

DIARY

Book 13

December 1 - December 12, 1935

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- a) HMJr and FDR decide not to mention leaving relief out of budget
- b) Exclusive of Agricultural Adjustment Administration and debt retirement, total of 1936-37 budget will be \$5 billion
- c) Buchanan suggests not appropriating any new money for good roads: \$125 million saving
- d) FDR for first time says he intends to cut Civilian Conservation Corps in half: \$300 million saving
- e) This may make possible balancing budget

FDR, HMJr, and Bell again discuss - 11/26/35.....	2
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- a) FDR wants to leave 1,900 employees in National Recovery Administration; Bell thinks 700 sufficient; HMJr suggests to FDR that job of reduction be left to him and FDR agrees
- b) HMJr suggests \$150 million cut in Public Works Administration; FDR concerned

Coolidge greatly upset: FDR stated in Atlanta speech, country can look forward to constantly decreasing deficit; bond issue sold on that - now FDR and HMJr <u>must</u> live up to it; he has figures dividing year into 6-month periods, and second period will show increase in deficit - 12/3/35.....	4
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- a) HMJr says he cannot be so upset; called Bell and Haas, who said United States was living within estimates
- b) HMJr suggests that Coolidge talk to FDR

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a) Exclusive of newly mined, we are simply siphoning silver out of China through (1) Japan, (2) England		
b) Going back three or four years, normal exports from Japan equal 6 to 9 million ounces yearly; in past nine months, Japan exported 60 million ounces		
c) Someone is profiting on difference between 40¢ (price in China) and world price of 65¢		
d) Announcement of nationalization in Hong Kong 12/5/35.....		92,93,94
e) Lochhead has felt for a week the extra silver pushed on the London market was Hong Kong monetary reserve silver		
f) HMJr fears at rate United States is now progressing, we will buy up all floating silver and drive all silver-using countries off silver		
g) Ethiopia now about only country left on silver standard		
h) HMJr wants to make change on Monday when Japan and England will be sitting down together at Naval Conference		
i) HMJr phones FDR, who agrees; FDR suggests informing London, Treasury is ready to buy 2 million ounces and ask for price; Treasury will let them know later about accepting offer		
j) HMJr tells FDR price may fall 10¢; FDR says OK		
k) FDR says drop New York price to same relation to London price that it now has		
l) Lochhead summoned to Morgenthau home at 7 P.M. Saturday (For Lochhead memorandum, see page 121)		
1. Lochhead says he permitted spread between New York and London to go from 1/2¢ to 7/8¢; HMJr suggests spread of full cent on Monday		
m) HMJr informs Coolidge, Haas, and Oliphant (but not Pittman)		
Lochhead estimates of amount to be offered in London today 12/10/35.....		95+
Lochhead-HMJr telephone conversation 12/9/35.....		97+
a) Federal Reserve Bank and Chase National Bank never let market break		
b) Each morning for last six months or year, they have cabled over amount of silver in the market		
c) Now they want some sort of indication that, starting tomorrow, Treasury will not make any bids but will probably work only on offers		
d) They want something to clean up business already accumulated today; HMJr suggests 2 million ounces at 29 pence (down about 3/8 of a cent)		

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Silver (Continued)		
Lochhead-HMJr telephone conversation 12/9/35 (Continued)	XIII	97+
e) Coolidge suggests another 2 million at $28\frac{1}{2}$ ¢; HMJr thinks another 2 million at $\frac{1}{2}$ ¢ under ($28\frac{3}{4}$ pence); agreed		
f) Coolidge anticipates heavy selling "tomorrow"		
g) Price in New York will be fixed depending on what happens in London		
HMJr (in Richmond) talks to FDR (in Chicago); FDR perfectly willing to have price drop another cent; wants to buy only 2 million ounces again tomorrow.....		120
Lochhead-HMJr telephone conversation 12/10/35.....		105+
a) Bombay market has had break - sold down to equivalent of 60¢; recovered to about $60\frac{1}{2}$ ¢		
b) HMJr wants to start tomorrow buying silver <u>in New York</u> exactly as we did gold; by buying only spot silver there will be 10-day lull during which world market can seek its own level		
c) Coolidge thinks if price were fixed in New York, there would be world-wide stable market		
d) FDR's train gets in at 11 o'clock (one hour late); HMJr wants to consult him on next move; all agree to wait		
e) HMJr dictates note to FDR to be given to Chief Moran for immediate delivery		
f) Lochhead reports commodities about same as yesterday		
Dow-Jones and United Press ticker reports 12/9/35 to 12/11/35		124-188
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Lockett phones HMJr from Mexico City 12/11/35 in the morning.		199
HMJr, Coolidge, and Lochhead hear Lockett (United States Commercial Attache, Mexico) talk over phone 12/11/35.....		199
a) More financial difficulties: drop in silver; they have sold too much silver; afraid to publish statement showing note issue is 12 million pesos in excess of monetary reserve		
b) About 200 million pesos worth of old demonetized coins in reserve; Secretary of Mexican Treasury asks if United States will take these 60 million ounces of silver and give him gold		
c) HMJr calls White House to confer: FDR says we can make the exchange at 62¢		
d) HMJr tells Lockett he thinks there's something in the London Agreement on this - will ask for ruling - it may apply only to brokers; will phone a little later		
e) HMJr wants gold and silver actually exchanged		
f) HMJr goes to Hill to appear before Appropriations Committee; on return, confers with Coolidge, Oliphant, and Lochhead; Oliphant says London Agreement which Mexico signed prevents her from selling to United States; HMJr insists on further study		
g) HMJr reports entire matter to Hull		

Silver (Continued)

HMJr, Coolidge, and Lochhead hear Lockett (United States Commercial Attache, Mexico) talk over phone 12/11/35 (Continued).....	XIII	199
h) At 4 o'clock, Oliphant reports that Mexicans had misrepresented situation: 1. Silver reserve: 197 million pesos) 346 million 2. Gold reserve: 149 million pesos) pesos 3. About same amount in notes outstanding - and under their law they have to have only 50% 4. They really want United States to buy entire silver reserve		
i) HMJr reports all this to Lockett and asks whether Mexico wants to keep 100% reserves or is afraid of silver price falling; HMJr asks if London Agreement is understood down there; Lockett says Secretary of Treasury wants provision "waived" (Laughter)		
j) HMJr again phones FDR; says situation is not at all as Lockett reported it; also reports again to Hull		
k) Again talks to Lockett - Mexican Treasury official not present now; HMJr explains he thinks Mexico is trying to sell entire silver reserve - United States is not interested		
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a) London brokers have offered 5 million ounces of spot silver at 26-7/8 pence (59.60¢); offer good until 12 o'clock b) Bombay offered 2 million ounces at 26-7/8 pence c) Probably 2 million of total 7 million will be taken		
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Dictated in the train on Monday, December 2d at 9:40

Saw the President Monday morning at Warm Springs. He told me he wanted to rehearse what he was going to say to Buchanan. F. D. R. told me he thought he would not discuss anything but the regular budget with Buchanan and would not mention the fact to Buchanan that he intended to leave relief out of the budget. I told F. D. R. I had given this question a lot of thought and agreed with him that, considering everything involved and our shortness for time, it would be best to leave out the item of relief until sometime in March when we knew more definitely how many people were out of work.

Bell and I had lunch with the President at 2 o'clock. Buchanan joined us. We then discussed the whole budget for about two hours. It looked as though the total expenditures, exclusive of AAA and Debt Retirement, would come to about 5 billion for the fiscal year beginning July 1. In the earliest stages of our discussion it looked as though it would be impossible to balance even the regular budget. Buchanan then made the suggestion that we do not appropriate any new money for good roads as the money that we have appropriated now has not yet been used, the practice having always been to appropriate one year in advance. Buchanan then suggested that we cut this out for one year and thereby save 125 million dollars. The President told us for the first time that he expected to cut CCC in half, thereby saving another 300 million. With these two items it looked as though it would be possible to balance the budget. On leaving, Buchanan warned the President that he expected to scrutinize every item closely and cut them to the bone. We had a general discussion on the bonus but it led no where.

That afternoon the President and I went for a ride all by ourselves. I took the opportunity to tell him that I thought he ought to get a great personal satisfaction due to the fact that he had brought the Nation out of the greatest depths of the depression and again gave people hope. He said he did get satisfaction out of it but the constant harping of critics took away a lot of the satisfaction from him. He then turned to me and said, "you ought to get a lot of satisfaction yourself in that you have been instrumental in making the dollar the strongest unit of currency in all the World". He said, "a man who is sitting in far off Tibet and is trying to decide where he should put his money to-day he would choose the United States of all places in the World". He gave me the feeling for the first time that he was really pleased with what I was doing as Secretary of the Treasury. He said to me, "after election we both must take regular vacations, irrespective of what is going on and never permit ourselves to get so tired again". He reminded me how I almost cried when he talked to me about paying the bonus before

he left on his western trip. I reminded him that he was pretty tired himself and that he had these bad headaches about the same time. He said, "yes I was so tired that I would have enjoyed seeing you cry or would have gotten pleasure out of sticking pins into people and hurting them."

The next day he, Bell and I discussed the Navy Budget. Nothing important was changed in any of the items. The only important thing that came up was about NRA. He seemed sold on leaving NRA with a total of 1900 employees, 200 of which have been loaned to other agencies. Bell had talked to me about this coming down on the train and told me that he thought there only ought to be a total of 700 employees; that he had been unsuccessful with the President because somebody had sold the President the idea that they needed all of these employees to write up a history of the regular codes. Bell said, "after they are written who will read them - nobody". Bell had asked me to help him on this item as he could make no headway, so when this came up with the President I told him that I thought he was making a great mistake because immediately on the convening of Congress he will be attacked by the Democratic members for not having reduced the personnel more than he had. I said, "if you want me to do a job for you I will and will try to reduce the personnel to 700 and see if some of this work that is being done now cannot be taken over by Harry Hopkins as a white collar project". He said, "O.K. go ahead". I said, "I will have to be pretty rough" and he said, "that is all right". It will be interesting to see if he will back me up. I think it is important because I know that he is going to be very much criticized unless he does cut down the personnel of NRA.

I suggested that if we needed another 150 million we could get it from the PWA as I greatly doubted that they would need all the money that they have. To my surprise, the President concurred so altogether at Warm Springs we picked up 125 million from good roads, 300 million CCC and 100 million from Ickes. After concurring with the President the best that we could hope for is the possible balancing of the budget with a couple of hundred million dollars to the good, exclusive of AAA, the Bonus and Debt Retirement.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, December 2, 1935.
11-30-35.

Press Service
No. 6-31

Secretary of the Treasury Morgenthau is today offering for subscription, at par and accrued interest, through the Federal Reserve banks, \$450,000,000, or thereabouts, of 2-3/4 percent Treasury bonds of 1945-47, and \$450,000,000, or thereabouts, of 5-year 1-1/2 percent Treasury notes of Series C-1940. At the same time holders of 2-1/2 percent Treasury notes of Series D-1935 maturing December 15, 1935, are offered the privilege of exchanging their maturing notes either for the Treasury bonds or the Treasury notes, and to the extent such exchange privilege is availed of, the offering of bonds or of notes may be increased.

The Treasury bonds, now offered for cash, and in exchange for Treasury notes maturing December 15, 1935, will be an addition to and will form a part of the series of 2-3/4 percent Treasury bonds of 1945-47 issued pursuant to Department Circular No. 550, dated September 3, 1935. They are identical in all respects with such bonds, with which they will be freely interchangeable. The bonds are dated September 16, 1935, and bear interest from that date at the rate of 2-3/4 percent per annum payable semiannually. They will mature September 15, 1947, but may be redeemed at the option of the United States on and after September 15, 1945.

The Treasury notes of Series C-1940, also offered for cash, and in exchange for Treasury notes maturing December 15, 1935, will be dated December 16, 1935, and will bear interest from that date at the rate of 1-1/2 percent per annum payable semiannually. They will mature December 15, 1940, and will not be subject to call for redemption before that date.

The Treasury bonds, being an additional issue, will be accorded the same exemptions from taxation as are accorded the original issue, and the Treasury notes will be accorded the same exemptions as are accorded other issues of Treasury notes now outstanding. These provisions are specifically set forth in the official circulars issued today.

The Treasury bonds will be issued in two forms, bearer bonds with interest coupons attached, and bonds registered as to both principal and interest; both forms will be issued in the denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000. The Treasury notes will be issued only in bearer form with coupons attached, in the denominations of \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000.

Applications will be received at the Federal Reserve banks and branches, and at the Treasury Department, Washington. Banking institutions generally will handle applications for subscribers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. With respect to cash subscriptions for either the Treasury bonds or the Treasury notes, applications from incorporated banks and trust companies for either issue for their own account will be received without deposit but will be restricted in each case and for each offering to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Applications from all others must be accompanied, if for more than \$5,000, by payment of \$5,000 or 5 percent of the amount applied for, whichever is the greater; and, if for \$5,000 or less, by payment in full. With respect to exchange subscriptions for either bonds or notes, applications should be accompanied by a like face amount of 2-1/2 percent Treasury notes of Series D-1935 tendered in payment.

Subject to the reservations set forth in the official circulars, cash subscriptions for amounts up to and including \$5,000 will be given preferred allotment, cash subscriptions for amounts over \$5,000 will be allotted on an equal percentage basis, but not less than the maximum preferred allotment, and exchange subscriptions will be allotted in full.

Payment for any bonds or notes allotted must be made or completed on or before December 16, 1935, and with respect to the Treasury bonds, whether on cash or exchange subscription, must include accrued interest from September 16 to December 16, 1935.

The right is reserved to close the books as to any or all subscriptions or classes of subscriptions at any time without notice, either for the Treasury bonds or the Treasury notes and with respect to the cash offering or with respect to the exchange offering of either.

The amount of Treasury notes of Series D-1935 maturing December 15, 1935, is \$418,291,900.

The texts of the official circulars follows:

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UNITED STATES OF AMERICA

2-3/4 PERCENT TREASURY BONDS OF 1945-47

Dated and bearing interest from September 16, 1935

Due September 15, 1947

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND
AFTER SEPTEMBER 15, 1945

Interest payable March 15 and September 15

ADDITIONAL ISSUE

1935
Department Circular No. 555

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, December 2, 1935.

Public Debt Service

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par and accrued interest from September 16, 1935, from the people of the United States for 2-3/4 percent bonds of the United States, designated Treasury Bonds of 1945-47. The amount of the offering is \$450,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to increase the offering by an amount sufficient to accept all subscriptions for which Treasury Notes of Series D-1935, maturing December 15, 1935, are tendered in payment and accepted.

II. DESCRIPTION OF BONDS

1. The bonds now offered will be an addition to and will form a part of the series of 2-3/4 percent Treasury Bonds of 1945-47 issued pursuant to Department Circular No. 550, dated September 3, 1935, will be freely interchangeable therewith, are identical in all respects therewith, and are described in the following quotation from Department Circular No. 550:

"The bonds will be dated September 16, 1935, and will bear interest from that date at the rate of 2-3/4 percent per annum, payable on a semi-annual basis on March 15 and September 15 in each year until the principal amount becomes payable. They will mature September 15, 1947, but may be redeemed at the option of the United States on and after September 15, 1945, in whole or in part, at par and accrued interest, on any interest day or days,

on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

"The bonds shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, or gift taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds authorized by the Second Liberty Bond Act, approved September 24, 1917, as amended, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above.

"The bonds will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege and will not be entitled to any privilege of conversion.

"Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

"The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds."

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally will handle applications for subscribers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Cash subscriptions from incorporated banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Cash subscriptions from all others must be accompanied, if for more than \$5,000, by payment of \$5,000 or 5 percent of the amount of bonds applied for, whichever

is the greater; and, if for \$5,000 or less, by payment in full including accrued interest from September 16 to December 16, 1935, on the bonds applied for. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, to make allotments in full upon applications for smaller amounts and to make reduced allotments upon, or to reject, applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest; and his action in any or all of these respects shall be final. Subject to these reservations, cash subscriptions for amounts up to and including \$5,000 will be given preferred allotment, and cash subscriptions for amounts over \$5,000 will be allotted on an equal percentage basis, but not less than the maximum preferred allotment; and subscriptions in payment of which Treasury Notes of Series D-1935 are tendered will be allotted in full. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

IV. PAYMENT

1. Payment at par and accrued interest from September 16, 1935, for bonds allotted on cash subscriptions must be made or completed on or before December 16, 1935, or on later allotment. In every case where payment is not so completed, the payment with application up to 5 percent of the amount of bonds applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depository will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve bank of its district. If payment is to be made

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in Treasury Notes of Series D-1935, maturing December 15, 1935, the notes will be accepted at par and should accompany the subscription, and accrued interest from September 16 to December 16, 1935, on the bonds allotted should be paid in cash on or before December 16, 1935. Accrued interest at 2-3/4 percent from September 16, 1935, to December 16, 1935, on \$1,000 face amount is \$6.875.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve banks of the respective districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

UNITED STATES OF AMERICA

1-1/2 PERCENT TREASURY NOTES OF SERIES C-1940

Dated and bearing interest from December 16, 1935 Due December 15, 1940

Interest payable June 15 and December 15

1935
Department Circular No. 556
Public Debt Service.

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, December 2, 1935.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for 1-1/2 percent notes of the United States, designated Treasury Notes of Series C-1940. The amount of the offering is \$450,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to increase the offering by an amount sufficient to accept all subscriptions for which Treasury Notes of Series D-1935, maturing December 15, 1935, are tendered in payment and accepted.

II. DESCRIPTION OF NOTES

1. The notes will be dated December 16, 1935, and will bear interest from that date at the rate of 1-1/2 percent per annum, payable on a semiannual basis on June 15 and December 15 in each year. They will mature December 15, 1940, and will not be subject to call for redemption prior to maturity.

2. The notes shall be exempt, both as to principal and interest, from all taxation (except estate or inheritance taxes, or gift taxes) now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority.

3. The notes will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury in

payment of income and profits taxes payable at the maturity of the notes.

4. The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

5. Bearer notes with interest coupons attached will be issued in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000. The notes will not be issued in registered form.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally will handle applications for subscribers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Cash subscriptions from incorporated banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Cash subscriptions from all others must be accompanied, if for more than \$5,000, by payment of \$5,000 or 5 percent of the amount of notes applied for, whichever is the greater; and, if for \$5,000 or less, by payment in full. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, to make allotments in full upon applications for smaller amounts and to make reduced allotments upon, or to reject, applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest; and his action in any or all of these respect shall be final. Subject to these reservations, cash subscriptions for amounts up to and including \$5,000 will be given preferred allotment, and cash

subscriptions for amounts over \$5,000 will be allotted on an equal percentage basis, but not less than the maximum preferred allotment; and subscriptions in payment of which Treasury Notes of Series D-1935 are tendered will be allotted in full. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for notes allotted on cash subscriptions must be made or completed on or before December 16, 1935, or on later allotment. In every case where payment is not so completed, the payment with application up to 5 percent of the amount of notes applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depository will be permitted to make payment by credit for notes allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve bank of its district. Treasury Notes of Series D-1935, maturing December 15, 1935, will be accepted at par in payment for any notes subscribed for and allotted and such payment should be made when the subscription is tendered.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve banks of the respective districts, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

December 3d

McIntyre called me and said that he told the President that he should either disown Tugwell or back him up 100%; that he could not continue to do neither. He asked whether I concurred with his opinion and I told him that I agreed entirely with him.

The next person that he should also do the same thing for is Hopkins but the first thing he ought to do is to make up his mind about Tugwell.

* * * * *

H. M. Jr. sent for O'Connor and told him that he and Jesse Jones ought to get together and stop washing their dirty linen in public.

December 3d

Coolidge came in so excited that his hands were trembling. I have not seen him this way since he talked to me about silver. He showed me an extract from the President's Atlanta speech in which the President said that we could look forward to a constantly decreasing deficit. Coolidge said, "we sold the bond issue on the strength of the President's statement and now you and the President have got to live up to it".

Coolidge had some figures from Bell dividing the fiscal year into six month periods and it showed that the second half of this year we will have an increase of expenditures over the first six months. I said, "of course we will - what about it?" He said, "well, in view of the President's speech and politically, we just can't do it. We can't have any bonus". I got quite angry and said to Coolidge, "what is the use of putting this pressure on me. I can't do anything about it". He said, "you are the important fiscal person here and you have to do something about it". I again said, "it is no use talking to me that way Jeff - go over and tell it to the President". He said he would like to and I said, "O.K.". I then told him that I thought he had his base for his figures wrong, that we were living within the estimates made by the President on September 30th and I could not see anything to get excited about.

I called in Bell and Haas and they confirmed my opinion that we were living within our estimates and Coolidge again started up about the bonus and I was quite disagreeable with him.

I asked him to stay after the others left and I talked to him very quietly and said, "Jeff, there is no reason for your getting so excited" and so he replied, "well I have been brooding about this". I then said, "that is all right but why take it out on me? Nobody can do any more than I am doing" and he said, "that is true enough but I have got to talk to somebody". I said, "well Jeff when you get so excited it reacts badly on me and you are throwing sand into the gears of our relationship. There is no sense in bringing such pressure on me. I only react unfavorably to it". He said he understood and I hope he did.

He again asked me whether he could see the President and I said, "absolutely but if you take the same attitude towards the President as you did towards me I am quite sure that he will get angry and react just the way I did".

DECEMBER 3, 1935

ONE TELEGRAM TO EACH OF LIST OF NAMES ATTACHED (GOVERNORS OF
TWELVE FEDERAL RESERVE BANKS)

TREASURY FINANCING GREAT SUCCESS PERIOD WISH TO THANK YOU
FOR YOUR COOPERATION AND ASSISTANCE IN MAKING THIS POSSIBLE

HENRY MORGENTHAU JR

SECRETARY OF THE TREASURY

ATTACHED TELEGRAM TO BE SENT TO EACH OF FOLLOWING NAMES:

R. A. YOUNG,
GOVERNOR FEDERAL RESERVE BANK OF BOSTON
BOSTON MASS

G. L. HARRISON
GOVERNOR FEDERAL RESERVE BANK OF NEW YORK
NEW YORK NEW YORK

G. W. NORRIS
GOVERNOR FEDERAL RESERVE BANK OF PHILADELPHIA
PHILADELPHIA PENNA

M. J. FLEMING
GOVERNOR FEDERAL RESERVE BANK OF CLEVELAND
CLEVELAND OHIO

G. J. SEAY
GOVERNOR FEDERAL RESERVE BANK OF RICHMOND
RICHMOND VIRGINIA

OSCAR NEWTON
GOVERNOR FEDERAL RESERVE BANK OF ATLANTA
ATLANTA GEORGIA

G. J. SCHALLER
GOVERNOR FEDERAL RESERVE BANK OF CHICAGO
CHICAGO ILLINOIS

W. McC. MARTIN
GOVERNOR FEDERAL RESERVE BANK OF ST. LOUIS
ST. LOUIS MISSOURI

W. B. GEERY
GOVERNOR FEDERAL RESERVE BANK OF MINNEAPOLIS
MINNEAPOLIS MINN

G. H. HAMILTON
GOVERNOR FEDERAL RESERVE BANK OF KANSAS CITY
KANSAS CITY KANSAS

B. A. McKINNEY
GOVERNOR FEDERAL RESERVE BANK OF DALLAS
DALLAS TEXAS

J. U. CALKINS
GOVERNOR FEDERAL RESERVE BANK OF SAN FRANCISCO
SAN FRANCISCO CALIF

(C O P Y)

TELEGRAM

December 2, 1935

THE PRESIDENT

WARM SPRINGS GEORGIA

TODAYS TREASURY CASH OFFERING WENT OVER WITH A BANG PERIOD
WE CLOSED THE ISSUE TONIGHT LEAVING CONVERSION OFFER STILL
OPEN PERIOD I SHOULD WORRY IF THE FRENCH CABINET FALLS
TOMORROW PERIOD BEST REGARDS

HENRY

TREASURY DEPARTMENT

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Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 3, 1935.
12-2-35.

Press Service
No. 6-33

Secretary of the Treasury Morgenthau announced last night that the subscription books for the current offering of 2-3/4 percent Treasury Bonds of 1945-47 and of 1-1/2 percent Treasury Notes of Series C-1940 closed at the close of business Monday, December 2, 1935, for the receipt of cash subscriptions.

Cash subscriptions for either issue placed in the mail before 12 o'clock midnight, Monday, December 2, will be considered as having been entered before the close of the subscription books.

The subscription books for both issues will remain open until further notice for the receipt of subscriptions in payment of which Treasury Notes of Series D-1935, maturing December 15, 1935, are tendered.

Announcement of the amount of cash subscriptions and the bases of allotment will probably be made on Thursday, December 5.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, December 4, 1935.
12-3-35.

Press Service
No. 6-36

Secretary of the Treasury Morgenthau announced last night that the subscription books for the current offering of 2-3/4 percent Treasury Bonds of 1945-47 and of 1-1/2 percent Treasury Notes of Series C-1940 will close at the close of business Thursday, December 5, 1935, for the receipt of subscriptions in payment of which Treasury Notes of Series D-1935, maturing December 15, 1935, are tendered. The subscription books for both issues closed on Monday, December 2, for the receipt of cash subscriptions.

Exchange subscriptions for either issue, in payment of which the maturing notes are tendered, if placed in the mail before 12 o'clock midnight, Thursday, December 5, will be considered as having been entered before the close of the subscription books.

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TREASURY DEPARTMENT

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Washington

FOR IMMEDIATE RELEASE,
Thursday, December 5, 1935.

Press Service
No. 6-38

Secretary of the Treasury Morgenthau today announced the subscription figures and the bases of allotment for the cash offering of 2-3/4 percent Treasury Bonds of 1945-47 and of 1-1/2 percent Treasury Notes of Series C-1940.

Reports received from the Federal Reserve banks show that subscriptions for the cash offering of Treasury bonds aggregate over \$2,034,000,000. Subscriptions in amounts up to and including \$5,000 were allotted in full and those in amounts over \$5,000 were allotted 23 percent, but not less than \$5,000 on any one subscription.

For the cash offering of Treasury notes, subscriptions aggregate over \$2,486,000,000. Cash subscriptions in amounts up to and including \$5,000 were allotted in full and those in amounts over \$5,000 were allotted 19 percent, but not less than \$5,000 on any one subscription.

The amount of each offering was \$450,000,000, or thereabouts, for cash, with a reservation to increase each offering to the extent that Treasury Notes of Series D-1935, maturing December 15, 1935, are exchanged for the new securities. The subscription books for both issues were closed on Monday, December 2, for the receipt of cash subscriptions, and will close tonight, December 5, for the receipt of exchange subscriptions.

Further details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve banks.

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December 3, 1935

HM, Jr. called McIntyre and told him that the bonds were over-subscribed $4\frac{1}{2}$ times and the notes $5\frac{1}{2}$ times, and the surprising thing, he said, is the proportion of the bonds. He said, "We are going to close the conversion Thursday night."

He also said, "Here is a little matter which might be important. When I was down there, I made the suggestion that with the exception of the Cabinet and the heads of departments, a four-door Ford or a "Chevy" was good enough for anybody. Peoples purchases all cars. An order came through for a Buick for Mrs. Dorothy Beck, who is the Director of the Maryland Resettlement and the wife of Tom Beck. Normally I would tell Peoples to buy a Ford or a 'Chevy', but in view of the fact that it is Mrs. Beck I raised a question." McIntyre replied, "Why bring it up? Just do what you ordinarily would."

December 3, 1935

At the group meeting, this morning, Gaston said he had tried to reach Boake Carter by telephone. Carter is the radio commentator who has been severely criticising the administrative reorganization of Coast Guard by Ballinger. Gaston said he knows Boake Carter got the message and is purposely evading us. He has not called back although Gaston left a message with Boake Carter's secretary that when it is convenient for Mr. Carter, Gaston would like to have him call or get in touch with him.

Sometime ago the Secretary asked "Chip" Robert if we were charging enough for the minting of foreign coins by the United States Mints. Mr. Robert reported that the charge is made on a careful estimate of actual cost plus a margin to cover any possible contingency which might arise and this contingency charge is also carefully estimated so as to insure no loss to the Government.

Mr. Gibbons brought up the Buffalo customs personnel situation. Mr. Morgenthau said that from now on he wants the Assistant Secretaries to carry some of these political things for him. He said that he will personally see the Cleveland matter through, but hereafter the Assistant Secretaries must "carry the ball" on these political matters. He assured them that if they got into any difficulty, he would then take up the strings. McReynolds said that on the Buffalo matter he thought everybody except Smith ought to be fired and that there is no need for the Secretary to talk with Congressman Mead. Gibbons said he would see Mead and give him advance information on the decision.

Bell said he had received several requests for a supply of the 1935 silver dollars to be used for the Christmas Holidays. There is some little expense incurred by the Treasury in sending out the silver dollars, but Mr. Morgenthau said to overlook that and approved sending them out.

Mr. Morgenthau had asked Bell to get in touch with Mr. Martin, of NRA, so the three of them could discuss the NRA budget together. This is the matter which Mr. Morgenthau promised the President, while at Warm Springs, to look into. Bell reported that Martin is out of town, but is trying to reach him today.

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Miss Roche brought up for discussion the allotment of \$500,000 which FERA had promised to give to supplement the \$1,000,000 of last year which was used for grants to State health departments for health work, particularly in rural communities. It had been expected that additional funds for this work would be forthcoming when the Social Security Bill was passed, but the Deficiency Bill which provided the funds failed of enactment at the last session of Congress. Gill has been working with Bell and decided the best way to handle the matter would be for FERA, instead of making a direct grant to the Public Health Service, to make the money available to State health officers, but Hopkins refused to sign the warrant when it was presented to him on the basis that he did not wish to make grants to State health officers. Miss Roche pointed out that the work is important and they are seriously handicapped since the money was supposed to have been made available Nov. 15. Mr. Morgenthau instructed Bell and McReynolds to get together and have an answer by 9:30 tomorrow.

December 3, 1935

I had Jesse Jones and Coolidge for luncheon today.

Among the things we discussed was the question of interest rates, a dispute having arisen over this between Jesse and Jefty O'Connor.

We also talked about the possibility of Jones being made President of the Export-Import Bank and the usefulness of this Bank. I feel it is important to have Jesse as President as he would then put the bank out of business before too much time had elapsed.

The suggestion was made that Jesse make some extension to the Chinese on their loan, but make them keep paying a reasonable amount every quarter.

We had quite a discussion as to the possibility of retiring preferred stock held by RFC. Jesse made the suggestion of letting the banks sell convertible preferred, but said O'Connor objected to this. He did not give O'Connor's reasons. Coolidge thought, at first glance, it seems a good way of financing the better banks.

I asked Jesse to check over very carefully his income and outgo figures and see what he could do to turn some cash into the Treasury.

December 3, 1935.
Tuesday.

H.M.Jr: Senator, I don't know whether you saw Mr. Moore's letter to me before he sent it -

Senator Bulkley: Yes, I did.

H.M.Jr: Well, it - frankly, it wasn't what I expected, and - I'd like to read to you the draft of an answer that I have written to him, see?

B: I appreciate that.

H.M.Jr: And get you -

B: I thought - I thought he answered it just about in line with what you were going to do.

H.M.Jr: No - this point that he wants us to - he's telling me to get out regulations, you see? - He -

B: Well, he said that he had complied but didn't think that he ought to be singled out, see?

H.M.Jr: Well, of course -

B: - because of the general regulations.

H.M.Jr: He isn't singled out, but I can't move on the other people until I take up the Presidential Appointment first, and every - Well, let me read you the letter -

B: All right.

H.M.Jr: See? It's very short.

B: O.K.

H.M.Jr: I acknowledge receipt of his letter, then I say, 'I believe that you are by this time sufficiently aware of my views in the matters of this kind to realize that it is entirely impossible there should be any singling out of your case for unusual and harsh action. You may be quite sure that in all cases which come to my attention in which a similar situation is presented I shall make the same ruling that I have in your case, unless in the special circumstance of a particular case more drastic action is called for. As I have stated before it is not necessary to insist that you have violated a letter

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of any regulation in order to support my decision in this matter. The question as to the desirability of issuing a general order more specifically to cover this subject will be considered in due course on its merits and apart from your case.

'Please let me know at your earliest convenience that you are prepared to comply with the request in my letter of November 20th, 1935.

Yours very truly, '

B: Well (Laughter) I haven't any specific benefit from it. I - I just don't - don't - I didn't suppose that other would embarrass you at all -

H.M.Jr: Yes.

B: Except it does make a general argument.

H.M.Jr: Well, it does embarrass me. You see, he's - he isn't in a position - I mean - to tell me that, you see? Now, - just - you see it would be very easy for me - the easy way for me to be would be to fire these other fellows and then sit back and wait for the Presidential Appointment - so forth and so on. Because these other fellows are Civil Service. But I want to take care of the Civil Service - I mean the Presidential Appointment first and then do the others immediately following, you see? In other words, I'm making it as difficult as possible for myself, but I think it's only fair.

B: Well -

H.M.Jr: If you have no objection to that letter I'll read it to you again if you'd like me to?

B: Well, now, let me be quite frank about it.

H.M.Jr: Please.

B: I - I regret that you feel that there's any necessity to do that -

H.M.Jr: Yes.

B: I don't feel that there's anything in the letter that I'm prepared to argue against very much, but I'm just darn sorry you have to do it that way.

H.M.Jr: Well, I'm - I'm sorry that he brought up this question of these rules and regulations, you see? I'm sorry he raised that, - as a condition.

B: Well - it is such an awful small matter - why don't you let it go?

H.M.Jr: No, I couldn't do that. The Department's too big.

B: I don't know - I get so damned sick of the whole thing (Laughter)

H.M.Jr: Pardon me -

B: I get so damned sick of the whole thing -

H.M.Jr: Me too

B: It looks to me as if -

H.M.Jr: I know, we've both got a lot of things to do, but - but we've got a big Department and - while I don't stand on dignity the Department has a certain dignity and the fellow is making a condition to us - he won't do something unless he makes me get out a regulation. Well, I can't let the Department be put in that position.

B: Well, I - I - in a way that's true. I didn't think it was worded - in a way that would be offensive.

H.M.Jr: Now, if you'd rather send - have me send the letter back to Moore and let him withdraw that condition, then I don't have to write him this letter.

B: I couldn't answer that without talking to him, but - I - I doubt whether it would be desirable to do that. I think - if you'd

H.M.Jr: Well -

B: - just decide it would be just as wdl if you want to do anything at all to write the letter that you have in mind.

H.M.Jr: All right, well then - let -

B: if you'd get very much

H.M.Jr: Well, we've gone over it and over it. The people that say it - it's a question - you notice I

make this dignity in the Department, not Henry Morgenthau, Junior. I could - I don't have to have dignity, I mean. But it's a Department and we've all been over it -

B: Yes, I think you're quite right in maintaining the dignity of the Department -

H.M.Jr: Yes.

B: But I - I don't think that there's anything to do but

H.M.Jr: No, but he - as I say, he's making a condition, you see -

B: Well, I - I see what you mean, that it can be interpreted into a condition,

H.M.Jr: Oh, it will be.

B: because it is a condition, but at the same time I'd rather he'd word it in a very respectful and decent way.

H.M.Jr: Well, it's perfectly respectful but he just simply says he isn't going to do something unless I do something else.

B: Well, he implies that he wasn't going to do something

H.M.Jr: Well -

B: What he said was that he'd gladly do it in such and such a way.

H.M.Jr: But if you don't have any objections - I mean - I'd like to send this letter.

B: (Laughter) let me put it to you that I just object on the ground that you can no question about it at all -

H.M.Jr: Yes.

B: I don't - I don't think there's any particular except to what you're saying.

H.M.Jr: Yes - and, but will you help me clean the thing up?

B: I want to help get this thing cleaned up

H.M.Jr: Yes

B: any way it can be

H.M.Jr: Fine

B: I certainly will do what I can.

H.M.Jr: Fine

B: And I wish to the devil you didn't have to do -

H.M.Jr: Well, I don't either, but - and I wish he hadn't written it that way.

B: Well - Gosh! I thought we had it pretty well fixed.

H.M.Jr: No, no

B: Well, I don't know. I'll do what I can

H.M.Jr: Let's get - I take it from what you say that he had intended paying me the money back.

B: Yes, he said - but of course he hasn't got it available right off -

H.M.Jr: No, but he'll give me a note or something.

B: So, he has the obligation to do it.

H.M.Jr: Well, let's -

B: And maybe he intended to waive all quibble about which is right and what's his.

H.M.Jr: Yes, well, I'll send this -

B: I thought it was a darned good way to do.

H.M.Jr: Well - well, I think if - if I'd had a chance to talk to you and point this out before, you, as a man of affairs, would have seen the point that I am making.

B: Well, of course, frankly, he and his lawyer got together and made that up. I didn't have anything to do with that.

H.M.Jr: No, but I mean, it's just the way -

B: I did read it over, before it was mailed and I thought it was pretty good.

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H.M.Jr: Yes. Well, just the way I'm showing you - but you as a man of affairs, you can see that, I mean, the Treasury Department - it's an important Department and the fellow is laying down a condition. He can't do it.

B: Well -

H.M.Jr: Well now, you help me get this cleaned up, will you please?

B: Of course I want to get it cleaned up and of course I'll do what I can.

H.M.Jr: Fine - all right. Thank you.

B: All right.

H.M.Jr: Thank you.

December 4, 1935

HM, Jr., met today with Bell, Coolidge, and McReynolds to discuss the NRA budget.

On November 15, Bell sent the attached memorandum on the NRA budget to the President. (Exhibit I.) There are at present 2,235 employees, including 250 detailed to various agencies. Bell proposes to reduce the personnel by January 1 to 700 people in all. Bell also reported that NRA expires on April 1 and there is no authority for NRA to employ any personnel after that date.

At this point, Mr. Hill, who is Executive Officer of NRA and an assistant to Mr. Martin, came in. Mr. Morgenthau told him that when HM, Jr. and Bell were in Warm Springs, the President had brought up this question of the NRA payroll and asked Bell and the Secretary to see if they could not have Bell's proposal to reduce the personnel to 700 people by January 1 put into effect. HM, Jr. then asked Mr. Hill to state his pros and cons, with respect to Bell's proposal.

Hill said the principal objection at this time would be a loss of the investment that has already been made on the studies program. He said, "We are aware of the size of the organization and consulted the President on several occasions and each time he gave us his approval to go ahead." He left the attached photostat copy of the schedule which they brought to the President's attention on November 16 with notations in the President's own handwriting. (See Exhibit II.)

Mr. Morgenthau then asked Hill whether he had all the employees classified into groups, showing their activities. Hill replied that they were classified; for instance, 250 people were working on code history program; 200 were on various trade practices -- open price association; a group of about 60 were working on labor studies; there were about 60 making a study of code authorities; in the Administrative Section there were 600 employees; in the Division of Review, 1000 people, and about 800 in the field. The Secretary listened and then said, "Then you are going at full blast." Mr. Hill replied, "Oh, No! After the force was cut to a minimum, following the Schechter decision,

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we then again cut it about half."

HM, Jr., asked Mr. Hill to prepare a report listing each group with a description of what they are doing, the number of people employed and their monthly salaries. He also asked for a statement showing the salaries and description of duties of the employees detailed to various agencies.

Mr. Morgenthau told Mr. Hill that he understood and realized the political difficulties NRA was having in trying to cut the force down, but said that if this was not done between now and the first of January the President would have to take all the blame. Mr. Hill again called Mr. Morgenthau's attention to the fact that the President is very familiar with the present set-up and Mr. Morgenthau said, "I know that the President definitely has changed his mind and wants your force reduced to a minimum of 700 employees by January 1." He also said, "I want you to go back to your office and come back here this afternoon at about 4:30 with your recommendations as to just how we can accomplish this."

Mr. Hill then brought up the question of the files. He said they had about 30,000,000 pieces of paper and that the files had to be put in shape for future reference. NRA has been in touch with the National Archives and a great deal of work had to be done on the files. He stated that he felt that two-thirds of the work on the study of the codes had been completed and inasmuch as so much money had been expended he felt they should go ahead and complete the study. He also felt that Mr. Marshall, who is responsible for the study, should be consulted before any definite cut in personnel was made. He told the Secretary he thought the Department of Commerce would be the logical place to transfer the study of codes for completion and he felt certain that they would be entirely willing to carry it through.

At this point, Mr. Martin telephoned to the Secretary from Georgia and attached is a copy of the conversation which they had together. (See Exhibit III.)

BUREAU OF THE BUDGET

Washington

November 15, 1935

MEMORANDUM FOR THE PRESIDENT:

RE: NATIONAL RECOVERY ADMINISTRATION.

On November 2, 1935, the National Recovery Administration reported actual expenses for the months of July, August and September of \$2,596,614, and submitted estimates which show an anticipated expenditure of \$4,184,111 for the period October 1, 1935, through March 31, 1936. By months the figures are as follows:

<u>Month</u>	<u>Personnel</u>		<u>Other Costs</u>	<u>Total</u>
	<u>No.</u>	<u>Amount</u>		
July 1935	4,193	\$844,597	\$172,530	\$1,017,127
August 1935	3,256	729,439	76,203	805,642
September 1935	2,968	631,675	142,170	773,845
October 1935	2,883	618,350	179,549	797,899
November 1935	2,892	585,483	107,323	692,806
December 1935	2,362	584,792	107,623	692,415
January 1936	2,080	525,777	99,023	624,800
February 1936	2,080	495,384	151,923	647,307
March 1936	2,080	495,384	233,500	728,884
Total		\$5,510,881	\$1,269,844	\$6,780,725

After presenting the above figures, it was stated that it might be necessary to request additional monthly allotments to provide for any employees who might be detailed to the Bituminous Coal Commission. In the estimate submitted, allowance was made for 130 employees who were then on detail. On November 14, 1935, representatives of the Administration advised that additional details were being made to the Federal Trade Commission and other agencies. They stated that these details were depleting the force required for the regular work of the Administration and as a result it might be necessary to cancel termination notices given to a number of employees in order that they be retained to replace those detailed to other agencies. It is my opinion that the estimates already submitted are excessive and that approval of any additional amounts can not be justified.

My interpretation of the terms of Executive Order No. 7075 by no means coincides with that of those administering N. R. A.

Instead of the great amount of research and investigation that has been and is now being carried on, I believe that the objective should have been accomplished by a comprehensive analysis of the material on hand compiled in report form, with special studies of a few major, medium and minor industries.

If the above plan had been followed, I feel that the work of the review division could have been performed with two or three hundred people and that an equal number would have been sufficient to perform the other duties imposed by the Executive Orders.

With the above in mind the present personnel requirements for the administration should be substantially as follows:

Washington Office	375
Field	125
Details to other Agencies	<u>200</u>
Total	700

Assuming an average salary of \$275 per month for employees and an allowance of \$50,000 for operating expenses, the monthly requirement would be approximately \$250,000.

I am of the opinion that every effort should be made to reduce the cost of the National Recovery Administration to a reasonable figure. Due to notice of termination and to the accumulated leave due employees, which they should receive, it is obviously impossible to make the adjustment immediately.

I have therefore made an allotment of \$325,000 for administrative expenses for the period November 16-30, 1935. If you approve, I propose to make the following allotments for the remaining four months:

December	\$450,000
January	400,000
February	350,000
March	<u>300,000</u>
Total Allotment	1,500,000

The amount proposed is, I believe, sufficient to complete the work on hand, pay for employees detailed to other agencies, and allow payment for accumulated leave to those employees who are terminated.

It is my opinion that unless positive action is taken immediately, the cost of this agency for the period December 1, 1935 to March 31, 1936 will be approximately twice as much as the amount proposed.

(Signed)

D. W. BELL

NATIONAL RECOVERY ADMINISTRATION

Active Personnel Forecast

*See also
200*

Employed by N.R.A.

DIVISION	1935 Nov. 16	1936 Jan. 16	1936 Mar. 16
Coordinator	24 ✓	24	24
Administrative	343 - 20	343	225
Division of Business Cooperation	51	40	30
Robert Committee	24	0	0
Consumers' Division	26	26	26
Government Contracts Division	53	15 50	0
Loaned Employees	176	225	0
Unassigned	168 - 42	0	0
Field Headquarters	64 - 4	40	5
Field	614 -	250	125
Review, Code Histories	250	250	40
Review, Studies	<u>725</u>	<u>350</u>	<u>350</u>
	2518 176 <u>2342</u>	1563	825

Employed by Other Gov. Agencies but paid for by N.R.A. Approp.

250

December 4, 1935.
Wednesday

The following is a transcript of my conversation today with Laurence J. Martin, Acting Administrator, National Recovery Administration:

- Laurence J. Martin: Good morning, this is L. J. Martin.
- H.M. Jr: Good morning, Mr. Martin.
- L. J. M: I came in to Covington this morning so as to talk with you and I was wondering just what the problem was and hoping that I might be able to solve it without coming back to Washington because I'm trying to cure up a bad attack of sinus.
- H. M. Jr: Well, I - you've got my sympathy - although I've never had it. Now, Mr. Hill has been here for a half an hour, - we've got along fine -
- L. J. M: Yes
- H. M. Jr: And he's coming back at four o'clock. I've asked him for a lot of information -
- L. J. M: Yes
- H. M. Jr: - And we'll spend an hour - another hour and I would say, with the cooperation we're getting from Mr. Hill, it would not be necessary for you to come.
- L. J. M: Well, I - I would certainly like that and I'd be only too glad to arrange to get in to a telephone, but I'm out here in the sunshine in the mountains and it just made all the difference in the world to me.
- H. M. Jr: Well, that's fine. Now, Mr. Hill's giving us everything that we want.
- L. J. M: And Hill is just as sound as he can be, Mr. Secretary.
- H. M. Jr: Well, he - I'm getting what I want and I'm - I mean I'm getting cooperation - I can't ask for anything more.
- L. J. M: And I'll be back in Washington at the latest - Monday morning, early.

H.M. Jr: Monday morning early.

L. J. M: And I understand that the Secre - that the President is going to be in Chicago on Monday -

H. M. Jr: Yes

L. J. M: - I - I had a talk with a newspaper man last night I came into Covington last night.

H. M. Jr: Yes

L. J. M: And I'll be there Monday morning early and if you should want me sooner, why on six hours' notice they can get word to me -

H. M. Jr: No

L. J. M: through the Georgia office.

H. M. Jr: No - it's all - what we're doing is, when Mr. Bell and I were down there the President asked us to - to see if we couldn't get Mr. Bell's memorandum into effect.

L. J. M: Yes

H. M. Jr.: Now, that's what I'm working on and I'm going to put it all down in black and white -

L. J. M: Yes

H. M. Jr: And we'll put down our recommendations and it's up to the President whether he wants to sign them or not.

L. J. M: Well, when I talked with the President - I had about forty-five minutes with him two Saturdays ago - and I told him that there were two things to do; either cut down to the dead bone with just the sparest nucleus -

H. M. Jr: Yes

L. J. M: to carry on in case of new legislation -

H. M. Jr: Yes

L. J. M: or to approve a mid way program which Dr. Marshall had planned. And he went over the program with Dr. Marshall. You see, the Review Division is the one that's really got the great bunch of people.

-3-

H. M. Jr: Yes

L. J. M: And he looked over the A, B and C programs and approved the one of the B program which reads, 'under two thousand by January the first'.

H. M. Jr: Well, evidently the President must have changed his mind because I'm not looking for more troubles. And he asked us to see if we could work it out so we could have it down to a total of seven hundred by the first of January.

L. J. M: All right, well, we've already cut the field down to less than two fifty -

H. M. Jr: No, I mean, the whole business.

L. J. M: I mean - but I say we've gone that far already, you see?

H. M. Jr: Cut the field down to what?

L. J. M: The field will be less than two fifty before January the first and notices have already gone out to them.

H. M. Jr.: The field will be two fifty?

L. J. M.: Will be less than two fifty, - I think about two forty.

H. M. Jr.: Yes

L. J. M: Well, that will leave us an average of about three people in each state and just a nucleus in the regional office.

H. M. Jr.: Well, do you think it can be cut down to seven hundred?

L. J. M: That will leave you five hundred in Washington.

H. M. Jr: That's right.

L. J. M: Why -

H. M. Jr: No - five hundred all together, exclusive of the people that you loan.

L. J. M: I - oh, I see. Well, it can be done if you with the Review Division.

H. M. Jr: With the Review Division?

- L. J. M: Yes - I think it's absolutely essential, Mr. Secretary, that we keep, at least, three men in each state or an average of three men in each state and about, say fifteen, in the regional offices.
- H. M. Jr: Well - what I've asked Mr. Hill is to suggest where some of these bureaus in N R A could be transferred to - what other departments.
- L. J. M: Yes
- H. M. Jr: See?
- L. J. M: Yes
- H. M. Jr: And he's coming back at four o'clock and we're going to go over it again.
- L. J. M: Well, the one thought that I'd like to leave with you is that I - I honestly believe that it's essential, if there's the barest possibility of any type of Government contracts or new legislation, that we should keep our key men - two or three men in each state -
- H. M. Jr: I see.
- L. J. M: - and say, four to six men in each regional office -
- H. M. Jr: Yes
- L. J. M: - because - so that we could have the line staff ready to pick up the load in case any new legislation did come through in the field.
- H. M. Jr: I see.
- L. J. M: You can get all the people in God's World you want in Washington, but you lose these key field people and you're going to be sunk.
- H. M. Jr: I see.
- L. J. M: I think -
- H. M. Jr: Well -
- L. J. M: I think the 'over the horizon' proposition is the

one we've got to think about more carefully in retaining some sound personnel as we have in Washington.

H.M.Jr: I see. Well, I'll keep that in mind.

L.J.M: Thank you very much, then.

H.M.Jr: Thank you for calling.

L.J.M: Goodbye.

December 4, 1935

MEMORANDUM TO: Mr. Henry Morgenthau:

The following recommendations are made pursuant to information from you to the effect that the President may direct NRA to reduce active personnel, including employees loaned to other governmental establishments, to 700 by December 31, 1935.

(1) The following groups appear to be irreducible at the present time:

Coordinator	25
Voluntary Agreements	4
Consumers' Division	26
Loaned Employees	225
Office Services	<u>50</u>

330 330

(2) The following alternatives are suggested as the most effective for using the remaining personnel. "A" eliminates field activities; "B" provides on the average a nucleus of two persons in each state office, and of four persons in each regional office.

	<u>"A"</u>	<u>"B"</u>	} 350
Code Histories	180	70	
Studies	200	100	
Mimeographing	30	30	
File Service	40	40	
Field	<u>0</u>	<u>130</u>	
		770	
		700	

(3) While Administrative officials have been strongly in favor of reducing NRA personnel to a low figure, it is suggested

Memorandum to Mr. Morgenthau

2

December 4, 1935

that the investment which has been made in Code Histories and Studies (undertaken pursuant to Executive Order 7075) should be protected by allowing the Division of Review at least 350 persons in January and February whether or not field offices are continued.

(4) The Director of the Division of Review serves under the direction of the President (Executive Order 7075, paragraph 5). Since any such drastic reduction of personnel as is suggested must seriously curb the activities of the Director of the Division of Review, it is suggested that he should be consulted by you as to his work.

(5) In reducing personnel it is essential that the Administration be freed of political obligations to the utmost practicable point. Efficiency and special knowledge, with some small allowance for length of service and need, should be the only criteria to determine those to be retained. If any appreciable number of less effective employees must, for political reasons, be substituted for more effective employees, we recommend scrapping the organization.

Attached are charts, presented in accordance with your request, showing the general setup of the National Recovery Administration and of each Division, Section and Unit, together with a statement of the work of each, the number of employees therein, the monthly payroll, and tentative recommendation as to possible disposal.

Also attached are (a) copy of memorandum to the President from L. C. Marshall, dated November 15, which was approved by the President, alternative B having been accepted under paragraph II (b) "Active Personnel Forecast" with the President's notes thereon, and

Memorandum to Mr. Morgenthau

3

December 4, 1935

(c) letter from the President, dated September 25, instructing the Acting Administrator to reduce NRA personnel to 2000 by January 1, 1936.

A. C. C. Hill, Jr.
Executive Officer
National Recovery Administration

AOCH/ee

December 5, 1935

At the group meeting this morning, Mr. Morgenthau handed Mr. McReynolds a memorandum on a young woman, Miss Miriam Rosenblum, who is anxious to become an Internal Revenue agent and who has qualified for the position with the Civil Service Commission, but who is being discriminated against in Internal Revenue, so she claims, because she is a woman. He instructed Miss Roche, Mrs. Klotz and Mr. McReynolds to have a report for him by Monday morning showing whether Miss Rosenblum is being discriminated against and the reasons for discrimination.

Mr. Morgenthau reported that he thinks he has a method which will encourage manufacturers to replace their old machinery. He said various plans have been submitted, but he believes this one offers the best solution. His idea is this: he would like to say, for example, that for the year 1936 any manufacturer can write off in that year ten percent over and above what the Bureau allows for depreciation on machinery and deduct it from his income tax, provided he spends that amount of money within the calendar year of 1936 for replacement of machinery and equipment. In this way a man could write off, say, a million dollars of his income tax for increased depreciation and spend the million dollars for new machinery. He suggested, for example, the public utilities. This industry, he said, is going as well as it did in 1929, yet their machinery is antiquated, and while they are making a good profit they are not spending a dollar on new machinery. The Secretary said he had telephoned to Helvering last night to ask him whether we could write off this depreciation without new legislation and Helvering said we could.

Mr. Morgenthau brought out the fact that this idea refers particularly to companies that are making money because they are the companies that pay income taxes and can afford to buy new machinery and at the same time it will do them some good. The idea is based on the hope that it will result in a heavy increase in employment for industry.

The Secretary asked the group to give the suggestion very serious thought and said he would like any of the group who had any new ideas on the subject to contact Mr. Haas. The Secretary also asked Mr. Haas to give the study of this plan No. 1 preference in his shop.

Bell reported that he had secured the \$500,000 for the State health work. This was discussed by Miss Roche at the group meeting yesterday. Attached is a memorandum from Miss Roche explaining the difficulties which had been encountered in securing the necessary funds.

TREASURY DEPARTMENT

36

INTER OFFICE COMMUNICATION

DATE December 5, 1935.

TO Secretary Morgenthau
FROM Josephine Roche

Early in November, Mr. Hopkins agreed to allot \$500,000 to the Public Health Service for payment to the States to meet urgent health needs. The million dollars which had been granted last year from Federal Emergency Relief Administration funds was exhausted. State Health Departments kept skeleton organizations together, sometimes without salary, while there was a hope of getting Security Act money. It was when we realized that we would not get this money that we went after an additional grant from Mr. Hopkins, since the urgency of the need became more acute each day.

At the suggestion of Mr. Corrington Gill, and with the cooperation of the Bureau of the Budget, a method of allotment was worked out to effect payment of this money directly to State Health Officers. It was thought this method would be faster than waiting for a lump sum transfer to clear through the Comptroller General. Mr. Gill outlined the procedure which the Public Health Service was to follow with the State Health Officers, going as far as to request that a depository bank be named in each locality to handle the transfer of funds. This procedure was followed, and the necessary papers forwarded for Mr. Hopkins' signature. He refused to sign them because he said he would not make payments directly to State Health Officers.

The alternative of allotting the \$500,000 in a lump sum directly to the Public Health Service under Section 601 of the Relief Act is now being worked out.


Assistant Secretary of the Treasury.

Regraded Unclassified

December 4, 1935.
Wednesday

H.M. Jr.: Henry Morgenthau -

Guy T.

Helvering: Yes

H.M. Jr.: - Some people came in today with a very interesting idea and I wish you'd give it serious consideration. And that is, in order to help out heavy industry the thought of reducing the number of years that people can write off their machinery, you see? I mean - let's say - I don't know, let's say that the ruling of the Department is the life of a locomotive is say twenty years.

G.T.H.: Yes

H.M. Jr.: Well, let's say we'd say to the railroad, 'You can write it off in fifteen years'.

G.T.H.: Yes

H.M. Jr.: See?

G.T.H.: Yes

H.M. Jr.: Now, of course the best example is the power companies, the Public Utilities have got a good business now; they're at their high. And they tell me that their stuff is all obsolete and if they could take a quicker write-off on some of this stuff there's millions and millions of dollars of machinery to be bought, see?

G.T.H.: Yes

H.M. Jr.: Now, aren't the number of years on this - all this stuff - the write-off on heavy machinery - isn't that - aren't those all rulings with you?

G.T.H.: Yes

H.M. Jr.: What?

G.T.H.: Yes, we've got all - over all of those, you know on this depreciation -

H.M. Jr.: I know.

G.T.H.: - Forty-four twenty-two

H.M.Jr.: I know, but, could you take a fresh look at it tomorrow?

G.T.H.: Well, (Laughter) - I'm in bed up at my apartment right now.

H.M.Jr.: Oh, I didn't - Well, could you have - are you ill?

G.T.H.: Oh, no, I'm not ill, I just got a flare-up in my knee again -

H.M.Jr.: Well, I -

G.T.H.: and I can't walk.

H.M.Jr.: Well, I'm terribly sorry. - Whoever has that down there - somebody who has that under him, could he take a look at it?

G.T.H.: Yes, I'll get that to Hatchet, who is the head of that valuation section and figure it out that Division have a talk with him and see what he's got

H.M.Jr.: Well, would you do that in the morning?

G.T.H.: Yes

H.M.Jr.: And then - tell him to consider the thing, whether we can do it without legislation.

G.T.H.: Yes

H.M.Jr.: See?

G.T.H.: Of course, we can - we can do that on rates, I think.

H.M.Jr.: On what?

G.T.H.: On the rates we allow.

H.M.Jr.: How would that be?

G.T.H.: Well, instead of allowing what we had, you know, ten per cent or twelve per cent, we'd just have to increase that to thir - twelve and fifteen or fifteen and twenty.

H.M.Jr.: Yes

G.T.H.: And that way we could work it out, I think.

H.M.Jr.: See?

G.T.H.: Yes

H.M.Jr.: Well, I'm very serious about this - it's - I get an awful lot of ideas and it's one of the best that's walked in here in a long time.

G.T.H.: Yes

H.M.Jr.: Now, the same day - a fellow came in from the Lima Locomotive but his suggestion I don't think was nearly as good. That was that we do what they do abroad - tell them if they spend a million dollars on new machinery they can deduct that from their income tax.

G.T.H.: (Laughter)

H.M.Jr.: Well, they're doing that abroad.

G.T.H.: Yes, but -

H.M.Jr.: But, I can't see that at all.

G.T.H.: We wouldn't get any money from any of those heavy industries then.

H.M.Jr.: No, but if we told them they could speed up the write-off, I think we could get - I think we'd get - that they'd begin to buy.

G.T.H.: Yes

H.M.Jr.: And I could very quickly find out.

G.T.H.: Yes

H.M.Jr.: You see?

G.T.H.: Yes

H.M.Jr.: But I don't want to make a move until I first find out whether we have the power to do it.

G.T.H.: Well, you see, Mr. Secretary -

H.M.Jr.: Yes

G.T.H.: Well, you remember when we had that terrible fight up in Congress about their wanting to - to talk a seventy-five per cent depreciation?

H.M.Jr.: - No, I don't remember that at all.

G.T.H.: Well, this is right in contravention of that when we passed this fifty-four twenty-two.

H.M.Jr.: Yes

G.T.H.: But I'd be glad to work on that -

H.M.Jr.: Go into the whole thing and tell the fellow, whoever has got charge of it, that as soon as he's got something, if you're still laid up, to call me and I want to see him.

G.T.H.: Yes

H.M.Jr.: Will you?

G.T.H.: All right.

H.M.Jr.: But I - you're not in pain are you? or does it - is it painful?

G.T.H.: Yes, very painful, but then I - as long as I stay in this position I think I'm all right. (Laughter)

H.M.Jr.: Well, I'm sorry.

G.T.H.: Yes

H.M.Jr.: But you tell this fellow, whoever it is, to get it just as soon as he's got it. What's his name?

G.T.H.: Well, Mr. Hatchet is the fellow in charge of on that and places all these valuation

H.M.Jr.: Hatchet?

G.T.H.: Hatchet, yes.

H.M.Jr.: O. K. Thank you.

G.T.H.: I'll talk to him first and then to the Unit.

H.M.Jr.: Right - Thank you.

G.T.H.: Goodbye.

December 5th

Last night Peter Grimm told me that the Manager of the Willard Hotel came to see him in behalf of Seymour Weiss. He said he knew Seymour Weiss as a hotel man and a home loving person and that he was very much misunderstood.

He tried to find out from Grimm what we were going to do. He said Seymour Weiss is terribly worried. Grimm told him that there was no use talking to the Secretary as he would not lean over forwards or backwards in this case. The Willard man told Grimm that they knew that. Then Grimm did what I thought was very stupid - he took him in and introduced him to Steve Gibbons.

I spoke to Steve Gibbons this morning and, in a very nice way, told him to keep out of this; that if Seymour Weiss wanted to talk over his income tax case that he could either tell it to the Judge or the Department of Justice. Gibbons asked whether he could not arrange for him to see Irey or somebody and I said, "no, Steve, please keep out of this".

Dec. 5, 1935

CARL E. MOORE

38

12/5/35

Return to Room 285

Russell called
Moore on phone
& Moore said he
did not receive letter
until today.

When asked whether
he was going to
comply with your
wishes - he would
not commit himself
but said he would
write you.

When he was asked
to appear he said
he was sick. Should
Russell send him official
letter.

For mail receipt for letter sent to Moore see Mail Receipts
12/3/35

December 5, 1935.
Thursday

H.M.Jr.: Hello, Mr. Moore?
 C. E.
 Moore: Yes

H.M.Jr.: Henry Morgenthau, Junior.
 C.E.M.: Yes, sir.

H.M.Jr.: Did you get my letter?
 C.E.M.: I got your letter this morning, Mr. Morgenthau. I don't know why the delay. I've been sick for the last couple of days with a terrible cold.

H.M.Jr.: Well, I'm sorry.
 C.E.M.: And I just got down this morning to take care of this matter and I am going to take care of that thing the first chance I get. I talked to Mr. Russell this afternoon.

H.M.Jr.: Yes, I asked him to -
 C.E.M.:

H.M.Jr.: Yes, but what does that mean? - I mean.
 C.E.M.: (Coughs) Pardon me, I had to cough.

H.M.Jr.: Yes, but what does that mean? - you're going to take care of it - I mean, does it mean twenty-four hours or what?
 C.E.M.: I - I hope to be able to do it tomorrow.

H.M.Jr.: Oh, you do?
 C.E.M.: If I can get out of bed tomorrow I'll be down and take care of it.

H.M.Jr.: I see, and -
 C.E.M.:

H.M.Jr.: Well now, when you say you are going to take care it, I mean, are you going to write me another letter, or are you going to come through with it now?

C.E.M.: Well, I - frankly, I wanted to talk the matter over with Senator Bulkley if I can. I tried to

H.M. Jr.: Yes

C.E.M.:

H.M. Jr.: Well, I've been awfully patient, Mr. Moore, on this thing, you know.

C.E.M.: Yes

H.M. Jr.: And, I - I'm not - I don't -

C.E.M.: I still think, though, Mr. Secretary, that that treatment is unfair -

H.M. Jr.: Well, I don't agree with you at all.

C.E.M.: Well, that of course doesn't matter.

H.M. Jr.: Yes, and - I mean I can't wait much longer, so - what is tomorrow? - Friday? Well, I'd like a definite answer from you on my desk at the latest Monday morning.

C.E.M.: Well I'll tell you, I'll either -

H.M. Jr.: And let's leave it this way - if you're not going to comply with my request I wish then you'd come down to Washington, if you're well.

C.E.M.: Yes, I'll be very glad to do -

H.M. Jr.: I mean, if you don't comply with my request please be here Monday.

C.E.M.: I'll try to be there Monday - if -

H.M. Jr.: Let me have either a letter complying with my request or else come down in person.

C.E.M.: I see.

H.M. Jr.: Yes

C.E.M.: All right.

H.M. Jr.: Thank you very much.

39 B

Return to Room 285

Treasury Department

55WCR 57 DL

COLUMBUS OHIO TELEGRAPH OFFICE
401P 5

1935 DEC 5 PM 4 39

HON HENRY MORGENTHAU, JR.

FALSE DATE ON YOUR LETTER GIVES IMPRESSION YOU ARE TRYING TO
PUT RECIPIENT IN POSITION OF TAKING UNREASONABLE TIME TO ANSWER
STOP THIS COUPLED WITH PRESSURE THROUGH RUSSELL DURING MY ABSENCE
FROM CLEVELAND MAKES IT DIFFICULT TO CONTEND YOU ARE NOT INTENDING
PERSONAL PERSECUTION STOP SORRY YOU ARE PUSHING SITUATION INTO
UNAVODIABLE CONFLICT BETWEEN YOU AND ME.

ROBERT J. BULKLEY. 440P

A group met in the office of the Secretary of the Treasury at 9:30 A.M. to discuss estimates of revenue for the fiscal years 1936 and 1937.

Those present were:

Mr. Henry Morgenthau, Jr. Secretary of the Treasury
Mr. T.J. Coolidge, Under Secretary of the Treasury,
Mrs. H.S. Klotz, Special Assistant to the Secretary,
Mr. D.W. Bell, Acting Director, Bureau of the Budget,
Mr. Herbert E. Gaston, Assistant to the Secretary,
Mr. Geo. C. Haas, Bureau of Research & Statistics,
Mr. A.S. McLeod, Actuary, Bureau of Research & Statistics,
Mr. Frank Dow, Assistant Commissioner of Customs,
Mr. C.A. Freeman, Chief, Division of Research & Statistics, Customs,
Mr. V.H. Self, Assistant Deputy Commissioner, Internal Revenue,
Mr. V.L. Weeks, Chief, Statistical Section Internal Revenue,
Mrs. B. Wetherton, Special Assistant to the Commissioner,
Mr. C.B. Upham.

Mr. McLeod read a summary of the estimated receipts for the fiscal year 1937 by classes of receipts. The summary is attached. A number of tables and charts accompanied the summary.

Mr. McLeod explained that he had not covered the items of miscellaneous receipts because those are within the purview of the Bureau of the Budget.

In connection with that discussion, Mr. Bell and Mr. Morgenthau discussed the sale of securities by the PWA through the RFC and the resultant use of the proceeds by the PWA as a revolving fund.

They were agreed that it would be desirable to arrange for the

proceeds to be paid back to the Treasury rather than being made available to the PWA for additional expenditures.

They agreed to take the matter up with the President.

At the suggestion of Mr. Haas, Mr. McLeod also referred to a discrepancy between his estimates of receipts from back taxes and the estimates of the Bureau of Internal Revenue.

It was agreed that those figures should be reviewed again and perhaps a new estimate presented. The estimates submitted by Mr. McLeod, based upon conversations which he had had with persons in the Bureau, were somewhat higher than those submitted by Mr. Self, Mr. Weeks and Mrs. Wetherton.

Mr. Morgenthau felt that it might be well to be conservative in the estimates on back taxes, because, as he said, they do not come from a bottomless well -- the collections each year bringing the Bureau closer down to current taxes.

It was stated that the estimates submitted for all classifications of receipts were on a conservative basis, the figures being for the most part minimum expectations.

Estimate of Federal Revenue in the Fiscal Year 1937

Total receipts for the fiscal year 1937 are estimated in the amount of \$5,680 million, or an increase of \$1,285 million over estimated receipts for the fiscal year 1936. Of this increase, \$509 million are estimated to come from the railroad retirement tax, the bituminous coal tax, and the social security taxes, sources which are estimated to provide only small amounts of revenue in the fiscal year 1936. Total receipts exclusive of these items are estimated at \$5,133 million, or an increase of \$776 million over the estimate for the fiscal year 1936. A summary of actual receipts in the fiscal year 1935 and estimates of receipts for the fiscal years 1936 and 1937 is presented in Table 1.

Internal Revenue

Income Taxes -

Total income taxes are estimated at \$1,963 million in the fiscal year 1937, or an increase of \$529 million over the estimate for 1936. Of this increase, current corporate income taxes account for \$212 million and individual income taxes account for \$307 million. The Revenue Act of 1935, which first applies to incomes received in the calendar year 1936, is estimated to provide \$42 million of the increase in corporate income taxes, and \$62 million of the increase in individual income taxes in the fiscal year 1937. The remainder of the increases reflects improved earnings and incomes in the calendar year 1935, and estimated further improvement in the calendar year 1936. For the calendar year 1935, corporate taxable net income is estimated to increase 25 percent over that for 1934, and in the calendar year 1936 to increase 28 percent over the amount for 1935. Taxable net income of all individuals in the income classes of \$5,000 and over is estimated to increase 28 percent in the calendar year 1935 over that for 1934, and to increase 29 percent in the calendar year 1936 over incomes for 1935.

The above estimated increases in corporate and individual incomes are based chiefly upon estimated increases in the Federal Reserve Board Index of Industrial Production, the Bureau of Labor Statistics, All Commodity Index of Wholesale Prices, the Bureau of Labor Statistics, Index of Factory Payrolls, and the Standard Statistics Average Price of 421 Stocks. The indexes and taxable incomes for the years since 1929 are shown on Table 2.

From Table 2 it will be observed that estimated corporate net income for 1936 approximates that of 1930, when the Federal Reserve Board Index of Industrial Production was about the same as that estimated for 1936. In the case of individual incomes, the total taxable income above \$5,000 is less than that of 1930. The relatively smaller volume of individual income reflects a change since 1930 in the composition of incomes, which is not accurately measured by changes in the Federal Reserve Board Index of Industrial Production.

As shown in Tables 3 and 4, the various sources of income in 1936 vary considerably from the amounts in 1930. Wages and salaries and other income are considerably less than in 1930, because business activity in general has not increased in proportion to the recovery in manufactures. Dividends are also less than in 1930, for in that year dividend payments were still at a high rate in consequence of several preceding years of high earnings, whereas present low dividend payments reflect several years of severe deficits. Profits from sale of assets are in larger amount than in 1930, chiefly because stock prices have shown a rising trend during the past year, and are forecast to increase further in 1936, whereas, in 1930, stock prices were in a downward trend and substantial losses were taken. It should be noted that the estimated increase from this source in 1936 is due mainly to sale of assets held less than 2 years. A relatively small amount of profits is estimated from assets held more than 2 years, because such profits are now taxable at the bracket rates, instead of at 12½ percent. Chiefly because of this factor and the low level of dividend payments, incomes over \$1 million are estimated in relatively small amount as compared with incomes in the lower brackets.

Miscellaneous Internal Revenue -

Miscellaneous internal revenue is estimated to yield \$2,106 million, an increase of \$251 million over the 1936 estimate. Practically all sources of miscellaneous internal revenue are estimated to increase in the fiscal year 1937.

Capital Stock Tax -

The capital stock tax is estimated to increase \$75 million over the 1936 estimate, because of the 1935 Revenue Act which increased the rate of tax from \$1 to \$1.40 per thousand dollars of adjusted declared value of capital stock, and imposed an excess profits tax of 6 percent on earnings in excess of 10 percent, but not over 15 percent of adjusted declared value, and 12 percent on earnings in excess of 15 percent of adjusted declared value.

Estate and Gift Taxes -

Receipts from the estate tax are estimated to increase \$77 million over the 1936 estimate. The increase reflects higher value of estates during the fiscal year 1936, which is the basis of collections in the fiscal year 1937, and the Revenue Act of 1935 which will be reflected in revenue in December 1936. The Revenue Act of 1935 provides for larger revenue from estates by lowering the exemption from \$50,000 to \$40,000, and by increasing the rates of tax.

- 3 -

Revenue from the gift tax is expected to decline \$35 million from the 1936 estimate. The large revenue from this source in 1935 reflected a large volume of gifts made in the calendar year 1934 in anticipation of higher income tax rates and estate tax rates, and because of consideration given to an inheritance tax. For the same reasons a large volume of gifts was probably made in the calendar year 1935, and therefore, revenue from this source is expected to continue in large amount in the fiscal year 1936. However, no such incentive for making of gifts is expected to occur in the calendar year 1936, and revenue in the fiscal year 1937 is estimated to decline to a normal amount.

Distilled Spirits, Wines, and Fermented Liquors -

Revenue from these sources is estimated at \$558 million, an increase of \$63 million over the 1936 estimate. The increase is chiefly accounted for by estimated increases in the consumption of distilled spirits and beer, in consequence of improving quality of the products, lower prices, broadening of the drinking habit, and increasing incomes.

Tobacco Manufactures -

This source of revenue is estimated to provide \$504 million, an increase of \$26 million over the 1936 estimate. The increase is due almost entirely to an increase in the consumption of small cigarettes. The consumption of this product has increased steadily during the past several years, while the consumption of other tobacco products has declined or has shown little change.

Documentary Stamp Taxes -

Revenue from this source is estimated at \$90 million, an increase of \$29 million over the 1936 estimate. The increase is chiefly in consequence of the expected increase in the volume of refunding, of probable new financing, and probable higher trading activity on the stock exchanges. Stock trading has increased during the past few months, and because of probable higher corporate earnings and security prices, an increased volume of trading should be witnessed in the fiscal year 1937.

Manufacturers' Excise Taxes -

Manufacturers' excise taxes are estimated in the amount of \$393 million, an increase of \$29 million over the 1936 estimate. The taxes on gasoline and passenger automobiles provide the major part of the increase in revenue in this group. Revenue from the former is estimated at \$178 million, an increase of \$10 million over the 1936 estimate. Revenue from the latter is estimated in the amount of \$54 million, an

- 4 -

increase of \$7 million over the 1936 estimate. The latter estimate is based upon a probable increase in the domestic consumption of passenger cars from 3 million in the fiscal year 1936 to 3.5 million in the fiscal year 1937.

Other sources of revenue under manufacturers' excise taxes are estimated to show only slight change for the reason that they are chiefly consumption goods which fluctuate moderately from year to year.

Miscellaneous Taxes -

Revenue from sources under this classification is estimated at \$99 million, an increase of \$9 million over the 1936 estimate. About \$6 million of this increase is estimated to come from the tax on vegetable oils, chiefly in consequence of a shortage of domestic cottonseed oil, lard, and tallow. Other sources of revenue under this group are not expected to change significantly, as they consist of consumption goods or services which show small annual fluctuations.

Processing Taxes on Farm Products

Processing taxes are estimated at \$547 million, an increase of \$18 million over the revised estimate of \$529 million for the fiscal year 1936. The estimate contained in the Budget Summary of September 1935 is lowered from \$536 million to \$529 million, because of a change in the rates of tax applied to tobacco products which was effective on October 1st of this year. The increase in the estimate for 1937 is due to estimated increases in the consumption of cotton, wheat, and hog products.

Railroad Employees' Retirement Tax

Revenue from this source is derived from an income tax of $3\frac{1}{2}$ percent of the compensation (not in excess of \$300 per month) of each employee, as defined by the Act, and an excise tax on carriers equal to $3\frac{1}{2}$ percent of the compensation (not in excess of \$300 per month) paid by it to its employees. Practically all the revenue is derived from taxes on pay rolls of railroads. The taxes become effective March 1, 1936 and terminate February 28, 1937.

In the fiscal year 1936 only one quarterly payment will be received in the amount of \$33 million. In the fiscal year 1937, three quarterly payments will be received, amounting to \$102 million.

Bituminous Coal Tax

Revenue under this tax is estimated at \$5.6 million in the fiscal year 1936, and \$12.3 million in the fiscal year 1937. The estimate is smaller in the fiscal year 1936 because revenue is not expected to commence until February 1936.

The Act imposes a tax of 15 percent on the sale price of bituminous coal at the mine, with the provision that coal producers who accept the "Bituminous Coal Code" shall be entitled to a credit of 90 percent of the amount of the tax. In the above estimate it is assumed that all producers will comply with the code, and the rate of tax used is 1.5 percent of the price at the mine.

Social Security Taxes

Employment Tax (Title VIII) -

Revenue from this source is estimated at \$305 million in the fiscal year 1937. There will be no revenue from this tax in the fiscal year 1936 inasmuch as the tax commences January 1, 1937.

Title VIII of the Social Security Act imposes an income tax of 1 percent on the wages (not in excess of \$3,000 per year) of every individual (excluding certain occupational groups and persons 65 years of age and over) and an excise tax on each employer equal to 1 percent of wages (not in excess of \$3,000) paid by him.

The total pay roll in the calendar year 1937 subject to these taxes is estimated at \$30,800 million. Approximately one half of this amount will be taxable at 2 percent in the fiscal year 1937 and it is assumed that the tax will be collected currently.

Tax on Employees of Eight or More (Title IX) -

It is estimated that receipts from this tax will amount to \$129 million in the fiscal year 1937. The tax becomes effective January 1, 1936, but it is not collected until January 1937. Therefore, there will be no revenue from this source during the fiscal year 1936.

Title IX of the Social Security Act imposes an excise tax on every employer equal to certain percentages of the wages paid by him (with certain occupational and size of firm exclusions). The rates of tax are 1 percent during the calendar year 1936 and 2 percent during the calendar year 1937. The taxpayer is allowed a credit for all contributions paid into State unemployment funds not in excess of 90 percent of the tax.

If all States had approved systems by the beginning of 1936, the Federal Government would receive in January 1937 an amount equal to one tenth of 1 percent of the total taxable pay roll. Inasmuch as the Social Security Board does not expect all States to adopt approved systems before July 1, 1937, and since the law requires that the entire tax of 1 percent of pay rolls shall be paid to the Federal Government in cases where States have not adopted approved systems, the estimated revenue in the fiscal year 1937 is larger than it would be with complete State coverage.

Receipts for Trust Accounts -

Under Title IX, Section 904(a) of the Social Security Act, an "Unemployment Trust Fund" is established in the Treasury to receive all moneys deposited by a State agency from a State unemployment fund.

For the fiscal year 1936 it is estimated that \$49 million will be received into the Fund and in the fiscal year 1937, it is estimated that receipts will increase to \$283 million.

Ten States have submitted unemployment tax plans which provide for taxes averaging higher than the rates provided by the Federal law. The higher rates account for larger trust account receipts than would be received under the Federal rates.

Customs

Total receipts from customs are estimated at \$354 million, an increase of \$1 million over the 1936 estimate. Revenue from duties on distilled spirits and wines is estimated to decline \$5 million from the revised estimate for 1936 because of the Canadian Trade Agreement.

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The Canadian Trade Agreement lowered the tariff duty on whiskies having an age of four years or more from \$5.00 to \$2.50 per proof gallon. It is estimated that imports of whiskey will be about 970,000 gallons more than under the \$5.00 duty. However, the rate has been halved and the net result is an estimated loss in revenue of \$12.9 million.

Revenue from dutiable imports other than alcoholic beverages is estimated to increase \$9 million over the 1936 estimate. The increase reflects chiefly an expected high level of agricultural imports and imports of certain vegetable oils and fats in consequence of domestic shortages of these products. Imports of dutiable commodities during the past three years have been smaller in relation to internal business than in previous years. This factor and the various trade agreements account for the relatively low estimate of customs receipts.

TABLE I

Actual receipts for the fiscal year 1935 and
estimated receipts for the fiscal years 1936 and 1937

(In millions of dollars)

	: : 1935 : actual :	: : 1936 : estimate :	: : 1937 : estimate :	: : Actual : increase : 1937 over : 1936 :	: : Percentage : increase : 1937 over : 1936 :
<u>General and special accounts</u>					
Internal revenue:					
Income taxes:					
Current corporation	465	615	827	212	34.5
Current individual	448	629	936	307	48.8
Back taxes	186	190	200	10	5.3
Total	1099	1434	1963	529	36.9
Miscellaneous internal revenue:					
Capital stock, excess profits, estates, gifts	310	349	461	112	32.1
Distilled spirits, wines, beer	411	495	558	63	12.7
Tobacco manufactures	459	478	504	26	5.4
Documentary stamp taxes	43	61	90	29	47.5
Manufacturers' excise taxes	342	365	393	28	7.7
Miscellaneous taxes	109	90	100	10	11.1
Total (collection basis)	1674	1838	2106	268	14.6
Total (Treasury statement basis)	1657	1855	2106	251	13.5

TABLE 1 (Continued)

(In millions of dollars)

	1935 actual	1936 estimate	1937 estimate	Actual increase 1937 over 1936	Percentage increase 1937 over 1936
<u>General and special accounts (continued)</u>					
Agricultural adjustment taxes	521	^{1/} 529	547	18	3.4
Railroad employees' retirement tax	-	33	102	69	209.1
Bituminous coal tax	-	^{2/} 6	12	6	100.0
Social security taxes	-	-	433	433	100.0
Total internal revenue (Treasury statement basis)	3278	3857	5163	1306	33.9
<u>Customs:</u>					
Distilled spirits, wines, fermented liquors	41	33	27	(-) 6	(-) 18.2
All other	305	317	327	10	3.2
Total (collection basis)	346	350	354	4	1.1
Total (Treasury statement basis)	343	353	354	1	.3
<u>Miscellaneous receipts</u>	179	^{3/} 185	163	(-) 22	(-) 11.9
Total receipts, general and special accounts (Treasury statement basis)	3800	4395	5680	1285	29.2
<u>Trust accounts</u>					
Deposits by States under Social Security Act	-	49	283	234	477.6

Treasury Department, Division of Research and Statistics

December 2, 1935

- ^{1/} Revised. Decrease of \$7,000,000 from September 30 estimate due to lowering of rates on processing of tobacco.
- ^{2/} Not included in September 30 budget summary.
- ^{3/} Revised. Decrease of \$74,000,000 from September 30 estimate.

Table 1
Corporation and Individual incomes and taxes and economic factors
affecting these incomes

	: F.B.R. index :		: B.L.S. all-commodity :		: B.L.S. index :		: Corporations :		: Individual incomes :	
	: of industrial :	: production ^{1/} :	: wholesale price :	: index ^{1/} :	: of payrolls ^{1/} :	: Standard statistics :	: Taxable :	: Tax :	: Taxable net :	: Total tax :
	: Annual :	: Annual :	: December :	: Annual :	: Annual :	: average price of :	: net :	: collections, :	: incomes, :	: Total tax :
	: average :	: average :	: average :	: average :	: average :	: 421 stocks :	: income, :	: fiscal years :	: \$5,000 and :	: collections, :
						: December average :	: calendar :	: over, calen- :	: dar years :	: fiscal years :
							: years :			
							: (In millions of dollars)			
1929	119	95	93	109	154		11,654	1,075	16,359	1,019
1930	96	86	80	89	109		6,429	1,118	10,130	1,061
1931	81	73	73	68	58		3,683	892	6,585	730
1932	64	65	63	46	47		2,153	517	4,182	351
1933	76	66	71	49	70		2,986	319	4,108	295
1934	79	75	77	62	69		^{2/} 3,961	321	^{2/} 4,962	355
1935	^{2/} 87	^{2/} 80	^{2/} 80	^{2/} 70	^{2/} 85		^{2/} 4,970	465	^{2/} 6,377	448
1936	^{2/} 95	^{2/} 82	^{2/} 84	^{2/} 79	^{2/} 110		^{2/} 6,380	^{2/} 615	^{2/} 8,230	^{2/} 629
1937								^{2/} 827		^{2/} 936
Present level, October 1935	94	81		75	86					

^{1/} Index numbers; 1923-25 average = 100
^{2/} Estimated

Table 3

Sources of Individual Income, Returns showing Net Income
of \$5,000 and over, Actual 1929 to 1933, Estimated 1934 to 1936

(In millions of dollars)

Calendar years	Business and part- nerships	Profits from sale of assets	Dividends	Wages and sal- aries and all other income	Taxable net income
<u>Actual</u>					
1929	3,335	4,390	4,247	7,734	16,359
1930	2,002	1,084	3,709	6,412	10,130
1931	1,258	367	2,584	4,803	6,585
1932	639	122	1,541	3,068	4,182
1933	795	442	1,200	2,670	4,108
<u>Estimated</u>					
1934 <u>1/</u>	1,028	163	1,608	3,319	4,962
1935	1,420	510	1,770	3,865	6,377
1936	1,912	1,312	1,900	4,545	8,230

Treasury Department, Division of Research and Statistics. December 3, 1935

1/ Preliminary, returns filed to August 31, 1935 adjusted to final.

Table 4

Sources of individual income,
actual 1929 to 1933, estimated 1934 to 1936

53

(In millions of dollars)

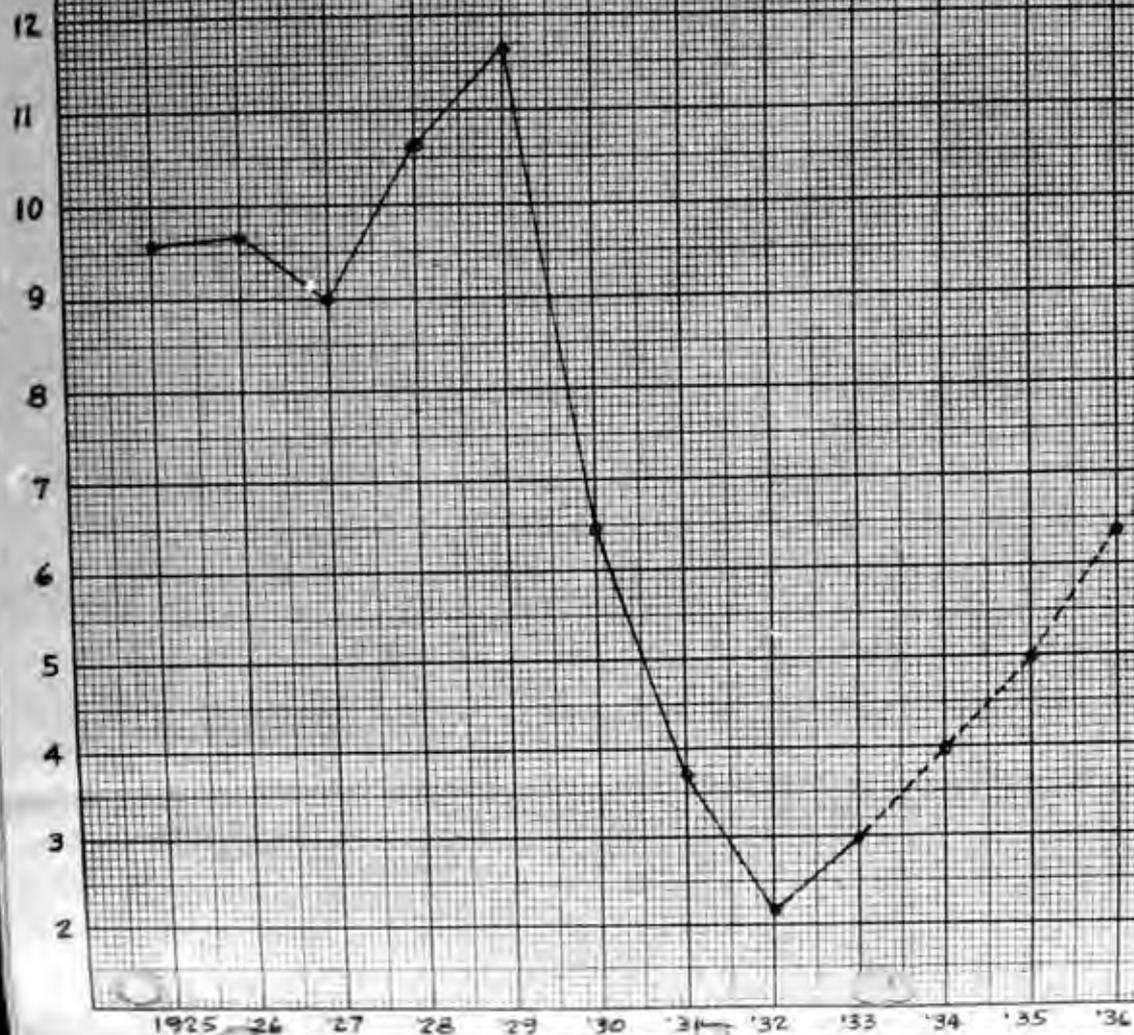
Calendar years	Business and partnerships	Profits from sale of assets	Dividends	Wages and salaries and all other income	Taxable net income
<u>Income class: \$5,000 - \$100,000</u>					
Actual					
1929	2,815	1,940	2,819	7,049	11,991
1930	1,893	588	2,683	6,032	8,558
1931	1,206	209	1,953	4,596	5,805
1932	615	87	1,211	2,957	3,798
1933	739	304	926	2,566	3,641
Estimated					
1934 ^{1/}	996	140	1,262	3,211	4,544
1935	1,340	390	1,360	3,700	5,730
1936	1,800	898	1,440	4,350	7,228
<u>Income class: \$100,000 - \$1,000,000</u>					
Actual					
1929	423	1,591	1,097	584	3,156
1930	107	349	796	332	1,212
1931	52	116	488	189	613
1932	24	35	279	107	348
1933	55	96	220	97	380
Estimated					
1934 ^{1/}	32	20	280	102	358
1935	80	86	335	155	548
1936	110	292	380	180	817
<u>Income class: \$1,000,000 and over</u>					
Actual					
1929	97	859	331	101	1,212
1930	2.2	147	230	48	360
1931	.1	42	143	18	166
1932	.1	-	51	4	35
1933	1.4	42	54	7	87
Estimated					
1934 ^{1/}	-	3	66	6	60
1935	-	34	75	10	99
1936	2	122	80	15	185

^{1/} Preliminary returns filed to August 31, 1935, adjusted to final.

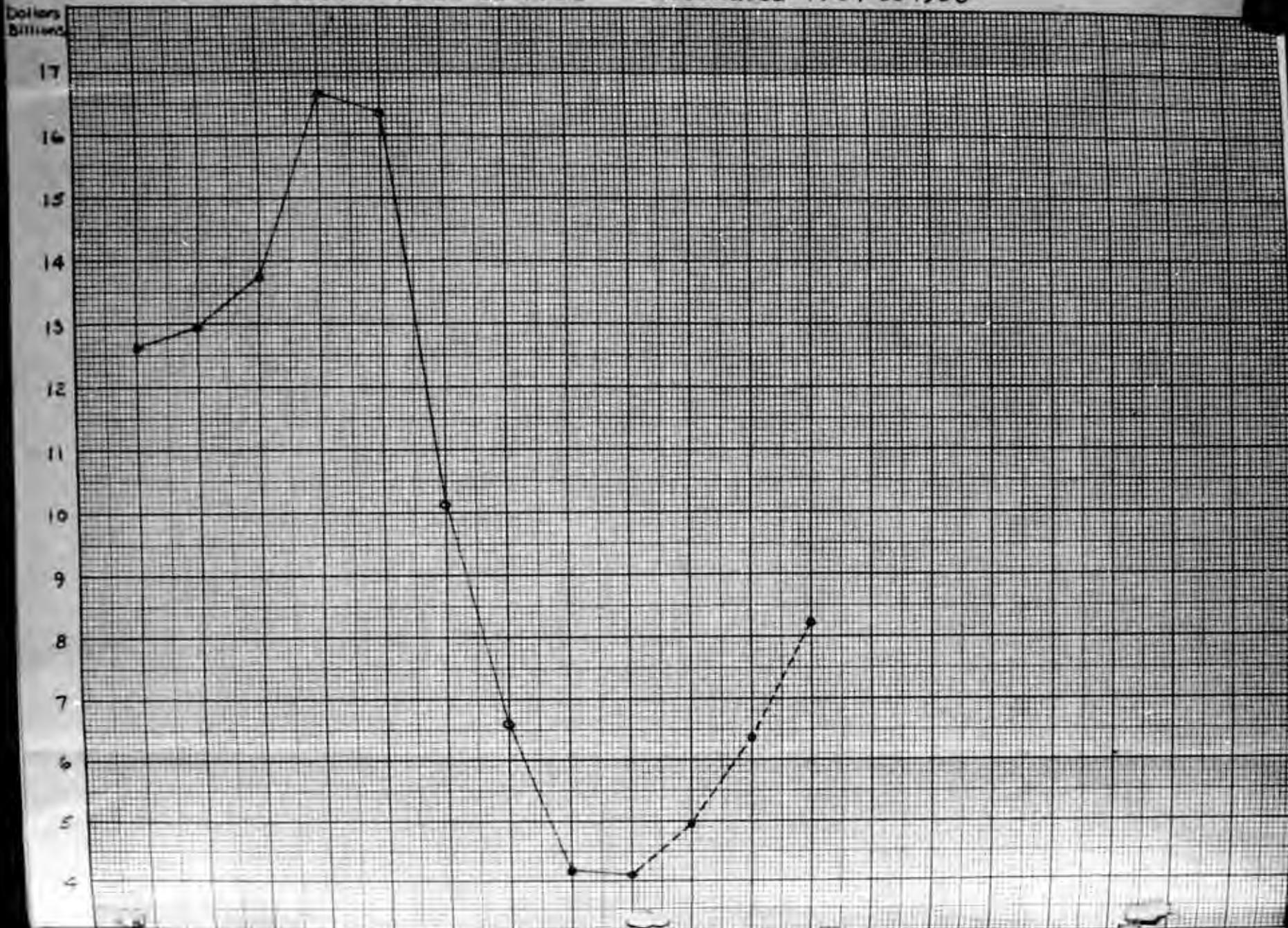
Regraded Unclassified

54

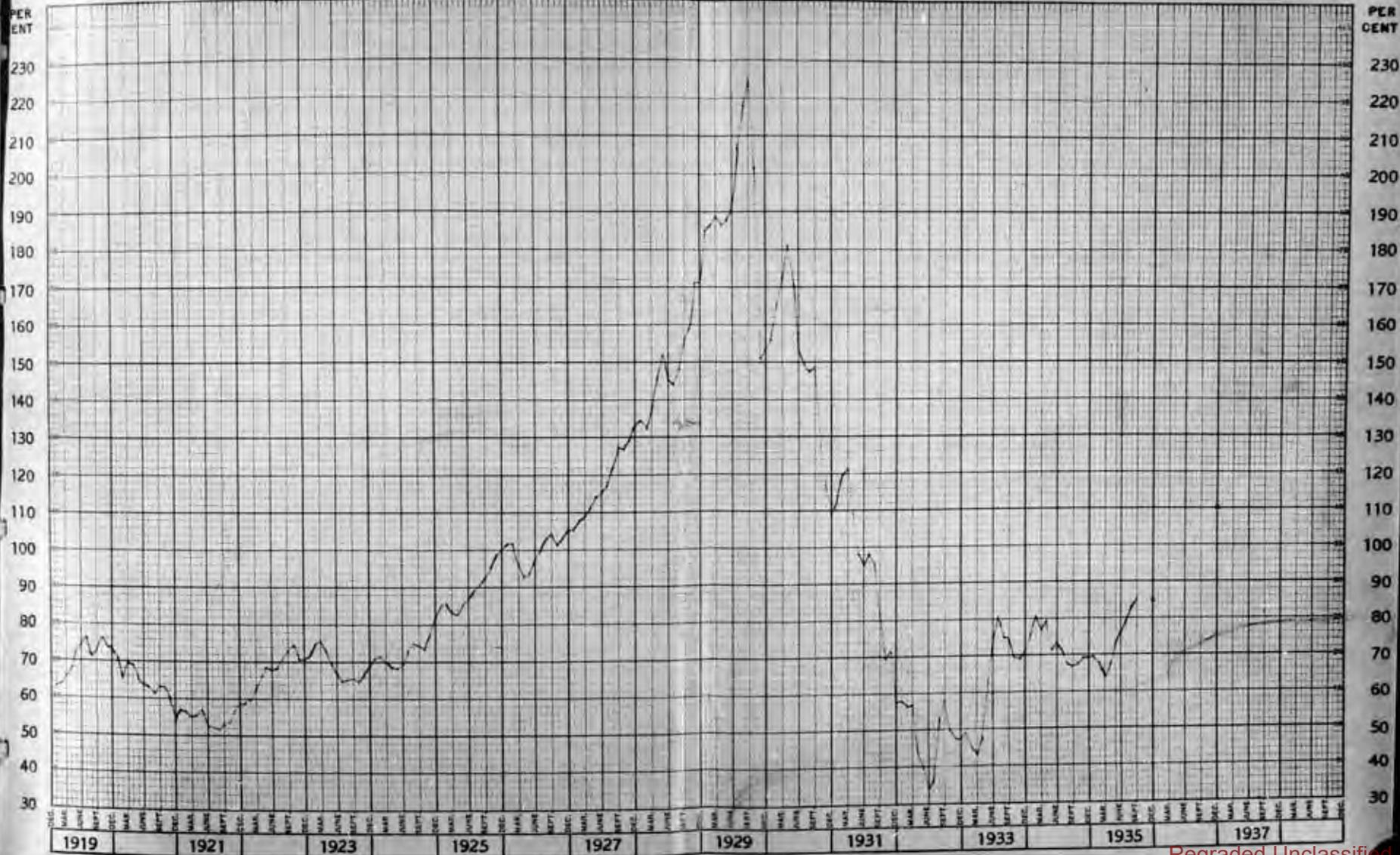
Corporation Returns Statutory Net Income, Actual 1925-'33 Estimated 1934-'36

Dollars
Billions

INDIVIDUAL RETURNS TAXABLE NET INCOME OF \$ 5,000 AND OVER
Actual 1925 to 1933 Estimated 1934 to 1936

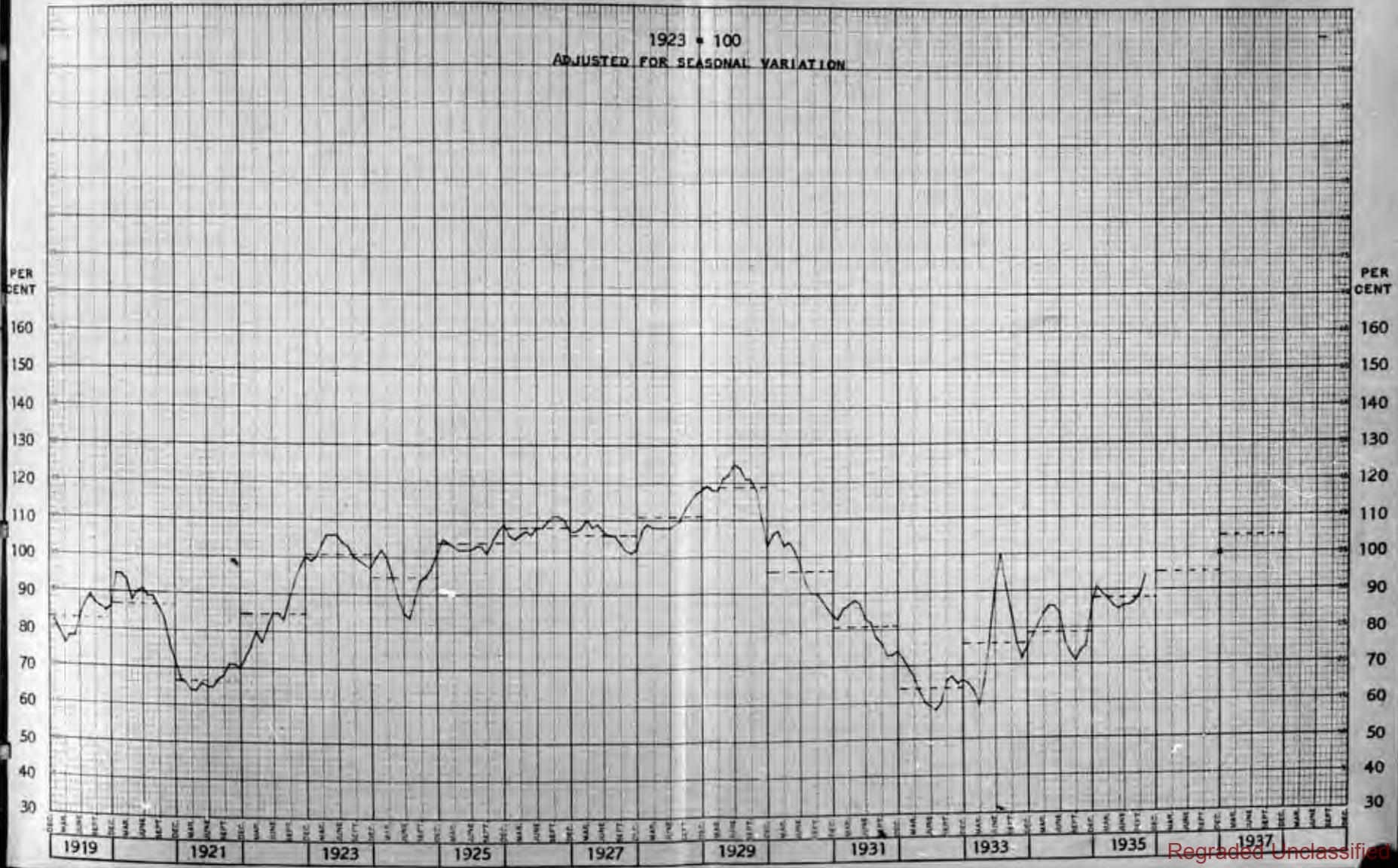


56
STANDARD STATISTICS 421 STOCKS

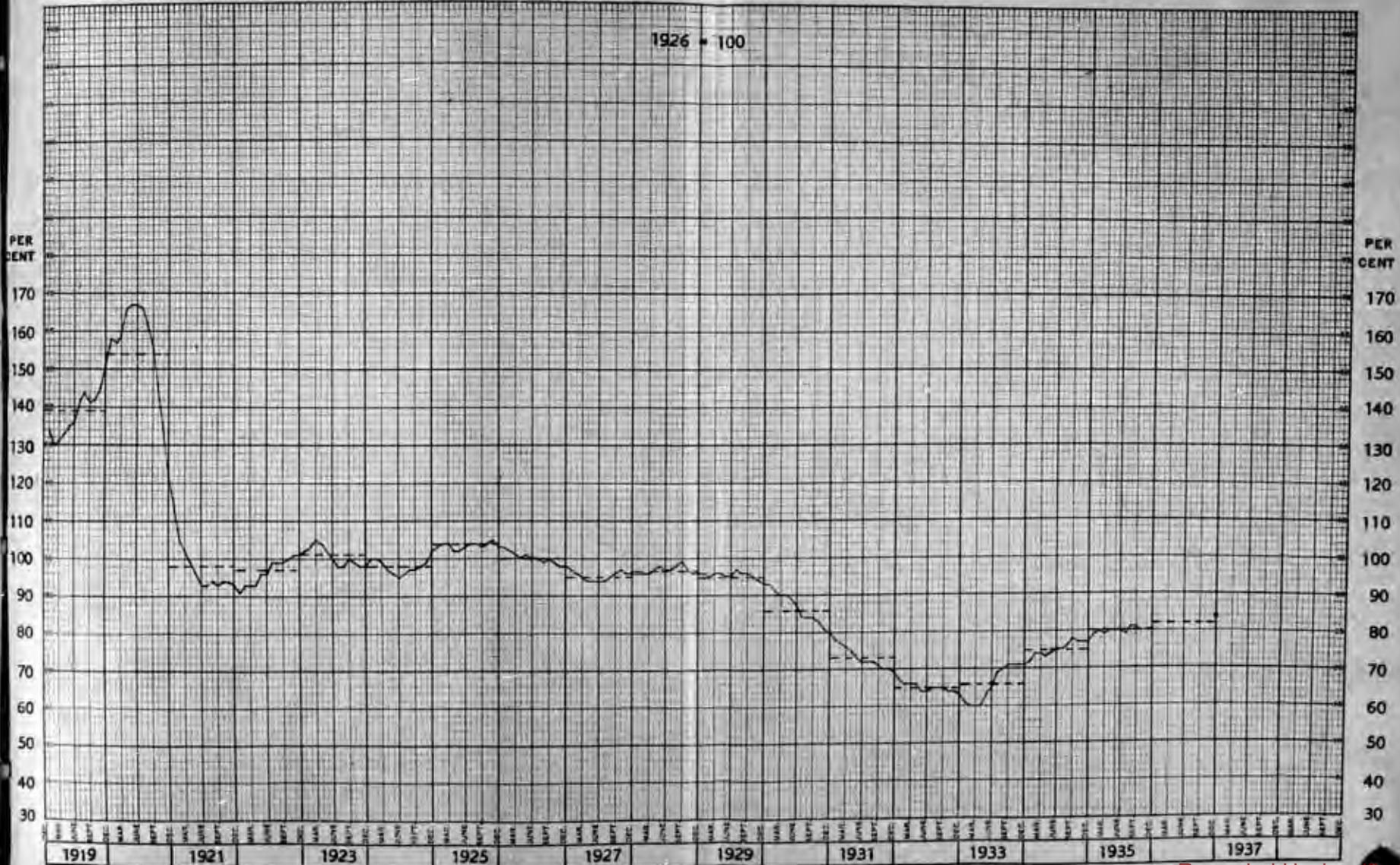


FEDERAL RESERVE BOARD INDEX OF INDUSTRIAL PRODUCTION
ACTUAL THROUGH OCTOBER 1935, AND ESTIMATED 1936 AND 1937 YEARLY AVERAGES

1923 = 100
ADJUSTED FOR SEASONAL VARIATION



BUREAU OF LABOR STATISTICS INDEX OF COMMODITY PRICES
 ACTUAL THROUGH OCTOBER 1935 AND ESTIMATED 1935 AND 1936 AND YEARLY AVERAGE AND 1936 DECEMBER AVERAGE



Actual receipts for the fiscal year 1935 and estimated receipts for the fiscal years 1936 and 1937

Receipts	Actual 1935	Estimated 1936	Estimated 1937	Increase, estimated 1937 over estimated 1936
General and Special Accounts				
<i>Internal revenues:</i>				
<i>Income taxes:</i>				
Current Corporation	465,368,133	615,000,000	526,600,000	211,600,000
Current Individual	448,521,113	629,000,000	936,000,000	307,000,000
Both taxes	135,641,157	190,000,000	200,000,000	10,000,000
Total income taxes (collection basis)	1,099,530,403	1,434,000,000	1,662,600,000	528,600,000
Adjustment to daily Treasury Statement (unassigned)	(111,745)	111,000	-	-
Total income taxes (Treasury Statement)	1,099,118,658	1,434,111,000	1,662,600,000	528,500,000
<i>Miscellaneous internal revenues:</i>				
Capital stock tax	91,508,121	88,000,000	163,000,000	75,000,000
Excess profits tax	6,560,483	10,000,000	5,000,000	(1) 5,000,000
Estate tax	140,440,683	191,000,000	269,000,000	77,000,000
Gift tax	71,571,277	60,000,000	25,000,000	(1) 35,000,000
<i>Distilled spirits and fermented liquors:</i>				
Distilled spirits (excise tax on domestic)	150,525,647	215,800,000	240,000,000	24,200,000
Distilled spirits (excise tax on imported)	15,107,925	13,900,000	16,500,000	2,700,000
Wines (excise tax on domestic and imported)	6,779,816	7,040,000	10,700,000	1,660,000
Fermented malt liquors	211,213,057	224,000,000	256,500,000	32,500,000
Ratification, certificates: Retail and wholesale dealers and manufacturers of stills	13,281,046	18,600,000	18,300,000	(1) 300,000
Containers, stamps	6,144,774	5,700,000	9,700,000	800,000
Flow taxes, distilled spirits and wines	3,021,546	-	-	-
Brewers: Retail and wholesale dealers	4,248,822	3,900,000	4,300,000	400,000
All other	597,138	500,000	1,700,000	900,000
Total distilled spirits and fermented liquors	411,021,772	499,540,000	557,700,000	62,860,000
<i>Tobacco manufactures:</i>				
Cigars (large)	11,692,859	12,100,000	13,200,000	1,100,000
Cigarettes (small)	385,459,571	405,000,000	424,000,000	24,000,000
Tobacco (chewing and smoking)	54,372,414	53,300,000	53,600,000	300,000
Snuff	6,511,662	6,800,000	6,900,000	100,000
Cigarette papers and tubes	776,663	1,000,000	1,200,000	200,000
All other	166,051	170,000	144,000	(1) 26,000
Total tobacco manufactures	459,178,625	478,370,000	504,044,000	26,674,000
<i>Documentary stamp taxes:</i>				
Issues of securities, bond transfers and deeds of conveyance	17,934,747	21,500,000	35,400,000	13,900,000
Stock transfers	15,747,363	31,700,000	46,800,000	15,100,000
Sales of produce for future delivery	3,950,544	2,500,000	2,500,000	-
Playing cards	4,551,540	4,500,000	4,700,000	200,000
Silver bullion transfers	1,149,396	1,000,000	1,000,000	-
Total documentary stamp taxes	43,153,373	61,200,000	90,400,000	29,200,000
<i>Manufacturers' excise taxes:</i>				
Lubricating oils	27,800,247	25,000,000	29,800,000	1,800,000
Brewers: malt, malt, grain concentrates, etc	1,426,837	1,400,000	1,000,000	(1) 400,000
Matches	6,000,101	6,000,000	7,000,000	1,000,000
Gasoline	161,532,292	168,200,000	178,000,000	9,800,000
Electrical energy	32,577,256	33,000,000	35,200,000	2,200,000
Tires and inner tubes	26,637,796	27,800,000	28,700,000	900,000
Toilet preparations, etc	12,643,517	13,500,000	17,000,000	3,500,000
Articles made of fur	2,675,731	3,100,000	3,700,000	600,000
Jewelry, etc	2,010,123	2,000,000	2,400,000	400,000
Automobile trucks	6,158,070	7,400,000	6,500,000	(1) 900,000
Other automobiles and motorcycles	38,003,355	47,100,000	54,200,000	7,100,000
Parts and accessories for automobiles	6,455,954	6,700,000	7,000,000	300,000
Radio sets, phonograph records, etc	3,624,904	4,100,000	5,400,000	1,300,000
Mechanical refrigerators	6,663,677	7,500,000	7,600,000	100,000
Sporting goods	4,485,815	5,500,000	5,500,000	-
Revolvers, shells and cartridges	2,203,246	2,400,000	2,500,000	100,000
Cameras and lenses	343,388	360,000	420,000	60,000
Chewing gum	157,183	730,000	750,000	20,000
Total manufacturers' excise taxes	341,999,396	364,790,000	393,370,000	28,580,000

Actual receipts for the fiscal year 1935 and estimated receipts for the fiscal years 1936 and 1937 (Continued)

Receipts (Continued)	Actual, 1935	Estimated, 1936	Estimated, 1937	Increase Estimated 1937 over estimated 1936
General and special accounts (Continued)				
Internal revenue (Continued):				
Miscellaneous internal revenue (Continued):				
Miscellaneous taxes:				
Telephone, telegraph, radio and cable facilities, etc.	19,741,434	21,500,000	21,500,000	300,000
Transportation of oil by pipe line	9,479,722	10,500,000	10,500,000	-
Leases of safe deposit boxes	2,317,614	2,400,000	1,500,000	(-) 600,000
Checks	25,645,139	-	-	-
Admissions	15,379,377	17,000,000	19,500,000	2,500,000
Club dues and initiation fees	5,784,475	6,500,000	7,000,000	500,000
Oleomargarine, process butter, etc.	2,063,427	2,000,000	2,500,000	500,000
Processing taxes on coconut oil, etc.	24,457,071	29,000,000	35,000,000	6,000,000
Processing taxes on crude petroleum	1,759,790	800,000	800,000	-
All other	1,240,987	600,000	600,000	-
Total miscellaneous taxes	108,469,101	90,300,000	99,500,000	9,200,000
Total miscellaneous internal revenue (Collection basis)	1,673,982,821	1,839,500,000	2,106,014,000	267,514,000
Adjustment to daily Treasury statement (unrevised)	(-) 16,791,312	(+) 16,791,000	-	-
Total miscellaneous internal revenue (Treasury statement basis)	1,657,191,519	1,856,291,000	2,106,014,000	250,723,000
Agricultural adjustment taxes:				
Wheat	123,860,932	124,500,000	130,200,000	5,700,000
Cotton	95,906,302	116,800,000	126,000,000	9,200,000
Tobacco	32,725,001	25,400,000	23,800,000	(-) 1,600,000
Corn	6,849,630	7,700,000	4,000,000	(-) 3,700,000
Hops	184,601,009	156,900,000	173,000,000	16,100,000
Certain paper, jute fabrics and jute yarns	3,221,707	2,600,000	3,000,000	400,000
Sugar	71,093,971	64,400,000	62,000,000	(-) 2,400,000
Peanuts	3,571,936	7,400,000	7,100,000	(-) 300,000
Rice	29,120	12,600,000	11,700,000	(-) 900,000
Rye	-	1,900,000	2,500,000	600,000
Cotton ginning	1,110,875	1,000,000	1,000,000	-
Tobacco sales tax	3,231,275	3,000,000	3,000,000	-
Total agricultural adjustment taxes (Collection basis)	506,222,358	524,200,000	547,300,000	23,100,000
Adjustment to daily Treasury statement (unrevised)	(-) 4,842,487	(+) 4,842,000	-	-
Total agricultural adjustment taxes (Treasury statement basis)	501,379,871	529,042,000	547,300,000	18,258,000
Railroad employees' retirement tax	-	33,000,000	101,600,000	68,600,000
Bituminous coal tax	-	5,600,000	12,300,000	6,700,000
Social security taxes:				
Employment tax (Title VIII)	-	-	304,700,000	304,700,000
Tax on employers of eight or more (Title IX)	-	-	128,500,000	128,500,000
Total social security taxes	-	-	433,200,000	433,200,000
Total internal revenue (Collection basis)	3,299,435,572	3,835,300,000	5,163,014,000	1,327,714,000
Adjustment to daily Treasury statement (unrevised)	(-) 21,745,544	(+) 21,745,000	-	-
Total internal revenue (Treasury statement basis)	3,277,690,028	3,857,045,000	5,163,014,000	1,305,969,000
Customs:				
Distilled spirits and wines	41,036,321	32,800,000	27,400,000	(-) 5,400,000
All other	305,478,229	317,000,000	326,600,000	9,400,000
Total customs (Collection basis)	346,514,550	350,000,000	354,000,000	4,000,000
Adjustment to daily Treasury statement (unrevised)	(-) 3,161,516	(+) 3,162,000	-	-
Total customs (Treasury statement basis)	343,353,034	353,162,000	354,000,000	89,000
Miscellaneous receipts (Treasury statement basis)	179,424,141	184,947,000	162,700,000	(-) 22,247,000
Total receipts, general and special accounts (Collection basis)	3,825,374,243	4,379,247,000	5,679,714,000	1,309,467,000
Adjustment to daily Treasury statement (unrevised)	(-) 24,907,061	(+) 24,907,000	-	-
Total receipts, general and special accounts (Treasury statement basis)	3,800,467,202	4,395,154,000	5,679,714,000	1,284,560,000
Trust accounts				
Deposits by States under Social Security Act, Title IX, Sec. 904(a)	-	48,500,000	282,800,000	234,300,000

- 1 Revised. Decrease of \$7,000,000 from Sept. 30 estimate due to lowering of rates on processing of tobacco.
- 2 Taxes imposed by Railroad Retirement Act do not apply to any compensation received or paid after Feb. 27, 1937.
- 3 Not included in Sept. 30 Budget summary.
- 4 Revised. Decrease of \$74,000,000 from Sept. 30 estimate.

December 6, 1935.

Mr. Boake Carter,
C/o The Columbia Broadcasting System,
Washington, D.C.

Dear Sir:

Through the courtesy of the Columbia Broadcasting System I have received transcripts of portions of your radio broadcasts of November 19th and 26th in which reference is made to the Treasury Department and the Coast Guard. I regret that you did not come to the Treasury Department or to any of the responsible officers of the Coast Guard for information, for I feel sure that if you had done so you would not have given currency to unfounded rumors that might seriously disturb without reason the morale of a very fine arm of the Government service.

The substance of your charges was that efforts were being made under my direction to transform the Coast Guard into a civilian outfit and that it was (I quote your words) "gradually being filtrated by civilians and political jobholders."

It is very easy to deal in a few words with these statements. They are simply not true. Whoever gave you this information informed you badly. I shall be glad to make all the Coast Guard personnel records available to you if you wish to see them. They will reveal to you that not one civilian has been placed in a position of authority in the Coast Guard since I have been Secretary of the Treasury and that there have been no additions whatever to the small force of civilian employees on the Coast Guard rolls. There has not been any political appointment to the Coast Guard nor any political appointment of a cadet to the Coast Guard Academy in my term of service and there will not be any while I hold my present position.

I was puzzled by your reference to the pay clerks, who you said have been dropped down a peg and are now serving civilian jobholders, until it was explained to me that you had probably been given a distorted version of the arrangement by which Coast Guard officers and men are now receiving their checks through the

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regional field disbursing offices of the Treasury Department. But the fact is that these disbursing offices were set up by executive order and that they disburse payrolls not merely for the Treasury Department but for other departments of the Government. Their officers are not in any way in authority over the Coast Guard warrant officer pay clerks and they have not replaced them. The importance of the duties of the warrant pay clerks and their value to the Coast Guard have not been diminished.

But you said also that while the Coast Guard was officially a part of the Treasury Department the Guard in the past had been allowed to build itself up and that the Department had kept hands off in policy matters. That, I hope you will agree, is a rather ludicrous statement which reflects an undeserved discredit on my predecessors. You accuse me in effect of taking an interest in the Coast Guard, and I fear I shall have to plead guilty.

The Coast Guard is an essential part of the law-enforcing agencies of the Treasury, engaged in protecting the Nation's revenues, and it has other important duties, including the great humanitarian work of saving life at sea. It must cooperate with other revenue enforcing agencies of the Treasury Department and I have sought to make that cooperation even more effective with results that I think I can say in all modesty have been gratifying. I have devoted a great deal of time and attention to getting the officers and men of the Coast Guard better equipment with which to work — better ships, better airplanes, improved shore stations. I know they have appreciated it and I would have considered myself false to my responsibility if I hadn't done it. A landlubber can be of some service.

Now let me deal with the case of Mr. Edwin R. Ballinger, who you said was given the task of reorganizing the Coast Guard and was placed in the position of head man over the head of the Commandant. Mr. Ballinger is as you stated a technical expert on the administrative staff of the Treasury Department and he did investigate the Coast Guard and propose some changes in organization and procedure which have been put into effect. He did not promote himself into a position as head of the Coast Guard. He holds no position in it whatever, but has moved on to perform similarly valuable work in another branch of the Treasury. You chose to honor him by speaking of him as an eye doctor. If he was that then that profession lost a very valuable man when he chose to enter the Government

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service nearly twenty years ago. He was a member of the staff of the Bureau of Internal Revenue, before I attached him to the staff of the Treasury proper because I had learned something about his work. He is an expert in organization and particularly the organization and procedure of Government offices. He is not a politician but a civil service merit system employee of the Government, a conspicuously able member of that fine body of career men who are the backbone of the Federal service, whether they go by the title of Admiral, or General, or Captain, or Colonel, or plain Mister. He has been of splendid assistance to the Commandant and other officers of the Coast Guard in improving their organization and they recognize it.

I shall not go into detail as to the administrative changes he recommended, but there is no reason why you should not know all about them if you are interested. It is enough to say here that the changes have not been in the direction of diminishing the authority of the commissioned officers of the headquarters staff, but that on the contrary their authority has been strengthened.

May I suggest that you come to headquarters and learn more about the Coast Guard. It is a fine organization. I am proud of it and of my connection with it and I want its merits to be known.

Sincerely yours,

Secretary of the Treasury.

HEG/mah

CONFIDENTIAL
TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

PLEASE DESTROY

DATE December 6, 1935.

STRICTLY CONFIDENTIAL

TO Secretary Morgenthau

FROM Mr. Hans *JA*

Subject: The effect of sanctions on Italy's African campaign.

On November 18th, through action by the League of Nations, fifty nations imposed, in addition to financial sanctions previously established, a prohibition of all imports (except money, books, music, newspapers, and some other minor items) from Italy. These countries normally purchase 60% of Italy's exports. Fifty-two countries have also placed an embargo on various raw materials presumably needed for war, with the important exceptions of coal, oil, cotton, copper and iron. These items were omitted because they are produced in countries not members of the League, and it was felt that an embargo on the export of these items would not be sufficiently effective to justify the resultant loss of export business the League countries would suffer.

Since then the League, particularly Great Britain and Russia, have been pressing to add more items, particularly oil, to the list of prohibited exports to Italy. They fear that without such action their other sanctions will prove inadequate, and at the same time the attitude of the United States Government toward exports of raw material to Italy has encouraged them to believe that an embargo imposed by the League could be effective. The reaction of Italy to the threat of such an embargo has been so belligerent as to give pause to plans for immediate application of the embargoes. France (i.e., Laval, who is really pro-Italian) has succeeded in obtaining a postponement to League consideration of an extended embargo list, first to December 5, and now to December 12.

Can Italy continue her military campaign in Ethiopia in the face of sanctions already applied and likely to be applied at the next meeting of the League committee?

Can the Italian campaign survive another rainy season in Ethiopia, which begins in April or May and ends in September or October?

To continue her military conquest of Ethiopia, Italy must have adequate supplies of (1) food, (2) raw materials, (3) money, (4) men, (5) transportation facilities to Africa; she must (6) avoid war with the major powers, and (7) Mussolini must maintain effective control of the political situation at home.

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PLEASE DESTROY

Secretary Morgenthau - 2

Should Italy fail in any one of these seven requisites, the Ethiopian venture must be abandoned, or so greatly curtailed as to mean virtual cessation.

(1) Has Italy an adequate supply of foodstuffs for her populace and her army?

Yes. Italy can continue indefinitely in the face of sanctions to obtain adequate supply of food, though her diet will have to include less meat and fish, and more cheese, nuts, fruits, and vegetables.

(2) Can she continue to purchase from abroad enough of the essential raw materials she lacks at home?

With the doubtful exception of oil - yes. Italy will have funds enough to purchase abroad all she needs for her African campaign, with some left over for increasing her military and naval equipment. She has already accumulated large stores of necessary metals and can continue to purchase them from the several countries who have not imposed embargoes. Italy is now importing abnormal quantities of coal, copper, iron, tin, and cotton, and will continue to import them even should the League place those items on the export embargo list.

The one very important commodity that Italy may lack is petroleum products. Our unexpected attitude toward unrestricted exports of oil to Italy has created a serious problem for her. She is no longer certain she can buy all the oil she can pay for. It is reported that she has accumulated a sufficient supply in Africa to take care of her motor truck needs in the Ethiopian campaign for at least a year. But her reserve in Italy appears to be smaller. It has been variously estimated that she has between four to six months' supply. The limiting factor has been storage tanks, which require a minimum of several months to build. By January 1st she will have had at least three months warning of a possible partial embargo, but that is hardly enough time to construct facilities for additional three months' supply. A month or two more of grace will make a considerable difference in her reserves. In any case, Italy will not stop her African campaign this season because of oil, but it will make an important change in her European plans.

(3) Can she raise enough money to finance the campaign and her domestic expenditures?

(a) She will have available for expenditure abroad during the next year 11 to 14 billion gold lire, in gold and foreign exchange, the equivalent of almost three times the value of all her imports of 1934.

(b) With reasonably intelligent financing, she can operate with a

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budget deficit of 15 to 20 billion lire a year for two years at least, assuming all other of the seven requisites are met. That sum would be enough to meet the expenses of the African campaign, and domestic deficits, including some expansion of military and naval equipment.

(4) Will Italy lack man power to continue an aggressive campaign?

No. Her supply of man power for the Ethiopian struggle is quite sufficient for a long drawn out campaign. The casualties in combat are mostly Colonial troops, while the casualties of the campaign, though likely to increase considerably within the next two months, are not great enough to constitute a serious drain on her man power.

(5) Does Italy have ample facilities to transport fresh troops and supplies to Africa?

So long as her troop and supply ships can travel freely, Italy will experience no difficulty in keeping her African armies adequately supplied with replacements, food and material. She has already released a score of ships no longer needed for the African trip.

(6) Will Italy avoid war with a major power?

The prospects of an attack by Italy on the British fleet -- which appeared so probable in the last few weeks -- have been greatly dimmed by Laval's announcement that the French fleet will support Great Britain should Italy attack the latter's ships.

Hitherto Italian naval authorities felt they had an outside chance at least for a quick victory. But it would take a very desperate and fool-hardy group to attack single-handed a combined British, French, and possibly other naval and air fleets.

While France's pronouncement makes prospects of an Italian attack on Great Britain in the near future very slim, the position taken by our administration toward increased exports of oil to Italy may prove to be the means of postponing a European war. Should we sell Italy all the raw materials she could pay for, Italy would suffer no lack of raw materials so long as her funds held out - at least two years - and the League's sanctions would be much less effective. Faced with failure of economic sanctions, the League might be forced to military sanctions - e.g., a blockade of Italian ports - which would mean war. The probability that the United States may restrict exports of oil will make Italy more amenable to the kind of peaceful settlement the League and Ethiopia will accept.

(7) Will Mussolini maintain effective control of the domestic political situation?

There lies the weakest link, notwithstanding the great wave of popular support to Mussolini arising from hatred of England. So long as Italian armies keep making at least moderate progress in Ethiopia, Mussolini's position is secure. But should they suffer serious setbacks, or should little more progress be made by the outbreak of the rainy season, discontent, financial troubles, and political opposition will seriously jeopardize Mussolini's position at home and pave the way for some coup d'etat at Mussolini's expense.

The League's imposition of the import embargo against Italian goods, though it has for the moment strengthened popular support of Mussolini, is already creating unemployment, reduced incomes, rising cost of living, and petty annoyances - a quartet which will undermine that support more and more as the acute excitement of the event recedes.

To complicate Mussolini's dilemma is the spectre of growing unemployment should he demobilize any large part of the million men under arms at home; or curtail greatly production of war material. Italy cannot easily afford to continue throughout the year the expense of one and one-quarter million men under arms, and the war preparations of the present intensity; yet Mussolini can less afford the additional unemployment consequent upon any considerable reduction of those expenses.

Can the Italian campaign survive another rainy season?

Not unless the major part of the objective is attained before the dry season ends. There must be the feeling at home that the task is almost completed, and only some minor consolidations and conquests remain. Otherwise, it is unlikely that the Italian people will accept, without a strong attempt to alter Mussolini's plans, the lowered standard of living resulting from the League sanctions, and the expense of keeping a large army in Africa.

Without a conclusive victory, and released from the emotional spree of an active campaign, the people will weigh more objectively the cost and benefits; and they are certain to feel much less enthusiastic about renewing the campaign than they were of starting it.

1.

Can Italy feed her populace with sanctions now in force?

Yes, but on a modified diet. Italians will have to add more fruit, cheese, nuts and vegetables to their menus, and cut down on meat and fish.

Italy normally (i.e., 1933-1934) imports about 1.5 billion lire of foodstuffs, consisting chiefly of wheat, corn, oil seeds, meat, fish, coffee, vegetable oils, and cheese.

Italy can cut these food imports in half by:

- (a) Increasing her output of grains and vegetables next year.
- (b) Replacing some of the imports with foods until now exported to countries which have imposed embargoes on imports from Italy.
- (c) Restricting imports of foodstuffs to cheapest and most essential foods, and cutting down in the Italian diet as much as possible for imported items.

(a) She cannot increase her output of grains much, as she has already been trying to maximize output of wheat for several years. As a consequence of a campaign for growing more wheat started ten years ago, with the aid of subsidies and import restrictions the production has been stepped up from 58 million quintals (average 1927-1928) to 72 million (average 1933-1934). The harvest was very good in 1933 (81 million quintals) and very poor in 1934 (63 million quintals), owing to blight and rain. This year's crop is estimated at 76 million, which is almost exactly Italy's estimated cereal consumption.

There is reported to be more than 6 months supply of food in Africa for her troops there, and the warehouses in Italy contained on September 1st. almost double the rice, and vegetables, about 10% more cheese and dairy products, but about 15% less wheat than the preceding year.

Favorable crop conditions next year can yield a substantial surplus for carry-over; but unfavorable crop conditions will necessitate imports. Doubtless vegetable crops can be increased some 5 or 10 per cent by stimulating more kitchen gardens, through appeals to patriotism and through the incentive of rising food prices.

With reasonably good weather conditions, Italy ought to be able to cut her food imports 10 to 15 per cent by becoming almost self-sufficient in cereals and vegetables.

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(b) Italy exports slightly more foodstuffs than she imports, though the bulk of her exports are not close substitutes for her imports. She exports about 100 million lire of rice, 50 million of potatoes, 70 million of wheat flour, about 200 million of fresh and preserved vegetables, 150 million of cheese, 50 million of prepared meats, 60 million of olive oil, and 135 million of almonds. Altogether, she can probably consume at home from 300 to 400 million lire of foodstuffs until now sent each year to sanction countries.

The remaining half billion or so lire of foodstuffs going to sanction countries would not add a great deal to her domestic diet. It consists of wines, citrus fruits, liquors, etc. A portion of it will doubtless find its way at reduced prices to foreign markets.

(c) Fish, meat, and coffee imports alone account for one-third of her imports. Since Italy normally produces four-fifths of the meat consumed, it ought not be difficult to eliminate most of the meat imports. Already two meatless days a week are in effect. More game and fish will for a time be produced in response to the higher prices, and because all private and government game and fish preserves have been ordered open to the public. Probably another 200 to 300 million lire slice could be cut from her imports through that channel.

Altogether, it seems that Italy will be able to cut her food imports in half without introducing any serious strain at home. There will be annoyances, of course -- e.g., meatless days, weaker coffee, more nuts and fruit, less cereals, oils, and fish -- but not enough to constitute a menace either to the spirit or health of the people.

If necessary, Italy probably could cut out imports of foodstuffs altogether without bringing about any marked malnutrition, but the authorities will doubtless continue to permit some imports of food to avoid the spread of discontent and grumbling that may arise as a consequence of unpopular diet restrictions. Every additional strain on the temper and the comfort of the people makes Mussolini's position less secure and, therefore, to be avoided wherever possible. It will require nice calculating to know in what direction available foreign exchange and gold were best spent - on material needed to prosecute the African war and in preparation for a possible European war, or on imports necessary to keep the populace from growing too restive under the strain.

The need to feed an army of 250,000 soldiers and workers in the field, and almost a million under arms at home, makes Italy's problem more difficult. Men under arms eat more, the food waste per person is greater, and there are fewer men at home to tend the farms. The latter obstacle will be largely removed by the time planting season arrives. It is extremely unlikely that a million men will be kept at home under

arms through the spring. Even should the European situation remain acute, leaves of absence, particularly to workers on farms, will be granted generously during the planting season. The fact that there are, according to official records, some 600,000 unemployed, many of whom would be absorbed in agriculture if the need arose, indicates that there will be no lack of labor available for food raising.

In any case, the food problem will not be a serious one for at least a year, because Italy has (as we shall see) so much gold and exchange available, independent of sums obtained by exports, that she can easily use one billion, or even more, of it for good supplies if Italians grumble too much at further tightening of their belts, or at the high cost of food.

2.

How much raw material must Italy purchase abroad?

Italy must import almost all her coal, oil, copper, cotton, nickel, rubber, tin, tungsten; and most of her wool, lumber, and numerous chemicals. In 1934 the value of her imports of raw wool, coal, raw cotton, copper, nickel, rubber, tin, iron and steel scrap, petroleum products, etc., amounted to 3.3 billion lire, of which probably one-fifth went into exports. These items are indispensable both for normal manufacture and for production of military equipment.

Will she need to buy more or less raw material in 1936 than she did in 1934?

If, as estimated below, Italy is to export 2 to 3 billions of goods, the imported raw material necessary for the production of manufactured goods included in that sum may be as high as one-half to three-fourths billion lire.

Then there are the materials necessary for the maintenance of domestic equipment and industry to supply home needs. The sum necessary for such purposes will be less than in normal years. Non-military uses of imported raw materials will be curtailed. A tax has been imposed on gasoline, for example, increasing its price to \$1.00 per gallon and thereby greatly restricting use of cars. Likewise, various measures have been taken to reduce the consumption of coal, paper, heat and electricity, to save fuel.

In addition to these reasons for reduced civil consumption of raw materials, is the important one that the higher prices of imported goods, caused by the recent depreciation of lire exchange and by the greater

expense of obtaining imports -- increase in insurance rates, reduction in credit facilities, and shifting of sources of supply -- will reduce the demand even more than ordinarily because of the curtailed income of the Italian people. They will have less to spend on imported items other than essential foods and clothing, and the imported items will cost more. Also, certain industries normally heavy users of metals - e.g., automobile manufactures, public utilities, and home construction - will be curtailed. Finally, the government, through its complete control over imports, can enforce reduction in the consumption of any commodity it feels the country can for the present get along without.

Not only will the consumption for non-military purposes be reduced, but the domestic supply will be increased. The government has taken steps to increase the production of fuel, minerals, and the salvage of used metals (Mussolini has spectacularly donated numerous busts to be melted down, and the heroes of the world war voted to hand in their medals; children are turning in their metals toys, and householders are selling their silver plate to the government).

Non-military consumption of imported raw materials can thus without difficulty be reduced to 2 billion lire during the next year. To that sum must be added $\frac{1}{2}$ billion for imported materials consumed in making exports, bringing the total purchases of raw materials for non-military purposes to $2\frac{1}{2}$ billions. Together with the $\frac{1}{2}$ to 1 billion to pay for imported foodstuffs, a total of 3 to $3\frac{1}{2}$ billion old gold lire is the maximum amount needed to be spent for imports other than those imported materials needed for war purposes.

That leaves 7 to 10 billions free (see next section) to be spent, if necessary, for raw materials for the African campaign, and preparation for a possible conflict in Europe.

Activity in Italian factories making all the varied paraphernalia used by armies and navies, has been intense during the past year. An enormous quantity of tanks, planes, army trucks, submarines, equipment, ordinance, and ammunition have already been produced, and a large reserve supply of raw material has, moreover, been built up. Mussolini knew at least as early as August that his Ethiopian plans might create trouble with England. Talk of sanctions was rife early in September. That gave him three months to pile up reserve supplies, and it would be strange indeed if he did not make the most of the opportunity.

Our own export data shows a marked increase in exports to Italy of several important raw materials in the past month, and consular despatches supply further evidence of large stores of needed materials being accumulated. Italy has the funds to pay cash for large quantities of essential raw materials. She is fully cognizant of the danger that it may be difficult for her to obtain them later, and numerous countries will

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now sell her all the coal, iron, steel, copper, oil, and gasoline she can pay for. Under those circumstances, it is safe to assume that she has accumulated many months' supply at least.

The amount of raw materials needed by Italy during the next twelve months for the conduct of the African campaign itself is not great. It is a small colonial war, with no major offensives, and no prolonged or extensive engagements. Aerial bombs and small arms and ammunition are almost exclusively resorted to, and even these are used on a scale incomparably smaller than would be necessitated by similar operations in Europe.

Most of the equipment necessary to transport and equip the troops during the next year has already been made available and the depreciation and loss of this material will not be great, owing to the nature of the campaign.

If the African campaign were the sole consideration, the raw materials needed, aside from oil and gasoline, would be small. The greatest expenditure of material has already been made during the past year in the preparation for this campaign. A very large supply is held in reserve, both in Africa and Italy, and additional amounts needed would not be much more than could be saved out of normal civilian consumption.

Will Italy have enough oil and gasoline?

The commodity which gives the most concern to Italy is oil. Without oil she is, of course, impotent, and accumulations of quantities sufficient to conduct a lengthy campaign, in addition to domestic uses, present difficulties. It is bulky, susceptible of easy destruction by an enemy, and requires much preparation to provide storage space for very large amounts. It is claimed that a minimum of three to four months under the most favorable conditions is required to construct a storage tank for gasoline. Moreover, unless great care is exercised in the type of storage of gasoline, there can be constant wastage through evaporation of as much as 10% a year.

It is impossible to know from the Italian figures available how large a supply of oil they have on hand. During the year 1934, the import statistics record a total of 320 million lire of oil products, and in the first nine months of 1935 the sums recorded total 285 million. Other data purporting to be official records show for the first nine months of 1935 an increase in oil tonnage imports into Italy from five leading sources of supply of 15% over comparable period of 1934. The figures do not include some of the oil sent directly to Africa, but even so, if the official data are correct, Italy cannot be said to have accumulated a great deal in terms of months' supply by October 1st.

Unless Italy has oil enough to last her a period long enough in which to achieve a minimum of satisfactory conquests in Ethiopia, she will not -

she cannot - brook any effective stoppage of oil supplies. Through numerous secret sources of information England will be certain to learn the extent of Italy's oil supply, and Italy would be in a sad predicament if England knew that Italy was being forced to seek a settlement because of depleted oil reserves.

It is reported from a supposedly reliable source that Italy has already accumulated a supply of oil and gasoline sufficient to satisfy her motor truck needs in Ethiopia for at least a year. But Italy needs oil and gasoline for her commercial fleet, her navy and submarines, air service, and commercial and army trucks. Her large air corps must have constant practice and pilots must be trained for the 1000 planes she is building; her army has large motorized units which require occasional use; and she had planned, in order to sustain the morale, to ship home all the troops from Africa during the next year for replacement or a period of home service. Even with a minimum of naval movements and with non-military uses ruthlessly cut, Italy will consume large quantities of petroleum products during the next year.

The strenuous objections Italy is raising against the imposition of oil sanctions would seem to suggest that she hasn't enough oil stored to last her until she expects a conclusive victory in Ethiopia. Apparently our attitude toward increased oil exports to Italy came as a complete surprise to her and upset her calculations as to how much she needed to store up. It may well be, therefore, that Italy will fight rather than suffer an embargo on oil, so in the knowledge of that fact, England may prefer to postpone action until Italy is given time enough to accumulate much more oil. In fact, it is reported from confidential sources that Mussolini gave the British Ambassador to understand that an embargo on oil would be regarded as a military sanction and Italy could not be responsible for the consequences. It was stated that this position taken by Italy with regard to oil was responsible for the French postponement of committee consideration of an oil embargo until December 12th.

Every week counts, and it ought not take *many* months more before enough oil is imported and stored to take care of Italy's home and African needs for a year at least.

It is the European situation, however, that calls forth an unlimited demand in Italy for nickel, copper, iron, rubber, coal, chemicals, and oil. Italy is making every effort to increase her military and naval power preparedness. She is at present building about one thousand planes (950 of them war planes), tanks, army trucks of all types, ships and submarines, field pieces and heavy artillery, and is piling up stores of ammunition, and building more oil refineries - all in preparation for a possible conflict with a major power.

The significance of the difference in the items demanded for the conduct of the African campaign, and for preparedness against a European

war, lies in the important fact that she can cut down, and even cut out completely, materials needed for the larger purpose, while she must have materials for the African campaign. The irreducible minima are her African needs, and these, except for oil, are small. So far, therefore, as it is solely a question of maintaining an aggressive African campaign, Italy can go on at least until the Ethiopian rainy season, employing any surplus foreign assets to purchase materials she feels she must have to still further increase her preparedness for a European conflict.

It should be clear, therefore, that, aside from oil, her need for raw materials is not a factor which will bring about the abandonment of Italy's African campaign, so long as the prosecution of that campaign does not definitely promise to involve her in a war with Europe. It is oil and the European political situation, not the sanctions directly, or the cost of the African campaign, which is the limiting factor in the Italian plans for the next year.

The attitude of the United States toward oil exports to Italy assumes great importance in Italy's eyes, and doubtless accounts for their intense disappointment and resentment at the position taken here with regard to increased shipments. With other materials, it hardly matters whether the United States cooperates with the League of Nations to the extent of preventing any "undue" expansion of exports or not. So long as Italy has gold and foreign exchange she will find some country willing to sell her raw materials, though she will doubtless have to pay higher prices should she be forced to employ unusual channels through which to obtain her material. Germany cannot afford to sell Italy commodities she herself is having difficulty obtaining because of her lack of foreign exchange. But if Italy is to pay for those commodities in gold, or dollar balances, Germany will, at a profit, be willing to sell her iron, coal, nitrates, and some oil and copper, since Germany can in turn use gold and foreign exchange for raw materials and foods that she herself lacks.

Germany's interest, moreover, lies in keeping Italy involved in Africa, not in a settlement of the problem which would make it more difficult for her to pursue her own plans. She is making much hay, both in her political relations and in her domestic affairs, under the present confused political situation. Also, Germany is eager to see sanctions as a weapon fail, because she fears it may be next turned against her. Consequently, she will do all she can, without antagonizing England, to supply Italy with needed materials until the international political situation crystallizes into more definite alignments.

These considerations support the conclusion that Italy will not be stopped in her African campaign by reason of a shortage of food or raw materials, other than oil. If no European war breaks out, and if the League does not impose oil sanctions at once, or makes no attempt to blockade Italian ports, and, if, further, the non-sanction countries remain in that category, Italy can keep prosecuting her African campaign.

so far as raw materials are concerned, easily until the next rainy season, and probably for another dry season as well.

If, however, an effective embargo on oil is imposed before Italy can import enough to furnish at least a year's supply, the situation will change radically. One of two things will then happen: Either a settlement will be made after a few more months of advance into Ethiopian territory - or war in Europe. According to all commentators, Mussolini will not submit to an ignominious defeat at the hands of English diplomacy. Rather, if his colleagues are unable to stop him first, he will involve Italy in a real war. Should Italy find herself checkmated by dwindling oil reserves, a peaceful settlement seems, with the present political alignments, to be the more likely way out for Italy, since the alternative path would doubtless bring the downfall of Mussolini - and possibly of the Fascist party domination.

3.

How much foreign exchange can Italy obtain?

Italy's foreign assets are:

- (a) Gold and foreign exchange held by the Bank of Italy.
- (b) Foreign securities, foreign bank balances, and other foreign claims held by Italians.
- (c) Foreign credits.
- (d) Foreign exchange currently available from Italian exports, tourist expenditures, emigrant remittances.

The reported holdings of the Bank of Italy on October 10th were 4 billion lire gold and .4 billion foreign exchange. Some of that has unquestionably been disposed of because Italy's purchases have been very heavy during October and November, and her foreign revenue from shipping has declined, while payments to foreign shippers have increased. In September her excess of imports recorded was 227 million lire; October and November would probably show greater surpluses, and her import figures, moreover, do not include shipments of goods and material purchased abroad and sent directly to Africa.

On the other hand, her net revenue from tourist expenditures and shipping was very small during those months. Her chief source of foreign income is emigrant remittances. In 1932 these amounted to 900 million lire. A generous estimate would be 200 million lire received during the past two months from emigrant remittances. To offset in part that source of foreign exchange, Italy has had to make payment in foreign exchange for a portion of the expense of transporting her army and equipment to Africa

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and purchasing some of her supplies locally. The Bank of Italy statement records a reduction of 500 million lire in gold and foreign assets from September 10 to October 10. It is reasonable to expect a decline of at least that much in the following month, when every effort was made to build up a reserve of material that may be impossible to get later.

Italy now probably has not more than 4 billion lire in gold and foreign exchange reserves.

It is estimated that some two to three billion lire of gold can be obtained from the people's jewelry and hoards, through patriotic appeal, and offer of interest. The government has offered a 25% premium in paper lire for gold (thereby, incidentally, officially depreciating lire 20% from its gold par, though by virtue of its complete exchange control the official rate of exchange quoted may for a time be different), and 5% interest for gold turned in. Further, it has promised that the same amount of gold (in weight) will be returned to the lender at the end of a year. At the same time, it has prohibited the sale of raw gold to anybody except the government.

To these assets, totalling 6 to 7 billion lire, must be added the Italian owned foreign investments which can be sold abroad by the Italian Government, the owners receiving in exchange lire or domestic bonds. The amount available from that source has not been published, but it is estimated that the securities in the hands of the government have a marketable value of from 2 to 3 billion gold lire.

Foreign credits can be ruled out. Italy cannot borrow in any of the fifty countries which have imposed sanctions, and of the non-sanction countries her chances of any considerable loan are very slim. In the United States, the Johnson Act stands in the way of a public loan, and in any case there are few investors who would risk a loan to Italy now except at preposterously high rates. Germany might extend Italy some credit, but not to purchase food or raw material that Germany needs to supplement herself through imports. Whether Japan will sell goods to Italy on credit depends on political realignments being secretly made in preparation for the probable European and Asiatic war. Right now the prospects of Italy and Japan joining forces seem distant, though doubtless Japan will secretly do what she can, without jeopardizing the reputation she is trying to build up in the East as champion of the brown, yellow, and black races, to enable Italy to flout the League. Unfortunately for Italy, Japan remembers Mussolini's strictures of a few years past on the great yellow menace. Japan (i.e., the military clique who appear to be having so much influence in Japanese foreign policy) might overlook Italy's slur on the Japanese race and ignore her role of champion of black peoples, if there could be arranged an Italian-German-Polish-Romanian-Japanese combination against Russia. But barring that possibility, Italy's capacity to borrow abroad is too small to be a factor in her present dilemma.

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Altogether, then, the Italian Government can now obtain some 8 to 10 billion gold lire with which to meet foreign claims. Almost all of that sum is available for the purchase of imports, since the sum Italy must pay in foreign currencies on Italian investments held abroad is negligible. Normally Italy has a net payment in interest and dividends due residents of foreign countries of about 500 million lire. She will not hesitate long before making all of it payable in lire, as most of it is already.

To her foreign assets available now, must be added exchange that will be placed at her disposal during the coming year.

In the next year Italy will be able to add to her foreign assets sums due her from emigrant remittances and exports. The first of these may reach a billion gold lire, as Italy is already making strong appeals to the millions of her emigrants in North and South America for funds. Recovery abroad and increased need in Italy, added to patriotic appeals for support, may easily call forth a billion lire. Receipts from tourist expenditures, normally a large item, will be greatly reduced because of the trouble English speaking people are having in Italy, and because of the generally disturbed conditions there. As for foreign income from her shipping, that will completely disappear.

Her exports of merchandise will probably be between 2 and 3 billions. In 1934, Italy's exports to the United States and Germany alone amounted to 1.2 billion lire. To this sum must be added her exports to Albania, Brazil, Hungary, Japan, and Austria, which in 1934 equalled about 300 million. If these countries buy no less from Italy than they did in 1934, the total will be 1.5 billion. All of them, except the United States and Brazil, have purchased considerably more in the first eight months of 1935 than in a comparable period of 1934.

It is not unlikely that Italian exports to these countries can be increased by 10% next year, because of lower prices of Italian goods, lower lire rates, and indirect demands (e.g., England will buy more lemons from the United States, instead of Italy; and more Italian lemons will go to the United States, etc.). The Italian Government will, without doubt, resort to export subsidies and surreptitious exchange depreciation in her effort to increase exports, just as Germany has. It is not improbable that her exports to non-sanction countries will increase 15 to 20 per cent. Another half billion lire can be added for Italian exports smuggled out to those sanction countries which are luke-warm about enforcing the embargo on imports. The conservative element in Spain is not in favor of sanctions; there is a large group in France and Switzerland who will not cooperate, and Yugoslavia (one-fifth of whose exports normally go to Italy) will find it difficult to enforce sanctions without effective military policing of the border; while numerous Central and South American countries are not at all sympathetic with League measures.

It is not unlikely that, notwithstanding the continuance of sanctions now in force, the value of Italian exports during the next year will be from 2 to 3 billion lire. Together with the other sources of income in foreign exchange, added to the amounts she could obtain now, Italy will have during the next twelve months a fund of from 11 to 14 billion lire with which to pay for necessary imports.

As we have seen, she will need to expend from 4 to 5 billions of that sum on food and raw materials, since she must continue her African campaign, prevent business activity from declining too sharply at home, and people from growing discontented over food shortage. Italy will then be left with 6 to 10 billions that can be used to improve her war machine or kept as a reserve. Once that sum is spent, Italy would be very vulnerable. Not that she needs the gold as a reserve for her monetary system, but she does need the gold to pay for an adverse balance of trade so long as the sanctions are in force. She will, therefore, spend her reserves sparingly until she sees the end of the embargo against her exports, or until the sanctions break down. But she will spend it freely for the purchase of raw materials needed to further expand her war machine once Mussolini decides war in Europe is inevitable and imminent.

The problem of a shortage of foreign funds will not exist for Italy during the coming year -- if no European war is contemplated. If Mussolini begins to spend that reserve freely, it would be fairly strong evidence that he expects to fight soon thereafter outside of Africa.

4.

Can Italy finance the African campaign and her domestic expenses?

Yes. If skilfully handled, and if no major military defeats are suffered, the Italian Government can continue its budgetary deficit for a couple of years at least.

The present outstanding debt of the Italian Government is 110 billion lire. (Not counting some 30 billion lire which is the estimated "present value of deferred payments of annuities" the State has promised to pay.) An additional 10 billions is now being raised without increasing the outstanding debt, by the simple device of converting some 60 billions of $3\frac{1}{2}$ per cent bonds into $5\frac{1}{2}$ per cent bonds upon payment of 15 lire per hundred. Inasmuch as half the bonds are held by quasi-public institutions and various forms of pressure can be brought against the remaining holders, there is little doubt that the operation will prove successful. The interest cost to the government of the additional 10 billion obtained is exorbitant. It works out to 10%, but the government prefers to pay that high rate than increase the debt. The important consideration now, they feel, is to preserve confidence of the Italian people in the soundness of government finance.

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The official budget figures show a deficit in the fiscal year ending 1954 of 5 billion lire, and for the first six months of 1955 fiscal year an increase of $2\frac{1}{2}$ billions. Figures for more recent months show the deficit to be running about 1 billion a month until September. It was 1.7 in September, and was doubtless greater in October and November because of the larger number of men called to colors. How much Italy will need depends upon the European situation. The expense of the African campaign alone from now on will probably necessitate less than a billion lire a month, but if Italy is going to continue to keep a million men under arms at home, and continue to increase her military equipment as fast as she has been doing, her deficit may reach 3 billions a month. She will soon obtain about 9 billions through the refunding arrangement (she already has received 4 billions), and so will probably have to borrow not more than 2 billions a month during the winter and spring.

Issues of an unlimited amount of Treasury bills at 4% interest are authorized for the current fiscal year. So long as the war continues, the government can borrow without much difficulty an additional 2 or 3 billion lire a month.

In fact, the deficit could be greater than that should a major war break out. The danger of continued deficits during a war lies not in the reduced confidence of the value of government bonds -- a government can always pay interest in paper money -- but in a complete loss of confidence in the maintenance of the purchasing power of the currency. So long as there is no near prospect of sharp inflation, the government can, through several channels, obtain enough funds to carry on. Marked inflation -- only its marked stages are effective in creating serious obstacles to financing in war time; a rise of 2 or 3 per cent a month in the cost of living in time of war will not divert a government from its program -- can be prevented so long as domestic political stability seems reasonably assured, and so long as there are no important defeats suffered in Europe. Events in Africa will cause marked inflation in Italy only if it brings about serious civil disturbance at home, or leads to a disastrous conflict in Europe.

Inflation, should it come, will not be the cause of Italy's political break-up -- it will be the consequence (and aggravating accompaniment) of civil war, or the result of a military defeat important enough to spell doom for the government in power.

It is a popular fallacy that Italy (or Germany) could not finance a war. Any government with modern banking system can finance a war, so long as people will bear the reduced standard of living accompanying the diversion of a large part of the nation's productive forces to war needs. It is not the increased interest payments on a growing national debt that create the burden - it only seems to heighten the burden. What does create the burden is utilizing men to carry arms and to parade instead of producing shoes and food; it is the use of steel for guns rather than for tractors, or machinery to make shoes, etc., etc., and this burden is just

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as onerous if financed wholly with increased taxes instead of with loans, only by borrowing it seems as though a large part of the burden is being postponed. It is true that the higher taxes necessary in order to meet the interest payments usually fall more heavily on certain income groups than on others, yet the inequality of burden is not sufficiently apparent to the class that really bears the heavier load.

In any case, the burden caused by increased interest payments will play no role in checking the Ethiopian campaign during the next year. It may, indeed, become a factor should the campaign be prolonged an additional year, but other forces are at work which will be more important in shaping the course of events in the next year or two than the increase in Italy's debt from 110 to 135 billion lire.

5.

Does Italy lack man power?

No; there is no problem at all with regard to the necessary soldiers and laborers. She already has over 270,000 workers and soldiers (besides Colonial troops) in Africa and a million men in arms at home. The million men at home are needed only so long as the European situation remains acute. If it becomes more so, then clearly the question shifts from Africa to Europe. It will no longer be one of Italy's capacity to withstand a long strain; it will, instead, become a question of alliances, and of military and naval prowess.

The expense of maintaining that large army has been discussed above; we are at this point concerned with the problem whether there is any considerable attrition of her man power. There is none at home and so far there is very little abroad. Most of the troops that Italy is using in combat are Colonial troops officered by Italians. Her policy is to use Colonial troops as much as possible and thus far she has been successful in having the Colonial troops take the brunt of the battles. The casualties to Italians consist chiefly of illness. Up to date, it is reported that about 20,000 troops and workers have returned to Italy. Most of them are returning because they are ill. There are many who have not returned and who are being kept in hospitals or elsewhere outside of Italy, yet casualties of that magnitude are not nearly enough to create a scarcity of men. Such importance as the losses do have lies in the attitude of the people at home toward the campaign and Mussolini.

From all reports, the morale of the Italian troops in Africa remains good. It will take an extended and inconclusive campaign, or some serious set-back, to break down that morale. Should Italy continue to make progress in Abyssinian territory, there is no danger that trouble will arise from

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that quarter. However, some reports suggest that the native troops are becoming disturbed at the realization that they are being used as the spearhead to take the brunt of the casualties, while the Italian troops do the less dangerous work - excepting, of course, the air and tank service, and officers. Once that feeling becomes widespread the Italians will find it necessary to rely more and more on their own troops.

The fighting in the near future, then, may yield many more casualties amongst the Italians for two reasons: more Italian regiments will have to be used in the advance contingents to allay growing resentment among the Colonial troops; and it has become necessary to prosecute the campaign more aggressively. Already it is reported that different methods of offensive are being planned which will involve more liberal use of Italian troops. Mussolini is reported to be pressing for a more aggressive advance. He fully realizes the danger of a long drawn indecisive campaign. If Great Britain had not taken so definite a stand against Italy's invasion, the campaign could have proceeded as Mussolini originally intended - consolidating slowly but safely, and building up his communications, service of supply, and native political allegiance as he went more deeply into Ethiopia. It is reported that Mussolini expected to take three years to complete the task. Such tactics are now out of the question. It must be a short and spectacular campaign. Enough territory must be won and at least one large defeat administered to enemy forces before the rainy season sets in again. In fact, he cannot now even wait that long. Great Britain and the League are pressing Mussolini too closely. He must penetrate further into Ethiopia, and then pave the way for some bargain to be struck with Ethiopia and the League before either he loses control at home, or is driven in desperation to fight the British and perhaps French and Russian fleets and air forces.

A more rapid advance, using more Italian troops, means greater casualties, yet it will not be the extent of the casualties from battle that will bring an end to the campaign - they can hardly be heavy enough for that. It will be the effect defeats and heavy casualties will have on the morale and political support of the people at home.

No matter how carefully the news is censored, information of any series of defeats, or heavy casualties, or widespread disease among Italian (not native) troops will quickly seep home and will, moreover, be exaggerated in the transmission.

Without marked success in Ethiopia, with the standard of living declining at home, and with most of the world hostile, Mussolini's position can survive only with difficulty, or only while the European situation remains at its dramatically acute stage.

The real crux of the matter -- aside from the important problem of oil -- is the domestic-political one. The crucial question is not how long can Italy last, but how long can Mussolini last? His downfall would, it is generally held, bring about a radical change in the situation.

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So long as he is in the saddle, Italy will not withdraw from the African campaign until he has secured military control over a large slice of Ethiopia, or until he is granted such control by the League of Nations. Even conservative quarters affirm that he stands or falls by his success in the African venture. By success is meant enough of Ethiopia to make it possible for Mussolini to convince the Italian people the campaign was worth the undertaking.

Can Mussolini last?

All reports indicate that at the moment the bulk of the Italian people are solidly behind Mussolini. They were less so before the application of sanctions, but, as is so often the case, hate for a common enemy has solidified the people far more than loyalty to any program. Hatred of England and Englishmen dominates Italy now. All reports stress that fact. If there were any doubts that Mussolini had popular support, such doubts have been completely dissipated by events of the past month. The Italian people are now not only more adamant in their desire to push the African campaign, but they are completely reconciled to accepting without complaint the sacrifices that they will be called upon to make with the sanctions in force.

How much of a sacrifice are they being called upon to make? And how long will they be induced or forced to make it?

- (a) Their standard of living is being lowered.
- (b) Their freedom of action is being still further curtailed.
- (c) Casualties among near relatives are being experienced.

(a) Their standard of living is being reduced from three sources:

(1') There are a million and a quarter men under arms who are producing very little that adds to the real income of the people. Likewise the people working in factories turning out war material, and workers engaged in transporting soldiers and materials are not adding to the national real income. These may all be necessary expenditures from the national point of view, but they reduce the volume of goods Italians enjoy.

(2') Taxes and the interest payments on the public debt are increasing. The burden of taxation is bound to fall on some groups more heavily than on others. Though the greater interest payment does not deprive the nation of goods or services (whatever is produced is utilized), certain classes suffer and all groups think the burden is increased by heavier public debt. The psychological reaction is in this case more important than the physical one. It is what the people think they are suffering that constitutes a threat to Mussolini and his imperialistic program, not what an economist can show by statistics how much they are being deprived of.

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(3') The imposition of sanctions strikes at the standard of living from two directions: it makes imported goods more expensive, both because of the depreciation of the lire, and the shift to more expensive sources of supply -- it makes necessary the production of goods or substitutes at home that could more cheaply be purchased abroad; and it creates idle equipment and unemployment in export and auxiliary industries. Even some domestic industries suffer because of the restriction on use of raw materials. For example, the automobile manufacturers have been hard hit by the very high tax imposed on gasoline. Then, too, persons engaged in the production of citrus fruits, wines, etc., will be faced with curtailed incomes, and will be able to purchase less.

These reductions in the standard of living are felt through increased taxes that are spent on the army and war needs; and rising prices accompanied by incomes (chiefly wages) not rising as much as prices. Wholesale prices have been rising steadily throughout this year. According to their own published data, the wholesale price index increased 26% from January to October! Salaries paid out (not wage rates - we cannot get satisfactory wage rate figures), which do not allow for increased employment in preparation of the African campaign, increased only 6% by September. Cost of living figures show a small increase by August, but these always lag, and are, moreover, to be accepted with much skepticism. Mussolini has ordered a cessation of published statistics in October, except for abbreviated and selected data. Official statistics that have any important bearing on the Italian situation must, therefore, be treated in the same category as war news in official communiqués.

Higher taxes, higher cost of living, same or smaller money incomes, curtailment of some luxuries, annoying consumption restrictions, and, particularly for peasants, harder work to make up for those called to service in the army, all together spell a marked reduction in the standard of living.

The further curtailment of personal freedom characteristic of war times, and the casualties experienced among family, relatives and friends, are the aggravating circumstances added to the lowered standard of living which, under propitious circumstances, can easily change popular support to widespread rebellion.

The extent to which any people can suffer a reduction in the standard of living and other annoyances without rebellion is directly proportional to the extent to which they morally support the party in power. The physical limits of a low standard of living of a whole people is very low indeed, much lower even than the present Italian standard. It is not, however, the physical limit which is significant - it is the political limit, and the political (or psychological) limit among peoples not yet broken in spirit, nor yet confronted with chaos, is much higher than the physical limit. Such a people will rebel long before the limit of physical endurance is reached -- providing the enemy is not banging at their gates.

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At what point will large groups of Italian people cease to acquiesce in the sacrifices demanded of them?

The Italian people had been experiencing a drop in their standard of living before the Ethiopian campaign opened. It is believed in many quarters conversant with Italian conditions that the increasing economic troubles were no small factor in Mussolini's determination to embark on a Colonial war. War or a strong threat of war always has served to rally people around the man or group in power - for a time at least.

The recent months have, however, brought additional burdens: effect of sanctions, increase in the number of men under arms, and casualties. These additional burdens are not great enough yet, nor are they likely to be great enough to bring about the ousting of Mussolini, so long as Italian forces are successful in Africa, or so long as the Italy-League of Nations dispute remains very acute.

But should the African campaign show distinct signs of slowing down to a long drawn out struggle, and should the League show so united a front as to convince Italian people that an attack on the British fleet would be extremely foolhardy, the additional burdens will loom very large. The discontent engendered by casualties, by the annoyances, by increased taxes, increasing government debt, heightened cost of living, will then grow apace and the spirit of submission to Mussolini will begin to crack.

There are three possibilities fraught with grave danger to Mussolini:

1. He may break under the terrific strain he is undergoing. It is generally agreed that he has aged considerably during the past six months. It is persistently rumored that he has been and is ill.
2. A severe defeat in Ethiopia. At the present moment such a defeat seems very unlikely and would probably not cause Mussolini's downfall because the European situation has the Italian people keyed up, but should the sanction problem quiet down, the defeat will give rise to discontent, questioning, and increasing complaint.
3. The growing realization among the Italian people that Mussolini's recent tactics are carrying them rapidly toward destruction. The League opposition, the loss of French support, the indications that the United States is not in sympathy with Italy's venture, and the recognition that Ethiopia is not being conquered with as much ease as was popularly anticipated, are together giving much food for disturbing thoughts among the people. Already there is grave concern for the future in those areas and industries that depend largely on foreign markets for disposal of their products.

A coup d'etat engineered by the King with the support of Anti-Fascists would probably provide the means of Mussolini's egress. There

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is no love lost between the reigning house and Mussolini, and if the King could be convinced that he could successfully get rid of Mussolini, he would not hesitate to do so. The Anti-Fascists include some very influential and wealthy persons, and though they could get few to support them in an attack on Mussolini now, they would find hundreds of thousands who would rally to their support at the first obvious sign of a weakening of Mussolini's position.

The turn of events has placed Mussolini in a tight place. Now that France has stated definitely she will back England should her fleet be attacked, he will probably strive for some spectacular victory in Ethiopia, and then make the best compromise he can. There is always the possibility, albeit a very slim one, that he will be able to make an alliance with Germany and Japan and thereby radically alter the complexion of the situation.

The Ethiopian campaign is not proceeding as well as had been hoped by the leaders and expected by the public. Almost all neutral authorities predicted Italy would have a hard nut to crack in Ethiopia if the latter adopted waiting and retreating tactics. Italy is reaching the more difficult terrain; her tanks have not proved very effective; and her air force, though extremely valuable, has not been able to wreak much destruction; Colonial troops are becoming less eager to bear the brunt of attack; and all the time Ethiopian forces are becoming more skilled in meeting the kind of campaign Italy is pursuing, and are acquiring more arms.

On the other hand, the Ethiopians are having their troubles, as well. They cannot maneuver any important surprise attack because of the care with which Italian planes trace their movements; they have no service of supply worthy of the name, and cannot remain away from their home base of food long. Selassie, no more than Mussolini, can stand a severe military defeat. He is by no means a well entrenched monarch, as was King Menelik, leading a carefully assembled force to battle. His is not a well knit force, nor is his power over the numerous chieftains absolute. The Ethiopian army is essentially a very loose collection of tribes, whose allegiance in most instances is to their chiefs, many of whom do not regard King Selassie as a real leader as their fathers did King Menelik; and many of whom will, once they are convinced their chances of victory over the Italians appear small, not prove unsusceptible to the kind of bribery the Italians can and are offering Ethiopian chieftains.

After the first big defeat, large groups will fall away from Selassie, and the morale of the remainder will be badly shaken. It will then be easy for Mussolini to obtain satisfactory enough terms to permit him to terminate the African campaign. But should the victory be Ethiopia's, the role will be reversed - Selassie's power will be greatly enhanced among his chieftains; the Ethiopian forces will be puffed with confidence

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that a repetition of 1876 is in store for them. And Mussolini's stock will drop sharply at home, and more sharply on the European market.

Hence the reason why Italians up to now have proceeded cautiously using steam-roller tactics -- at an average rate of little more than a mile a day; and hence the reason why the Ethiopians have avoided anything more dangerous than skirmishes and guerilla attacks.

Our attitude with regard to oil exports to Italy has played in recent weeks and is playing no small role in the whole drama. If Italy could get all the raw material she could pay for, she could ignore League sanctions, and afford to pursue a less dangerously aggressive campaign in Ethiopia. The morale of her people would be less vulnerable, and France might have been less willing to support Great Britain.

The League, without effective economic sanctions, would be faced with an obdurate Mussolini, slowly but surely conquering Ethiopian territory and being able to carry on indefinitely in the face of only partially effective sanctions. The leaders of the present government in Great Britain, whose real desire is not so much to strengthen the League, - or to administer a disruptive defeat to Italy which might subsequently replace Fascism with something worse - as it is to get rid of Mussolini, may find their hands forced by the British popular demand that the League sanctions be made effective. Great Britain, through the League, may in that case have to resort to military sanctions - i.e., blockade of the Suez Canal and Straits of Gibraltar. (France's support could be won over to such a program by giving her what she has been long wanting: assurance of aid in case of a German attack.

That would mean war. Mussolini has already committed himself to retaliate to military sanctions or blockade with resort to arms. Placed in a position of fighting a much superior force, Mussolini may offer Germany everything the latter wants (i.e., Austria, alliance against Russia, etc.) and anything may then happen. Moreover, the Italian people will be much less apt to desert Mussolini in face of a blockade, which will truly "get their blood up" to a completely irrational national state of mind, than would be the case were they confronted with the slow and unspectacular, but seemingly unending pressure of an effective stoppage of necessary raw materials.

History may prove our attitude in the matter of selling oil, cotton, copper, coal, and iron to Italy during the next few months to be of crucial significance.

The fear that we may take the step of restricting exports of those items to Italy is no small factor in Mussolini's eagerness to seek a face-saving peaceful way out of his present dilemma.

PLEASE DESTROY

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December 6, 1935.
Friday

H.M.Jr: Hello

Senator Bulkley: Yes, hello, Mr. Secretary.

H.M.Jr: This is Morgenthau.

B: Yes, why in the devil do you get in such a rush before I have time to talk to you a minute?

H.M.Jr: Well, - before - I just want to tell you - gosh, you certainly knocked me below this morning. I never felt the way I have after getting your telegram. I - I was - I sent him the letter Tuesday by registered mail -

B: Yes

H.M.Jr: And I simply called him up and gave him -

B: Well, he has been sick. He's been spending a couple of days in bed and I've been out of town and I just haven't had a chance to even speak to him about it -

H.M.Jr: Well -

B: I'm sorry about it and

H.M.Jr: Well, of course I didn't -

B:

H.M.Jr: I had no way of knowing -

B: He told me that he had it and he was a little disturbed about the letter and I told him, 'Well now, you think it over, that letter is all right'.

H.M.Jr: Yes

B: And the agreement was that I was to talk to him about it as soon as I could. As a matter of fact I am seeing him this morning.

H.M.Jr: Yes. Well -

B: I - I just got upset by your putting that pressure on because I thought you were going to rely on me to

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try to work it out, it only makes it harder to do.

- H.M.Jr: Well, I didn't - I just felt that the man by Monday ought to let me know one way or the other what he was going to do.
- B: Well, I think that very likely may be worked out. I haven't seen him yet at all since he got the letter.
- H.M.Jr: Yes
- B: And I have been trying to, but I had to be in Columbus -
- H.M.Jr: But - but you realize that - you most likely sent that telegram when you were mad.
- B: Yes, I was mad - sure
- H.M.Jr: And you know that -
- B: I - I confess that.
- H.M.Jr: - that the idea that you suggest there, that I don't operate like that -
- B: All right - let's try to work it out.
- H.M.Jr: O.K.
- B: All right.
- H.M.Jr: Now, look, will you do this for me? - and it'll save me - I've got to go away Monday and Tuesday.
- B: Yes
- H.M.Jr: So I won't be back here until Wednesday
- B: Yes
- H.M.Jr: So if he is coming down, tell him not to come until Wednesday.
- B: O.K.
- H.M.Jr: But I hope he won't come.

B: Well, I - I'm sure going to try to work it out.

H.M.Jr: O.K.

B:

H.M.Jr: All right.

B: All right, thank you.

UNITED STATES SENATE

Cleveland
December 6, 1935.

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D.C.

Dear Mr. Secretary:-

I have today had a long talk with Collector Moore. I must repeat that I am particularly sorry that you could not see your way to conclude the matter on the basis of Moore's last letter as I think you could, with propriety and dignity, entirely overlook the question of whether the phrasing of his letter implied any question of forcing action upon you, because the action suggested was nothing but embodying in a general regulation your own pronounced and justifiable views, and I am sure that you intend to promulgate such a clarifying regulation in any event.

Your latest letter, which insists upon postponing the question of a general order and making it entirely independent of the case in hand, unfortunately reopens the question of the profits of the transaction being turned into the Treasury. Though I would not care to stress the question of where the profits should be turned in, I am sure that both Moore and his legal advisor are sincere in the view that they tenaciously hold that to turn the profits into the Treasury in the absence of a general regulation is not compatible with Moore's insistence on his innocence, and that it somehow implies a confession of guilt.

However, after some difficulty I have secured the consent of all concerned to the following set-up: Without further insistence upon a general regulation, Moore will divest himself of all profits by returning them to the Company, and the Company will accept them only with the condition that they be turned over to public charity as fast as received.

In view of the fact that I still think it is unfair and oppressive to demand an accounting of profits realized before any official objection was made to the relationship in question, and in view of the further fact that no good reason has as yet been advanced why you could not have covered the situation by a general regulation, which I honestly think you ought to have made promptly last August, it is apparent that I have continued to try to help you in sustaining your view point as to matters that do not commend themselves to my own view of the fitness of things. I therefore feel

December 6, 1935.
Hon. Henry Morgenthau 2

well justified in asking you to yield enough of your position to approve the principle of the final adjustment on the terms above outlined. I am so tired of the whole matter that I do not want to be forced to argue the necessity for the slight variance between the terms of your request and the above settlement, which will close the whole matter.

While I regret that you felt it necessary to write your last letter at all, I am glad to note that the tone of it was courteous and considerate, and I can assure you that if you will give me your approval of the settlement herein suggested the letters from Moore and the Company, which would be necessary to consummate it, will be worded in a friendly and respectful manner.

Your telephone call this morning smoothed out the feeling of anger which I had yesterday, but in all frankness the severe pressure for action before opportunity to think the matter over did make it more difficult for me to maintain that you are pursuing the problem wholly without reference to any personal feeling.

Sincerely yours,

/s/ Robert J. Bulkley

December 6, 1935.
Friday

H.M.Jr: Hello

Senator
Bulkley: Yes, hello, Mr. Secretary.

H.M.Jr: This is Morgenthau.

B: Yes, why in the devil do you get in such a rush before I have time to talk to you a minute?

H.M.Jr: Well, - before - I just want to tell you - gosh, you certainly knocked me below this morning. I never felt the way I have after getting your telegram. I - I was - I sent him the letter Tuesday by registered mail -

B: Yes

H.M.Jr: And I simply called him up and gave him -

B: Well, he has been sick. He's been spending a couple of days in bed and I've been out of town and I just haven't had a chance to even speak to him about it -

H.M.Jr: Well -

B: I'm sorry about it and

H.M.Jr: Well, of course I didn't -

B:

H.M.Jr: I had no way of knowing -

B: He told me that he had it and he was a little disturbed about the letter and I told him, 'Well now, you think it over, that letter is all right'.

H.M.Jr: Yes

B: And the agreement was that I was to talk to him about it as soon as I could. As a matter of fact I am seeing him this morning.

H.M.Jr: Yes. Well -

B: I - I just got upset by your putting that pressure on because I thought you were going to rely on me to

- 2 -

try to work it out, it only makes it harder to do.

H.M.Jr: Well, I didn't - I just felt that the man by Monday ought to let me know one way or the other what he was going to do.

B: Well, I think that very likely may be worked out. I haven't seen him yet at all since he got the letter.

H.M.Jr: Yes

B: And I have been trying to, but I had to be in Columbus -

H.M.Jr: But - but you realize that - you most likely sent that telegram when you were mad.

B: Yes, I was mad - sure

H.M.Jr: And you know that -

B: I - I confess that.

H.M.Jr: - that the idea that you suggest there, that I don't operate like that -

B: All right - let's try to work it out.

H.M.Jr. O.K.

B: All right.

H.M.Jr: Now, look, will you do this for me? - and it'll save me - I've got to go away Monday and Tuesday.

B: Yes

H.M.Jr: So I won't be back here until Wednesday

B: Yes

H.M.Jr: So if he is coming down, tell him not to come until Wednesday.

B: O.K.

H.M.Jr: But I hope he won't come.

B: Well, I - I'm sure going to try to work it out.

H.M.Jr: O.K.

B:

H.M.Jr: All right.

B: All right, thank you.

Sunday
December 8th

During the past week our silver purchasing policy has seemed to me more and more stupid. It is now clear that exclusive of the newly mined silver we are simply siphoning the silver out of China through two channels - one, Japan and the other England. Going back three or four years I find that the normal exports of silver from Japan are between six and nine million ounces per year. For the first nine months of 1935 they exported sixty million ounces. This silver can only be gotten into Japan by smuggling it out of China and somebody is making the difference between 40¢, approximately what you can buy silver for in China, and 65¢ the world price.

In England's case they sent Bewley around to see me to try and sell me the Hong Kong government silver reserve which amounts to some hundred million ounces. I refused to buy it. Evidently their program was to sell me their silver reserve and then have Hong Kong go off silver. My being unwilling to buy, except through the London and New York markets, they went ahead with their program anyway. Attached is the announcement of their nationalization of silver in Hong Kong.

All week Lochhead has been telling me that he has felt that there has been an extra amount of silver pushed on the London market and his hunch was that it must be the Hong Kong monetary reserve silver. Saturday we got Cable No. 617, copy of which is attached herewith, which confirms Lochhead's hunch.

For us to continue to take all of the Japanese silver that they smuggle out of China plus the Hong Kong silver at a fixed price when we can unquestionably get it for much less than 65¢ so goes against my better judgment that I decided it was time to act and consult the President because at the rate we are going we will buy up all the floating silver in the world, drive all the silver using countries off silver and for the use of paper money - and then what have we. The best joke is that to-day, as far as I know with one possible exception, Ethiopia is the only country on the silver standard. It is a joke that we should continue our silver purchasing program to maintain the silver standard of Ethiopia. Furthermore, if we could make a change on Monday it might be a nice dish to set down before the opening of the Naval Conference at London where Japan and England, I believe, will gang together against us and through our silver purchasing program we are giving Japan the necessary money with which to stabilize her currency and build up her fleet.

I telephoned the President a little after five o'clock Saturday afternoon and told him what I had in mind and that I wanted to drop the price of silver and told him the reasons why. To my surprise, he readily acquiesced and made the following suggestion. He said, "why don't you send over word to London that you are ready to buy two million ounces and that they should quote you a price and after you have received the price you will let them know whether or not you will accept the offer". I told him that the price of silver might drop 10¢ and he said, "that is all right". I then asked, "what should I do Tuesday - go back to the 65¢ price?" and he said, "no only pay them on Tuesday what you were able to buy it for on Monday". I said, "what about the price in New York - shall we keep it where it is?" and he said, "no drop the New York price so it will have the same relation to the London price that it has now". He said, "let's see what happens and we can decide after this experiment on Monday what we can do Tuesday". I asked where I could reach him on Monday and he said, "you can phone me at the LaSalle Street station Chicago just before my train pulls out".

I was dumbfounded that he jumped at the idea so quickly because heretofore he definitely wanted to keep up the price of silver. Perhaps he is getting a little tired of it too. I also think that the idea of doing it on the day of the Naval Conference opening in London appealed to him. He is in a grand humor and said, "I had not had an opportunity of congratulating you on the success of your last issue," and I admitted that it had gone well.

I sent for Lochhead who came to the house at 7 o'clock Saturday night and we discussed what we would do on Monday. He was not at all sure what the London market would do as a result of our new plan but he thought it was worthwhile trying. He felt that the British in Cable No. 617 were "very fresh" - their attitude being well we will sell you the silver whether you like it or not. Archie felt that we ought to watch the Bombay market as well. I agreed.

He explained to me that he permitted the spread between New York and London to go from 1/2¢ to 7/8¢ of a cent; that no one was able to arbitrage between New York and London as we only bought spot silver. I suggested that beginning Monday we increase the spread to a full cent which means that we will pay one cent in New York above the London price.

I then called up Chief Moran and told him to arrange for a telephone in the President's private car at the Chicago station.

This morning I called George Haas and told him to get ready Monday morning all of our silver statistics so that I could have them if necessary. I then called up Oliphant and told him what we were going to do and, to my surprise, he heartily approved.

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He asked me if I was going to inform Key Pittman in advance and I said, "no because this was a matter of stabilization - that after we acted, if the silver Senators wanted to know what we were doing I would ask Key Pittman to call a meeting of his silver committee to meet with me.

I called up Coolidge and told him all about my idea.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England

Date: December 6, 1935, 2 p.m.

No: 617

FOR TREASURY FROM BUTTERWORTH.

Re instruction No. 399 of December 3, 5 p.m.; the information was conveyed to the British Treasury, which stated that the Hong Kong authorities had now taken over the stocks of silver. The British Treasury indicated that since the United States Secretary of Treasury had told Bewley that the markets of London and New York were open, it would proceed with the operations it had planned.

The British Treasury intimated that it could only assume that the Secretary of the Treasury did not desire the inquiry to be pursued further - reference, telegram No. 590 of November 25, 8 p.m. They requested, however, that "it be tactfully conveyed that if at any time during the course of the projected operations the Secretary of the Treasury felt it desirable to make any suggestions the British authorities would not be unreceptive." END MESSAGE.

BINGHAM.

EA:LWW

JR

PLAIN

HongKong via N.R.

Dated December 6, 1935

Rec'd. 8:30 a.m., 7th.

Secretary of State,
Washington.

December 6, noon.

With further reference to my telegram of November 12, 4 p.m., the Hong Kong Government yesterday, December five, passed bill for establishment of exchange fund with power to buy or sell foreign exchange at rates fixed by Colonial Treasury. Fund will take over silver now held against note issues of three banks of issue in exchange for certificates of indebtedness of Hong Kong Government. Funds will also take over in exchange for Hong Kong currency all British dollars, Mexican dollars and Hong Kong subsidiary silver coin and silver bullion in Colony whether in private hands or otherwise, chopped silver coins being treated as bullion. Silver so nationalized may not be exported by present holders. For time being exchange fund will be held in form of foreign exchange or gold or silver. All banknotes now become legal tender.

HOOVER

HPD

COPY CABLE FROM HONGKONG, CHINA:

dated 12/5/35

"Government passed ordinance establishing Exchange Fund and amendment of law regarding legal tender. Object is Government control of exchange All existing banknotes legal tender. All silver coins and bullion in excess of 10HK \$ must be surrendered to Government within a month against Treasury Certificates. No exchange rate fixed. "

COPY CABLE FROM HONGKONG, CHINA:

dated 12/5/35

"Government will pay face value of coins and Hongkong \$1.28 per ounce fine on refined silver embargoes still in force."



December 10, 1935

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Early this morning preliminary estimates of the amount of silver to be offered on the London market today indicated that at least 5,000,000 ounces of spot silver were for sale and about 18,000,000 ounces of forward silver. At the same time a Cable was received from the London bullion dealers stating that they were unable to meet our suggestion which would require them to make firm offers of silver at fixed prices. The Secretary was notified of these developments at 8:30 AM and at his request a summary of these developments was written and delivered to the President upon his arrival in Washington at 10:30 AM. In the meantime the fixing in London was delayed awaiting our decision. At 11 AM the Secretary telephoned to Messrs. Coolidge, Oliphant, Haas and Lochhead and stated that after discussing this question with the President it was decided that a bid for 2,000,000 ounces of silver be made in the London market today at a limit of 63¢ or lower if the price of silver in London was fixed under our limit. This bid was immediately transmitted to London. The London brokers, after a conference, informed us that they were considering fixing the price at the equivalent of 63¢ in order to take advantage of our bid but that this would not be a real fixing as the remaining 3,000,000 ounces which were for sale would not be executed. As this procedure was clearly contrary to their established procedure and would only be a means of taking advantage of our bid without a true fixing, we notified them that if they established a fix it would have to be a bona fide transaction. They then informed us that if we did not agree to their suggestion or declined to buy all the silver offered at the fixing that it would precipitate a crisis in London.

However, without hearing from us further they advised that they were going to fix an entirely nominal price at the equivalent of 63¢ without any transactions taking place. They later decided to omit the fixing in London entirely for today and as a result no transactions took place in that market. After this news had been received the Secretary gave instructions to fix a price of 64¢ for our purchases of silver in the New York market.

A. L. L.

December 9, 1935.
Monday

Archie
Lochhead: The Federal Reserve and the Chase, New York are trying to figure out their message.

H.M.Jr.: Well, read the telegram to me again.

A.L.: Right. 'At your client's request we have always kept them fully informed of amount of our selling -

H.M.Jr.: Yes

A.L.: and waited for their order and not fixed under their buying price.'

H.M.Jr.: Yes - under their buying?

A.L.: They're not - they've been - in other words, they always used to tell us how much they had to sell and waited for our price before they fixed it. In other words they never let the market break, they meant.

H.M.Jr.: Well, if they told - I don't know who they told it to. They never told it to me.

A.L.: Well, every morning, you see, we found out how much silver was in the market.

H.M.Jr.: Oh -

A.L.: You see, they tele - cable over early morning how much silver there's in the market.

H.M.Jr.: Have they done that?

A.L.: Oh, they've always - they've done that for the last six months or a year.

H.M.Jr.: - I see.

A.L.: And they generally say there's about a million or a million and a quarter probably going to be sold today.

H.M.Jr.: I see.

A.L.: They are more or less rough figures, that's all. - It says, 'Request them to inform us today of their requirements so that we can cooperate. Four million five hundred thousand ounces forfiet had unchanged -

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- unchanged at twenty nine and three sixteenths - . Fixing held up meantime.' Now, in figuring this out we've come to the conclusion that what they - what they indicate here is that they - they've had no advance notice and they have - their clients are used to having the fixing done in the regular way and there's no way probably they could reach them today.

H.M.Jr.: No

A.L.: And we figured that what they want is- some kind of an order today which might be accompanied by a notice to them that we're not - that starting tomorrow we're not going to make any bids but probably will only work on offers, but that they feel that they have to have something in order to clean up today's business which is already accumulated.

H.M.Jr.: I see. Well, this would be my thought. - Why not talk to them and take, say two million ounces at twenty nine ~~tenths~~. *pinch*

A.L.: Twenty nine what?

H.M.Jr.: Tenths

A.L.: Twenty nine ~~tenths~~? *pinch*

H.M.Jr.: Yes

A.L.: Yes

H.M.Jr.: Well - that would be what - about a half a cent an ounce?

A.L.: Twenty nine ~~ten~~ *pinch* - no, wouldn't be quite a half a cent. If you brought it down to twenty nine ~~tenths~~ *pinch* it would be about three eighths of a cent down. Every sixteenth would be - every sixteenth is about twelve points in the rate.

H.M.Jr.: -That's all right. If they don't want to sell it there? *that's all right. Now is Jeff Coolidge*

A.L.: Yes, he is.

Jeff
Coolidge: Right here, Henry.

H.M.Jr.: What do you think of that?

J.C.: How large an offer would you make at that price?

H.M.Jr.: Two

J.C.: Two million?

H.M.Jr.: Yes

J.C.: How would you feel like putting another two million at twenty eight and a half?

H.M.Jr.: Well -- a half a pence is what?

A.L.: Well, a half a pence will be - a half a pence, that's - well that will be a full cent.

H.M.Jr.: Well, why not say a full cent?

A.L.: Yes, that's pretty wide if we work it down that far.

J.C.: Well, what I was thinking, Henry, was that you might get your order for two million and then have it sell a good deal lower, - if that was your full order.

H.M.Jr.: Well, let's - let's agree for the moment on two million ounces at twenty nine ~~tenths~~, shall we?
pence

A.L.: Right

J.C.: Yes, right.

H.M.Jr.: What?

J.C.: That's right, I think we should do that.

H.M.Jr.: And then say that we'll take another two million at a half a cent under.

A.L.: A half a cent, that's not a half a pence. Yes, that would be twenty eight and three quarter pence.

H.M.Jr.: Half a cent.

A.L.: Right, That sounds more like it, Henry.

H.M.Jr.: What?

C.: Yes, I'd rather have that twenty-eight and three quarter than twenty-eight and a half.

H.M.Jr.: Yes, but that would be all that we'd take today.

A.L.: I don't think there will be any more of that come up because as you lower the scale you'll dry up the offerings.

H.M.Jr.: I - say, say two million ounces at twenty-nine
~~tenths?~~
pence

A.L.: Right

H.M.Jr.: And then another two million ^{at} and a half a cent under
that?

A.L.: A half a cent under it, that's right.

H.M.Jr.: What do you think of that, Jeff?

J.C.: I think that's O. K.

H.M.Jr.: What?

J.C.: That suits me.

H.M.Jr.: Yes - now, - the only thing is which way we're
headed. - Well, we're headed for a little lower
silver, that's all.

J.C.: Yes, yes, - and I think you'll find that there'll be
another heavy selling tomorrow.

H.M.Jr.: A rather heavy selling?

J.C.: That's my guess.

H.M.Jr.: Yes

A.L.: Well, in other words, Mr. Coolidge means there -
certainly there was smaller - some spec
still left in the market, maybe not very many.

H.M.Jr.: Well, that -

A.L.: But -

H.M.Jr.: Well, after we get that then we can fix the price in
New York.

A.L.: Yes, oh yes. Yes, we'll fix -

H.M.Jr.: Depending on what they fix it in London.

A.L.: That's right.

H.M.Jr.: Is that right?

A.L.: Yes, we could wait because they'll get it over very quickly.

H.M.Jr.: Yes - Mrs. Klotz -

A.L.: Just one moment -

H.M.Jr.: I want to tell her that the third button from the top - the third button down, if she'll press that three times, Miss Reynolds will bring in the paper and then you can see what the market is doing.

A.L.: All right. They're waiting because the cotton report was due out today also.

H.M.Jr.: Well - she rang -

A.L.: I just - I just put

H.M.Jr.: marked in your name?

A.L.: What is that, Mr. ?

H.M.Jr.: Are my buzzers marked in your name.

A.L.: Yes it's marked 'Miss Reynolds' - I've rung it.

H.M.Jr.: Three times?

A.L.: I've rung it, so she -

H.M.Jr.: Three times?

A.L.: Here she comes now.

H.M.Jr.: All right

* * * * *

A.L.: Now, wheat is ninety-six against a close of ninety-five and three quarters.

H.M.Jr.: Yes

A.L.: Cotton is eleven forty-eight against a Saturday's price of eleven fifty-eight.

H.M.Jr.: Yes

A.L.: On the other hand, I think they're waiting for the cotton report to come out today and that might have

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some effect.

H.M.Jr.: Yes. What about the stock market?

A.L.: Mr. Morgenthau, McIntyre is on the line and wishes to speak to you right away.

H.M.Jr.: McIntyre?

A.L.: Yes. Mrs. Klotz told us, at the White House.

H.M.Jr.: All right.

A.L.: And we'll follow through on this other thing.

H.M.Jr.: All right.

A.L.: O. K.

H.M.Jr.: Thank you.

* * * * *

Just hold it.

H.M.Jr.: Hello

A.L.: Yes, I'm holding this wire to make sure you get transferred.

H.M.Jr.: Hello

J.C.: Hello, Henry

H.M.Jr.: Yes

Operator: Just a minute please.

H.M.Jr.: Hello - hello

J.C.: Hello, Henry

H.M.Jr.: Yes

J.C.: Do you think we'd better put in this order before we hear of your conversation?

Operator: Hello

* * * * *

H.M.Jr.: suggest that what I wanted -

J.C.: Yes

H.M.Jr.: is sort of easing it off.

J.C.: That's right - I think it's fine, Henry.

H.M.Jr.: And you might be thinking at what point we'll lower it, you see?

J.C.: Yes - yes

H.M.Jr.: So -

J.C.: And by lowering it gradually we've got time to think about what point

H.M.Jr.: Right - and if - as soon as you hear from London tell Archie to call me back again.

J.C.: I'll do that.

H.M.Jr.: Will you?

J.C.: You bet.

H.M.Jr.: Anything else?

J.C.: Not a thing.

H.M.Jr.: And tell Archie to watch those commodities very closely.

J.C.: I will.

H.M.Jr.: Right

J.C.: All right, Henry.

H.M.Jr.: What time does the cotton report come out?

J.C.: I think about - I think about noon, but I'm not certain.

H.M.Jr.: All right. Let Archie find out.

J.C.: Yes

H.M.Jr.: Anything else?

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J.C.: Not a thing - there isn't a thing, Henry, quiet as can be.

H.M.Jr.: Mrs. Klotz want anything?
Mrs.
Klotz: I'm here, yes, - have you got a second?

H.M.Jr.: Yes

H.S.K.: Mr. Baruch sent you a telegram - wants to come in on Wednesday. Will you see him?

H.M.Jr.: Yes

H.S.K.: And give him the time. I'll give him the time.

H.M.Jr.: In the morning.

H.S.K.: All right.

H.M.Jr.: About eleven, I should say.

H.S.K.: All right.

H.M.Jr.: All right.

H.S.K.: Fine, thanks.

H.M.Jr.: Anything else?

H.S.K.: No, how are you feeling?

H.M.Jr.: - still got a couple of fingers left.

H.S.K.: - That's a shame.

H.M.Jr.: All right.

H.S.K.: All right.

H.M.Jr.: All right.

H.S.K.: Goodbye.

H.M.Jr.: Goodbye.

December 10, 1935.
Tuesday

H.M. Jr.: Archie -
Archie
Lochhead: Yes, Mr. Morgenthau.

H.M. Jr.: Mrs. Klotz tells me the President is an hour late.

A.L.: Yes

H.M. Jr.: Have you any more information?

A.L.: Yes, the latest information is that the Bombay market had a bad break this morning -

H.M. Jr.: Yes

A.L.: and they sold down to an equivalent of about sixty cents -

H.M. Jr.: Yes

A.L.: and recovered to about sixty and a half cents.

H.M. Jr.: Yes

A.L.: But they'll be turning around and offering in the London market as hedges.

H.M. Jr.: Yes

A.L.: And so that they - the latest indication of four and one half million ounces will be offered for spot at any price.

H.M. Jr.: Now, here's the point - the President very distinctly told us not to take more than two million ounces -

A.L.: Right

H.M. Jr.: But I can't get it, see?

A.L.: Yes

H.M. Jr.: But let me give you an idea which I have been thinking about. I don't know whether it can be - not being able to check with him - I wouldn't - I don't like to do it today but I could do it tomorrow, see?

A.L.: Yes

- H.M. Jr.: If we simply would say, 'Now, look here, gentlemen, this is all the bunk, you may have done this for fifty years, it's all right in London but we're going to do it here.' Now, we're criticized very much for closing our own silver market and doing business in London. And it's one of the things that Father Coughlin criticized us for because it was Sunday. Now supposing we said, 'We'll buy silver in New York through any - through the Federal Reserve,' just the way we did gold-----, using the National Banks, 'and we'll quote the price'. What would happen is, only buying spot silver, there'd be a catch there of ten days -
- A.L.: Yes
- H.M. Jr.: During those ten days that would let the world market seek its own level. We'd simply say, 'Well, we said we'll buy any amount of silver at sixty, sixty-three, sixty-five cents F. O. B. New York'. We can't help it if Bombay drops five cents, that isn't our worry.
- A.L.: Well, let's see, but you'd - you'd pay - you'd post the price in New York and pay for an unlimited amount at that - at those
- H.M. Jr.: No, I'd say - I'd do it like gold , I'd say that, 'until further notice we'll pay sixty cents', - 'at the Federal Reserve in New York'.
- A.L.: Well, now let's see, the one point of course about that is that the - you run up against the tax, but there's no reason, I mean it would mean that they would have to permit tax affidavits.
- H.M. Jr.: Well, I don't expect a decision right now.
- A.L.: Yes
- H.M. Jr.: I'm just thinking about it, I think - What's the next move we - ?
- A.L.: Well, that is the ultimate move at any time. I think that is the question - the way you do it when you've finally cleared up on silver.
- H.M. Jr.: But we can't - we can't
- A.L.: Yes - Well, you - you -

H.M.Jr.: Hello -
Jeff
Coolidge: If you fixed the price in New York for any amount offered -

H.M.Jr.: Yes

J.C.: You would have a perfectly stable market all around the world.

H.M.Jr.: You'd have a what?

J.C.: A perfectly stable market.

H.M.Jr.: Yes

J.C.: You wouldn't -

H.M.Jr.: Well, I'm just thawing this out. I can't do it until I've talked to the President but I mean it seems to me that we've got to get - we can't keep, say bluffing them in England and not do anything.

J.C.: No, I think, I think that you have to put in bids if you want any stability in the price of silver.

H.M.Jr.: Well now, supposing -

A.L.: Where that bid is doesn't matter - you can make it in New York or London.

H.M.Jr.: Well I wouldn't make it in London - Hello -

A.L.: Yes

H.M.Jr.: Well, let's just say that's maybe a possibility for tomorrow, see?

A.L.: Yes

H.M.Jr.: Now for today, do you think I ought to wait until the President's train gets in - supposing we don't let them know until eleven o'clock, what of it?

A.L.: Well, if we don't know until eleven o'clock, they simply have to hold up the fixing -

H.M.Jr.: Well -

A.L.: They just simply will increase the suspense and they probably would be that much more on the market by the time - by the time the fixing is accomplished.

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- H.M.Jr.: Well, the only other thing I can do would be to tell them that I'll take two million ounces today and that's all.
- A.L.: They wouldn't be able to fix on that.
- H.M.Jr.: Well that's - those are the President's orders.
- A.L.: Yes, but I mean, frankly you see, it's not only a question of us having to put in a bid but we'd have to put in a bid that - to take what was offered because that's the only way it can be done.
- H.M.Jr.: Well, I can't do that without consulting him.
- A.L.: Well, I think -
Jeff
- Coolidge: Say, under those circumstances I would prefer to wait rather than to put in a bid and say that was all.
- H.M.Jr.: Pardon me - ?
- J.C.: I would prefer to wait until after you have consulted him.
- H.M.Jr.: Well then, let's wait until he comes in.
- J.C.: I think it would be too bad, Henry, if you were going to have a price tomorrow, of whatever it is, to let it break below that today, you see, unnecessary?
- H.M.Jr.: Yes, but in the meantime - well, of course, it won't break in London until let it break.
- A.L.: But it has broken in Bombay.
- H.M.Jr.: Sixty cents.
- A.L.: around about sixty cents in Bombay.
- J.C.: And of course Bombay will work tomorrow on what news they get today.
- H.M.Jr.: Well I mean, should we try to buy any silver today in Bombay?
- A.L.: Well, it would seem to me - I was waiting until after you decided what we were going to do on silver in London - it would seem to me that if we - if we bought anything in London that we might also buy in Bombay. But I mean I don't think we - we could consider them separately.

- H.M.Jr.: Well, I think that - I - I'm quite a fatalist. The President's train is an hour late. Let's see what happens in the next hour, see? Hello -
- A.L.: Well, I don't think we can really do - I'd much rather do that, as Mr. Coolidge says, than just put in a bid for two million because it won't be enough, - it would just simply start some discussions. Whereas we can just simply tell them just now, 'Well, we're sorry we can't give you an answer for another hour or two'.
- H.M.Jr.: Yes, well supposing - all right, that's - then the time comes when we take all the offers at the fix again.
- A.L.: Well, that would be - that would be what you want, you can - you could put the price way down and take all that they offered us to fix or make a price low enough that they - they wouldn't offer at all.
- J.C.: I think perhaps we could do the same as yesterday - have a scale down.
- H.M.Jr.: Scale down
- J.C.: And see how far they got down.
- H.M.Jr.: Yes - Well yesterday we said we'd take two million at a price and two million what? - a half a cent - ?
- J.C.: A half a cent below - yes, I think the way things are today you'd need a good deal more than four million at some price.
- H.M.Jr.: Well - we only got what - we only got what we asked for yesterday.
- J.C.: Yes, I think you'll get far more today.
- H.M.Jr.: Well, I - you people all think that we should wait until the President gets in.
- J.C.: Yes, I'd much rather do that than - than just say that we'll only buy two million.

H.M.Jr.: I agree. Now, Mrs. Klotz, hello -
Mrs.
Klotz: Yes

H.M.Jr.: Let Lochhead answer his letter. I'd say something like this, you got a pencil?

H.S.K.: Yes

H.M.Jr.: You can write this for my signature, you see?

H.S.K.: Yes

H.M.Jr.: You should say, 'My dear Mr. President -

H.S.K.: Yes

H.M.Jr.: 'We've taken no action in London -

H.S.K.: Yes

H.M.Jr.: 'pending your arrival -

H.S.K.: Yes

H.M.Jr.: 'We are holding up - we are holding up - we are holding open the London silver market until I can talk to you. Naturally our delaying- several hours longer than usual, is causing anxiety in the silver market all over the world. I'd greatly appreciate your calling me immediately on your arrival at the White House so that we can decide what is the best deal to make in silver today.' - see?

H.S.K.: Yes, shall I sign your name?

H.M.Jr.: And sign my -

H.S.K.: - per mine?

H.M.Jr.: Sign my name and put underneath, 'per -

H.S.K.: Yes

H.M.Jr.: - 'H.S.K.' - hello -

H.S.K.: Yes

H.M.Jr.: Now, arrange with Chief Moran -

H.S.K.: Yes

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H.M. Jr.: - immediately the President arrives that it be put in his hand, you see?

H.S.K.: Shall I give it to him - make him take it - ?

H.M. Jr.: I'd give it to Chief Moran and tell him that I want - I'm going to - I want him to put that thing in the President's hands.

H.S.K.: Yes

H.M. Jr.: Now, let - let Archie add

H.S.K.: All right, he is writing.

H.M. Jr.: See?

H.S.K.: He has it already.

H.M. Jr.: What?

H.S.K.: He has it added.

H.M. Jr.: All right then, give it to the Chief and see that he gives it to the President.

H.S.K.: All right.

H.M. Jr.: As soon as he arrives.

H.S.K.: Fine

H.M. Jr.: And then tell the White House operator -

H.S.K.: Yes

H.M. Jr.; - that he can get me at one of these numbers.

H.S.K.: Right.

H.M. Jr.: All right?

H.S.K.: Yes, sir, - all right.

H.M. Jr.: I'm going to talk to Kieley a minute and then by that time if you're in the office I'll talk to you.

H.S.K.: Fine, - all right.

H.S.K.: Hello -

H.M.Jr.: Yes - Hello -
 H.S.K.: All of a sudden, I mean - stay off the line.
 H.M.Jr.: Hello -
 H.S.K.: I can't get her.
 H.M.Jr.: Press that white button you -
 Operator: Operator
 H.M.Jr.: Kieley, please.
 Operator: All right.

* * * * *

H.M.Jr.: befuddled on this thing also, see? And he didn't like - well, to make a long story short, I finally made this suggestion, that for today we buy two million ounces at sixty-three cents in London, but not more. Hello -

J.C.: Yes

H.M.Jr.: And that's agreeable to him. He says he doesn't care what it drops to.

J.C.: Only one million?

H.M.Jr.: Two "

J.C.: Two

H.M.Jr.: At sixty-three cents or the fix, which is ever lowest - whichever is lowest.

J.C.: Yes, well, I don't think there will be any fix on that, Henry.

H.M.Jr.: Well, then there'll be no fix.

J.C.: And then you'll buy at a high price with silver selling much under.

H.M.Jr.: How do you mean, we'll buy at a high price?

J.C.: Well, you'll find that they'll be offering two million ounces all right, without a fix.

H.M.Jr.: I don't believe it. - I don't think so.

J.C.: You don't think so?

H.M.Jr.: No - I think they'll have a fix all right and I think you'll find - I'll make a guess that the fix is sixty-one cents.

J.C.: Well, that may be. That's quite probable.

H.M.Jr.: That's my guess, that we'll get the silver at sixty-one cents.

J.C.: That's quite probable.

H.M.Jr.: But it's only a guess, Jeff.

J.C.: Yes

H.M.Jr.: Well - is Archie there?

A.L.: Yes, I'm on the phone now, Mr. Morgenthau.

H.M.Jr.: What do you think of that, Archie?

A.L.: Well, I'll tell you, we - they've got about five million ounces of spot silver there to be sold at the fix.

H.M.Jr.: Yes

A.L.: If we put in a bid for two million that leaves three million for somebody else to take up -

H.M.Jr.: Or somebody to withdraw.

A.L.: Or somebody to withdraw it if it goes down too low.

H.M.Jr.: Yes

A.L.: But the point is that some of them seem to be in at - at best and we know that they sold silver at sixty cents in the Bombay market -

H.M.Jr.: I can't help it, Archie, this is what the President wants done.

A.L.: Yes

H.M.Jr.: Now go ahead and put in an order for two million ounces at sixty-three cents -

A.L.: Right

H.M.Jr.: Or - the fix, which is ever the lowest -

A.L.: Oh yes, I mean, we put it on that basis.

H.M.Jr.: And then let me know.

A.L.: Right - well, we'll put that right over because they're waiting now.

H.M.Jr.: Well, put that right over. And I'm at the hotel now and I'll be here for the next hour.

A.L.: Right - well, as soon as we get

H.M.Jr.: Well, what's happened - think a minute - what's happened on the market? I mean, any -

A.L.: On the general market?

H.M.Jr.: Yes

A.L.: The commodities are about the same - cotton is eleven forty-two against eleven forty-one yesterday; wheat is ninety-five and three eighths against ninety-four and seven eighths. The stock market is off slightly about three eighths of a point - of course some of the silver mining stocks are off.

H.M.Jr.: Yes

A.L.: And the Government Bonds are holding up steady, par twenty-five for the two and three quarters.

H.M.Jr.: But after we hear what they do in London, then we'll fix the price in New York.

A.L.: Right - right.

H.M.Jr.: -- Have either Mr. Oliphant or Mr. Coolidge - Oliphant or Haas any suggestions?

A.L.: Mr. Oliphant says he's not worried if they don't fix.

H.M.Jr.: He's not worried if they don't fix.

A.L.: And Mr. Haas says that he feels the same way about it.

H.M.Jr.: Well, that's - let me talk to Oliphant, a minute.

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A.L.: Right

H.M.Jr.: Hello, Herman?

Herman
Oliphant: Yes

H.M.Jr.: You think we're making any mistake?

H.O.: No, I don't.

H.M.Jr.: You don't?

H.O.: I wouldn't worry at all if they don't fix.

H.M.Jr.: No

H.O.: The fact is there's no market there -

H.M.Jr.: Yes

H.O.: And it's all to the good to act on that basis.

H.M.Jr.: Yes - well, the President is perfectly willing to go through with it and I've got nothing to worry about.

H.O.: Yes

H.M.Jr.: And after all, this is going to demonstrate that there is no world market.

H.O.: That's right - and you're square with the facts so you're perfectly safe

H.M.Jr.: Yes - at once that makes it so much better.

H.O.: Yes

H.M.Jr.: You think so?

H.O.: You're square with the facts so you're perfectly safe, you've got the facts under you.

H.M.Jr.: Yes - yes, all right

H.O.: All right

Mrs.
Klotz: Hello -

H.M.Jr.: Hello -

H.S.K.: Do you want to talk to me?

H.M.Jr.: Have you any messages?
H.S.K.: If you're in a hurry they can wait.
H.M.Jr.: No
H.S.K.: I'd like to make some appointments for you for
Thursday -
H.M.Jr.: Oh no, not the way I feel right now.
H.S.K.: O. K. (Laughter)
H.M.Jr.: Maybe, later on.
H.S.K.: All right - you're still on the air.
H.M.Jr.: Well, let's see later on.
H.S.K.: All right, do you want to talk to Mrs. Morgenthau?
H.M.Jr.: Please.
H.S.K.: All right.

* * * * *

Archie
Lochhead: Hello -

H.M.Jr.: Hello -

A.L.: Mr. Morgenthau, Lochhead calling -

H.M.Jr.: Yes

A.L.: The London brokers have come back just now -

H.M.Jr.: Yes

A.L.: And they - what they want to do is this, - they have our bid for two million ounces and they have about five million to sell. They want to fix a nominal fixing at sixty-three and then they would take and divide our two million order among their five million. In other words every - every man would get two fifths of his order executed.

H.M.Jr.: Yes

A.L.: But you see, that holds the price up to sixty-three and there's just a nominal fixing.

H.M.Jr.: Well

A.L.: Well, it was two millions ounces at sixty-three.

H.M.Jr.: And each fellow -

A.L.: Each fellow over there would probably get two fifths of his selling order executed.

H.M.Jr.: Well, what would happen to the rest of them?

A.L.: The rest of them - their orders, there would just be a nominal fixing. You see, the rest of their orders would be turned back to them. The only point is, about that, you see, they're just trying to hold up on the price.

H.M.Jr.: Supposing we refuse, then what?

A.L.: Well, if we refuse it will be up to them to - to either - to apportion the - well, what they would have to do would either be, not to have a fixing or get some other buyers.

H.M.Jr.: Well, now -

A.L.: Or get somebody to withdraw their offers.

H.M.Jr.: Coolidge

A.L.: Mr. Coolidge is on the wire.

H.M.Jr.: Well, this is the way, now if they came and said,
'Now you pay it our way - we always
and we always fix it. - hello -

A.L.: Yes -

H.M.Jr.: Well, we've done it. Now they don't want to have
a fix and they don't want to give us the average.

A.L.: That's it, they don't want to give us the average.

H.M.Jr.: I wouldn't do it.

A.L.: Yes, well, that's the way I feel also on it. I -

H.M.Jr.: They could give us a bonafide fix or they could come
through and make us an offer.

A.L.: Well, that's what I feel - that they either should
acknowledge that they - that fixing doesn't work -

H.M.Jr.: Yes

A.L.: - Or else - or else put it through and let it carry
through to its conclusion.

H.M.Jr.: Yes - how about that, Coolidge?

J.C.: Well, I think that's right, Henry. I don't see why
you should be stuck that price.

H.M.Jr.: No - I mean, we came back and they said 'We've done
it for fifty years' and we've always matched orders
and all that, -O. K.'. We give them an order and now
they come back and they don't want to do it.

J.C.: Well of course, they're in a very hard position
there.

H.M.Jr.: Well, all right, let them sweat a little bit.

J.C.: But I - I agree, I don't think we ought to ap-
portion orders at that high price.

H.M.Jr.: No - no, I would turn down the offer and then see
what they do.

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A.L.: O. K. - As I say, there was only one other - there was only one other thing in that that possibly that they - we could say, 'Well, we'll pay you sixty-one cents'.

H.M.Jr.: No

A.L.: ' - you'll have to bring it down'. But still we're just compromising if we do that.

H.M.Jr.: No - no, I wouldn't do that.

A.L.: Right

H.M.Jr.: I'd tell them we simply have a bonafide fix or anybody that has silver for sale - a legitimate holder of silver - he can make us an offer.

A.L.: Right - that's still open to them. They know that.

H.M.Jr.: Sure

A.L.: Well, O. K., we'll put that -

H.M.Jr.: Are you gentlemen with me?

A.L.: Oh, absolutely, - well I - speaking for myself, I don't feel that we should allow them to put a nominal fix on.

H.M.Jr.: You make a note of what - you keep track of what we're doing, you see?

A.L.: Yes

H.M.Jr.: All right - thank you

A.L.: right, sir.

H.M.Jr.: Hello

Jeff

Coolidge: Hello

H.M.Jr.: Jeff, could I have the operator, please?

* * * * *

December 9th

Mr. Morgenthau told me that he spoke to the President from Richmond, Virginia, to the LaSalle Street Station in Chicago at 1:30 and told him what we had done on silver to-day. The President is perfectly willing to have the price dropped off another cent tomorrow. He did not, however, seem to want to buy more than two million ounces tomorrow and told Mr. Morgenthau that he would be back in Washington Tuesday morning and would talk to him at 9:30.

* * * * *

Mr. Lochhead told me that Mr. White, who is Secretary of the Silver Committee, also Secretary to Senator Pittman, called him to-day. Lochhead was out at the time. When Lochhead spoke to the Secretary to-day he told him that White had called once when he was out and that when he called back again Lochhead would evade giving him any information as to silver developments. Mr. Morgenthau told Lochhead to tell White that he would be glad to see Senator Pittman and the other members of the Silver Committee as early as they found it convenient.

Dec. 9, 1935

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On the evening of Saturday, December 7, the Secretary informed me that he had decided to change our method of procedure in the purchase of silver in the London market. Instead of putting in a bid in the London market for an amount equal to the silver offered there we would insist that the London brokers make us firm offers of definite amounts of silver at fixed prices, which we would either accept or reject as it suited our convenience.

Early in the morning of December 9, advice was received from London that about 2,000,000 ounces of silver were offered at the fix, and following the usual procedure the London brokers asked for an order from us in order that they might establish the fix. The Chase National Bank was instructed to advise the brokers through their London office that we did not care to put an order in their market at the fix but that we would await a firm offer from them. At 8:30 AM, New York time, we were informed that there were 2,500,000 ounces of silver for sale, but this information was not accompanied by a firm offer. At 9:30, New York time, we were advised that the London fixing was being postponed, awaiting advices from the United States. At 9:45 AM the London brokers advised that the fixing was still postponed and a request was again made that we place an order in their market as heretofore. In reply they were referred to our previous Cable in which we stated that we were only interested in firm offers. We were informed at that time that the London brokers were conferring together in order to see if it was possible for them to follow our suggestion. Around 10:30 AM advice was received from the London brokers that they had a total of 3,100,000 ounces of silver for sale but owing to the fact that all these orders had been received from their clients on the basis of their

Dec. 9, 1935

established rules there was not time that day to notify their clients of the change of procedure. They requested that we place an order with them to cover the business that day and so give them time to adjust themselves, if possible, to the new method suggested by us. After due consideration, the Secretary agreed to give them an order for 2,000,000 ounces at 29 pence and 2,000,000 ounces at 28 $\frac{3}{4}$ pence with the understanding that this was a special order and they would have to adjust themselves by the following day to the new procedure. The London brokers thereupon fixed the price at 28 $\frac{3}{4}$ pence, which was equivalent to 63.85¢ and sold us 3,100,000 ounces at that price. After the fix other offers were made from London at the same price, of which 900,000 ounces were accepted to bring our total purchases in London up to 4,000,000 ounces.

Mrs. Klotz

There was nothing
but routine
figures before
Monday -

ER

ADD LONDON SILVER DELAYED

D.J. 124

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LONDON - BULLION BROKERS REPORT THAT FIXING
OF THE SILVER PRICE WAS DELAYED AWAITING A
BUYER AND THAT AT 4 45 PM AMERICAN CAME IN AND
BOUGHT ALL SPOT EASTERN OFFERINGS AT THE LOWER
PRICE - TURNOVER WAS ABOUT 3 000 000 OUNCES -
A CONSIDERABLE VOLUME OF FORWARD SELLING FROM
ALL QUARTERS WAS IN THE MARKET

WCNS61

LONDON--BAR SILVER WAS FIXED AT 28 3/4 PENCE AN OUNCE TODAY AFTER A DELAY OF MORE THAN 2 HOURS BECAUSE OF REPORTED WITHDRAWAL OF AMERICAN SUPPORT IN THE FACE OF HEAVY OFFERINGS FROM THE FAR EAST. THE PRICE WAS 7/16 PENNY BELOW SATURDAY'S LEVEL AND THE LOWEST PRICE SINCE EARLY THIS YEAR.

12/9--1215P

DOW JONES TICKLER - December 9, 1935.

LONDON SILVER MARKET

10.15
LONDON - THE PRICE FIXING OF SILVER HAS BEEN
DELAYED AWAITING AMERICAN SUPPORT

WCNS69

ADD BAR SILVER, LONDON

IT WAS ESTIMATED 3,000,000 OUNCES OF THE METAL HAD BEEN OFFERED,
NOT AN UNUSUALLY LARGE TOTAL.

IN A SOMEWHAT SIMILAR SITUATION ON AUGUST 14 THE U. S. TREASURY
PURCHASED MORE THAN 25,000,000 OUNCES OF THE METAL TO BOLSTER THE
PRICE.

IT WAS BELIEVED BECAUSE OF THE SHARP DROP THAT THE U. S. DID NOT
SUPPORT THE MARKET.

TODAY'S WORLD PRICE WAS 7 1/2 PENCE BELOW THE PEAK OF 36 1/4
PENCE RECORDED APRIL 26 AND 4 7/16 PENCE ABOVE THE LOW OF 24 5/16
PENCE SET JANUARY 8.

BASED ON THE POUND STERLING AT 84.93, THE AMERICAN EQUIVALENT FOR
A FINE OUNCE WAS 63.84 CENT, OR ABOUT A CENT BELOW SATURDAY'S
EQUIVALENT.

12/9--N1231P

WCNS127

New York
NEW YORK--STOCKS MOVED IRREGULARLY HIGHER TODAY IN ACTIVE TRADING. SILVERS DECLINED ON WEAKNESS IN THE LONDON SILVER MARKET CAUSED BY HEAVY FAR EASTERN OFFERINGS. SOME UTILITIES AND STEELS DECLINED AND PROFIT-TAKING DEVELOPED IN SOME RECENT FAVORITES.

HOWEVER, THE RAILROAD SHARES CONTINUED TO GAIN AND NEW INTEREST DEVELOPED IN COPPERS, WHICH WERE HELPED HIGHER BY A FURTHER RISE IN THE PRICE OF COPPER ABROAD. NEW HIGHS WERE NOTED IN ANACONDA AND KENNECOTT. GOLD MINING SHARES WERE BETTER, FEATURED BY THE HIGH PRICED HOMESTAKE WHICH MADE A NEW HIGH FOR THE YEAR AT 480 UP 30 POINTS.

GAINS IN THE RAILS RANGED TO MORE THAN A POINT.

12/9--N304P

Montreal

WCNS150

MONTREAL--SILVER PRICES BROKE SHARPLY TODAY FOLLOWING THE DROP
IN BAR SILVER PRICES IN LONDON AND NEW YORK, FUTURES CLOSING 245 TO
500 POINTS LOWER. ONLY ONE MONTH WAS TRADED.

12/9--R435P

Silver - London

WCNS54

LONDON--LONDON'S SILVER TRADERS, CONFUSED BY A COLLAPSE IN THE MARKET WITH MILLIONS OF OUNCES OF THE METAL OFFERED AND NO BIDDERS, TODAY CIRCULATED REPORTS THAT A BANKING SYNDICATE WAS BEING FORMED TO TAKE OVER THE PRESENT CRISIS.

12/10--R1123A

WCNS61

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ADD SILVER, LONDON

THE REPORTS, UNCONFIRMED THUS FAR, TOLD OF ORIENTAL BANKS APPROACHING LARGE BRITISH INSTITUTIONS LAST NIGHT AND THIS MORNING TO JOIN FORCES TO AID SILVER. PRINCIPAL ARGUMENT IN THE APPROACH WAS TO SAVE THE PRESTIGE OF THE LONDON SILVER MARKET AND OF THE FAR EAST AS WELL.

BULLION BROKERS, IT WAS UNDERSTOOD, HAD PERSUADED SOME CUSTOMERS TO AMEND THEIR ORDERS TO "SELL AT THE MARKET". THAT PROCEDURE WOULD LIGHTEN PRESSURE.

NEVERTHELESS ANXIETY CONTINUED AS CONFUSED TRADERS TRIED TO FIND REASONS FOR DEMORALIZATION OF THE MARKET. THEY CONCLUDED, AS DID SILVER EXPERTS IN NEW YORK, THAT THE U.S. TREASURY HAD CHANGED ITS SILVER POLICY. IT WAS CERTAIN THAT THE TREASURY HAD WITHDRAWN ITS SUPPORT FROM THE MARKET--SUPPORT THAT HAD SAVED MANY A SIMILAR SITUATION IN RECENT MONTHS.

THE LONDON METAL EXCHANGE WHICH IS A SECONDARY MARKET FOR SILVER FAILED TO DO ANY BUSINESS IN THE METAL. IT FIXED THE PRICE FOR SILVER 999 FINE AT 27.29 PENCE PER OUNCE. THAT WOULD BE EQUIVALENT TO 25 1/4 PENCE FOR SILVER 925 FINE TRADED ON THE LONDON MARKET. THE LAST PREVIOUS QUOTATION FOR THE LATTER WAS 28 3/4 PENCE. THE PRICE WOULD BE EQUIVALENT TO AN AMERICAN QUOTE OF 56 1/8 CENTS PER FINE OUNCE OR A DECLINE OF 7 5/8 CENTS FROM THE PRICE OF 63 3/4 CENTS AN OUNCE FIXED IN NEW YORK YESTERDAY.

MEANWHILE THE LONDON SILVER MARKET WENT WITHOUT A QUOTATION FOR SILVER FOR THE SECOND DAY.

AT 4:00 P.M. OFFICIAL SILVER BROKERS WHO GATHER EACH DAY TO SET THE WORLD PRICE WERE CLOSETED AT THE FIRM OF SHARPS WILKINS AWAITING WORD FROM WASHINGTON TO DETERMINE THEIR PROCEDURE. THEY WAITED IN VAIN FOR SUCH WORD YESTERDAY.

Silver - Mexico

WCNS45

**MEXICO CITY--COLLAPSE OF WORLD SILVER MARKETS HAS BROUGHT FEARS
THAT MEXICO'S PROSPERITY BUILT UP IN 1935 BY SILVER, MIGHT END AS
SUDDENLY AS IT STARTED.**

12/10--R1108A

Dies on Silver

WCNS66

REP. MARTIN DIES, SAID TODAY HE WOULD URGE PRESIDENT ROOSEVELT TO HAVE THE SILVER-PURCHASING ACT ADMINISTERED IN A MANNER THAT WILL STIMULATE EXPORTS OF SURPLUS FARM AND MANUFACTURED COMMODITIES.

DIES, WHO INTRODUCED THE ADMINISTRATION'S SILVER BILL IN THE HOUSE, HOLDS THAT ITS TERMS ARE BROAD ENOUGH TO PERMIT THE EXCHANGE OF SURPLUS COMMODITIES FOR FOREIGN SILVER, THEREBY AVOIDING THE NECESSITY FOR OPEN MARKET PURCHASES ABROAD.

12/10--R1149A

December 10th

H M W
HO
(D.J. 3:00 P.M.)

Sen. Thomas Blames Great Britain for Silver Dilemma:

Washn. - Sen. Thomas, Dem., Okla., member of two silver investigating committees of the Senate, declared today that the silver situation is the result of an attempt by Gr. Britain to get the world powers including China to tie their currencies to the pound sterling at the expense of the U.S.

The Sen. said Gr. Britain sent Keith Ross to China and convinced that nation that it would be a good plan for it to go on a managed currency tied to the pound, and that it sell silver to buy gold.

"They have made suckers out of us long enough," Sen. Thomas said. "I think it is a fine thing for both silver and the U.S. to have this show down."

You see? Just my words!

NO QUOTATION ON LONDON SILVER

12.59

LONDON - THERE WAS NO QUOTATION OR BUSINESS ON

THE LONDON SILVER MARKET TODAY-

ADD SILVER

1.30

THIS IS BELIEVED TO BE THE FIRST TIME THAT LONDON HAS BEEN UNABLE TO FIX A PRICE FOR SILVER - THERE HAVE BEEN OCCASIONS IN THE PAST PRIOR TO THE AMERICAN SILVER PROGRAM WHEN LONDON WAS UNABLE TO FIX A PRICE BASED ON BUSINESS THERE BUT AT THOSE TIMES LONDON COLLABORATED WITH N Y AND THE STERLING EQUIVALENT OF THE N Y OPRICE WAS POSTED AS THE OFFICIAL LONDON PRICE

IT IS UNDERSTOOD THAT THERE WERE ABOUT 20 000 000 OUNCES OF SILVER OFFERED FOR SALED IN THE LONDON MARKET TODAY WITHOUT A SINGLE BUYING ORDER - IN THE PAST FEW MONTHS THE AMERICAN TREASURY HAS BEEN THE ONLY BUYER OF SILVER OF ANY IMPORTANCE - TODAY THE TREASURY MADE NO BID IN LONDON AND WITHOUT A BUYER IT WAS BOTH IMPOSSIBLE TO FIX A PRICE OR DO ANY BUSINESS

WCNS9

Silver

London

LONDON--REPORTS SPREAD TODAY THAT SECRETARY MORGENTHAU, JR., OF THE U.S. WAS ATTEMPTING TO NEGOTIATE DIRECTLY WITH CHINA FOR THE PURCHASE OF THE BULK OF THAT NATION'S SILVER.

THE REPORTS GREW AFTER THE TWO HOUR DELAY IN FIXING THE PRICE FOR BAR SILVER ON THE LONDON MARKET YESTERDAY -- A DELAY WHICH EVENTUALLY MEANT A DECLINE IN THE PRICE OF SILVER -- AND THE REPORTED DELAY BY THE U.S. IN AGREEING TO PURCHASE SILVER.

12/10--R9A

London

LONDON BULLION BROKERS REPORT HEAVY SILVER
SELLING ORDERS WERE RECEIVED THIS MORNING MAIN-
LY FROM STALE BULLS ALTHO THERE ALSO MAY BE &
SOME BEAR SELLING- UNLESS AMERICAN SUPPORT IS
FORTHCOMING BROKERS DO NOT KNOW WHAT WILL
HAPPEN AT THE TIME OF PRICE FIXING

-0-

WCNS80

LONDON--THE LONDON SILVER MARKET WAS IN A COMPLETE DEADLOCK TODAY AND TRADERS CONSIDERED SUSPENSION OF DEALINGS FOR THE FIRST TIME SINCE OUTBREAK OF THE WORLD WAR.

OFFERINGS OF SILVER TOTALED BETWEEN 18,000,000 AND 20,000,000 OUNCES, BUT THERE WERE NO BUYERS.

12/10--ON104P.

WCNS96

ADD SILVER, LONDON

AFTER A DELAY OF FOUR HOURS, DURING WHICH BULLION BROKERS MADE FRANTIC BUT FUTILE EFFORTS TO OBTAIN SUPPORT FOR THE MARKET, IT WAS DECIDED TO SUSPEND DEALINGS.

MOST OFFERINGS, WHICH WERE 6 TO 7 TIMES THE NORMAL VOLUME, CAME FROM THE FAR EAST AND WERE INSPIRED BY BELIEF THE U. S. HAD ALTERED ITS BUYING POLICY.

YESTERDAY THE PRICE WAS FIXED AT 28-3/4 PENCE, A DECLINE OF 7/16 PENNY AND THE LOWEST SINCE MARCH 26, AFTER A DELAY OF MORE THAN TWO HOURS.

12/10--N152P

TREASURY OFFICIALS SAY NO CHANGE IN SILVER
POLICY

4.30

WASHN - IN RESPONSE TO INQUIRIES AT TREASURY
DEPT HERBERT GASTON ASST TO SECY MORGENTHAU
SAID THAT THE TREASURY HAS MADE NO CHANGE IN
ITS POLICY OF CARRYING OUT THE SILVER CONTRACT
AND THAT IT COULD NOT DISCLOSE DAY-TO-DAY
TRANSACTIONS IN CONNECTION WITH THE CARRYING OUT
OF THE LAW

AT THE TREASURY IT WAS SAID THAT THE SECY
WOULD HAVE NO PRESS CONFERENCE IF ONE WAS
SOUGHT TO INQUIRE WHAT THE TREASURY HAS BEEN
DOING ABOUT SILVER IN THE LAST FEW DAYS

Pittman

WCNS137

RENO--SUSPENSION OF SILVER TRADING ON THE LONDON MARKET WILL
HAVE NO EFFECT WHATEVER ON THE U.S. SILVER POLICY, SENATOR KEY PITTMAN,
AUTHOR OF THE ADMINISTRATION'S SILVER PURCHASING ACT, SAID TODAY.

12/10--R443P

WCNS122

ADD THOMAS, SILVER

"THIS ADMINISTRATION," THOMAS SAID, "IS ON RECORD AS FAVORING THE POLICY OF ACQUIRING ADDITIONAL SILVER TO THE END THAT 25 PER CENT OF OUR TOTAL METALLIC STOCKS SHALL BE HELD IN THE WHITE METAL.

"IF THIS IS NOT THE POLICY OF OUR GOVERNMENT THEN WE SHOULD CEASE THE PURCHASES OF ADDITIONAL SILVER AND TAKE OUR LOSS."

HE ATTRIBUTED THE PRESENT DEMORALIZATION OF THE SILVER MARKET TO A BATTLE BETWEEN AND AMONG THE GOLD BLOC NATIONS, THE SILVER USING NATIONS AND THE NATIONS WITHOUT EITHER GOLD OR SILVER.

12/10--R349P

Thomas

WCNS120

SENATOR ELMER THOMAS TODAY URGED THE ADMINISTRATION EITHER TO ACQUIRE SUFFICIENT SILVER TO BRING THE SUPPLY UP TO 25 PER CENT OF THE NATION'S TOTAL METALLIC STOCKS OR "GET OUT OF THE SILVER PURCHASING BUSINESS."

12/10--R325P

WCNS138

ADD PITTMAN, RENO

SENATOR PITTMAN INTERPRETED THE STAGNATION OF THE LONDON SILVER MARKET AS A MOVE TO FIGHT THE AMERICAN SILVER POLICY, WHICH, PITTMAN SAID, LONG HAS BEEN OPPOSED BY BRITISH INTERESTS.

"BRITAIN WANTS TO ESTABLISH THE POUND STERLING AS THE MONEY OF INDIA. THAT'S WHY BRITAIN STARTED MELTING UP INDIA'S SILVER COINS IN 1928, AND THAT'S THE WHY AND WHEREFORE OF MUCH OF THE OPPOSITION TO THE AMERICAN POLICY," THE NEVADA SENATOR ASSERTED.

PITTMAN SAID HE HAD HEARD NOTHING OF REPORTS AMERICA WAS PLANNING A CHANGE IN ITS SILVER-BUYING POLICY, OR THAT AMERICA WAS PLANNING TO "BUY UP THE CHINESE STOCK OF SILVER."

12/10--R455P

SENATOR THOMAS BLAMES GREAT BRITAIN FOR SILVER

DILEMMA

3.00

WASHN - SENATOR THOMAS DEM OKLA MEMBER OF
TWO SILVER INVESTIGATING COMMITTEES OF THE
SENATE DECLARED TODAY THAT THE SILVER SITUATION
IS THE RESULT OF AN ATTEMPT BY GREAT BRITAIN TO
GET THE WORLD POWERS INCLUDING CHINA TO TIE
THEIR CURRENCIES TO THE POUND STERLING AT THE
EXPENSE OF THE U S -

THE SENATOR SAID GREAT BRITAIN SENT
KEITH ROSS TO CHINA AND CONVINCED THAT NATION
THAT IT WOULD BE A GOOD PLAN FOR IT TO GO ON A
MANAGED CURRENCY TIED TO THE POUND AND THAT IT
SELL SILVER TO BUY GOLD-

-THEY HAVE MADE SUCKERS OUT OF US LONG
ENOUGH- SENATOR THOMAS SAID- -I THINK IT IS A
FINE THING FOR BOTH SILVER AND THE UNITED
STATES TO HAVE THIS SHOW DOWN-

M

12 52 PM

SILVER

WASHN - BY U ^R CONGRESSIONAL SILVER AUTHORITIES TODAY REGARDED THE BREAK IN SILVER PRICES AT LONDON AND MONTREAL AS A TRANSITORY PHASE OF THE SILVER PROGRAM AND NOT AS AN INDICATION OF ANY PERMANENT CHANGE IN THE AMERICAN BUYING PROGRAM-

THE TREASURY DECLINED TO COMMENT ON THE LONDON SITUATION - IT HAS CONSISTENTLY TAKEN THAT POSITION ON GROUNDS THAT OTHERWISE IT WOULD REVEAL ITS HAND TO BROKERS AND SPECULATORS

SENATOR ELMER THOMAS DEM OKLA MOST ACTIVE PROPONENT OF THE SILVER MOVEMENT SAID HE HAD NO INFORMATION ON WHAT HAD HAPPENED AFTER THE BREAK YESTERDAY

Silver - Sen Thomas

WCNS54

CONGRESSIONAL SILVER AUTHORITIES REGARD THE BREAK IN SILVER PRICES AT LONDON AND MONTREAL AS A TRANSITORY PHASE OF THE SILVER PROGRAM AND NOT AS AN INDICATION OF ANY PERMANENT CHANGE IN THE AMERICAN BUYING PROGRAM.

SENATOR ELMER THOMAS, ACTIVE PROPONENT OF THE SILVER MOMENT, SAID HE HAD NO INFORMATION ON WHAT HAD HAPPENED AFTER THE BREAK YESTERDAY. HE SAID THERE WERE RUMORS THE U.S. TREASURY WAS GETTING OUT OF THE MARKET BUT HE DID NOT BELIEVE IT COULD WITHOUT TERRIFIC LOSS ON THE 700,000,000 OUNCES OF SILVER IT NOW HOLDS AT AN AVERAGE PURCHASE PRICE OF 60 CENTS AN OUNCE.

12/10--R1297P

WCNS134

ADD SILVER (WCNS131)

THE TREASURY, IT WAS EXPLAINED, HAD BEEN ABLE TO BUY HEAVILY IN THE FOREIGN SILVER MARKET RECENTLY DUE TO THE HEAVY FLOW OF CAPITAL TO THE U.S. BECAUSE OF THE EUROPEAN WAR SCARE.

WITH THE CAPITAL FLOW SLOWING, PRESSURE ON THE POUND STERLING EASED, THUS UPSETTING THE BALANCE WHICH HAD BEEN MAINTAINED BY THE HEAVY AMERICAN SILVER PURCHASES.

IT WAS SUGGESTED THAT BRITISH AND AMERICAN OFFICIALS WERE IN AGREEMENT IN THEIR DESIRE TO KEEP THE DOLLAR POUND RATIO AT THE PRESENT FIGURE OF \$4.93 TO THE POUND. HOWEVER, IF SILVER PURCHASES WERE CONTINUED IT WOULD REQUIRE PURCHASE BY THE U.S. OF LARGE BLOCKS OF STERLING EXCHANGE, THUS INCREASING THE TENDENCY OF THE POUND TO RISE.

IN ADDITION TO THE SITUATION AS REGARDS THE POUND, IT WAS POINTED OUT THAT THE GOVERNMENT WAS DESIROUS THAT ITS SILVER BUYING SHOULD NOT DISTURB UNDULY THE MONETARY ARRANGEMENTS OF THE GOLD STANDARD COUNTRIES.

12/10--R438P

ADD SILVER --WASHN

3.15

INFORMED STUDENTS IN THE GOVT ON SILVER
STATE THAT THE FEDERAL TREASURY USED THE
SILVER PURCHASE PROGRAM TO KEEP THE POUND STERL-
ING AND THE DOLLAR EXCHANGE RATIO INTACT DURING
THE FLIGHT OF CAPITAL TO THE U S RECENTLY AS A
RESULT OF THE WAR SCARE- THE U S BOUGHT SILVER
THROUGH PURCHASES OF STERLING AND BY THIS MEANS
OFFSET THE STRENGTHENING EFFECT ON THE DOLLAR
AS A RESULT OF THE FLIGHT FROM EUROPEAN
CURRENCIE PRINCIPALLY THE POUND

WITH IMPROVEMENT IN THE GOLD BLOC COUNTRIES
FOLLOWING THE VOTE OF CONFIDENCE GIVEN PREMIER
LAVAL BY THE FRENCH CHAMBER OF DEPUTIES THE
TENDENCY FOR THE DOLLAR TO APPRECIATE IN FOREIGN
EXCHANGE IS REDUCED AND HENCE THE NEED FOR
PURCHASES OF SILVER TO KEEP THE POUND FROM
DROPPING IS REMOVED IT IS SAID -

JK-9&PK8&M9

-IN LEHAD MAKE NAME READ LEITH ROSS
INSTEAD OF KEITH ROSS-

WCNS131

TREASURY OFFICIALS SAID THIS AFTERNOON THEY WERE "STILL CARRYING OUT THE SILVER PURCHASE ACT" WHICH CALLED FOR AN EVENTUAL INCREASE IN GOVERNMENT SILVER HOLDINGS TO A THIRD THE VALUE OF THE GOLD HOLDINGS. SECRETARY MORGENTHAU SAID HE WOULD NOT DISCUSS THE SILVER SITUATION WITH NEWSMEN.

HERBERT E. GASTON, ASSISTANT TO MORGENTHAU, SAID THAT THE TREASURY WOULD NOT TALK ABOUT DAY-TO-DAY DEVELOPMENTS OR TACTICS IN ITS SILVER PROGRAM.

12/10--R428P

WCNS126

ADD SILVER

IT WAS POINTED OUT THAT DUE TO THE LESSENING OF EUROPEAN WAR FEARS THE TREASURY'S SILVER PURCHASE PROGRAM COULD NOT BE CONTINUED WITHOUT RESULTING IN AN UNDESIRE SHARP ADVANCE IN THE PRICE OF THE POUND STERLING.

IT WAS TO PREVENT THIS RISE, IT WAS SUGGESTED, THAT THE TREASURY SDDENLY HALTED PURCHASE OF SILVER IN THE LONDON MARKET.

12/10--R404P

MONTREAL SILVER

MONTL- BOTH MAR AND MAY FUTURES ARE BEING OFFER-
ED IN MONTREAL SILVER PIT AT 55 05 WHICH IS AT
MAXIMUM DECLINE OF 500 POINTS ALLOWED FOR ONE D
DAY-

3,25

-0-

MONTREAL - BY UNITED PRESS -

-THE SILVER SECTION OF THE CANADIAN COMMOD-
ITY EXCHANGE ITSELF IS NOT INTERESTED WHETHER
PRICES GO UP OR DOWN- AN OFFICIAL OF THE EXCHANGE
SAID-

-THIS EXCHANGE DOES NOT FIX PRICES- IT MER-
ELY PROVIDES A MARKET FOR THOSE WHO WISH TO BUY
OR SELL-

-JUST BECAUSE TODAY THERE HAPPENS TO BE A
PREPONDERANCE OF SELLERS THERE IS NO REASON WHY
WE SHOULD DENY THE FACILITIES OF THE MARKET TO
THOSE WHO WISH TO SELL OR OTHERS WHO WOULD LIKE
TO BUY- HE SAID-



S125

Washington

TEMPORARILY WITHDRAWAL OF THE U.S. GOVERNMENT FROM WORLD SILVER
MARKETS WAS ASCRIBED UNOFFICIALLY TODAY TO A DESIRE TO AVOID UNSETTLEMENT
IN FOREIGN MONEY MARKETS.

12/10--R402P

WCNS130

MONTREAL--COLLAPSE OF THE LONDON SILVER MARKET BROUGHT A BREAK OF 5 CENTS AN OUNCE, THE MAXIMUM PERMITTED, IN ACTIVELY TRADED MONTHS ON THE CANADIAN COMMODITY EXCHANGE TODAY.

THE CLOSE WAS 500 POINTS LOWER ON ACTIVE MONTHS AND RANGED TO NOMINAL BREAK OF 780 POINTS IN MONTHS NOT TRADED.

LIQUIDATION DEVELOPED BUT FOUND ONLY A FEW TAKERS. SALES TOTALED 36 LOTS OR 360,000 OUNCES. DECEMBER, MARCH AND MAY FUTURES WERE THE ONLY ONES TRADED.

12/10--R424P

LONDON SILVER

2.24

LONDON - BULLION BROKERS SAY THAT OFFERS OF SPOT AND FORWARD SILVER FROM ALL QUARTERS TODAY EXCEEDED 20 000 000 OUNCEV AND AS AMERICA GAVE INSUFFICIENT SUPPORT IN RESPONSE TO INQUIRIES TO WASHINGTON IT WAS IMPOSSIBLE TO FIX A QUOTATION-

IF A QUOTATION HAD BEEN FIXED THE DISCOUNT ON FORWARD SILVER WOULD HAVE BEEN OUT OF ALL PROPORTION - COMPLETE CHAOS REIGNS IN THE BULLION MARKET AND BROKERS ARE QUITE UNABLE TO SAY WHAT WILL HAPPEN TOMORROW IF AMERICA STILL WITHOLDS SUPPORT- THE SITUATION IS QUITE UNPRECEDENTED AND THE FUTURE COURSE OF ACTION IS UNPREDICTABLE-

WCNS102

NEW YORK--THE NEW YORK MARKET FOR "FOREIGN BAR SILVER" WAS STALEMATED TODAY, NO BUYERS APPEARING SEVERAL HOURS AFTER THE USUAL PRICE FIXING TIME.

"NO PRICE WILL BE FIXED UNLESS A BUYER IS FOUND," A SPOKESMAN FOR HANDY & HARMAN, BULLION DEALERS, SAID.

12/10--R206P

WCNS114

MONTREAL--MARCH SILVER FUTURES BROKE 500 POINTS OR 5 CENTS AN OUNCE ON THE COMMODITY EXCHANGE TODAY, THE MAXIMUM LIMIT OF DAILY FLUCTUATION.

12/10--R259P

Montreal

WCNS108

MONTREAL--SILVER TRADING CONTINUED ON THE CANADIAN COMMODITY EXCHANGE TODAY IN SPITE OF THE COLLAPSE OF THE LONDON MARKET. EXCHANGE OFFICIALS SAID PLANS TO SUSPEND TRADING "WERE NOT BEING CONSIDERED AT THIS TIME."

"THE SILVER SECTION OF THE COMMODITY EXCHANGE ITSELF IS NOT INTERESTED WHETHER PRICES GO UP OR DOWN," THE OFFICIAL SAID.

THIS EXCHANGE DOES NOT FIX PRICES. IT MERELY PROVIDES A MARKET FOR THOSE WHO WISH TO BUY OR SELL.

"JUST BECAUSE TODAY THERE HAPPENS TO BE A PREPONDERANCE OF SELLERS THERE IS NO REASON WHY WE SHOULD DENY THE FACILITIES OF THE MARKET TO THOSE WHO WISH TO SELL OR OTHERS WHO WOULD LIKE TO BUY," HE SAID.

12/10 ON242P

SILVER

100 1.20

New York

NY - UNLESS A BUYER IS FOUND IN THE N Y
MARKET THERE WILL BE NO PRICE FIXED FOR FOREIGN
SILVER IN N Y TODAY - YESTERDAY-S QUOTATION WAS
64 3-4 CENTS PER OUNCE - AS FAR AS CAN BE
LEARNED NO SILVER HAS BEEN SOLD IN N Y TODAY

10:38 MONTREAL SILVER

MONTL- MONTREAL SILVER MARKET DISPLAYED A HESITANT TONE AT OPENING AWAITING LONDON PRICE- DECEMBER THE CURRENT MONTH SOLD OFF 310 POINTS AT OPENING AND OTHER MONTHS QUOTED SHOWED DECLINES RANGING FROM 110 TO 205 POINTS-

WCNS115

NEW YCRK--DEMORALIZATION OF WORLD SILVER MARKETS UNSETTLED THE STOCK AND BOND MARKETS TODAY. SILVER SHARES BROKE 2 TO MORE THAN 8 POINTS AND MOST OTHER ISSUES FOLLOWED THE DECLINE AT A SLOWER PACE.

12/10--R3P

WCNS110

NEW YORK--HANDY & HARMAN, BULLION DEALERS, TODAY FIXED THE PRICE FOR "FOREIGN BAR SILVER" AT NEW YORK AT 63 3/4 CENTS A FINE OUNCE, A DECLINE OF 1 CENT AN OUNCE FROM YESTERDAY.

12/10 ON243P

WCNS111

ADD SILVER, LONDON

FOR MORE THAN TWO MONTHS, UNTIL YESTERDAY, THE PRICE OF SILVER HAD BEEN STABILIZED AROUND 29 1/4 PENCE WITH OFFICIAL OR AMERICAN TREASURY BUYING ABSORBING OFFERINGS. SATURDAY AFTER FIXING THE PRICE, THE U. S. REFUSED TO MAKE ADDITIONAL PURCHASES AND THIS LED TO RUMORS OF A CHANGE IN THE U. S. TREASURY'S SILVER BUYING POLICY.

12/10 ON244P

WCNS85

NEW YORK--UNCERTAINTY OVER THE LONDON SILVER SITUATION--WHERE NO PRICE HAD BEEN FIXED SEVERAL HOURS AFTER THE REGULAR TIME--BROUGHT SELLING IN METAL SHARES WHICH WEAKENED THE ENTIRE STOCK MARKET TODAY.

THE MARKET TURNED ACTIVE SHORTLY AFTER MID-DAY AND THE ENTIRE LIST DROPPED. TRADING QUIETED BUT THERE WAS LITTLE PICKUP IN PRICE LEVELS.

12/10 ON115P

New York

WCNS29

NEW YORK--SILVER STOCKS BROKE SHARPLY AT THE OPENING ON THE STOCK EXCHANGE WHILE SILVER FUTURES CRASHED 300 POINTS AT MONTREAL AND THE LONDON MARKET AGAIN DELAYED FIXING THE SILVER PRICE BECAUSE OF PRESS OF OFFERINGS.

THE STOCK LIST WAS UNSETTLED BY THE SILVER INCIDENT WHICH WAS INTERPRETED AS REFLECTING A CHANGE IN THE GOVERNMENT'S SILVER BUYING POLICY. LEADING INDUSTRIAL STOCKS EASED FRACTIONS TO A POINT AND RAILS WERE LOWER. SOME SPECIAL ISSUES ADVANCED.

12/10--R1039A

LONDON SILVER

2.43

LONDON - BY U P- A SILVER BROKER TOLD THE UNITED PRESS AFTER DEALINGS HAD BEEN SUSPENDED THAT HE WAS HOPEFUL THAT THE SITUATION WOULD BE CORRECTED TOMORROW-

-WE HOPE TO SEE DAYLIGHT TOMORROW- HE SAID -THERE IS AN OLD ESTABLISHED RULE WHICH PROVIDES THAT THE FIXED PRICE MUST BE SET AT THE LEVEL AT WHICH THE ENTIRE BLOCK OF SILVER IS SOLD BUT WE WERE UNABLE TO FIND A BUYER WILLING TO TAKE ALL OFFERED TODAY - RATHER THAN FIX A NOMINAL PRICE WHICH IS SATISFACTORY TO NOBODY WE DECIDED TO SUSPEND DEALINGS-

WCNS91

LONDON--THE WORLD MARKET FOR SILVER COLLAPSED TODAY WHEN NO BUYERS APPEARED FOR THE 16,000,000 TO 20,000,000 OUNCES OFFERED, AND FOR THE FIRST TIME SINCE 1914 NO "OFFICIAL" PRICE WAS FIXED.

12/10--N133P

WCNS94

LONDON--THE U. S. TREASURY TODAY SAVED THE WORLD SILVER MARKET FROM FURTHER COLLAPSE WHEN IT BOUGHT A COMPARATIVELY SMALL BLOCK AND PERMITTED ESTABLISHMENT OF A PRICE AT 27 1/2 PENCE AN OUNCE--EQUIVALENT ON THE BASIS OF THE LATEST POUND STERLING QUOTE TO 61 CENTS A FINE OUNCE.

12/11--N123P

WCNS100

ADD SILVER, LONDON

THE UNITED PRESS LEARNED THE AMERICAN TREASURY BOUGHT SLIGHTLY LESS THAN A HALF-MILLION OUNCES, OR LESS THAN 7-1/2 PER CENT OF THE TOTAL OFFERINGS, WHICH RANGED FROM FIVE TO SIX MILLION OUNCES. THE PURCHASE WAS RATIONED OFF AMONG THE SELLERS ON THE BASIS OF OFFERINGS.

MEANWHILE IT WAS DECIDED TO SUSPEND DEALINGS IN FORWARD OR FUTURE SILVER UNTIL THE SPOT SITUATION HAD BEEN CLEARED UP.

ATTEMPTS TO FORM A BANKING SYNDICATE TO SAVE THE MARKET WERE FUTILE.

12/11--N132P

ADD SILVER, LONDON

VARIOUS RUMORS WERE CURRENT AFTER THE PRICE FIXING, BUT THE ONE WHICH WAS VIEWED WITH MOST CREDENCE WAS THAT THE BULLION BROKERS HAD SUSPENDED THE RULE WHICH REQUIRED THAT ALL OFFERINGS ON THEIR BOOKS BE ABSORBED BEFORE FIXING A PRICE AND THAT THE LEVEL HAD BEEN SET ON THE BASIS OF A RELATIVELY SMALL SALE.

NO QUOTATION, HOWEVER, WAS FIXED ON FORWARD OR FUTURE SILVER BECAUSE OF THE UNCERTAINTY SURROUNDING THE ENTIRE SITUATION.

12/11 ON102P F

WCNS86

ADD SILVER, LONDON (WCNS79)

add Silver

IT WAS IMPOSSIBLE TO LEARN IMMEDIATELY WHO ABSORBED THE HUGE OFFERINGS OF THE METAL AT TODAY'S PRICE.

HOWEVER, IT APPEARED THAT THE BUYING WAS MOTIVATED BY AN EFFORT TO PREVENT COLLAPSE OF THE WORLD MARKET AND THAT IT CAME FROM SOME LARGE INTERESTS--EITHER A BANKING COMBINE, AS RUMORED EARLY OR THE U. S. TREASURY.

IF THE BUYING DID COME FROM THE UNITED STATES, IT MARKED THE FIFTH TIME THIS YEAR THAT AMERICA PREVENTED A BREAK IN THE WORLD SILVER LEVEL AND FOCUSED ATTENTION AGAIN ON THE FACT THAT THE PRICE WAS DEPENDENT ALMOST ENTIRELY UPON THE SUPPORT OF THE AMERICAN TREASURY.

12/11 ON1251P

WCNS79

ADD SILVER, LONDON (WCNS74)

THIS WAS 2 3/4 CENTS AN OUNCE BELOW THE PRICE ESTABLISHED AT NEW YORK YESTERDAY BY HANDY & HARMAN, BULLION DEALERS. IT WAS 16 CENTS AN OUNCE BELOW THE NET PRICE PAID BY THE U.S. TREASURY FOR NEWLY MINED NATIVE METAL.

THE LONDON LEVEL WAS 1 1/4 PENCE AN OUNCE BELOW THE PRICE FIXED MONDAY. YESTERDAY BROKERS WERE FORCED TO SUSPEND DEALINGS WITHOUT FIXING A PRICE FOR THE FIRST TIME SINCE THE WORLD WAR WHEN NO BUYER COULD BE FOUND FOR THE 20,000,000 OUNCES OFFERED.

12/11--R1227P

2 48 PM

SILVER

LONDON - BROKERS STATE THAT ONLY 7 1-2 PC OF THE TOTAL CASH SILVER OFFERINGS AMOUNTING TO 6 000 000 OUNCES WAS BOUGHT BY AMERICA TODAY- FORWARD OFFERINGS AMOUNTED TO 15 000 000 OUNCES

ALTHO THE PROPOSITION OF FORMING A BANKING SYNDICATE HAS BEEN MOOTED IT IS THOUGHT MOST UNLIKELY THAT ANY GROUP COULD BE FOUND TO TAKE OVER SILVER AT A PRICE AND TO AN AMOUNT WHICH WOULD BE ACCEPTABLE TO SPECULATORS WHO HAVE BEEN CAUGHT UNLESS THE SILVER MARKET AGAIN BECOMES FREE FROM AMERICAN DOMINATION AND THE PRICE DECLINES SO CATASTROPHICALLY THAT SILVER AGAIN BECOMES AN ATTRACTIVE PURCHASE-

IT ALSO IS UNLIKELY THAT BANKS WOULD COME TO THE AID OF MORE EASTERN SPECULATORS

THE MARKET IS STILL IN DOUBT HERE WHETHER WASHINGTON IS GRADUALLY MOVING TOWARDS A POLICY OF LIMITING ITS PURCMHASES TO DOMESTICALLY PRODUCED SILVER OR WHETHER IT SIMPLY WISHES TO ELIMINATE SPECULATORS AND GET ITS FOREIGN SUPPLIES AT A LOWER PRICE- IN EITHER CASE THE PROBLEM OF FORWARD SALES WILL TAKE SOME TIME TO CLEAR UP AND PRESENTS GREAT DIFFICULTIES-

LONDON SILVER

1.32

LONDON -BY U P- THE UNITED PRESS LEARNED THE
AMERICAN TREASURY BOUGHT SLIGHTLY LESS THAN A
HALF-MILLION OUNCES OF THE TOTAL OFFERINGS
WHICH RANGED FROM FIVE TO SIX MILLION OUNCES -
THE PURCHASE WAS RATIONED OFF AMONG THE SELLERS
ON THE BASIS OF OFFERINGS

WCNS74

LONDON--AID CAME INTO THE WORLD SILVER MARKET TODAY, ENABLING
BULLION BROKERS TO FIX A PRICE OF BAR METAL AT 27 1/2 PENCE
AN OUNCE--EQUIVALENT, AT THE PRESENT VALUE OF THE POUND STERLING,
TO 61 CENTS A FINE OUNCE.

12/11--R1220P

WCNS132

MONTREAL--SILVER FUTURES BROKE AS MUCH AS 5 CENTS AN OUNCE--
THE LIMIT OF FLUCTUATIONS--IN ANOTHER SELLING WAVE TODAY WITH CLOSE
2-1/2 TO 5 CENTS LOWER.

TRADING WAS FAIRLY HEAVY, 39 CONTRACTS OR 390,000 OUNCES BEING
EXCHANGED. (SOME LIQUIDATION REPORTEDLY CAME FROM SHANGHAI ACCOUNT
WITH CHINESE TRADERS SWITCHING THEIR BUSINESS TO MONTREAL BECAUSE OF
THEIR INABILITY TO GET EXECUTIONS IN LONDON.

12/11--R430P

-0-

9150

LONDON BULLION BROKERS ARE PROPOSING TO SUSPEND
THE RULE WHEREBY ALL ORDERS WHICH ARE PLACED
AT THE FIXING SILVER PRICE MUST BE EXECUTED -
IN THE EVENT OF THERE BEING INSUFFICIENT BUYERS
TODAY THEY MAY FIX A SPOT PRICE AND RATIO
SELLING ORDERS TO 50 PC OR SOME SUCH FIGURE -
THIS IS THE PRESENT INTENTION BUT WHETHER IT
WILL BE PUT INTO OPERATION DEPENDS UPON AMER-
ICA-S ATTITUDE- IN REGARD TO THE FORWARD
MARKET THE POSITION IS MUCH MORE DIFFICULT AND
IT MAY BE THAT THE FORWARD PRICE WILL HAVE TO BE
MADE NOMINAL- BY THESE PROPOSED MEANS AND BY THE
FACT THAT LIMITS HAVE BEEN PLACED ON MANY SELL-
ING ORDERS THE SITUATION HAS BEEN EASED BUT IS
still
VERY DIFFICULT-

LONDON SILVER MARKET

9.10 London

LONDON - UP TO NOON BULLION BROKERS REPORT
FAIRLY LARGE ESTERN AND GENERAL SILVER SELLING
ORDERS RECEIVED - THERE WAS NO INDICATION AS TO
WHETHER AMERICA WILL SUPPORT THE MARKET- MANY
OF THE ORDERS RECEIVED TUESDAY TO SELL UNRESER-
VEDLY HAVE NOW BEEN AMENDED TO NOT TO SELL BE-
LOW A CERTAIN PRICE-

DOW JONES PICKER - December 11, 1935.

2,45

TREASURY WILL BE CALLED ON BY CONGRESS
 TO EXPLAIN SILVER DEVELOPMENT THOMAS BELIEVES
 WASHN - THE FEDERAL TREASURY WILL LIKELY
 BE CALLED UPON BY EITHER THE SELECT SENATE
 SILVER COMMITTEE HEADED BY SENATOR PITTMAN
 DEM NEV OR THE SENATE AGRIC SUBCOMMITTEE ON
 SILVER TO EXPLAIN CAUSES FOR THE PRESENT SILVER
 SITUATION SENATOR THOMAS DEM OKLA A MEMBER
 OF BOTH COMMITTEES SAID TODAY- NEITHER COMMITTEE
 IS EXPECTED TO MEET BEFORE CONGRESS
 CONVENES SENATOR THOMAS SAID BUT ONE OR BOTH
 OF THEM WILL WANT TO MAKE A COMPLETE STUDY OF
 THE SILVER SITUATION-

SENATOR THOMAS DECLARES THAT THE SOLUTION
 TO THE PROBLEM NOW CONFRONTING THE ADMINISTRA-
 TORS OF THE SILVER PURCHASE ACT WOULD BE A CON-
 CERTED BUYING PROGRAM UNTIL SILVER REACHES
 1 DLR 29 C AN OUNCE WHERE IT SHOULD BE STABILIZ-
 ED- -IF WE PUT THE PRICE WHERE IT OUGHT TO BE
 THE NATIONS OF THE WORLD WOULD ADJUST THEMSEL-
 VES TO IT- HE SAID-

NS109

ADD SILVER

TREASURY OFFICIALS CONTINUED TO CONCEAL THEIR PLANS, BUT A
BROKERMAN VENTURED THE COMMENT THAT SILVER REPORTS FROM LONDON "OFTEN
ARE ILL ADVISED." HIS COMMENT FOLLOWED REPORTS THAT THE U.S. HAD FINALLY
DIPPED INTO THE MARKET AND BOUGHT A SMALL AMOUNT OF SILVER PRO-RATED
AMONG THE BROKERS AT THE 61 CENT PRICE.

12/11--R216P

WCNS107

Thomas on Silver

THE U.S. TREASURY HAS "ROBBED ITSELF" OF \$28,000,000 IN THE LAST TWO DAYS BY LETTING THE WORLD PRICE OF SILVER DROP FOUR CENTS AN OUNCE, SENATOR ELMER THOMAS SAID TODAY.

THOMAS SAID THE LOSS WAS DUE TO THE TREASURY'S FAILURE TO SUPPORT THE LONDON SILVER MARKET WHICH CAUSED A DROP IN THE SILVER PRICE FROM ABOUT 65 CENTS AN OUNCE TO 61 CENTS.

"THE TREASURY HOLDS 700,000,000 OUNCES OF SILVER, THE VALUE OF WHICH DROPPED JUST AS MUCH AS THE WORLD PRICE DID, THEREFORE, THE TREASURY TOOK A LOSS OF ABOUT \$28,000,000 ON THIS MANEUVER," HE SAID.

"IT'S THE BEST THING THAT COULD HAPPEN, HOWEVER, TO MY MIND FOR IT WILL BRING A SHOW-DOWN ON THE SILVER SITUATION. UNLESS THE TREASURY GOES AHEAD AND GETS THE PRICE UP TO ITS REAL MONETARY VALUE, IT MIGHT AS WELL QUIT BUYING SILVER AND TAKE THE FULL LOSS ON WHAT IT ALREADY HAS."

12/11--R213P

SILVER

218

WASHN - BY U P- REP MARTIN DIES D TEX SAID
TODAY HE WOULD URGE PREYIDENT ROOSEVELT TO
ADMINISTER THE SILVER PURCHASING ACT IN A
MANNER TO STIMULATE EXPORTS OF SURPLUS COMMOD-
ITIES-

REP DIES WHO INTRODUCED THE ADMINISTRATIOB
SILVER BILL IN THE HOUSE HOLDS THAT IT TERMS
ARE BROAD ENFOUGH TO PERMIT THE EXCHANGE OF
SURPLUS COMMODITIES FOR FOREIGN SILVER THERE BY
AVOIDING THE NECESSITY FOR OPEN MARKET PURCHASES
ABROAD SUCH AS NOW ARE CAUSING INTERNATIONAL
REPCERCUSSIONS-

DISPARITY IN SILVER PRICES

THEY WERE NOT THE SAME AS IN THE MORNING
WHICH THE OFFICIAL SILVER PRICES WERE IN
THE EARLY PART OF THE YEAR - IN THE PLACE OF 2 IN THE
EARLY PART OF THE YEAR THE PRICE HAD RISEN TO
25 IN PARTS WHILE THE MARKET WOULD BE IN A STATE

SILVER

12.50

SHANGHAI - BY U P - CHINA NOW WOULD VIEW A SUDDEN
DRASTIC BREAK IN SILVER PRICES AS EQUALLY HARM-
FUL TO HER INTERESTS AS SHE LOOKED UPON THE
PAST RISE IN THE METAL AS RESULT OF THE U S
BUYING PROGRAM INFORMED QUARTERS SAID TODAY-
ALTHO A NERVOUS UNDERCURRENT WAS EVIDENT
THE SHANGHAI YEN EASED ONLY MODERATELY EFFECT
OF THE SILVER BREAK BEING MINIMIZED BY GOVT
OPERATIONS IN THE CURRENCY MARKET-

DISPARITY IN SILVER PRICE

NY - THERE IS A WIDE DISPARITY THIS MORNING BETWEEN THE OFFICIAL SILVER PRICES POSTED IN LONDON AND NEW YORK - ON THE BASIS OF 4 92 1-2 FOR STERLING THE 27 1-20 PRICE WAS EQUAL TO 60 94 CENTS WHILE THE HANDY & HARMAN QUOTATION FOR SPOT SILVER HAS BEEN FIXED HIGHER AT 62 3-4 CENTS - IT IS OBVIOUSLY AN ARTIFICIAL SPREAD

THE UNITED STATES GOVERNMENT IS UNDERSTOOD TO HAVE PAID 63 CENTS PER OUNCE FOR SILVER IN N Y THIS MORNING AND IT IS BELIEVED THAT AT LEAST SOME OF THE PURCHASES IN LONDON THIS MORNING WERE MADE FOR THE TREASURY-S ACCOUNT AT 60 94 CENTS - THE 63-CENT LEVEL IN N Y IS IN LINE WITH THE HANDY&HARMAN QUOTATION

UNDER ORDINARY CIRCUMSTANCES THE SPREAD BETWEEN THE LONDON AND NEW YORK PRICES WOULD PERMIT PROFITABLE ARBITRAGE BY BUYING LONDON AND SELLING NEW YORK - THE SPREAD WOULD PAY SHIPPING AND OTHER CHARGES AND LEAVE A WIDE MARGIN OF PROFIT

IN THE PRESENT INSTANCE HOWEVER IT IS NOT

FEASIBLE GENERALLY TO TAKE ADVANTAGE OF THE SPREAD BECAUSE THE TREASURY IS BUYING ONLY SPOT SILVER FOR DELIVERY WITHIN ONE DAY AFTER THE CONTRACT WAS MADE - A TIME LAG OF ABOUT 10 DAYS WOULD BE NECESSARY TO ALLOW TIME FOR DELIVERY ON BOTH ENDS AND SHIPMENTS FROM LONDON TO N Y - IN THE PRESENT UNSETTLED STATE OF THE SILVER MARKET THERE IS TOO MUCH RISK IF WIDE PRICE CHANGES DURING THAT TIME TO ALLOW SILVER TO BE BOUGHT IN LONDON AND THEN SHIPPED FOR SALE HERE

SOME CONFUSION HAS ARISEN IN CERTAIN QUARTERS OVER THE NEW YORK EQUIVALENT FOR THE LONDON SILVER PRICE WHICH IS SEVERAL CENTS HIGHER THAN AN INDICATED PRICE BASED MERELY ON THE EXCHANGE RATE - IN CALCULATING THE N Y EQUIVALENT ALLOWANCE IS MADE FOR THE DIFFERENCE IN FINENESS - THE LONDON QUOTATION IS BASED ON AN OUNCE OF SILVER 925 FINE WHILE THE N Y PRICE IS FOR 999 SILVER

1 28 PM-

New York

WCNS82

NEW YORK--THE PRICE OF BAR SILVER IN NEW YORK WAS FIXED BY HANDEL & HARMON, SILVER DEALERS, AT 62 3/4 CENTS, OFF 1 CENT FROM THE PRICE SET YESTERDAY.

12/11 ON1237P

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Tuesday, December 10, 1935.

Press Service
No. 6-41

Secretary of the Treasury Morgenthau today announced the final subscription and allotment figures with respect to the current offering of 2-3/4 percent Treasury Bonds of 1945-47 and 1-1/2 percent Treasury Notes of Series C-1940.

Subscriptions and allotments were divided among the several Federal Reserve districts and the Treasury as follows:

Federal Reserve District	<u>2-3/4 PERCENT TREASURY BONDS OF 1945-47</u>			
	Total Cash Subscriptions Received	Total Exchange Subscriptions Received	Total Subscriptions Received	Total Subscriptions Allotted
		(Allotted in full)		
Boston	\$ 141,755,900	\$ 5,047,600	\$ 146,803,500	\$ 38,728,000
New York	999,987,850	100,657,300	1,100,645,150	331,901,900
Philadelphia	96,168,300	2,570,500	98,738,800	25,068,450
Cleveland	86,357,650	1,509,000	87,866,650	22,919,350
Richmond	69,342,900	3,062,400	72,405,300	20,296,800
Atlanta	82,728,500	762,500	83,491,000	20,933,000
Chicago	198,787,550	39,950,100	238,737,650	88,254,050
St. Louis	57,280,000	1,962,300	59,242,300	16,270,750
Minneapolis	19,424,900	950,000	20,374,900	6,190,900
Kansas City	43,161,150	3,327,500	46,488,650	14,942,150
Dallas	56,867,900	744,500	57,612,400	16,534,650
San Francisco	182,434,100	656,000	183,090,100	43,410,600
Treasury	683,000	118,000	801,000	285,500
TOTAL	\$2,034,979,700	\$161,317,700	\$2,196,297,400	\$645,736,100

Federal Reserve District	<u>1-1/2 PERCENT TREASURY NOTES OF SERIES C-1940</u>			
	Total Cash Subscriptions Received	Total Exchange Subscriptions Received	Total Subscriptions Received	Total Subscriptions Allotted
		(Allotted in full)		
Boston	\$ 163,185,200	\$ 11,207,400	\$ 174,392,600	\$ 43,784,600
New York	1,308,829,200	138,324,500	1,447,153,700	388,007,400
Philadelphia	128,222,700	3,708,000	131,930,700	28,411,400
Cleveland	155,714,400	5,793,500	161,507,900	36,424,700
Richmond	70,473,800	23,162,000	93,635,800	38,237,800
Atlanta	71,661,300	5,830,000	77,491,300	20,403,500
Chicago	251,243,100	31,107,800	282,350,900	81,530,700
St. Louis	54,440,100	7,512,800	61,952,900	18,866,900
Minneapolis	23,569,500	5,191,000	28,760,500	10,388,000
Kansas City	41,601,400	8,433,400	50,034,800	17,454,100
Dallas	50,323,200	2,262,500	52,585,700	14,582,500
San Francisco	167,491,000	6,677,000	174,168,000	38,822,000
Treasury	510,000	161,000	671,000	261,000
TOTAL	\$2,487,264,900	\$249,370,900	\$2,736,635,800	\$737,174,600

Early in the morning the London silver brokers advised that they had on hand offers to sell about 6 million ounces of spot silver and about 25 million ounces for forward delivery. They also advised that they had changed their procedure of fifty years standing under which all silver offered for sale must be disposed of at the fixed price. The new arrangement allowed for a price to be fixed on the amount of bids received and the total bids received to be apportioned against the selling orders on a percentage basis.

At 11 AM the National City Bank, Bombay, telephoned their New York office and offered for prompt delivery on board American Steamer sailing on December 14, one lot of one million ounces of silver at 27 $\frac{7}{8}$ pence, equivalent to 61.80¢ and a second lot of 550 thousand ounces at 27 $\frac{1}{2}$ pence, equivalent to 61¢. These offers were accepted on the wire and as it had been decided to purchase a total of 2 million ounces in foreign markets, we accepted an offer for the difference, namely 450,000 ounces, from London at the price of 27 $\frac{1}{2}$ pence, which was equivalent to 61¢. This allowed for an execution by the London brokers of about 8 $\frac{1}{2}$ % of all their selling orders received. Later in the day further offers were made from both Bombay and London, some as low as the equivalent of 60¢, but these further offers were declined. The New York price was set at 63¢, and a total of about 3 million ounces was sold in New York at these prices. We were offered 2 million ounces of silver by the Banco de Mexico, but only one million of this was accepted at a price of 63¢, delivery in New York, less all expenses of transportation from Mexico.

TREASURY DEPARTMENT APPROPRIATION BILL

for

1937.

Statement of

HON. HENRY MORGENTHAU, JR.,

Secretary of the Treasury

Before
Subcommittee of House Committee
on Appropriations.

December 11, 1935.

- 1 -

The Treasury's estimates for 1937 have been carefully reviewed by the Department's budget and improvement committee, by the Budget Officer of the Department, and by the Bureau of the Budget.

As a result of such intensive study, the total estimates for annual operating expenses of the Department have been reduced from \$167,052,306, as submitted by Bureau heads, to \$143,511,200, as finally approved in the Budget now before this Committee, - a decrease of \$23,541,106.

This gross decrease is made possible by the elimination of items which although highly desirable are not absolutely essential, and it is believed that the Department will be able to conduct its many operations within the limits of the reduced estimates submitted, without embarrassment to the Service. It demonstrates, however, the earnest effort which has been made to reduce expenditures in the work of the Department.

The grand total of appropriations for the Treasury for 1936 is \$1,614,957,991.92, while the total estimates for 1937 now under consideration by your Committee aggregate \$1,623,298,600, indicating a net increase for all appropriations of \$8,340,608.08.

- 2 -

Appropriations under the Treasury Department, as set forth in the 1937 Budget, may be classified as follows:

1. Regular annual appropriations for ordinary operating expenses of the Department;
2. Indefinite appropriations for ordinary operating expenses of the Department;
3. Special items, consisting of internal revenue, customs and other miscellaneous refunds, etc.;
4. Interest on and retirements of the public debt payable from ordinary receipts.

ORDINARY OPERATING EXPENSES.

Under the first two classes, which cover the ordinary operating expenses of the Department and which are largely subject to administrative control, the estimates for 1937, when compared with the appropriations for the fiscal year 1936, show an increase of \$16,474,091.

This increase is due principally to the following:

- 3 -

Under "Expenses, Emergency Banking, Gold Reserve and Silver Purchase Acts" an item of \$1,662,800 appears in the 1937 estimates. Because of the availability of unexpended balances from prior years, no appropriation appeared under this heading in the regular Treasury appropriations for 1936. These unexpended balances, however, provided funds adequate only for the first half of the fiscal year and, accordingly, a deficiency estimate under this appropriation will be submitted for the balance of the current fiscal year.

Under "Salaries and Expenses, Division of Disbursement", an increase of \$762,510 is necessary to provide for disbursing work taken over by this Division in the current fiscal year from other departments and establishments. The Division of Disbursement has practically completed its organization of disbursing functions, both in the District of Columbia and in the field. An increased volume of disbursing work has been handled without corresponding increase in personnel, and it is confidently expected that with continued effort in the development of improved methods, further economies will be effected.

In order to maintain the necessary number of Customs employees for minimum requirements, the estimate under "Collecting the Revenue from Customs" is \$204,200 larger than the 1936

- 4 -

appropriation.

An increase of \$1,931,740 is estimated for the Bureau of Internal Revenue, due to the need for additional personnel in the Income Tax and Alcohol Tax units, as well as in the Field Collection Service. The increase of force in the Alcohol Tax unit is required for the supervision of new plants which have come into operation since the discontinuance of the Distillers' Codes under the N. R. A. The increase in the Income Tax Unit and the Field Collection Service is required to expedite the examination and audit of income tax returns.

Under Coast Guard, an increase of \$2,064,755 is due principally to the need for additional airplanes and to the requirement of additional personnel to man new vessels and new aviation stations.

The Bureau of Engraving and Printing will require additional funds in the amount of \$340,183 to meet anticipated increased demands in 1937 for currency, revenue stamps and checks.

For the Secret Service an increase of nearly \$247,000 is necessary to enable that Service to cope with increased counterfeiting activities in all parts of the country, to investigate forgeries and other frauds committed in connection with the greatly increased volume of Government checks

- 5 -

issued, and to perform the additional investigative work required of the Service under laws recently enacted.

The Public Health Service estimates are \$9,586,748 larger than their 1936 appropriations. Of this increase, over \$9,235,000 represents new items under the Social Security Act, of which \$8,000,000 is estimated for providing grants to the States under Section 601 of that Act, and about \$1,235,000 to provide for new projects of investigation and study under Section 603.

The sum of \$250,000 is estimated under the General Supply Fund of the Procurement Division, in order to provide adequate funds with which to conduct the increased volume of commodity purchases. The consolidation of purchasing functions under the Procurement Division has already resulted in substantial savings, the details of which will be given to the Committee by the Director of Procurement.

The Federal Alcohol Administration, created as a Division of the Treasury under the Act of August 29, 1935, and not hitherto appropriated for under the Treasury Department, will require \$550,000 for 1937. A deficiency appropriation for this Division will be requested for the current fiscal year.

- 6 -

While the estimate contained in the Budget for 1936 under the indefinite appropriation "Expenses of Loans, Act September 24, 1917, as Amended and Extended", was \$1,360,280, it is now estimated that \$3,000,000 will be required for this purpose for 1936. The estimate for 1937 is \$1,868,000, indicating a reduction under this heading for 1937 of \$1,132,000. The increase for the fiscal year 1936 is necessary in order to handle the estimated volume of public debt transactions arising out of new issues in meeting maturities and in acquiring such additional sums as may be necessary for Governmental costs in excess of estimated revenues for the year.

NON-OPERATING EXPENSES.

The non-operating expenses of the Department include such items as Federal Land Bank payments, refunds of collections, trust funds, recoinage of coins, and public buildings construction.

The requirements for 1937 to meet non-operating expenses, as set forth in the estimates now before your Committee, are \$99,235,482 less than the 1936 appropriations under this heading. The 1937 estimates, however, do not include any provision

- 6 -

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The requirements for 1937 to meet non-operating expenses, as set forth in the estimates now before your Committee, are \$99,235,482 less than the 1936 appropriations under this heading. The 1937 estimates, however, do not include any provision

- 7 -

for public buildings construction, the estimates for which will be separately submitted to the Congress. If we exclude, for purposes of comparison, public buildings construction, the estimates for 1937 to cover the non-operating expenses of the Department are less, by \$31,235,482, than the 1936 appropriations for similar purposes. This reduction is made up principally of the following items:

While an increase of \$4,000,000 appears for 1937 under "Subscriptions to Paid-In Surplus, Federal Land Banks", a reduction of \$12,000,000 has been made in the estimate under "Payments to Federal Land Banks, Reduction in Interest Rate on Mortgages".

Under the Customs Service, an increase of \$5,000,000 is estimated for "Customs Refunds and Drawbacks", such increase being based upon an increase in Customs business.

Under Internal Revenue, on the other hand, the estimated appropriations necessary in 1937 to meet all non-operating expenses are approximately \$27,000,000 less for 1937 than for 1936. This is due entirely to a reduction of \$27,000,000 in the estimate for "Refunding Internal Revenue Collections". This decrease will be accomplished by utilizing in 1937 the unexpended balance of the current year's appropriation.

- 8 -

An item of \$700,000 was appropriated for 1936 under "Relief of Contractors". While no additional funds for this purpose will be required for 1937, legislation for the granting of such relief is included in the 1937 Budget, with provision for the use, during the latter year, of any funds remaining unobligated from the 1936 appropriation.

INTEREST ON THE PUBLIC DEBT

and

PUBLIC DEBT RETIREMENTS.

Interest on the public debt shows, for 1937, an increase of \$63,000,000 as compared with the revised estimate for 1936, the additional amount being necessary because of an increase in the estimated amount of obligations which will be outstanding.

An increase of \$29,000,000 is estimated for the Sinking Fund, as compared with the revised estimate for the current fiscal year. This increase represents basic increases and the accrual of interest required under the law.

December 11, 1935

Lockett, U. S. Commercial Attache of the United States at Mexico, telephoned to the Secretary today from Mexico City at 1:15 o'clock.

The Secretary sent for Coolidge, Oliphant and Lochhead. Coolidge and Lochhead came in, but Oliphant was out to lunch.

In the course of the conversation, HM, Jr. asked Lockett to hold the 'phone and Lockett said he would. Their conversation to this point is as follows:

Tom

Lockett: This is Tom Lockett in Mexico City -

HM, Jr: Yes

L: We're about to get into more financial difficulties down here.

HM, Jr: Why is that?

L: - The - just before this last drop - silver -

HM, Jr: Yes

L: - the note issue was about three million pesos less than the monetary reserve.

HM, Jr: Yes

L: The quotation from London today was sixty-one, or a drop of over four points, -

HM, Jr: Yes

L: - which made the note issue about twelve million pesos in excess of the monetary reserve.

HM, Jr: Well, they've sold - you mean they've sold too much silver?

L: Yes. Now they're - they're getting in a devil of a mess and they're afraid to publish a statement of the Department of Mexico showing the issue greater than the metallic reserve.

HM, Jr: Yes

L: So they - they are fearing very disastrous results with probably runs on the banks.

HM,Jr: Well, what did - what did they let the reserve go down so much for?

L: Well, they're doing the same thing now that they did before by not watching and preparing.

HM,Jr: But I mean - what -

L: The Secretary of the Treasury asked me to call you -

HM,Jr: Yes

L: - and give you this information and also this further information.

HM,Jr: Yes

L: In the monetary reserve there are some two hundred million of these old demonetized coins, -

HM,Jr: Yes

L: - which amount to about sixty million fine ounces of silver.

HM,Jr: Yes

L: He wants to know if it would be possible for you to make an exchange with him - that is give him gold for those sixty million ounces of silver -

HM,Jr: Yes

L: - in order that he can get himself in shape.

HM,Jr: Yes

L: And I told him, at his request, that I would immediately get in touch with you and give you that information.

HM,Jr: He wants to exchange sixty million ounces of silver - ?

L: Yes, sir.

HM,Jr: - for the equivalent amount of gold?

L: That's right. And those sixty million ounces are the fine content of the approximately two hundred million pesos worth of demonetized coins.

HM,Jr: Well, they don't - they don't figure that - they don't figure that - that the monetary coin is part

of their reserve, do they?

L: Yes, they do, but the Secretary figures that if that - if that is converted into gold -

HM, Jr: Yes

L: - that he will have a better base for his currency and convince his people that his notes are safe.

HM, Jr: I see. Well, now, would he want to actually move that gold and that silver?

L: That's my understanding.

HM, Jr: Yes, and how soon does he want an answer?

L: Just as soon as he can possibly get it. He saw me last night - again this morning I was with him. And he was trembling in his boots as to what might happen here at any time.

HM, Jr: Well, now, just - Have you reversed the charges on this?

L: No, I did not.

HM, Jr: Well -

L: But I'll pay them and send you a bill.

HM, Jr: That's all right.

L: That's all right?

HM, Jr: Now wait a minute, you stay on the phone, will you?

L: I'll do that.

HM, Jr: You stay on the phone.

L: Yes, sir.

(Long pause)

Using the direct wire to the White House, HM, Jr. called the President and told him that Lockett, from Mexico City, was on another 'phone and that Lockett reports that the price of

silver is dropping and the Secretary of the Treasury of Mexico had approached him. HM, Jr. told the President that it seems their paper currency is 12,000,000 pesos in excess of their monetary reserves. He said, "The Mexican Secretary of the Treasury wants to swap 200,000,000 pesos (the equivalent of which is 60,000,000 ounces of silver) for an equivalent amount of gold and that if we do that, we will save them." The President said he would be perfectly agreeable to making the exchange.

HM, Jr. then asked the President on what basis he thought we ought to make this swap and the President said 62 cents. HM, Jr. said he had in mind 61½ cents, but that he was perfectly agreeable to being a little more generous and to make it 62 cents.

The Secretary also reported to the President that Lochhead says there is something in the London Agreement to the effect that we cannot buy demonetized coins, but that he, the Secretary, would tell the Mexicans that if our legal office passes with approval on it, we will go through with it at 62 cents.

HM, Jr. then returned to the 'phone which Lockett was holding and a record of their exact conversation is as follows:

Tom
Lockett: Hello

HM, Jr.: Hello, Lockett - ?

L: Yes, sir.

HM, Jr.: Now, here's - there's something in the London Agreement about our not buying demonetized coins, but I think that's from silver brokers.

L: Yes

HM, Jr.: Now our General Counsel is out to lunch but he ought to be back any minute.

L: Yes

HM, Jr.: And we'll call you back - what's your number?

L: L - 1665

HM, Jr.: All right - now you just stay there and certainly within the half an hour -

L: Yes, sir.

HM, Jr: And I think you'd better have somebody from the Treasury come over and sit next to you so we can ask them some questions.

L: All right, I'll - I'll see if I can get the Secretary here himself.

HM, Jr: Right - if not that gentleman that came up here -

L: Yes, well he's - he's not in the Treasury.

HM, Jr: Oh, isn't he?

L: No

HM, Jr: Oh -

L: And the Secretary mentioned the fact about the London Agreement -

HM, Jr: Yes

L: And he wanted to know - he mentioned too that - as to whether or not it could be waived in this case in the case of the emergency.

HM, Jr: I see. Well -

L: And you'll call me back, will you?

HM, Jr: We'll call you back within a half an hour. Now, you might be telling them this -

L: Yes

HM, Jr: The price in London now is sixty cents. We've been offered silver at sixty cents.

L: Is what price?

HM, Jr: Sixty

L: Sixty cents?

HM, Jr: Yes

L: My God!

HM, Jr: And Bombay at sixty - we've been offered silver. So we thought we'd split the difference. Our price today was sixty-three and you - we can buy silver in London today at sixty - he can check that - so we thought

we would split the difference and then give him a little bit the benefit and call it sixty-two.

L: Call it sixty-two?

HM, Jr: Yes

L: Yes

HM, Jr: Now, I - I talked to the President -

L: Yes

HM, Jr: And he'd like to do it if possible as a friendly gesture to Mexico.

L: Yes

HM, Jr: Now, will you tell him that?

L: I certainly will, and Mr. Secretary -

HM, Jr: Yes

L: If there's - he didn't discuss this in detail with me, but if there's any objection on the actual movement or transfer -

HM, Jr: Yes

L: - probably he would be willing to make some arrangement whereby that gold would remain in the States?

HM, Jr: No, I'd rather get rid of it.

L: Oh, you'd rather get rid of it?

HM, Jr: Sure

L: Good Lord, that would suit him then.

HM, Jr: No, I would rather, - I'd rather you have the gold and we have the silver.

L: That's fine.

HM, Jr: Now -

L: Well, I'll tell you, I'll get someone here from the Treasury here in the meantime and I'll sit right here and await your call.

HM, Jr: And now, - tell him this, that the President of the United States and the Secretary of the Treasury are doing this as a gesture of friendship -

L: Yes

HM, Jr: - to the Republic of Mexico.

L: Well, I'll - I'll certainly do it.

HM, Jr: And then within a half an hour - now, Lochhead - Archie Lochhead will talk to you, I mean, they'll have to stand the expenses of - I mean we'll have to deduct the cost of refining and all that, but he'll tell you that.

L: All right. Well, I'll get the Secretary here so we'll have him to ask right back

HM, Jr: All right. Does he talk English?

L: Yes, he talks it all right, - so that the chances are he might want to talk to you himself.

HM, Jr: Well, I - unfortunately I won't be here because I've got to go up on the Hill to testify on appropriations. So, it will be Mr. Lochhead or Mr. Oliphant.

L: I see.

HM, Jr: But later on, if he's there, I'd be delighted to talk to him.

L: All right

HM, Jr: But -

L: I'll have him here - and -

HM, Jr: But he couldn't get any quicker service in a half an hour anywhere could he, for sixty million ounces of silver?

L: Oh, my Lord, I say not!

HM, Jr: All right.

L: All right, thank you.

HM, Jr: Goodbye.

The Secretary had to go to the Hill today at 2 o'clock to appear before the sub-Committee of the House Appropriations Committee. He asked Lochhead to locate Oliphant immediately and tell him of the conversation with Lockett and ask Oliphant to make a decision whether or not we could, under the terms of the London Silver Agreement, take the silver offered by Mexico.

When HM, Jr. returned from the Hill, he called in Coolidge, Oliphant and Lochhead. Oliphant stated that according to the London Agreement, Mexico having signed the Agreement, she could not, therefore, sell the United States any silver. HM, Jr. then asked the following question: "If an individual were to sell us demonetized silver we could not buy it, but is it not different if the Government sells it?" Lochhead said he thought that was right. Coolidge said there is danger of criticism if we buy from Mexico at 62 cents today and then drop the price tomorrow and buy silver cheaper tomorrow. HM, Jr. said, "If we do not buy silver from Mexico and the banks of Mexico close, having our Stabilization Fund and not helping them we certainly will be severely criticized." He also said, "Considering the background of Mexico, I certainly think we ought to buy this silver. The question is, and I would like Mr. Oliphant to put his mind to it is, have I the legal right to accept their offer?" Mr. Oliphant said he would look into it.

HM, Jr. then called Secretary Hull and told him the story of his conversation with Lockett and said that Oliphant is working on the legal question and suggested that he would like Mr. Oliphant to talk to Mr. Livesey about it. He also said, "The Mexicans see silver dropping and they want gold instead." He also told Mr. Hull that he thought it a very good idea to buy this silver as we were reaching nearer the ratio of our silver agreement. "I think it is a good thing to do, but it is just a question of whether we can do it," he told Mr. Hull.

Shortly after 4 o'clock Oliphant came in and told The Secretary that the Mexicans had misrepresented the situation; that the Mexican silver reserve is 197 million pesos and their gold reserve is 149 million, making a total of 346 million pesos. He said they have about the same amount of notes outstanding, including their sub-coins, and under their law they only have to have 50 percent. What they really want us to do is to buy their entire silver reserve or 197 million pesos.

Mr. Morgenthau then called Lockett. Their conversation is as follows:

HM, Jr: Hello -
Tom
Lockett: Mr. Secretary?

HM,Jr: Yes

L: This is Tom Lockett.

HM,Jr: Yes - are you alone?

L: No - the Minister is here.

HM,Jr: Oh - Well, now, Mr. Lockett, we've been discussing this thing at great length and we first want to get our facts straight. Now we've only got your figures as of October first -

L: October first?

HM,Jr: - And on that we figured that you - they had out about three hundred million dollars worth of notes -

L: Yes

HM,Jr: - and about forty-two million dollars worth of subsidiary coins.

L: Yes

HM,Jr: Or around three hundred and forty-three million.

L: Yes

HM,Jr: Is that right?

L: Well, now, I have a statement in front of me of November twenty-third.

HM,Jr: October twenty-third?

L: No, November

HM,Jr: November twenty-third?

L: Yes, sir.

HM,Jr: Now, what is that?

L: For which the note issue is three hundred and two million -

HM,Jr: Three hundred and two million?

L: Two hundred and fifty-seven thousand -

HM,Jr: Well, never mind that -

L: All right.

HM, Jr: Three hundred and two million?
L: That's right.
HM, Jr: Yes and how - what about the subsidiary coins?
L: The subsidiary coins? - Forty-three million -
HM, Jr: Yes
L: - seven hundred thousand.
HM, Jr: Or a total of three forty-five?
L: That's right.
HM, Jr: And their reserves - how much silver reserves?
L: Just a second - (pause) just a second -
Silver - Hello
HM, Jr: Yes
L: A hundred and ninety-seven million pesos.
HM, Jr: One ninety-seven?
L: Yes
HM, Jr: Yes - how much gold?
L: Just a minute - One hundred forty-nine million gold.
HM, Jr: A hundred and forty-nine million gold?
L: Yes
HM, Jr: And how much exchange?
L: Yes - now wait just a minute and let me give you the
final - I'm giving you the figures later than Novem-
ber the twenty-third. Now wait a minute and let me
give you the note issue.
HM, Jr: Note issue?
L: Approximately as I've given you.
HM, Jr: And that's the note issue?
L: Yes, sir.
HM, Jr: And now, what about their reserves?

L: Well, now -

HM,Jr: How much silver? - as of November twenty-third?

L: How much silver in the reserves?

HM,Jr: Yes

L: Eighty-four million ounces.

HM,Jr: Ounces?

L: Yes - or a hundred and ninety-seven million pesos.

HM,Jr: One ninety-seven pesos?

L: Yes, sir

HM,Jr: And how much gold?

L: A hundred and forty-nine million pesos.

HM,Jr: A hundred and forty-nine million? - And how much in exchange?

(Pause)

L: In dollars?

HM,Jr: Yes - pesos

L: Four hundred and thirteen thousand dollars, that's - that is included in that a hundred and forty-nine million.

HM,Jr: Oh, - well then there's a total of how much have they got in the reserves?

L: In the reserves? Let's see -

HM,Jr: Three forty-six -

L: Three forty-six is right.

HM,Jr: Now, as I understand it, - we've looked up the law - all they need is fifty per cent reserves - ?

L: Well, that - that's correct.

HM,Jr: Well then, what are they worrying about?

- L: Well, they - the difficulty is this, - that with this new money issue -
- HM, Jr: Yes
- L: - they run a market for such a short time they are afraid to conduct a note issue I mean the actual commercial value of the reserves.
- HM, Jr: Well, in other words, they want to keep a hundred per cent reserves?
- L: That's correct.
- HM, Jr: Well, is that what they're worrying about or are they worrying about the price of silver falling?
- L: No, I think it's the - merely a question of those reserves and the - the note issue.
- HM, Jr: Well now, why should they worry if they - if the law only requires fifty per cent and they've got over a hundred?
- L: Well, here's what they are afraid of. - They're afraid that when they
- difficulties with the banks.
- HM, Jr: Well, what happened down there today?
- L: Well, so far it is not known.
- HM, Jr: Yes
- L: and everything at this time seems to be normal.
- HM, Jr: Yes - Well now, has the Secretary down there or the Minister, looked into the question under the London Silver Agreement that he can sell demonetized coins?
- L: I guess he has, in fact he spoke of that to me this morning.
- HM, Jr: And what does he think?
- L: Well, he wanted - he particularly wanted to know if there is some way that it could be waived in such an emergency.

HM,Jr: Well, I mean, who's going to waive it?

L: (Laughter) - Mr. Morgenthau

HM,Jr: Yes

L: He would ask me that question as to whether some arrangements could be made as to whether it could be waived.

HM,Jr: Yes - Well now, let me ask you this -

L: Yes

HM,Jr: This two hundred million pesos of demonetized coins - is that part of their reserves?

L: Yes, sir.

HM,Jr: Well, that's their whole reserve then.

L: That's practically the whole thing plus the gold.

HM,Jr: Plus the gold? and not - then what they're talking about is selling us their entire silver reserve?

L: Practically -

HM,Jr: It's entirely - you mean, according to your figures, it is a hundred and ninety-seven million -

L: That's right

HM,Jr: Well, now, do they feel they have to sell all of their silver reserves?

L: Well now, the Minister has just asked me while he sitting here - he asked me whether or not if you would agree to do that. If you would require of sixty million ounces of silver or whether they could sell you any portion thereof.

HM,Jr: Now, say that again, please.

L: The Minister has just said to please ask you if you agree to make this exchange - would you require him to pay you the full sixty million ounces or would you take any portion thereof in a similar exchange.

HM,Jr: Well now, just hold the wire a minute. -

(Pause)

HM,Jr: Hello -

L: Yes, sir

HM,Jr: What does the Minister mean when he says would we take any part - after all, we haven't proposed to take it all? That isn't our proposal.

L: No, well, he had this in mind he said sixty million ounces

HM,Jr: Yes

L: And he thought probably that - as to whether or not you would take the exchange in payment on that amount.

HM,Jr: Yes

L: - Whether you would be willing to make an exchange on a smaller amount depending on which they found it necessary to sell.

HM,Jr: Well, - I didn't suggest that we take their entire silver reserve.

L: No

HM,Jr: And - you see, the story that you told me this morning, that their note issue exceeds their monetary reserve -

L: Yes

HM,Jr: Well, it - it doesn't. I mean, they've got more - I mean, on a fifty per cent basis they've - that they've got - they've got plenty of reserve. I mean, the gold alone is fifty per cent. They've got fifty per cent reserve alone on the gold - roughly speaking. Well, they've got a hundred and forty nine million dollars worth of gold pesos and they've got three hundred million worth of notes out.

L: The law is - the trouble is, of course the law allows them twice as many notes as they have in the reserve.

HM,Jr: Yes, well, they'd only get out one for one -

L: Well, now, the difficulty of the matter is that due to this new currency and somewhat lack of confidence that the difficulty is going to arise when the note

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issue loses its actual commercial value they'll have trouble with the commercial value.

HM,Jr: Yes, but it isn't what they really want - is they want to sell some silver - all their silver.

L: That may be true also, but I know this, that the - that the anxiety right now is the passing of the note issue of the metallic reserve.

HM,Jr: Well, I can't talk to you with him there. Now, I'll tell you what you do, -

L: Yes

HM,Jr: You tell him that I won't have word for him until seven o'clock our time.

L: Your time?

HM,Jr: Yes - and you let him go and I'll call you back in about ten minutes.

L: All right.

HM,Jr: Seven o'clock Washington - what time have you got there now?

L: I've got three-thirty.

HM,Jr: Well - I'll call you back at six o'clock your time.

L: At six o'clock my time?

HM,Jr: Yes

L: All right - I'll - I'll be waiting for you.

HM,Jr: Right

L: All right.

HM,Jr: Thank you.

After the conclusion of this conversation, the Secretary called the President and said that the Mexican situation is not at all as Lockett had outlined it. Their note issue, he said, is about 301 million pesos and the sub-coins, 42 million, making a total of 343,000,000 pesos. The silver reserves amount to 197 million pesos and the gold reserves, 149 million pesos, or a total of 346,000,000 pesos. He told the President that we have looked up their law and find that they only need a 50 percent reserve and that we have come

to the conclusion that they are offering us their entire silver reserve. HM, Jr. also said that "They see silver coming down and want to dump it on us. That is an entirely different story. I see no difference between this and the Hong Kong silver reserve. We would be buying their entire silver reserve. They are just speculating. I do not feel that we should come to any decision tonight. They are just trying to do what Hong Kong did, except in the Hong Kong case they told us the truth." Mr. Morgenthau then asked the President, "Don't you think we ought to sit still and do nothing tonight?" and the President agreed. Mr. Morgenthau told the President, "We would be helping another major country go off silver" The President said, "They are trying to sell us their silver reserve and when the price gets low they will buy it back again".

After Mr. Morgenthau gave his whole story to the President, he called up Secretary Hull and brought him up to date.

HM, Jr. was quite provoked with Lockett and called him on the telephone again and spoke to him at five o'clock. The transcript of this conversation is as follows:

Tom
Lockett: Hello -
HM, Jr.: Hello
L: Mr. Morgenthau?
HM, Jr.: Yes
L: This is Tom Lockett.
HM, Jr.: Are you alone?
L: Yes, sir
HM, Jr.: Now, let me ask you - when you told me this morning that their note issue exceeded their reserves, did you know that their reserve requirements are only fifty per cent?
L: Yes, sir - If I didn't explain that, I meant this, that the - that the note issue - was -
HM, Jr.: Can you talk a little louder?
L: Yes - that the note issue -
HM, Jr.: Yes

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- L: - was between the amount of the metallic reserve, that is the commercial value.
- HM,Jr: Yes, well I didn't get that. Well now, we've had time to think this thing over and what it amounts to when you boil it down is that they want to sell us their entire silver reserve.
- L: Well, frankly, it looks to me like practically the whole thing.
- HM,Jr: And I - then - I think it's simply that they're afraid silver is going to go down and they'd like to but - sell it, that's all. And I can't see it.
- L: That may have something to do with it.
- HM,Jr: Now, they've got a hundred and forty-nine million dollars worth of gold and if they have any difficulty in maintaining the dollar to peso ratio and they need any assistance on their stabilization why we'd be glad to talk that over.
- L: Yes
- HM,Jr: But to buy their entire silver reserve, why, we can't see that, -
- L: Yes, well, the here is this, that note issue was fractional coin
- HM,Jr: Yes
- L: the actual commercial value of the reserve is going to start a run on the banks.
- HM,Jr: Well, I think that sounds phony to me.
- L: And as the matter stands right now -
- HM,Jr: Yes
- L: The amount of the reserve figured at the - figured down at the price of three - figured at the price of sixty cents an ounce -
- HM,Jr: Yes
- L: - it would be three hundred and thirty-four million dollars.
- HM,Jr: Yes. But they don't need a hundred per cent reserves.

- L: No, is that when the note is higher than the commercial value of the reserve, why then they'll probably start a run on these banks.
- HM,Jr: Well - I - I think he's building walls of fear, that's what I think.
- L: Yes
- HM,Jr: I don't think they exist. Now, we go around and buy up all the silver reserves in the world, there won't be any silver left and all these countries will be on gold.
- L: (Laughter) That may be the fact.
- HM,Jr: Yes
- L: Well now, on this - by the way -
- HM,Jr: Yes
- L: that silver reserve amounts to sixty-seven million ounces.
- HM,Jr: What's that?
- L: The silver reserve amounts to sixty-seven million ounces.
- HM,Jr: I thought you said a hundred and - oh, sixty-seven million ounces?
- L: Yes, this is ounces.
- HM,Jr: Yes
- L: And of that sixty-seven million, eleven million ounces is refined.
- HM,Jr: Eleven million ounces is refined?
- L: Yes, and the remainder is in the form of coins.
- HM,Jr: Well then, - well we bought a million ounces from them today, I think, at least we made them an offer. I don't know whether they accepted it.
- L: Yes, - how much was that?

HM,Jr: A million ounces we offered to buy today.

L: One million.

HM,Jr: In other words they've got eleven million ounces of refined silver to sell?

L: Yes

HM,Jr: Well, you just tell them this for us - that at this time we don't - we're not interested, but if they do have any difficulties with - in their exchange - with their exchange fund -

L: Yes

HM,Jr: Why, we'd be glad to talk to them further.

L: All right, well now, I'll talk to the Minister -

HM,Jr: Yes

L: And give him that message.

HM,Jr: Right

L: And if things seem to be getting out of hand down here I'll speak to him and we'll call you up again.

HM,Jr: That's all right, I wish you would.

L: All right, thank you very much.

HM,Jr: Thank you

L: Goodbye.

(NOTE: See record of telephone conversation between the Secretary and Mr. Lockett under date of December 17)

December 11, 1935

HM, Jr., talked to Key Pittman last night and the Senator said, "You are not thinking of changing the domestic price?" to which Mr. Morgenthau replied, "I had no such intention." Mr. Pittman said, "I do not care what you do with the world price as long as you leave the domestic price alone."

The Secretary also spoke to the President last night and the President made this suggestion, "What do you think of this idea: that you take 2,000,000 ounces of silver in New York at such and such a price for 30 days, delivery good from today on?" HM, Jr., told him he thought it was an interesting idea and that the Treasury people would give it further thought.

Mr. Coolidge asked Mr. Morgenthau today how low he would like to see silver go down and the Secretary said, "To the point where there will be no profit to anyone on the silver smuggled out of China; that is, down to the price of 40 cents."

* * * * *

Dictated December 11, 1935

I called Wallace yesterday and he was not in, so I asked for Chester Davis and I finally got Porter on the 'phone. . I told him not to sell any cotton yesterday. He promised to call me at ten o'clock this morning to confirm it.

Porter promised he would sell a normal amount of cotton and only on a rising market. I asked Porter, for today, not to sell any cotton below last night's close.

I called Wallace today and told him of my conversation with Porter and that I just wanted to do this for a couple of days until we know "where we are at" in connection with the silver market.

* * * * *

When I saw the President at the White House, this morning at 9:15, he gave me another idea. He said, "Tell the people at 10 o'clock in the morning that we will accept bids for 2,000,000 ounces of silver from any place in the world. Then

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at 3 o'clock we will open the bids and announce the lowest bidder and to whom we are going to give our bids." He does not want to get Mexico and Canada down to the world price if he can help it.

The President is quite determined that from now on he does not want to tell London that we will pay so much and so much for silver and then ask them 'Will you accept it?'. He wants the tables turned. He wants to work it out so that North and South America will get a special price on newly-mined silver.

* * * * *

Lochhead came in to my office at 11 o'clock and said that Bombay was on the telephone talking to the Federal Reserve in New York. They are offering us 1,000,000 ounces of silver at 81-8/10 cents and 550,000 ounces at 81 cents for immediate shipment. I immediately called the President while Bombay was holding the line and asked for his advice. I told the President that I felt it was a reasonable offer and the President approved the purchase.

I then asked the President whether he thought it a good idea for us to buy a little silver in London at 81 and to tell New York that we will take all spot silver that they can offer us at 83 cents and also tell the Mexicans that we will buy 1,000,000 ounces from them at the same price. The President approved and I gave Lochhead the following orders: to take 450,000 ounces in London at 27½ pence (or 81½ cents); to set the price in New York at 83 cents, and to bid for 1,000,000 ounces in Mexico at basis of 83 cents New York less the ordinary expenses.

* * * * *

A little while later Lochhead came back and reported that London took our offer of 450,000 ounces of silver immediately and are now inquiring whether we want any more.

December 11th

When I saw the President this morning I asked him whether he wanted to change the Capital Gain Tax and I could tell the way he answered me that he did not, so when Baruch came in this morning at 11 o'clock I told him that I had been advised by my Legal Department not to do anything about it. He seemed very much annoyed but I cannot help it - better have him annoyed at me than at the President.

A similar thing happened to-day. Kannee called me up and said that the President would not see Filene but asked that I see him and turn him down gently as Filene is going to make two or three radio talks and they would like to keep him sweet if possible.

Telephone conversation with
Mr. Hogate of the Wall Street Journal

Thursday,
December 12, 1935.

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Mr. Hogate: Mr. Secretary

H.M.Jr: How are you?

Kenneth C.
Hogate: All right sir thank you, how are you?

H.M.Jr: Fine. This is one of them confidential calls.

H: Yes sir.

H.M.Jr: Mr. Hoguet - two things - if you could put one of
your bright young men to work down here as your own
idea

H: Yes

H.M.Jr: And let him look up for the last three years, that is,
prior to '34 - '33 - '32 what the world's shipments
of silver was, see?

H: Yes.

H.M.Jr: You can get it all from the Department of Commerce.

H: Yes.

H.M.Jr: And then get what they were the first nine months, see -
this year.

H: Yes.

H.M.Jr: The movement - the big movement of silver.

H: Yes.

H.M.Jr: And he's going to find that there's practically no
silver came out of Shanghai this year. He's going to
find that great quantities came out of Hong Kong and
that suddenly Japan has become a great mining country
for silver.

H: (Hearty laughter)

H.M.Jr: Now that has never been brought out - I mean she's run
along for the previous three years - oh - she's exported
five or six million ounces, see?

H: Yes.

H.M.Jr: And she's going this year at the rate of about seventy
five million ounces.

- 2 -

H: Well that's very interesting.

H.M.Jr: Now it doesn't take a great international detective to find out how they are getting it and what - how they are doing it.

H: Yes.

H.M.Jr: You see?

H: Yes.

H.M.Jr: But that's never been brought out.

H: Ah - we'd like to bring it out and --

H.M.Jr: And if you --

H: and thanks for your suggestion.

H.M.Jr: See - and if you people go over to the Department of Commerce all the statistics are there and if they'd look - go back of January one three years the movement of silver was fairly constant the way it flows.

H: Yes.

H.M.Jr: You see? But the way its moving this year to London to us - where London gets it from - they get it differently than they ever got it before.

H: Ah ha

H.M.Jr: And it comes from different places than they ever got it before.

H: Yes.

H.M.Jr: You see?

H: All right --

H.M.Jr: And I just --

H: That's a darn good story in there and would you say Mr. Secretary that after we get those facts that you could reasonably draw conclusions from those facts as to why there appears to have been some recent change in our Silver Policy?

- 3 -

H.M.Jr: I think so - yes.

H: Yes.

H.M.Jr: I mean between us they are just bleeding China white.

H: Yes.

H.M.Jr: See? That sounds white silver - I mean they are just bleeding her.

H: Yes.

H.M.Jr: And its the big smuggling that's through Japan.

H: Yes.

H.M.Jr: See? And - now that's that's one and then the other thing - this isn't so important but I was told to-day, and its rather interesting because its just opposite from what everybody says, that the main buying of cotton to-day was from Oriental sources - so I said, "what do you mean Oriental sources?". Well they said, "there are two places - Shanghai and Bombay" Now we've always been told down here that when silver drops those places stop buying silver - stop buying cotton --

H: Stop buying cotton - yes.

H.M.Jr: because they get out of their cotton because they have to protect their silver position.

H: Yes.

H.M.Jr: Well you can have whoever covers the New York Cotton Exchange check that, you see?

H: Yes we can.

H.M.Jr: And I think you'll find that both Bombay and Shanghai were heavy buyers to-day.

H: Well that's - that's contrary to - to - to the general impression of what usually happens, isn't it?

H.M.Jr: Entirely.

H: Yes.

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H.M.Jr: And if you've read the New York Times to-day - their story on cotton - you'll see how cotton went down because - on account of silver.

H: Yes.

H.M.Jr: And, of course, they always tell us that these particular places are sellers of cotton when silver goes down - well it seems to be just the opposite.

H: Yes.

H.M.Jr: And its news you - I'm giving you the source to check - they don't have to - so you can get the original information.

H: Well that's - that's awfully kind of you and - and they are both darn good stories, particularly that first one.

H.M.Jr: Particularly the first one.

H: Yes.

H.M.Jr: I mean the other - the first one will take you a little time on that - it will take a fellow a day or two to get it.

H: Well I imagine it will but we'll get at it right away.

H.M.Jr: But the other one - you can just go over to the Cotton Exchange and get that.

H: Yes we can get that this afternoon.

H.M.Jr: And - we've never talked.

H: Yes that's right we never have talked.

H.M.Jr: O.K.

H: Thank you so much.

H.M.Jr: All right.

H: Goodbye Mr. Secretary.

H.M.Jr: Goodbye.

Telephone conversation with
Mr. Hogate of the Wall Street Journal

Thursday,
December 12, 1935.

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H.M.Jr: because they get out of their cotton because they have to protect their silver position.

H: Yes.

H.M.Jr: Well you can have whoever covers the New York Cotton Exchange check that, you see?

H: Yes we can.

H.M.Jr: And I think you'll find that both Bombay and Shanghai were heavy buyers to-day.

H: Well that's - that's contrary to - to - to the general impression of what usually happens, isn't it?

H.M.Jr: Entirely.

H: Yes.

H.M.Jr: And if you've read the New York Times to-day - their story on cotton - you'll see how cotton went down because - on account of silver.

H: Yes.

H.M.Jr: And, of course, they always tell us that these particular places are sellers of cotton when silver goes down - well it seems to be just the opposite.

H: Yes.

H.M.Jr: And its news you - I'm giving you the source to check - they don't have to - so you can get the original information.

H: Well that's - that's awfully kind of you and - and they are both darn good stories, particularly that first one.

H.M.Jr: Particularly the first one.

H: Yes.

H.M.Jr: I mean the other - the first one will take you a little time on that - it will take a fellow a day or two to get it.

H: Well I imagine it will but we'll get at it right away.

H.M.Jr: But the other one - you can just go over to the Cotton Exchange and get that.

H: Yes we can get that this afternoon.

H.M.Jr: And - we've never talked.

H: Yes that's right we never have talked.

H.M.Jr: O.K.

H: Thank you so much.

H.M.Jr: All right.

H: Goodbye Mr. Secretary.

H.M.Jr: Goodbye.

December 12th

One of the things that I am trying to do on the silver is to take the artificial support away from the silver market and try to get it down to a price where the world will support the price for whatever the intrinsic value of silver is, independent of the United States buying program. The time to do it is now before Congress meets.

In the eyes of the public our silver program is the only monetary fiscal policy that I cannot explain or justify as Secretary of the Treasury but if I could expose it to the world now it will save us much grief during the coming campaign.

ADD TREASURY BOUGHT SILVER 11.10

WASHN - SECY OF TREASURY MORGENTHAU DECLARED TODAY THAT THE U S IS STILL BUYING SILVER AND BOUGHT SILVER MONDAY TUESDAY AND WEDNESDAY IN MANY DIFFERENT PLACES WHICH IS A DEPARTURE FROM THE ORIGINAL POLICY OF BUYING IN LONDON - NO LON-- COMMENT HOWEVER COULD BE OBTAINED FROM THE SECY ON THE AMOUNT OF SILVER BOUGHT- THE SECY SAID THAT THE TREASURY HAS NOTHING TO HIDE FROM CONGRESS AND HAS GIVEN THE PITTMAN SILVER INVESTIGATING COMMITTEE ALL THE INFORMATION IT HAS REQUESTED AND HAS YET TO REFUSE TO GIVE INFORMATION-

-I AM CONTINUING TO CARRY OUT THE MANDATE OF THE SILVER PURCHASE ACT- SECY MORGENTHAU SAID-

HE QUOTED FROM THE LAW WHICH SAYS -THE SECY OF THE TREASURY IS AUTHORIZED AND DIRECTED TO PURCHASE SILVER AT HOME OR ABROAD FOR PRESENT OR FUTURE DELIVERY WITH ANY DIRECT OBLIGATIONS

COIN OR CURRENCY OF THE U S AUTHORIZED BY LAW
OR WITH ANY FUNDS IN THE TREASURY NOT OTHERWISE
APPROPRIATED AT SUCH RATES AND AT SUCH TIMES
AND UPON SUCH TERMS AND CONDITIONS AS HE MAY
DEEM REASONABLE AND MOST ADVANTAGEOUS TO THE
PUBLIC INTEREST-

THE TREASURY HEAD CALLS SPECIFIC ATTENTION
TO THE LANGUAGE OF THE LAW WHICH PERMITS HIM TO
BUY AT SUCH TIMEV AND UPON SUCH TERMS AND CON-
DITIONS AS -HE MAY DEEM REASONABLE AND MOST
ADVANTAGEOUS TO THE PUBLIC INTEREST-

IN THE INTEREST OF THE PUBLIC MR
MORGENTHAU SAID HE WANTS TO KEEP DAY-TO-DAY
TRANSACTIONS OF THE TREASURY IN SILVER SECRET
BUT THAT IT WOULD NOT BE DIFFICULT TO ASCERTAIN
THE VOLUME OF SILVER INFLOW FROM DAILY COMMERCE
DEPT RECORDS -

THE SECY DECLINED TO COMMENT ON A QUESTION
WHETHER DEVALUATION OF SILVER WAS BEING CONSID-
ERED-

11.15

ADD MORGENTHAU OPPOSED

WASHN - SECY MORGENTHAU SAID THAT THE
TREASURY STILL STOOD ON ITS OPPOSITION TO
REPEAL OF THE 50 PC TAX ON PROFITS FROM SALE
OF SILVER - THE TREASURY FIRST MADE ITS VIEWS
KNOWN ON THE TAX IN A LETTER TO SENATOR MCCARRAN
DEM NEV IN RESPONSE TO INQUIRIES SUBMITTED
BY THE SENATE SILVER BLOC LAST SESSION - THE
SECY SAID THAT THERE IS NO CHANGE IN THE
TREASURY-S ATTITUDE WHICH WAS OUTLINED IN THAT
LETTER-

Press Conference

Silver

10.59

TREASURY BOUGHT SILVER MONDAY TUESDAY AND
WEDNESDAY SAYS MORGENTHAU - BOUGHT FROM MANY
DIFFERENT PLACES - WHICH IS CHANGE OF POLICY

WASHN

TREASURY STILL OPPOSED TO REPEAL OF 50 PC SILVER
TRADING PROFIT TAX

WASHN -

MORGENTHAU DECLARES STILL CARRYING OUT SILVER
POLICY

WASHN-

CNS43

Silver

235

THE U.S. TREASURY HAS INSTITUTED A POLICY OF BUYING SILVER AT A NUMBER OF POINTS IN THE WORLD AS CONTRASTED WITH THE PREVIOUS PROGRAM OF BUYING LARGELY IN LONDON, SECRETARY MORGENTHAU REVEALED THIS MORNING

12/12--R1058A

WCNS45

ADD MORGENTHAU

EXPERTS BELIEVED THEY MIGHT HAVE BEEN MADE IN MONTREAL, INDIA OR CHINA WHICH ARE IMPORTANT SILVER TRADING CENTERS.

MORGENTHAU DECLINED TO ANSWER DIRECT QUESTIONS WHETHER HE HAD BOUGHT SILVER IN CHINA.

12/12--R11A

WCNS44

ADD MORGENTHAU

THE TREASURY HAS PURCHASED SILVER IN WORLD MARKETS EVERY DAY THIS WEEK, DESPITE ITS APPARENT FAILURE TO SUPPORT THE LONDON MARKET ON TUESDAY, IT WAS REVEALED.

THE SECRETARY SAID THERE WAS NO CHANGE IN HIS PLEDGE TO SILVER SENATORS TO CARRY OUT THE PURCHASE PROGRAM "ENTHUSIASTICALLY."

MORGENTHAU CONCEDED THIS WAS A DEPARTURE IN POLICY BUT INSISTED THAT BROADLY HE IS CONTINUING TO CARRY OUT THE MANDATES OF THE SILVER PURCHASE ACT.

HE REFUSED TO ANSWER QUESTIONA AS TO WHERE SILVER PURCHASES HAD BEEN MADE THIS WEEK BUT SAID THEY WERE BOTH FOREIGN AND DOMESTIC EACH DAY.

12/12--R1059A

China - Silver

WCNS75

NANKING--CHINA HAS NOT BEEN SELLING SILVER IN THE WORLD MARKET AND HER MONETARY REFORM CANNOT BE LINKED TO U.S. SUSPENSION OF BUYING OF THE METAL, A GOVERNMENT SPOKESMAN TOLD THE UNITED PRESS TODAY.

12/12--R1208P

Income Tax Information

WCNS58

SECRETARY MORGENTHAU TODAY DISCLOSED THAT HE WAS IN CONSULTATION WITH BUREAU OF INTERNAL REVENUE EXPERTS REGARDING THE METHODS BY WHICH FEDERAL INCOME TAX INFORMATION CAN BE MADE AVAILABLE TO LOCAL GOVERNMENTAL AUTHORITIES AS REQUIRED BY THE LAST REVENUE ACT.

THE MAJOR QUESTION INVOLVED IS UNDERSTOOD TO BE WHETHER THE FEDERAL GOVERNMENT SHALL MAKE DUPLICATE COPIES OF THE TAXPAYER'S RETURN OR WHETHER THE TAX PAYER HIMSELF SHALL MAKE OUT THE RETURN IN DUPLICATE.

12/12--R1132A

WCNS54

THE PRESIDENT'S APPOINTMENTS:

- 10:30--MAYOR KELLY OF CHICAGO.
- 10:45--SUMNER WELLES.
- 11:00--REP. WOODRUM.
- 11:10--SENATOR FLETCHER.
- 12:00--PMG FARLEY.
- 12:15--GEORGE PEEK.
- 1:00--SECRETARY MORGENTHAU.
- 2:00--SECRETARY MORGENTHAU AND DANIEL BELL.
- 2:45--SECRETARY SWANSON.
- 5:15--ARCHBISHOP OF YORK AT THE WHITE HOUSE.
- 12/12--R1120A

SILVER

DOW JONES TICKER - Dec. 12, 1935.

LONDON - BY UNITED PRESS - INDIAN BANKING

AUTHORITIES AFTER CONFERENCES WITH LONDON INTERESTS LATE WEDNESDAY CAME TO AN AGREEMENT REGARDING ACTION IN THE CURRENT SILVER CRISIS AND DECIDED TO FIX A TEMPORARY SETTLEMENT PRICE FOR THE BOMBAY BAZAAR AT APPROXIMATELY 58 1-8 CENTS AN OUNCE- THE U P LEARNED-

247
234

THE PRICE OF SILVER IN BOMBAY HAS FALLEN 7 1-2 RUPEES PER 100 TOLAS DURING THE PAST TWO DAYS -

THE AGREEMENT IT WAS UNDERSTOOD CALLED FOR THE INDIAN BANKS TO DO THEIR UTMOST TO LOCALIZE EFFECTS OF THE SITUATION BUT TO WITHHOLD SUPPORT FROM SPECULATIVE INTERESTS-

SETTLEMENT OF SILVER-BARGAINS- OR TRANSACTIONS ON THE BOMBAY BAZAAR IS SCHEDULED TO BEGIN THE 16TH OF THIS MONTH AND TERMINATE THE 20TH- THE EMERGENCY PRICE WHICH WAS FIXED FOR THESE SETTLEMENTS WAS 58 1-2 RUPPEES PER 100 TOALS-

REGARDING THE PRESENT SITUATION IT WAS LEARNED MOST FAR EASTERN FINANCIAL AUTHORITIES BELIEVED THE U S SHOULD TIDE OVER THE CRISIS BY SMALL DAILY PURCHASES-

REFLECTING THE SILVER BREAK SHARES OF THE HONGKONG SHANGHAI BANK ON THE LOCAL EXCHANGE DROPPED 2 POINTS TO 96- EARLIER THIS YEAR THE ISSUE SOLD AT 140-

WCNS51

ADD MORGENTHAU

ALL THE ESSENTIAL FACTS REGARDING THE MAJOR DEVELOPMENTS, HOWEVER, ARE AVAILABLE TO THE PUBLIC, THE SECRETARY SAID.

HE CITED AS AN INSTANCE OF THE TREASURY'S WILLINGNESS TO COOPERATE WITH CONGRESS IN THE SILVER PURCHASES THE FACT THAT IT HAD FURNISHED ALL FACTS REQUESTED OF IT BY SENATORIAL INVESTIGATION COMMITTEE HEADED BY SENATOR KEY PITTMAN.

MORGENTHAU SAID THE COMMITTEE HAD BEEN WELL PLEASED WITH THE TREASURY'S COOPERATION.

THE SECRETARY SAID THERE WAS NO CHANGE IN THE TREASURY'S ATTITUDE OF OPPOSITION TOWARD REPEAL OF THE TAX ON SILVER TRANSACTIONS WHICH HAS BEEN ADVOCATED BY SENATOR PAT MCCARRAN.

12/12--R1111A

Private Confirms - New Silver Certificate
WCNS38

A NEW \$1 SILVER CERTIFICATE MAY BE OBTAINED AT MOST BANKS BEGINNING DEC. 18, SECRETARY MORGENTHAU ANNOUNCED TODAY.

THE 1936 MODEL BILL HAS AN ENTIRELY NEW DESIGN ON THE BACK, WHICH REPRESENTS BOTH SIDES OF THE GREAT SEAL OF THE U. S. THE REVERSE OF THE SEAL, APPEARING ON THE NEW BILL FOR THE FIRST TIME, SHOWS AN UNFINISHED PYRAMID, SURMOUNTED BY AN EYE IN A TRIANGULAR EFFECT AND BEARS TWO LATIN MOTTOES.

THE MOTTO ABOVE THE DESIGN AS "ANNUIT COEPITIS" MEANING "HE (GOD) PROSPERED OUR ENDEAVORS." THE LOWER MOTTO IS "NOVUS ORDO SECLORUM" WHICH TRANSLATED SAYS "A NEW ORDER OF THE AGES."

THE OBTVERSE OF THE SEAL IS THE USUAL EAGLE DESIGN WITH THE MOTTO "E PLURIBUS UNUM"--ONE FOR MANY.

12/12--N1048A

WCNS102

Treasury Silver Holdings

**SECRETARY MORGENTHAU ANNOUNCED TODAY THAT THE TREASURY HAD
ACQUIRED 751,774,000 (M) OUNCES OF SILVER SINCE DECEMBER, 1933, WHEN
THE ROOSEVELT ADMINISTRATION LAUNCHED ITS SILVER PROGRAM.**

12/12--N133P

WCNS106

ADD SILVER PURCHASES

IN ITS FIRST COMPILATION OF SILVER PURCHASES, THE TREASURY ANNOUNCED ITS ACTIONS THROUGH DECEMBER 6, 1935.

SINCE ENACTMENT OF THE SILVER PURCHASING ACT ON JUNE 19, 1934, 591,800,000 OUNCES OF SILVER HAVE BEEN PURCHASED.

UNDER THE NATIONALIZATION OF SILVER BY EXECUTIVE PROCLAMATION ON AUGUST 9, 1934, 113,031,000 OUNCES WERE TRANSFERRED TO THE TREASURY.

THE TOTAL SILVER IN GOVERNMENT MINTS ALSO INCLUDES 56,943,000 NEWLY MINED OUNCES.

12/12--N147P

TREASURY HAS ACQUIRED TOTAL OF 761 774 000
OUNCES OF SILVER SINCE EXECUTIVE PROCLAMATION
OF DECEMBER 21 1933

1,300

WASHN - THE TREASURY DEPT ANNOUNCED THE
FIRST COMPLETE SUMMARY OF ITS ACQUISITION OF
SILVER SINCE THE EXECUTIVE PROCLAMATION OF
DEC 21 1933 - UNDER THIS PROCLAMATION THE
TREASURY HAS RECEIVED 56 943 000 OUNCES OF NEWLY
MINED DOMESTIC SILVER UP TO DEC 6 1935 -
SILVER PURCHASED UNDER THE SILVER PURCHASE ACT
OF JUNE 19 1934 AMOUNTED TO 591 880 000 OUNCES
FROM JULY 27 1934 WHEN THE PURCHASES BEGAN
UP TO DEC 6 1935

TRANSFERS UNDER THE PROCLAMATION OF AUGUST
9 1934 AMOUNTED TO 113 031 000 OUNCES UP TO
DEC 6 1935 - THE GRAND TOTAL OF ACQUISITIONS
IS 761 774 000 OUNCES

ADD SILVER PURCHASES - WASHN

159
THE FIGURES DISCLOSED THAT THE PEAK OF THE SILVER PURCHASES UNDER THE PURCHASE ACT TOOK PLACE BETWEEN OCT 25 AND NOV 29 OF THIS YEAR WHEN 104 200 000 OUNCES WERE PURCHASED - THE MONTH PREVIOUS TO THAT FROM SEPT 27 TO OCT 25 86 200 000 OUNCES WERE PURCHASED - PURCHASES DROPPED OFF THE FIGURES SHOWED DURING THE LAST FEW DAYS FOR WHICH PURCHASES WERE RECORDED NOV 29 TO DEC 6 WHEN THE FIGURE WAS 11 400 000 OUNCES WHICH WOULD MEAN ONLY ABOUT 45 250 000 OUNCES FOR A MONTH IF PURCHASES WERE CONTINUED AT THAT RATE

WCNS95

London on Morgenthau's Telegram

LONDON--BULLION BROKERS RECEIVED FAVORABLY TODAY THE STATEMENT BY SECRETARY MORGENTHAU THAT THE U. S. HAD NOT SUSPENDED ITS SILVER BUYING POLICY.

DEALERS SAID IT WAS LESS IMPORTANT TO KNOW THAT THE U. S. HAD BOUGHT SILVER ELSEWHERE THAN IN THE LONDON MARKET, THAN TO KNOW THAT THE TERMS OF THE SILVER PURCHASE ACT WERE BEING CARRIED OUT.

THEY TOLD THE UNITED PRESS THAT LONDON STOCKS OF THE METAL COULD EASILY BE SHIPPED TO OTHER PARTS OF THE WORLD WHERE THE UNITED STATES WAS BUYING.

THE REMAINING "BIG QUESTION" NOW THEY SAID WAS WHETHER AMERICA WOULD RESUME HER PURCHASES ON A LARGE SCALE.

12/12 ON1P

242
8

SILVER

LONDON -BY U P- BULLION BROKERS RECEIVED
FAVORABLY THE STATEMENT BY U S SECRETARY OF THE
TREASURY MORGENTHAU JR THAT THE UNITED STATES
HAD NOT SUSPENDED ITS SILVER BUYING POLICY

DEALERS SAID IT WAS LESS IMJPORTANT TO KNOW
THAT THE UNITED STATES HAD BOUGHT SILVER ELSE-
WHERE THAN IN THE LONDON MARKET THAN TO KNOW
THAT THE TERMS OF THE SILVER PURCHASE ACT WERE
BEING CARRIED OUT

THEY TOLD THE UNITED PRESS THAN LONDON
STOCKS OF THE METAL COULD EASILY BE SHIPPED TO
OTHER PARTS OF THE WORLD WHERE THE U S WAS
BUYING

THE REMAINING -BIG QUESTION- NOW THEY SAID
WAS WHETHER AMERICA WOULD RESUME HER PURCHASES
ON A LARGE SCALE

-0-

MCNS129

Montreal

MONTREAL--SILVER FUTURES CLOSED IRREGULAR ON CANADIAN COMMODITY EXCHANGE TODAY, 400 POINTS HIGHER TO 130 POINTS LOWER.

SELLING WAS WELL ABSORBED IN THE LAST HOUR.

TRADING WAS ACTIVE, 1,040,000 OUNCES CHANGING HANDS. THE UNITED STATES AND THE FAR EAST REPORTEDLY PARTICIPATED IN THE MARKET.

12/12--R406P

2.05
TOKYO - BY U P - JAPANESE FINANCIAL EXPERTS
BELIEVE THAT THE FUTURE COURSE OF SILVER
DEPENDS UPON WASHINGTON-S POLICY

Silver - Japan
JAPAN-S BUSINESS IS ONLY INDIRECTLY AFFECTED
BY THE PRESENT SILVER SITUATION BUT THE ASSOC-
IATION OF SILVER DEALERS REFUSED TO FIX A
PRICE FOR THE METAL BECAUSE OF THE DISTURBANCE
IN THE PRIMARY MARKET-

WCNS47

ADD MORGENTHAU

IN A FORMAL STATEMENT, MORGENTHAU SAID:

"I AM CONTINUING TO CARRY OUT THE MANDATE OF THE SILVER PURCHASE ACT WHICH SAYS:

"THE SECRETARY OF THE TREASURY IS AUTHORIZED AND DIRECTED TO PURCHASE SILVER AT HOME OR ABROAD, FOR PRESENT OR FUTURE DELIVERY, WITH ANY DIRECT OBLIGATIONS, COIN, OR CURRENCY OF THE UNITED STATES AUTHORIZED BY LAW OR WITH ANY FUNDS IN THE TREASURY NOT OTHERWISE APPROPRIATED AT SUCH RATES, AND AT SUCH TIMES, OR ON SUCH TERMS AND CONDITIONS AS HE MAY DEEM REASONABLE AND MOST ADVANTAGEOUS TO THE PUBLIC INTERESTS".

MORGENTHAU, IN READING HIS STATEMENT TO NEWSPAPERMEN, EMPHASIZED THE LAST PHRASE REGARDING THE PUBLIC INTEREST.

12/12--R1105A

WCNS48

ADD MORGENTHAU

THE SECRETARY EMPHASIZED THAT HE COULD NOT DISCUSS THE REPORTED FAILURE OF THE TREASURY TO SUPPORT THE LONDON MARKET THIS WEEK BECAUSE IT WAS NOT IN THE PUBLIC INTEREST TO REVEAL THE DAY-BY-DAY OPERATIONS IN SILVER PURCHASES.

12/12--R1106A

WCNS81

China

ADD SILVER, NANKING

THE STATEMENT WAS DESIGNED TO PUT TO REST RUMORS THAT CHINA HAD BEEN NEGOTIATING TO SELL THE U.S. BETWEEN 200,000,000 AND 250,000,000 OUNCES OF SILVER AND HAD THREATENED TO DUMP SUCH METAL ON THE WORLD MARKET IF THE U.S. REFUSED TO TAKE IT.

12/12--R1219P

CHINA NOT SELLING SILVER 12.30
NANKING - BY U P- CHINA HAS NOT E -- BEEN
SELLING SILVER IN THE WORLD MARKET AND HER MON-
ETARY REFORM CANNOT BE LINKED TO THE PRESENT
SILVER SITUATION A GOVT SPOKESMAN TOLD THE U P

WCNS110

Silver London

LONDON--THE U. S. TREASURY AGAIN SAVED THE WORLD SILVER MARKET TODAY WHEN IT PURCHASED APPROXIMATELY 18 PER CENT OF THE TOTAL SPOT OFFERINGS MAKING POSSIBLE FIXING OF THE PRICE AT 26 7/8 PENCE AN OUNCE--EQUIVALENT TO 59.62 CENTS AN OUNCE AT CURRENT EXCHANGE.

12/12--N200P

WCNS111

ADD SILVER, LONDON

THE PRICE HERE WAS 5/8 PENNY BELOW THAT ESTABLISHED YESTERDAY.

TOTAL AMOUNT OF THE OFFERINGS IN THE MARKET WAS NOT DISCLOSED.

12/12--N200P

233
ADD CHINA NOT SELLING SILVER --BY U P--
NANKIN G - THE STATEMENT OF THE GOVTS SPOKESMAN
WAS DESIGNED TO PUT TO REST RUMORS THAT CHINA
HAD BEEN NEGOTIATING TO SELL THE U S BETWEEN
200 000 000 OUNCES AND 250 000 000 OUNCES AND H
THREATENED TO DUMP SUCH METAL ON THE WORLD MAR-
KET IF THE U S REFUSED TO TAKE IT-

THE GOVT SPOKESMAN ALSO DENIED THERE WAS ANY
NECESSITY OF TYING THE CHINESE CURRENCY TO THE
POUND

-0-

D.J. Morning Summary 9.35

IN LONDON ALTHO SELLING ORDERJS OF SILVER London
FROM THE FAR EAST AND OTHER QUARTERS WERE NOT
SO LARGE AS YESTERDAY IT IS EXPECTED BY BULLION
BROKERS TO CAUSE FURTHER DIFFICULTIES AT THE TIM
E OF PRICE FIXING UNLESS AMERICA SUPPORTS THE
MARKETS ON A SUFFICIENTLY LARGE SCALE- BROKERS
HAVE NO INDICATION AS TO WHETHER THIS WILL
HAPPEN BUT ARE PREPARED TO AGAIN RATION OFFER-
INGS - THE PRICE PROBABLY WILL BE LOWER

-0-

LONDON SILVER MARKET

1.57

LONDON - EIGHTEEN PERCENT OF THE CASH SILVER
ON OFFER WAS SOLD TODAY

LARGE TURNOVER ON THE SILVER MARKET AT THE
TIME OF THE PRICE FIXING AGAIN CAUSED DELAY
OWING TO DIFFICULTY TO COVER HEAVY SELLING
ORDERS - WITH AMERICAN TREASURY ONLY PARTIALLY
SUPPORTING THE MARKET BULLION BROKERS DECIDED
AGAIN TO RATION OFFERING S

(D.J. 11:50 A.M.)

Silver -

London - By UP - Indian banking authorities after conferences with London interests late Wednesday came to an agreement regarding action in the current silver crisis and decided to fix a temporary settlement price for the Bombay bazaar at approx. 58-1/8¢ an ounce, the UP learned

The price of silver in Bombay has fallen 7-1/2 rupees per 100 tolas during the past two days.

The agreement, it was understood, called for the Indian banks to do their utmost to localize effects of the situation but to withhold support from speculative interests.

Settlement of silver-bargains or transactions on the Bombay bazaar is scheduled to begin the 16th of this month and terminate the 20th.

The emergency price which was fixed for these settlements was 58-1/2 rupees per 100 tolas.

Regarding the present situation it was learned most Far Eastern financial authorities believed the U.S. should tide over the crisis by small daily purchases.

Reflecting the silver break shares of the Hongkong, Shanghai Bank on the local exchange dropped 2 points to 96. Earlier this year the issue sold at 140.

(D.J. 11:15 A.M.)
Add Morgenthau Opposed -

Washn. - Secy. Morgenthau said that the Treasury still stood on its opposition to repeal of the 50% tax on profits from sale of silver. The Treas. first made its views known on the tax in a letter to Sen. McCarran, Dem., Nev., in response to inquiries submitted by the Sen. silver bloc last session. The Secy. said that there is no change in the Treasury's attitude which was outlined in that letter.

D.J. 10:55 a.m.

Treasury bought silver Monday, Tuesday and Wednesday, says Morgenthau.
Bought from many different places, which is change of policy.

Treasury still opposed to repeal of 50% silver trading profit tax.

Morgenthau declares still carrying out silver policy.

Secy. Morgenthau declared today that the U.S. is still buying silver and bought silver Monday, Tuesday and Wednesday in many different places, which is a departure from the original policy of buying in London.

No comment, however, could be obtained from the Secretary on the amount of silver bought. The Secy. said that the Treasury has nothing to hide from Congress, and has given the Pittman silver investigating committee all the information it has requested, and has yet to refuse to give information.

"I am continuing to carry out the mandate of the Silver Purchase Act," Secy. Morgenthau said.

He quoted from the law which says: "The Secy. of the Treasury is authorized and directed to purchase silver at home or abroad for present or future delivery with any direct obligations, coin or currency of the U.S. authorized by law, or with any funds in the Treasury not otherwise appropriated, at such rates and at such times, and upon such terms and conditions as he may deem reasonable and most advantageous to the public interest."

The Treasury head calls specific attention to the language of the law which permits him to buy at such times and upon such terms and conditions as he may deem reasonable and most advantageous to the public interest.

D. J. 10:55 a.m.
In the interest of the public, Mr. Morgenthau said he wants to keep day-to-day transactions of the Treasury in silver secret, but that it would not be difficult to ascertain the volume of silver inflow from daily Commerce Department records.

The Secy. declined to comment on a question whether devaluation of silver was being considered.

Send on D. 9

... NOT ...
 ... CANNOT ...
 ... IS ...

SECRET

GENERAL

THE ESSENTIAL FACTS REGARDING THE MAJOR DEVELOPMENTS, HOWEVER, ARE AVAILABLE TO THE PUBLIC, THE SECRETARY SAID.

TO CITE AN INSTANCE OF THE TREASURY'S WILLINGNESS TO COOPERATE WITH CONGRESS IN THE SILVER PURCHASES, THE FACT THAT IT HAD FURNISHED ALL FACTS REQUESTED OF IT BY SENATORIAL INVESTIGATION COMMITTEE CHAIRMAN KEVIN FITZMAURICE.

HE SAID THE COMMITTEE HAD BEEN WELL PLEASED WITH THE TREASURY'S COOPERATION.

THE SECRETARY SAID THERE WAS NO CHANGE IN THE TREASURY'S ATTITUDE OF OPPOSITION TOWARD REPEAL OF THE TAX ON SILVER TRANSACTIONS, WHICH HAS BEEN ADVOCATED BY SENATOR PAT MCCARRAN.

1947-01-11

Secretary Morgenthau
Pres. Conference

THE U.S. TREASURY HAS INSISTENT POLICY OF HOLDING SILVER AT

LEVEL OF 40 CENTS PER OUNCE AS CONTRASTED WITH THE PREVIOUS LEVEL OF 35 CENTS PER OUNCE IN 1934. SECRETARY MORGENTHAU REVEALED THIS POLICY.

1934-1935

THE SECRETARY SAID THAT SILVER PURCHASES IN 1934 WERE 100 MILLION OUNCES AND IN 1935 150 MILLION OUNCES.

HE SAID THAT THE U.S. GOVERNMENT HAS A POLICY OF BUYING SILVER AT 40 CENTS PER OUNCE AND THAT THIS POLICY IS BEING MAINTAINED.

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UNITED PRESS TICKER - December 12, 1935.

WCNS136

ADD SILVER

*Sen. Thomas on Secy. Morgenthau's
Statement*

MORGENTHAU'S DISCLOSURE OF THE TREASURY'S SILVER POSITION CAUSED
SENATOR ELMER THOMAS TO COMMENT:

"IF THE SECRETARY WOULD GIVE OUT A LITTLE MORE INFORMATION FROM
TIME TO TIME ON PROGRESS MADE UNDER THE SILVER ACT, IT WOULD AVOID A
LOT OF CONFUSION."

THOMAS INDICATED SATISFACTION WITH THE SUBSTANTIAL INCREASE IN SILVER
HOLDINGS, WHICH HAVE RISEN TO 761,774,000 OUNCES FROM 421,497,000 AT
THE TREASURY'S LAST PUBLIC ACCOUNTING IN JUNE.

12/12--R444P

December 12, 1935

HM, Jr. today met with Bell and McReynolds, and a group from NRA consisting of Martin, Hill and Director.

Mr. Martin presented a proposal to reduce the force of NRA to approximately 1300 employees by January 15. He also presented the draft of an Executive Order under the provisions of which the effective date of termination would be January 15 and the employees would be permitted to take accrued annual leave after that date.

The Secretary disagreed with Mr. Martin on the date of termination and expressed the opinion it should be December 31.

McReynolds said he thought HM, Jr.'s suggestion was in the interest of the employees because if that is not done, "something worse will happen to them." He referred to Buchanan's attitude toward NRA, he having said if something was not done about NRA by January 1 he would put through a resolution to terminate all activities of that organization and prohibit any appropriation.

HM, Jr. added a pencilled memorandum to Martin's giving his choice as December 31 and said he would present the two alternatives to the President and let him make the final decision.

Martin also presented a list of names of those whose services it is planned to dispense with and said he would like to get a clearance on these identical persons to take care of the political angle.

Mr. Morgenthau asked Martin who would handle the remaining work after the employees were terminated and Martin said he thought the logical place for all except the Consumers' portion would be the Department of Commerce and stated that Commerce, strictly unofficially, was willing to take over the work.

The Consumers' work is under Hamilton who thinks an independent agency should be set up for this unit. HM, Jr. promptly squelched that idea, saying he knew definitely the President would not approve the establishment of any more independent agencies. His opinion was that the Department of Labor was the logical place and Martin said

-2-

Hamilton would agree to this if he could not have his independent agency. HM, Jr. said he would recommend to the President that all activities with the exception of the Consumers' work be transferred to Commerce and that Consumers be transferred to the Department of Labor.

HM, Jr. told Martin he was going to have lunch with the President and asked Martin to hold himself in readiness for a call because he, HM, Jr., felt sure the President would want both Martin and Bell to be present when they discussed the NRA budget and Martin said he would be in his office awaiting a call.

A set of the material handed by Mr. Martin to the Secretary is attached hereto.

December 12, 1935

My dear Mr. Martin:

You are hereby directed to notify the following employees that their services are not required after January 15, 1936. Such employees will be entitled to take their annual leave thereafter.

Pursuant to my letter dated August 30, 1935, you are further directed to submit to the Federal Emergency Relief Administrator the names of such employees together with their service records so that they may be placed on the reemployment register.

Very sincerely yours,

Honorable Laurence J. Martin,
Acting Administrator,
National Recovery Administration,
Washington, D. C.

December 12, 1935

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Very sincerely yours,

Honorable Laurence J. Martin,
Acting Administrator,
National Recovery Administration,
Washington, D. C.

December 12, 1935

MEMORANDUM TO: Mr. Henry Morgenthau, Jr.

Pursuant to our conversations relative to the request of the President for your recommendations as to the future of the National Recovery Administration, we suggest

1. That the active personnel of the National Recovery Administration be reduced to approximately 1300 by January 15, including loans, and to effect this that the President sign the attached letter to the Administrator;
2. That on January 1 the National Recovery Administration be taken over for liquidation by the Department of Commerce, and to effect this that the President sign the attached Executive Order; and
3. That an appropriation of \$200,000 be placed in the Fourth Deficiency Bill for the Consumers' Division.

We also attach a copy of a resolution of the Business Advisory Council.

Acting Administrator

NATIONAL RECOVERY ADMINISTRATION

265

Proposed Active Personnel January 15, 1936

<u>DIVISION</u>	<u>SUB-TOTAL</u>	<u>TOTAL</u>
Administrator		6
Coordinator		27
Advisory Council		5
Public Relations		5
Executive Office		3
Control Office		4
Administrative		
Accounts	17	
Personnel	12	
Payroll	15	
Maintenance	71	
Central Record	43	
Publication & Duplication	35	193
Review Division		
Code Histories	254	
Administrative	22	
Industry Studies	126	
Trade Practice Studies	69	
Labor Studies	29	
Code Administration	27	
NRA Org. Studies	30	
Foreign Trade Studies	6	
Special Studies	14	
Statistics	50	
Review Legal Research	8	
Review Enforcement	6	641
Business Cooperation		14
Consumers' Division		23
Field		
Field Headquarters	46	
Field Regions	25	
Field States	95	166
TOTAL IN NRA		1087
Loaned Employees		
Commerce	14	
Social Security	40	
Federal Trade Commission	52	
State	5	
Wheeler Committee	17	
Interstate Commerce Commission	3	
Prison	2	
Coal	98	
White House	9	
Treasury	3	
Labor	4	
Black Committee	2	
Alcohol	1	250
GRAND TOTAL		1337

NOTES: If the consolidation project is approved add 200
 If the Government Contracts loan is approved add 20
 If additional stenographers are approved for loan add 30

On December 14, 1935, the Business Advisory Council passed the following resolutions:

"RESOLVED, that the Council recommends that the personnel and functions of the skeleton N.R.A. be transferred to the Department of Commerce where kindred activities and surveys connected with business and industry are conducted by trained career men, conversant with the background of those problems of business and industry which were temporarily dealt with by the N.R.A. during the emergency.

EXECUTIVE ORDER

Mr. Ernest G. Draper, in addition to his duties as Assistant Secretary of Commerce, is hereby appointed Acting Administrator of the National Recovery Administration effective January 1, 1936, in place of L. J. Martin, resigned.

THE WHITE HOUSE

, 1935

EXECUTIVE ORDER

TERMINATING THE EXISTENCE OF THE NATIONAL RECOVERY ADMINISTRATION AND THE OFFICE OF ADMINISTRATOR THEREOF, AND TRANSFERRING THE ADMINISTRATION OF TITLE I OF THE NATIONAL INDUSTRIAL RECOVERY ACT, AS AMENDED, TO THE SECRETARY OF COMMERCE.

By virtue of and pursuant to the authority vested in me by Title I of the National Industrial Recovery Act (48 Stat. 195), as amended by Senate Resolution 113, approved June 14, 1935, it is hereby ordered as follows:

1. The National Recovery Administration and the office of Administrator thereof shall terminate and cease to exist on and after January 1, 1936. On and after said date the Division of Review, the Division of Business Cooperation, the Advisory Council as constituted by the Executive Order 7075 of June 15, 1935, and the authority of the Administrator over the Consumers' Division as constituted by the Executive Order 7120 of July 30, 1935, shall be transferred to the Department of Commerce, together with all officers and employees, files, records, equipment and possessions of any nature wherever situated.

2. The administration of the provisions of Title I of the National Industrial Recovery Act, as amended by Senate Resolution 113, approved June 14, 1935, which has been heretofore delegated by Executive Orders in effect on the date of this order, is, with the exception of such authority as has been delegated by me under the Executive Order 7192 of September 26, 1935, hereby transferred to and vested in the Secretary of Commerce to take effect on January 1, 1936. The Secretary of Commerce is thereafter authorized and directed, under the general direction of the President, to appoint, employ, discharge and fix compensation, define the duties and direct the conduct of all officers and employees as may be engaged in the said administration of said Title I, and to report to the President on matters relating thereto, to supervise all the functions and duties which have been conferred by Executive Orders on the Administrator with reference to the Division of Review, the Division of Business Cooperation, the Advisory Council, and the Consumers' Division, and to bring said functions and duties to completion by April 1, 1936.

3. All Orders and Regulations heretofore issued concerning the administration of said Title I of the National Industrial Recovery Act, as amended, are hereby modified to the extent necessary to make this Order fully effective.

THE WHITE HOUSE

, 1935

REVIEW

Aaronson, A. Palma
Adams, Albert F.
Addington, Carl T.
Ahrens, Thomas F.
Alderson, John D.
Allen, Durham E.
Allen, Harry G.
Alsop, F. Clarke
Anderson, John C.
Anderson, Robert L.
Angell, Edwin
Armstrong, Florence A.
Ashley, George F.
Athey, Evelyn
Attaya, Aldon N.D.
Bailey, Charles F.
Bailey, Lionel H.
Barbee, Henry W.
Barkin, Leroy M.
Barr, Elinor S.
Barton, Hubert C.
Bass, John L.
Beach, R. S.
Beaver, Burna
Behler, Theo F.
Behney, Thomas P.
Bell, Orville C.
Bevan, Arthur
Bishop, F. Rust
Birkhead, Stella May
Beland, Daniel, L.
Bour, William V. Jr.
Bragg, Braxton
Brand, Betty
Breeze, William Aubrey
Brin, Leonard M.
Brodinsky, Joseph E.
Brown, Richard C.
Brown, Travis T.
Buchanan, Ruth E.
Bunch, Ann Mavis
Burton, Mary H.
Bush, Morris W.
Busick, William S.
Butts, W. Jennings
Caffery, John M.
Campbell, Helen D.
Campbell, Robert N.
Carlin, Keith
Carr, Harry C.
Carr, George H.
Carragher, Bernard B.
Carrigan, Charles B.
Carter, Zenas, W.
Cass, Deryl J.
Caudill, Shirley M.
Chamberlain, Edna B.
Charashe, Thomas R.
Chevin, Edward
Christian, Sylvester P.
Chubb, Wistar M.
Chynoweth, Herbert E.
Clark, Charles P.
Clark, William R.
Cochran, Archer
Cochrane, L. J.
Goffman, M. S.
Goffman, Roy W.
Cohen, Jefferson B.
Cole, William C.
Coles, Harry C.
Conley, Ernest S.
Conner, Thomas B.
Cook, Albert Case
Coons, Lester A.
Courtright, John G.
Cowan, Katherine M.
Crockard, Frank H.
Cronin, Thomas J.
Crouse, C. F.
Crowley, Fred V.
Crowley, Myles A.
Dalton, Roseann
Davies, Hazel L.
Davis, Jack
Davis, James Porter
Davis, John D.
Decker, Walter P.
Dickerman, Nelson
Dickson, George B.
Dixon, A. C.
Dodson, Truman M.
Doherty, Ralph Edmund
Donaldson, Austin S.
Donaldson, Sanford G.
Dougherty, J. H.
Douglass, Joseph U.
Dove, Robert F.
Downs, S. Hartford
Dresbach, Harold
Brown, Jerome O.
Dunn, Howard C.

Washington Employees

Dunning, Carroll W.
 Dyer, J. M.
 Earley, Eugene J.
 Egleston, James A.
 Elliott, George
 Elliott, Henry O.
 Elmore, Frank H. Jr.
 Erbeck, William K.
 Escherich, Raymond C.
 Estes, Charles T.
 Evans, Wilmoth, D.
 Fairley, A. M.
 Fallon, William P.
 Farrell, George
 Fisher, Arthur A.
 Fitzgerald, Kenyon B.
 Fitzgerald, Raymond A.
 Fitzgerald, William B.
 Fitzgibbons, David P.
 Fitzpatrick, Dorothy E.
 Flaherty, James W.
 Flood, Aubrey, Cleveland
 Florer, E. J.
 Flournoy, Josiah A.
 Flynn, A. J.
 Fowler, D. Webster
 Fox, Helen B.
 Fox, Richard A.
 Frasher, Helen A.
 Friedman, Oliver A.
 Fulton, William L.
 Gallagher, Dean C.
 Galleher, Robert Lee
 Gardner, Mennie Sue
 Geeting, Roy E.
 Gerhardt, Boyd R.
 Gerry, Elbridge E.
 Gibson, Creston A.
 Goding, Evelyn
 Goshie, John L.
 Gould, Robert G.
 Grandey, Charles E.
 Grant, Gordon W.
 Gray, F. Carlin
 Gray, William C.
 Gray, William S.
 Green, Samuel
 Greene, Leonard
 Griffin, William H.
 Griffith, Lester B.
 Guilford, Ernest F.
 Haas, Francis J.
 Hadley, Jesse Howbray
 Hadley, Joseph H.
 Hager, William F.
 Halpin, Agnes
 Hamill, George K.
 Hamilton, Anne
 Hancock, Walter H.
 Hanley, John K.
 Harding, Donald F.
 Harms, Beatrice M.
 Harrington, Leo W.
 Hartnett, Lawrence J.
 Hauck, Karl
 Hayden, Mary
 Hays, Dolph
 Healy, Frank
 Helfgott, Doris
 Hennigh, Earl L.
 Herrick, Philip F.
 Herring, Harry T.
 Hetherington, Fred
 Hickey, Margaret B.
 Higgins, William F.
 Hill, Dana E.
 Hilleary, Norman J.
 Hilton, Reeves, R.
 Hinckley, Gorton C.
 Hinderliter, Jacob E.
 Hobson, Henry B.
 Hochhauser, Edward
 Hodge, Robert Quay
 Hogwood, A. W.
 Hollings, James L.
 Holmes, Charles R.
 Honohan, Anna M.
 Houghton, Ernest D.
 Hughes, Earl E.
 Humphrey, John C.
 Hunter, John M.
 Hurley, Harlow
 Huxley, Edward H.
 Inner, Charles A.
 Irwin, James W.

Washington Employers

Jaffee, Howard
Jaffee, Madeline
James, Allison
Jenks, Leon H.
Jennings, Marion B.
Jones, George P.
Johnson, Charles S.
Johnson, George V.
Johnson, H. Abby
Johnston, Elmer
Judd, Maurice
Judy, Charles I.
Kausch, Ernest F., Jr.
Kelly, Lucy L.
Kangla, Mary Weljyn
Kennedy, Ward
Kerchner, James Donald
Keyser, Clifton
Kimball, William B., Jr.
Kinnear, William K.
Kintling, Lester
Krans, Victor D.
Krule, Margaret H.
Kuhn, William Speer, Jr.
Lallemont, Donald F.
Langston, Edward J.
Larson, John V.
Larstrom, Frank O.
Laur, John A.
Lawrenson, Elizabeth H.
Lawyer, Harry H.
Lemmer, Leslie H.
LeDagle, Claude
Lewis, Edith I.
Lind, Lewis, R.
Lisk, Robert C.
Little, Douglas R.
Locke, Owen A.
Loveless, Frank J.
MacIntyre, John A.
Madison, Stephen H.
Maddox, John A.
Mag, Edward A.
Maguire, William J.
Manning, Fred B.
Marquardt, Charles A.
Mathews, L. Lesur
Mattingly, L. H.
McCabe, Ethel G.
McCarthy, Richard D.
McCarthy, John P.
McCabe, William Randolph
McCormick, William H., Jr.
McLwain, Joseph E.
McSwain, G. H.
McDow, Zech
McGulre, Thomas F.
Kellwain, William A.
McKissick, Eben R.
McLaren, William Augustus
McManus, Charles J.
McNichols, Wellington
Meadows, Alva G.
Meadows, K. H.
Maek, John P.
Melly, David H.
Mellen, Joseph H.
Mennet, J. P. S.
Miller, C. H.
Miller, Cecil Hope
Mitchell, Leroy B.
Moncure, Dorothy A.
Monsees, Carl Henry
Montgomery, Edward G.
Moody, Clark D.
Moore, James B.
Moore, Dorothy
Moore, Effie Lee
Morgan, Charles E.
Morley, Henry L. C.
Morris, Fred A.
Morris, Willard L.
Morris, Kenneth H.
Murland, F. A.
Murphy, Daniel J.
Myers, Alfred S.
Raughton, Thomas J.
Neal, Margie E.
Novilt, F. H.
Herbold, William H.
Newman, Robert
Newman, Selma Selus
Nicholson, Wilhelmina H.
Norman, Chester R.
North, Clarence Jackson
Oyland, Sarah E.

Washington Employees

272

O'Connell, Desmond Henry
O'Donnell, John A.
Oehler, Mildred E.
O'Grady, John
O'Hara, Helen M.
O'Hara, Thos. W.
Olsen, Alfred L.
Ore, Leigh E.
Orr, Ralph W.
Ott, Frank K.
Ourbacker, Samuel H.
Owens, Richard N.
Padgett, Esther M.
Page, Densil L.
Page, Harlan
Paradiso, Louis J
Patchell, F. J.
Pease, Charles H.
Pender, Eleanor
Perkins, Edyth M.
Perlin, Joseph
Perlmutter, Bebe Clinton
Phelps, James L.
Pierce, Earl Boyd
Pitts, William B.
Plimpton, R. E.
Polak, David M.
Pope, Lena M.
Potsler, W. E.
Pouder, Francis L.
Powell, Walter R.
Power, John W.
Pratt, Helen
Prentiss, Corabel Agnes
Price, Virginia
Priest, Ernest L.
Pryor, George W.
Purdy, Richard H.
Purver, Eugene M.
Quitman, John A.

Raphael, Charileus G.
Rauth, Harry B.
Ray, Willis H.
Reardon, Dorothy M.
Reed, Francis K.
Reed, Ann
Reedy, Michael J.
Reid, Wendell D.
Reiman, F. A.
Reynolds, Arthur J.
Rhine, Henry
Richards, Karl M.
Sidings, Lawrence S.
Rigglesman, John R.
Richell, Carl A.
Roberts, Raymond B.
Roberts, Elliott J.
Robertson, Frank W.
Rogers, Walter D.
Rogers, Robert C.
Rogge, Joseph
Rooney, Charles W.
Rosenbluth, Mamie G.
Rosasco, Henry P.
Ryan, George J.
Salmon, Peter J.
Sappington, James B.
Sappington, James C.
Sarle, Harold A.
Sasuly, Max
Seagnelli, Louis
Schedlar, Dean
Schoen, Fred
Schurs, William Lytle
Scott, Roy G.
Seigel, H.
Shannon, Randolph W.
Sheehan, J. Joseph
Sheridan, John J.
Shipp, J. Steele
Shohan, Abraham
Sherb, Wilbert H.
Sinnigen, James G.
Sinnott, James P.
Smith, Arthur R.
Smith, John H., Jr.
Smith, Lee W.
Snell, Jennie M.
Snyder, Joseph
Solomon, William F.
Soper, George P.
Spangler, John E.
Spinnato, Joseph P.
Stammsher, Louis
Stanford, Arthur G.
Staten, Francis A.
Steingardt, Allen G.
Stevens, E. J.
Stone, J. B.
Sullivan, Oscar M.
Taft, Peter J.
Tate, Frederick E.
Teal, Fred
Thomas, Hadden
Thomson, Alexander
Thomason, James A.
Thorne, Ruth
Thurber, Horace C.
Tinsley, John P.
Townsend, Richard
Trammel, Charles M., Jr.
Troxell, John P.
Tucker, Alexander
Tucker, F. H.
Tufft, V. Rosa
Van Lermark, Clarence
Von Smeliski, Victor S.
Voorhees, Donald D.
Vorse, Heaton
Wade, Hugh J.
Wade, Charles E.
Wade, Louis M.
Waldron, Robert F.
Warrenner, Henry
Way, Miriam Grace
Weaver, Ruth L.
Wech, George
Weisiger, Cary H., Jr.
Weiss, Richard S.
Wells, Harvey L.
Wettengel, Charles A.
Whelan, Raymond M.
Whittington, Beulah A.
Wickliffe, John C.
Williams, Lyle O.
Williams, Frederic Lee
Williams, L. O.
Williams, Ben H.

Williams, Louis W.
Wilson, O. F.
Wilson, Nancy Jane
Winston, Clement
Wittlin, Samuel
Wood, John Meredith
Woodside, Maurice W.
Woodward, Velma P.
Wright, Lonnie
Wright, H. P., Jr.
Wynkoop, Elda E.
Wynne, Frank
Yntema, T. O.
Young, M. E.
Young, A. Stuard
Young, O. B.
Yow, John S.
Zack, Samuel G.
Zarcher, Fred G.
Zeh, Aileen J.
Zellers, Edna Marshall

STENOGRAPHERS LISTED FOR TERMINATION

Allison, Elizabeth
 Ambrosi, Isabella R.
 Appleton, Helen C.
 Arceneaux, Teresa Vivian
 Bair, Nellie R.
 Bester, Thelma
 Bland, Helen H.
 Boeding, Genevieve
 Buchtel, Sylvia B.
 Calhoun, Dora F.
 Campbell, Lynn
 Cavanaugh, Geraldine
 Cleary, Catherine R.
 Connor, Margaret
 Green, Genevieve L.
 Dean, Helen
 Dell, Blanche
 Drennon, Irene
 Drummy, Claire S.
 Easterwood, Oliver P.
 Edwards, Elva C.
 Ellis, Ruth A.
 Ferguson, Della R.
 Fleming, Anna May
 Foster, Laska
 Fullerton, William A.
 Gallegly, Margaret Mary
 Geoffrey, Ellen B.
 Hammett, Lucy C.
 Harter, Doris, E.
 Hodge, Luellan L.
 Huettis, Florence B.
 Isaman, Dorothy F.
 Jones, Elizabeth D.
 Kailley, Eva L.
 Kats, Anne
 Karyl, Helen A.
 Kirkpatrick, Nell
 Large, Lillian
 Lester, Mary S.
 Lead, Clare W.
 Lynch, Josephine T.
 Madart, Mary Grace
 Martin, Mary R.
 Mattingly, Anne Dorothy
 McCormick, Rose M.
 McLean, Marie H.
 McQuarrie, Ruby E.
 Miller, Catherine S.
 Milton, Mary S.
 Minzey, Gladys S.
 Moody, Velma J.
 Moss, Evelyn W.
 Mulloy, Alice Marie
 O'Brien, Helen C.
 O'Connor, Jean A.
 Payne, Kathryn S.
 Pennington, Ruth W.
 Reddy, Dorothea
 Richardson, Sally Ann
 Robinson, Mary Jane
 Routt, Sarah H.
 Russell, Marie Bethany
 Seammell, Ruth
 Schmaas, Alice B.
 Shields, Elmore
 Smith, Catherine Marie
 Smithey, E. Marguerite
 Somervell, Geraldine R.
 Sutton, Rosalie
 Swan, Olive B.
 Taggart, Virginia M.
 Tammy, Anne Ruth
 Taylor, Helen M.
 Vickery, Grace
 Walsh, Elvior
 Ward, Katie Prince
 White, Louise McLeod
 Williams, Mary Elizabeth

FILE CONSOLIDATIONCentral Record

Ackerman, Everett W.
 Adams, Maude V.
 Alexander, Audrey
 Bennett, Hugh
 Bradley, John G.
 Bray, James W.
 Brown, Ida Shipley
 Brown, Jackson B.
 Browne, Cordelia M.
 Carden, George A. **IK**
 Carniato, Anthony
 Cox, Lulu A.
 Dodson, Henry F.
 Dooley, Charles L., Jr.
 Ely, Maurine E.
 Fischer, Anne
 Fort, Kathryn S.
 Gillion, Alfred T.
 Grady, Robert L.
 Hammett, Rowen E.
 Hedger, Mary T.
 Heelen, Hugh M.
 Hollihan, Thomas J.
 Holman, George S., Jr.
 Lane, Alice I.
 Lash, Geraldine Nellie
 Legrande, Etta
 Lightfoot, Philip H.
 Magruder, Walter H.
 Marr, Donald T.
 Mayfield, Bess M.
 McGarity, Howard G.
 McKenzie, Richard C.
 McMillan, Margaret C.
 Milburn, Jessie Edith
 Mitchell, Verna E.
 Nichols, Allen H.
 O'Leary, Clayton B.
 Osburn, Jettie S.
 Patterson, Dorothy V.
 Rogers, Margaret M.
 Rushton, Miriam A.

Central Record

Schaublin, Elisabeth C.
 Seaman, Harry, Jr.
 Sevier, Cora Bales
 Singleton, Martha
 Smith, Dorothy V.
 Sayth, Dorothy M.
 Swain, Charlie E., Jr.
 Swan, Raymond
 Waters, Earl M.
 Welch, Catherine B.
 Wiley, Claude E.
 Williams, John C.
 Williamson, A. D.
 Winkle, Helen A.
 Taylor, Harold C.
 Thornton, Vance L.
 Tighe, Cecil C.

Review

Ady, Mary F.
 Andrews, John
 Aue, Dorothy E.
 Avery, Ivan F.
 Barradell, Hazel F.
 Bedel, Myra
 Beebe, Carolyn F.
 Behrens, Pauline
 Bennett, Dorothy E.
 Biddle, Thomas F.
 Bishop, Richard M.
 Blean, Roberta H.
 Berger, Antoinette
 Bowles, Edna F.
 Brody, Rose
 Brooke, Richard M.
 Buckner, Mary Carter
 Cain, Elisabeth Iris
 Cannella, Eva J.
 Carpenter, Homer S.
 Carter, Myrtle H.
 Clagett, John Williams

Review

Clinton, Ross
 Conway, Clare
 Cook, Roy C.
 Corbett, Nellie M.
 Cousins, Nellie May
 Cox, Anita T.
 Cragg, Ruth C.
 Cramer, N. Frances
 Davison, Ruth B.
 Dean, Harry H.
 Dean, Marion B.
 Dempster, Clara L.
 Dietrich, Mildred L.
 Donaldson, Alton H.
 Dublin, Anne
 Duval, Elsie
 Duvall, Mary G.
 Egan, Jane I.
 Ethridge, Alice V.
 Evans, Robert H.
 Feldman, Gertrude
 Fern, Julia
 Fisherty, Patrick M.
 Floccher, Eleanor J.
 Givens, Dorothy E.
 Goldman, Anna M.
 Greenfield, Judith
 Gulli, Francis X.
 Hamlin, Althea M.
 Harris, Frederick W.
 Harris, Naomi
 Hartis, Gertrude E.
 Hastings, Lillian B.
 Haynes, Elsie B.
 Hearie, Homer H.
 Hewitt, Margaret Cox
 Holbrook, Catherine T.
 Hollinger, Helen Virginia
 Humphrey, Atala
 Hyde, Alice
 Johnson, Doris L.
 Kauffman, Ella
 Kelly, Dorothy M.
 Kidwell, Evelyn
 Kingsbury, Margaret S.

Review

Kirkpatrick, William E.
 Kirtley, Bess H.
 Langline, Maguerite
 Lesieur, Mary M.
 Lewis, Erminie B.
 Lewis, Thomas B.
 Linthacum, Matilda
 Lyddane, Anna
 Lyle, Horace
 McCathran, Mary E.
 McClellan, Dorothy Schiebel
 McCormick, Jessie C.
 McFarland, Freda
 McHenry, John H.
 McKinney, Mabel D.
 Mack, Nelson
 Maddox, Charles
 Merrick, Duff
 Miller, Elizabeth
 Miller, Mary E.
 Miller, Ruth M.
 Moriarty, Elizabeth M.
 Movern, John J.
 Murphy, Frances
 Nay, Charles E.
 Norman, Kathryn Marie
 Orme, Edgar Joseph, Jr.
 Otto, Sadie Rae
 Pantaloni, Edward A.
 Parsons, Caroline W.
 Peifer, Lawrence A.
 Pfaltsgraff, Harry J.
 Phelps, Marie
 Pike, Traynham G.
 Pinkard, Daisy E.
 Pogorselski, Josephine
 Portser, Ada E.
 Pritchett, Duncan W. F.
 Propper, Eva
 Pugh, Eva A.
 Purdy, Grace V.
 Rau, Edna G.
 Reed, Fred G.
 Reed, Robert H.
 Regan, Robert H.

Review

Riger, Sarah C.
Roberts, Ione G.
Rose, Emily F.
Ruddock, Theodore Banks
Runsey, Pearle S.
Sample, Lillian
Sanger, P. de Wolfe
Sartwell, Margaret J.
Shaw, Earle K.
Shellington, J. H. Jr.
Sherman, Evelyn
Siferd, Mabel
Simpson, Martha
Snead, Hessel Lee
Stanford, Edward H.
Stearn, Blanche B.
Stockton, Marion Roberts
Stonborough, John J.
Styers, John A.
Sullivan, John L.
Sutton, Thelma
Taradana, Cecelia P.
Tewksbury, Elisabeth P.
Thomas, Mildred L.
Ury, Bessie S.
Vanderschaaf, Henrietta
Wallace, George A.
Watkins, Addie Rogers
Weir, Grace H.
White, Helen H.
Willis, Anna W.
Woody, Mae
Wright, Dixie T.
Wright, Gertrude J.

FIELD HEADQUARTERS

Cullins, Joe S., Jr.
 Nordin, Ruth
 Evers, Eldred L.
 Sullivan, Harry S.
 Ervin, Alice G.
 Jennings, Mary Elizabeth
 Heyman, Herman Sydney
 Harris, Royal T., Jr.
 Gaylor, Anne P.
 Brunt, Mildred
 Pellach, Cecelia
 Curtis, Pearl S.
 Lann, Alex
 Aruston, Paul
 Yancey, Kemper W.
 Jackson, Thomas H.
 Sinclair, David
 Young, George
 Friswell, Curry Hugh
 Mitchell, Benjamin T.
 Lays, Lefe W.

REGIONAL

James, Hugh C. H.
 Gardner, Irene M.
 McCabe, Mae
 O'Connor, Bernadette W.
 Eiger, Lillian A.
 Wild, Helen Louise
 Lightner, L. S.
 Frace, France
 Parsons, John W.
 Payne, Elizabeth
 Valoun, Santa R.
 Toole, Grace E.
 Todd, Arthia
 Hynds, John I.
 Salpepper, Caughy B.
 Julian, Deane
 Coonan, Ann
 Follet, Itha Jennie

REGIONAL - continued

Merry, J. Douglas
 Posner, Stanley I.
 Mondale, Walter E.
 Doherty, Matthew T. Jr.
 Gregory, Antoinette Emily
 Fisher, Andrew
 Dow, Joseph W.
 Dewey, Molly
 Brown, Beverly Alice
 Smalley, Lucille B.
 Webber, Hazel June
 Gustaf, Norman J.
 Brown, John E.
 Jacobson, Pauline
 Demerath, Mabel L.
 West, Jane M.
 Feidt, Gerald E.
 Jeffries, L. B.
 Hume, Dinamore W.
 Davidson, Billie Paul
 Henson, Anna Belle
 Keogh, Margaret
 Herring, Garven T.
 Williams, Ann

ALABAMA

Fitzpatrick, Henry Tompkins
 Griffin, Milton W.
 McConnell, Orah
 Egan, Jennie A.
 Griffin, S. J.
 Looney, John
 Ricks, Frankye Wood

ARKANSAS

McLaughlin, Edward D.
 Henry, Lorene
 Smith, Austin, Jr.

ARIZONA

Dilts, Hazel L.
Nolan, Jerome Allen

CALIFORNIA

Frier, Edward L.
Hollen, William J.
Aldige, Harold J.
Deloach, Jack
Dunning, Earle B.
Gerich, John Luke
Haggerty, Cornelius J.
Ross, Samuel J.
Larson, Marie
Bentley, Nellie
Gipson, Mary
Jobe, Miriam
Filkerson, Naomi
Handin, Sara Mae
Knox, Esther B.

SAN FRANCISCO

Arsensau, Alfred Onlev
Lasarus, Leland J.
Prisin-Zano, J. E.
Bodle, George Emery
Powers, Albert Collins
Ainsworth, Donald Dillon
Durkin, Edward John
Elvander, Frank Herberg
Larsen, Louis A.
Goff, Luella
Lawrence, Ins M.
Anderson, Alva B.
Cosgrave, Otway J.
Keefe, Marjorie M.
O'Dowd, Mae F.
Pagano, Henriette
Minoletti, Josephine Marie
Vollmer, Helen Martinus
Cox, Chas. J.

COLORADO

Desserich, George E.
Teets, Bernard E.
Cale, Lola
Craft, Agnes H.
Weymouth, Frederick

CONNECTICUT

Finch, William Gilbert
Fitsimmons, Daniel B.
Guinan, Edward G.
Kiely, John P.
Miller, Taulman A.
Squires, Charles Edgar
Kelly, Elizabeth M.

DELAWARE

Lefevre, John P.
Buckley, Frances J.

DISTRICT OF COLUMBIA

Stafford, Howard J.
Evancee, Lillian D.

FLORIDA

Hawking, Frank W.
Shuffler, Pauline W.
Pulcifer, I. R.

GEORGIA

Winkers, Joseph H.
Anderson, Richard L.
Jones, Downie K.
Smith, William S.
Baker, Roselyn A.
Sellers, Estelle K.
David, Maude E.
Phillips, Ruth
Taylor, Hattie O.

IDAHO

Sullivan, Harold B.

ILLINOIS

Kunning, Chester H.
 Dissar, Louis J.
 Records, Frank S.
 Strawbridge, William Hunt
 Brown, Earl Stanley
 Lewis, David Q., Jr.
 Mannon, M. J.
 Nelson, Joseph A.
 O'Connell, Albert E.
 Van Berschet, John E.
 Alford, Robert P.
 Rissman, Robert R.
 Alessanskas, Anthony G.
 Boudro, William I.
 Buchar, Anthony J.
 Gochenour, Lynn Williams
 Grubb, Joseph C.
 Stack, Thomas J.
 Burr, Julia
 Clark, Emma G.
 Dierkes, Harold W.
 Flynn, Mary D.
 Henning, Hazel E.
 McSloy, Mary Eleanor
 Moos, Gertrude Sonnette

INDIANA

Bridges, Franklin L.
 Hobson, Edwin
 McKay, George D.
 Gwyn, Clarence B.
 Jackson, Dewitt T.
 Tukey, Walter B.
 Dickens, Hazel
 Helton, H. W.
 Malone, Anita H.
 Breedlove, Leafy E.
 Ehrmentraut, Mary Bowser
 Jackson, Helen M.
 Leane, Kathleen
 McCarthy, Mary E.

IOWA

Miller, Marshall
 Fogarty, William J.
 Will, Robert Schrock
 Kurts, Carl J.
 Meek, Covell Henry
 Chapman, Sara

KANSAS

Benson, William Kilgore
 Bell, Everett I.
 Haas Kendall M.
 Voelker, A. M.
 Connolly, Kathleen Marie
 Fisher, Margaret S.

KENTUCKY

Seiller, Edward F.
 Bringhurst, Ed H.
 Kirk, Robert Fred
 Kopcke, Harry C.
 Barker, Ethyl
 Bingham, Martha
 Caffee, Bruce A.

LOUISIANA

Hammond, Arthur R.
 Kelly, John W.
 Morrison, Delesseps Story
 Ramond, Charles Knight
 Herbert, Rosa
 Haggerty, Bernadette
 Hickman, Thomas S.

MAINE

Dubord, Carl A.
 Harding, M. Elisabeth

MARYLAND

Peterson, John W.
 Waddell, W. Hamilton
 Bailey, Charles E.
 O'Connell, Frank
 Friedhofer, Albert F.

MASSACHUSETTS

Johnson, Cleon R.
 Sullivan, Rose
 Harrington, James Francis
 Walter, William W.
 Chase, Arthur L.
 McDonald, Francis G.
 Bubier, Frederick G.
 Clancy, Daniel J.
 Mansfield, Burdett P.
 Prang, Janie M.
 O'Donnell, Helen V.
 Divil, Henrietta
 Dorion, Catherine B.
 Killion, Alice L.

MICHIGAN

Mulholland, S. D.
 Compeau, Henry A.
 Poleski, John J.
 Limont, Stanley
 Sadowski, Vincent B.
 Dennis, Frederic W.
 Goodenow, Louis B.
 Feingold, Sydney S.
 Hare, Edmund W.
 Mass, Albert A.
 Yentsch, Edward
 Almagro, Estelle
 Wilson, Olive M.
 Kirchner, Virginia
 McGiverin, May Ida
 Blourde, Lucine

MINNESOTA

Helstein, Ralph L.
 Scallen, Eugene A.
 Morton, Marshall Field
 Balzer, Jacob Frank
 Dickie, J. Lewis
 McDonald, John Henry
 Weise, Emil S.
 Zack, Stanley S.
 Lalacheur, Pearl
 Luger, Alvina
 Larson, Esther

MISSISSIPPI

Russell, J. B.

MISSOURI

Landgraf, Alexander B.
 Knight, Edwin Lyle
 Bowen, Wilmoth Catesby
 Cornell, Paul J.
 Gans, Henry F.
 Grimm, Horace F.
 McCoolle, Robert F.
 McMurray, Arthur J.
 Stamper, Carlyle M.
 Dixon, Gertrude Kay
 Meyer, Katherine
 Boette, Cecilia R.
 Etter, Ruth Thomas
 Mahmensen, Mabel

MONTANA

Twohey, Frank S.

NEBRASKA

Rine, John A.
 Brewer, Roy M.
 Mageret, Ernest Frederick
 Borton, William E.
 Ryan, Margarete M.
 Winkler, Florence M.
 Huntington, Nell M.

NEVADA

Ballard, George Albert
 Clark, Herbert H.
 Harrington, Myra M.

NEW HAMPSHIRE

Pettengill, Sherris F.

NEW JERSEY

Jube, Edward Harvey
 Eddy, Frank Stetson, Jr.
 Forbush, Walter A.
 Tools, John E.
 Carson, James
 Durr, Charles Wilson
 Manville, Keith Rollin, Jr.
 McClure, Walter C.
 Olson, Frank William
 Keyes, Irene
 Brueche, F. Eileen
 Jillson, Fred A.
 Wobber, Hilda B.
 Hill, Lillian M.
 Manfredo, Norma M.
 Hays, James L.

NEW MEXICO

Davy, Ralph E.
 Whittaker, Carl F.
 Piatt, Gilberta M.

ALBANY

Allen, Carter V.
 Boyce, Clifford A.
 Foley, Edward K.
 McCabe
 Walsh, Tracy S.

BUFFALO

Hayes, Lillian
 Gillig, Alexander Lorenz
 Langhans, Rudolph E.
 Steiger, Chester G.
 Marquardt, August W.
 Reichle, Herman C.
 Hasty, Alberta D.

NEW YORK CITY

Zorn, Burton A.
 Carter, Emmett B.
 Scanlan, William A.
 Cohen, Saul C.
 Kross, Joseph
 Schuld, Joseph C.
 Bassett, Leslie
 Briggs, Walter W.
 Cominsky, Louis Benjamin
 Daggett, Edward H.
 Day, Albert F.
 Doll, Harry William
 Duffy, John J.
 Gallagher, Timothy F.
 Heil, Edward
 Kopsten, Beatrice
 Lent, Irving
 Lovell, J. Lewis
 Rosenthal, Joseph
 Weber, L. G.
 Burlingame, Florence H.
 Connors, Helen
 Smith, Rosetta
 Draycott, Ernest
 Feeley, Helen Francis
 Meber, Helen
 White, Florence A.
 Ahearn, Angela
 Auerbach, Sally Toby
 Bouillon, Kathleen M.
 Egan, Betty Marie
 Everston, Anna
 Gagan, Anne
 Gregory, Falter V.
 Keena, Rose A.
 Klein, Ethel L.

NEW YORK CITY - continued

Lasiaki, Helen
 McInerney, Carolyn
 Nadel, Ruth
 O'Brien, Patricia
 Sullivan, Marie
 Blackman, Donald
 Dalton, John Francis
 Goldberg, Estelle
 Hennessy, James T.
 Hought, Lillian F.
 Kahn, Nettie R.
 Canava, Rolf

NORTH CAROLINA

Stroud, Charles E.
 Brown, Charles Thomas
 Carpenter, Jesse Earl
 Hutchinson, Georgia Anita
 Kircheis, Marguerite
 Rux, Lucille Currin
 Steed, Sara L.

NORTH DAKOTA

Rennis, Margaret L.
 Berry, Faye Estelle
 Digby, Pearl

OHIO

Johnson, John E.
 Stickle, Rollin J.
 Clark, James Albert
 Fay, Thomas Hayes
 Reinhart, R. V.
 Blodgett, Frank Hoben
 Brown, Gremer F.
 Burns, Robert E.
 Gray, Laurie
 Gribben, Frank W.
 Noyette, Grace E.

OHIO - continued

Ware, Joseph Todhunter
 Champe, Elizabeth
 Garner, William H.
 Stickle, Lillian
 Britt, Frances
 Browning, Ruth
 Fitz, Arlie M.
 Jackson, Gertrude Vivian
 Kaplan, Yetta
 Samide, Olga M.
 Wallace, Margaret
 Gary, Edward B.
 Lynett, Anastasia C.
 Mayville, Virginia A.
 Pinheiro, Eleanor Mary
 Van Hatta, Elizabeth M.
 Fagin, Anna Rose
 Halloran, Mary

OKLAHOMA

Rigsby, A. W.
 Bryan, Erle Pendleton
 Darrow, Willard Albert
 Woolverton, O. G.
 Clark, Mary Belle
 Downing, Thelma

OREGON

Berg, William Jr.
 Twining, Edward B.
 Hacking, Lois B.
 Wagner, Louise
 Leipold, Ursula M.

PENNSYLVANIA

Kats, Albert Loeb
 Bates, Henry A.
 Hofkin, Fred P.
 Mitchell, John A.

PENNSYLVANIA - continued

Tighe, Joseph J.
 Cassin, Louis
 Sheaffer, Joseph Clinton
 Spencer, Lewis C.
 Terry, George H.
 Hickey, Stefano J.
 Langen, John Desmond
 McGovern, John L.
 Moran, George F.
 Spaulding, Marshall S.
 Young, Walter Charles
 Brunonzi, John R.
 Kelly, Gertrude P.
 Barrett, Mary L.
 Battersby, Sarah H.
 Doyle, Evelyn C.
 Kearney, Marie R.
 Brown, Dorothy G.
 Kullen, Margaret M.
 Kunz, Edward

PITTSBURGH

Doude, Charles T.
 Sander, Clarence H.
 Bahmer, William J.
 Galhoon, Richard P.
 Hope, Elmer B. Jr.
 Hayball, Willis
 Kene, Frank Phillip
 Keller, Edward E.
 Anderson, Ruth Ingeborg
 Creagh, Jean E.
 Kelly, Irene
 O'Connell, Mary Alice

RHOE ISLAND

McCann, Marlon B.
 Hughes, James P.
 Doherty, John Francis

SOUTH CAROLINA

Calliff, John W.
 Smith, Gus McCann
 Rubin, Ruth Ensel
 Minor, Helen Curvle

SOUTH DAKOTA

Chapman, Arthur E.
 Keating, Mary Jane

TENNESSEE

Fowler, Joseph A.
 Elrod, William Lucy
 Metcalf, Katherine
 Rice, Donald McKay
 Tomlinson, Glenn S.
 Perry, Flora B.
 Kelm, Charlotte H.
 Harmon, E. L.

TEXAS

Smith, Tulane S.
 Dewberry, Maurice Delmer
 Edgesomb, Delbert L.
 Boutwell, Frank A.
 Davis, Elmer P.
 Moore, James Maxey
 Miller, Lee Barker
 Leawinger, Elizabeth
 Martin, Ada Rhea

HOUSTON

Allen, Marvin K.
 Avery, Zola E.
 Lebus, Johnny Franklin
 Purcell, Helen Jane
 Farnes, Ivy

EL PASO

Onderdonk, Latrobe Henry
 Caldwell, Chester Clinton
 Sackett, William Hudson

UTAH

Browne, James Keith
 Wootton, Leland Stanford

VERMONT

McGuirk, Arthur R.
 Gillespie, Rita T.

VIRGINIA

Beasley, Richard M.
 Corson, John Jay
 Hulcher, Thomas B.
 Saunders, Thomas N.
 Misenheimer, Bessie L.
 Rea, Marguerite G.
 Reaser, Golden Elisabeth

WASHINGTON

Ketcham, Weaver V.
 Scott, Ellis L.
 Seguin, Victor O.
 Bard, Betty
 Johnston, R. B.
 Milroy, Katherine
 Hodner, Richard D.
 Buesing, Ethel
 Kerr, Ruth

WEST VIRGINIA

Darnell, Frederick W.
 Smith, Earl H.
 Beaty, Carl E.
 King, Hallie M.

WISCONSIN

Boykin, Basil P.
 Berkanovic, Edward T.
 Halline, Edward P.
 Hohensee, Herbert W.
 Wolters, Frederick H.
 Hood, Ruth
 Shepherd, Alma C.
 Maier, Frances G.

NATIONAL RECOVERY ADMINISTRATION

DIVISION	DEC. 1	PROPOSED CUT	JANUARY 16
Administrator	7	1	6
Coordinator	26	0	26
Detailed to Coordinator	30	30	0
Advisory Council	14	9	5
Public Relations	5	0	5
Executive Office	5	2	3
Control Office	4	0	4
Administrative			
Accounts	21	4	17
Personnel	19	7	12
Reassignment	27	27	0
Payroll	22	7	15
Maintenance	106	35	71
Central Record	105	62	43
Publication & Impl.	39		35
Review Division	329	136	193
Code Histories	290	36	254
Administrative	57	35	22
Industry Studies	236	100	136
Trade Pres. Studies	113	44	69
Labor Studies	53	24	29
Code Administration	47	20	27
NRA Org. Studies	45	15	30
Foreign Trade St.	14	8	6
Special Studies	26	12	14
Statistics	79	29	50
Legal Research	22	8	14
Miscellaneous	58	58	0
Business Cooperation	73	389	641
Consumers' Division	27	59	14
Government Contracts	52	4	23
Field		52	0
Field Headquarters	61	15	46
Field	590	470	120
651	485	166	
TOTAL IN NRA	2253	1167	1086
Loaned Employees			
Commerce	14	0	14
Social Security	40	0	40
Federal Trade Commission	52	0	52
State	5	0	5
Wheeler Committee	17	0	17
Interstate Com. Comm	3	0	3
Prison	2	0	2
Coal	98	0	98
White House	9	0	9
Treasury	3	0	3
Labor	4	0	4
Black Committee	2	0	2
alcohol	1 250	0 00	1 250
GRAND TOTAL	2503	1167	1336
NOTES: If the file consolidation project is approved add			200
If the Government Contracts loan is approved add			50
If additional stenographers are approved for loan add			30

NATIONAL RECOVERY ADMINISTRATION

If no further steps are taken NRA will have in January

	<u>Number</u>	<u>Monthly Payroll</u>
Active Employees	1872	\$394,000
Loaned Employees	250	58,000
Employees on annual leave	381	76,000
TOTAL	2503	\$528,000

If this plan is effected NRA will have on January 15

Active Employees	1050	\$210,000
Loaned Employees	250	58,000
Employees on annual leave	850	170,000
TOTAL	2150	\$438,000

Detailed to Coordinator

Dixon, A. C.
Ashley, George F.
McComb, William Randolph
Schurz, William Lytle
Judd, Maurice
Hamill, George K.
Ourbacker, Samuel H.
McRae, Kenneth A.
Harrington, Leo W.
Green, Samuel
Reiman, F. A.
Campbell, Helen D.
McQuarris, Ruby E.
Gulford, Ernest F.
Jones, Elisabeth D.
Sutton, Rosalie
Appleton, Helen C.
Calhoun, Bora F.
Grown, Genevieve L.
Ferguson, Della R.
Hammett, Lucy, C.
Harris, Naomi
Martin, Mary B.
O'Connor, Jean A.
Somervell, Geraldine R.
Daan, Helen
Lewis, Edith I.
Ward, Katie Prince
Fox, Richard A.
Gallogly, Margaret Mary
Lawrenson, Elisabeth E.
Madert, Mary Grace
Breeze, William Aubrey
Robinson, A. W.

COPI

December 12, 1935

TO: M. Creditor, Control Officer
FROM: Sampson H. Bass, Acting Chief, Payroll Section
SUBJECT: Report of Salary Changes effective December 1, 1935.

Attached hereto is copy of Report No. 14 to the National Emergency Council, containing the names of employees whose salaries were changed on the pay rolls effective December 1, 1935.

Pages 1 and 2 of the Report contain salaries that have been decreased. Pages 3 to 5 contain salaries of the regular Washington employees that have been increased. Page 6 contains salaries of regular Field employees that have been increased.

There are 117 increases on the Washington and 5 on the Field payrolls.

The increase in annual salary outlay in so far as the upward reclassifications are concerned is reflected in the following tabulation:

	<u>Salary outlay</u> <u>as of Dec. 1st</u>	<u>Salary outlay</u> <u>as of Nov. 30th</u>	<u>Increase</u>
Washington pay roll			
117 increases eff. 12/1	\$240,720.00	\$209,280.00	\$31,440.00
Field pay rolls			
5 increases eff. 12/1	8,040.00	7,160.00	880.00
TOTAL	\$248,760.00	\$216,440.00	\$32,320.00

(Signed)

Sampson H. Bass,
Acting Chief,
Payroll Section.

December 12, 1935

At the 9:30 group meeting, HM, Jr. had before him a statement showing exports of silver by Japan for the years 1932, 1933, 1934 and 1935. This statement showed that for the period of April through December, 1934, Japan exported silver 7.31 millions of yen and for the same period in 1935, expressed in millions of yen, 144.15.

The Secretary asked the group what they thought of the following idea: that sometime today or tomorrow someone would just give this information out without any comment and say to the newspaper boys, "Look what a big producer Japan has become!" and let the press know of the silver that Japan has smuggled. He said, "I want to bring out that China is being bled by two countries, Japan and England."

HM, Jr. also told the group that he had refused to buy silver from Japan because he knew it was silver smuggled out of China. He said, "If I were in the English position, I would make up my mind, sell my silver, get the other countries to hitch up their currency to Sterling and sell the silver to America while they are suckers enough to take it and let the United States hold the bag." He said that Lochhead made the suggestion today that if Bewley came in and asked on what conditions would we buy their silver, we would say, "If you have 25 percent silver reserve in back of your currency, just as we have, we will buy your silver."

JAPAN
 Monthly exports of silver ^{1/}
 (Millions of yen)

	1932	1933	1934	1935
	Exports	Exports	Exports	Exports
January	not available	.24	.73	2.56
February	not available	.60	.18	3.57
March	.41	.66	.27	7.15
April	.21	.63	.49	15.20
May	.53	.26	1.12	27.46
June	.22	.30	1.24	21.34
July	.23	.52	.97	27.13
August	.40	.69	.96	20.72
September	.95	.99	1.36	70.97
October	2.25	.62	1.56	
November	2.06	.70	1.64	
December	1.22	1.05	3.44	
Total	6.68	7.71	15.95	
Total 9 months	3.05	5.34	7.31	144.15

Treasury Department, Division of Research and Statistics. December 9, 1935.

^{1/} Imports are negligible.

December 12, 1935

HM, Jr., called the President at 9:15 and told him that there was offered in London $4\frac{1}{2}$ million ounces to be sold "at best" and 3 million ounces on which a limit of $27\frac{1}{2}$ pence, equivalent to 81 cents, had been fixed. He also told the President that London had sent over word that they might do what we asked; that is, make definite offers. HM, Jr., also told the President that Bombay is going to call up at ten o'clock and make some more offers.

He also told the President that the Treasury people feel that if London follows our suggestion, and makes specific offers, that we will then decide what offers we want to accept, but that our people think it would be a mistake to buy each day, without change, 2 million ounces in the London market. They think we should vary our daily purchases for the reason that if London gets the idea that we want 2 million ounces a day they might rig the price. HM, Jr., also told the President that the New York papers have news of all of our activities in the London market.

HM, Jr., told the President that he was going to have a press conference at 10:30 and asked the President if he had any suggestions as to what he ought to say to the boys. The President then made the following suggestion: that HM, Jr., say, "We are continuing to carry out the Act. While we are not giving out daily purchases of silver, we have continued to buy silver every day. We are buying silver in a great many places."

Lochhead came in after the Secretary's press conference and told him that the London brokers had now made a firm offer of 5 million ounces of spot silver at $26-7/8$ pence, equivalent to 59.60 cents, and that this offer would hold good until 12 o'clock. Bombay offered 2 million at $26-7/8$ pence, or 59.60 cents. Our thought is that we will take 2 million of the 7 million ounces offered.

The New York market yesterday was 83 cents and today we will drop the price in New York to 82 cents.

HM, Jr., then called the President and said, "It seems to be working your way. London offers us 5 million ounces at 59.60 and Bombay offers 2 million at 59.60. They have been waiting for about an hour and a half for our answer. We thought we would take $1\frac{1}{2}$ million ounces in London and 500,000 ounces in Bombay." The President said O.K. HM, Jr., then told the President that while the price dropped $1\frac{1}{2}$ cents in London, he thought he would drop the price 1 cent in New York.

December 12, 1935

The early advices from London brokers were to the effect that about 6,000,000 ounces of silver were offered for spot delivery and that they were awaiting word from us as to whether or not we would be interested. They were advised to make a firm offer, which they did at 10 AM, New York time, offering 5,000,000 ounces at 26 $\frac{7}{8}$ pence, equivalent to 59.60¢.

At 11 AM, New York time, the National City Bank, Bombay, again telephoned their New York office and offered 2,000,000 ounces for prompt delivery American steamer at the same price.

At noontime the Secretary decided to purchase 2,000,000 ounces of silver in foreign markets and accordingly 1,500,000 ounces of the London offer was accepted and we informed Bombay that we would also accept 500,000 ounces of their offer. London immediately accepted the bid and set their price accordingly, but after a delay of some time we received advice from Bombay that their original offer at 26 $\frac{7}{8}$ pence had been canceled. However, silver in their market was then being offered at 26 $\frac{1}{2}$ pence, equivalent to 58.75¢, and they accordingly offered us 500,000 ounces at this price which we accepted. In the New York market the price was fixed at 62¢ and a moderate turnover took place at this figure.

News was received today that the Hong Kong Government was shipping 20,000,000 Hong Kong silver dollars to London and arranging further shipments. The total stock in Hong Kong was estimated at about 85,000,000 Hong Kong dollars. The Bando de Mexico asked for a bid on 1,000,000 ounces of silver which was accepted at the New York price of 62¢, less the usual expenses.

December 12, 1935

December 12, 1935
Thursday

Mr. Oliphant, Commissioner Helvering and Mr. Kent told the Secretary that Joe Tumulty had offered to settle the tax suit against ex-Senator Jim Watson for \$10,000 and the Secretary decided to reject the offer. He told our people to go ahead with the suit.

F.O.: Yes

H.M.Jr.: Henry Morganthau, Junior -

F.O.: Yes, Mr. Secretary

H.M.Jr.: Yes, sir

F.O.: I called you up to ask you a question.

H.M.Jr.: Please -

F.O.: I wondered if you - how you would feel about something that I am mentioning today. You remember the thing that you asked them to talk about a month or so ago?

H.M.Jr.: Yes

F.O.: There's been no such discussion of that subject in the press -

H.M.Jr.: Yes

F.O.: And it has seemed to me as one-sided and I've been getting a little irritated about it. I thought maybe I'd write a letter to the Times.

H.M.Jr.: You mean in the Times newspaper?

F.O.: Yes, and give the other side.

H.M.Jr.: Fine

F.O.: Well, that would be - well, I didn't want to do that. I'll have - necessarily have to use some of the arguments without -

H.M.Jr.: So, I think that would be fine.

F.O.: Well, I - it seems to me it's rather necessary and I'm glad you - if it's all right with you I'd rather like to do it.

December 12, 1935.
Thursday

H.M. Jr.: Hello
Parker
Gilbert: Hello

H.M. Jr.: Parker Gilbert?

P.G.: Yes

H.M. Jr.: Henry Morgenthau, Junior -

P.G.: Yes, Mr. Secretary

H.M. Jr.: Yes, sir

P.G.: I called you up to ask you a question.

H.M. Jr.: Please -

P.G.: I wondered if you - how you would feel about something that I am considering doing. You remember the thing that you asked/down to talk about a month or so ago?
me

H.M. Jr.: Yes

P.G.: There's been so much discussion of that subject in the press -

H.M. Jr.: Yes

P.G.: And it has seemed to me so one sided and I've been getting a little irritated about it. I thought maybe I'd write a letter to the Times.

H.M. Jr.: You mean on the excess reserves?

P.G.: Yes, and give the other side.

H.M. Jr.: Fine

P.G.: Well, that would be - well, I didn't want to do that - I'll have - necessarily have to use some of the arguments without -

H.M. Jr.: No, I think that would be fine.

P.G.: Well, I - it seems to me it's rather necessary and I - I'm glad you - if it's all right with you I'd rather like to do it.

H.M. Jr.: Oh, I think - I'd be delighted.

P.G.: Good, well I think I'll do it Monday, probably.

H.M. Jr.: All right

P.G.: Fine -

H.M. Jr.: What else do you know, anything else?

P.G.: No, not very much.

H.M. Jr.: Yes

P.G.: I suppose you've been having a lot of fun with your silver boys aren't - haven't you?

H.M. Jr.: Yes, does it disturb you?

P.G.: No, I'm rather - It doesn't disturb me now at all. I think that you just can't go on taking all the silver in the world.

H.M. Jr.: I think we're going to come out all right. We're going along very cautiously and we're feeling our way step by step.

P.G.: Well, I think you'll come out of it all right.

H.M. Jr.: I hope so.

P.G.: And they've - of course you've - this thing has shaken loose so darn much silver that - that it's crowding on you pretty bad but I think you'll work it out.

H.M. Jr.: Well, we're just doing it very cautiously and -

P.G.: Yes

H.M. Jr.: And we'll hope for the best.

P.G.: Well, I think that - I like it better now than I did a while ago.

H.M. Jr.: (Laughter) All right

P.G.: (Laughter)

H.M. Jr.: Well I appreciate your speaking to me, but I'd be delighted to have you do what you suggest.

P.G.: All right, fine, well I'll feel a little better myself

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because I've - this arguments has been so darned
one-sided.

H.M.Jr.: Yes - All right

P.G.: All right, good luck to you.

H.M.Jr.: Thank you