately preceding the outbreak of the World War, we exported thirty-one billion dollars worth of merchandise, almost all of which was paid for with goods and services that we received. The net

127  
2932

gold movement to us was relatively small, amounting to \$174,000,000. Foreigners invested in the United States, during those eighteen years, two billion dollars; Americans invested abroad, one billion dollars. At the out-break of the World War, the American people owed the world three billion dollars more than foreigners owed us. That was what the ledger showed on July 1, 1914.

With the beginning of the World War, a tremendous change took place. From July of 1914 to the end of 1922, we exported forty-seven billion dollars worth of merchandise. Much of this was paid for with goods, services and gold, but there remained due us a balance of 19 billion dollars, for which we took mostly promises to pay.

Now note the contrast. In the previous 18-year period, with our country one of the world's attractive

148  
 2784

fields for capital investment, we drew in about one billion dollars net from abroad, but when we became a creditor nation, the net outflow of capital reached nineteen billion dollars in the eight years between the beginning of the World War and the end of 1922.

Nor did we stop there. We continued to export more than we imported, thus accumulating an additional two and a half billions of dollars of net foreign investment by the end of 1929.

If we deduct from the grand total of our loans and investments abroad all of the loans and credits that foreigners have here and then examine the status of our net foreign investment, we find that an amount equal to two-thirds of it is today in partial or complete default.

There you have the background, from an American

point of view, when in 1931 things headed toward a crisis all over the world. Credit and currency difficulties which had been spreading throughout Europe came to a head in the Spring of that year. On September 21, 1931, Great Britain suspended gold payments. Norway, Sweden, and Denmark followed within a week. Japan acted in December. Other nations either went off gold or took equivalent action to control their foreign exchange.

As the nations went off gold, the value of their currencies in international exchange dropped sharply, and our customers found it difficult to get dollars with which to pay for American products. They could trade with each other to some extent, but they bought from us only what they could not do without. The physical volume of world export trade dropped about one-fourth from 1929 to 1932, but our exports dropped almost one-half in the same period.

159  
2483

2483

During 1932, England increased her share of the world trade by 16 percent over the previous year; and Japan by 29 percent. To say that we merely shared in world-wide misfortune is not entirely accurate, because our share included an additional penalty for remaining on the old gold standard.

one  
fifth  
of share

While total world export trade declined, those countries which promptly went off gold increased their share of what remained.

Some of the countries became alarmed because they could see the bottoms of their gold bins. They and others exerted pressure to have foreign credits called home. Sometimes these credits responded by going in the other direction just as fast as they could travel. Gold was stampeding from country to country, always leaving the place where it was needed, and rarely doing

134  
2349

- 6 -

its new hosts any good.

In January of 1932, gold began to leave the United States in alarming amounts. This was fair notice to all concerned that our turn was next. The panic was knocking at our door, but nothing effective was done to avert it. Europeans knew that we could not maintain our currency at the old gold level without a further ruinous deflation of our prices, trade, and industrial activity. Facing that crisis, the previous Administration stubbornly refused to take action, evidently under the impression that that was a proud achievement, when it was obviously economic suicide.

Foreigners had left here more than a billion dollars to enjoy our high interest rates and prospects of quick profits. Seeing what was happening, they judged that it was high time to take this money home.

137  
22/2

They did so, and the panic was on. We could not offer them their defaulted paper when they called for their money. We could not even offer them their paper that was not in default. We had let them have the money on long-term loans; and they had short-term loans here. Our long-term paper was not due, while their short-term loans could be collected and their stocks sold. They could demand gold for every dollar due, and that is what they did. Thus it happened that, in the first six months of 1932, we witnessed the incredible spectacle of gold going out of the world's greatest creditor nation on every ship .... nearly all of it to nations that were in our debt. Still nothing effective was done to avert the disaster.

Stupendous as the gold movement was, we could not ship fast enough to meet the demand, and speculators

154  
 2058

took advantage of the situation to sell the dollar. They were not all foreigners, either. However, the citizenship of these snipers is not important since their dominant trait is an utter lack of patriotism or loyalty to any nation. They would sell civilization itself short if they could, and for all they knew at that time, they might have been doing so.

Our loss of gold, added to the calamity of declining trade, falling commodity prices, and widespread unemployment, caused bewilderment and then panic. The disaster swept over our country with the fury of a hurricane. Within a few months our financial structure was in a state of collapse. In the month of February, 1933, and up to the time President Roosevelt took office, about half a billion dollars in gold and nearly two billion dollars in currency were withdrawn from our banks.

145  
1913

1913

They were closing, not individually, but by whole states at a time. That was the situation when this Administration came into office. On taking his oath, Mr. Roosevelt assumed both the duties of President and receiver for a concern .... the richest on earth .... but on that tragic day face to face with insolvency.

We were headed for disaster unless the run on the banks could be stopped, and our gold reserves reassembled. Both objectives were promptly achieved. The President's Proclamation closed the banks, ending the run, and the gold was ordered into the custody of Uncle Sam under penalties. Those two acts met the domestic emergency. An embargo on gold exports was declared and that ended the outward flow. This effectively took us off the old gold standard and the dollar began to adjust itself to the realities of the world situation.

TWO FIFTHS

142  
1876

In going off gold, we were not the first, we were the thirty-first. The operation was completed in January of 1934 when the dollar was revalued and set at 59.06 percent of its former gold content. Since that time we have enjoyed the soundest currency in the world. It is, in fact, so sound that we find gold flowing back into this country to take refuge in our dollar; not to pay balances but to find safety. Some of the same sharpshooters who personally conducted the flight of gold from this country during 1932 and the first two months of 1933 are now bringing it back.

But let us return to the record and see what our new dollar did for our foreign trade. I shall take all three of the commonly used yardsticks and apply them.

First: Measured in physical volume, the United States increased its export trade during 1934 as compared

167  
 1604

with both 1932 and 1933.

Second: Measured in dollar value the United States increased its foreign trade in 1934 as compared with 1932 and 1933.

And, finally: Measured by percentage share in the physical volume of total world trade, we again show an increase over both 1932 and 1933.

This is the more remarkable because the volume of our agricultural exports was declining.

In 1934 we shipped one-third less cotton than in 1932; but.... we got seven percent more money for it.

We also got a higher price for our wheat, but the drought can account for most of the increase.

Our wheat exports have also been affected by quotas and embargoes. Some of our former customers prefer, for reasons of national policy, to grow their own wheat, regardless of price.

150  
1454

Because of these unusual factors, I can not trace with accuracy and fairness the full effect of our monetary policy upon agricultural exports.

A better test is offered by manufactured goods.

The physical volume of all our finished manufactures exported in 1934 increased 37 percent compared with 1932; semi-manufactures increased 47 percent in the same period.

To be concrete, let us take a specific article, such as the automobile. In 1930 we exported 238,000 cars. In 1932, with our country one of the very few remaining on the old gold standard, we exported 65,000 cars. In 1933 under the Roosevelt monetary program our exports shot up to 107,000 cars. Last year they more than doubled; they came right back to where they had been in 1930.

147.  
1309

During the disastrous period of declining sales, the world still wanted American automobiles but it could not get the dollars to pay for them. Nothing startling developed in the way of foreign competition; our dollar prices had not gone up; and quality remained just as good, or improved.

We simply had an interim during which we could not sell because the dollar was too high in relation to other world currencies; this Administration lowered the gold content of the dollar and the foreign market is being restored to our automobile manufacturers with such rapidity that the benefits are already nation-wide.

THREE FIFTHS

Some people have been telling you that there simply could not be any benefit in restoring trade by bringing our money into reasonable relation with the other moneys of the world. I decided to get the answer

to that question from the manufacturers themselves.

They ought to know best. I asked the executive heads of twenty-nine large representative firms whose products are a cross-section of our industry to tell me:

First: Whether they are getting any more foreign trade.

Second: Whether employment in their plants has increased.

Then, I examined their published reports to find out whether they were making any profits. Here are the combined answers.

To the first question .... whether they are getting any more foreign trade .... they answer "yes". In 1934, which was the first full year under the Roosevelt monetary program, their export sales were 59 percent greater than in 1932.

113  
1056

- 15 -

To the second question .... whether the number of their employees has increased .... they also answer "yes". Two hundred and four thousand more men and women were working in their plants during 1934 than in 1932, an increase of 34 percent.

To the third question .... whether they are making any money .... the answer is again "yes". Their combined loss in 1932 was one hundred and twenty-one million dollars; their combined profits for 1934 were in excess of one hundred and twenty-eight million dollars. These figures include their losses and earnings on domestic sales also. Domestic sales followed substantially the same course as their foreign sales. When foreign sales hit rock bottom so did domestic sales; and when foreign sales recovered under the Roosevelt monetary program, domestic sales recovered with them. So there you have

144  
912

1009  
912

the testimony of the best qualified witnesses.

Under the monetary policy of this Administration, they lifted themselves out of a deficit in excess of one hundred million dollars to earnings in excess of one hundred million dollars; and employment increased by more than 200,000.

There are many indications that world trade will continue to increase. Our monetary policy in relation to foreign trade is not intended to capture business, but merely to protect our normal share. So far from engaging in a competitive devaluation race with the other nations, we hold out to them a currency of such steadiness that the normal tendency may very well be for the rest of the world to move gradually toward practical exchange stabilization. If that can be achieved, the final step should come easily and

134  
778

- 17 -

almost of its own accord. Unless somebody rocks the boat that would be the natural course.

In estimating the future of our foreign trade in relation to our monetary policy, we may as well face the question whether we wish to sell abroad vast quantities of goods that the buyers can not pay for, unless we lend them the money. Of course, if we want more paper there are plenty of international bankers to arrange the details. We felt rich on that paper during the roaring twenties. Now we know better.

In place of paper, under the operation of our new monetary policy, we have been receiving large shipments of gold and silver. Some of it came to settle trade balances, and some represents capital seeking refuge in our sound currency. Various economists will tell you that this policy is likely to end our foreign

---

145  
638

- 18 -

trade; that first we strip the world of gold and then our foreign trade dies. But we are not stripping the world of gold. We have more gold than ever before, but the world supply of monetary gold is also increasing rapidly. Production now proceeds at the rate of about one billion dollars annually, and will continue to increase. The great nations are restoring their reserves. Meanwhile, percentages of the total held by the various nations show no alarming changes. We had 41.7 percent of all the monetary gold in 1922 and now we have 38.8 percent. France had 8.4 percent in 1922 and now she has 24.8. Great Britain lost gold heavily before she suspended gold payments in 1931, but since then has increased her share from 5.2 percent to 7.2 percent. With increasing gold production, and hundreds of millions of dollars worth of the yellow metal being

←  
FOUR  
FIFTHS

181  
452

brought out of hiding, surely some of it can be used to pay balances. We are also endeavoring to restore silver to greater usefulness as a monetary metal. It is the money of a large part of the world's population.

Objection to our course is sometimes based upon the assertion that we would bring vast quantities of the world's gold and silver here, only to be locked up in the United States Treasury .... the phrase commonly used is that the gold and silver thus become sterile.

At least, however, it goes to swell our monetary reserves. Loans in default are not very good backing for currency; indeed they might, without undue asperity, be described as also sterile. If we must choose

between the two, this Administration elects payment of international balances in monetary metals.

134  
 318  
 452

You have heard the argument that we should stabilize by declaring that we will not change the present gold content of the dollar. Some even go so far as to say that the other nations would certainly follow, if we took the lead. If we launched out alone on such a course, it would put us right back where we were in 1932, and offer a tempting invitation for the others not to follow, but again to take advantage of our disadvantage.

We realize the importance of world prosperity, and will evade no opportunity to assist in that direction...except the ever-present opportunity to donate prosperity at our own expense.

In conclusion, I should like to summarize this statement by saying:

First: You have an absolutely sound *dollar.*

130  
 ---  
 188

You have heard the argument that we should stabilize by declaring that we will not change the present gold content of the dollar. Some even go so far as to say that the other nations would certainly follow, if we took the lead. If we launched out alone on such a course, it would put us right back where we were in 1932, and offer a tempting invitation for the others not to follow, but again to take advantage of our disadvantage.

We realize the importance of world prosperity, and will evade no opportunity to assist in that direction....except the ever-present opportunity to donate prosperity at our own expense.

In conclusion, I should like to summarize this statement by saying:

First: You have an absolutely sound *dollar.*

130  
 188

dollar.

Second: The monetary policy of this administration rescued us from chaos; held the fort through the most trying period of our recovery program; and is now the spearhead as we advance steadily toward our goal.

Third: Of the great trading nations that revalued their currencies, we were the last, until quite recently, when Belgium joined us.

The world should know that when it is ready to seek foreign exchange stabilization, Washington will not be an obstacle. Our position was that of an innocent bystander who suffered untold loss in a fight that he did not start, and from which he could not escape. Why should we be singled out and admonished that the moral duty to restore order is primarily ours? Before we make any commitments, we must be sure that we

137  
55

will not lose what we have just regained. We are not unwilling to stabilize. However, if the great trading nations elect to continue under the present absence of rules we are no longer at a disadvantage. We revalued our currency no more than was necessary and we can go either way. Our hands are untied.

May 14, 1935.

W. Randolph

Burgezs: Find your ethics all right?

H.M.Jr: Yes. Did anybody like the speech in New York?

B: Well, I haven't talked to - much with anybody yet.

H.M.Jr: I see.

B: I think - my feeling - I think the feeling is, on the whole, that the general effect will be good. Now, the best test on that is your marketing -

H.M.Jr: Yes.

B: - And your market is in a little - better perhaps today -

H.M.Jr: Yes.

B: - Not much, it took the shade better.

H.M.Jr: Well, if you hear any of the gossip, give me a ring, will you?

B: All right, sir.

H.M.Jr: Thank you.

B: All right.

H.M.Jr: Goodbye.

B: Goodbye.

752

May 14, 1935.  
Tuesday.

Robinson: Hello, Henry?

H.M.Jr: Hello, Joe.

R: Joe talking.

H.M.Jr: Yes.

R: I listened to your speech last night; let me congratulate you.

H.M.Jr: That's awfully nice of you to call me, Joe.

R: I wonder - I called you, however, about W. E. Reynolds -

H.M.Jr: Yes.

R: How long has he been in the Treasury Department?

H.M.Jr: I don't know that he is.

R: What's that?

H.M.Jr: I never heard of him.

R: Well, W. E. Reynolds is the man who was accused by Glavis of having a close contact with Watts of Stewart & Company.

H.M.Jr: W. E. Reynolds was -

R: W. E. Reynolds.

H.M.Jr: - was accused of what?

R: He was accused by Glavis -

H.M.Jr: Glavis.

R: - of having a close personal contact with Stewart & Company

H.M.Jr: Having close personal contact -

R: It was alleged that through Reynolds Stewart was able to get modifications in the conference. Now, Reynolds was mentioned in the report of Admiral Peoples or the letter of Admiral Peoples which went to Glavis in February '35.

H.M.Jr: I see.

R: Now, Huey Long is talking about the Glavis letter right now on the floor.

H.M.Jr: Yes.

R: My recollection is that Reynolds has been in the Treasury

Department through many years and many Administrations.

H.M.Jr: Well, now, where are you talking from?

R: I'm talking from the Democratic cloak room of the Senate.

H.M.Jr: Can I call you back in two minutes?

R: You can, please.

H.M.Jr: I'll call in two minutes.

R: I'll be waiting for you.

R: Yes.

H.M.Jr: Reynolds wasn't in the city at that time, is it?

R: Yes.

H.M.Jr: Yes?

R: Yes.

H.M.Jr: In other words, every investigation that was made that Glavin made against Reynolds was a good thing and was cleared up. He wasn't entertained by anyone in the city when they said he was not all that sort of thing.

R: Yes, I understand all that.

H.M.Jr: He was brought into the Treasury by Clegg Roberts.

R: He was?

H.M.Jr: Yes.

R: I see.

H.M.Jr: Yes?

R: So was brought into the Treasury by Clegg Roberts.

H.M.Jr: Yes.

R: I thought that he was an old man.

H.M.Jr: No, he was brought in by Clegg Roberts.

R: I see. All right, sir, thank you so much.

H.M.Jr: You're welcome.

May 14, 1935.  
Tuesday.

TSF

H.M.Jr: Hello.

Robinson: Hello, Henry.

H.M.Jr: Joe, this is what I find out: we investigated every charge that Glavis made against W. E. Reynolds -

R: Yes, I know that and I put it in the Record yesterday. That's all in the Record.

H.M.Jr: Well, now do you know this that the time that he was supposed to be entertained by Watts, see -

R: Yes.

H.M.Jr: Reynolds wasn't in the city at that time at all.

R: Yes.

H.M.Jr: See?

R: Yes.

H.M.Jr: In other words, every investigation that - every charge that Glavis made against Reynolds was - I mean, Reynolds was cleared of. He wasn't entertained by Watts; he wasn't in the city when they said he was and all that sort of thing.

R: Yes, I understand all that.

H.M.Jr: He was brought into the Treasury by Chip Roberts.

R: He was?

H.M.Jr: Yes.

R: I see.

H.M.Jr: Yes.

R: He was brought into the Treasury by Chip Roberts.

H.M.Jr: Yes.

R: I thought that he was an old timer.

H.M.Jr: No, he was brought in by Chip Roberts.

R: I see. All right, sir, thank you so much.

H.M.Jr: You're welcome.

May 14th

After talking to the President this morning I told Lochhead to sell 250,000 ounces of silver in London. Silver jumped from 73.60 in London to 76.31. I felt that the advance was too sharp and under the London agreement I am authorized to stabilize the price of silver.

- Q. Yes.
- A. The District of Columbia in that.
- Q. Yes.
- A. I understand you've got an advisory plan for the Bureau of Printing and Engraving.
- Q. Yes.
- A. That's too much.
- Q. Well -
- A. We don't need that much to print the money for the year.
- A. And those books - and I understand that there's about two hundred and fifty thousand feet of paper in stock in the Treasury Building and when you're talking about the printing of the money, would you actually need or build upon your stock.
- Q. Well, I'd want rather have the money that I would the Bureau of Engraving.
- A. Spent.
- Q. I need that money for the year.
- A. You think your money is more important?
- Q. I need that for doing that, yes.
- A. The only trouble about your money, it'll cost about two million dollars for your - for your ground.
- Q. How long are you going to be in your office?

May 15, 1935.  
Wednesday.

Buchanan: Hello, Mr. Secretary.

H.M.Jr: Hello, Mr. Buchanan.

B: How're you?

H.M.Jr: I'm fine.

B: Well, listen, I've been going over the estimates; expect to start hearings on next Monday among other things on public buildings -

H.M.Jr: Oh, yes.

B: The District of Columbia <sup>is</sup> in that.

H.M.Jr: Yes.

B: I understand they've got an enlarged plant for the Bureau of Printing and Engraving -

H.M.Jr: Yes.

B: Which takes about five - something over five million.

H.M.Jr: That's too much.

B: Well -

H.M.Jr: We don't need that much to print the money for Mr. Patman.

B: And then that - and I understand that leaves about two hundred and fifty thousand feet of space to leave the Treasury building and other activities, and I'm wondering if we adopt that enlarged building would you actually need or insist upon your annex.

H.M.Jr: Well, I'd much rather have the annex than I would the Bureau of Engraving.

B: What?

H.M.Jr: I need that annex worst of all.

B: You think your annex is more important?

H.M.Jr: I need that for Danny Bell, yes.

B: The only trouble about your annex, it'll cost about two million dollars for your - for your ground.

H.M.Jr: How long are you going to be in your office?

B: I'll be in here -

H.M.Jr: Be there for another fifteen or twenty minutes?

B: Sure.

H.M.Jr: Let me get Bell down here and have a talk with him.

B: All right.

H.M.Jr: And I'll call you back.

B: All right.

H.M.Jr: I appreciate your calling me.

B: All right, Mr. Secretary.

That's it, it all enlarged program because it exceeds the Budget.

I see. In other words - as I got it, under existing conditions your mind about five million dollars for building work in the District, is that it?

No, there were six million dollars -

Six million.

- of the District, Bureau of Printing and Engraving and appear in the Budget - if you increase the amount of Printing and Engraving to five million two hundred thousand.

Well, I didn't know about that. But you've set aside six million dollars for public buildings for the Treasury in the District.

Yes.

Is that right?

Yes, sir.

Now, we've got to stay within that.

Yes, sir, that's the estimate, that's the Treasury's estimate.

I know. Well, thank you very much. I'll get McKeown tomorrow and we'll call you back.

ask him to call us in the afternoon. We might not get in - might not find me tomorrow, I'm a roundabout in the morning.

May 15, 1935.  
Wednesday.

89c

H.M.Jr: Mr. Buchanan?

Buchanan: Yes, sir.

H.M.Jr: I find out that McReynolds is out of the building this afternoon.

B: Yes.

H.M.Jr: Would tomorrow morning be time enough or do you want an answer this afternoon?

B: No, sir, tomorrow morning is plenty time enough. I suggest to you to make it tomorrow afternoon.

H.M.Jr: All right. Well, we'll call you tomorrow afternoon. As I - as I understand it, you feel that we can't have both an annex to the Bureau of Engraving and a Treasury annex, is that it?

B: That's it, on an enlarged program because it exceeds the Budget.

H.M.Jr: I see. In other words - as I get it, you're setting aside in your mind about five million dollars for buildings in the District, is that it?

B: No, there were six million dollars -

H.M.Jr: Six million.

B: - of the District, Bureau of Printing and Engraving and annex in the Budget if you increase the Bureau of Printing and Engraving to five million two hundred thousand.

H.M.Jr: Well, I didn't know about that. But, you've set aside six million dollars for public buildings for the Treasury in the District?

B: Yes.

H.M.Jr: Is that right?

B: Yes, sir.

H.M.Jr: Now, we've got to come within that.

B: Yes, sir, that's the estimate, that's the Treasury's estimate.

H.M.Jr: I know. Well, thank's very much. I'll get McReynolds tomorrow and we'll call you back.

B: Ask him to call me in the afternoon. He might not get me - might not find me tomorrow, I'm a roustabout in the morning.

H.M.Jr: All right. Thank you.

B: You're welcome.

May 25, 1948

L. B. Searall, San Francisco, Calif. - "I have been enjoying listening to your talk over the radio and during night and week apartments receiving a copy of your program."

Charles A. Ryan, New York, New York - "I have followed you attentively to you over the radio. Your explanation of some of your freedom especially carried the note of truth and justice in sharp contrast to the historical blindness of your former country. I am particularly struck by your gentle manner. That is a great feat, yours is certainly the most important and vital job in the country. You are guiding us through the darkness and that should mean to the history of our country. It is a wonderful task. We hope you are there this could have some importance with you and you get you take no credit for it. This is your country."

Robert E. Salomon, Akron, Ohio - "After listening to your program radio talk on May 12th, writes the President of the United States, 'The average American citizen has little understanding of foreign trade and exchange and how a settlement is effected with the purchase of such goods as coffee from Brazil or such goods as sugar from Cuba. I respectfully suggest that to further such trade, involving international exchange and develop such an understanding of international payments be explained in my country in plain and simple terms. In other words, they are to be explained in the language of the masses and understood by the people. I suggest that the classes understanding by the people the business and the progress of the world with which your country is so well equipped and the progress it has made.'"

Robert Salomon, Akron, Ohio - "I have followed you attentively to you over the radio. Your explanation of some of your freedom especially carried the note of truth and justice in sharp contrast to the historical blindness of your former country. I am particularly struck by your gentle manner. That is a great feat, yours is certainly the most important and vital job in the country. You are guiding us through the darkness and that should mean to the history of our country. It is a wonderful task. We hope you are there this could have some importance with you and you get you take no credit for it. This is your country."

ABSTRACTS OF RADIO SPEECH

May 24, 1935.

J. B. Sarratt, San Francisco, California - "I very much enjoyed listening to your talk over the radio last Monday night, and would appreciate receiving a copy of your address".

Charles A. Eron, New York, New York - "I have listened very attentively to you over the radio. Your simplicity of style and your frankness certainly carries the note of truth and sincerity in sharp contrast to the rhetorical blah-blah of some of your critics. I am particularly struck by your gentle modesty. Next to the President, yours is certainly the most important and vital job in the country. You are guiding us through the darkest and most crucial epoch in the history of our country. It is a stupendous task. How many men are there that could have accomplished what you have? And yet you take no credit for it. This is true modesty."

Robert B. Johnston, Akron, Ohio, after hearing Mr. Morgenthau's radio talk on May 13th, writes the President "It is my belief the average American citizen has little understanding of foreign trade and exchange and how a settlement is effected when we buy perfume f from Paris or coffee from Brazil or sell tires to Great Britain. May I respectfully suggest that in future radio talks involving international exchange and foreign trade that the fundamentals of international payments be explained to the public in other than economic terms. In other words, 'Tell it to the Finnagans and the Stuyvesants will understand'. The result, I believe will be a clearer understanding by the people and a greater appreciation of the problems with which your Administration has been confronted and the progress it has made."

George Felsing, Laurens, Iowa, violently criticises the Secretary's radio address saying that he is fooling the public. Mr. Felsing says that if, as the Secretary claims, the President is the receiver of a country faced with insolvency, there is all the more reason that the Administration should absolutely control the banks and turn the present bankers out as unfit custodians of public funds.

89F  
AA

SURVEY OF LETTERS COMMENTING ON RADIO SPEECH

May 15, 1935.

About 20 letters on the speech divided nearly half and half in praise and attack as follows:

P R O

John J. McCann -- Coal -- Poughkeepsie, New York.

"Congratulations on your speech which was put over very effectively. It was conservative, constructive and reassuring. With best wishes and kind regards."

O. E. Moore, Collector of Internal Revenue, Cleveland.

"Last night I listened to your talk over the radio. Personally, I was greatly pleased with it because of its clarity, its direct dealing with the facts and its freedom of confusing statistics. However - and what is more important - every reaction I have had today from people, all outside this office, who heard you last night or read your address in today's papers, has been good. I know this information will be of interest to you. You made a very clear and convincing talk on a subject that to most people is very confusing."

Mr. H. Ross Camerota - Cleveland.

"After hearing your eloquent address over the radio last evening, I could not refrain from writing you to extend my hearty congratulations for your most sensible, sane, clear and adept account of the money situation. I cannot help but tell you that I think your address was the most constructive and concise that I have heard on the radio since President Roosevelt's inauguration."

G. Edgar Locke, Brooklyn, New York.

"I thoroughly enjoyed your radio talk tonight and only regret it wasn't longer. It will do a great deal to placate those people who, in their ignorance, have become unduly alarmed over the pernicious phrase "unsound dollar". Your closing statement with relation to the Administration's maintaining a free hand as regards stabilization is notice to the world that we will not be made the goats, and notice to us that we are indeed fortunate in having a Secretary of the Treasury in Washington who knows 'what it's all about'."

- 2 -

Mr. S. M. Jackson Jacobs of New York City.

"I am one of the general public who is trying to understand this money question. I listened attentively to your radio address and found it very lucid to the layman mind and think we should hear more from you."

Herman Bernstein - Sheffield, Mass.

"I wish to congratulate you heartily on your splendid address last evening. It is a remarkably fine document. You are establishing a most notable and praiseworthy record of constructive and dignified achievement."

Robert W. Dowling, New York City.

"My father and I listened to your radio address last night and we enjoyed it very much. I want to congratulate you and let you know how fine we thought it was."

Nathan Straus, New York City.

"Although I know you are very busy, and I know you receive thousands of letters, I cannot help congratulating you on your radio broadcast last night. I know too little of international finance to be able to appreciate in detail the soundness of the policy you are pursuing. That, however, does not prevent me from admiring the clarity of your presentation, and it does not prevent me from deriving especial pleasure from one sentence in your speech. I have cut it out and kept it for future quotation."

H. D. Munday of Schenectady.

Mr. Munday gives a list of the names of 8 people to whom he would like copies of the address sent. No comment but he must have thought it good.

The Professor of Public Speaking at Georgetown University has also requested a copy, merely saying he was interested in the speech.

Also an anonymous letter in ironic vein saying, "I have listened to your speech and President Roosevelt's and am convinced that neither one of you know a thing about running our country. You don't promise enough things that cannot be carried out. The next time you or the President make a speech you should promise many wild things such as 'Every Man a King', etc., to make a big hit with the simple minded."

Q Q N

Mr. I. Williams of New York quotes Senator Glass as describing the Administration's program as, "dishonest, dishonorable, immoral". A Democrat all his life Mr. Williams says he is thoroughly disgusted and worried. The talk was a lot of misrepresentation of facts and left many important things unsaid. The blame belongs to Roosevelt but Mr. Morgenthau and Governor Lehman get their share.

Ben V. McAniff, President of Swan-Finch Oil Corporation of New York says, "I was disappointed in your talk last evening. It was well prepared and delightfully given, but leaders of the business world want to know what the Administration's plans are on gold value, silver policy, balancing the budget, etc. Shall business go ahead with new buildings, machinery and plans for the future? Is it safe to employ more men? A statement on future policy would help to restore confidence which is the thing most needed by the Administration".

Five postal cards varying from extremely abusive to the type signed "A disgusted Democrat".

Samples --

"In spite of your recent optimism things are still lousy for the average business man."

"All New Dealers should jump in the Potomac or be shot at sunrise."

"As Secretary of the Treasury I would say you are a good farmer."

"We saved and you spent. Inflation means ruin and a Republican victory in 1936."

"Don't you know your boss said it was a 'libel on the credit of of the United States for Hoover to say we nearly went off the gold standard'?"

59 H  


ABSTRACTS OF RADIO SPEECH

May 16, 1935.

Dorothy L. Benson, Chicago, Illinois - "Secretary Morgenthau's speech was very interesting and he cited so many important statistics that I would like to have a copy of his talk".

Mr. O. W. Ulrich, Chicago, Illinois - "I listened to your radio address with a great deal of interest on Monday and would appreciate your sending me a copy".

Birge Kinne, Des Moines, Iowa (partial, letter being acknowledged for H.M.Jr's signature) - "Besides getting a real thrill as I always do when I hear you over the radio, I felt last night when you finished that I had really heard a thesis on money. It was so good that I wanted to write you and tell you about it. If every department in the government could explain its moves in a manner like you did last night, we would find the country and the business men, in particular, much more in sympathy with the government".

David S. Muir, Elizabethtown, Indiana, - "I wish to say I enjoyed your speech very much and would like to have a copy. I was a former Republican but sure am for the New Deal 100%. I am a farmer and can say I am enjoying the effects of same. Tell Franklin D. R. I love him for standing pat on the Bonus".

E. J. Huyge, Chicago, Illinois - "Your radio address of last evening entered our home, and we desire to thank you for the information so generously imparted - it is, indeed, refreshing to hear the truth about the money side of the previous administration, who made no "bones" about misleading us common people. Again we thank you for employing plain language that caused us to readily understand your very interesting radio address".

Paul Bollinger, Detroit, Michigan - "May I not take this means of congratulating you on your splendid discussion of the monetary policy of this Administration, over the radio last night. How any patriotic American can hold any other view is beyond my comprehension. Nevertheless, I do think that, by failing to keep the facts, such as you presented, constantly before the public, the Administration has invited much of the unsound and ridiculous adverse criticism to which the policy has been subjected."

P. B. Flynn, Wichita Falls, Texas - "I have just read newspaper account of your radio speech of last evening, and I want to add my voice to the millions of American citizens who I know are elated over

your masterful and concise handling of your subject. This should be a final answer to the rabble of brokers and U. S. C. of C. who want stabilization and who claim they want to know where we stand. I think this speech will go down in history as one of the greatest utterances that history will record for your department and so truly I want to congratulate you and our great President in having appointed such an able Secretary of the Treasury."

H. E. Morgan, Berlin Springs, Michigan - "We appreciate the fact that we have a Treasurer who is willing to make occasional reports to the public. Keep up the good work and please send me a copy of your talk".

A. Falke, Coconut Grove, Florida - "Your most interesting and important talk over the radio was very much enjoyed last night. I think every thinking citizen of the U. S. owes you thanks for your untiring labor, so unselfishly given for the good of our land. May the time come soon when this fact will be universally recognized."

Norman H. Davis, New York, New York (being acknowledged for Secretary's signature) - "I want to congratulate you on your speech outlining our financial policy. I particularly like the simple, concise and explanatory historical analysis. It should be of considerable educational value and have a good political effect. I have gotten rather tired of arguing here and abroad with those who ignorantly assert that there was no reason or necessity for our going off gold and that we are blocking efforts at stabilization. You have answered conclusively."

S. Eugene Twining, Atlantic City, New Jersey - "Your incontrovertible statement of facts with regard to the American dollar should be most gratifying to every unbiased free thinking American citizen. It was intensely gratifying to me that you should have made psychoanalytical incursions into the minds of the incumbents of high office during the past Wall St. controlled mis-administration and turned the searchlight of scrutiny on the manipulations of the 'snipers' who had sold America 'short', who had shipped our gold into defaulting Nations".....

Joseph J. Chappet, Piroe Loan, Missouri - "We heard your talk over the radio and must say was disappointed. We expected you to explain the government's monetary system as applied to the running of our own business. We don't give a hooop for the international phase. That we want to know is are you going to keep up the practice of borrowing to carry on the affairs of the government here at home."

Emerson G. Ives, White Plains, New York quotes the Secretary's sentence about the removal of gold in 1932 and says "I have no fault to find with just and fair criticism, but when you make such a statement you are creating an impression which is not true. Had you omitted the

last sentence (about economic suicide) it would not have been so bad"..... Mr. Ives quotes the President's speeches about the danger of going off the gold standard and says "Regardless of your remarks of last evening there are many persons who believe we would be much farther advanced on the road to recovery had there been less tinkering with the currency since 1933."

John H. Black, East Cleveland, Ohio, submits several words which he claims the Secretary mispronounced and says that they struck harshly on the ears of the inlanders.

Five or six requests for copies of the speech containing no comments one way or the other.

V. Y. Dallman, Springfield, Illinois - "Permit me to congratulate you upon the address which you delivered last night. Enclosed please find an editorial which I wrote, and which appeared in the columns of the Illinois State Register today. Hoping this meets with your approval and with kind personal regards."

Dan M. Nee, Kansas City, Mo. - "May I congratulate you upon your discourse of the administration's monetary system, which you so ably presented on the radio last evening. It was most comprehensive and presented in very understandable language, and is a complete answer to the criticisms of the monetary policies of the President and yourself. The reaction is quite favorable, and for your information I am enclosing clippings from today's Kansas City papers. The Kansas City Times published your address in full, and I was pleased at the attitude of the Journal-Post in its article concerning your talk, as it is, and has been, a strong anti-administration paper."

*The American Kollar*  
*4/12/35.*

89 K  
*[Handwritten signature]*

ABSTRACTS OF LETTERS COMMENTING  
ON THE RADIO SPEECH

PFLUEGER, PAUL A. - "It was a splendid address. The policy laid down regarding stabilization was especially good."

SCHULMAN, MRS. A. W. - "Want to congratulate the Hon. Henry Morgenthau, Jr. upon his exceedingly clear and informative radio talk and that he succeeding in making the situation of "money" a bit clearer than ordinary person."

SANDERS, J. T. - "You did very well on your talk over the radio last evening..... We should have about \$10,000,000,000 put into circulation by the Frazier-Lemke route. If Roosevelt does not do this, someone else will."

LEWIS, C. M. - "I listened to your radio address and much of it was true but some of it unfair. You referred to the low condition of finance in 1932. Had Pres. Roosevelt met with Mr. Hoover soon after the election and cooperated there would not have been the great loss in bank withdrawals and panic. The uncertainty as to the policies of Roosevelt and his saying "it was not his baby" caused the panic more than any other one thing."

A GENTLEMAN WHO SIGNS HIMSELF "BILL" - "Heard your broadcast last night telling how Europe can now buy our goods in spite of the Tariff - chiefly automobiles. Like all political speeches you told people "something they like to hear"!!! Why didn't you also tell them that foreign mdse. cost the same as in 1932 in foreign countries but by the time we pay the Gov't. rate (not the \$ rate) on the duty, pay the Bankers their graft on the Exchange the same mdse. cost American Suckers 70 to 90% more than it did under the Gold Standard. You have some Bum mathematicians in Washington for us Suckers."

(Continued on Next Page)

491

Mr. F. F. Lemont, Chairman of Commerce Trust Company, Kansas City, Missouri. - Spinning you might like to know that the Democrats of this state think of your speech of Monday night, I enclose a letter which was received this morning from the publicity director of the State Committee. Am glad to tell you also that the reaction was fine from a very large majority of the bankers to whom I have talked within the last two days, and I have had a good opportunity to talk to them since yesterday was the principal day of the Missouri Bankers Association meeting at Excelsior Springs, at which meeting I was in attendance. Mr. Harvey, as Publicity Director of the State Committee, says, "I have spent the morning admiring the simplicity and force of Secretary Korgenhan's radio speech last night. It was a classic in vivid and clarified treatment of an unusually profound subject."

E. Aut of Chicago, Illinois. - Allow me to express my appreciation for Mr. Korgenhan's last Monday night radio speech. I am a sincere admirer of the Secretary of the Treasury and his interesting and frank discussions are always a source of great delight to me. Unfortunately, the newspapers of Chicago, without exception, are not very friendly to the present Administration and any of its capable members, and perhaps for that reason did not deem it necessary to print the full text of Mr. Korgenhan's address. Their space is probably too valuable for educational facts and must be reserved for prejudiced and bolsterous editorials. Therefore, I hereby take the liberty of asking you to kindly send me, if at all possible, a copy of Mr. Korgenhan's informative speech entitled "The American Dollar."

James W. Walton of Washington, D. C. says, "Your broadcast impressed me with its balance."

R. B. Wilson of Poughkeepsie New York. - "I wish to express my satisfaction with the friendly, confidence-inspiring talk on the dollar delivered by you recently over the broadcasting system."

Anna Pinchot sends a multigraphed copy of a telegram addressed to the Secretary, probably mailed out in quantity. (n.b. We did not see the original message from Mr. Pinchot.) "I must confess that your radio speech of Monday, May 13th, called the American Dollar seems to be a somewhat alarming document. \* \* \* Indeed, your speech, it seems to me, might well have been written after advising only with international bankers having little interest in American producers and being concerned mainly with problems of foreign exchange. \* \* \* In your speech you felicitate the country on the gains made under your 1934 monetary policy, which in reality reversed Roosevelt's LMS policy and obscured the recovery. It seems to me that with over twenty million farmers supported by public charity, with business in towns, with literally millions of farms and homes taken from their owners by deflation, and with our huge unemployment practically stationary in spite of vast government expenditures and mounting debt, your felicitation should, to say the least, not be too emphatic."

H. M. Batch of Detroit sends a critical editorial from the Detroit Free Press. He had previously written the Secretary complaining of the difficulties facing elderly persons with small incomes.

George B. Gould of Colorado Springs, Colorado. - "I enjoyed 'listening in' and by doing so obtained a much more intelligent understanding of the money situation."

John A. Henry of Harris, Pa. - "I will greatly appreciate receiving a copy of your radio address. It was excellent. The Administration is doing a great work, and God Bless and protect our great President."

O. E. Pattison, Shaw High School, East Cleveland, Ohio. - "May I say how I was pleased and interested in the address which you delivered over the radio net works May 13. I found the information which you gave of so much value that I should like to have it available in permanent form."

S. A. Belton, Managing Editor of Extension Magazine asks for the address "on the stabilization of world currencies", and wishes to be put on the list for press releases.

Walter O. Dills, a Philadelphia Insurance Agent & Broker. - "Your talk was very interesting but it seemed to be highly problematical. . . . People carrying large foreign deposits are alarmed but probably from the much talked of subject 'inflation'. That assurance do the people of this country have to protect themselves? Much could be accomplished by establishing in the minds of our citizens some assurance as to the future and stability of the country's currency."

Ralph A. Wilhoit of Los Angeles. - "Radio address was not released here. The newspapers carried only portions of it. We have a truly great President, and I am getting delightful entertainment and a liberal education from following the weaving of the web of economic recovery."

J. Russell Garner of the Federal Deposit Insurance Corporation. - "Your speech Monday night has brought a great deal of favorable comment to me and I congratulate you on the excellent way you put this difficult subject across. It was pleasant to listen to your voice and it came over my radio very nicely indeed."

A. E. Vandercrook of Vandercrook Co. - Gold. - "First, let me congratulate you upon your radio address. I was particularly interested in view of the fact that I am a gold producer and making distant commitments." Mr. V. goes on to ask about the outlook on deflation and on technical questions about gold.

Clarence F. Taylor of New York City telegraphs Senator Wagner who forwards it on to us. - "Today I feel that many citizens who have been filled with doubt and fear which I honestly confess has obsessed me regarding the New Deal see a new light in Secretary Morgenthau's address of last night stop The authority and power of this nation given voice to in his words has startled Wall Street and at times the silence of the tickers gave mute acknowledgment of the supremacy of the power of the United States. stop I am sending my congratulations to Mr. Morgenthau through you to whom I feel near enough to impose this pleasant duty."

Anonymous. "Your radio talk was intended, no doubt, to reassure Americans. My circle and I are very much worried over the safety of life insurance and life savings. The New Deal has no confidence from American patriots. This graft - political relief - is not fooling any one only yourselves." Sends clipping about Mills estate.

J. B. Edwards, Investment Securities, Cincinnati. - "I heard your radio address the other night with respect to the monetary situation. Outside of the statement that our dollar is safe, you did not explain the fact that it does not fluctuate in buying power and that it has not been devalued."

Mr. Ewart G. Cowper, Newfane, New York. "I liked your radio address this week very well and it cleared up a number of points in my Republican mind."

C. W. Kennedy, Editor of "The Sentinel". "Coming at a time when there exists so many conflicting opinions on policies affecting national welfare, your radio discourse last Monday night revealed a picture that should leave no doubt in the minds of thinking citizens as to what chartered course we should take. I cannot permit the passing of this opportunity to express to you my sincere admiration of your stand and the clarity with which you so ably presented it."

Mr. Peter Chituras of New York City. "The brilliant generalities of your recent statements over the radio have served to remind us of something which touches us deeply as taxpayers. I am referring to the unbalanced budget."

Walter Burch of St. Louis, Missouri. "Your radio address upon the Administration's Monetary Policy, on the evening of May 13th, was the clearest and most convincing discussion of the subject to which I have listened. It should be widely distributed." \* \* \* \* \* "The present attacks on our President have their origin in those who seek to gain control of the Government for selfish purposes. I have feared that the Coughlins and Longs might divide the liberal element and make possible the victory of the Old Guard. So, I hope the President will continue to fight in the open for public welfare". Mr. B. gives a long and detailed analysis of Ogden Mills' reply to the Secretary, and quotes some pertinent paragraphs from other speeches of Mr. Mills, as well as pre-election speeches of Mr. Hoover -- all very interesting material. He tells us, "I am not a radical, perhaps not as radical as the Administration has been, but I feel that we must follow our President or lose the benefits we have gained."

Milton A. Miller, Collector of Customs, Portland, Oregon. "I am pleased to write you that your late speech on the money question was very favorably commented upon and I believe meets with general approval of all classes of our people. I am especially pleased with your position on this very important question. I extend congratulations and am ready and willing to render any assistance that I can in helping you to carry out your splendid program."

A gentleman who signs himself "A Democrat" says he mistook the Secretary for Ed Wynn.

Miss Sara B. Hill of New York City asks if anyone has thought that it might be well to use some of the four billion eight hundred million to pay Government debts. She believes that the taxpayers would be relieved by this type of investment, and the Government would not be thought unfair and dishonest in its financial dealings. "Your talk over the radio was purposely misleading and will influence only the unthinking voters. It is regrettable that there are so many."

MEMORANDUM ON EDITORIAL REACTION TO SEC. MORGENTHAU'S RADIO ADDRESS MAY 13

Total number of editorials: 106

Favorable: 53

Unfavorable: 27

General Discussions: 26

Favorable

Memphis Commercial Appeal (Dem) 5/15  
Sioux City Tribune (Ind) 5/15  
Pa. Smith American (Dem) 5/15  
Hamilton Journal (Ind) 5/15  
Buffalo News (Rep) 5/15  
Rochester Dem. & Chron. (Rep) 5/16  
Cedar Rapids Gazette (Ind) 5/15  
Davenport Times (IndRep) 5/16  
Detroit News (Ind) 5/15  
Boise Statesman (Rep) 5/15  
Salt Lake City Tribune (Ind) 5/15  
Wheeling Register (Dem) 5/15  
Houston Chronicle (IndDem) 5/14  
Miami Herald (IndDem) 5/15  
Birmingham News (Dem) 5/15  
Houston Post (IndDem) 5/15  
Minneapolis Tribune (Ind) 5/15  
Norfolk Va.-Pilot (IndDem) 5/15  
Galveston News (IndDem) 5/15  
Durham Herald (Ind) 5/15  
Brooklyn Eagle (Ind) 5/15  
Kansas City Jour.-Post (Ind) 5/14  
Shreveport Times (Dem) 5/15  
Tulsa World (Dem) 5/15  
St. Louis Post-Dispatch (IndDem) 5/15  
N. Y. Wall St. Journal (Ind) 5/17  
Lincoln Journal (IndDem) 5/14

Unfavorable

Grand Rapids Press (Ind) 5/15  
Portland Oregonian (IndRep) 5/15  
Bangor News (Ind) 5/16  
Butte Standard (Ind) 5/15  
Colorado Springs Gazette (IndRep) 5/15  
South Bend Tribune (Rep) 5/15  
Des Moines Register (Ind) 5/16  
Butte Post (IndRep) 5/14  
St. Louis Globe-Democrat (Ind) 5/16  
Denver Post (Ind) 5/14  
Lynchburg News (Dem) 5/16  
Columbus Dispatch (Ind) 5/15  
Concord Monitor (Ind) 5/14  
Richmond Times-Dispatch (IndDem) 5/15  
Canton Repository (IndRep) 5/15  
Springfield, Mass., Union (Rep) 5/15  
N. Y. Herald Tribune (IndRep) 5/16  
Rockford, Ill., Star (Rep) 5/15  
Cleveland Plain Dealer (IndDem) 5/15  
N. Y. Journal of Commerce (Ind) 5/15  
Hartford Courant (Rep) 5/15  
Indianapolis Star (IndRep) 5/15  
New Haven Register (Ind) 5/14  
Boston Transcript (IndRep) 5/14  
Washington Post (Ind) 5/15  
N. Y. Herald Tribune (IndRep) 5/15  
Richmond News Leader (Dem) 5/14

General Discussions

Youngstown Vindicator (IndDem) 5/15  
Racine Journal-Times (Rep) 5/16  
Beaumont Enterprise (Dem) 5/15  
Wichita Eagle (Ind) 5/15  
Altoona Tribune (IndRep) 5/15  
Saginaw News (Ind) 5/15  
Wilmington Journal (Ind) 5/16  
Washington Post (Ind) 5/17  
Detroit Free Press (IndRep) 5/15  
Louisville Herald-Post (Ind) 5/16  
Waterbury Republican (IndRep) 5/15  
New Haven Journal-Courier (Ind) 5/15  
St. Paul News (Ind) 5/14  
Chattanooga Times (IndDem) 5/15  
Springfield, Mass., Republican (Ind) 5/14  
Kansas City, Mo., Star (Ind) 5/14  
Manchester Union (Ind) 5/15  
Newark News (Ind) 5/15  
Holyoke Transcript (Ind) 5/14  
Springfield, Mass., News (Dem) 5/14  
Chicago Tribune (Ind) 5/15  
New York Times (IndDem) 5/15  
Baltimore Sun (IndDem) 5/15  
Baltimore Evening Sun (IndDem) 5/14  
Dallas News (Dem) 5/10  
Detroit Free Press (IndRep) 5/11

dbq

MEMORANDUM ON EDITORIAL REACTION TO SEC. MORGENTHAU'S RADIO ADDRESS MAY 13

Total number of editorials: 106

Favorable: 53

Unfavorable: 27

General Discussions: 26

Favorable

Memphis Commercial Appeal (Dem) 5/15  
Sioux City Tribune (Ind) 5/15  
Ft. Smith American (Dem) 5/15  
Hamilton Journal (Ind) 5/15  
Buffalo News (Rep) 5/15  
Rochester Dem. & Chron. (Rep) 5/16  
Cedar Rapids Gazette (Ind) 5/15  
Davenport Times (IndRep) 5/16  
Detroit News (Ind) 5/15  
Boise Statesman (Rep) 5/15  
Salt Lake City Tribune (Ind) 5/15  
Wheeling Register (Dem) 5/15  
Houston Chronicle (IndDem) 5/14  
Miami Herald (IndDem) 5/15  
Birmingham News (Dem) 5/15  
Houston Post (IndDem) 5/15  
Minneapolis Tribune (Ind) 5/15  
Norfolk Va.-Pilot (IndDem) 5/15  
Galveston News (IndDem) 5/15  
Durham Herald (Ind) 5/15  
Brooklyn Eagle (Ind) 5/15  
Kansas City Jour.-Post (Ind) 5/14  
Shreveport Times (Dem) 5/15  
Tulsa World (Dem) 5/15  
St. Louis Post-Dispatch (IndDem) 5/15  
N. Y. Wall St. Journal (Ind) 5/17  
Lincoln Journal (IndDem) 5/14

Unfavorable

Grand Rapids Press (Ind) 5/15  
Portland Oregonian (IndRep) 5/15  
Bangor News (Ind) 5/16  
Butte Standard (Ind) 5/15  
Colorado Springs Gazette (IndRep) 5/15  
South Bend Tribune (Rep) 5/15  
Des Moines Register (Ind) 5/16  
Butte Post (IndRep) 5/14  
St. Louis Globe-Democrat (Ind) 5/16  
Denver Post (Ind) 5/14  
Lynchburg News (Dem) 5/16  
Columbus Dispatch (Ind) 5/15  
Concord Monitor (Ind) 5/14  
Richmond Times-Dispatch (IndDem) 5/15  
Canton Repository (IndRep) 5/15  
Springfield, Mass., Union (Rep) 5/15  
N. Y. Herald Tribune (IndRep) 5/16  
Rockford, Ill., Star (Rep) 5/15  
Cleveland Plain Dealer (IndDem) 5/15  
N. Y. Journal of Commerce (Ind) 5/15  
Hartford Courant (Rep) 5/15  
Indianapolis Star (IndRep) 5/15  
New Haven Register (Ind) 5/14  
Boston Transcript (IndRep) 5/14  
Washington Post (Ind) 5/15  
N. Y. Herald Tribune (IndRep) 5/15  
Richmond News Leader (Dem) 5/14

General Discussions

Youngstown Vindicator (IndDem) 5/15  
Racine Journal-Times (Rep) 5/16  
Beaumont Enterprise (Dem) 5/15  
Wichita Eagle (Ind) 5/15  
Altoona Tribune (IndRep) 5/15  
Saginaw News (Ind) 5/15  
Wilmington Journal (Ind) 5/16  
Washington Post (Ind) 5/17  
Detroit Free Press (IndRep) 5/15  
Louisville Herald-Post (Ind) 5/16  
Waterbury Republican (IndRep) 5/15  
New Haven Journal-Courier (Ind) 5/15  
St. Paul News (Ind) 5/14  
Chattanooga Times (IndDem) 5/15  
Springfield, Mass., Republican (Ind) 5/14  
Kansas City, Mo., Star (Ind) 5/14  
Manchester Union (Ind) 5/15  
Newark News (Ind) 5/15  
Holyoke Transcript (Ind) 5/14  
Springfield, Mass., News (Dem) 5/14  
Chicago Tribune (Ind) 5/15  
New York Times (IndDem) 5/15  
Baltimore Sun (IndDem) 5/15  
Baltimore Evening Sun (IndDem) 5/14  
Dallas News (Dem) 5/10  
Detroit Free Press (IndRep) 5/11

299

Favorable (Cont'd)

St. Paul Pioneer Press (Ind) 5/15  
Greenville, S. C., News (IndDem) 5/15  
Philadelphia Public Ledger (Ind) 5/15  
Worcester Telegram (Rep) 5/15  
Louisville Courier-Journal (Ind) 5/15  
Providence News-Tribune (Dem) 5/15  
Lowell Courier-Citizen (Ind) 5/15  
Brooklyn Times Union (IndRep) 5/15  
Milwaukee Journal (Ind) 5/15  
New York Wall Street Journal (Ind) 5/16  
Cincinnati Enquirer (IndDem) 5/15  
Birmingham Age-Herald (Dem) 5/15  
Hartford Times (IndDem) 5/14  
Brooklyn Citizen (Dem) 5/14  
Broekton Enterprise & Times (Ind) 5/15  
Dayton News (IndDem) 5/14  
Boston Herald (Rep) 5/15  
Boston Globe (Ind) 5/15  
Scranton Times (Dem) 5/14  
Syracuse Post-Standard (Rep) 5/15  
Boston Christian Science Monitor 5/15  
Providence Journal (Ind) 5/15  
St. Louis Globe-Democrat (Ind) 5/15  
Portland, Me., Press-Herald (Rep) 5/15  
Boston Christian Science Monitor 5/14  
New York Wall Street Journal (Ind) 5/15

Favorable

"...Mr. Korgenthan's report on the status of the dollar is refreshing. That it showed a healthy trend was reflected in the response from business interests throughout the country. It is to be hoped that we are, after all, on the right road"---Memphis Commercial Appeal (Dem) 5/15

"...Mr. Korgenthan is nothing if not forthright. He speaks so plainly that he leaves nothing in doubt...At last we have a currency system that operates for the benefit of the people, not international speculators and gold bankers..."---Stour City Tribune (Ind) 5/15

"See. Korgenthan made an able defense of the Administration monetary policy, and at the same time indicated that the United States is willing to join in world money stabilization when other commercial nations are ready..."---Galveston News (IndDem) 5/15

"Reception abroad of See. Korgenthan's demarche on 'stabilization' appears to be decidedly mixed...fact that we have committed ourselves at least to a willingness to discuss the matter is admittedly something gained...it seems that the main hope for action rests in ourselves making the move. That would be an earnest of our desire for results and would perhaps partly offset the impression that we were merely a 'free lance'...satisfied to go either way, without any kind of responsibility to anyone or anything but our own temporary advantage"---New York Wall St. Journal (Ind) 5/16

"...there is a wholesome change of emphasis from the hints thrown out by the President and the Treasury a year and more ago. The emphasis then was on depreciation of the dollar...Now, the emphasis has been placed on stability..."---Olinowati Enquirer (IndDem) 5/15

"Mr. Korgenthan's speech is like a beacon in the inky darkness of international economic relations..."---Boston Christian Science Monitor 5/14

"...By just a little, American monetary policy is the clearer for the Treasury head's statement..."---New York Wall St. Journal (Ind) 5/15

Unfavorable

"...The net effect of Secretary Morgenthau's speech is to leave uncertainty undisturbed. What he left unsaid remains more important than what he said"—Grand Rapids Press (Ind) 5/15

"...What is needed is leadership, not a negative attitude in which the first move is left to somebody else"—Richmond Times-Dispatch (IndDem) 5/15

"...while he declared the Washington government would not stand in the way of stabilization...he also made it clear that it would not take the initiative in such a move. Such a position...is unfortunate...this country cannot shirk its share of responsibility for economic rehabilitation...Holding as we do close to 40 per cent... of the world's gold...there is little either in Sec. Morgenthau's latest address or in the monetary policy which he defends to suggest that we are cognizant of the responsibilities and obligations that our creditor position imposes upon us..."—Cleveland Plain Dealer (IndDem) 5/15

"An uninviting invitation...if other countries are fearful that the United States plans further reduction of the gold content of the dollar...Mr. Morgenthau's address is reassuring...On the other hand, it is now evident that little sympathy can be expected in Washington for any new attempt to lower trade barriers and revive the international movement of capital, as a prerequisite for lasting monetary stabilization. We want a general return to the gold standard now, but we are not interested in correcting the causes which precipitated wholesale abandonment of that standard in 1931"—New York Journal of Commerce (Ind) 5/15

"...The fact of failure can be read between the lines of the radio address...The effort to gloss over this fact for political effect will deceive nobody who has followed the record with any care"—Washington Post (Ind) 5/15

General Discussions

"...There seems to be an utter lack of unanimity on the nation's policy in money matters now, just as there has been ever since we went off the gold standard"—Altoona Tribune (IndRep) 5/15

"...That the British government will follow Mr. Morgenthau's lead immediately no one anticipates, probably... if Great Britain is not yet interested...as a great world trader...then which nation presents the 'obstacle' to a movement universally admitted to be essential to full world recovery? All this may fairly be said; yet, having expressed itself as unopposed to stabilization, the Roosevelt administration is in duty bound to neglect no favorable opportunity to promote the end in view"—Springfield, Mass., Republican (Ind) 5/14

"...he did something to clarify the situation in what he failed to say about the 'commodity dollar'... it is a fair inference...that this unsettling policy has been abandoned...on the important subject of silver purchases by the government the secretary throws no light at all..."—Kansas City, Mo., Star (Ind) 5/14

"...Morgenthau's words will go up as a trial balloon...The President can not yet afford to go unguardedly into an international monetary conference"—Dallas News (Dem) 5/10

895

List of those invited to hear broadcast:

- 2 Secretary and Mrs. Morgenthau
- 2 Mr. and Mrs. Klotz
- ~~2 Mr. and Mrs. Bell~~
- 2 Mr. and Mrs. McReynolds
- 5 Mr. Gaston and family
- 2 Mr. Crowell and Mrs. Pierce
- 2 Dr. and Mrs. Haas
- 1 Mr. Oliphant
- 1 Mr. Upham
- 1 Miss Chauncey

*Kieley*  
*Viner*  
*Rochehead*

Total 18

Newspaper men

- 2 Mr. and Mrs. Kinter (N.Y. Herald Tribune)
- 2 Mr. and Mrs. Gridley (United Press)
- 1 Mr. Shaeffer (Associated Press)
- 2 Mr. and Mrs. Bean (N. Y. Times)
- 1 Mr. Huff (Wall Street Journal)
- 1 Mr. Henderson (Central News)
- 1 Mr. Thornburgh (International News Service)
- 1 Mr. Eakins (United Press)

Total 11

Grand total 29

24

*one Miss Shywood*

89 h

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Monday, May 13, 1935.  
5-11-35.

Press Service  
No. 4-92

Secretary of the Treasury Morgenthau announced today that subscriptions aggregating \$678,000,000 had been received up to the close of business Saturday for the 2-7/8 percent Treasury Bonds of 1955-60, offered only in exchange for First Liberty Loan bonds of any series. With \$863,000,000 of the First Liberty Loan bonds exchanged for Treasury Notes of Series A-1940, the total of Firsts exchanged to date is approximately \$ 1,541,000,000, or about 80 percent of the outstanding First Liberty Loan.

The subscription books for the Treasury bonds, which have been issued at 100-1/2 since last Wednesday, will remain open until further notice.

89 v

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Wednesday, May 15, 1935.  
5-14-35.

Press Service  
No. 4-95

Secretary of the Treasury Morgenthau announced today (May 14) that the subscription books for the current offering of 2-7/8 percent Treasury Bonds of 1955-60, in exchange for First Liberty Loan bonds called for redemption on June 15, 1935, will close at the close of business Thursday, May 23, 1935. Subscriptions placed in the mail before 12 o'clock, midnight, Thursday, May 23, will be considered as having been entered before the close of the subscription books.

As announced yesterday, about 80 percent of the outstanding First Liberty Loan bonds have already been exchanged. The subscription books are being kept open for the additional period in order that all holders of the called bonds, and particularly the small holders, may have ample opportunity to take advantage of the exchange offering.

May 15th

Key Pittman came in to see Mr. Morgenthau this morning and H.M.Jr. said, "After you fellows gave me the vote of confidence the price of silver dropped and we picked up 10 million ounces at less than 72¢. While that thing was going up I could not buy any silver. This is a purely artificial market again to-day. If a person sold a lot of silver to-day it would drop the market 5¢. Up around 78¢ it is not a sound market. I would like to go along for a day or two and then maybe the silver Senators could get together again and have a little talk".

Key Pittman said that you can never tell what Wheeler, McCarran and Thomas will do. Thomas has no interest in silver except from an inflation standpoint. He said that Thomas gets a bright idea and just shoots his mouth off. He also said that he will never let the Thomas amendment pass.

H.M.Jr. told Senator Pittman that we bought silver direct from Saigon, Indo-China - old French coins. ~~He~~ sent a cable to our Consul there. It takes 51 days to bring it over and we will bring it on an American boat. It costs less to bring this silver from Indo-China to San Francisco than from London to America.

\* \* \* \* \*

H.M.Jr. phoned Eccles to-day as follows:

H.M.Jr: Did you get good cooperation from the Open Market Committee?

Eccles: I would say yes.

H.M.Jr: It is not explained, but from the day I came in to date the Open Market have not increased their holdings. If I had to depend on the Open Market Committee to pull us out of this hole we would not be where we are to-day. As our Fiscal Agents George Harrison, who is Chairman, and Dr. Burgess when it comes to carrying out our orders, while they have not believed in what I have done, they have carried out my orders.

H.M.Jr: If it had not been for the various Trust Funds which I had at my disposal we never would have gotten where we did. I have spent as much as 43 million in one day to keep the market where it is. The Open Market Committee have done nothing in the interest of the government.



91K  
May 15, 1935.  
Wednesday.

H.M.Jr: Hello.

Glass: Mr. Secretary?

H.M.Jr: Hello.

G: All right, Mr. Secretary.

H.M.Jr: How are you?

G: Mr. Secretary -

H.M.Jr: Yes, sir.

G: Would you be - would it be convenient for you to come up before our sub-committee on Banking and Currencies sometime tomorrow for a few minutes.

H.M.Jr: Senator, it's always convenient; it doesn't give me very much time unless you would tell me what you had in your mind, I mean, I'd have to do a little studying.

G: Well, I just wanted to ask you whether you've had any trouble with the open market committee and the Federal Reserve Banking System.

H.M.Jr: Would - would Friday be just as good?

G: Yes.

H.M.Jr: If you say Thursday, though, I'll come Thursday.

G: What?

H.M.Jr: Would Friday be just as good?

G: Yes, or Thursday either.

H.M.Jr: Well, Friday would give me a little bit more time.

G: All right.

H.M.Jr: What time Friday would you like me?

G: Well, I don't expect to detain you more than ten minutes.

H.M.Jr: All right.

G: Unless you want to testify in detail.

H.M.Jr; I'd rather not.

G: I assumed that. (Laughing )

H.M.Jr: Yes.

G: Very well, Friday morning at half past ten.

H.M.Jr: Friday morning at ten-thirty.

G: Yes.

H.M.Jr: I'll be there and I'm not going to bring any - any prepared statement.

G: What?

H.M.Jr: I - I'll just come with an answer -

G: Oh, yes, I just want to ask you one or two questions.

H.M.Jr: Ten-thirty on Friday and it'll be mostly on the open market.

G: Yes, yes.

H.M.Jr: I see.

G: I just want to ask you one or two questions.

H.M.Jr: Well, I'm always at your service, Senator.

G: All right.

H.M.Jr: Thank you.

May 17, 1935  
**BANKING ACT OF 1935**

---

---

**HEARINGS**  
BEFORE A  
SUBCOMMITTEE OF THE  
**COMMITTEE ON BANKING AND CURRENCY**  
**UNITED STATES SENATE**  
SEVENTY-FOURTH CONGRESS  
FIRST SESSION  
ON  
**S. 1715 and H. R. 7617**  
BILLS TO PROVIDE FOR THE SOUND, EFFECTIVE, AND  
UNINTERRUPTED OPERATION OF THE BANKING  
SYSTEM, AND FOR OTHER PURPOSES

[CONSOLIDATED]

APRIL 19 TO JUNE 3, 1935

Printed for the use of the Committee on Banking and Currency



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1935

129688

## BANKING ACT OF 1935

FRIDAY, MAY 17, 1935

UNITED STATES SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON  
BANKING AND CURRENCY,  
*Washington, D. C.*

The subcommittee met, pursuant to adjournment on yesterday, at 10:30 a. m., in room 301, Senate Office Building, Senator Carter Glass presiding.

Present: Senators Glass (chairman of the subcommittee), Bulkley, McAdoo, Byrnes, Townsend, and Couzens.

Senator GLASS. The committee will come to order. Mr. Secretary will you be good enough to take the stand, please?

### STATEMENT OF HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY, WASHINGTON, D. C.

Senator GLASS. Mr. Secretary, I did not imagine that you cared to make any detailed statement about these bank bills. I merely wanted to ask you one or two questions. The first one is, whether or not, as Secretary of the Treasury, you have had the cooperation of the existing Open Market Committee, provided by the statute, to conduct open-market operations?

Secretary MORGENTHAU. Senator Glass, I have been in the Treasury, now, about a year and a half, and it so happened that it was the week that I came into the Treasury that was the last week of the Open Market Committee purchases of securities, and from that day to this they have not increased their holdings. I have gotten along extremely well with the Open Market Committee. There have been no differences. I have no complaints to make as to their attitude toward me, and I do not think they have any complaints to make of my attitude toward them. But as to their effectiveness, during the past year and a half I must say that they have played a very unimportant role, during the year and a half that I have been in office. They stopped their purchases the week I came in; and with the exception of turning over their securities as they came due and reinvesting, they have played a very minor part in Government securities.

Senator GLASS. They have not put any of your securities out on the market, have they?

Secretary MORGENTHAU. I think their investments are about two and a half billion dollars, and they have kept them constant.

Senator GLASS. Do you not regard that as cooperation with the Treasury?

Secretary MORGENTHAU. I have no complaint to make. They have kept them constant. At times I thought that they might have shown a little more courage and bought long-term securities. They did not think so, and they have kept the bulk of their money in short-term securities. But that is their judgment against mine, and I do not say that they are wrong or that I am right.

Senator GLASS. That is simply the difference between long term and short term Treasury securities, is it not?

Secretary MORGENTHAU. That is right. During the period up to very, very recently they have constantly, as their securities came due, invested the proceeds in short term securities.

Senator GLASS. Is not that good business?

Secretary MORGENTHAU. It has not proven to be in this last year and a half, because the investors investing in long-term securities have made money out of them.

Senator GLASS. At a little higher rate of interest?

Secretary MORGENTHAU. A bigger return on their money, much bigger.

Senator GLASS. Have you any substantive reason to anticipate that you cannot get on in agreement with the existing Open Market Committee?

Secretary MORGENTHAU. The relationship is such that we can get on perfectly well, because there is nothing really to have a row about. They use what they think is their best judgment in investing their money, and as custodian for the various trust funds I use my best judgment. I think that the record would show that in the last year and a half I have done better for my clients than they have for theirs; but I invested largely in long-term securities and they have invested largely in short-term securities, and as a result of that my trust funds have done better than theirs.

Senator GLASS. You have the taxing power behind your operations, have you not?

Secretary MORGENTHAU. I do not quite understand what you mean, Senator.

Senator GLASS. I mean, the Treasury can appeal to Congress to issue securities and tax the people of the country to redeem them when they mature. Is not that a fact?

Secretary MORGENTHAU. I still do not quite understand, sir.

Senator GLASS. The Open Market Committee has no such authority as that, has it?

Secretary MORGENTHAU. No. Their only authority, as I understand it, is to buy and sell Government securities for the Federal Reserve System.

Senator GLASS. They are not confined to Government securities altogether, are they?

Secretary MORGENTHAU. I don't think so.

Senator GLASS. I want to ask you this specific question. Have you any substantive reason to suppose that an open market committee composed of the present membership of the Federal Reserve Board would operate more efficiently than the Open Market Committee which is now established by statute?

Secretary MORGENTHAU. It would take me a minute or two to answer that, if you do not mind. I have a definite philosophy and thought back of it. The various controls of credit I believe should

all be centered in one place. I believe that they should all be centered with a Government authority; and, looking toward the future, I think that the engineer and the fireman should be working together and that there should not be a possibility, if a crisis should arise, that one might want to go full steam ahead and the other might not want to put the coal under the boiler.

Senator BULKLEY. It might be better not to have any independent judgment on the part of the Open Market Committee, you think?

Secretary MORGENTHAU. No; I would not say that, sir. But these various methods are for controlling the credit for the whole Nation, and I think that that function should be lodged with a Government agency. By that I do not mean the Treasury.

Senator GLASS. But that does not answer my question, Mr. Secretary.

Secretary MORGENTHAU. I did not mean to avoid it. I was trying to explain how I felt.

Senator GLASS. I wanted to know if you have any substantive reason to suppose that an open market committee, for example, composed of the present membership of the Federal Reserve Board, would operate more efficiently or more satisfactorily than the existing open market committee.

Secretary MORGENTHAU. Well, again, it may sound as though I were trying to avoid; but what I am trying to say—and if I do not answer your question, you may ask me again—is that we have three functions for credit control, and I believe that those three functions should be located in the same place.

Senator GLASS. I understand your belief as to that. But still that does not answer my question.

Secretary MORGENTHAU. Well, I would hope that they would operate as well or as successfully if they were located with the Federal Reserve Board. But time would answer that. I could not.

Senator BULKLEY. Suppose we should abandon the theory of an open market committee exercising independent judgment and put the investment policy of the Federal Reserve banks under your discretion as Secretary of the Treasury; would you place more long-term Government securities with the banks?

Secretary MORGENTHAU. I will have to answer that question in two sections. In the first place, I would not want that authority. I do not think I should have it. If I did have it I would follow the same policy that I have followed during the past year for the various trust and other funds that we have, representing over a billion dollars. With regard to these various funds, during the past year as the money comes due we have invested it in long-term Governments, and it so happened that we have been able in every case to increase the value of the portfolio through that policy. That is a matter of record; and we have followed a uniform policy for all of our trust funds, to put them into long-term Governments.

Senator BULKLEY. In answer to my suppositious question, you say that you would not want that power as Secretary of the Treasury. However, you would like to see that power concentrated somewhere, would you?

Secretary MORGENTHAU. I would like to see it concentrated in an independent Government agency.

Senator BULKLEY. Independent of what?

Secretary MORGENTHAU. Of all outside influences—just as independent as you can make it.

Senator BULKLEY. Independent of the President, too?

Secretary MORGENTHAU. Only that he should have the appointive power, the way he has with regard to the Supreme Court.

Senator BULKLEY. You mean, appoint somebody that he had no more power to remove or influence than he has with regard to the Supreme Court?

Secretary MORGENTHAU. Right.

Senator GLASS. That would mean that no member of that board could be removed except by impeachment?

Secretary MORGENTHAU. Yes.

Senator GLASS. Mr. Secretary, I do not want to embarrass you by pressing my particular question. I can realize why you might not want to answer it more definitely than you have; but you have answered it sufficiently to enable me to conjecture what your real judgment of it is.

Senator COUZENS. Have you any statement to make in connection with the bill, Mr. Secretary?

Secretary MORGENTHAU. No, Senator.

Senator COUZENS. Have you read the bill?

Secretary MORGENTHAU. I have read the summary which I have here, and I have studied it.

Senator GLASS. But you had not read that summary until recently, had you?

Secretary MORGENTHAU. The summary was not written until recently.

Senator COUZENS. I would like to have the Secretary's opinion. It seems to me that the question of membership on the board and the whole operation of the Federal Reserve System is closely allied to the Treasury under this proposed bill. It does not seem to me that up to date we have got any expression from him as to his views about the bill and whether he believes in it or not, and I would like to be informed, because it seems to me that his position justifies some influence with this committee.

But I understand you to say that you have nothing to say with respect to this pending bill?

Secretary MORGENTHAU. We have discussed this bill for months in the Treasury, and we have had meetings with the various agencies who lend money, that is, the heads of the various agencies, and we have gone over the controversial points and spent hours on it, and I think I may say that I understand the fundamental philosophy, the important points. I am frank to say that when you get into title III and title I, containing a lot of technical banking questions, as you know, I am not a banker; I am not trained as one; but we have experts on that in the Treasury and we leave those questions to them. I have personally spent hours and hours discussing this bill and the important points in the bill I am in favor of. But the experts in the Treasury have spent literally hours on this bill.

Senator TOWNSEND. Are you in favor of title II as it is now written in the bill?

Secretary MORGENTHAU. I am in favor of the principles of title II.

Senator GLASS. Do you think the Government, without one dollar of proprietary interest in the Federal Reserve banking system, should be authorized, without restraint, to loan the money of the System in open-market operations?

Secretary MORGENTHAU. Senator, I happen to belong to that school that thinks that the Government should own the stock of the Federal Reserve System; and then it would have that right.

Senator GLASS. You belong to the school that believes the Government should own the stock?

Secretary MORGENTHAU. Yes.

Senator GLASS. That is a different proposition. I am asking you if the Government, which does not own a dollar of pecuniary interest in the system, with the assets acquired over a period of 20 years by the exercise of banking skill—that the Government which has no pecuniary risk at stake should be permitted to spend other people's money without any restriction?

Secretary MORGENTHAU. Well, Senator, I am very timid about putting myself up against your opinion, because you have lived with this thing—

Senator GLASS. I am asking you your opinion.

Secretary MORGENTHAU. I think that the Government has got everything at stake in this. This gets right down to the whole question of credit. After all, as I understand it, the Government is the people. And we have got everything at stake.

Senator GLASS. Does the Government own a dollar of pecuniary interest in the Federal Reserve System?

Secretary MORGENTHAU. No; but I think it should.

Senator GLASS. You are for a central bank owned by the Government, then?

Secretary MORGENTHAU. If I may put it this way, I would like to see, if Congress could work it out somehow, that the Government owned this stock and would surround the trustees of it with every possible protection and precaution, that they should not be subjected not only to political pressure but to that of private business and banking interests as well, and that they should keep just as independent as possible, and serve the financial and business interests of the country with only one motive in mind, and that is to serve them well.

Senator GLASS. And to absorb all of the individual banks?

Secretary MORGENTHAU. No; oh, no.

Senator GLASS. What does your central bank amount to if it does not absorb all the individual banks and use them as branches?

Secretary MORGENTHAU. You see, I came up to this position through Farm Credit, which is a pretty big institution, and we have a somewhat similar situation there, I believe. We have strong regional banks with directors. But the question of interest is fixed here in Washington. The question never has been raised that the control of the Farm Credit should be held by anybody else but the Government, and I honestly believe that the trust that the Farm Credit had for the farmers and the millions and millions of dollars which they handled have been handled without outside influence.

Senator GLASS. That was an emergency measure, was it not?

Secretary MORGENTHAU. I would not call it that.

Senator GLASS. I am not talking about the Land Bank System. Secretary MORGENTHAU. I consider Farm Credit a permanent institution.

Secretary GLASS. I know you gentlemen consider everything that has been done as permanent, but it started out simply as an emergency.

Secretary MORGENTHAU. I look forward to Farm Credit as an institution which I hope will live to serve the farmers for a long time.

Senator GLASS. I can readily understand how one might advocate a central bank owned by the United States Government. We have had them. But I would like to get more definitely your judgment as to whether a Government should have the right to loan somebody else's money without restraint or restriction.

Secretary MORGENTHAU. I think it should have that same supervision over the credit of the country that it has over inspecting the banks or anything else. After all, I cannot make a distinction between the Government and the people.

Senator GLASS. The inspection of banks is to require them to conform to the law in the conduct of their business. But when you take charge of their business, that is a different proposition, is it not?

Secretary MORGENTHAU. I do not say that we should tell the Federal Reserve Bank of New York or Chicago or San Francisco whether they should make a commercial loan, or how they shall conduct their actual transactions; but when it comes to having a national policy as to rates of discount for example, I believe that is a function which should be exercised by a public body. I make that distinction.

Senator GLASS. Well, considering a central bank, I can very readily understand how you would think that.

Senator COUZENS. The Chairman spoke a while ago about whether you were satisfied with the operations of the Open Market Committee as it now exists under the law. I recall your answer, and I ask this question in connection with it. Is it not possible, under the existing open-market operations and the activities of the Treasury for there to be a very definite conflict?

Secretary MORGENTHAU. Oh, yes.

Senator COUZENS. Is it not the purpose of this bill to avoid such conflict?

Secretary MORGENTHAU. I should say so.

Senator GLASS. Do you conceive that the Federal Reserve System was set up to finance the Government?

Secretary MORGENTHAU. No.

Senator GLASS. But under this bill it could be used for that purpose, could it not?

Secretary MORGENTHAU. I would have to take your judgment for that.

Senator GLASS. Then my judgment is in accord with yours?

Senator TOWNSEND. Presumably.

Senator GLASS. No; there is no presumption about it.

Senator McADOO. Mr. Secretary, we hear a good deal of talk about inflation these days. I wonder if you would give us your definition of inflation.

Secretary MORGENTHAU. To go up against two Secretaries of the Treasury is kind of tough.

Senator GLASS. You are only up against one, now. I did not vote for the Patman bill.

Secretary MORGENTHAU. Senator McADOO, in view of the fact that that bill is pending before the President, I would like to be excused from answering your question.

Senator McADOO. The definition of "inflation" has nothing to do with that. We are talking finance and economics now.

Secretary MORGENTHAU. If you do not mind, with the bill pending before the President, I would like to be excused.

Senator McADOO. Of course, I will excuse you if you do not want to answer. On the other hand, I suppose you do not object to telling us what you think is sound money?

Secretary MORGENTHAU. I am not a very good theorist on these things, Senator. I think the President put me in there as an administrator and not as a money theorist.

Senator McADOO. I am not asking your theories, but your judgment as a practical business man as to what you consider sound money.

Secretary MORGENTHAU. I would be glad to hear from you, sir.

Senator McADOO. I want information; I am looking for information. Would you consider United States notes, commonly called "greenbacks," that now have back of them and have had for some time a 40-percent gold reserve, to be sound money?

Secretary MORGENTHAU. Senator, I am not very smart at these things. I have just got to go back to your question. There is a bill pending before the President that has this question of greenbacks in it at this time, and if you do not mind I would like to ask to be excused from getting into that discussion.

Senator McADOO. We have had statements which show a little more than 40 percent of gold back of a certain amount of greenbacks. I was just curious to know whether you considered that sound money or not.

Secretary MORGENTHAU. Would this be fair? If after the President has taken action on the bonus bill, and this committee still wants me to come here and theorize, I would be glad to do it then.

Senator McADOO. This does not involve the question before the President at all, because there is no gold reserve back of this proposed note issue. I am just trying to get an idea, in view of the present state of our finances, what your view is as to sound money; that is, whether 40 percent gold back of our currency would be considered sound.

Secretary MORGENTHAU. We have got a lot of experts down at the Treasury who can discuss the theory of money and currency.

Senator McADOO. I am not talking about theory. I am talking about actualities.

Secretary MORGENTHAU. I cannot qualify.

Senator McADOO. All right.

Senator GLASS. Have you ever come in contact with unexpert experts?

Secretary MORGENTHAU. Here is one right here.

Senator GLASS. Unless there are further questions we will excuse you, Mr. Secretary.

(Secretary Morgenthau withdrew from the committee table.)

**STATEMENT OF MAX B. NAHM, DIRECTOR, FEDERAL RESERVE BANK IN ST. LOUIS, MO.; VICE PRESIDENT, CITIZENS NATIONAL BANK, BOWLING GREEN TRUST CO., BOWLING GREEN, KY.**

Senator GLASS. You may state your name and occupation, Mr. Nahm.

Mr. NAHM. Max B. Nahm. Mr. Chairman and gentlemen, I am a resident of Bowling Green, Ky., a small town of about 18,000 inhabitants, and I am vice president of the Citizens National Bank there, a country bank. I have prepared a statement that I will be glad to dip into now and then if it please you. The first paragraph of it is a bit of history drawn with a view of attempting to show that what I stand for is in line with the thought of the makers of the Constitution, and that particular part, if you do not mind, I will read.

The founders of the Government of the United States, in their wisdom, set up three great independent departments, the executive, the legislative, and the judicial.

The judicial department, the Supreme Court, through the genius of John Marshall, Chief Justice from 1801 till 1835, became one of the great courts, if not the greatest court of law in the world.

Only twice in its history, both in the previous century, did politics ever enter into its judgments. Its decisions are accepted as final.

In line with the thought of setting up an independent department of government, in 1913 there came into being an entirely new department of government that was not contemplated at all by the founders of the Government. In 1913 a new element entered into American national development, the Federal Reserve System, set up by Congress to furnish an elastic currency, to rediscount commercial paper and to establish a more effective supervision of banking. This system as originally conceived was an adequate working machine and functioned well through the World War, for which it was highly praised. At that time there was no criticism about it whatever that I know of. Everybody accepted its work as being as good as could be done, and it certainly piloted us and is given credit for having piloted us financially through the Great War.

In the years following the Great War there have arisen many emergencies and problems, and to meet these emergencies there have been set up many Government loaning bureaus, all functioning well in their own spheres, the physical and clerical labor of which was committed in some of the principal bureaus to the Federal Reserve regional banks.

The result, unforeseen at the time, was to diminish the functions of the Federal Reserve System, and of the commercial banks, to such an extent that at the present time there are in the Federal Reserve System only about 6 to 7 millions of loans.

In January 1932, the Reconstruction Finance Corporation was organized; in July 1932, the Federal Home Loan Bank Act was passed; in May 1933, the Farm Credit Administration Act was passed, and in October 1933, the Commodity Credit Corporation was organized.

All of these have functioned wisely and well, and for all of them the Federal Reserve banks have done a large volume of work as fiscal

**BANKING ACT OF 1935**

**FRIDAY, MAY 17, 1935**

**UNITED STATES SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON  
BANKING AND CURRENCY,  
Washington, D. C.**

The subcommittee met, pursuant to adjournment on yesterday, at 10:30 a. m., in room 301, Senate Office Building, Senator Carter Glass presiding.

Present: Senators Glass (chairman of the subcommittee), Bulkley, McAdoo, Byrnes, Townsend, and Couzens.

Senator GLASS. The committee will come to order. Mr. Secretary will you be good enough to take the stand, please?

**STATEMENT OF HENRY MORGENTHAU, JR., SECRETARY OF THE  
TREASURY, WASHINGTON, D. C.**

Senator GLASS. Mr. Secretary, I did not imagine that you cared to make any detailed statement about these bank bills. I merely wanted to ask you one or two questions. The first one is, whether or not, as Secretary of the Treasury, you have had the cooperation of the existing Open Market Committee, provided by the statute, to conduct open-market operations?

Secretary MORGENTHAU. Senator Glass, I have been in the Treasury, now, about a year and a half, and it so happened that it was the week that I came into the Treasury that was the last week of the Open Market Committee purchases of securities, and from that day to this they have not increased their holdings. I have gotten along extremely well with the Open Market Committee. There have been no differences. I have no complaints to make as to their attitude toward me, and I do not think they have any complaints to make of my attitude toward them. But as to their effectiveness, during the past year and a half I must say that they have played a very unimportant role, during the year and a half that I have been in office. They stopped their purchases the week I came in; and with the exception of turning over their securities as they came due and reinvesting, they have played a very minor part in Government securities.

Senator GLASS. They have not put any of your securities out on the market, have they?

Secretary MORGENTHAU. I think their investments are about two and a half billion dollars, and they have kept them constant.

Senator GLASS. Do you not regard that as cooperation with the Treasury?

Secretary MORGENTHAU. I have no complaint to make. They have kept them constant. At times I thought that they might have shown a little more courage and bought long-term securities. They did not think so, and they have kept the bulk of their money in short-term securities. But that is their judgment against mine, and I do not say that they are wrong or that I am right.

Senator GLASS. That is simply the difference between long term and short term Treasury securities, is it not?

Secretary MORGENTHAU. That is right. During the period up to very, very recently they have constantly, as their securities came due, invested the proceeds in short term securities.

Senator GLASS. Is not that good business?

Secretary MORGENTHAU. It has not proven to be in this last year and a half, because the investors investing in long-term securities have made money out of them.

Senator GLASS. At a little higher rate of interest?

Secretary MORGENTHAU. A bigger return on their money, much bigger.

Senator GLASS. Have you any substantive reason to anticipate that you cannot get on in agreement with the existing Open Market Committee?

Secretary MORGENTHAU. The relationship is such that we can get on perfectly well, because there is nothing really to have a row about. They use what they think is their best judgment in investing their money, and as custodian for the various trust funds I use my best judgment. I think that the record would show that in the last year and a half I have done better for my clients than they have for theirs; but I invested largely in long-term securities and they have invested largely in short-term securities, and as a result of that my trust funds have done better than theirs.

Senator GLASS. You have the taxing power behind your operations, have you not?

Secretary MORGENTHAU. I do not quite understand what you mean, Senator.

Senator GLASS. I mean, the Treasury can appeal to Congress to issue securities and tax the people of the country to redeem them when they mature. Is not that a fact?

Secretary MORGENTHAU. I still do not quite understand, sir.

Senator GLASS. The Open Market Committee has no such authority as that, has it?

Secretary MORGENTHAU. No. Their only authority, as I understand it, is to buy and sell Government securities for the Federal Reserve System.

Senator GLASS. They are not confined to Government securities altogether, are they?

Secretary MORGENTHAU. I don't think so.

Senator GLASS. I want to ask you this specific question. Have you any substantive reason to suppose that an open market committee composed of the present membership of the Federal Reserve Board would operate more efficiently than the Open Market Committee which is now established by statute?

Secretary MORGENTHAU. It would take me a minute or two to answer that, if you do not mind. I have a definite philosophy and thought back of it. The various controls of credit I believe should

all be centered in one place. I believe that they should all be centered with a Government authority; and, looking toward the future, I think that the engineer and the fireman should be working together and that there should not be a possibility, if a crisis should arise, that one might want to go full steam ahead and the other might not want to put the coal under the boiler.

Senator BULKLEY. It might be better not to have any independent judgment on the part of the Open Market Committee, you think?

Secretary MORGENTHAU. No; I would not say that, sir. But these various methods are for controlling the credit for the whole Nation, and I think that that function should be lodged with a Government agency. By that I do not mean the Treasury.

Senator GLASS. But that does not answer my question, Mr. Secretary.

Secretary MORGENTHAU. I did not mean to avoid it. I was trying to explain how I felt.

Senator GLASS. I wanted to know if you have any substantive reason to suppose that an open market committee, for example, composed of the present membership of the Federal Reserve Board, would operate more efficiently or more satisfactorily than the existing open market committee.

Secretary MORGENTHAU. Well, again, it may sound as though I were trying to avoid; but what I am trying to say—and if I do not answer your question, you may ask me again—is that we have three functions for credit control, and I believe that those three functions should be located in the same place.

Senator GLASS. I understand your belief as to that. But still that does not answer my question.

Secretary MORGENTHAU. Well, I would hope that they would operate as well or as successfully if they were located with the Federal Reserve Board. But time would answer that. I could not.

Senator BULKLEY. Suppose we should abandon the theory of an open market committee exercising independent judgment and put the investment policy of the Federal Reserve banks under your discretion as Secretary of the Treasury; would you place more long-term Government securities with the banks?

Secretary MORGENTHAU. I will have to answer that question in two sections. In the first place, I would not want that authority. I do not think I should have it. If I did have it I would follow the same policy that I have followed during the past year for the various trust and other funds that we have, representing over a billion dollars. With regard to these various funds, during the past year as the money comes due we have invested it in long-term Governments, and it so happened that we have been able in every case to increase the value of the portfolio through that policy. That is a matter of record; and we have followed a uniform policy for all of our trust funds, to put them into long-term Governments.

Senator BULKLEY. In answer to my suppositional question, you say that you would not want that power as Secretary of the Treasury. However, you would like to see that power concentrated somewhere, would you?

Secretary MORGENTHAU. I would like to see it concentrated in an independent Government agency.

Senator BULKLEY. Independent of what?

Secretary MORGENTHAU. Of all outside influences—just as independent as you can make it.

Senator BULKLEY. Independent of the President, too?

Secretary MORGENTHAU. Only that he should have the appointive power, the way he has with regard to the Supreme Court.

Senator BULKLEY. You mean, appoint somebody that he had no more power to remove or influence than he has with regard to the Supreme Court?

Secretary MORGENTHAU. Right.

Senator GLASS. That would mean that no member of that board could be removed except by impeachment?

Secretary MORGENTHAU. Yes.

Senator GLASS. Mr. Secretary, I do not want to embarrass you by pressing my particular question. I can realize why you might not want to answer it more definitely than you have; but you have answered it sufficiently to enable me to conjecture what your real judgment of it is.

Senator COUZENS. Have you any statement to make in connection with the bill, Mr. Secretary?

Secretary MORGENTHAU. No, Senator.

Senator COUZENS. Have you read the bill?

Secretary MORGENTHAU. I have read the summary which I have here, and I have studied it.

Senator GLASS. But you had not read that summary until recently, had you?

Secretary MORGENTHAU. The summary was not written until recently.

Senator COUZENS. I would like to have the Secretary's opinion. It seems to me that the question of membership on the board and the whole operation of the Federal Reserve System is closely allied to the Treasury under this proposed bill. It does not seem to me that up to date we have got any expression from him as to his views about the bill and whether he believes in it or not, and I would like to be informed, because it seems to me that his position justifies some influence with this committee.

But I understand you to say that you have nothing to say with respect to this pending bill?

Secretary MORGENTHAU. We have discussed this bill for months in the Treasury, and we have had meetings with the various agencies who lend money, that is, the heads of the various agencies, and we have gone over the controversial points and spent hours on it, and I think I may say that I understand the fundamental philosophy, the important points. I am frank to say that when you get into title III and title I, containing a lot of technical banking questions, as you know, I am not a banker; I am not trained as one; but we have experts on that in the Treasury and we leave those questions to them. I have personally spent hours and hours discussing this bill and the important points in the bill I am in favor of. But the experts in the Treasury have spent literally hours on this bill.

Senator TOWNSEND. Are you in favor of title II as it is now written in the bill?

Secretary MORGENTHAU. I am in favor of the principles of title II.

Senator GLASS. Do you think the Government, without one dollar of proprietary interest in the Federal Reserve banking system, should be authorized, without restraint, to loan the money of the System in open-market operations?

Secretary MORGENTHAU. Senator, I happen to belong to that school that thinks that the Government should own the stock of the Federal Reserve System; and then it would have that right.

Senator GLASS. You belong to the school that believes the Government should own the stock?

Secretary MORGENTHAU. Yes.

Senator GLASS. That is a different proposition. I am asking you if the Government, which does not own a dollar of pecuniary interest in the system, with the assets acquired over a period of 20 years by the exercise of banking skill—that the Government which has no pecuniary risk at stake should be permitted to spend other people's money without any restriction?

Secretary MORGENTHAU. Well, Senator, I am very timid about putting myself up against your opinion, because you have lived with this thing—

Senator GLASS. I am asking you your opinion.

Secretary MORGENTHAU. I think that the Government has got everything at stake in this. This gets right down to the whole question of credit. After all, as I understand it, the Government is the people. And we have got everything at stake.

Senator GLASS. Does the Government own a dollar of pecuniary interest in the Federal Reserve System?

Secretary MORGENTHAU. No; but I think it should.

Senator GLASS. You are for a central bank owned by the Government, then?

Secretary MORGENTHAU. If I may put it this way, I would like to see, if Congress could work it out somehow, that the Government owned this stock and would surround the trustees of it with every possible protection and precaution, that they should not be subjected not only to political pressure but to that of private business and banking interests as well, and that they should keep just as independent as possible, and serve the financial and business interests of the country with only one motive in mind, and that is to serve them well.

Senator GLASS. And to absorb all of the individual banks?

Secretary MORGENTHAU. No; oh, no.

Senator GLASS. What does your central bank amount to if it does not absorb all the individual banks and use them as branches?

Secretary MORGENTHAU. You see, I came up to this position through Farm Credit, which is a pretty big institution, and we have a somewhat similar situation there, I believe. We have strong regional banks with directors. But the question of interest is fixed here in Washington. The question never has been raised that the control of the Farm Credit should be held by anybody else but the Government, and I honestly believe that the trust that the Farm Credit had for the farmers and the millions and millions of dollars which they handled have been handled without outside influence.

Senator GLASS. That was an emergency measure, was it not?

Secretary MORGENTHAU. I would not call it that.

Senator GLASS. I am not talking about the Land Bank System.  
Secretary MORGENTHAU. I consider Farm Credit a permanent institution.

Secretary GLASS. I know you gentlemen consider everything that has been done as permanent, but it started out simply as an emergency.  
Secretary MORGENTHAU. I look forward to Farm Credit as an institution which I hope will live to serve the farmers for a long time.

Senator GLASS. I can readily understand how one might advocate a central bank owned by the United States Government. We have had them. But I would like to get more definitely your judgment as to whether a Government should have the right to loan somebody else's money without restraint or restriction.

Secretary MORGENTHAU. I think it should have that same supervision over the credit of the country that it has over inspecting the banks or anything else. After all, I cannot make a distinction between the Government and the people.

Senator GLASS. The inspection of banks is to require them to conform to the law in the conduct of their business. But when you take charge of their business, that is a different proposition, is it not?

Secretary MORGENTHAU. I do not say that we should tell the Federal Reserve Bank of New York or Chicago or San Francisco whether they should make a commercial loan, or how they shall conduct their actual transactions; but when it comes to having a national policy as to rates of discount for example, I believe that is a function which should be exercised by a public body. I make that distinction.

Senator GLASS. Well, considering a central bank, I can very readily understand how you would think that.

Senator COUZENS. The Chairman spoke a while ago about whether you were satisfied with the operations of the Open Market Committee as it now exists under the law. I recall your answer, and I ask this question in connection with it. Is it not possible, under the existing open-market operations and the activities of the Treasury for there to be a very definite conflict?

Secretary MORGENTHAU. Oh, yes.

Senator COUZENS. Is it not the purpose of this bill to avoid such conflict?

Secretary MORGENTHAU. I should say so.

Senator GLASS. Do you conceive that the Federal Reserve System was set up to finance the Government?

Secretary MORGENTHAU. No.

Senator GLASS. But under this bill it could be used for that purpose, could it not?

Secretary MORGENTHAU. I would have to take your judgment for that.

Senator GLASS. Then my judgment is in accord with yours?

Senator TOWNSEND. Presumably.

Senator GLASS. No; there is no presumption about it.

Senator McADOO. Mr. Secretary, we hear a good deal of talk about inflation these days. I wonder if you would give us your definition of inflation.

Secretary MORGENTHAU. To go up against two Secretaries of the Treasury is kind of tough.

Senator GLASS. You are only up against one, now. I did not vote for the Patman bill.

Secretary MORGENTHAU. Senator McADOO, in view of the fact that that bill is pending before the President, I would like to be excused from answering your question.

Senator McADOO. The definition of "inflation" has nothing to do with that. We are talking finance and economics now.

Secretary MORGENTHAU. If you do not mind, with the bill pending before the President, I would like to be excused.

Senator McADOO. Of course, I will excuse you if you do not want to answer. On the other hand, I suppose you do not object to telling us what you think is sound money?

Secretary MORGENTHAU. I am not a very good theorist on these things, Senator. I think the President put me in there as an administrator and not as a money theorist.

Senator McADOO. I am not asking your theories, but your judgment as a practical business man as to what you consider sound money.

Secretary MORGENTHAU. I would be glad to hear from you, sir.

Senator McADOO. I want information; I am looking for information. Would you consider United States notes, commonly called "greenbacks," that now have back of them and have had for some time a 40-percent gold reserve, to be sound money?

Secretary MORGENTHAU. Senator, I am not very smart at these things. I have just got to go back to your question. There is a bill pending before the President that has this question of greenbacks in it at this time, and if you do not mind I would like to ask to be excused from getting into that discussion.

Senator McADOO. We have had statements which show a little more than 40 percent of gold back of a certain amount of greenbacks. I was just curious to know whether you considered that sound money or not.

Secretary MORGENTHAU. Would this be fair? If after the President has taken action on the bonus bill, and this committee still wants me to come here and theorize, I would be glad to do it then.

Senator McADOO. This does not involve the question before the President at all, because there is no gold reserve back of this proposed note issue. I am just trying to get an idea, in view of the present state of our finances, what your view is as to sound money; that is, whether 40 percent gold back of our currency would be considered sound.

Secretary MORGENTHAU. We have got a lot of experts down at the Treasury who can discuss the theory of money and currency.

Senator McADOO. I am not talking about theory. I am talking about actualities.

Secretary MORGENTHAU. I cannot qualify.

Senator McADOO. All right.

Senator GLASS. Have you ever come in contact with unexpert experts?

Secretary MORGENTHAU. Here is one right here.

Senator GLASS. Unless there are further questions we will excuse you, Mr. Secretary.

(Secretary Morgenthau withdrew from the committee table.)

STATEMENT OF MAX B. NAHM, DIRECTOR, FEDERAL RESERVE BANK IN ST. LOUIS, MO.; VICE PRESIDENT, CITIZENS NATIONAL BANK, BOWLING GREEN TRUST CO., BOWLING GREEN, KY.

Senator GLASS. You may state your name and occupation, Mr. Nahm.

Mr. NAHM. Max B. Nahm. Mr. Chairman and gentlemen, I am a resident of Bowling Green, Ky., a small town of about 18,000 inhabitants, and I am vice president of the Citizens National Bank there, a country bank. I have prepared a statement that I will be glad to dip into now and then if it please you. The first paragraph of it is a bit of history drawn with a view of attempting to show that what I stand for is in line with the thought of the makers of the Constitution, and that particular part, if you do not mind, I will read.

The founders of the Government of the United States, in their wisdom, set up three great independent departments, the executive, the legislative, and the judicial.

The judicial department, the Supreme Court, through the genius of John Marshall, Chief Justice from 1801 till 1835, became one of the great courts, if not the greatest court of law in the world.

Only twice in its history, both in the previous century, did politics ever enter into its judgments. Its decisions are accepted as final.

In line with the thought of setting up an independent department of government, in 1913 there came into being an entirely new department of government that was not contemplated at all by the founders of the Government. In 1913 a new element entered into American national development, the Federal Reserve System, set up by Congress to furnish an elastic currency, to rediscount commercial paper and to establish a more effective supervision of banking. This system as originally conceived was an adequate working machine and functioned well through the World War, for which it was highly praised. At that time there was no criticism about it whatever that I know of. Everybody accepted its work as being as good as could be done, and it certainly piloted us and is given credit for having piloted us financially through the Great War.

In the years following the Great War there have arisen many emergencies and problems, and to meet these emergencies there have been set up many Government loaning bureaus, all functioning well in their own spheres, the physical and clerical labor of which was committed in some of the principal bureaus to the Federal Reserve regional banks.

The result, unforeseen at the time, was to diminish the functions of the Federal Reserve System, and of the commercial banks, to such an extent that at the present time there are in the Federal Reserve System only about 6 to 7 millions of loans.

In January 1932, the Reconstruction Finance Corporation was organized; in July 1932, the Federal Home Loan Bank Act was passed; in May 1933, the Farm Credit Administration Act was passed, and in October 1933, the Commodity Credit Corporation was organized.

All of these have functioned wisely and well, and for all of them the Federal Reserve banks have done a large volume of work as fiscal

EXCERPTS FROM THE PRESIDENT'S PRESS CONFERENCE  
May 17, 4: o'clock p.m.

92

Question: Mr. Morgenthau said this morning in the Hearing that he thought the Government should own stock in Federal Reserve Banks and I wonder if you would care to express an opinion on that.

The President: I think it would solve a great many questions if we did. I will tell you something off the record. I was talking a couple of days ago with a very deep student of American history about the old fight between Andrew Jackson and the Bank of the United States and at that particular time, his Secretary of the Treasury went in to see him and he said "You are in a sort of a jam Mr. President. Here is this Bank of the United States that is privately owned", he said. "You are licking them; you are probably going to put them out of business", and of course the thing had been going on for two or three or four years, this fight. He said, "The United States has a minority interest in that Bank. Why don't you go to the Congress and get a majority interest and then you won't have any trouble about the control of the bank." Well, Jackson couldn't see his way clear to do it. That's a hundred years ago but it would have solved the banking situation at that time in a much more satisfactory way and probably would have prevented the era of wildcat banking during the next ten years that held sway over the country. I just cite that as an interesting historical incident.

Question: (Stevenson) Did you say the next ten years or the last ten years? (laughter).

-----

Question: While Steve made your position on the Bonus very clear to us yesterday morning, nevertheless there are several reports going around up on Capitol Hill which say that you would not mind if the Senate overrode your veto. Can you go into any further explanation on that subject for us?

Answer: Let's put it on this basis: You have Steve to a point where you are questioning his veracity (laughter). Steve comes back from the Woodmont Club and tells what is literally true - that we did not discuss the Bonus at the Woodmont Club. But there are some people who do not believe Steve. Well, he happened to be telling the truth 100% and now his veracity is questioned on the Bonus and I have got to admit that he again is stating the truth absolutely.

In other words the bill is going to be vetoed. That is number one. It is going to be vetoed as strongly as I can veto it. And number three, I hope with all my heart that the veto will be sustained. Now, is that clear?

Notes

What Secretary Morgenthau said  
before sub-committee Banking and Currency -  
Senate May 17, 1935 - Friday.

MORGENTHAU ASKS TO BE EXCUSED FROM DEFINING  
INFLATION ON THE GROUND THAT THE PATMAN BILL  
IS NOW PENDING 1138

WASHN - SECY MORGENTHAU ASKED TO BE EXCUSED  
FROM DEFINING INFLATION - HE GAVE AS HIS REASON  
THAT THE PATMAN GREENBACK BONUS BILL IS NOW  
PENDING- THUS THE ADMINISTRATION-S CHIEF FISCAL  
OFFICER DODGED AN OPPORTUNITY TO CONDM--- CONDEMN  
THE MEASURE WHICH IT HAS BEEN STATED THE PRES-  
IDENT PLANTS TO VETO IN A MOST FORCEFUL MESSAGE  
SECY MORGENTHAU SAID THAT THE BILL BEFORE THE  
PRESIDENT HAS THE QUESTION OF GREENBACKS IN IT  
AND THAT ON THAT ACCOUNT HE WOULD LIKE TO BE  
EXCUSED FROM ANSWERING SENATOR MCADOO-S QUES-  
TION AS TO WHAT CONSTITUTES INFLATION -

THEN TURNING TO CHRMAN GLASS HE SAID  
-WOULD THIS BE FAIR MR CHAIRMAN- IF AFTER THE  
PRESIDENT HAS ACTED THE COMMITTEE STILL WANTS  
ME TO THEORIZE I WOULD BE GLAD TO COME BACK-  
THE SECY OF THE TREASURY HAS CONCLUDED HIS TEST-  
IMONY AND LEFT THE HEARING-

WHEN SENATOR MCADOO DEM OF CALIF AND LEADIG  
BONUS ADVOCATE FIRST PROPOUNDED HIS QUESTION AS  
TO WHAT CONSTITUTES INFLATION SECY MORGENTHAU  
SAID -I AM UP AGAINST TWO SECRETARIES OF THE  
TREASURY THAT IS KIND OF TOUGH- HE REFERRED  
TO SENATOR GLASS AND SENATOR MCADOO BOTH OF  
WHOM HAVE SERVED AS SECRETARIES OF THE TREASURY  
SENATOR GLASS RETORTED -YOU ARE UP AGAINST  
ONLY ONE- I DIDN-T VOTE FOR THE PATMAN BILL-  
SENATOR GOUZENS ASKED SECY MORGENTHAU WHETHER A  
CONFLICT COULD NOT BE POSSIBLE BETWEEN THE  
TREASURY AND THE OPEN MARKET COMMITTEE AS NOW  
CONSTITUTED - SECY MORGENTHAU REPLIED -OH YU-  
SENATOR GOUZENS ASKED WHETHER IT WAS NOT THE  
PURPOSE OF THE PENDING BILL TO MAKE SUCH CONFL-  
ICTS IMPOSSIBLE AND SENATOR GLASS INQUIRED WHET-  
HER IT WAS SECY MORGENTHAU-S IDEA THAT THE  
FEDERAL RESERVE SYSTEM WAS SET UP TO FINANCE  
THE GOVT- SECY MORGENTHAU REPLIED -NO-

10.15  
BYRNS SAYS BONUS VETO TO BE WITHHELD UNTIL  
MONDAY

WASHN - HOUSE LEADERS HAVE RECEIVED ASSUR-  
ANCE FROM THE WHITE HOUSE THAT THE PRESIDENT-S  
VETO MESSAGE ON THE BONUS WILL NOT BE SENT TO  
CONGRESS BEFORE MONDAY SPEAKER OF THE HOUSE  
STATED FRIDAY - THE SPEAKER SAID IT IS PLANNED  
THAT THE HOUSE WILL ACT UPON THE BONUS ISSUE  
IMMEDIATELY AFTER THE PRESIDENT-S VETO MESSAGE  
HAS BEEN RECEIVED - HE BELIEVES THAT THE HOUSE  
WILL OVERRIDE THE VETO BUT FEELS THAT THE VETO  
WILL BE SUSTAINED IN THE SENATE-

10,00

VICE PRESIDENT EXPECTED TO SIGN BONUS AT

II O-CLOCK

WASHN - THE VICE PRESIDENT-S OFFICE AT THE  
CAPITOL STATES THAT VICE PRESIDENT GARNER IS  
EXPECTED TO SIGN THE BONUS BILL AT ABOUT  
II O-CLOCK AND HAVE IT SENT TO THE PRESIDENT  
SHORTLY THEREAFTER-

11.08

ADD ADVISORY COUNCIL--WASHN

DIVIDING THE PROVISIONS OF TITLE II INTO  
THREE GENERAL SUBJECTS THE COUNCIL POINTS OUT  
THAT THE FIRST HAS TO DO WITH THE CONTROL OF  
MONEY THE ORGANIZATION SET UP TO EXERCISE THIS  
CONTROL QAND THE POWERS TO BE EMPLOYED-

-THE EXERCISE OF THESE POWERS IS OF THE  
GREATEST IMPORTANCE TO THE COMMERCE INDUSTRY  
AND AGRICULTURE OF THE COUNTRY - AS FAR AS  
POSSIBLE THE MEMBERS OF THE BODY TO WHOM IS TO -  
BE ENTRUSTED THIS VAST AUTHORITY SHOULD BE FREE  
OF WRONGFUL INFLUENCES WHETHER POLITICAL OR  
FINANCIAL-

11,10

MORGENTHAU BELIEVES POWER TO DETERMINE OPEN  
MARKET POLICY DISCOUNT RATES AND RESERVE REQUIRE-  
-MENT SHOULD BE CENTRALIZED IN A SINGLE GOVT  
AGENCY AS INDEPENDENT OF THE PRESIDENT AS THE  
U S SUPREME COURT

WASHN - SECY OF THE TREASURY MORGENTHAU  
TESTIFIED THAT HE THOUGHT THE POWER TO DETER-  
MINE THE OPEN MARKET POLICY THE DISCOUNT RATES  
AND RESERVE REQUIREMENTS OF MEMBER BANKS SHOULD  
BE LOCATED IN A CENTRAL PLACE PRESUMABLY THE  
FEDERAL RESERVE BOARD WHICH HE SAID SHOULD BE  
AS INDEPENDENT OF THE PRESIDENT AS IS THE U S  
SUPREME COURT- HE SAID IT SHOULD BE LIKEWISE  
INDEPENDENT OF ANY OTHER OUTSIDE INFLUENCE-

HIS TESTIMONY FOLLOWED QUESTIONS BY CHRMAN  
GLASS AS TO WHETHER IN MR MORGENTHAU-S OPINION  
THE OPEN MARKET COMMITTEE PROPOSED IN THE PEND-  
ING BANK BILL WOULD OPERATE MORE EFFICIENTLY  
THAN THE PRESENT SET UP-

10.55

MORGENTHAU SAYS HE HAS GOTTEN ALONG EXTREMELY  
WELL WITH EXISTING OPEN MARKET COMMITTEE

WASHN - BUESTI-- QUESTIONED BY CHAIRMAN  
GLASS OF THE SENATE BANKING & CURRENCY SUBCOM-  
MITTEE CONDUCTING HEARINGS ON THE BANKING BILL  
AS TO WHETHER AS SECY OF THE TREASURY MR MORGEN-  
-THAU HAD HAD THE COOPERATION OF THE EXISTING  
OPEN MARKET COMMITTEE IN CONDUCTING OPEN MARKET  
OPERATIONS THE TREASURY HEAD REPLIED

-I HAVE GOTTEN ALONG EXTREMELY WELL WITH THEM-

-I HAVE BEEN IN THE TREASURY A YEAR AND A  
HALF- HE SAID - -IT SO HAPPENED THAT THE WEEK  
I CAME IN WAS THE LAST WEEK IN WHICH THE OPEN  
MARKET COMMITTEE PURCHASED ANY SECURITIES- FROM  
THAT DAY TO THIS THE COMMITTEE HAS NOT INCREAS-  
ED ITS HOLDINGS-

THE COMMITTEE HEARING WAS UNUSUALLY WELL  
ATTENDED TODAY AMONG THOSE PRESENT BEING  
RUDOLPH HECHT PRESIDENT OF THE AMN BANKERS ASSN  
AND FRANCIS M LAW FOR PRESIDENT OF THE ABA-

ADD MORGENTHAU E BELIEVES--WASHN

11/15

-LOOKING TOWARD THE FUTURE- SECY MORGENTHAU SAID -I THINK THE ENGINEER AND THE FIREMAN SHOULD BE WORKING TOGETHER AT ALL TIMES AND THAT IT MIGHT BE WELL TO MAKE SURE THAT AT SOME FUTURE CRIC-- CRITICAL MOMENT THEY WOULD NOT DISAGREE AND WORK IN OPPOSITE DIRECTIONS -

SENATOR BULKLEY OHIO DEMOCRAT ASKED WHETHER IN THE SECY-S OPINION IT WOULD BE BETTER TO HAVE NO INDEPENDENT JUDGMENT ON THE PART OF THE OPEN MARKET COMMITTEE THE SECY REPLIED NO THE FUNCTION SHOULD BE LODGED IN AN INDEPENDENT GOVT AGENCY-

SENATOR BULKLEY INQUIRED WHETHER IF SECY MORGENTHAU HAD THE POWER TO DIRECT OPEN MARKET POLICY HE WOULD PLACE MORE LONG TERM SECURITIES WITH THE BANKS - SECY MORGENTHAU REPLIED THAT HE WOULDN-T WANT THAT POWER BUT THAT IF HE HAD IT HE WOULD FOLLOW THE SAME POLICY AS HE HAS WITH THE 60 TRUST FUNDS NOW UNDER HIS ADMINISTRATION - THEY HAVE BEEN INVESTED IN LONG TERM GOVERNMENTS OTHE SECY SAID AND WITHOUT EXCEPTION HAVE SHOWN A PROFIT- -THAT IS JUST A MATTER OF RECORD- HE SAID-

SECY MORGENTHAU ARRIVES AT GLASS SUBCOMMITTEE  
HEARING ROOM TO TESTIFY ON BANK BILL

WASHN - SECY OF THE TREASURY MORGENTHAU HAS  
ARRIVED AT THE GLASS SUBCOMMITTEE-S HEARINGS  
ON THE BANK BILL- THE SECY WILL ANSWER QUESTION  
OF COMMITTEE MEMBERS BUT HAS NO PREPARED STATE-  
MENT-

II 36 AM DST

11.09

MORGENTHAU SAYS HE THINKS GOVT SHOULD OWN

STOCK OF FEDERAL RESERVE BANKS

WASHN - IN ANSWER TO A QUESTION BY SENATOR  
GLASS SECY OF TREASURY MORGENTHAU SAID HE WAS  
OF THE SCHOOL THAT THOUGHT THE FEDERAL GOVERN-  
MENT SHOULD OWN THE STOCK OF THE FEDERAL RESERVE  
BANKS-

May 17, 1935.

94

Secretary Morgenthau appeared at 10:30 A.M. before a subcommittee of the Senate Committee on Banking and Currency, at the request of the Chairman of the subcommittee, Senator Glass, in connection with hearings being held on the proposed Banking Act of 1935.

The subcommittee met, pursuant to adjournment on yesterday, at 10:30 A.M., in room 303, Senate Office Building, Senator Carter Glass presiding.

Present: Senators Glass (chairman of the subcommittee), Bulkley, McAdoo, Byrnes, Townsend, and Couzens.

Senator Glass: The committee will come to order. Mr. Secretary will you be good enough to take the stand, please?

STATEMENT OF HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY,  
WASHINGTON, D.C.

Senator Glass: Mr. Secretary, I did not imagine that you cared to make any detailed statement about these bank bills. I merely wanted to ask you one or two questions. The first one is, whether or not, as Secretary of the Treasury, you have had the cooperation of the existing Open Market Committee, provided by the statute, to conduct open-market operations?

Secretary Morgenthau: Senator Glass, I have been in the Treasury, now, about a year and a half, and it so happened that it was the week that I came into the Treasury that was the last week of the Open Market Committee purchases of securities, and from that day to this they have not increased their holdings. I have gotten along extremely well with the Open Market Committee. There have been no differences. I have no complaints to make as to their attitude toward me, and I do not think they have any complaints to make of my attitude toward them.

But as to their effectiveness, during the past year and a half I must say that they have played a very unimportant role, during the year and a half that I have been in office. They stopped their purchases the week I came in; and with the exception of turning over their securities as they came due and reinvesting, they have played a very minor part in Government securities.

Senator Glass: They have not put any of your securities out on the market, have they?

Secretary Morgenthau: I think their investments are about two and a half billion dollars, and they have kept them constant.

Senator Glass: Do you not regard that as cooperation with the Treasury?

Secretary Morgenthau: I have no complaint to make. They have kept them constant. At times I thought that they might have shown a little more courage and bought long-term securities. They did not think so, and they have kept the bulk of their money in short-term securities. But that is their judgment against mine, and I do not say that they are wrong or that I am right.

Senator Glass: That is simply the difference between long term and short term Treasury securities, is it not?

Secretary Morgenthau: That is right. During the period up to very, very recently they have constantly, as their securities came due, invested the proceeds in short term securities.

Senator Glass: Is not that good business?

Secretary Morgenthau: It has not proven to be in this last year and a half, because the investors investing in long term securities have made money out of them.

Senator Glass: At a little higher rate of interest?

Secretary Morgenthau: A bigger return on their money, much bigger.

Senator Glass: Have you any substantive reason to anticipate that you cannot get on in agreement with the existing Open Market Committee?

Secretary Morgenthau: The relationship is such that we can get on perfectly well, because there is nothing really to have a row about. They use what they think is their best judgment in investing their money, and as custodian for the various trust funds I use my best judgment. I think that the record would show that in the last year and a half I have done better for my clients than they have for theirs; but I invested largely in long-term securities and they have invested largely in short-term securities, and as a result of that my trust funds have done better than theirs.

Senator Glass: You have the taxing power behind your operations, have you not?

Secretary Morgenthau: I do not quite understand what you mean, Senator.

Senator Glass: I mean, the Treasury can appeal to Congress to issue securities and tax the people of the country to redeem them when they mature. Is not that a fact?

Secretary Morgenthau: I still do not quite understand, sir.

Senator Glass: The Open Market Committee has no such authority as that, has it?

Secretary Morgenthau: No. Their only authority, as I understand it, is to buy and sell Government securities for the Federal Reserve System.

Senator Glass: They are not confined to Government securities altogether, are they?

Secretary Morgenthau: I don't think so.

Senator Glass: I want to ask you this specific question. Have you any substantive reason to suppose that an open market committee composed of the present membership of the Federal Reserve Board would operate more efficiently than the Open Market Committee which is now established by statute?

Secretary Morgenthau: It would take a minute or two to answer that, if you do not mind. I have a definite philosophy and thought back of it. The various controls of credit I believe should all be centered in one place. I believe that they should all be centered with a Government authority; and, looking toward the future, I think that the engineer and the fireman should be working together and that there should not be a possibility, if a crisis should arise, that one might want to go full steam ahead and the other might not want to put the coal under the boiler.

Senator Bulkley: It might be better not to have any independent judgment on the part of the Open Market Committee, you think?

Secretary Morgenthau: No; I would not say that sir. But these various methods are for controlling the credit for the whole Nation, and I think that that function should be lodged with a Government agency. By that I do not mean the Treasury.

Senator Glass: But that does not answer my question, Mr. Secretary.

Secretary Morgenthau: I did not mean to avoid it. I was trying to explain how I felt.

Senator Glass: I wanted to know if you have any substantive reason to suppose that an open market committee, for example, composed of the present membership of the Federal Reserve Board, would operate more efficiently or more satisfactorily than the existing open market committee.

Secretary Morgenthau: Well, again, it may sound as though I were trying to avoid; but what I am trying to say - and if I do not answer your question, you may ask me again - is that we have three functions for credit control, and I believe that those three functions should be located in the same place.

Senator Glass: I understand your belief as to that. But still that does not answer my question.

Secretary Morgenthau: Well, I would hope that they would operate as well or as successfully if they were located with the Federal Reserve Board. But time would answer that. I could not.

Senator Bulkley: Suppose we should abandon the theory of an open market committee exercising independent judgment and put the investment policy of the Federal Reserve Banks under your discretion as Secretary of the Treasury; would you place more long-term Government securities with the banks?

Secretary Morgenthau: I will have to answer that question in two sections. In the first place, I would not want that authority. I do not think I should have it. If I did have it I would follow the same policy that I have followed during the past year for the 60 trust funds that we have, representing over a billion dollars. With regard to these various 60 trust funds, during the past year as the money comes due we have invested it in long-term Governments, and it so happened that we have been able in every case to increase

the value of the portfolio through that policy. That is a matter of record; and we have followed a uniform policy for all of our trust funds, to put them into long-term Governments.

Senator Bulkley: In answer to my suppositious question, you say that you would not want that power as Secretary of the Treasury. However, you would like to see that power concentrated somewhere, would you?

Secretary Morgenthau: I would like to see it concentrated in an independent Government agency.

Senator Bulkley: Independent of what?

Secretary Morgenthau: Of all outside influences--just as independent as you can make it.

Senator Bulkley: Independent of the President, too?

Secretary Morgenthau: Only that he should have the appointive power, the way he has with regard to the Supreme Court.

Senator Bulkley: You mean, appoint somebody that he had no more power to remove or influence than he has with regard to the Supreme Court?

Secretary Morgenthau: Right.

Senator Glass: That would mean that no member of that board could be removed except by impeachment?

Secretary Morgenthau: Yes.

Senator Glass: Mr. Secretary, I do not want to embarrass you by pressing my particular question. I can realize why you might not want to answer it more definitely than you have; but you have answered it sufficiently to enable me to conjecture what your real judgment of it is.

Senator Couzens: Have you any statement to make in connection with the bill, Mr. Secretary?

Secretary Morgenthau: No, Senator.

Senator Couzens: Have you read the bill?

Secretary Morgenthau: I have read the summary which I have here, and I have studied it.

Senator Glass: But you had not read that summary until recently, had you?

Secretary Morgenthau: The summary was not written until recently.

Senator Couzens: I would like to have the Secretary's opinion. It seems to me that the question of membership on the Board and the whole operation of the Federal Reserve System is closely allied to the Treasury under this proposed bill. It does not seem to me that up to date we have got any expression from him as to his views about the bill and whether he believes in it or not, and I would like to be informed, because it seems to me that his position justifies some influence with this committee.

But I understand you to say that you have nothing to say with respect to this pending bill?

Secretary Morgenthau: We have discussed this bill for months in the Treasury, and we have had meetings with the various agencies who lend money, that is, the heads of the various agencies, and we have gone over the controversial points and spent hours on it, and I think I may say that I understand the fundamental philosophy, the important points. I am frank to say that when you get into Title III and Title I, containing a lot of technical banking

questions, as you know, I am not a banker; I am not trained as one; but we have experts on that in the Treasury and we leave those questions to them. I have personally spent hours and hours discussing this bill and the important points in the bill I am in favor of. But the experts in the Treasury have spent literally hours on this bill.

Senator Townsend: Are you in favor of Title II as it is now written in the bill?

Secretary Morgenthau: I am in favor of the principles of Title II.

Senator Glass: Do you think the Government, without one dollar of proprietary interest in the Federal Reserve banking system should be authorized, without restraint, to loan the money of the System in open-market operations?

Secretary Morgenthau: Senator, I happen to belong to that school that thinks that the Government should own the stock of the Federal Reserve System; and then it would have that right.

Senator Glass: You belong to the school that believes the Government should own the stock?

Secretary Morgenthau: Yes.

Senator Glass. That is a different proposition. I am asking you if the Government, which does not own a dollar of pecuniary interest in the system, with the assets acquired over a period of 20 years by the exercise of banking skill--that the Government which has no pecuniary risk at stake should be permitted to spend other people's money without any restriction?

Secretary Morgenthau: Well, Senator, I am very timid about putting myself up against your opinion, because you have lived with

this thing---

Senator Glass: I am asking you your opinion.

Secretary Morgenthau: I think that the Government has got everything at stake in this. This gets right down to the whole question of credit. After all, as I understand it, the Government is the people. And we have got everything at stake.

Senator Glass: Does the Government own a dollar of pecuniary interest in the Federal Reserve System?

Secretary Morgenthau: No; but I think it should.

Senator Glass. You are for a central bank owned by the Government, then?

Secretary Morgenthau: If I may put it this way, I would like to see, if Congress could work it out somehow, that the Government owned this stock and would surround the trustees of it with every possibly protection and precaution, that they should not be subjected not only to political pressure but to that of private business and banking interests as well, and that they should keep just as independent as possible, and serve the financial and business interests of the country with only one motive in mind, and that is to serve them well.

Senator Glass: And to absorb all of the individual banks?

Secretary Morgenthau: No; oh, no.

Senator Glass: What does your central bank amount to if it does not absorb all the individual banks and use them as branches?

Secretary Morgenthau: You see, I came up to this position through Farm Credit, which is a pretty big institution, and we have a somewhat similar situation there, I believe. We have strong regional banks with directors. But the question of interest is

fixed here in Washington. The question has never been raised that the control of the Farm Credit should be held by anybody else but the Government, and I honestly believe that the trust that the Farm Credit had for the farmers and the millions and millions of dollars which they handled have been handled without outside influence.

Senator Glass: That was an emergency measure, was it not?

Secretary Morgenthau: I would not call it that.

Senator Glass: I am not talking about the Land Bank System.

Secretary Morgenthau: I consider Farm Credit a permanent institution.

Senator Glass: I know you gentlemen consider everything that has been done as permanent, but it started out simply as an emergency.

Secretary Morgenthau: I look forward to Farm Credit as an institution which I hope will live to serve the farmers for a long time.

Senator Glass: I can readily understand how one might advocate a central bank owned by the United States Government. We have had them. But I would like to get more definitely your judgment as to whether a Government should have the right to loan somebody else's money without restraint or restriction.

Secretary Morgenthau: I think it should have that same supervision over the credit of the country that it has over inspecting the banks or anything else. After all, I cannot make a distinction between the Government and the people.

Senator Glass: The inspection of banks is to require them to conform to the law in the conduct of their business. But when

you take charge of their business, that is a different proposition, is it not?

Secretary Morgenthau: I do not say that we should tell the Federal Reserve Bank of New York or Chicago or San Francisco whether they should make a commercial loan, or how they shall conduct their actual transactions; but when it comes to having a national policy as to rates of discount for example, I believe that is the function of the Government. I make that distinction.

Senator Glass: Well, considering a central bank, I can very readily understand how you would think that.

Senator Couzens: The Chairman spoke a while ago about whether you were satisfied with the operations of the Open Market Committee as it now exists under the law. I recall your answer, and I ask this question in connection with it. Is it not possible, under the existing open-market operations and the activities of the Treasury for there to be a very definite conflict?

Secretary Morgenthau: Oh, yes.

Senator Couzens: Is it not the purpose of this bill to avoid such conflict?

Secretary Morgenthau: I should say so.

Senator Glass: Do you conceive that the Federal Reserve System was set up to finance the Government?

Secretary Morgenthau: No.

Senator Glass: But under this bill it could be used for that purpose, could it not?

Secretary Morgenthau: I would have to take your judgment for that.

Senator Glass: Then my judgment is in accord with yours?

Senator Townsend: Presumably.

Senator Glass: No; there is no presumption about it.

Senator McAdoo: Mr. Secretary, we hear a good deal of talk about inflation these days. I wonder if you would give us your definition of inflation.

Secretary Morgenthau: To go up against two Secretaries of the Treasury is kind of tough.

Senator Glass: You are only up against one, now. I did not vote for the Patman bill.

Secretary Morgenthau: Senator McAdoo, in view of the fact that that bill is pending before the President, I would like to be excused from answering your question.

Senator McAdoo: The definition of "inflation" has nothing to do with that. We are talking finance and economics now.

Secretary Morgenthau: If you do not mind, with the bill pending before the President, I would like to be excused.

Senator McAdoo: Of course, I will excuse you if you do not want to answer. On the other hand, I suppose you do not object to telling us what you think is sound money?

Secretary Morgenthau: I am not a very good theorist on these things, Senator. I think the President put me in there as an administrator and not as a money theorist.

Senator McAdoo: I am not asking your theories, but your judgment as a practical business man as to what you consider sound money.

Secretary Morgenthau: I would be glad to hear from you, sir.

Senator McAdoo: I want information; I am looking for information. Would you consider United States notes, commonly called "greenbacks," that now have back of them and have had for some

time a 40-percent gold reserve to be sound money?

Secretary Morgenthau: Senator, I am not very smart at these things. I have just got to go back to your question. There is a bill pending before the President that has this question of greenbacks in it at this time, and if you do not mind I would like to ask to be excused from getting into that discussion.

Senator McAdoo: We have had statements which show a little more than 40 percent of gold back of a certain amount of greenbacks. I was just curious to know whether you considered that sound money or not.

Secretary Morgenthau: Would this be fair? If after the President has taken action on the bonus bill, and this committee still wants me to come here and theorize, I would be glad to do it then.

Senator McAdoo: This does not involve the question before the President at all, because there is no gold reserve back of this proposed note issue. I am just trying to get an idea, in view of the present state of our finances, what your view is as to sound money; that is, whether 40 percent gold back of our currency would be considered sound.

Secretary Morgenthau: We have got a lot of experts down at the Treasury who can discuss the theory of money and currency.

Senator McAdoo: I am not talking about theory. I am talking about actualities here.

Secretary Morgenthau: I cannot qualify.

Senator McAdoo: All right.

Senator Glass: Have you ever come in contact with unexpert experts?

*Plot removed  
1984  
material*

Secretary Morgenthau: Here is one right here.

Senator Glass: Unless there are further questions we will excuse you, Mr. Secretary.

(Secretary Morgenthau withdrew from the committee table)

I'm delighted to talk with you and I don't desire you long, Mr. Glass. There is in my congressional district, about two hours and a half from Washington, a very fine college, Polk State College.

Yes.

They have asked me to make a particular effort to have you as their commencement speaker and have asked me to ask you if you will not come that - to really do them the honor of having you there.

Well, it's terribly nice - I appreciate it.

I'd love to accompany you up. It's in the evening of the - they would arrange it if the week of the 3rd - but they would arrange it either Thursday, Friday or Saturday morning. How particularly would you, and of course, I really want you.

Well, that's certainly nice, but it's - it's almost impossible for me to speak, you know. I don't speak - I've spoken three times over the radio and that's about the extent and it takes me about four weeks to prepare a speech.

Oh, well, you wouldn't do that for a college commencement speech.

Well -

It wouldn't have to talk money, you know.

So -

And they will -

Well, let me know it over, but it's very beautiful, Mr. Glass, that's all I could do for.

I see. Well, it means a lot to me if you'd.

Well, I'd love to do it for you, particularly. I'd love to.

But, it is a wonderful college. Of course, they still perhaps have a hundred in the graduating class - it'll be an ten-thirty in the morning and we would leave here over in the morning and it's or drive up and come back

107A  
May 17, 1935.  
Friday.

H.M.Jr: Hello.

Randolph: Good afternoon, Mr. Secretary?

H.M.Jr: Hello, Mr. Randolph.

R: I'm delighted to talk with you and I won't detain you long, sir. There is in my congressional district, about two hours and a half from Washington, a very fine college, Potomac State College.

H.M.Jr: Yes.

R: They have asked me to make a particular effort to have you as their commencement speaker and have asked me to ask you if you will not come that - to really do them the honor of having you there.

H.M.Jr: Well, it's terribly nice - I appreciate it.

R: I'd love to accompany you up. It's in the morning on the - they would arrange it if the week of June 3rd - that they would arrange it either Thursday, Friday or Saturday morning. They particularly want you, and of course, I doubly want you.

H.M.Jr: Well, that's awfully nice, but it's - it's almost impossible for me to speak, you know. I don't speak - I've spoken three times over the radio and that's about the extent and it takes me about four months to prepare a speech.

R: Oh, well, you wouldn't do that for a college commencement speech.

H.M.Jr: Well -

R: We wouldn't have to talk money, you know.

H.M.Jr: No -

R: And they will -

H.M.Jr: Well, let me think it over, but I'm very doubtful, Mr. Randolph, whether I could do it.

R: I see. Well, it means a lot to me if you'd

H.M.Jr: Well, I'd love to do it for you, particularly. I'd love to.

R: But, it is a wonderful college. Of course, they will perhaps have a hundred in the graduating class - it'll be at ten-thirty in the morning and we could leave here even in the morning and fly or drive up and come back

- get back here by, oh, one or two in the afternoon so that it wouldn't really ruin a day.

H.M.Jr: Well, thank you very - I'll think it over and I'll let you know Monday, but I appreciate very much your asking me.

R: You're very kind.

H.M.Jr: Thank you.

R: Thank you, sir.

- Arthur Schlesinger
- William F. Griggs
- Ray Roberts
- Bertin W. Silverstein
- William de Valey
- Robert Miller
- Jewell House
- William L. Chaney
- William F. Apling
- Joe Kennedy
- Paul Block
- Frank Barnett
- Charles Mitchell
- New York Times
- Wall Street Journal
- United States
- National Broadcasting Company
- Columbia Broadcasting System
- National Chambers of Commerce
- Liberty League
- Callers
- Hiplinger Washington
- Securities & Exchange Commission

He talked over the telephone with some of them and some of them came into the office to see him. All offered their whole-hearted cooperation.

Up to the time that the President departed via train upon Mr. Eisenhower worked very very hard toward getting the people to help the President.

May 20th

At his 9:30 group this morning Mr. Morgenthau told the men that, until after the President has delivered his veto message on the bonus, he was going to concentrate on doing nothing but helping the President and he wanted them to help by taking Treasury matters off his shoulders.

Mr. Morgenthau talked to the following people along the lines outlined in conversation between Mr. Morgenthau and Roy Howard, of Scripps-Howard, copy of which is attached herewith.

- Arthur Sulzberger                      New York Times
- William H. Grimes                      Wall Street Journal
- Roy Howard                              Scripps-Howard
- Merlin H. Aylesworth                  National Broadcasting Company
- William S. Paley                        Columbia Broadcasting Company
- Harper Sibley                            National Chambers of Commerce
- Jewett Shouse                          Liberty League
- William L. Chenery                      Colliers
- William M. Kiplinger                  Kiplinger Washington Agency
- Joe Kennedy                              Securities & Exchange Commission
- Paul Block
- Frank Gannett
- Charles Michelson

He talked over the telephone with some of them and many of them came into the office to see him. All offered their whole-hearted cooperation.

Up to the time that the President delivered his Bonus speech Mr. Morgenthau worked very very hard toward getting the people to help the President.

May 20, 1936.  
Monday.

109K

H.M.Jr: Hello.

Aylesworth: Hello, Mr. Secretary?

H.M.Jr: Yes.

A: This is Aylesworth.

H.M.Jr: Yes.

A: I've been working ever since I talked with you.

H.M.Jr: Well, I've already had some of the results.

A: You have?

H.M.Jr: Governor Harrison called up and asked me whether it would be acceptable to the President if Owen D. Young would talk.

A: Yes.

H.M.Jr: And I told him that I could without consulting the President say unqualifiedly it would be acceptable.

A: Well, you know I had - I had two conferences with him -

H.M.Jr: Yes.

A: The first one he was chairman of our advisory council -

H.M.Jr: Yes.

A: And he has never - and he has always turned down requests to speak on N.B.C. time, our own time, on confere[n]tial questions.

H.M.Jr: Yes.

A: Well, I had to overcome that and I finally found a way to do it if you can help me. Now, he wanted to do it -

H.M.Jr: Good.

A: - and he's not afraid to do it and I was glad of that because I knew that it might be embarrassing to him from a lot of people who might take a crack at him.

H.M.Jr: Yes.

A: And he's not that kind of a fellow. Now, the Washington Star Forum is Thursday night, that's the night you want -

H.M.Jr: Yes.

A: It goes coast to coast -

H.M.Jr: Yes.

A: - from 11:30 -

H.M.Jr: Yes.

A: - covers everything, and our mutual friend Marriner is supposed to be on that evening.

H.M.Jr: Marriner who?

A: Eccles.

H.M.Jr: Yes.

A: Now, which I could arrange for and which would be a beautiful way of doing it and wouldn't make it appear he's coming on the N.B.C. at his own request.

H.M.Jr: Swell.

A: Now, if you could arrange to have Eccles take another time, I'll give him as good a time and as big an audience.

H.M.Jr: Yes.

A: And I could put him in any place.

H.M.Jr: Swell.

A: - except Thursday night.

H.M.Jr: Well, he could go on, say, Friday night.

A: Well, I think I could arrange it Friday night. I will arrange it - you can tell Marriner for me, we're old Salt Lake friends, you know -

H.M.Jr: I see.

A: - and that I'll take care of him.

H.M.Jr: Well,

A: And see that he gets a good time and as quickly as possible - I mean by that, within a night or so to reach the audience he wants to reach, the same audience he'd reach here.

H.M.Jr: I'll tell Marriner to call you up direct.

A: Will you?

H.M.Jr: I'll call him at once and I'll ask him to call you direct. I'm sure it'll be all right.

A: I - I hope so because this is the one way I know to -

Young says it may take him from - about eighteen minutes. He wants to do this job right.

H.M.Jr: Well, I'll call Harriner and I'll ask him to call you at once.

A: Because - then, of course, he'll have a chance to get our publicity -

H.M.Jr: Yes.

A: Oh, by the way, Mr. Young asked me to ask you a question.

H.M.Jr: Yes.

A: He said if it were possible for you to send him confidentially the uncompleted draft, not the completed, but the uncompleted form. It would help him because he must get his talk ready so that we can get the national publicity on his too for Thurs - for Friday morning's paper -

H.M.Jr: I see.

A: And I could be sure they coordinate, see?

H.M.Jr: Well, I'll see what I can do, that's a little difficult, but I'll see what I can do.

A: Well, perhaps you can - perhaps you can do this - pardon me for giving you suggestions -

H.M.Jr: Well, that's -

A: You might be able - if you can't do that - to get him in some form a confidential memorandum -

H.M.Jr: That's right.

A: - which would cover the subject.

H.M.Jr: I get you.

A: He wants to write him and if we want the bigger press - follow-up so that we can circulate him before he goes on.

H.M.Jr: I'll get you a confidential memorandum; I'm sure I can get that.

A: If you could - if you could either mail it to him or me.

H.M.Jr: Well, I'll most likely mail it to him direct or even may send it up to him by hand.

A: If you could send it to him - then, you see he'd be ready his - he's only got a short time - to be ready to get it

out so that in time he'll have his full draft in the hands of all the newspapers to the effect there for Friday morning.

H.M.Jr: I'll take care of it at once; I'll call Marriner immediately.

A: Yes, you have Marriner call me. Now, one other suggestion, Mr. Secretary. I have another suggestion to offer you.

H.M.Jr: Please.

A: - following Thursday. I'm going to call you up Friday, if I may -

H.M.Jr: Yes.

A: - and suggest three or four or five names -

H.M.Jr: Grand.

A: - then I'm going to ask you confidentially to see that they respond in working with your confidential request, and then I'll invite them.

H.M.Jr: Fine.

A: Then we coordinate perfectly.

H.M.Jr: Beautiful.

A: Now, one other thing. We're arranging for our microphones, of course, for - in Congress.

H.M.Jr: Yes.

A: The only question will be whether they'll let us in.

H.M.Jr: In Congress?

A: Yes.

H.M.Jr: Well, if you have any trouble, you let me know and I'll see that Secret Service takes care of you.

A: and I'll go right at them.

H.M.Jr: If you have any trouble you let me know and I'll see that Secret Service will help you.

A: We'll try to do it ourselves first.

H.M.Jr: All right.

A: In the meantime, I'll hear from Marriner?

H.M.Jr: You'll hear from him - if he's in you'll hear from him in

two minutes.

A: Yes, because we ought to make our arrangements tonight if we can.

H.M.Jr: If he's in you'll hear from him in two minutes.

A: Thank you.

H.M.Jr: Goodbye.

May 20, 1935.  
Monday.

109F

H.M.Jr: Hello.

Harrison: Hello, Henry.

H.M.Jr: Hello, George.

H: I'm glad to hear you.

H.M.Jr: I'm glad to hear you.

H: I had hoped we were going to have a meeting today so when I heard that was off I came on back.

H.M.Jr: Oh, I see.

H: But, I'll be down there Wednesday, if you want me.

H.M.Jr: Good, I certainly do.

H: Now, Henry, I've been talking to Owen Young; I've got something I want to ask you, if you'll let me.

H.M.Jr: Please.

H: He's been asked by the National Broadcasting Company-

H.M.Jr: Yes.

H: - to make a radio statement, I think, Thursday.

H.M.Jr: Yes.

H: It's a of what will presumably be the President's veto of the bonus thing.

H.M.Jr: Yes.

H: He's always reluctant to make radio speeches, but he's rather anxious to do this because, as I think you know, he'd love to support the President where he can unenthusiastically and unqualifiedly as he could in this case.

H.M.Jr: Yes, well, I -

H: And I don't think he wants to do it -

H.M.Jr: Well, I think it would be perfectly grand if he would.

H: Well, I was going to say, he - I didn't think he'd want to do it unless he knew it was quite acceptable to you and the President if he would do it.

H.M.Jr: Well, I can - without asking anybody, I can say unqualifiedly, it would be acceptable.

Harrison: You can?

H.M.Jr: Absolutely!

H: Well, then I - I think he'd love to do it on that basis.

H.M.Jr: Well, I - I think it would be grand.

H: Because he feels very strongly about it, of course.

H.M.Jr: Yes, well, I don't know anybody I'd rather see do it than he.

H: Well, then - there's one other thing - he had a little bit in his mind and I'd rather - I know he'd want to be frank with you and I want to be frank with you -

H.M.Jr: Sure.

H: - before you say that too definitely. Glass has been pushing him pretty hard to testify on the Bank Bill.

H.M.Jr: Well, the two things have nothing to do with each other.

H: No, he probably will do it and he probably will oppose some parts of it -

H.M.Jr: That's all right.

H: So I just wanted you to know that will be likely to be the case.

H.M.Jr: That's all right.

H: That's what - I should think you would feel that way.

H.M.Jr: The two things have no connection.

H: Yes, all right, Henry. I'll tell him that and I can say that you know that goes for the President too.

H.M.Jr: I can say that - I'll take that responsibility in this case talking for him.

H: All right.

H.M.Jr: Yes.

H: Well, that's first rate. I'll tell him because he - he's promise to tell the broadcasting people promptly this afternoon, so -

H.M.Jr: Yes, well, I'll take that responsibility and say that it's acceptable to the President.

H: First rate. All right, Henry, thank you so much.

H.M.Jr: Thank you.

109 H  
May 30, 1935.  
Monday.

H.M.Jr: Steve?

Gibbons: Yes.

H.M.Jr: I'm awfully sorry to hear you're ill.

G: I've got an infected ingrown toe nail, the damn thing, I let it go and well it -

H.M.Jr: Well, now listen Steve, when are you going to be able to get around?

G: I'll be around, I'm sure, tomorrow.

H.M.Jr: Well, could you use the phone?

G: Yes.

H.M.Jr: All right. You know, the President's gone right out on the end of the limb on this bonus -

G: Yes..

H.M.Jr: And I'm going with him.

G: Yes.

H.M.Jr: And as far as I can find, I'm the only member of the cabinet that gives a God damn what he's doing.

G: I think that's true.

H.M.Jr: Now, Jim Farley's up dedicating a post office at Monticello. He ought to be here working for the President.

G: Yes.

H.M.Jr: Now, I told the President that he's up at Monticello and I think the President's calling him back.

G: Yes.

H.M.Jr: Now, what I want to find out is - you could find out - the New York Congressional Delegation, how're they going to vote on the veto message.

G: Yes.

H.M.Jr: Now, it doesn't take an awful lot of votes, from the House to sustain the President.

G: He doesn't think he can do it in the House, does he?

H.M.Jr: No one's thinking of it but me - I'm the only fellow.

G: Yes.

H.M.Jr: I mean, I'm just bash enough to think that if the Delegation wants to - going to override his veto -

G: Yes. In the House?

H.M.Jr: In the House, I'm just talking about the House -

G: Yes.

H.M.Jr: Now apparently he's in Dutch and this might be a chance for them to pull themselves out, see?

G: Yes.

H.M.Jr: Now, I - I wouldn't - I'd let Jim handle this, but he isn't here - he's away -

G: Sure.

H.M.Jr: Now, let's you and I go to work. You can call up Dooley and ask him -

G: O.k., all right.

H.M.Jr: - where they stand on the bonus, are they going with the President or aren't they.

G: Yes.

H.M.Jr: And I want to know - you - don't tell him I want to know, but we want to know.

G: Oh, no, no. But, at first they won't - there will be a lot of them from Brooklyn and all around that will vote they'll say, well, it'll be turned down in the Senate and why should we put ourselves on the end of the limb - we'll -

H.M.Jr: Wait a minute. The Senate is going to sustain the President.

G: I know he is - I know they are.

H.M.Jr: Well, why - it's the same old thing. Here's the argument - Tammany always - be here for years - well, let's put it New York City democracy. They haven't once taken the leadership. They haven't once done anything but be a bunch of sheep -

G: Yes, yes.

H.M.Jr: Now -

G: Here's a chance for them to display some sense and intelligence.

H.M.Jr: Yes, and O'Connor - who heads that Delegation, O'Connor?

G: O'Connor, yes.

H.M.Jr: Well, will you go to work on it?

G: I'll get a hold of John O'Connor right away, yes.

H.M.Jr: Of course, there's just a chance -

G: Yes.

H.M.Jr: And course, if the New York - what have they got, thirty votes?

G: Yes, they got thirty odd votes.

H.M.Jr: Well, if the New York delegation would vote with the President that would end it.

G: Sure.

H.M.Jr: And God, it would just put O'Connor right on the map - nobody ever heard of O'Connor.

G: Yes.

H.M.Jr: And, well, it would be wonderful.

G: Yes, I get your point. All right.

H.M.Jr: And that's New York Democracy would stand for something now - you know what they are as well as I do.

G: Oh, they never - it's terrible.

H.M.Jr: Now, listen when you get that done - you're a pretty good friend of Jim's, why don't you call him up and say for Christ's sake, Jim, why aren't you here on the job?

G: I don't know - he's always absent at the psychological moment.

H.M.Jr: Yes.

G: I - I've been sitting over here fretting for a week, of course, but I couldn't get a shoe on. Sunday, yesterday, was my youngster's birthday and I had to stay here and -

H.M.Jr: Well, let's take care of O'Connor and the New York Delegation and I'll find out what they've done at the White House about letting Jim know, see?

G: Yes.

H.M.Jr: And will you call me back?



May 20, 1935.  
Monday.

110

H.M.Jr: Hello.

H: Hello.

H.M.Jr: Roy Howard?

H: Yes.

H.M.Jr: Henry Morgenthau, Jr.

H: Good morning to you, sir.

H.M.Jr: How are you?

H: Fine, thank you. How're you?

H.M.Jr: Never better. Mr. Howard, very much off the Record and confidentially I'd like to talk to you about the Bonus -

H: Yes, sir. How and where and when?

H.M.Jr: Well, I want to tell you what I got for mine and then you tell me when, where and how.

H: All right.

H.M.Jr: The first - may I say, as near as I can tell are the only group that are really putting up a fight.

H: Well, as far as I can know, I think they are.

H.M.Jr: And I read all the newspapers this morning and the only story any newspaper carried is what the Veterans want and not what the taxpayer wants.

H: Yes, sir.

H.M.Jr: Now, what I want is -

H: That's the whole picture just in that one sentence.

H.M.Jr: Right. Now, what I want is your help and advice and what we can do after the President gives this talk on Wednesday to carry on after he's given his talk, see?

H: Yes.

H.M.Jr: And I want -

H: I'm sure that my help would be good than I am that my advice would be good.

H.M.Jr: You're what?

H: I think my help might be worth more than my advice.

H.M.Jr: Well, I want to -

H: You give me the advice and I'll give you the help and that'll make it fifty-fifty.

H.M.Jr: Well, I don't know, I mean -

H: Well, I don't either very frankly.

H.M.Jr: But, it just seems to me America doesn't know what's happening to it. It's just another Wayne B. Wheeler shoving down prohibition down their throats.

H: Absolutely, it's just exactly that.

H.M.Jr: Yes.

H: Well, I'll be very glad to - as a matter of fact, I've cut in on the thing or tried to cut in on it last week, and I always thought my nose was a little bit out of joint, although I've gotten used to that and I don't take it seriously, but I couldn't get to the President although the last time I was down there I could have if I wanted to raise hell, but I didn't feel like raising hell, but I had an idea about it because there was a very pernicious and deliberate attempt to short circuit him by creating this impression that you now know about that - that he didn't really mean it; that he hoped that put it over his veto, you see?

H.M.Jr: I know.

H: I tried to get to him because I get a little different point of view on that stuff than you do down there in Washington through our cross section, and I thought it was damn serious.

H.M.Jr: Well, it was.

H: Well, the result is - he's got to do something to break Steve Early down unless some people that are trying to help him get to him.

H.M.Jr: Yes. Well, now -

H: Well, now, Mr. Secretary, how about it? Do you want me to come down there?

H.M.Jr: I'd like you to come down here, kind of open up headquarters.

H: In the meantime, may I ask - may I - have you met Clark V. Parker?

H.M.Jr: No.

H: Clark V. Parker is the editor-in-chief of our whole group and formerly, for a great number of years, operator from New York. This thing has gotten so hot that I couldn't be down in Washington all the time; he's my right hand editorial man; I sent him down there, he's now located at the Washington News office and what I'd like very much to do would be - because time is the essence.

H.M.Jr: Time is the essence.

H: I'd like to get a hold of Parker on the phone this morning and ask him to come and see you.

H.M.Jr: That's o.k.

H: Have you got a luncheon date or where?

H.M.Jr: Well, I'm lunching with the President today.

H: I see. Well, all right.

H.M.Jr: But, I - I - I mean, I'm doing nothing but this and my whole time is on this.

H: Well, I'll get in touch with - of course, you've got an hours difference in time - it's only half past nine down there, isn't it?

H.M.Jr: Yes, but if you come down, even if it's for twenty-four hours - and let's -

H: Surely I can.

H.M.Jr: And let's start together on this.

H: Surely, I'll come down - how about tomorrow?

H.M.Jr: Any time you say.

H: Well, I'll - I'll come down - I've got an appointment here on Wednesday down tomorrow, but in the meantime, I'd like to have Parker - have you see Parker either this morning or this afternoon. I can come

H.M.Jr: I'll tell my girl when Parker calls to put him on immediately.

H: All right.

H.M.Jr: Now, why don't you - I don't know whether you fly or you -

H: Yes, I fly always.

H.M.Jr: Well, why don't you come down tonight. There's a nine o'clock plane, you know -

H: Yes.

H.M.Jr: - gets in here - get a good night's rest and get in here, I think it's about nine-thirty, something like that - ten o'clock standard time. There's a late plane they run out of New York, I think at nine -

H: Well, there's an early plane out of here and for the hours difference in time, I can get down to Washington as soon as anybody that's tomorrow morning.

H.M.Jr: Right. Well, I'm - I -

H: I'll come down on that - I'll come down on that early morning plane.

H.M.Jr: Well, why don't you send me a wire what time that - I think that's the plane - I don't know - send me a wire what time you get in, will you?

H: Yes, yes.

H.M.Jr: And I'll figure fifteen minutes from the time that you get in that you'll be in my office.

H: Come to the office?

H.M.Jr: Yes.

H: O.k.

H.M.Jr: How's that?

H: That's fine. Now, in the meantime, the message isn't going to - the veto isn't going to - the message isn't going to be delivered today?

H.M.Jr: No, no, no, it's not until Wednesday.

H: I see.

H.M.Jr: Now, what I'm thinking about and I want to get the best brains I can get a hold of to help me, what we're going to do after this is over. Now I - I think we're all right on the Patman bill, I mean, on licking it, see?

H: Yes.

H.M.Jr: Then it's going to be the X Bill and the Y Bill and they're going to keep this up.

H: Yes.

H.M.Jr: See?

H: Well, that's what - of course, morning papers. Well, now, I want to ask you, as a matter of maintaining the contents, is it agreeable to you if I bring Parker with me tomorrow morning?

H.M.Jr: Sure.

H: Because he's going to be there permanently.

H.M.Jr: Sure.

H: And I'm going to tell you very frankly, I'm - because you were very - you were very candid with me, and in fact, you weren't - I really mean when I say no that I'm positively damn dumb on matters of finance and you were kind enough to say that you didn't regard yourself as executive job.

H.M.Jr: Yes.

H: All right. Now, I'll be - I'll give you everything that we've got, but what I want to impress on you is that I'm so certain that he's got to be supported in that thing that we'll get together and talk it over - I'd find out what the ticket is and this is one case - and I don't get into very many of them, where I'll play it blind if he says he's got a plan that he wants to go through with.

H.M.Jr: O.k.

H: Now, just one thing. Probably nobody has got a keener appreciation of other peoples time than I have because mine is damn little and I'm telling you that. So, I would not, under any circumstances, tax the President's time with anything that wasn't important and I would never tax it with anything that was in my own interest because I don't think I've got any call for him on that, but honest -

H.M.Jr: Well, if you'll -

H: - but honest to God, I think that the situation is a little absurd when I've got the largest single audience that is devoted wholeheartedly to supporting him that I can't get through to him down there in an emergency.

H.M.Jr: Well, now listen, I'll see that that's taken care of, but I - I -

H: I would never transgress on that because I have a respect for other people's time and as I say, I would never under any circumstances have the temerity to do anything in my own interest, but when it's in the interest -

H.M.Jr: When you -

H: - of the Japanese to get to him.

I think I ought to be able

H.M.Jr: When you come back - when you're here tomorrow, I'll have a message for you from the President.

H: O.k., and I'll send you word, Henry, what time that - that plane gets in.

H.M.Jr: Right.

H: Thank you very much.

H.M.Jr: Yes, please business -

H: Yes.

H.M.Jr: And I hope you your paper is. Yes, I - I wish you to be sure for me - you've got some of the best men on the staff, and I hope you'll be able to get some of them to come to the office.

H: Yes.

H.M.Jr: Yes, if you could kind of help to look into the thing and let me know about it - I'd really not have it come through your - even though you're in Washington office, and?

H: Yes.

H.M.Jr: I wish, I - I don't want to get - I want to keep in the background on this.

H: Yes.

H.M.Jr: It's not leaving a door unguarded to let the world - and kind of a horse, and?

H: Yes.

H.M.Jr: And the President's got a real message.

H: Yes.

H.M.Jr: Now, if you've got any suggestions or if you think of anything I can do down here, I wish you'd talk me, and?

H: Well, now what do you want to know, what the line-up is there on the Hill?

H.M.Jr: Yes, I know what it is now, but what you'd like to know is, could we think of any way to get four or five votes to spare in the Senate.

H: Well, now that's what Flynn tells me, Mr. Secretary.

H.M.Jr: Yes, but the thing right -

H: That you've got four or five votes to spare.

May 20, 1935.  
Monday.

115A

Grimes: Oh, yes, Mr. Secretary.

H.M.Jr: Grimes, I want to talk to you off the Record - confidentially - hello -

G: Yes.

H.M.Jr: Now, about this bonus business, see -

G: Yes.

H.M.Jr: We mean business -

G: Yes.

H.M.Jr: And I know how your paper is. Now, I - I wish you'd do this for me - you've got some of the best men on the Hill, see?

G: Yes.

H.M.Jr: And, if you could kind of keep in touch with the thing and let me know direct - I'd rather not have it come through your - even through your Washington office, see?

G: Yes.

H.M.Jr: I mean, I - I don't want to get - I want to keep in the background on this.

G: Yes.

H.M.Jr: I'm not leaving a stone unturned to lick the bonus - any kind of a bonus, see?

G: Yes.

H.M.Jr: And the President's got a swell message.

G: Yes.

H.M.Jr: Now, if you've got any suggestions or if you think of anything I can do down here, I wish you'd tell me, see?

G: Well, now what do you want to know, what the line-up is there on the Hill?

H.M.Jr: Yes, I know what it is now, but maybe we're kidding ourselves, see? We think we've got four or five votes to spare in the Senate.

G: Well, now that's what Flynn tells me, Mr. Secretary.

H.M.Jr: Yes, but the thing might -

G: That you've got four or five votes to spare.

H.M.Jr: Yes, but the thing might shift over night - it might shift in an hour.

G: It might.

H.M.Jr: And I'd rather have it come through you than even through your Washington bureau, see?

G: All right.

H.M.Jr: And if there's any shift, I'd like to know it.

G: All right.

H.M.Jr: Understand, I'm telling you that this is a real fight and we don't mean - this is no - this is no shadow boxing.

G: This - there's several - tell me, let me ask you this thing; this stuff of veto with the tongue and cheek is all off?

H.M.Jr: All off.

G: Well, now, let me ask you this; supposing they come through with another bill?

H.M.Jr: Well, we'll - I'm - I say we're going right down the line, we don't want any bonus.

G: Don't want any bonus?

H.M.Jr: No. We've got a contract for these fellows that comes due in 1945. If - without - if the law stands the way it is, by, 1945 we'll pay the man in uniform fifteen billion dollars.

G: Yes.

H.M.Jr: Which is three-quarters of what the whole World War cost.

G: Yes.

H.M.Jr: Which I think is plenty.

G: Yes, that is.

H.M.Jr: And the thing that I can't get through my head - you read the morning paper - there isn't a God damn thing in there except what the Veterans want. There isn't a business man or a manufacturer or an organization that has opened his mouth. They're just sitting back and taking this thing. You read any morning paper, any New York morning paper -

G: That's true.

H.M.Jr: - there isn't a line about anybody except what the Veterans want.

G: That's true.

H.M.Jr: And there's no difference between this and Wayne B. Wheeler and prohibition. I mean, it's the same - they're using exactly the same method.

G: Well, these fellows are stronger than Wayne B. Wheeler ever was.

H.M.Jr: Correct. But, the American business man is just sitting back and isn't saying a "peep", and if he doesn't get busy, he's going to have this thing. I mean, the President's going absolutely out on the end of the limb.

G: Yes.

H.M.Jr: Now, he does this on Wednesday -

G: Yes.

H.M.Jr: Now, if the rest - it's up to the rest of the community to help him. This is -

G: Well, I think if he puts out that kind of message, he'll get the help.

H.M.Jr: Well, there's - no one can write a stronger message - it's the strongest thing he's said since his inaugural address.

G: Yes, glad to hear it.

H.M.Jr: See?

G: All right. I'll tell you what - I'll - I'll get a hold of Flynn on the phone this evening and tell him I want him to keep in touch with me direct, -

H.M.Jr: Right.

G: - on any line-up and then I'll let you know.

H.M.Jr: That's right.

G: All right, thank you very much, Mr. Secretary.

H.M.Jr: Now, listen - now wait a minute -

G: Yes.

H.M.Jr: If you get any ideas - if there's anybody you think I could call personally, see,

G: Yes.

H.M.Jr: - let me know.

G: Well, what do you mean, anybody on the Hill?

H.M.Jr: Well, I'll give you an example. I can't find out where Paul Block stands on this stuff -

G: Yes.

H.M.Jr: - and where de Ridder stands.

G: Yes.

H.M.Jr: Do you suppose you could find out - in any way?

G: Paul Block - yes, I think I can.

H.M.Jr: I mean, as far as we can tell, Paul Block's papers haven't taken any stand. I don't think the de Ridder papers have either.

G: Yes.

H.M.Jr: See?

G: Yes, I think I can find out where they stand on the thing. You mean, the -

H.M.Jr: Well, I - I'm not in that kind of competition, but I'm thinking more of the Paul Block's papers.

G: The Paul Block's papers.

H.M.Jr: Yes, Paul Block. Maybe you've got some contact with it.

G: Yes, I think I can find out where they stand on the thing. I can give you a guess if you'd like to hear it.

H.M.Jr: Yes.

G: I think they're against the bonus; they don't want to - they haven't wanted to crawl out in opposition at this time. Well, you know Paul Block's attitude. He rather missed - I think, also he hasn't wanted to crawl out this time because he hasn't been - well, he heard those stories -

H.M.Jr: I see.

G: - that there'd be a veto with the - with a wink. His attitude being what it was, he probably gave them some credit, I mean, we always like to believe things like that about the people we're mad at. So, he didn't want to fight a losing fight.

H.M.Jr: Well -

G: And I think if there's a good strong veto message out of there, you'll see a lot of rallying around.

H.M.Jr: Fine. Well, -

G: And I'll keep in touch with you on the thing, Mr. Secretary.

H.M.Jr: Fine, thank you.

G: Goodbye.

H.M.Jr: Goodbye.

[Faint, illegible text continues, possibly representing a transcript of a meeting or interview.]

May 20, 1955.  
Monday.

115F

Operator: Mr. Baker's on a cruise to Jamaica on official business - on business -

H.M.Jr: Yes.

Operator: The Secretary, Mr. McDonald is there. Do you want to speak with him?

H.M.Jr: Yes.

O: Just a moment.

McD: Hello.

O: Go ahead.

H.M.Jr: Hello.

McD: Hello.

H.M.Jr: This is Henry Morgenthau, Jr.

McD: Yes, sir.

H.M.Jr: In Mr. Beck's absence, who can I talk to?

McD: In connection with what, Your Honor?

H.M.Jr: In connection with the bonus.

McD: Editorially?

H.M.Jr: What's that?

McD: Editorially?

H.M.Jr: Yes.

McD: Now, just a minute, I'll see if Mr. <sup>on</sup> hand -

H.M.Jr: All right.

McD: - he's our editor.

H.M.Jr: O.k.

May 20, 1935.  
Monday.

1156

H.M.Jr: Hello.

Paley: Hello, Mr. Secretary.

H.M.Jr: Hello, Mr. Paley. Mr. Paley, I'd like to talk to you as the newspaper men say, confidentially and off the Record, if I may.

P: Good.

H.M.Jr: I want to talk about the bonus.

P: Yes.

H.M.Jr: Now, frankly I've been doing nothing else for the last three days and I don't mind saying that this talk that the President's going to give over the radio when he addresses Congress, I think, is the greatest address he's made since his inauguration.

P: Yes.

H.M.Jr: Now, I don't know how you stand on the bonus, but the point that I'm interested in is the follow-up after the President's made his speech.

P: Yes.

H.M.Jr: And in reading the papers today there isn't a single newspaper that carries any item about the bonus except what the veterans have to say.

P: What the who have to say?

H.M.Jr: The veterans.

P: Yes.

H.M.Jr: Now, what I want to find out is, from you, what suggestions you have as how we can get the other side of the question presented to the editorial man over the air, see?

P: Yes. That comes right down, I imagine, to personalities as to who is other side of that question plausibly with understanding.

H.M.Jr: Yes.

P: We'd be more than glad to offer periods on the air for that particular use.

H.M.Jr: I didn't get that.

P: We'd be more than glad to offer time on the air for that particular use if that will be of any help.

H.M.Jr: Well, Mr. Paley, do you people run your own editorial hours where you arrange for the speakers on two sides of questions?

P: Yes, we do.

H.M.Jr: You do?

P: Yes.

H.M.Jr: Do you feel that this bonus thing is important enough to do that?

P: Well, I think that it's one of the most important questions that Congress has had in a long time.

H.M.Jr: Yes.

P: There's no question about its importance and therefore devoting as much time to it as I think would be necessary at this moment.

H.M.Jr: Yes. Well, the way I feel is that - I don't know - that I - maybe we've fallen down, but certainly reading the papers you'd think that there was only one side to the question.

P: I've been thinking that myself for the last four or five days.

H.M.Jr: And now that the President is really risking everything on this thing -

P: When is he going to deliver that message?

H.M.Jr: Pardon me?

P: When does he intend to deliver that message?

H.M.Jr: As I understand it, I mean, as Congress - their meetings - as I understand it, they say their meetings hasn't been fixed yet about one o'clock Wednesday.

P: I see.

H.M.Jr: Now what I - of course, I imagine the White House will ask for the courtesy of your chain.

P: Oh yes, he'll certainly get that.

H.M.Jr: And then what I'm thinking of is, I mean, this - you're an expert on this, I'm not - how, after this thing is over, we can get other speakers to follow up and - because this isn't - if the Senate sustains the President on the Patman Bill, there's going to be just one other bonus bill after that until Congress adjourns.

P: Yes.

H.M.Jr: And this is certainly from the President's Standpoint and my standpoint to be nothing as important as this.

P: Mr. Secretary, can you give me some idea as to who you think the qualified speakers would be?

H.M.Jr: Well, I'd have to think about it, see? I just wanted to talk to you first and get acquainted and see whether you'd feel sympathetic, that's all.

P: We feel sympathetic to avoid the - every side of a controversial question especially one as important as that.

H.M.Jr: Yes.

P: We have a custom to always maintain neutral position, but there's always time available for speakers on both sides and naturally we're very anxious to get the most qualified speakers there are so as to be able to present each side as forcibly as possible. Very often we're not in as good a position as people the situation in determining who the best people are

H.M.Jr: Yes. Well, let me ask you this from a standpoint of public reaction which would be better, I mean, if the Columbia organizes an editorial hour on this and invited speakers or whether people like myself did it - I mean, would it be much better if you people did it and then you could ask us for suggestions.

P: You think we ought to have a public form giving both sides of the story?

H.M.Jr: Yes.

P: Well, we could do that or we could invite you or two or three others who might be qualified. We've given enough time to the other side so I don't think we're duty bound now to go out of our way to give much more time to it.

H.M.Jr: Well, I - I mean, I'm not thinking of myself - I mean I - the President's going to do this and I think the less administration people the better after he's spoken.

P: Well, I think one other - and personally my own reaction to it, I think one more important administration leader ought to do it - something about it, as well as other speakers who probably aren't mixed up in the political phrase of his speech.

H.M.Jr: I see.

P: I think if the - as a matter of fact, I don't know whether it would be wise for anyone to speak about it before his message or not.

H.M.Jr: No, no, I think you're perfectly right.

P: Now, I think that probably the speeches ought to be made after his message, don't you?

H.M.Jr: I think your judgment is absolutely sound.

P: Yes. Now, we could get people to go on Wednesday night.

H.M.Jr: Yes.

P: We'd like to have you go on Wednesday night, if that would be agreeable.

H.M.Jr: Well, I - I - I won't be ready, I mean, they've squeezed me about as dry as the very driest punch.

P: I can imagine - the strain must be terrific.

H.M.Jr: And I - I wasn't thinking of myself in this - I mean I - the only person that - down here - that gives a damn besides the President and I - I'm -

P: Well, Mr. Secretary, could I have my Washington man -

H.M.Jr: Yes.

P: - come over and see you -

H.M.Jr: Sure. Who's that?

P: Harry Butcher.

H.M.Jr: Oh, yes, I'll be glad to see him.

P: And he can sit down and go over the whole thing with you - he's in much closer touch with that situation -

H.M.Jr: Fine.

P: - knows more about qualified speakers than we do in New York.

H.M.Jr: But, would -

P: Between the two of you, you might be able to form a campaign that might be very effective.

H.M.Jr: Well, would you give us - would you mind personally thinking a little bit about it?

P: What's that?

H.M.Jr: Would you mind thinking about that - how to present it?

P: I'll certainly be glad to do that. I'll call my Washington office right away and have a long talk with Mr. Butcher on the telephone.

H.M.Jr: Grand.

P: Go over the ground as carefully as I possibly can -

H.M.Jr: Grand.

P: And ask him to go over to your office.

H.M.Jr: Yes, that'll be swell.

P: I'll do that, Mr. Secretary.

H.M.Jr: Thank you.

P: Thank you, Mr. Secretary.

H.M.Jr: Mr. Secretary, I have been living, breathing and self-sleeping on the issue for the last three days with the President.

P: Yes.

H.M.Jr: I don't mind saying that in my opinion the address that he's going to give to Congress is the most shocking and the most terrible since the inauguration.

P: Yes.

H.M.Jr: I don't know how you personally feel on the whole. What I am anxious to do is to get the help and advice in after he makes the address - that we're going just don't peter off and that the thing will continue only over one side, which is the Veterans' Organization - I mean, if you pick up this morning's newspapers you can't find a single story except those which coincide with the Veterans. There's not a single word about anybody who's against the luxury.

P: Yes.

H.M.Jr: Now, this is the way I feel, I mean, that this is simply another authority drive - some sort of thing that Bryan H. Wheeler put over for prohibition and for some reason or other I don't understand it - the American public just can't make to that's happened.

P: What are you - what do you suggest could be done, Mr. Secretary?

H.M.Jr: Well, what I'd like to suggest is this, I mean, this is just what I'm thinking. The first place, the greatest hope service that greenback printing press and the fellow - the gentleman who knows and has been about what greenback inflation did to the world in Mr. Owen D. Young when he saw it with his own

May 20, 1935.  
Monday.

115L

H.M.Jr: Hello.

Aylesworth: Hello.

H.M.Jr: Mr. Aylesworth?

A: Yes.

H.M.Jr: Henry Morgenthau, Jr.

A: Yes, Mr. Secretary.

H.M.Jr: Mr. Aylesworth, I'd like to talk to you for a couple of minutes, as the newspaper men say, off the Record and confidentially.

A: All right.

H.M.Jr: Mr. Aylesworth, I have been living, breathing and half sleeping on the bonus for the last three days with the President.

A: Yes.

H.M.Jr: I don't mind saying that in my opinion the address that he's going to give to Congress is the most striking and the most forcible since his inauguration.

A: Yes.

H.M.Jr: I don't know how you personally feel on the bonus. What I am anxious in doing in getting help and advice is after he makes his address - that this thing just won't peter off and that the thing will continue only from one side, which is the Veterans' Organization - I mean, if you pick up this morning's newspapers you won't find a single story except those which emanate with the Veterans. There's not a single word about anybody who's against the bonus.

A: Yes.

H.M.Jr: Now, this is the way I feel, I mean, that this is simply another minority drive - same sort of thing that Wayne B. Wheeler put over for prohibition and for some reason or other I don't understand it - the American public just aren't awake to what's happening.

A: What are you - what do you suggest could be done, Mr. Secretary?

H.M.Jr: Well, what I'd like to suggest is this, I mean, this is just what I'm thinking, the first place, the present bonus carries greenback printing press and the fellow - the gentleman who knows and saw more about what greenback inflation did to the world is Mr. Owen D. Young when he saw it with his own

eyes in Germany. I mean, there's nobody that I know of knows that story better - Hello.

A: Yes, sir.

H.M.Jr: And I wondered if Mr. Young would care, say some time along Thursday or Friday, go on the air and say what he saw happened in Germany due to the printing press.

A: Yes.

H.M.Jr: That's number one. Now, I don't know enough how you run your business, but do you people ever create - well, I don't know, I'd call it Editorial Hours, where you'd get both sides of the question.

A: Oh, yes, we do, Mr. Secretary. We're, of course, always anxious to have both sides of the proposition presented by people that really represent editorials.

H.M.Jr: I know.

A: Of course, as you probably know, we've been accused by most everybody here at the National Broadcasting Company as being pro administration. Hello.

H.M.Jr: I hear you.

A: some of the old people think we're too much of the other side, but the great criticism has come to us in fact, everything that we put on there is pro administration. Now, the criticism is not justified -

H.M.Jr: No.

A: The reason is that there have been more people talking for than against.

H.M.Jr: That's right.

A: And that's not artificial, that's simply a general situation. We have time open for both sides and unfortunately, at times, not in connection with administration, but other matters. You'll get quite - well, you know some people down in Washington who want to talk all the time.

H.M.Jr: Yes.

A: That doesn't mean that they're pro administration think sometimes they want to take as many talks as they can to attach.

H.M.Jr: I see.

A: And it's very difficult to get the balance because it's so hard to get the speaker. I presume the President's address, of course, will be on the air.

H.M.Jr: I understand that he's going to ask both broadcasting companies to give him the privilege of the air.

A: Well, of course, he'll get it.

H.M.Jr: And I imagine -

A: That goes without saying -

H.M.Jr: And I imagine what he'll do is that he'll again also ask that the thing be repeated at night the way it was done the last time.

A: Yes.

H.M.Jr: From a record.

A: Yes.

H.M.Jr: And - that was taken care of, but what I don't know, because I've never gotten in on a thing like this before is whether the initiative should come, say, from the Broadcasting Company - they say that - well, this bonus is so vital, it hits everybody's pocketbook, we're going to devote half an hour everyday at noon and half an hour at night and give both sides a chance to express their views. Now whether the initiative would come from you or your organization would get the speakers or whether you would want somebody outside to do it. Now, that's what I don't know.

A: Yes. Well, now what you're talking about in that regard, we tried - tried <sup>our own programs on public</sup> affairs and government issues, we've tried <sup>always</sup> to get the request from others who would come in and speak both sides, but on the other hand we try here in designing our editorial policy not to take one side or the other but to invite on important subject a discussion from both sides.

H.M.Jr: Of course, from my standpoint, it would be much better if you people took the lead of the thing.

A: I beg pardon.

H.M.Jr: It would be much better from my standpoint if you people took the lead. I mean, you know -

A: Yes.

H.M.Jr: It was your move and you invited the people to talk on your hour rather than our trying to find the speakers, see?

A: Yes.

H.M.Jr: To take care of the side why we shouldn't have a bonus.

A: Yes.

H.M.Jr: But -

A: Let me go to work on that. Perhaps I can - perhaps I can think out some things that might be beneficial, Mr. Secretary, that will be from the way they're done, but and at the same time I might be able to carry out your first suggestion. I'll do my very best.

H.M.Jr: Well, I mean, I'm being perfectly honest and above board about it. I mean, you know what I want. I mean, I'd like to get over the reason why the contract that the government has with the bonus should not be paid ten years in advance.

A: Yes.

H.M.Jr: Just let me give you one figure. If we carry out the present agreement with the veterans and just the present law as it stands, we'll pay them by 1945 fifteen billion dollars which is three-quarters of the entire cost of the war, -

A: Yes.

H.M.Jr: - if the law isn't changed. I think that's pretty handsome myself.

A: Yes, I agree with you.

H.M.Jr: There's a limit - there's a limit to what we can do.

A: Well, Mr. Secretary, let me ask you this - suppose that the President delivering his speech to the Senate and the House - of course, that'll be heard on the air and the papers will cover it, probably in full. Now, I wonder if we couldn't arrange time on that same evening so that the President might, in a short address, not repeating his general message, but in a short address to the people at night - perhaps that night or the next night make one of those short brief fireside statements that he makes so well to the homes in the country as a follow-up. I think it would certainly be worth his while.

H.M.Jr: Well, let me just say - I've been practically living with him for three days -

A: Yes.

H.M.Jr: And we've gone all over it. I doubt whether he'd do this -

because this is an address rather than a veto message

A: That's true.

H.M.Jr: And what I think he would ask is - what happened at - the last time he went, I think a record was made of his talk and it was repeated at night.

A: Mr. Secretary, we never do that.

H.M.Jr: I think you did do it.

A: I don't think we've ever done it. I'll tell you why - that's a policy that we never have followed for this reason, everybody that we have on the air would like to make records, except their not over the network because it would destroy our business over night if -

H.M.Jr: I'll tell you what it was.

A: I beg pardon?

H.M.Jr: I'll tell you what it was. You remember Columbia had and they made a record and they repeated it at night. That's what it was.

A: Oh, they did?

H.M.Jr: What?

A: Well, I never do that.

H.M.Jr: That's what happened. It wasn't - it wasn't - they had this speech on the fourth of March.

A: Yes, I remember that.

H.M.Jr: Well, now look, let's leave it - if you put your brain on this - after all, you're an expert on this -

A: I'll go right to work on it.

H.M.Jr: And then will you call me back maybe this afternoon?

A: I will do it and when do you think the President will speak?

H.M.Jr: Well, ofcourse, they're working on that now. I - I -

A: Sometime this week?

H.M.Jr: The best guess is one o'clock Wednesday.

A: Yes.

H.M.Jr: That's the best guess.

A: And what we ought to do is whatever we can do to follow that.

H.M.Jr: Is to follow that.

A: All right.

H.M.Jr: And this isn't just one day - this is going - this might - I'm so bold to prophesy that this might continue until the day Congress adjourns.

A: Yes, I understand.

H.M.Jr: And up to now it's been entirely a one-sided affair.

A: What does the - what position does the Commander of the Legion take?

H.M.Jr: Well, of course, he wants the bonus. He doesn't care how it's paid.

A: Yes.

H.M.Jr: He's refused to say how he wants it paid, he just wants the bonus.

A: Yes, I understand.

H.M.Jr: But, when a person looks into this thing the way I have, it's simply a contract and what they're asking us to do is to meet the contract ten years in advance.

A: Yes, I understand.

H.M.Jr: And just let me, I mean, just - it's - the whole thing is just a cold steel and if you and I enter into a contract over a twenty-year period with accumulative interest and I demand payment at the end of ten years in full, you'd just laugh at me.

A: Yes, I understand.

H.M.Jr: See?

A: I understand.

H.M.Jr: And I can't see any difference between this drive and the drive that Wayne B. Wheeler made for prohibition and got away with.

A: Yes, I understand perfectly.

H.M.Jr: Yes.

A: Well, I'll go right to work on it and you'll hear from me, Mr. Secretary.

H.M.Jr: Grand.

A: All right. Thank you.

1659  
May 20, 1935.  
Monday.

H.M.Jr: Hello, Mr. Sibley?

Harper

Sibley: Yes.

H.M.Jr: Henry Morgenthau, Jr.

S: Oh, yes. Good morning.

H.M.Jr: Good morning. Mr. Sibley, I'm very anxious to see you and talk about the bonus -

S: Yes.

H.M.Jr: - and the position of the Chamber - I mean, I'd like to talk to you about it if I could, off the Record and confidentially and let you know -

S: Well, I'd be very glad to talk with you. It's a matter of great worry to all of us.

H.M.Jr: Yes. Now, when are you going to be back in the city here?

S: Well, I'm going to be back tomorrow morning -

H.M.Jr: Fine.

S: Unfortunately, I agreed to come over here and meet some people today in New York and I'm coming back on the midnight.

H.M.Jr: Do you want to make an appointment now?

S: Anytime that suits you.

H.M.Jr: How's ten o'clock?

S: That'll be fine.

H.M.Jr: Would you come to see me?

S: I certainly will.

H.M.Jr: Well, that'll be grand.

S: All right, I'll come in about ten.

H.M.Jr: Grand. Thank you.

S: Good.

Well, that - that doesn't matter.

But, it was - I use as an illustration as - of a minority forcing their wishes on to the majority.

May 21, 1935.  
Tuesday.

1157

Ganett: Hello.

H.M.Jr: Frank Ganett?

G: Yes, Mr. Secretary. How are you?

H.M.Jr: I'm fine. How are you?

G: Well, I'm glad to hear from you. Fine.

H.M.Jr: I talked to our mutual friend, Ed Babcock, Sunday.

G: Good. He told me.

H.M.Jr: And I just want to talk to you for a few minutes off the record and confi -

G: Absolutely.

H.M.Jr: - and confidentially.

G: Absolutely. Nobody knows you're talking to me.

H.M.Jr: Now, this message that the President's going to give at 12:30 tomorrow -

G: Yes.

H.M.Jr: - I'm so bold to say that it's the strongest message he's written since his inaugural.

G: Fine.

H.M.Jr: It's a wonderful message and nobody after he hears it can misunderstand or question where he as President of the United States stands on the bonus. Now, the thing that I'm interested in is, after the message, his friends have to see that he gets support.

G: Right.

H.M.Jr: Because this is - this - after the Patman Bill is licked it'll be some other bill, then it'll be some other bill.

G: Yes.

H.M.Jr: And the way I look at this, it's - I can't see any difference between this fight and the fight that Wayne B. Wheeler made on prohibition. Now, of course, I know that you're a dry so that argument doesn't hold very good with you.

G: Well, that - that doesn't matter.

H.M.Jr: But, it was - I use <sup>it</sup> as an illustration as - of a minority forcing their wishes on to the majority.

- G: Yes.
- H.M.Jr: And I - I hope that you feel sincerely that you can't support the President in his desire that we don't pay a contract which isn't due for ten years.
- G: When - sure we - we will support him; we have supported him and I had Sibley on the phone after Ed called me Sunday and Sibley came down to Atlantic City with the Statement and, of course,
- H.M.Jr: Yes.
- G: - this Patman Bill, of course, he can oppose on the monetary side and most enthusiastically.
- H.M.Jr: Yes.
- G: Do you think - do you think the bills will pass over his veto?
- H.M.Jr: No, in the House - in the House, but not in the Senate.
- G: Well, I mean -
- H.M.Jr: They can't - Congress have not got enough votes to override the President on the Patman Bill.
- G: They haven't?
- H.M.Jr: No.
- G: That's - that's gratifying.
- H.M.Jr: They absolutely haven't.
- G: But, when you've got nearly two-thirds of Congress ready to issue greenbacks -
- H.M.Jr: Yes.
- G: - almost - you may lick it by two or three votes or something like that - you have I suppose, and you've got a very serious situation that affect your part of the
- H.M.Jr: The ice is very thin.
- G: What?
- H.M.Jr: The ice is very thin.
- G: Oh, I should say it is.
- H.M.Jr: And the strange thing is, up to very recently, the - the business man doesn't seem to be aware of the dangers that

are - so far as on this question of greenbacks are concerned money. Now, the thing that's impressed me about the speech is the figure that - if we have no new legislation, the man that wore the uniform, four and one-half million of them, will receive fifteen billion dollars from 1924 to 1945 and that is three-quarters of what the whole World War cost.

G: Think of that!

H.M.Jr: Now, there's a limit to this and I think we've reached our limit -

G: Well, of course -

H.M.Jr: And - Sibley was in this morning and evidently what you said to him helped a lot and he's taken off his coat and vest and he's going to go to work.

G: Oh, that's fine.

H.M.Jr: And he said - he said he's got to arouse the people because he admits that the business man is just asleep on this thing.

G: Oh, there's no doubt about it.

H.M.Jr: And, but -

G:

H.M.Jr: But, Sibley is really aroused over it this thing.

G: Oh, that's fine.

And I've talked to people like the Liberty League - they're tremendously aroused.

G: Yes.

H.M.Jr: Manufacturers Association - people like that - I've been talking to all of these people and they're really interested, and - but, it's going to be a terrific fight - we need all the help that we can get.

G: Well now, we'll - I'll help you and up to the present we have proposed it and I'm doing it tomorrow - I'm writing a statement - I think statement I make about the Patman Bill which I go back to the monetary thing and of course, I go back to it every time as a fundamental that we should have a dollar stable purchasing price which the President's promised us and that - that we should have. I - I - we should have a - some way of preventing inflation even if we greenbacks. Not only recovering some deflation, but preventing inflation. On that side I hope you'll -

H.M.Jr: Well - the President doesn't stress the inflation side very

strongly in his speech, but he hits it and hits it awful hard.

G: He does?

H.M.Jr: Awful hard.

G: Well, I'm - I'm glad on that because once you do it it's like a girl losing her virtue, once she's done it she don't mind doing it again and that's the danger that we get into.

H.M.Jr: That's what they tell me.

G: Well, I don't know, I - (Laughing)

H.M.Jr: Well, I just read about it, I'll take your word for it.

G: Well, anyway it's a frightful thing to have hanging over, Congress says it is and I think next to killing the bonus, the next thing is to set up the right kind of a monetary system and then I'm - I'm and all your friends are and -

H.M.Jr: Well, I'd be delighted if - if you would put on the wire your message - I'd - I'd like to read it.

G: Well, I'll send it out to you -

H.M.Jr: All right, and if you get any ideas will you call me - how you think we might help after the President's made his speech.

G: Indeed I will. Of course, our papers will all go to form on it and we'll do all we can.

H.M.Jr: Fine.

G: And now, tell him that we're in his corner on it, -

H.M.Jr: I'll tell him that.

G: -For it and I'll do anything that you want. You just call me anytime and any suggestions - if I have any suggestions I'll surely send them out to you.

H.M.Jr: Thank you.

G: How's the Banking Act? Is that going to go through as it is or not?

H.M.Jr: I don't know, I - I've just forgot about it, that's all - I mean, I'm letting other people handle it. Coolidge's watching for me and of course, Eccles is and I'm just concentrating on this.

G: Oh, I see, on this thing.

H.M.Jr: I'm just concentrating on this.

G: Well, is the Vinson Bill

H.M.Jr: I - I, personally - and I don't want any new bonus legislation.

G: Yes, well -

H.M.Jr: Fifteen billion dollars is enough.

G: Yes, that's enough to upset the apple cart, there's no question about it.

H.M.Jr: And fifteen billion dollars is enough even for the new deal.

G: Yes.

H.M.Jr: Yes.

G: It's a lot of money.

H.M.Jr: All right.

G: Well, thanks for calling; I appreciate it.

H.M.Jr: All right.

G: Goodbye, good luck.

This is the most frank expression of the real H.M.Jr. that I ever listened to and that is the real deal and he says - but thank God I understood him.