

DIARY

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AMBASSADE DE FRANCE
AUX ETATS-UNIS

Washington, January 1st. 1937

Honorable Henry Morgenthau,
Secretary of the Treasury,
Washington, D.C.

My Dear Mr. Secretary,

Referring to our conversation on the telephone, I wish to say that I received copy of the text of the message which M. Vincent Auriol cabled you. It appears that through some mistake a slight omission was made in the transmission. After the name of President Roosevelt, M. Auriol added "and yours" (your name).

According to his instructions, I wish to make this correction in the text.

With best regards, I am,

Very sincerely yours,

André L. Schuler

Memorandum of Conference at Secretary Morgenthau's house, 4 P.M., Sunday, January 3, 1937. Present: Secretary Morgenthau; Secretary Wallace and Mr. Baldwin, of Agriculture; Mr. Bell, Mr. Hopkins and Mr. Gill, and Mr. McReynolds.

Secretary Morgenthau asked Secretary Wallace to state his problem with respect to relief funds.

Secretary
Wallace:

The bird's-eye view, as I get it, as it has to do with loans and grants, contrasted with last year, is as follows: A year ago we handled a total of 450,000 families, of which 300,000 were loans and 150,000 grants. The total amount of money spent was 88 million on loans and 15 million on grants. This year under the proposal, putting together both the amount we have spent and the suggested amount that would be allowed us to carry us to June 30, we would be handling a total of 820,000 families: 300,000 on loans, the same as a year ago; 150,000 on grants, the same as a year ago, but the grant cases would be carried for a somewhat longer period; and 100,000 on feed loans; and in addition to that we have 270,000 special drought cases that we inherited from Mr. Hopkins. The justification for additional money arises out of the additional number of families which result from taking over the drought cases and the feed loans.

Secretary
Morgenthau:

Bell has given a figure. When we get these figures together, we find we are charging 65 million dollars to drought.

Why don't you let me say what I have in mind and you try to break it down. The position I am taking is this: I am going to take your figure and Hopkins' figure, what you say you need in the way of money from now until the first of July to take care of people on relief and loans and grants, because I am not going to be put in the position of trying to sit and trade with you on that.

But, when it comes to Resettlement projects, rehabilitation work, and administrative expenses, land purchases, I am not going to say that that is relief money, and on my advice the President will not go before Congress and make a fight for additional money at this time. I will say just take

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the 50 odd million dollars that you have got and spread that over the five months and slow up your program until you get new money. The 58 or 59 million dollars you need for relief, I am for that; and under administrative overhead I am suggesting that you get 10 million instead of 15.

When it comes to land development and Resettlement projects, which are not strictly relief projects, and administration costs, I am going to be hard-boiled. That is my position. I do not even know whether Bell agrees with me, but that is the way I feel.

The President has asked us to bring something to him tomorrow morning.

Secretary
Wallace:

Let us look at this one thing at a time. On the land utilization item....

Baldwin:

We have 17 million dollars in here for the completion of the Resettlement projects. We have some projects here that we cannot get through. It will take the 23 million you have given us plus the 17 million asked for to complete that.

Bell:

The 17 million dollars is a duplication and can be cut out, because that item is provided for in Mr. Hopkins' program.

* * * * *

Secretary Wallace and Mr. Hopkins spent some time in discussing the question of what would be a normal load to carry for loans to farmers every year, and what the cost of the administration of such loans would be.

Secretary Morgenthau and Secretary Wallace discussed at some length the exorbitant costs of Resettlement projects, and Secretary Wallace expressed the belief that such costs are probably 50 or 60 percent higher than would be necessary under normal conditions. After discussing the administration costs and project costs for some time, Mr. Bell suggested that the additional amount to be provided for Agriculture for all purposes up to July 1 be 70 million dollars, and Secretary

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Morgenthau stated that he would recommend that amount to the President, plus 720 million for Hopkins, making a total of 790 million.

Mr. Hopkins stated that he could operate on the amount proposed up to June 30 without creating any obligations in excess of that amount, and that in his planning it was not proposed to reduce the relief rolls between now and the middle of March, all the necessary cutting to be made after March 15.

After discussing the proposal suggested by Mr. Bell that an appropriation be asked for only 650 million dollars to provide funds for actual expenditures prior to July 1, and that in the bill for next year authorization be included for the incurring of obligations prior to July 1 up to 140 or 150 million dollars, it was decided to recommend to the President that he include the full amount of 790 million dollars as a direct appropriation and not request authority to incur obligations beyond that amount.

Mr. Hopkins stated that for next year he would be willing to undertake to get along with a billion and a half, including all expenses, for unemployment relief.

Secretary Morgenthau then called the President on the telephone and stated that, as the result of the conference just concluded, he recommended to the President that he request Congress to appropriate an additional sum of 790 million dollars to provide the necessary emergency relief funds for expenditure prior to next July 1. The Secretary explained that this amount included only 70 million for Secretary Wallace's activities. The President approved the Secretary's recommendation and authorized the inclusion of the 790 million dollar figure in his recommendation to Congress.

January 3, 1937

The figures in Mr. Tugwell's letter of December 30, attached hereto, were used as the basis of discussion in the meeting at the Secretary's home on January 3rd, when final decision was reached.

RESETTLEMENT ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON

JED, J
= 106
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December 30, 1936

The Honorable
The Secretary of the Treasury

My dear Mr. Secretary:

In accordance with your request of yesterday, I am giving you below the statement of unencumbered and unallotted funds which have been allocated to the Resettlement Administration by purposes for which this money was made available and by the approximate dates on which these funds will be obligated, together with pertinent information on the various phases of the program and the additional funds which will be needed to carry this program through the present fiscal year.

On November 30, 1936, the unencumbered and unallotted balances of funds allocated to the Resettlement Administration were approximately \$92,300,000. Since November 30, there have been allocated to the Resettlement Administration \$5,000,000 as additional funds for loans and grants and \$2,000,000 for administrative expenses. The allotment for administrative expenses was made to meet immediate payrolls and will be encumbered completely before January 15. This means that the unencumbered and unallotted balances which are being explained in this letter totals approximately \$99,300,000. The summary statement below will indicate the purposes for which these funds are being used:

PURPOSE	TOTAL FUNDS UNENCUMBERED AND UNALLOTTED DEC. 1, '36	TOTAL ADDITIONAL FUNDS REQUIRED THROUGH JUNE 30, 1937
Rehabilitation and drought relief	\$42,000,000 (a)	\$53,000,000
Land Development	10,300,000	17,000,000 - put
Submarginal Land Purchases	2,200,000	
Resettlement Projects	40,500,000 (b)	17,000,000 - ?
Administration	2,300,000 (c)	15,000,000 - ?
	<u>\$99,300,000</u>	<u>\$107,000,000</u>

(a) Includes \$5,000,000 received after December 1, 1936.

(b) Includes \$2,500,000 transferred after December 1, 1936.
from 1935 Rehabilitation funds.

(c) Includes \$2,000,000 received after December 1, 1936.

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RURAL REHABILITATION:

As of November 30, there remained unencumbered the sum of \$36,000,000 of funds which had been allocated for loans and grants to farm families. Since November 30, we have received an additional allocation of \$5,000,000 making a total of \$43,000,000 available for this part of our program.

It is estimated that this \$43,000,000 will be spent and obligated during the months of December and January in the following approximate amounts:

- \$5,000,000 for direct grants during December;
- 2,000,000 for drought feed loans during December;
- 8,000,000 for grants during January (150,000 grant case load, exclusive of the drought area and 250,000 case load now being transferred from WPA);
- 5,000,000 for feed loans during January;
- 2,000,000 for loans to cooperatives during January (these loans have been processed and approved by the regional offices and are now awaiting certification);
- 5,000,000 operating loans during January to farmers formerly residing on submarginal land purchased by the Resettlement Administration and to other rehabilitation clients occupying Resettlement projects;
- 16,000,000 for supplemental loans to rehabilitation clients for which farm plans have already been approved.

It is estimated that a minimum of \$25,000,000 will be required for grants to take care of 250,000 drought victims formerly employed on WPA projects who are now being transferred to the Resettlement Administration. During the same period it is estimated that a minimum of \$33,000,000 will be needed for loans and grants to rehabilitation clients. At the present time, we have approximately 300,000 such clients. We believe that this \$33,000,000 will be sufficient to continue their rehabilitation, although it is only one-half of the amount used for this same purpose during the corresponding five months in 1936.

Our experience thus far definitely indicates that most of these funds will ultimately be returned to the Treasury. Undoubtedly, assistance of this sort to farmers in open rural country can be extended very much more cheaply than is possible under any other form of relief.

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LAND DEVELOPMENT PROGRAM:

Of the funds allocated to the Resettlement Administration for Land Development Projects \$10,300,000 was unencumbered on November 30, 1936. Of this amount, \$1,400,000 was rescinded in the transfer of certain projects to the National Park Service, Department of the Interior. All but \$2,400,000 of the remainder will be encumbered by February 1, 1937 and this balance has been irrevocably allocated to a few projects and cannot be shifted to other projects under the terms of the Deficiency Act of 1936. Thus it will be necessary to have additional funds appropriated and allotted to meet February 1-15 payrolls on the great majority of projects. The sum of \$17,000,000 will be required to complete this phase of the program.

SUB-MARGINAL LAND PURCHASE PROGRAM:

Of the funds allocated to the Resettlement Administration for the acquisition of land under the sub-marginal land program, a balance remained on November 30 of \$2,200,000. Of this amount \$760,000 was encumbered during the month of December and \$500,000 has been set aside to complete the curative work in the field in connection with clearing titles. The \$940,000 remaining is for the purpose of acquiring essential and necessary key tracts by the Resettlement Administration, the National Park Service, the Bureau of Indian Affairs, and the Bureau of Biological Survey.

RURAL AND SUBURBAN RESETTLEMENT CONSTRUCTION PROGRAM:

There remains approximately \$40,500,000 of funds allocated to the Resettlement Administration which have been and are being used for rural and suburban resettlement projects. Since November 30, there has been encumbered approximately \$10,000,000 of these funds, leaving a balance of approximately \$30,500,000 available to continue these activities. It is estimated that a minimum of \$17,000,000 will be required to complete sufficient construction on these projects to establish them on a sound workable basis.

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On November 30 there remained approximately \$1,800,000 of funds allocated to the Resettlement Administration for Administrative expenses which had not been encumbered. Since November 30, an additional allocation of \$2,000,000 has been made for this purpose. At the present time, our administrative expenses are approximately \$2,500,000 per month and it is anticipated that this amount will be required each month until the end of the fiscal year. Since May 15 we have reduced our administrative personnel from approximately 19,500 to approximately 13,500. It was anticipated that a further reduction would be made in the next 90 days, but because of the seriousness of the drought situation it is not felt that any additional economies can be effected in this fiscal year. }

It should be borne in mind that it is necessary to maintain substantial working balances of all funds if the administration of the Resettlement program is to be handled on an efficient basis. We now have under way approximately sixty Rural and Suburban projects and, because of labor difficulties and other conditions beyond our control, our estimates cannot be entirely accurate. Allotments, therefore, in some cases will be greater than immediate requirements, but it is essential that there always be maintained working capital for each project. A similar situation exists with regard to our loan and grant program. We are now making loans and grants in all of the forty-eight states. If an average minimum balance is carried in each state of \$250,000 as working capital, this alone will require twelve million dollars. Our experience indicates that smaller balances not only make administration extremely difficult, but result over a long period of time in greater expenditures than would otherwise be required and in inefficient use of our personnel.

Sincerely yours,

R. G. Vinzwell
Administrator



DEPARTMENT OF AGRICULTURE
WASHINGTON

January 4, 1937

The Honorable

The Secretary of the Treasury

Dear Secretary Morgenthau:

Inasmuch as during the conference yesterday afternoon, you questioned the relationship of the figures which I presented in the early part of the conference to the figures which former Administrator Tugwell had sent you, I wish to point out to you the relationship which seems to me to exist.

Dr. Tugwell's letter to you was addressed merely to the question which you and Administrator Hopkins had raised in your office one morning last week as to the status of the unencumbered balances as of December 1, 1936. The figures which I gave to you in the early part of yesterday's conference referred only to Rural Rehabilitation and drought relief program for which the Resettlement Administration had 43 million dollars of unencumbered funds on December 1. Evidently, I did not make myself clear, why it was, taking into account the money thus far spent in this fiscal year and also in addition the 43 million dollars apparently unencumbered and also the full askings for the remainder of the fiscal year, that the total expenditures are reasonable as compared with the last fiscal year.

In brief, the point I was making is as follows:

In the fiscal year ending June 30, 1936, the Resettlement Administration took care of 300,000 loan cases and 150,000 grant cases, spending 88 million dollars on loans and 15 million on grants, making a total of 103 million dollars. In this fiscal year, taking into account the money already spent, the technical unencumbered balance referred to in the Tugwell letter and the askings as I presented them to you yesterday, Resettlement would be taking care of 820,000 families as contrasted with the 450,000 last year. The 820,000 families would consist of 300,000 rehabilitation loan cases, 150,000 grant cases, 100,000 feed loan cases and 270,000 cases sent to Resettlement by Hopkins. The money spent on these 820,000 families would total 114 million dollars as compared with 103 million last year. Of this 114 million dollars, 51 million dollars will be spent for the 300,000 loan cases (a part of this fund will be used for rehabilitation loans in the drought area

which will include feed loans; 5 million dollars will be loaned to farmers removed from submarginal land, and to other rehabilitation clients occupying rural resettlement projects; 46 million will be spent on the combined grant cases for both the drought and the grant case load which has been carried outside of the drought area; and 12 million would be used entirely for drought emergency feed loans.

In view of the fact that the year 1936 was one of the two most severe drought years in this century and undoubtedly far more serious in its character than the year 1935, it would seem to me that the total showing of Resettlement for the relief and of its work in the fiscal year ending June 30, 1937, contrasts very favorably indeed with the showing made by Resettlement the previous year.

You made the statement yesterday that the 43 million dollars could not be spent by June 30 even though certain askings of Resettlement for the remainder of the year were denied. Of course, I am not yet sufficiently familiar with the details of the Resettlement Administration to say with absolute conviction that this statement is inaccurate, but speaking in a general way, it would seem to me in view of the drought nature of the 1936 season and the unusual demands coming on Resettlement from the drought sufferers, that the Resettlement Administration would be definitely remiss if it did not give out this money to the people who need it. I believe they are now organized to do it, that they can do it and they should do it.

Addressing myself now to the housing work of the Resettlement Administration which you criticized so vigorously yesterday, I wish to say that the housing has been given an importance by the press altogether out of proportion to its real significance. Moreover the President's visit to Greenbelt also publicized the housing end of Resettlement activities. In view of the fact that the suburban housing work is very definitely under fire both inside and outside of the administration, it seems to me that the sensible thing to do is to finish up the present projects as rapidly as possible and then to have a complete and thorough understanding among the agencies concerned before any new suburban housing activities are started. If the housing is slowed down in the manner your recommendation contemplates, the result is bound to be higher costs, pressure from various quarters and additional newspaper discussion of a sort which will not be good for the administration.

Your criticism of the efficiency of the housing work of Resettlement may be perfectly well-founded. If the criticism consists merely in the fact that the houses will have to be sold to the farmers at less than the government put into them, I do not think it is well-founded. It is obvious that the use of relief labor as required by the W.P.A. has resulted in high costs, and other conditions and regulations beyond the control of the Resettlement Administration have also served to increase the costs.

had
It may be that the Resettlement Administration has been unnecessarily experimental in some of its approaches to the problem and *had* that this experimentation has cost the government money. It may be that the overhead costs of supervising the housing were unduly high. I have no opportunity to look into that and to compare such supervisory costs with costs elsewhere. I believe you have such an opportunity and I would appreciate it greatly if you would send me the results of your survey. Oftentimes there are several sides to a problem of this sort and I think both you and I are of a mind in which we like to get as nearly a rounded picture as possible.

I have always appreciated your frank and cooperative spirit and I am writing you now in the same spirit.

Sincerely,

Hawallac

Secretary

January 4, 1937

Mr. Ernest and Mr. Murray called on the Secretary at ten o'clock this morning and presented the attached letter.

Mr. Morgenthau inquired of Mr. Ernest if he knew why it was contemplated to use the engraved plate method rather than the offset process and Mr. Ernest's reply was that it was because of counterfeiting. The Secretary next asked whether switching from the offset to the plate printing method would mean that the men they represented would be laid off and Mr. Ernest replied that it would but added that it should be borne in mind that it is a matter of governmental economy that the offset method be continued.

The Secretary told Mr. Ernest that he was not familiar with the matter, but that he would see Mr. Hall today or tomorrow and would have an answer for Mr. Ernest by Wednesday.

PRINTING PRESSMEN'S UNION No. 1
I. P. P. and A. U.
TYPOGRAPHICAL TEMPLE 20 20 423 G STREET, NORTHWEST
WASHINGTON, D. C.

CE OF
 PRESIDENT AND
 SECRETARY
 E NAT. 9386

December 11, 1936

Honorable Henry Morgenthau,
 Secretary of the Treasury,
 Washington, D. C.

My dear Mr. Secretary:

We are reliably informed that the Bureau of Engraving and Printing is contemplating printing all Green Bottled Distilled Spirit Stamps, which are now being produced by the economic offset method at a cost of \$7.49 per 1000 sheets, to the more expensive plate printing method at a cost of \$52.75 per 1000 sheets.

Washington Printing Pressmen's Union No. 1 and the International Printing Pressmen & Assistants' Union of North America request that you do not approve such a change in the method of production of these Green revenue stamps in the Bureau of Engraving and Printing.

Approximately 90% of all revenue stamps are being produced at the Bureau of Engraving by the offset process at an approximate cost of \$7.49 per 1000 sheets.

Approximately 10% are produced by the plate printed method at an approximate cost of \$52.75 per 1000 sheets.

(All figures mentioned herein have been obtained from "The Hearing before the Subcommittee of House Committee on Appropriations" for the fiscal years 1934, 1935.)

Green Bottled Distilled Spirit Stamps used on bonded whiskey and export Bottled Distilled Spirit Stamps in blue are now and have been for 20 years printed by the offset process at an approximate cost of \$7.49 per 1000 sheets.

Honorable Henry Morgenthau

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December 11, 1936

Since the repeal of prohibition Red Bottled Distilled Spirit Stamps used on blended liquor are printed by the plate printing process at an approximate cost of \$52.75 per 1000 sheets.

From the available information, there have been produced approximately 50,000,000 sheets of these Red Bottled Distilled Spirit Stamps printed by the plate printing process at an approximate cost of \$2,637,500. Had this same quantity of revenue stamps been printed by the offset process at a cost of \$374,500 the Government would have saved approximately \$2,263,500.

Beer stamps also are now being produced by the expensive plate printing process, and we are informed that approximately 10,500,000 sheets of these stamps have been shipped out of the Bureau of Engraving at an estimated cost of \$553,875. If these 10,500,000 sheets of beer stamps had been printed by the offset process it would have resulted in a saving for the Government of approximately \$475,230.

The Red Bonded Distilled Spirit Stamp has about served its purpose. Three-year-old Bonded Liquor is about to be placed on the market which will result in increasing the demand for Green Revenue Stamps and will increase from time to time in the very near future displacing a like number of Red Revenue Stamps.

The above matters not only deeply affect the rights of the membership of the International Printing Pressmen and Assistants' Union of North America but in addition involves a matter of Governmental economy; therefore, we most respectfully hope that you will give them your earnest consideration.

Respectively submitted,

Edwin A. Eckels

Edwin A. Eckels, President

Harry C. Webb

Harry C. Webb, Secretary

Edwin J. Murray

Edwin J. Murray, Chairman
Legislative Committee

Charles V. Ernest

Charles V. Ernest, Representative
I. P. P. & A. U. of N. A.

(SEAL)

January 4th

The President talked steadily for one hour. He asked me to think over whether Ben Cohen would be better in the Attorney General's office or SEC. Without knowing the man, I felt he would be much less conspicuous with the Attorney General. I asked him who he was going to put in as head of the new Public Works. He said he did not know, that he had not thought about it - possibly Peoples. So I said, "Well if you are going to think seriously of Peoples I want to talk to you about him sometime." The President then said, "What is the matter - is he drinking again?" I said to him, "What do you mean again?", so he told me a long story of back when he was Assistant Secretary - Peoples' drank very heavily so much so that at one time his wife talked of leaving him. I told him what happened at our tea and what we had done afterwards. I said, "What would you have done?" and he said, "Just what you did". I said, "Should I have told you this" and he replied, "Absolutely", so I said, "It is strictly between us". He said, "You better send for Peoples and tell him that if three or four times a year he wants to go off and get drunk O.K. but the rest of the time he has got to be sober and attend to his work". (I do not know how successful I will be and I think I will wait and see what develops) Then the President turned to me and said,

"Do you think that Jesse Jones is old enough now that we can trust him?" I said, "What do you mean"? and he said, "What would you think if I put Jesse Jones in as head of the new department of Public Works. He said you know Jesse Jones is tough and I think Jesse would make a go of it". He again repeated did I think he was honest and I said, "In all my experience with Jesse Jones, I have never seen him deviate the slightest in serving his government 100%". I was tremendously interested in the President's attitude towards Jesse, showing evidently that he has not always completely trusted him.

The President then said, "I wonder if some of your bright young men could work out some way of solving the Foreign Exchange problem of Italy and Germany. (I imagine he has this in mind because I know he has just seen Will Hayes, who has returned from Italy where he has made a deal with them to take 250 moving pictures a year but he has to leave part of his money in Italy. Will Hayes told me this himself Saturday night at the diplomatic reception). I told the President that the question of foreign exchange of Italy and Germany is only part of the picture; that some day he wants to take up war debts; that the country is not ready for us to give a big reduction in war debts. I said, "When we take up war debts

we ought to also take up disarmament at the same time". The President then tried to interrupt me by saying, "You are just taking the words out of my mouth". He said, "Let me give you my big idea". He then went on and expounded at great length about the thought of having an international cartel in different commodities. He used "rubber" as an example. The various countries would agree on an annual production of rubber, each one taking a definite allotment and all the workers and the business done in rubber would be paid for with some kind of an international exchange and that those countries who participated and who were debtor nations would put part of their debt into this so-called rubber pool and would liquidate their debt as they received payment for their share of the rubber in international exchange.

I asked the President whether this had anything to do with the idea that he had a couple of years ago where he was going to divide the world up into different production areas. He said, "No, this idea superseded that one". He pictures himself as being called in as a consultant of the various nations of the world. He said, "Maybe I can prescribe for their ailments or, after making a study of their illnesses, I will simply turn up my nose at them and say, 'I am sorry - I cannot treat them'. For example I would tell England that she had too many people and she should move out ten million of her population. I would take a look at each country and, of course, when we made them disarm we would have to find new work for the munitions workers in each country and that is where this international cartel would come in and your job would be to handle the finances". I took a deep breath and said, with a smile, "I will have to think this one over, Mr. President" and he said, "Well it is just an idea, think about it".

I again talked to him about Vanderbilt Webb but he has the idea so definitely fixed in his mind that Vanderbilt Webb has no backbone and is not a New Dealer that I might as well drop the idea.

January 4, 1937

Today the Secretary asked Miss Roche to explain to him the difficulties existing between General Motors Corporation and the United Automobile Workers Union. She did so, as per the attached memorandum.

The thought that prompted the request for this information was the fact that the Secretary is fearful of a strike and the resultant effect on recovery, in view of a statement prepared by him and included in the Budget message which the President will send to Congress on Friday of this week to the effect that the Budget will be balanced in 1938 provided recovery continues at the present rate.

The Secretary also asked Miss Roche whether she thought the situation would be ironed out within a couple of months or whether it would be a prolonged fight. She did not know. He then inquired of her if she would ask Mr. Lewis if he would be willing to spend an evening with them at his home so that he, the Secretary, could get the picture first-hand from Mr. Lewis.

Miss Roche and Mr. Lewis are spending Thursday evening with the Secretary and Mrs. Morgenthau.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: January 4, 1935.

TO Secretary Morgenthau
FROM Miss Roche
Subject: Industrial Situation

The crux of the present crisis in the automotive industry is the continued refusal of General Motors to answer the request of the United Automobile Workers' Union for a national conference for collective bargaining purposes between that corporation and the union which represents its employees.

The Union has repeatedly requested such a conference, but has been told by a vice-president that any grievances should be taken up with plant managers or general managers in the various localities. Such a statement is subterfuge. General Motors policies are not settled locally; decisions as to wages, hours, and other conditions of employment are all made at a central point for all the plants controlled by General Motors. The United Automobile Workers' have already been told repeatedly by various plant managers that their reasonable demands must be referred to higher company officials before an answer can be given. The Union is continuing its demand for a conference with persons who have the power to negotiate.

If the management continues to refuse to confer, the decision for a grave industrial set-back will be their responsibility.

The United Automobile Workers' Union is splendidly organized and represented by keen, level-headed and very intelligent men. It is a member union of the C. I. O. which was formed last spring by fifteen of the largest and most effectively organized industrial unions of the country, comprising at that time nearly half of all organized labor. John L. Lewis and Sidney Hillman were active in its organization.

Now, in addition to its charter unions, the C. I. O. has added many new unions. Through its organization work in steel, automobiles, glass, shipbuilding, electrical manufacturing, oil and by-product coke industries, hundreds of thousands of workers have been organized and union enrollment is increasing daily.

The C. I. O. is built on the industrial union principle of organizing all the workers of one industry - such as coal - into one union, instead of on the old time craft principle which meant many different unions and union contracts in one industrial establishment with resulting confusion, jurisdictional disputes, and, in the end, industrial instability and losses and no labor progress.

-2-

Should the automobile industry, steel and other great basic industries continue in their refusal to meet and bargain collectively with the unions which represent the workers of these industries, they will find themselves up against a totally new situation in the labor world. Industrial union leaders today are prepared in every sense of the word. They have ample funds; they have information on their industries equal to that possessed by management. Financial and technical data, markets, trade and special data, they are as much masters of as they are of labor conditions. Their entire approach to the problem is sound and constructive; they desire industrial peace and industrial gains. They maintain however that the coming era of prosperity be a shared prosperity, that workers' rights to organize and deal collectively with highly organized capital be accepted as a working basis for developing the increased jobs and increased purchasing power on which prosperity for the nation as a whole depends.

J. Roche

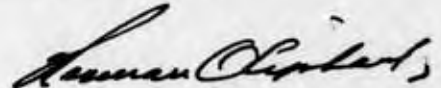
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Jan. 4, 1937

TO Secretary Morgenthau
FROM Herman Oliphant

Pursuant to your request of December 31, 1936, the proposed report to Congress of the National Munitions Control Board, of which you are ex officio a member, has been examined and is in substance and form ready for your signature. I recommend that you sign it.



Note: This report was signed today by Secretary Morgenthau and sent by special messenger to Mr. Green of the State Department.

THE WHITE HOUSE
WASHINGTON

January 4, 1937

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY
FOR YOUR INFORMATION

F. D. R.

DEPARTMENT OF AGRICULTURE
WASHINGTON

December 30, 1936

The President

The White House

Dear Mr. President:

Following up our conversation at Cabinet meeting yesterday, I would like to make further comment to you with respect to both wheat and sugar. At the moment there is no occasion for unusual alarm about bread prices. The average retail price of bread in November in the leading cities in the United States, according to the Bureau of Labor Statistics, was 8.2 cents a pound. This compares with 8.1 cents in June of this year, 8.6 cents in December of 1935, 8.3 in December of 1934, 7.2 in December of 1932 and 9.4 in December of 1927.

The recent rise in the price of wheat and certain other ingredients will probably result in the next month or two in an increase in bread prices of about .4 of a cent a pound which would mean that bread would be about 8.6 cents or the same as it was in December of 1935. Flour in the middle of December of this year of both the Hard Winter and the Spring Wheat grades was lower in price than in December of last year. Since the first week of December, however, there has been an advance of 10 to 15 cents a bushel in the price of wheat and this has not yet had an opportunity to reflect itself in either flour or bread prices. At the moment, however, taking into account this lag, there seems little likelihood of present wheat prices resulting in bread prices any higher than they were in December of 1935. You must remember that a year ago there was a processing tax on wheat which, when added to the price of wheat prevailing at that time, gave a price very little different from the present price.

I am having our Bureau of Agricultural Economics cooperate with the Commodity Exchange Administration to see to what extent present wheat prices in the United States are out of line with the fair assessment of supply and demand conditions in the United States and in the world. I hope to have the result of this study in your hands within the next week.

With regard to sugar, I am confident that if we have an excise tax of one cent a pound, we can by regulation of quotas keep the price from rising to the consumer. As a matter of fact, however, it might be all right to let the price rise

- 2 -

to the consumer by as much as .1 or possibly even .2 of a cent a pound because of the fact that sugar prices are now so reasonable. We have the quota mechanism, however, to impose a substantial excise tax on sugar without increasing the price to the consumer. The problem is not the problem of the consumer but a problem of how much of a handout the government by its policy wants to give to the sugar processors. I certainly do not believe in punitive measures with respect to them, but neither do I believe in a policy which gives them a far greater return than they had during the decade of the twenties.

It seems to me that you now have a splendid opportunity, if you will take hold of it firmly, to inaugurate a sugar policy which will do justice to all of the parties interested, including Cuba, the beet farmers, the children and other laborers in the beet fields, the processors and the United States Treasury. It is possible to enrich the United States Treasury by a net of some 30 to 90 million dollars, depending on the amount of the excise tax and on whether you think it advisable for our policy to result in a return to the processors of 9 or 10 percent or whether you think our policy should result in a return to them of 6 or 3 percent.

If you yourself will give the word to Secretary Morgenthau to go into this matter of an excise tax on sugar sympathetically with our people and if you will have a heart to heart talk with Senator O'Mahoney, I am convinced that we can, if we stand fast, inaugurate a sugar policy which will be just for all concerned and one of which we can be proud in future years. I honestly believe a policy of this sort in the long run will prove to be to the best advantage of the processors and the growers as well as to all the other interests at stake. Would you like further information on this subject?

Respectfully yours,

/s/ H. A. Wallace

Secretary.

cc - Haas
Taylor
Roche
Oliphant

DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.

December 30, 1936

C
O
P
Y

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

Dear Henry:

In line with our conversation at the White House this morning, I will be glad if you will designate someone from your Department to whom Mr. J. B. Hutson, Assistant Administrator of the Agricultural Adjustment Administration, can talk about the sugar situation.

Sincerely yours,

/s/ H. A. Wallace

Secretary

cc - Haas
Taylor
Roche
Oliphant

1-6-37

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The Secy

I send you this full
memo for your fuller
records. I should like
to discuss it briefly
with you. Kent. & Stephorth
attending

HO



GENERAL COUNSEL
TREASURY DEPARTMENT
WASHINGTON

27

JAN 6 1937

Memorandum to the Secretary:

In re: Draft of Stipulation with Associated
Gas and Electric Company.

The negotiations between the Associated Gas and Electric Company and the Government, represented by Messrs. Wideman, Kent, and Buck, for a stipulation in the equity foreclosure suit pending in the Northern District of New York have now reached the point where it seems advisable to place before you a succinct summary of the important provisions of the stipulation as now drawn. In the event, as now seems probable, that Judge Mack approves the stipulation in the 77-B proceeding pending in his court and dismisses that suit on January 8th or shortly thereafter, it might become highly important that a stipulation be agreed upon and filed in our equity suit without delay.

The stated object of this stipulation is to provide a basis whereby the interests of the United States may be adequately and completely protected and the necessity of distraint by the Collector of Internal Revenue may be obviated while the stipulation is in effect and the company's tax liability is being determined by the Board of Tax Appeals or the court.

The first portion of the stipulation is devoted to a recital of relevant facts relative to the Associated Gas and Electric Company and other parties defendant, the jeopardy assessments, and the tax liens. These paragraphs have been carefully drawn but present no questions which it seems necessary to bring to your attention.

The middle portion of the stipulation is the most important from the point of view of protection of the Government's tax lien and the collection of its claim.

First, the defendants agree to withdraw and waive their several motions to dismiss and to strike, addressed to the Bill of Complaint. The trial of the issues raised by the amended Bill and

Memorandum to the Secretary.

In re: Draft of Stipulation with Associated
Gas and Electric Company.

Answer is to be held in abeyance, except for the redetermination of the deficiencies, during the continuance and operation of the stipulation.

Second, all hearings under or in connection with this suit may be heard before the Hon. Julian W. Mack, at his Chambers in New York City, or at such place or places in the Northern District as he may designate.

Third, the Court is to appoint an officer to be known as the Court Commissioner, with compensation to be fixed by the Court and paid as part of the costs by A.G. and E. Co. He is to be entitled to the services of such experts as he may require to assist him in the performance of his duties, to be selected by him, with compensation fixed and paid by the Government. The Court Commissioner and his experts will be entitled under the stipulation to access to all of the books, records, papers, documents, and files of the A.G.&E. Co., its subsidiaries, and affiliates deemed by such Commissioner to be relevant to the performance of his duties and under or pursuant to any order or decree of the Court.

The Court Commissioner is given the right of attendance at each and every meeting of the board of directors and executive committees of A.G.&E. Company and A. G. & E. Corporation, save for meetings held for the sole purpose of considering the tax litigation, and the privilege, as he may desire, of attending any and all meetings of the Board of Directors or Executive Committee of any subsidiary or affiliated corporation.

The defendant corporations and their subsidiaries and affiliates are required to report in writing to the Court Commissioner, with supporting data and information containing full, true, and correct information relative thereto, before the consummation thereof any transaction or transactions involving any one of the following things (in summary):

(1) The making, renewal or change in any manner whatsoever of a service contract or of service contracts. Copies of all such contracts in existence on the date of the stipulation are to be filed promptly thereafter with the Court Commissioner.

Memorandum to the Secretary.
In re: Draft of Stipulation with Associated
Gas and Electric Company.

(2) Any sale, transfer, assignment, pledge, hypothecation or other disposition of property otherwise than in the regular course of business.

(3) The purchase, contract to purchase, or option to purchase, any property out of the regular course of business.

(4) Any increase of indebtedness out of the regular course of business, whether resulting from borrowing or otherwise.

In elaborating upon the phrase "regular course of business" and determining what transactions are to be deemed to be included in the regular course of business, in order to allow the management such freedom of action as is consistent with the security of the Government's claim, standards are adopted substantially similar to those contained in the Public Utilities Act of 1935.

(5) Payment of dividends by defendants, except by A.G. & E. Corporation to A.G. & E. Company, whether in cash, property, scrip or notes, and payment of bonuses to officers of said companies.

It is believed the above categories include all the important transactions affecting the assets which represent the security for the ultimate collection of the tax liability.

The stipulation gives the Court Commissioner a minimum of seven days (exclusive of Saturdays, Sundays, and holidays) in which to study the proposal and such additional time in any specific instance as the Court may allow. Copies of the notices are also required to be served upon counsel of record for the Government. If either the Court Commissioner or counsel notify counsel of record for the defendants that there is an objection to the proposed transaction, it cannot be consummated save upon order of the Court after a hearing upon the matter.

The final portion of the stipulation provides a procedure whereby the A.G. & E. Company or its subsidiaries and affiliates may, upon application, procure releases of particular assets from the tax lien, subject to compliance with the provisions of Section 3186 of the Revised Statutes, as amended by Section 613 of the Revenue Act of 1928, and of the provisions of Treasury Decision 4278 relating to the release of Federal tax liens, or the provisions of any laws or regulations hereinafter enacted or promulgating permitting such release. The statutory limitations apply safeguard

Memorandum to the Secretary.
In re: Draft of Stipulation with Associated
Gas and Electric Company.

the security of the tax liens. At the same time the procedure proposed will allow some leeway for refinancing of existing bond issues at lower interest rates and for obtaining on advantageous terms new capital needed for the legitimate needs of the enterprise. Properly controlled as it will be under the machinery set up by the stipulation, such financing will increase rather than impair the value of the corporate assets to which we must ultimately look for payment of the tax liability.

The stipulation also provides that the Collector of Internal Revenue shall not resort to distraint or sale under the liens of the jeopardy assessments described therein during the term of such stipulation, and that liabilities arising from jeopardy assessments for future years, if such be made, may be brought under and within its terms by mutual agreement (in writing) of the parties.

The stipulation is to remain in force and effect for sixty (60) days after the order (or decree) redetermining the tax becomes final, unless further extended by agreement of the parties. In the event of any violation of its provisions, it may be terminated by the Court upon application by the adverse party on five days' notice in writing.

The stipulation by its terms applies only to the tax liability now in controversy and no act done thereunder shall have reference to any other interest or right of the parties thereto.


General Counsel.

January 5, 1937
9:30 A.M.

Present: Mrs. Klotz
Mr. McReynolds
Mr. Upham
Mr. Bell
Mr. Haas
Mr. Taylor
Mr. Gaston
Mr. Oliphant

H.M.Jr: What I want to ask you people about - the reason it's this kind of a conference - is this: it's in connection with the Bell-Upham Bill (laughing).

Bell: Take my name off it.

Upham: I'm glad you put his name first.

H.M.Jr: It has to do with the putting up of Government bonds as collateral for Federal Reserve notes. There was a general misunderstanding all along the line, but unfortunately I gave my word to - not unfortunately - I mean I gave my word to Senator Glass that I wouldn't sponsor any banking legislation without first coming to see him, and on the Hill I think one's word is the most important thing. I've got to straighten myself out somehow or other, and the thought that I had this morning was that the only way I know would be for me to go and see Glass and tell him how this thing happened and then ask him how he feels about it.

Then - this is what I wanted your advice - then if he says, "I'm absolutely opposed to this thing," I'll say, "I'll tell the White House and it's up to Eccles to carry his own battle." I mean I'm asking in here for advice, I'm not asking about - let's put a question: Does anybody think I shouldn't go to Senator Glass under these circumstances?

Bell: I do not.

H.M.Jr: What?

Bell: I do not.

- 2 -

Oliphant: I very much think you should.

H.M.Jr: All right. Huh? All right, then. I'll go to Senator Glass.

Now, I asked Mr. Eccles whether he didn't want to come with me and he said he would but he'd rather not.

Oliphant: He doesn't want to?

H.M.Jr: He says he will but he'd much rather not. And after thinking it over I think it's just as well that he doesn't.

Oliphant: Well, that's playing ball with him. You asked him.

H.M.Jr: Yes, I've asked him. He'd rather not go, but he didn't say he wouldn't. But should I ask him to go with me?

Oliphant: You mean insist on his going?

H.M.Jr: Oh yes, if I insist he will go. I mean I lay - you may wonder why I lay such stress on this thing. My word is at stake, which is of enough importance to spend a half day on, or a half an hour. And I don't blame anybody. I mean everybody's motives connected with it were perfectly honorable. I mean it was just one of these things where we moved a little too fast, that's all - under too much pressure.

Taylor: Why didn't Marriner want to go with you?

H.M.Jr: Well - I mean I - Marriner said, "You could tell Senator Glass that this is something that the White House wants." So I said, "Well, Marriner, how can I say that when, if I remember correctly, all that Bell said was 'Here is something that the Federal Reserve wants'?" I can't even remember if you told the President what it was, do you (to Bell)?

Bell: Yes, I told him what it was.

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H.M.Jr: Well then, Bell did, and the President - I mean he was just waiting for his lunch, and the President said yes; he didn't ask - but if the President had any thoughts he would say, "Well, there was Bell and Morgenthau saying this is what the Federal Reserve wants," and he takes it for granted that this is something Bell and Morgenthau are recommending.

And so Eccles said, "Well, you can tell them this is what the White House wants, because I know if I could get to see the President he'd be for it." That was exactly his language.

Gaston: Really you are asked to do this because of Glass's antagonism to Eccles.

H.M.Jr: Pardon me?

Gaston: I say really you are asked to do this, to carry the ball, because of Glass's feeling about Eccles.

H.M.Jr: No, I - I find myself in that situation, but then - but maybe I'd better tell you the whole story. It is very simple. I mean it's one of these "comedies of errors."

Cy had a conversation yesterday with Eccles and tells Eccles that there are these five different items in the bill - you stop me if I'm not telling it correctly - and Cy, as secretary of this banking committee, has all the legislation. And the legislation is divided into two parts: general legislation and then this one item which is something which expires March 3 and which there is a hurry about. So he calls up Eccles, as secretary of this banking committee, and tells Eccles, "Do you know that this stuff is going to go in as hurry-up stuff?" And Eccles says no, and I take it Eccles says, "Well, for heaven's sakes get my stuff in."

Whereupon Cy writes me a memorandum. I'm too busy to be seen, and therefore he says to Bell, "As you go over to the White House, will you bring this to the Secretary's attention. Also tell the Secretary that Upham thinks that Glass will be opposed to this."

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Bell and I walk over and tell each other a lot of silly jokes on the way over to the White House and Bell doesn't think of this. As the dinner is coming in and Bell is about - is standing on his feet, he says, "Oh, by the way, Mr. President, here is this memorandum from the Federal Reserve," and the President says, "All right, all right, put it in." I mean that's the way the thing happened.

And so - I mean then the more I thought of it - and Upham didn't know that I had given my word to Glass that I wouldn't stand for any banking legislation unless I first came in and told him about it, see? Upham didn't know that.

And then I got a letter subsequently to that from Glass asking me to have the banking committee, heads of agencies, pass a resolution in which they said they didn't want any more legislation. Well, I never answered that, but I did receive that letter, which in a sense was a confirmation of my tele- - of my conversation with Glass. You see?

So - I mean I'm absolutely on the spot and - I mean I've been around this town and I know you just can't break your word with anybody, and the last person in the world I want to break my word with is Glass.

Oliphant: My conclusion is that it will make for peace and harmony if Eccles doesn't go. You'll have a pleasant talk with him. If Eccles goes, the chances are Glass will be pretty scrappy.

H.M.Jr: Well, personally I'd get along much better if I went alone, but I should think Eccles would want to be there.

Oliphant: Yes, but you asked him and he doesn't want to go.

H.M.Jr: And I know what Glass is going to do. He's going to sit back and spend the time criticizing Eccles, why didn't Eccles come to him, which is what Eccles should do of course. But I've asked Eccles. But I've got a New England conscience, living in the foothills of the Berkshires, and I think it's so silly that Eccles doesn't want to go with me.

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So you people think I should just go over there?

Bell: Did you promise Senator Glass as head of the Treasury or as chairman of this banking committee?

H.M.Jr: As chairman of this committee.

Bell: Oh.

H.M.Jr: Oh well, I really don't know, Dan. I did - I did it as Henry Morgenthau, Junior.

Bell: Well, if you did it as banking legislation sponsored by the Treasury, I don't think you necessarily owe any duty to Senator Glass. But I realize what might develop as a result of Senator Glass going to the White House and asking the President about it.

H.M.Jr: And he will say, "Henry Morgenthau and Bell brought it here and recommended it." And the President will say, "But I don't remember it - oh, do I - oh yes, Bell and Morgenthau brought that thing over to me."

Bell: That's right; that's the way.

H.M.Jr: What?

Taylor: I think Marriner ought to go with you.

H.M.Jr: (Laughing) You do want me punished, don't you?

Oliphant: You think he ought to want to go, or ought to go?

Taylor: I think he ought to go.

Gaston: That's a question of what you want. If you don't want the legislation, take Marriner along.

Taylor: No, I think that this particular thing is one that you can use to help out that situation, because I think Glass - I disagree with Cy, I think that Glass will want it and that it is a very good, useful time to go down there with Marriner because it is something that Glass will want, and that he ought to go down there anyhow.

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Bell: What makes you think Glass will want it?

Taylor: Because he originally supported it.

Bell: Only in an emergency.

Taylor: But the situation is still the same.

H.M.Jr: Well, Eccles has shifted, I don't know whether because - did you get him to shift his position (to Upham), to take it either for one year or two years? He's given up the idea of wanting it permanently.

Upham: Yes, he's given up the idea of wanting it permanently.

Oliphant: My impression is that Glass sponsored it as emergency legislation and has expressed himself as opposed to it as a permanent thing. That's my impression. I couldn't put my hand on the document, on the newspaper, or on the speech, or what it was.

Taylor: I'm not so sure.

Oliphant: I say that's my impression.

H.M.Jr: (To Kieley) Would you mind calling up Senator Glass for me and telling him that I'd like to see him between 10:30 and 11. Would he like me to come to his apartment or would he come here, between 10:30 and 11? What time is convenient, I'll come to see him, or would he care to come and see me? You know he's changed, Kieley; I heard he's moved to the Mayflower.

I tell you perfectly frank, I've made the - the thing I thought Marriner would say, Marriner having not said, in my old age I'm not the glutton for punishment that I used to be. I think I'd rather go and see Glass alone, explain to him what's happened. He may say, "Morgenthau, O.K., that's all right; let her ride." Or he may say, "I'm opposed." And if he says, "Well, I'm opposed," then I'm going to say, "Well, if you don't mind, I'm

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going to report this conversation both to the White House and to Marriner Eccles," and let Marriner come and explain it. Why should I get excited about it? That I am going to report to the White House and it is up to Eccles to sell it to the White House and to Glass.

Now we've still got 15 minutes. What's the matter?

Upham: It has to be sent before the third of March to the President.

H.M.Jr: What's the matter with this?

Upham: It's all right.

H.M.Jr: I mean why should I go and be in the midst of a fight between Glass and Eccles? What? I mean I take enough around this town without getting into that situation. I mean again what I said to you men for three - for the two weeks that Eccles wore me down. The reason that I'm so sock - I mean not sick, why I am so played down - it is entirely due to Eccles; he wore me down so with his darn gold sterilization, he just wore me out. I'm no good at these talk fests on these things.

Now, all through that I kept saying - because Taylor took a somewhat different attitude, I kept saying to Taylor, "If the country's good is at stake at any time, I'll cut this out." You men remember I said that to you repeatedly. "But," I said, "in the meantime we might just as well see this fight through for future relationships between the Treasury and the Federal Reserve." But I said, "At any time that the country's good is at stake, we'll cut this out." I said that to you (Taylor) two or three times, didn't I? I feel the same way about this. I mean if the economic welfare of this country would suffer by my not taking Eccles with me or letting Eccles go alone, I'd say, "Well, I'll take the personal punishment and do it." But if this thing isn't extended on the third of March, the country will go on just the same. - Let him go ahead and get the thing.

Upham: I think I ought to tell you that the Comptroller called me this morning and wanted to see the

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language of the Eccles proposal.

H.M.Jr: That's all right. He's entitled to see it.

What I did was I told Cy to call up the various members of this banking committee and tell them there was a piece of banking legislation.

Upham: Haven't got Jesse Jones yet.

Bell: He's out of town.

H.M.Jr: Let me - do you think - I mean let's see what he says. Do you think I should again say, "Marriner, you ought to go with me when I see him"? All I'm - what I'm going to see him about - I'm not going to see him about this legislation. I'm going to see him about my word of honor.

Bell: You're not sponsoring it.

Haas: You're just clearing yourself.

H.M.Jr: What?

Haas: You're just clearing yourself.

Upham: You haven't sponsored it.

H.M.Jr: I don't think so.

But immediately after this, Wayne, I come back and tell Eccles what's happened, then let Eccles carry the ball. What?

Taylor: O.K.

H.M.Jr: As a matter of fact, I remember I told Eccles whatever I decided to do I'd call him up; so, whatever I do, I'll call him up.

Taylor: You've got my one point there; that is, here I think would be a good thing for the general situation, something that you can win on.

H.M.Jr: I think that's all right, but let Eccles carry it with the President and with Glass and the rest of them. Huh?

(On phone) Chairman Eccles, please. (Conversation follows:)

January 5, 1937
9:48 A.M.

H.M.Jr: This letting you put up Government bonds, you know, -
Eccles: Yes
H.M.Jr: - as collateral. Now, if - if he says he's absolutely
opposed to it, see, then I'll let you know.
E: Yes
H.M.Jr: And I think the rest is up to you to carry the ball.
Now, is that - is that agreeable to you? I mean I -
if he asks me -
E: Well, I don't think there's anything more you can do.
H.M.Jr: Well, that's all - if he asks me do I favor it, -
E: Yes
H.M.Jr: - I'll say yes.
E: well, don't you think too that if you tell him that
the President wants it -
H.M.Jr: I - I can't do that, Marriner.
E: You can't?
H.M.Jr: No, because the President - if Glass would go to
see the President, we've talked it over here - Glass
would simply - the President would simply say, "I
don't know anything about this." He'll say, "Mor-
genthau and Bell walked over and said there's some-
thing that Eccles wants." He says, "I don't know
anything about it." And I don't want - I don't want
to - I don't want to - ah -
E: Well, had I better try to see the President on it?
H.M.Jr: An - if Glass objects, see?
E: If he objects, then I'd better see the President.
H.M.Jr: I think so.
E: I - I - if it shouldn't get in, it's -
H.M.Jr: Well, I - I - I've asked to see him between 10:30 and
11 and he won't answer - he hasn't answered the phone

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yet. So, in other words, I'm seeing him the first thing after he's had his coffee. I want him to have his coffee.

E: You know, I guess he's not feeling very good, is he?

H.M.Jr: I don't know. But I want to know if this is entirely agreeable to you.

E: Well, I don't see that you can do anything else.

H.M.Jr: All right.

E: What I would like you to - to say is that - don't - don't say Eccles, say the entire Reserve Board.

H.M.Jr: O.K.

E: Because that - I think that might have more influence with him.

H.M.Jr: It's all right with me.

E: And they - they - we'd like it for the - like it for the same time that the Stabilization Fund is being extended, because -

H.M.Jr: That's - I understand - and you still understand that if you want to go with me -

E: Well, I'll be - I'd - I'd be - just as soon go with you; the only - the only point is I'm just wondering if - if he turns you down on it, then I've got an opportunity to follow the thing up, where if we both go together, why, there's no - there's no comeback.

H.M.Jr: All right.

E: You see what I mean?

H.M.Jr: Well -

E: Now, what do you think?

H.M.Jr: Well - ah -

E: I think you might get along better with him alone. He just doesn't like me and I - I mean I -

H.M.Jr: All right.

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E: Huh? You've gotten along with him pretty well.

H.M.Jr: Yes

E: And I think you might - if - if you - if you say you think it's necessary and you - and you press for it, and then if he - if he demurs on it, simply - simply say, "Well, I'll have to -

H.M.Jr: I'll tell him I'll report this to Eccles and to the White House, that's all.

E: Yes

H.M.Jr: And then -

E: Let him know that the reason I didn't get in touch with him on it - I don't want him to think that I'm trying to put something over on him, you see? -

H.M.Jr: Yes

E: - is that - that I expected to later on -

H.M.Jr: Yes

E: - but that inasmuch as the President wanted all of these emergency items in one bill, it's the reason it came up now.

H.M.Jr: Yes

E: I think that's important, because otherwise he'll think maybe I'm trying to evade him again.

H.M.Jr: Yes

E: And if he knows that - expected to see him later on -

H.M.Jr: Yes

E: - about this matter, but the President wanted them all in one bill, I think that would - that would get me off of a limb.

H.M.Jr: Well, I'm going over there to get myself off a limb.

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E: Well, get - don't put me on at the same time (laughing).

H.M.Jr: No, no, no - but I'm going over there to tell him how this thing happened, see?

E: Yes

H.M.Jr: Exactly how it happened. I'm just going over to square it with him - that I gave him my word - and exactly how this thing happened. And I'm going to tell him that - that if it's - if he has any objections, that I'm simply going to withdraw my support and it's up to you to sell it to him and to the White House.

E: Yes, but - but don't you think that it's - that you could say to him that I expected to take it up with him later on.

H.M.Jr: I'm going to tell him I talked to you and I - and that after I leave there I'm going to report my conversation to - with him to you, and that you'll get in touch with him.

E: Yes. Yes. If he - if he - if he wants to discuss it, and the only reason I haven't taken it up with him now is because it happened to come up here yesterday for the first time -

H.M.Jr: No, but you can tell him.

E: - in connection with going in with this other emergency legislation.

H.M.Jr: I'll tell him as soon as I get back I'm going to report my conversation with him to you, and then that - then it's your legislation and I take it you'll get in touch with him.

E: If the old cuss will see me.

H.M.Jr: Oh, he'll see you.

E: Well, I -

H.M.Jr: And I think - I really think you should see him then.

E: Yes. Yes. I'll see him, but I want - but inasmuch as

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this bill is up immediately and it's an emergency item, and it's to go in your bill, that you felt you should see him in any case.

H.M.Jr: It's not my bill.

E: Well, but what I mean is it's in the Stabili- - it goes in the same - this bill that the Stabilization Fund does.

H.M.Jr: No, no. No, it - It's - it's - no, I mean any more than the Export-Import. It's just the things which - which are going to -

E: Well, it's the thing you talked to him about then, isn't it?

H.M.Jr: I never - oh, yes - I mean I talked to him about two things. I told him I was only interested in two things. That's where this whole thing . . . Stabilization and devaluation, and that's all.

E: Yes, but - and - and they're all being put in one bill.

H.M.Jr: Yep.

E: And that's why you want to take it up with him.

H.M.Jr: That's right.

E: So that to the - to that extent it is your bill that we're tying onto, then.

H.M.Jr: The President's bill, let's call it that.

E: Huh?

H.M.Jr: The President's bill, let's call it that.

E: All right, the President's bill, and he's just tying all this stuff in together.

H.M.Jr: Yes

E: And that it - I don't want Glass to think that I'm evading him, and if he -

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H.M.Jr: Well, he can't think it if you don't.

E: No. Well, I don't know. Sometimes a fellow thinks what isn't true. He's thought that before.

H.M.Jr: Yes

E: But - but if you tell him that this bill is just - this particular -

H.M.Jr: Marriner, I'm going to tell him just what happened yesterday morning - no more, no less - exactly what happened, see? Hello?

E: Yes

H.M.Jr: From the time that Upham began until he gave it to Bell until we saw the President, and - and until I came out of the White House yesterday afternoon. I'm going to tell him exactly what happened.

E: Yes. Well, that - that -

H.M.Jr: Because the truth is the easiest story. And I'm going to tell him exactly what happened and how I found myself in this position, and that - that - that the first thing this morning I've asked to see him to explain it to him.

E: Well now, let's see, what position will that put me in with him?

H.M.Jr: Pardon me?

E: What position would that put me in with him? Would he think I was trying to - to rush this in without seeing him then?

H.M.Jr: I don't know.

E: Maybe I'd better let the damn thing go.

H.M.Jr: I don't know.

E: If -

H.M.Jr: I don't know what your relationships are with him or what you told him about banking lately, but I -

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E: I haven't seen him.

H.M.Jr: - but I know what mine are. I gave him my word that I'd not advocate any banking legislation without first talking to him. Now, this thing happened yesterday morning and I've got to explain it. Now, he'll most likely wonder - I don't know; I don't know what he'll wonder. Why you didn't see him or what - I don't know. But I told you before I go over I'd talk to you.

E: Yes. Well -

H.M.Jr: If you want to think it over and call me back between now and 10:30?

E: What - what time is he - is he -

H.M.Jr: I've asked to see him between 10:30 and 11, but he hasn't answered his phone yet.

E: Well, all right, then. Let me say - I may go over with you.

H.M.Jr: All right.

E: I think maybe - then he won't - what I'm afraid of is he - he's such a touchy old fellow, he may think I'm trying to evade him, and trying to slip something in here without taking it up with him, see?

H.M.Jr: Well, you - you think it over and -

E: I'll call you at 10:30.

H.M.Jr: Right.

E: All right, then.

H.M.Jr: Thank you.

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H.M.Jr: I'm not going to tell Marriner what to do. I think he's all wrong, don't you think so? I mean I'm not going to tell Senator Glass that Marriner is coming around some time to see him and explain this.

Taylor: He's in process of going with you now.

H.M.Jr: All right. I mean my policy here is to be direct, to the point, and - but I can't - I can't change Marriner Eccles from doing business the way he wants to do business.

Oliphant: It's awfully funny when you talk about changing Marriner Eccles.

H.M.Jr: What?

Oliphant: I say it's awfully funny, your talking about changing Marriner Eccles.

H.M.Jr: I did it in two weeks.

McReynolds: I'm afraid you've lost. I'm afraid Marriner's going with you, that's all.

H.M.Jr: If I was in Marriner Eccles' place - "Why, Henry, you can't go there without me. Of course I'm going with you. This is my legislation. If Glass has got any questions I want to be there to answer them."

Gaston: Yes, from his standpoint he certainly ought to go with you.

Oliphant: He ought to want to go. That's what I say. He ought to want to go, but if he doesn't want to go -

H.M.Jr: Well, he's got half an hour. He can call in Elliot Thurston and he can talk it over for half an hour and he can decide.

Taylor: A dime even money he goes with you.

H.M.Jr: What?

Taylor: A dime even money he goes with you.

McReynolds: I'll bet two bits to a dime that he'll go.

At a meeting on January 5, 1937, in which the main topic of discussion was legislation continuing the Federal Reserve's power to use Government bonds as collateral for Federal Reserve notes, Mr. Haas advised the Secretary of Mr. McLeod's impending resignation, as follows:

H.M.Jr: Now, anybody got anything that they want to say?

Haas: I have one thing.

H.M.Jr: Go ahead, George.

Haas: McLeod is resigning effective the end of this month.

McReynolds: No, not McLeod? What's he going to do?

Haas: Going in business for himself.

Prepared by: Lawrence H. Seltzer
Assistant Director of
Research and Statistics

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INTER OFFICE COMMUNICATION

DATE January 5, 1937

TO Secretary Morgenthau
FROM Mr. Haas *[Signature]*
Subject: Automobile Labor Developments

Mr. Seltzer reports the following information obtained in Detroit:

1. The shut-downs of the plants of Pittsburgh Plate Glass and Libbey-Owens-Ford Glass Companies, effected by the strike of the CIO union of glass workers, would, by themselves, be sufficient to tie up the automobile industry in a few weeks' time, because of the shortage of glass for windshields and bodies. When the glass company managements continued to delay negotiations with union representatives, the tie-up of the whole automobile industry became imminent.

2. In this situation, the CIO leaders were confronted with the possibility of alienating the sympathy and support of automobile workers who would be laid off as a result of the glass strike; and whose involuntary lay-off would promise them no gains for themselves. Hence, union strategy called for strikes in the automobile industry proper, as well as in the glass field, in order that the workers in the automobile industry as a whole might have a common cause.

3. The General Motors Corporation was chosen as the principal antagonist both because of its preeminence and because the practical chances of success appeared promising. The Ford Motor Company is a much more close-knit organization, in which one out of every five of the enormous Rouge Plant employees is supposed to be a member of the company's secret service. The Ford Motor Company, moreover, is regarded as more hardboiled in its anti-union views. An effective strike at the Briggs and Murray Body Plants, however, as well as the continuance of glass shut-downs, would also tie up Ford production.

4. Chrysler, Hudson, Studebaker, and other smaller automobile manufacturers will likewise be forced to suspend final assemblies if the glass and General Motors shut-downs continue, because, even apart from glass, these makers are dependent in part upon components produced by General Motors plants.

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5. A prolonged tie-up of the automobile industry would, without doubt, seriously affect the volume of business activity, and, if the strikers are to be cared for, the volume of relief and work relief requirements.

6. The apparent vagueness of the issues in controversy between the General Motors Corporation and the automobile unions is due to the fact that the present and prospective strikes are organizational strikes -- that is, strikes undertaken primarily to organize and build up effective and recognized labor unions in the automobile industry. Organizational strikes are commonly the most difficult to arbitrate, because they involve differences of principle. Quantitative differences between employers and workers are more easily susceptible of arbitration and compromise precisely because the differences are quantitative. In fact, the art of successful arbitration in labor disputes, as indeed in most other kinds of disputes, is to transform qualitative issues -- that is, differences of principle -- into quantitative issues such as higher wage rates, lesser working hours, et cetera.

7. The actual and pending strikes against the General Motors Corporation have developed so quickly that the General Motors officials had not had time to formulate a definite policy as recently as last week; though Mr. Sloan's published statement in this morning's newspapers indicates that a tentative policy, mainly negative, has since been adopted.

8. The current demand for automobiles is exceedingly strong. Conversations with several General Motors dealers in Chicago and Detroit, and their reports of country dealers in their districts, indicate that retail sales are being made currently of every car which these dealers can obtain from the factories.

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The Secretary today asked Mr. Gibbons to have a report by next Monday in regard to inspectors taking bribes on the docks.

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Mr. Eccles, Mr. Ransom, Mr. Taylor and Mr. Upham had lunch with the Secretary at 1 o'clock.

Mr. Morgenthau and Mr. Eccles discussed their visit earlier in the day with Senator Glass with respect to including in the bill to extend the Stabilization Fund an extension of the authority under which the Federal Reserve banks use government securities as collateral for Federal Reserve notes.

Mr. Morgenthau said that Senator Glass had told him that he (H.M.Jr.) need not worry about getting in bad with the Senator.

Senator Glass agreed that the extension desired by Mr. Eccles might be included in the bill. After the bill reached the Hill he said he and Mr. Eccles would have a discussion on the matter.

Mr. Eccles said that there might easily have been an argument between him and Senator Glass had it not been for the Secretary's suggestion that it was time to go back to the office.

Mr. Morgenthau commented on the fact that the ticker reported his visit to Senator Glass but it did not mention Mr. Eccles and concluded from that that Senator Glass had told the newspaper men before his arrival that he was coming, not then knowing that Mr. Eccles was to accompany him.

There was some discussion of excess reserves, Mr. Eccles reporting that the Reserve System is under considerable pressure to raise excess reserves.

Mr. Morgenthau thought a good bit of the published comment was to the effect that further increase at this time was not needed. In connection with this matter Mr. Eccles referred to his view that it is necessary to balance the budget promptly.

Mr. Morgenthau told him that as a friend he would make the suggestion that Mr. Eccles talk less about balancing the budget. He indicated that he, as Secretary of the Treasury was not free to say too much about the absolute necessity for the President to balance the budget. There had been some criticism of Mr. Eccles' comments.

Mr. Upham referred to an article in last night's New York Post in which Bob Allen said Liberals in the Administration are protesting vigorously against Mr. Eccles swinging away from the Liberal group to the Conservatives.

Mr. Eccles said that he had only spoken publicly on the subject once -- in Boston -- a month or so ago.

Mr. Morgenthau replied that perhaps it bulked too large in his mind because he had heard Mr. Eccles say the same thing three times in the last two days.

Mr. Morgenthau said that no one had tried harder than he had to achieve a balanced budget but that the final decision and responsibility rested with the President. He said that some cutting might be done, say for \$50 million or \$100 million but beyond that it was almost out of the question.

Mr. Eccles said that his idea all along had been to increase revenue rather than reduce expenditures.

Mr. Eccles and Mr. Taylor were of the opinion that something might be done at this session of Congress to mitigate the effects of the undistributed earnings tax on debt ridden corporations, especially those with a contractual obligation to reduce debt.

Mr. Morgenthau said that investigation showed that any amendment

to the Act would result in a loss of revenue. He thought the Treasury should do nothing about the matter until after March 15th collections are available. He was of the opinion that it would do no great harm to let things go along as they are for another year. He thought Pat Harrison would be willing to wait.

Mr. Morgenthau thought that it would be pretty hard on the Treasury staff to have to carry the ball on another tax bill in Congress this session.

Reference was made to the fact that Jesse Jones has said a good many things about amending the undistributed earnings tax and it was stated that he thought his remarks might gather in "a few votes".

Mr. Morgenthau said that it is now known that any business man can come in to the Treasury and sit down and talk over his tax problems and get consideration -- that it is no longer necessary to hire some "tax fixer" to do it for him. He doesn't even need a lawyer.

Mr. Ransom said that he thought one of the biggest changes in the last few years had been the greater access which business men have to Government officials.

Mr. Morgenthau told Mr. Eccles that Mr. Burgess had suggested that the Reserve System might stay out of the market today and let the Treasury carry it along since they had funds to invest.

Mr. Morgenthau regarded it as preferable for the partnership to continue on a steadier basis rather than being effective one day and ineffective the next.

Mr. Burgess had agreed and Mr. Eccles said that settled it.

Mr. Morgenthau told Mr. Eccles jokingly that if he were looking

for some way to improve the earnings of the Federal Reserve system he might further extend the activities of the Federal Reserve Board in the field of taxation to include a tax consultation service for corporations.

Mr. Eccles reported that Dr. Goldenweiser is preparing a memorandum on the flow of international funds to this country and that later in the week he understands there is to be a joint meeting of the Federal Reserve staff with that of the Treasury and the Securities Exchange Commission.

Mr. Eccles said that he would like to talk about the "John Fahey dual banking system". He thinks something ought to be done about the competition between the Federal Savings & Loan Associations and member banks.

At the close of the luncheon Mr. Morgenthau said he wanted to tell Mr. Ransom that Mr. Eccles was pressing him to reduce his weekly offering of bills from one hundred million to fifty million for a while and let excess reserves increase.

Mr. Ransom said, smilingly, that that was a very difficult statement for him to understand--that he thought Chairman Eccles would have to explain that one to the board.

Mr. Morgenthau indicated that he had just about decided to issue only \$50 million instead of \$100 million this week and he commented that the bill rate had been pretty high recently.

C. B. Upham.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.


January 5, 1937.

MEMORANDUM FOR THE SECRETARY

Dear Mr. Secretary:

In Mr. Kitchen's memorandum to you the other day, he mentioned that Mr. Wall was looking into the question of the transfer of speculative funds from securities to commodities. I am attaching a memorandum which he has prepared on that subject.

Very truly yours,


A. G. Black
Chief of Bureau.

Enclosure.

BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

January 4, 1937

MEMORANDUM

TO: Mr. C. W. Kitchen,

Acting Chief of Bureau.

Dear Mr. Kitchen:

Subject: Speculative activity and the price of wheat.

In accordance with your request for a statement to be used in connection with the Secretary's inquiry concerning the high level of wheat prices, I am submitting the following:

No evidence of any appreciable decline
in speculative activity in stocks.

There is no conclusive evidence to show that there has been a shift in speculative activity from stocks to commodities. While the daily average volume of stock transactions and the average price of industrial stocks has not been as high in the 5-week period ending December 23 as in the two weeks following the election, both series are higher than in the 10-week period prior to election. The volume of credit extended by reporting member banks for financing security transactions has remained remarkably stable during this entire period. (See attached table.)

As the stock market rise has been largely on a "cash" basis, the absence of any change in the amount of credit advanced on securities cannot be regarded as a very conclusive indicator. The relatively high level of stock exchange transactions and prices, however, indicates no decrease in speculative activity in stocks. It is probable, therefore, that the general rise in spot commodity prices, including wheat, represents an increase in speculative activity in addition to that in stocks. The rise in spot commodity prices appears to be based upon a fairly sound basis: the relative reduction in stocks of such commodities and the increase in world purchasing power as indicated by the rising trend of world industrial production.

Basis for Increase in Prices of
Speculative Commodities.

While industrial stock prices were rising from the end of September to November 10, spot commodity prices (see attached table)

INDUSTRIAL PRODUCTION OF THE WORLD*



*INDUSTRIAL PRODUCTION OF THE WORLD AS REPRESENTED BY 10 SELECTED COUNTRIES

U. S. DEPARTMENT OF AGRICULTURE

NEG. 31325

BUREAU OF AGRICULTURAL ECONOMICS

C. W. K.--1/4/37--2.

showed little change except in the last week of this period, the week immediately following the election. Since the election, each succeeding week has shown a rise in spot commodity prices while industrial stock prices have been relatively stable at a slightly lower level. The rise in spot commodity prices from November 4 to December 23 amounted to about 11 percent. In the period from June 10 to August 18 this index registered a rise of slightly more than 15 percent.

One of the major factors contributing to the rise in prices of commodities having an international market has been the rise in world purchasing power as indicated by the rise in world industrial production. As measured by the industrial production of the 10 leading consuming countries, world industrial output has nearly reached the levels in 1929. (See chart 1.)

Despite the rapid increase in world industrial output since 1932, prices have been held in check by the heavy accumulation of world commodity stocks. Stocks of many commodities recently have shown a material reduction and substantial further reduction, particularly in world wheat stocks, appear likely. This will tend to further raise prices of the commodities so affected. Chart 2 shows the relationship between the ratio of world industrial production to stocks of 9 international commodities and the index of prices of the same 9 commodities. While such commodity stocks are not entirely the causative factor influencing prices as speculation can alter prices so as to influence the volume of commodity stocks, the close relationship shown in the chart tends to emphasize the importance of the level of commodity stocks as a factor influencing the level of prices.

Factors Influencing Wheat Prices

As indicated previously the rise in world industrial production and the reduction in commodity stocks have been major factors in raising world commodity prices. In the case of wheat, prices as measured by Liverpool quotations in terms of dollars, have reflected the same developments. Chart 3 shows a comparison of the ratio of the average monthly world wheat supply to world industrial production and the Liverpool price of wheat. The supply of wheat includes, in addition to the monthly average world visible supply of wheat, the annual world production of wheat adjusted to a monthly basis. This series, which was compiled more than a year ago, is a rough approximation which must be subjected to further study before definite conclusions may be drawn. Nevertheless, it is suggestive of the importance of world purchasing power and the relative level of world wheat stocks upon Liverpool prices.

G. W. E.—1/4/37—3.

The importance of changes in national income of important consuming countries was summarized in the preliminary report entitled "Monthly Index of World Industrial Production, 1920-35", as follows:

"With commodities of an inelastic demand, changes in national income do not alter appreciably the quantity consumed but the influence of decreased industrial output is exerted upon the amount paid for such commodities. Thus in the case of wheat a decline in world industrial production with its consequent influence upon the national income of leading industrial countries reduces the amount of income which consumers can use in paying for wheat and its processed forms. The means by which a relatively stable level of consumption is maintained, is through lower prices to meet the curtailment in consumer incomes."

Likewise, with an improvement in world industrial production and wholesale prices, a tendency towards higher prices is exerted for such a commodity as wheat.

The price developments in this country, as indicated elsewhere, have largely represented a readjustment to the world price level. Open commitments, as shown in the attached table, have shown roughly the same general trend as the volume of stock exchange transactions. From the beginning of September to the week ending November 10, both series showed an advancing trend. Since that time both series have shown a slight decline. Changes in the daily volume of trading in wheat futures have not shown any appreciable expansion until the latter part of December and this expansion appears to be a readjustment to the rise in Liverpool quotations.

In previous years when supplies have been relatively low in the major exporting countries, prices have tended to be relatively higher than when the supply has been more evenly distributed. By the end of the current crop year, supplies in major exporting countries probably will be reduced to a minimum. With the ever-present possibility of another short crop in 1937, importers will probably continue to be active bidders for wheat until the 1937 crop prospects become more definite. Under these circumstances, the prospective demand-supply factors point to a continuation for the next few months of a level of prices at Liverpool not greatly different from that now existing.

Very truly yours,



Norman J. Wall,
Senior Agricultural Economist,
Division of Agricultural Finance.

CHART II.

Percent

Percent

Ratio of World Industrial Production to Stocks of Nine International Commodities compared with Prices of such Commodities.

1923-24-25 = 100%

— Ratio of World Industrial Production to Stocks.

--- Index of Prices of Nine International Commodities.

Strikes in Coal and Cotton Industries - Great Britain

Division of Agricultural Finance,
Bureau of Agricultural Economics.

1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------

CHART III.

Index

— Index of World Industrial Production
(World Wheat Prod., exc. Russia
Index of: and China \div 12) + Monthly Av:
of World Stocks of Wheat

— Price of Wheat (Imported Red
at Liverpool)
Index of: Index of British Wholesale Price
1920 - 1934 (Base Year)
(1923-24-25 = 100)

140

120

100

80

60

40

- Federal Farm Board Stabilization Operations.

January 5, 1937

The Secretary saw Mr. Hall today in connection with the complaint, presented in person yesterday by Mr. Ernest and Mr. Murray, of the Printing Pressmen's Union No. 1, that in the future distilled spirits stamps are to be engraved rather than printed.

Mr. Graves was present when Mr. Hall saw the Secretary.

The Secretary instructed Mr. Hall and Mr. Graves to confer with Mr. Ernest and Mr. Murray and to give them every opportunity to present their side of the case, giving the two gentlemen all the time they needed and being very considerate. At the same time the Secretary told Mr. Hall and Mr. Graves that they must convince the representatives of the printers why it was necessary to change to the engraving process. He also told them he wanted Miss Roche present at the conference.

After this conference, the Secretary said, if Mr. Ernest and Mr. Murray are not satisfied he, the Secretary, will see them again.



TREASURY DEPARTMENT

WASHINGTON

January 6, 1937.

Memorandum of Conversation Between the Undersigned and Mr. Hall
Prior to a Conference with the Secretary on January 5 at About
Noon Regarding the Proposal to Produce "Bottled-in-Bond" Strip
Stamps by Engraving.

Mr. Hall phoned me early in the day to say that the Secretary had asked him to come in at 11 o'clock to discuss with him objections made by the interested trade union organization to the Department's plan to shift the production of "bottled-in-bond" strip stamps from the "off-set" method now employed to the "engraving" method.

Mr. Hall referred to a conference had in my office some six months ago, attended by representatives of the Secret Service Division, the Bureau of Engraving and Printing, and the Bureau of Internal Revenue, at which the conclusion was tentatively reached to make arrangements for an improvement in the quality of "bottled-in-bond" strip stamps in order to lessen the risk of counterfeiting, and stated that it was apparently this tentative decision which was objected to by the trade union representatives who had seen the Secretary on behalf of the pressmen's craft.

Mr. Hall further stated that in view of the fact that the decision referred to was reached with a view to better law enforcement, it would be advisable in his opinion for me to be present at his conference with the Secretary.

I suggested to Mr. Hall that it would be well for him to come to my office shortly before his scheduled conference with the Secretary, and this was done.

In our conversation, Mr. Hall and I simply reviewed the ground covered in the earlier conference above referred to, attended by representatives of the interested bureaus, and we agreed that if called upon we would recommend to the Secretary that the necessity from a law-enforcement point of view of improving the quality of the "bottled-in-bond" stamp far outweighed the considerations urged by the Union representatives, since these were based simply upon a relatively small saving in money which would result by manufacturing these stamps by the off-set process instead of by engraving.

NOTE.

At our subsequent conference with the Secretary, the Secretary requested that we arrange to have Miss Roche receive the representatives

of the Union, together with Mr. Hall and myself, and consider their proposition with them.

Miss Roche arranged for a conference at 2:30 to-day (January 6). The Union representatives, however, later called Miss Roche, requesting that this conference be postponed until some day next week, in order that certain officers of the Union not now present in the city might attend the conference.

HAROLD N. GRAVES

January 5, 1937
9:30 A.M.

While waiting to speak to Chairman Eccles, the following conversation:

H.M.Jr: Now, I spoke to George Harrison yesterday and he's sending Knoke and one other man down to get this thing, this difference about how the Bank handled their contacts with the Swiss Central Bank; there's some misunderstanding some way or other on it.

Oliphant: He'll probably be down today or tomorrow, won't he?

H.M.Jr: Yes, and he's sending down a couple of fellows to iron this out - I mean the first time we have ever approached having any difference.

Oliphant: Taylor and Lochhead talk to him?

H.M.Jr: Yes, that's what I think.

January 5, 1937
9:48 A.M.

H.M.Jr: This letting you put up Government bonds, you know, -
Eccles: Yes
H.M.Jr: - as collateral. Now, if - if he says he's absolutely opposed to it, see, then I'll let you know.
E: Yes
H.M.Jr: And I think the rest is up to you to carry the ball. Now, is that - is that agreeable to you? I mean I - if he asks me -
E: Well, I don't think there's anything more you can do.
H.M.Jr: Well, that's all - if he asks me do I favor it, -
E: Yes
H.M.Jr: - I'll say yes.
E: Well, don't you think too that if you tell him that the President wants it -
H.M.Jr: I - I can't do that, Marriner.
E: You can't?
H.M.Jr: No, because the President - if Glass would go to see the President, we've talked it over here - Glass would simply - the President would simply say, "I don't know anything about this." He'll say, "Morgenthau and Bell walked over and said there's something that Eccles wants." He says, "I don't know anything about it." And I don't want - I don't want to - I don't want to - ah -
E: Well, had I better try to see the President on it?
H.M.Jr: Ah - if Glass objects, see?
E: If he objects, then I'd better see the President.
H.M.Jr: I think so.
E: I - I - if it shouldn't get in, it's -
H.M.Jr: Well, I - I - I've asked to see him between 10:30 and 11 and he won't answer - he hasn't answered the phone

- 2 -

yet. So, in other words, I'm seeing him the first thing after he's had his coffee. I want him to have his coffee.

E: You know, I guess he's not feeling very good, is he?

H.M.Jr: I don't know. But I want to know if this is entirely agreeable to you.

E: Well, I don't see that you can do anything else.

H.M.Jr: All right.

E: What I would like you to - to say is that - don't - don't say Eccles, say the entire Reserve Board.

H.M.Jr: O.K.

E: Because that - I think that might have more influence with him.

H.M.Jr: It's all right with me.

E: And they - they - we'd like it for the - like it for the same time that the Stabilization Fund is being extended, because -

H.M.Jr: That's - I understand - and you still understand that if you want to go with me -

E: Well, I'll be - I'd - I'd be - just as soon go with you; the only - the only point is I'm just wondering if - if he turns you down on it, then I've got an opportunity to follow the thing up, where if we both go together, why, there's no - there's no comeback.

H.M.Jr: All right.

E: You see what I mean?

H.M.Jr: Well -

E: Now, what do you think?

H.M.Jr: Well - ah -

E: I think you might get along better with him alone. He just doesn't like me and I - I mean I -

H.M.Jr: All right.

- 3 -

E: Huh? You've gotten along with him pretty well.

H.M.Jr: Yes

E: And I think you might - if - if you - if you say you think it's necessary and you - and you press for it, and then if he - if he demurs on it, simply - simply say, "Well, I'll have to -

H.M.Jr: I'll tell him I'll report this to Eccles and to the White House, that's all.

E: Yes

H.M.Jr: And then -

E: Let him know that the reason I didn't get in touch with him on it - I don't want him to think that I'm trying to put something over on him, you see? -

H.M.Jr: Yes

E: - is that - that I expected to later on -

H.M.Jr: Yes

E: - but that inasmuch as the President wanted all of these emergency items in one bill, it's the reason it came up now.

H.M.Jr: Yes

E: I think that's important, because otherwise he'll think maybe I'm trying to evade him again.

H.M.Jr: Yes

E: And if he knows that I expected to see him later on -

H.M.Jr: Yes

E: - about this matter, but the President wanted them all in one bill, I think that would - that would get me off of a limb.

H.M.Jr: Well, I'm going over there to get myself off a limb.

- 4 -

E: Well, get - don't put me on at the same time (laughing).

H.M.Jr: No, no, no - but I'm going over there to tell him how this thing happened, see?

E: Yes

H.M.Jr: Exactly how it happened. I'm just going over to square it with him - that I gave him my word - and exactly how this thing happened. And I'm going to tell him that - that if it's - if he has any objections, that I'm simply going to withdraw my support and it's up to you to sell it to him and to the White House.

E: Yes, but - but don't you think that it's - that you could say to him that I expected to take it up with him later on.

H.M.Jr: I'm going to tell him I talked to you and I - and that after I leave there I'm going to report my conversation to - with him to you, and that you'll get in touch with him.

E: Yes. Yes. If he - if he - if he wants to discuss it, and the only reason I haven't taken it up with him now is because it happened to come up here yesterday for the first time -

H.M.Jr: No, but you can tell him.

E: - in connection with going in with this other emergency legislation.

H.M.Jr: I'll tell him as soon as I get back I'm going to report my conversation with him to you, and then that - then it's your legislation and I take it you'll get in touch with him.

E: If the old cuss will see me.

H.M.Jr: Oh, he'll see you.

E: Well, I -

H.M.Jr: And I think - I really think you should see him then.

E: Yes. Yes. I'll see him, but I want - but inasmuch as

- 5 -

this bill is up immediately and it's an emergency item, and it's to go in your bill, that you felt you should see him in any case.

H.M.Jr: It's not my bill.

E: Well, but what I mean is it's in the Stabili- - it goes in the same - this bill that the Stabilization Fund does.

H.M.Jr: No, no. No, it - It's - it's - no, I mean any more than the Export-Import. It's just the things which - which are going to -

E: Well, it's the thing you talked to him about then, isn't it?

H.M.Jr: I never - oh, yes - I mean I talked to him about two things. I told him I was only interested in two things. That's where this whole thing . . . Stabilization and devaluation, and that's all.

E: Yes, but - and - and they're all being put in one bill.

H.M.Jr: Yep.

E: And that's why you want to take it up with him.

H.M.Jr: That's right.

E: So that to the - to that extent it is your bill that we're tying onto, then.

H.M.Jr: The President's bill, let's call it that.

E: Huh?

H.M.Jr: The President's bill, let's call it that.

E: All right, the President's bill, and he's just tying all this stuff in together.

H.M.Jr: Yes

E: And that it - I don't want to think that I'm evading him, and if he -

- 6 -

H.M.Jr: Well, he can't think it if you don't.

E: No. Well, I don't know. Sometimes a fellow thinks what isn't true. He's thought that before.

H.M.Jr: Yes

E: But - but if you tell him that this bill is just - this particular -

H.M.Jr: Harriner, I'm going to tell him just what happened yesterday morning - no more, no less - exactly what happened, see? Hello?

E: Yes

H.M.Jr: From the time that Upham began until he gave it to Bell until we saw the President, and - and until I came out of the White House yesterday afternoon. I'm going to tell him exactly what happened.

E: Yes. Well, that - that -

H.M.Jr: Because the truth is the easiest story. And I'm going to tell him exactly what happened and now I found myself in this position, and that - that - that the first thing this morning I've asked to see him to explain it to him.

E: Well now, let's see, what position will that put me in with him?

H.M.Jr: Pardon me?

E: What position would that put me in with him? Would he think I was trying to - to rush this in without seeing him then?

H.M.Jr: I don't know.

E: Maybe I'd better let the damn thing go.

H.M.Jr: I don't know.

E: If -

H.M.Jr: I don't know what your relationships are with him or what you told him about banking lately, but I -

- 7 -

E: I haven't seen him.

H.M.Jr: - but I know what mine are. I gave him my word that I'd not advocate any banking legislation without first talking to him. Now, this thing happened yesterday morning and I've got to explain it. Now, he'll most likely wonder - I don't know; I don't know what he'll wonder. Why you didn't see him or what - I don't know.

E: Yes. Well -

H.M.Jr: If you want to think it over and call me back between now and 10:30?

E: What - what time is he - is he -

H.M.Jr: I've asked to see him between 10:30 and 11, but he hasn't answered his phone yet.

E: Well, all right, then. Let me say - I may go over with you.

H.M.Jr: All right.

E: I think maybe - the he won't - what I'm afraid of is he - he's such a touchy old fellow, he may think I'm trying to evade him, and trying to slip something in here without taking it up with him, see?

H.M.Jr: Well, you - you think it over and -

E: I'll call you at 10:30.

H.M.Jr: Right.

E: All right, then.

H.M.Jr: Thank you.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
EA 851.5151/1201

January 5, 1937

The Acting Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits two copies of a note (No. 411) dated December 29, 1936, from the British Ambassador in Washington and of the enclosure thereto, copies of the statement issued by His Majesty's Government in the United Kingdom on the occasion of the adherence of the Governments of Belgium, the Netherlands and Switzerland to the principles stated in the Tripartite Declaration of September 25th last. A simple formal acknowledgment has been sent to the British Ambassador.

Enclosures:

From the British
Ambassador, December
29, 1936, with enclosure.

Department of State

BUREAU
DIVISION

EA

ENCLOSURE
TO

Letter drafted

ADDRESSED TO

TREASURY

No. 411

His Britannic Majesty's
Ambassador presents his compliments to
the Acting Secretary of State and has
the honour to enclose three copies of
the statement issued by His Majesty's
Government in the United Kingdom on the
occasion of the adherence of the
Governments of Belgium, the Netherlands
and Switzerland to the principles stated
in the Tripartite Declaration of
September 25th last.

BRITISH EMBASSY

WASHINGTON, D.C.

December 29th, 1936.

[This statement appeared in the U.K. press on the morning of 24th November, 1936]

PRESS NOTICE.

For morning papers only.

Not to be published on the Club tapes, or by broadcast, or in any other way before the morning of Tuesday, the 24th November.

His Majesty's Government have noted with pleasure the Declarations of the Governments of the Netherlands and Switzerland which were issued yesterday, expressing their adherence to the principles stated in the Tripartite Declaration of September 25th; the Belgian Government declared their adherence to those principles on September 26th.

His Majesty's Government are informed that the United States Treasury are extending to Belgium, the Netherlands and Switzerland the arrangements for technical co-operation in exchange matters which were referred to in the statement published on October 13th. His Majesty's Government welcome this step, which is in harmony with the arrangements already made between the United States and this country and between the United States and France. The extension of this arrangement is also in harmony with the general basis of mutual co-operation which exists between the British monetary authorities and the Belgian, Netherlands and Swiss monetary authorities.

PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris

DATE: January 5, 4 p.m.

NO.: 12

FROM COCHRAN

Paris exchange market fairly quiet. European press is giving much space to American labor troubles and to likelihood of tax on American securities held by foreigners. Weakness of dollar may be attributed to such factors. French rentes down 75 centimes to one franc. Ministry of Finance has issued communique explaining so called amnesty provisions in financial law passed on January 2nd which permit exchange of gold and other effects held abroad against the new national defense bonds. The period for conversion into the new bonds is extended from January 15 to 31.

I learned in strictest confidence at the Bank of France this morning that the surrender of gold against these new bonds has been very limited. I described the issue of these bonds in my 1259 of December 16, 6 p.m. Additional tables and counters which were set up in the Bank of France to take care of the expected clients were not used.

(END SECTION ONE)

ea:DJW

Section two of telegram No. 12, January 5, 4 p.m., from Paris

There is on the other hand a constant outflow of gold to London which is frequently more serious than is suspected by financial writers and market operators. Yesterday alone, for instance, the Bank of France lost two hundred million francs gold to London on what observers termed a quiet day. According to the Bank, the immediate and early financing of the Government is at its expense either indirectly through discounting Treasury bills as described in my No. 8 January 4, 6 p.m., or ^{directly} through straight advances. There would appear to be no opportunity to veil a cession of gold from the Bank of France's stock to the French exchange stabilization fund, since the entire English banking credit has now been repaid. That is to say, any new loss of gold appearing in the Bank's statement will mean that the fund has taken it from the bank against francs to replenish its reserves.

With reference to rumors of war debt negotiations, the Lombard Street editor of the FINANCIAL NEWS today remarks that if substantial payments were to be made by Great Britain and France to the United States, the present relationship between the three currencies would have to be changed. That is to say, the exchange value of sterling and the franc as against the dollar would have to be lowered.

EA:FL:DJW

January 5, 1937
4:04 P.M.

H.M.Jr: ...from the Federal Reserve an amendment which has - it expires on the third of March - which has to do with giving them the right to put up Government bonds as collateral against their currency, -

Jesse
Jones: Yes.

H.M.Jr: - which expires March third.

J: Yes

H.M.Jr: Well, we got over at the White House and stayed a long time, and I won't take time to explain it now, but anyway the President said, "All right, throw it in with the others."

I had to go up to explain to Carter Glass today - that - I'd given my word that we'd have no banking legislation unless we talked to him first, see?

J: Yes

H.M.Jr: And explained to him how through a chain of circumstances it got over there.

J: Yes

H.M.Jr: He said, "All right, leave it in." But I don't - I said "I'm going to talk to the President before we have that in any omnibus bill." See?

J: Yes

H.M.Jr: And Marriner was with me.

J: Ah-na.

H.M.Jr: I took him with me. I didn't want any misunderstanding. Ah - I brought up at Cabinet how we're going to handle this thing on the Hill.

J: Yes

H.M.Jr: Because - on account of the attitude that Glass is taking.

J: Yes

- 2 -

H.M.Jr: So the President said, "Well, the thing to do is to have Jesse Jones and Eccles and you go up on the Hill and see Joe Robinson and see the Speaker and find out how they want to handle it."

J: Yes

H.M.Jr: See?

J: Yes

H.M.Jr: And that's why I'm calling you.

J: Is - is Carter agreeable to the - to leaving that thing you just mentioned in the bill?

H.M.Jr: Well, he - he's willing - he said he's got no objection for the President to put it in his message.

J: Ah-ha.

H.M.Jr: But when it comes up he says if it's going to be an omnibus he wants to talk about it, see?

J: I see.

H.M.Jr: So I thought if the three of us went up on the Hill and first saw Joe Robinson and then the Speaker -

J: Yes

H.M.Jr: - or if we could even get Joe to have the Speaker at his office -

J: Yes

H.M.Jr: - and lay all our cards on the table and then ask them what their wishes were.

J: Yes.

H.M.Jr: See?

J: Yes.

H.M.Jr: And...

J: You mean about - ah....

- 3 -

H.M.Jr: Well, I mean about our - your - your - your three children -

J: Yes

H.M.Jr: - and my two children -

J: Yes

H.M.Jr: - and Eccles' pup.

J: I see. I see. All right. Now, when do you want to go?

H.M.Jr: Well, that's what I'm going to call you - I - I thought tomorrow they'd be busy, and I thought if it was agreeable to you I'd ask for an appointment for Thursday morning.

J: That'll be all right with me.

H.M.Jr: See?

J: I've been up there today.

H.M.Jr: Yes

J: I've been talking with Steagall for the - for his side.

H.M.Jr: Yes

J: And been talking with - I talked to Joe Robinson this morning.

H.M.Jr: Yes

J: In general, don't you see?

H.M.Jr: I understand.

J: And talked to Garner, and I talked with Bankhead.

H.M.Jr: Yes

J: The speaker. And - ah - talked to Carter a little bit.

H.M.Jr: Yes

- 4 -

J: And - ah -

H.M.Jr: Did you follow us or you - were you ahead of us with Carter? We were there at 11.

J: Well, I didn't go to Carter's office today. I talked to him on the telephone.

H.M.Jr: Oh.

J: But I had asked him two or three days ago whether he'd want to introduce our bill or did he want Wagner to do it.

H.M.Jr: Yes

J: And he said we'd talk it over.

H.M.Jr: Now when you say your bill are you talking about...

J: At that time, I was - that was before our meeting.

H.M.Jr: I see.

J: And he said that we'd talk it over and determine.

H.M.Jr: Yes

J: So I think it's best if we can get Carter to take the whole bill.

H.M.Jr: I think so too.

J: And so I'm ready to go with you, and if you'll ask for an appointment Thursday morning...

H.M.Jr: I'll ask for it Thursday morning.

J: Ah -

H.M.Jr: I tell you, I don't know - there's some- something's up over at the White House. This is strictly between us, see?

J: Yes

H.M.Jr: - which I don't quite understand. Now, this is

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absolutely between the two of us.

J: All - all right, I'll treat it so.

H.M.Jr: Ah - the other day the President said he'd have Charley West handle it, see?

J: Yes

H.M.Jr: Today you - you'd never think he'd heard of Charley West -

J: Ah-ha.

H.M.Jr: - and it was for us to go up there and do it, see?

J: Well now, I'll tell you.....

H.M.Jr: I don't know what's happened in the last few days.

J: Ah-ha.

H.M.Jr: See?

J: Well now, I'll tell you, you and I could do it a lot better than - than anybody else.

H.M.Jr: Well, I'm glad to go up there myself.

J: Yes

H.M.Jr: And - ah -

J: The other fellow's poison in some places, you know.

H.M.Jr: Who'd you mean, Eccles?

J: Marriner, yes.

H.M.Jr: I know that, but what you going to do?

J: Well, I just don't know.

H.M.Jr: Ah - I don't think he's poison with Robinson.

J: No, but he is with Carter.

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H.M.Jr: I know, but -

J: And he is with some of the others.

H.M.Jr: Well -

J: He is where he doesn't think he is, Henry.

H.M.Jr: Well -

J: That's a -

H.M.Jr: Well, I - I think we'll have to take him along on the first time, and then if - if they tell him that they - they won't - what Carter told him this morning -

J: Yes

H.M.Jr: - that he wanted to handle that thing separately.

J: Yes

H.M.Jr: Now, if - if Robinson tells him that, well then it's up - we'll see.

J: Yes

H.M.Jr: See what I mean? And - but I'd much rather have Eccles there. Now, if I'd have gone up and seen Carter alone and he told me, "No, I don't want to handle the Eccles bill," Eccles would have thought, well, if he'd have been there he could have done better. Well, he didn't do any better.

J: Yes

H.M.Jr: See?

J: Yes

H.M.Jr: And - well, I'll ask for -

J: You ask for the appointment and I'll be ready.

H.M.Jr: And I'll let you know and I'm going to ask Joe if -

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I don't know how those things are done - if he could have the Speaker there.

J: Yes

H.M.Jr: And if he could it'd make it easier. Is about 10 o'clock a good time for you?

J: Yes, that's fine.

H.M.Jr: O.K., Jesse.

J: All right.

H.M.Jr: And I'll keep you -

J: If I get any - if I have any suggestions in the meantime I'll call you.

H.M.Jr: But this thing of throwing this all - this other thing in isn't - of this Federal Reserve - isn't making it any easier for us.

J: No, it certainly is not.

H.M.Jr: No. I'll explain to you when I see you, Jesse -

J: All right, and if I get -

H.M.Jr: - what's happening.

J: - if I get any hunches, I'll call you.

H.M.Jr: Thank you.

J: All right.

January 5, 1937
4:13 P.M.

H.M.Jr: Please. . . There are - if you've got a pencil, so. .

J.R.

Brewer: I have it right here.
(Sen. Robinson's
secretary)

H.M.Jr: There - let's see, I think there - I know it's five
or six. There's the R.F.C. bill.

B: R.F.C. bill. ✓

H.M.Jr: Commodity Credit.

B: Commodity Credit.

H.M.Jr: Export-Import Bank. ✓

B: Export-Import Bank.

H.M.Jr: Stabilization Fund. ✓

B: Stabilization Fund.

H.M.Jr: The right of the President to devalue the dollar. ✓

B: I didn't understand you.

H.M.Jr: The - the right of the President to devalue the dollar.

B: Right of the President...

H.M.Jr: The right of the President...

B: The right of the President...

H.M.Jr: ...to devalue the dollar.

B: ...to devalue the dollar.

H.M.Jr: And then the last thing, a - a - on March third, the
Federal Reserve's emergency power to put up Government
bonds as collateral for their Federal Reserve notes.

B: Emergency power to Federal Reserve Banks...

H.M.Jr: Yes

- 2 -

B: ...to put up..

H.M.Jr: Government bonds...

B: ..Government bonds...

H.M.Jr: ...as collateral...

B: ...as collateral..

H.M.Jr: ..for Federal Reserve notes.

B: Oke - for Federal Reserve notes.

H.M.Jr: Now, all of these things expire - Hello?

B: Hello?

H.M.Jr: They all - ah - they all expire within a very short time, you see?

B: Yes

H.M.Jr: And the President suggested that Mr. Jones and Mr. Eccles and I call on Mr. - Senator Robinson, you see? Hello?

B: Yes

H.M.Jr: And explain to him what these things are and that these are the emergency things which we need very badly at this end of the Avenue.

B: Fine.

H.M.Jr: Now - and then to find out how the Senator thinks that that should be handled. The thought that the President had was that they should be - all be put into an omnibus bill.

B: Omnibus bill.

H.M.Jr: Now, I don't know whether that's practical or not, and that's what he'd like us to discuss with the Senator.

The other thought was - the Senator's done this for

- 3 -

me before - was for him to invite the Speaker to come to his office so that we could do it at one time, you see?

B: Ah-ha.

H.M.Jr: He's done that before.

B: Yes

H.M.Jr: And what I was going to take the liberty of suggesting is that we might come up there the first thing Thursday morning and have this meeting in Senator Robinson's office.

B: Ah-ha - including Mr. Jones, Mr. Eccles...

H.M.Jr: Yes. Yes.

B: ..and the Speaker of the House.

H.M.Jr: Yes, and anybody else that the Senator wished.

B: I see.

H.M.Jr: But you -

B: Now, I'll get you in touch with him. I'll make a memorandum of this for him, Mr. Morgenthau, so it'll be right on his desk when he comes in, and we'll ask him to contact you as soon as he does.

H.M.Jr: I - I - I can say for the President that these are - are they six things?

B: Six, yes.

H.M.Jr: Yes, well these are the things which are really urgent, you see?

B: The urgent emergency bills.

H.M.Jr: Yes. And the - and - and the President thought it might be possible to put them into an omnibus bill. I don't know whether it would be practical or not.

B: In any event, you think it would be well to have this conference Thursday morning.

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H.M.Jr: Well, I'm suggesting - because I suppose everybody'll be busy tomorrow.

B: Yes

H.M.Jr: And several times the Senator has done that for me.

B: Fine.

H.M.Jr: And if you'll let me know, or if the Senator will let me know, then I'll get in touch with Mr. Jones and Mr. Eccles.

B: That's splendid and thank you very much, Mr. Morgenthau.

H.M.Jr: Thank you.

January 6, 1936

Bell came in to discuss the weekly bill offering and HM, Jr. decided that he wanted Bell to offer \$50,000,000 of 9 months' bills for this week and then "just watch the picture".

9:30
GROUP MEETING

January 6, 1937
9:30 A.M.

Present: Mrs. Klotz
Mr. McReynolds
Mr. Bell
Mr. Upham
Miss Roche
Mr. Haas
Mr. Taylor
Mr. Gaston
Mr. Oliphant

H.M.Jr: Herbert, I wonder where that (an A.P. clipping) comes from? (Gaston takes and reads)

(To Oliphant) Can you get a review of this for me ("Federal Justice," by Homer Cummings and Carl MacFarland)?

(To Mrs Klotz) You thank Mr. Cummings for this book; make a note. And Mr. Oliphant will review it for me. "Federal Justice" by Homer Cummings.

Haas: I thought there "aint" no justice.

H.M.Jr: (To Gaston) Where do you suppose A.P. gets that story?

Gaston: It says the Treasury report the first six months shows a billion spent, leaving the 320 million unexpended balance, so they just take the daily statement and they subtract 320 from what we spent in the first six months, and it leaves them 700 million. It's just a deduction from the daily statement.

H.M.Jr: Dan, I notice for December Mr. Hopkins went over 190 some million. How you going to do 150 million for December?

Bell: I don't know.

H.M.Jr: I'm surprised. Isn't that about the biggest that they have had?

Bell: Yes, I think that's the biggest.

H.M.Jr: Huh?

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Bell: I think 180 million probably the biggest before.

H.M.Jr: I think it's 190. Could I have an explanation of that?

Bell: All right.

H.M.Jr: Because Hopkins still talks in terms of 150 million a month, but he just doesn't come anywhere near hitting it.

Bell: Probably an accumulation of liquidation of old obligations.

H.M.Jr: Could you put a man on it?

Bell: Yes

H.M.Jr: Let's see. Today's Wednesday? Friday morning?

Bell: We can get something in a couple days.

H.M.Jr: Friday morning?

Bell: Yes

H.M.Jr: Mac, you look all piled up.

McReynolds: I had nothing of first importance - at least - I've got these progress reports to go out.

H.M.Jr: Well, we'll see how this runs - this meeting - see how it runs.

On - now, this is a question of sugar. Wallace wants to have a new kind of a tax on sugar. Who can handle this for me?

(Referring to letter from Secretary Wallace to the President dated December 30, 1936) Now, the President - Wallace - "It seems to me that you now have a splendid opportunity" - this is Wallace talking - "if you will take hold of it firmly, to inaugurate a sugar policy which will do justice to all of the parties interested, including Cuba, the beet farmers, the children and other laborers in the beet fields, the processors and the United

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States Treasury. It is possible to enrich the United States Treasury by a net of some 30 to 90 million dollars, depending on the amount of the excise tax and on whether you think it advisable for our policy to result in a return to the processors of 9 or 10 percent or whether you think our policy should result in a return to them of 6 or 8 percent."

Who does this fall under?

Oliphant: Those people under Process Tax.

Roche: Let me have it (laughing). That would be good.

H.M.Jr: Supposing Miss Roche and Haas and Taylor and Oliphant. . .

Roche: In the interest of child labor, I would love to sit in on it.

H.M.Jr: Well, Miss Roche, Haas and Taylor and Oliphant. Does this interest you (to Bell)?

Bell: No, sir.

H.M.Jr: How long do you people want to come back? Want to give you a week from today? What?

Taylor: It's quite a complicated story.

H.M.Jr: Well, give me something on it.

Haas: It's an outgrowth of. . .

H.M.Jr: Oliphant, you're nearest to me - no, tell you what we'll do: (To reporter) Have copies made of this and give one each to those four people.

Cyril?

Upnam: (Nods negatively)

H.M.Jr: I got a call in for Mr. - Senator Robinson, asking him whether he'd see Mr. Jones and myself tomorrow morning. Will have the Speaker there - will get started on this bill. Spoke to secretary again five minutes ago and he said he'd let me know.

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President seems to have changed his mind and something - I don't quite understand it. Evidently - this is very much in the family - West evidently is not going to handle legislation. A couple days ago he was. And the President thought I'd better go up myself.

Well, Jesse spent all day on the Hill yesterday, he told me, following up.

Bell: That's the reason I couldn't get the draft of legislation.

H.M.Jr: Following up what he had done previous to the fact, before he had known that his legislation and mine was going to be tied together. He spent yesterday simply following up what he had done before. - - He's a great guy, Jesse.

Oliphant: Is the Federal Reserve thing in the bill?

H.M.Jr: Yes. Mr. Eccles and I called on Mr. Glass and Mr. Glass told me not to worry, I could do no wrong. He thinks I got too excited and too worried and he never would misjudge me, and I took things too seriously. He said, "Let the President put it in. Then when it comes up Mr. Eccles and I will talk it over." (Hearty laughter) That's after it's on the Hill. So the Treasury's honor is still up high and we'll see. Jones is worried about Eccles going along. Well, we'll see.

(To Upham) Did you fix up a meeting Monday and Tuesday for banking?

Upham: I just have a request in - maybe you haven't seen it - to find out whether 10 on Tuesday is free. (Mrs Klotz checks calendar and O.K.s Tuesday at 10)

H.M.Jr: Dan?

Bell: I have - I want to start investing the Social Security. You remember I talked to you before about it and we decided to do it on a monthly basis rather than in one lump sum. I didn't know now that would affect the lawyers' viewpoints

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With court decisions coming along. Alanson Willcox has been working on it. I suppose he's been in touch with you too, Herman.

Oliphant: Yes

Bell: He's had the matter up with the Department of Justice in drawing this brief that they are working on, and apparently they are not interested in time or amounts, so long as it isn't definitely tied in with the revenue.

Now, what I propose to invest is about 45 million dollars in January, and we get very little revenue in January, so that it isn't definitely tied in.

H.M.Jr: Now, wait a minute. I'm afraid you've got to start with me and you've got to take a little time on this.

Bell: There was an appropriation put in last July 1 of 265 million dollars, but we decided...

H.M.Jr: Now, that appropriation was made to whom?

Bell: The Secretary of the Treasury, to invest in obligations of the United States for account of the old age reserve account. Do you recall?

H.M.Jr: Yes

Bell: And we decided.....

H.M.Jr: For the old age. Now, when do they draw on that?

Bell: Well, they may draw on it a little from time to time on account of death.

H.M.Jr: Just take three or four minutes to explain how this thing works. What?

Roche: I'll be interested in this, the Social.....

H.M.Jr: I mean I figured when it came I'd learn it as we go along, but I've got to start over on it; I'm fuzzy on it.

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Bell: I should have thought about going into the history of it. The old age - the Social Security Act sets up what it calls an old age reserve account in the Treasury, to which there is a - Congress authorizes an annual appropriation based upon actuarial computations of whatever amount of money you submit in the form of an estimate. Last year you submitted an estimate of 265 million dollars to meet the accruing liability of that fund. That was appropriated and made available to you on July 1, 1936, to be invested during the year at your discretion.

We put in "at your discretion" purposely so that you could invest it in monthly installments or in one month just as you saw fit.

H.M.Jr: Wait a minute. Monthly installments - you mean that we divide that by 12 and that gives us 45?

Bell: Ordinarily you divide it by 12, but the first year is - let's say the revenue doesn't start until January 1 of this year.

H.M.Jr: Yes

Bell: So that you only have a half year's revenue, so in effect the fund begins January 1; so that we are dividing the 265 million by 6 instead of by 12.

H.M.Jr: Now, the revenue - you say I have had revenue for six months?

Bell: No, you will have had revenue for six months by the end of this fiscal year.

H.M.Jr: No revenue yet.

Bell: Revenue begins this month.

H.M.Jr: Where does revenue come from?

Bell: Taxes on employers and employees.

H.M.Jr: That's just beginning to come?

Bell: That's right.

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H.M.Jr: And this is only for old age?

Bell: Old age reserve account.

H.M.Jr: And this 265 million is based on that.

Bell: Yes

H.M.Jr: Is that equal - what relation is that to the revenue that we expect to get from this six months?

Bell: Well, within the Treasury it has a pretty close relationship, because the appropriation for a few years will be based upon the contemplated revenue less administrative expenses of the Board, until they have compiled their records and can get some basis of computation.

H.M.Jr: But based upon the payroll tax, what do we estimate the revenue will be for this....

Bell: 325 million.

H.M.Jr: I see. And Congress appropriated 265.

Bell: 265.

H.M.Jr: Now, I've forgot. Is that supposed to be the Federal Government put up half?

Bell: The Federal Government appropriates the whole amount out of the General Fund.

H.M.Jr: But the General Fund gets the taxes.

Bell: Just like any other taxes. See?

H.M.Jr: In other words, they haven't tied up the taxes and the old age reserve account.

Bell: They have tried to separate them purposely because of Constitutional reasons.

H.M.Jr: (To Haas) Now, I've asked you to give me a summary of this thing.

Haas: Yes, on January 11.

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H.M.Jr: This is - I mean I haven't got it yet. I'll wait until George's report comes in. I've asked him to break this thing down. Anybody wants a copy of it can have one. Because I - I still haven't got it.

Haas: We had a big discussion of this whole problem up at the meeting Tuesday.

H.M.Jr: I haven't got it yet. Anybody wants a copy can have it.

Roche: Here.

Haas: 'All right. (To Taylor) All right.

H.M.Jr: For the immediate thing you mean we've got to invest around 45 million dollars?

Bell: Yes, sir.

H.M.Jr: Now, have we invested the 9 million Government Life?

Bell: No, sir, we have not; that is, unless it was done yesterday.

Haas: This will not affect the market.

Bell: No, this is a special obligation, Mr. Secretary, which we issue to the fund, bearing 3 percent interest.

H.M.Jr: Oh. Oh, we don't go into the market?

Bell: No, sir.

H.M.Jr: Do we have an appropriation for the interest?

Bell: That comes out of the regular interest appropriation.

H.M.Jr: Well, did we put it into the Budget - I mean so much for interest?

Bell: Well, the interest in the Budget is the interest on the total public debt.

H.M.Jr: Yes, but I mean this is figured in it.

Bell: Yes, sir.

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H.M.Jr: The law says three percent.

Bell: Right.

H.M.Jr: Well then, it doesn't make any difference. I mean...

Bell: We are going to invest this just the same way that you invest the 2 percent money of the Postal Savings.

H.M.Jr: And it starts....

Bell: January 1.

H.M.Jr: For 45 million?

Bell: Yes, sir.

H.M.Jr: But I still want to wait for that report. You better have it too, George.

All right, what else?

Bell: Well, I'll talk to you about bills right after this.

H.M.Jr: All right, anything else?

Bell: That's all.

H.M.Jr: Miss Roche?

Roche: I have nothing special this morning, sir.

H.M.Jr: Do you take.... Pardon me.

Roche: Yes.

H.M.Jr: Do you take any stock in the Federal conciliator on this strike - think he will do anything?

Roche: I don't think for a while, no.

H.M.Jr: What do you call a while? A day or a week?

Roche: Well, I shouldn't think for a week - not for the action General Motors is taking. I don't think anybody can do anything until public opinion crashes in on it a bit. - Might!

H.M.Jr: George?

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Haas: Yesterday when you were tied up in this other matter I mentioned about McLeod. You got that yesterday?

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

Haas: Well, he's leaving us about the 15th. He's paid to run on somewhat longer than that. He's going in business for himself - he and others, another fellow.

H.M.Jr: What kind of a business?

Haas: Oh, the other man that's in with him has been working market analysis and I think he's going to take some investment accounts and that type of consulting work.

H.M.Jr: Did we increase his salary?

Haas: Yes

H.M.Jr: How much?

Haas: Well, since I've been here we increased it.....

McReynolds: Two thousand.

Haas: 46 to 65. Twice you increased it.

H.M.Jr: Since I've been here?

Haas: Yes.

McReynolds: Within the last year, little over a year, been increased two thousand dollars.

H.M.Jr: Well then, certainly....

Haas: Oh no, no resentment.

H.M.Jr: Gave him a different office.

Haas: He's got a little private office.

H.M.Jr: He didn't have a private office and he has now. But I mean didn't I promote him to the extent of two thousand dollars within a year?

Haas: Somewhere around that I think.

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H.M.Jr: What are you going to do to replace him?

Haas: Well, fortunately we have built up a staff somewhat. I haven't made up my mind exactly just what I'll do, but we'll get along.

H.M.Jr: Of course, his big work, estimating for this year, is done, isn't it?

Haas: That's right.

McReynolds: Same kind of business, I understand, he was in before.

H.M.Jr: Huh?

McReynolds: Same business - same kind of business he was in before he came with the Treasury.

Haas: That's right. He worked for Burke-Meyer for a while. I don't think there's any resentment. I talked to him, tried to find out.

H.M.Jr: Anything else?

Haas: That's all.

H.M.Jr: Wayne?

Taylor: Nothing.

H.M.Jr: Herbert?

Gaston: No, I don't think I have anything.

H.M.Jr: That must have been a funny press conference yesterday. The President - he must have ducked a lot of stuff.

Gaston: He ducked everything. No meat in it at all. Of course, he just referred to the - that he was going to deliver his message to Congress and that most of the things they asked about were anticipating the message.

H.M.Jr: Everything all right?

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Gaston: Yes. The only thing I'm particularly worrying about is as to what to do about this doggone - these still-movie pictures of gold movement. Post Office Department doesn't want to authorize anything and I'm afraid the results are going to be a little worse than if we had.

H.M.Jr: Can't you leave it in the hands of Nellie Tayloe Ross?

Gaston: Without any difficulty at all we can leave it in her hands. But my - I'm having difficulty right now.

H.M.Jr: I said real worries.

Gaston: I don't want to force the Post Office Department to consent to anything. Then if we have some bad luck they'll say, "Well, you did this."

H.M.Jr: Oh, I'm not worried.

Gaston: But it's of no importance.

H.M.Jr: Herman?

Oliphant: See you some time about the legislation, if you want to - run over it. Personnel matter, too. At your convenience.

H.M.Jr: Well, let me clear this matter with Robinson first, you see, and when I go up to see him I want you to go along with me. And after that, let's talk about the other. Let's get - let's feel his pulse and see how it's beating. And then on the other let's just see. But on the personnel, as soon as I get through with....

Oliphant: Well, I'll tell you, now....

H.M.Jr: Come in about 10:30. Oh, do you have a staff today?

Oliphant: Yes

H.M.Jr: What time?

Oliphant: At 10:30. I can move that up to 10 and be through by 11 - be through at 10:30. As a matter of fact, I

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haven't anything special to take up.

H.M.Jr: With them?

Oliphant: Yes

H.M.Jr: All right, then you'll be in at 10:30.

Oliphant: O.K.

H.M.Jr: Mac, take - (To Oliphant) Do you want to tell your office? Mac, I want to take a few minutes now for yours.

McReynolds: I've got one thing that I've been holding for a few days, a letter prepared by Waesche and approved by Gibbons to the Secretary of Commerce pointing out the lack of cooperation with Weaver's outfit, Bureau of Marine Inspection and Navigation, and Coast Guard.

Now, I told Waesche and Steve both that I didn't think we ought to send the letter. It's just a routine - they get along with everybody; it's the only organization in the Government that they are not getting active cooperation with the Coast Guard down there. Nothing serious. They merely want to make a record. But, in view of the pending consideration of reorganization matters, I don't think we ought to write it.

H.M.Jr: I'm beginning to think that we're too "sissy" around here.

McReynolds: No objection to the letter except from that standpoint.

H.M.Jr: (Glancing at letter) What's the matter with this?

McReynolds: Nothing the matter with it except it seems to me it is the question of the organization set-up. The President being in the process of sending a recommendation on the reorganization, I don't see any particular point in making a record of their failure in an official communication - of their failure to cooperate. No specific point at issue.

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H.M.Jr: Well, what do you think you're going to do, take over Marine Inspection?

McReynolds: I don't know.

H.M.Jr: What?

McReynolds: I don't know. Certainly something will be done about it.

H.M.Jr: Well then, you go ask for it and there's nothing on record to show that everything isn't all right.

McReynolds: I've got no objection to doing it.

H.M.Jr: Well, it's a very polite letter.

Gaston: Is it addressed to the Secretary of Commerce?

McReynolds: Yes. Waesche said he felt that we were not protecting ourselves if we didn't, as a matter of record, in a letter to the Secretary of Commerce, point out the fact that we weren't getting cooperation. He says it's the only place in the Government where we fail to get it.

H.M.Jr: I just....

McReynolds: I have no objection to it.

H.M.Jr: I'm not going to write Mr. Roper a letter that I think his foreign and domestic commerce is lousy, because it is none of my business, but where we rub up against him on this, I'm

All right, Mac, you've got five minutes now.

McReynolds: Well, I don't know how you want this. It's just one page.

H.M.Jr: Well, read the first page.

McReynolds: Well, the first one is "Commissioner of Accounts and Deposits - Administrative Expenses for Treasury"

H.M.Jr: All right, go ahead.

McReynolds: (Referring to Weekly Progress Reports on Treasury Projects) The authority is an Executive Order, 7034. The estimated total cost is 71 million dollars for a period...

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H.M.Jr: 71 million?

McReynolds: - ending June 30, 1938. That's the total from the beginning for a year from next July. And the net amount allotted by the President is 40 million, 950 thousand. And personnel, 16,544.

Bell: That's Procurement too.

McReynolds: Yes, includes all the administrative expenses for Treasury.

H.M.Jr: 16,000!

Bell: Procurement has 7,000.

H.M.Jr: Let me take the book home. I'll see. (Laughter)

Bell: Well, he's fair. It's the first one.

Mass: It began with an "A" - that's why.

Taylor: What do the differences in colors mean, Mac?

H.M.Jr: That amount is the amount to carry it on from January 1 - is included in the four million dollars that Harry Hopkins mentioned.

McReynolds: Yes

H.M.Jr: Four million dollars a month.

McReynolds: Well, it's all - all information showing what's been allocated, what's been done, the amount available for commitment, the amount actually expended, and the amount estimated will be required for the completion of these projects. Of course, there are a lot of projects there that are - that is, merely a lot of emergency ones. That is, there are a lot of others that are on regular appropriations. Merely special projects that have been taken up.

H.M.Jr: Anybody any afterthoughts? - - All right, I think if Bell and Taylor will stay.....

Mr. Coghlan
Mr. Tynan 105



DEPARTMENT OF STATE
WASHINGTON

January 6, 1937

In reply refer to
LA 837.51/1990

The Acting Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and, with reference to the Department's letter of December 11 concerning a scheme of Mr. Eduardo Greñas to coin 100,000,000 Cuban silver pesos, transmits herewith, for the confidential information of the Treasury Department, a copy of a further despatch on this subject, No. 7866 dated December 24, 1936, received from the American Ambassador at Habana, Cuba. It will be noted that in the last paragraph reference is made to the Ambassador's despatches No. 7561, dated November 2, 1936, and No. 7829, dated December 17, 1936. A copy of the former is enclosed herewith. A copy of the latter was routed to the Treasury Department at the time of its receipt.

Enclosures:

From American Embassy,
Habana, No. 7866,
December 24, 1936, and
No. 7561, November 2,
1936.

Department of State

BUREAU
DIVISION

LA

ENCLOSURE

TO

Letter drafted

ADDRESSED TO

TREASURY DEPARTMENT

EMBASSY OF THE
UNITED STATES OF AMERICA

No. 7866

Havana, December 24, 1936.

AIR MAIL { Greñas returns from Washington:
Subject: { He feels encouraged to push his
 { 100,000,000 pesos coinage scheme

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to acknowledge the receipt of the Department's air mail instruction No. 1128, of December 22, informing the Embassy of the great interest of the Secretary of the Treasury in the so-called Greñas scheme for the coinage of 100,000,000 silver pesos, part of the proceeds of which would be used to liquidate the floating debt, with a 12% commission for the entrepreneur, and to report that in compliance therewith I shall keep the Department promptly informed of all developments in the premises.

The Department will recall from my despatch No. 7561, of November 2, that Sr. Greñas called upon me prior to his last trip to Washington and that, in reply to his request for my personal opinion concerning his various monetary schemes, I expressed the view with respect to the proposed 100,000,000 pesos coinage (to which I limited my comment) that it would be disastrous for the economy of this republic. Following his return from Washington and his several conversations at the Department, of which the Embassy was kept informed through the Department's instructions Nos. 1102, of November 28, and 1115, of December 11, Sr. Greñas again called upon me. He seemed to feel encouraged as a result of his talks at the Department and I believe it to be his intention to push the matter and to have the bill transmitted with despatch No. 7829, of December 17, presented in the Cuban Congress.

Respectfully yours,

JEFFERSON CAFFERY

(AIR MAIL)

No. 7561

Habana, November 2, 1936.

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Subject: Further interest of Sr. Eduardo Greñas in
scheme to coin 100,000,000 pesos of silver.

1935 NOV 9 PM 2 46

UNITED STATES
COMMUNICATIONS
AND RECORDS

Carlson 837.51/1971

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

Referring to previous reports concerning the interest of Sr. Eduardo Greñas in a scheme for coining 100,000,000 pesos of silver, I have the honor to report that Sr. Greñas came to see me on Saturday last in an endeavor to elicit my opinion concerning his various monetary schemes. (The 100,000,000 peso coinage is one of several.) I declined to comment except on the 100,000,000 peso coinage. I told Sr. Greñas that, in my opinion, that would be disastrous for the economy of this Republic. I pointed out the obvious fact that the value

of

- 2 -

of the Cuban peso would immediately fall, etc., etc., etc.; that, in my opinion, all efforts at artificial control of the exchange in that case would be unavailing, and that the greatest sufferer would be the Cuban workman. (As the Department is aware, some of the sugar interests, Cuban as well as American, would welcome monetary inflation as it would enable the sugar companies to pay their labor in depreciated currency while they received good foreign currency for their sugar.)

Sr. Grefas retorted that he agreed with my observations, but said that he would like to submit a memorandum to me in the near future. I told him that I would be glad to receive it.

Respectfully yours,

Jefferson Caffery.



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JC:CB3

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE January 6, 1937

TO Secretary Morgenthau

FROM Miss Roche

Developments in the General Motors' Situation

Four more plants were closed today in the General Motors controversy. Alfred P. Sloan, Jr., President of General Motors, stated that his open letter, advertised in the daily papers yesterday, was final on General Motors refusing to confer with the Union. He added "Let them pull the workers out".

The Department of Labor Conciliators are still working to bring about a conference. The Union representatives have expressed entire willingness to cooperate with the Federal Government.

Some confusion was created in the situation by a statement issued yesterday from the Secretary of Labor's office that a conference between General Motors officials and Union representatives had been arranged. Later the Secretary, according to quoted press reports, said that "this statement was the result of a mistaken transcription" of a telephone conversation with the Labor Department Conciliator. She was still hopeful, however, that a conference might develop.

An interesting sidelight on one of the most provocative features of the situation was the fact brought out yesterday about Judge Black, who issued a sweeping injunction prohibiting workers in Flint, Michigan, from striking or picketing. It appears that Judge Black is the owner of a considerable number of shares of General Motors stock. The judge is reported to have admitted this fact but did not feel that it would disqualify him for presiding in the injunction case involving General Motors.

Current reports indicate that steel output is beginning definitely to feel a slackening of orders as a result of the auto closing-down.

General Motors was among the industrial corporations found to have spent large sums of money for hiring detectives and providing ammunition and tear gas, in the testimony taken by the Senate Investigating Committee hearings this fall.

J. Roche

January 6, 1937
11:49 A.M.

H.M.Jr: Hello?

Joe
Robinson: Henry?

H.M.Jr: Good morning.

R: How are you?

H.M.Jr: I was beginning to think I was the "Forgotten man"?

R: No, I've been in a meeting of the Steering Committee.

H.M.Jr: Well, I had -

R: That conference is arranged at my office in the morning at 10:30.

H.M.Jr: You're a gentleman and a scholar.

R: And - now, you bring whoever you want with you, and do you want me to notify anybody up there?

H.M.Jr: Well, you have in the past been kind enough to have the Speaker at your office. Do you suppose that would be possible?

R: Have what?

H.M.Jr: The Speaker.

R: Oh, I've already got him and his crowd; I've already arranged it with him.

H.M.Jr: Well, what do you think about - well, do you think you want to have Carter there?

R: Yes, I've already got him.

H.M.Jr: Ah-ha.

R: But I'm talking about your crowd.

H.M.Jr: Well, I'll take care of that.

R: All right.

- 2 -

H.M.Jr: I'll bring Jesse..

R: And Mar-

H.M.Jr: ..and Mar- - and Marriner Eccles.

R: And anybody else you want.

H.M.Jr: And Oliphant.

R: All right.

H.M.Jr: Is that all right?

R: All right. Now, who do you want from the Senate side? I'll have - I've arranged to have - ah - ah - Harrison, -

H.M.Jr: Yes

R: - Wagner, -

H.M.Jr: Yes

R: - and Glass. Wagner will be Chairman of Banking and Currency.

H.M.Jr: Fine.

R: Anybody else you want?

H.M.Jr: No. .

R: Smith's not here, this here Chairman of Agriculture.

H.M.Jr: No. No, I think that's all right.

R: All right.

H.M.Jr: And at 10 o'clock, your office.

R: 10:30.

H.M.Jr: Oh, 10:30?

R: Yes, sir.

H.M.Jr: At 10:30 at the Senate Office Building?

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R: No, sir, at my office in the Capitol. You know where you come there.

H.M.Jr: I know.

R: Old Rules Committee Room.

H.M.Jr: Rules, yes.

R: That's more convenient for the Speaker.

H.M.Jr: 10:30, tomorrow morning, your office.

R: Yes

H.M.Jr: I appreciate it very much.

R: In the Senate.

H.M.Jr: In the Senate.

R: All right.

H.M.Jr: Thank you.

R: Goodbye.

January 6, 1937
11:53 A.M.

H.M.Jr: In the Capitol tomorrow morning, at the old Rules Room, he said.

Jesse Jones: Yes

H.M.Jr: At 10:30.

J: 10:30 tomorrow.

H.M.Jr: And he's invited some of the Senators and the Speaker . will be there too.

J: Fine.

H.M.Jr: So I think that's pretty nice, don't you think so?

J: Fine.

H.M.Jr: And -

J: 10:30 tomorrow.

H.M.Jr: And it's your good luck that Senator Smith is out of town.

J: (Laughs) All right.

H.M.Jr: What?

J: Fine.

H.M.Jr: Do you want to stop by and pick me up and we'll go up together?

J: I'll be delighted. I'll come by your office.

H.M.Jr: If you'd come by about 10:15?

J: 10:15.

H.M.Jr: We'll go up together.

J: Fine.

H.M.Jr: Thank you.

J: Fine.

* * * *

- 2 -

H.M.Jr: Hello.

Operator: Chairman Eccles. Go ahead.

H.M.Jr: Yes. Hello.

Eccles: Hello.

H.M.Jr: Marriner.

E: Yes, sir.

H.M.Jr: Senator Robinson's arranged a meeting in his office tomorrow at 10:30 at which the Speaker will be present.

E: Yes

H.M.Jr: And you, Jesse and I are going up to explain this legislation and find out how they want it handled.

E: All right, sir, 10:30 at -

H.M.Jr: Do you want to stop by at 10:15 and pick me up?

E: All right, I'll do that.

H.M.Jr: Will you?

E: We'll go up - we'll go up together.

H.M.Jr: Yes

E: 10:15.

H.M.Jr: Yes

E: Thank you.

H.M.Jr: O.K.

E: Goodbye.

January 7, 1937
9:43 A.M.

H.M.Jr: I tell you, I had a press conference at which the Wall Street Journal asked me the question what were you doing here Monday afternoon.

J.E.
Landis: Yes

H.M.Jr: To which my answer was we were discussing mutual problems.

L: Yes

H.M.Jr: O.K.?

L: They asked me the same question and I said, "Oh, I commonly drop over at the Treasury for discussion of mutual problems and concerns."

H.M.Jr: Well, they said, "Were you discussing hot money?" I said we were discussing mutual problems.

L: Yes

H.M.Jr: Which I thought was very truthful.

L: (Laughs) I thought so.

H.M.Jr: (Laughs) I consider them mutual problems.

L: Yes

H.M.Jr: All right.

I hear that the letter that the President sent out Monday night was a very strong one. I haven't seen it.

L: I saw it. I thought it was very strong. I don't know what results it will bring.

H.M.Jr: I didn't see it. Miss LeHand simply told me over the phone that it was a very strong one.

L: Yes

H.M.Jr: Well, you - you saw it.

- 2 -

L: Yes, I saw it.

H.M.Jr: Ah - what - how - what argument did he use?

L: I think the argument of the public interest primarily.

H.M.Jr: Well, I think that's the main argument. Well, he ought to hear in a couple of days, oughtn't he?

L: Yes, I should think so.

H.M.Jr: My own betting is - I think - I - I think this - I think there'd be a pretty good chance that Conant would do it.

L: I don't know. He has his own problems.

H.M.Jr: Ah-ha. Like all of us.

L: Yes.

H.M.Jr: Well -

L: And I hope to hear from him shortly anyway.

H.M.Jr: All right.

L: Fine.

H.M.Jr: Goodbye.

January 7, 1937
3:27 P.M.

H.M.Jr: Hello, Jesse.
Jesse
Jones: Hello, Henry.
H.M.Jr: How are you?
J: I think we got along all right, don't you?
H.M.Jr: I think so.
J: We got two and a half years. That's pretty good.
H.M.Jr: Oh, as far as that goes I'm perfectly satisfied.
J: Yes
H.M.Jr: And I thought the - how shall I say - the spirit
in which they received it was very nice.
J: I thought so. I thought their - their whole atti-
tude was good.
H.M.Jr: I'm just as - well - pleased that they separated
them.
J: Yes. Well, I - I knew that - I thought you would
be, because there's one particular thing there -
H.M.Jr: Yes
J: - that irritates some people. And while -
H.M.Jr: Well, that's -
J: - and while they're not going to oppose it - I've
been talking to the Senator a good deal about this;
he's living over now at the Mayflower and I see him
a good deal more than I used to.
H.M.Jr: Yes
J: And so I don't think he's going to bother anybody.
H.M.Jr: Well, I - I - I think it's all right, and - ah - I
think we've all got to watch it.
J: Oh, there's no doubt about that.

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H.M.Jr: Yes, I thought.....But I - I - for the first meeting of the year I thought it went extremely well.

J: I thought so. Now, in my bill I was going to check this one thing with you.

H.M.Jr: Yes, sir.

J: In my bill, when I originally showed the - the language of it to the President, -

H.M.Jr: Yes

J: - I had it in there that he could, upon the recommendation of our Board, or independent of it, suspend from time to time.

H.M.Jr: Yes

J: Now, I put that in, frankly, because of something that you said about putting him on the spot about doing these things.

H.M.Jr: Yes

J: See what I mean?

H.M.Jr: I didn't say that. Somebody else.

J: Well, I meant at - at one of our meetings.

H.M.Jr: Oh, did I?

J: And I haven't the slightest objection to taking the responsibility for recommending at any time that - "Mr. President, in this particular line I - we - our Board sees no reason for continuing our authority."

H.M.Jr: You got me mixed up with somebody else.

J: Well, anyway - well, even so, what do you think about that.

H.M.Jr: Well now -

J: Leave it in or out, I don't care.

H.M.Jr: Well, now did they feel about it up there? As I remember - they didn't want it in, did they?

- 3 -

J: Well, I think it would please Glass. I think it would please the others. I don't think they care.

H.M.Jr: Well, I tell you what I'd do, frankly, if I were in your shoes; I'd ask the President himself.

J: Well, that's what I was going to do if I could.

H.M.Jr: And

J: I - I'd rather he did it. All I was going to do was to give him a little to hide behind if he wants it, don't you see?

H.M.Jr: Well, Glass can't have everything he wants anyway.

J: Yep.

H.M.Jr: And I - I - I frankly would put it up to the President.

J: All right.

H.M.Jr: I think it's important enough.

J: I'll do it that way.

H.M.Jr: Yes

J: Now, another thing - a thing - Mortimer Buckner, President of the New York Trust, whom you know - don't you know him?

H.M.Jr: I've never met him, but I know who he is.

J: You know who he is.

H.M.Jr: Yes, I do.

J: He called me two minutes ago or five.

H.M.Jr: Yes

J: He said that a man named Curtis, President of A. G. Spalding & Company, I believe he said it was -

H.M.Jr: Yes

J: - had an engagement to see you tomorrow.

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H.M.Jr: No.

J: And he - he wanted me to tell you that Curtis was a good man and all that. He doesn't know what he's going to see him about - see you about, nor do I. I told him I'd be very glad of course to telephone that message to you.

H.M.Jr: Well, he's wrong.

J: I see.

H.M.Jr: I have - I haven't - I have no such appointment.

J: I see.

H.M.Jr: You'd better - you -

J: Well then, he's maybe hoping to get one.

H.M.Jr: No, there's no request for any such appointment.

J: There isn't, huh?

H.M.Jr: No.

J: I see.

H.M.Jr: Ah - you better -

J: Well, if there should be one, I've - I've already telephoned you.

H.M.Jr: What's the fellow's name, Spalding?

J: Curtis.

H.M.Jr: Curtis.

J: His name is Curtis.

H.M.Jr: Of A. G. Spalding.

J: President - I understand he's President of A. G. Spalding & Co.

H.M.Jr: Well, I need a new pair of golf clubs.

- 5 -

J: What?

H.M.Jr: I need a new pair of golf clubs.

J: All right, then you might get two.

H.M.Jr: (Laughs) All right.

J: Well anyway, I - I told him that I would relay the message to you.

H.M.Jr: All right, well it's very nice - (laughing) - he hasn't -

J: Maybe you can get two.

H.M.Jr: All right.

J: All right.

H.M.Jr: All right, sir.

J: Goodbye.

H.M.Jr: Goodbye.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 7, 1937

TO Secretary Morgenthau

FROM Miss Roche

Automotive Industrial Developments.

Federal Conciliators are still trying to prevail upon General Motors to agree to a conference with Union officials. Up to this time there is no word that they have been successful.

Very interesting data is coming to light regarding the excessive speed-up system in General Motors, which has made the slogan "Through at Forty" a common expression among workers. Only very young men can possibly stand the pressure of work on the production and conveyor lines. This is one of the chief grievances.

Demands are being made for the impeachment of Judge Black, who issued the sweeping injunction prohibiting picketing and striking in Flint, Michigan. Probably no judge has issued so drastic an injunction as this since the days of Judge Parker of "yellow dog" contract fame, whose confirmation to the United States Supreme Court was prevented in the Senate by Senator La Follette, Sr., and other progressives some fifteen years ago.

Judge Black, it develops, owns approximately 6655 shares of General Motors worth at present market quotation approximately \$219,900.00.

I think it might be interesting to ask Mr. Lewis this evening to tell you something of the general practice of industrial espionage and storing up of munitions and tear gas by General Motors, and also ask him to give a little picture of the great pressure corporations put on employees through company unions and the exorbitant amounts of money they spend on these employee representation plans to prevent genuine collective bargaining.

J Roche

A conference was held January 7th at 10:30 in Senator Robinson's office attended by Secretary Morgenthau, Senators Glass and Harrison, Speaker Bankhead, Representatives Rayburn, Doughton, Vinson, Steagall, and Goldsborough, Eccles, Acting Budget Director Bell, Jesse Jones, Alley, and Herman Oliphant.

Robinson presiding, asked the Secretary to state the general plan for the legislation requiring immediate action. He enumerated the powers requiring extension.

Jones then stated the general plan he had in mind for his legislation. Glass spoke in opposition to "mass legislation" in the form of any such omnibus bill.

After announcing that Senator Wagner would head the Banking and Currency Committee and that he was sick but would abide by the result of the conference, Robinson spoke strongly against further doubtful delegation of legislative power.

Jones made an extended statement of what his organizations had been doing, mentioning farm commodities, mortgages, and railroads as the remaining important problems, and arguing for power in the President to discontinue any or all of his functions. Glass and Bankhead insisted on the RFC taking the responsibility for such discontinuance.

There was a general expression of strong feeling against executive extension and it was agreed no such power should be included in any of this legislation, but there was general agreement to giving the President power to suspend the functions in which Jones is interested.

- 2-

It was rather quickly agreed to put Jones's legislation in a separate bill. Robinson argued that the Treasury and the Federal Reserve legislation should go into one bill, but, upon Glass's insistence, it was agreed that they should be separated. Glass said he would not oppose the Federal Reserve extension. He assured the Secretary there would be no difficulty about his legislation, although he said he was personally strongly opposed to extending the power to devalue. It was agreed that all legislation should be introduced simultaneously.

Eccles then stated the substance of his legislation. Glass, while agreeing to this extension, spoke strongly against the power as tending to restore a bond-supported currency, which, he said, Congress had tried for 40 years to get away from, succeeding only with the passage of the Federal Reserve Act.

It was agreed that in all cases the extension should be the end of the fiscal year involved.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 8, 1937

TO The Secretary
FROM Miss Lonigan

Attached are two memoranda relating to employment and the cost
of living -

Reemployment and New Industries

The Low-Rent Housing Industry

THE LOW-RENT HOUSING INDUSTRY

The immediate opening for new industries to meet present unemployment is in provision of necessities for mass consumption, especially for people of lower income levels than were aided by the business recovery of 1922-1929.

The chief necessity of mass consumption in the face of the rising cost of living is housing. It is the poorer people who will bear the brunt of the approaching shortage of housing. Relief clients are already suffering in New York City.

A housing shortage means that mothers of poor families must walk the streets, going from house to house, only to be rebuffed by landlords because they have children, or are on relief, or cannot provide evidence of continuing employment. Families with children pay more than they can afford for rent, and economize on food. Sick people, and those with heart disease or physical defects, take rooms on the top floor of a walk-up tenement, because top floors are cheaper. Old people take houses with worn-out stoves, and carry coal up several flights of stairs. Shabby private houses in old sections are remodelled for two, three, or six-family tenements, creating new slums and new vested interests which will fight all future housing legislation.

There is not the slightest chance that private industry can be organized in time to relieve next year's shortage. Even if private industry were expanded to its full limit it could not meet the immediate demand for new housing. But there is no private industry providing low-rent housing. Industry has never entered that field.

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The need for housing is so great that it no longer matters whether the government finds the one best method or not, so long as houses are built. It is far better to make grants to several types of housing agencies, in time, than to find the best agency, too late.

Prompt expansion of public housing will indirectly stimulate private industry by far more than the amount of government expenditure. It will speed up the activity of private builders because of the money put into circulation. It will stimulate a large circle of satellite industries that always increase with new housing.

Funds used in low-rent housing will meet the need to put excess reserves to work in productive employment. The only other employment for excess reserves is speculation, in one form or another.

Finally, the best single way to expand the market for farmers raising wheat, dairy, meat, and fruit products is to reduce the cost of housing. The poor man's budget may support rising costs for one or the other, but it cannot support both.

If public housing is not begun promptly, it will make the cost of relief even higher, lead to demands for even higher WPA wages, and cause more strikes in private industry, because of the rising cost of living.

January 8, 1937

REEMPLOYMENT AND NEW INDUSTRIES

The essential problem in reemployment is the creation of new firms and new industries. Appeals to existing firms to increase employment will never be sufficient.

Old firms never expand fast enough to take care of the oncoming working population. It is new firms and new industries that take care of the 400,000 new workers each year. There must be a gain in the number of employers before there can be large gains in the number of the employed.

Recovery after every depression has been due to the rise of new industries. Recovery from the 1914 depression was due to the new manufacture of war materials for Europe. In 1919, recovery from the incipient decline after demobilization was due to development of new mass consumption industries, to satisfy the needs of workers with post-war wages. Silk was the most striking example. Ready-made clothing, furs, and textiles were others. In 1922, recovery was due to new industries to provide consumers' durable goods - automobiles, radios, and suburban housing for those with high wages.

All future recovery will be found in new inventions and new industries which can supply the needs of the masses at lower and lower levels of the wage scale.

The explanation of present unemployment must be sought in the scarcity of new employers. Private enterprise did not develop new firms and new industries in 1933-1936 at the rate that is usual for

this stage of recovery. Industry is not seeking money in the investment market for new undertakings, nor seeking bank loans for further expansion, at its usual rate. The turnover of bank deposits is still low.

The reason that prevents private enterprise from starting new ventures is that risk-taking is still not as well paid as safe investment in bonds or other forms of debt. The need is there, but men who start new ventures must see favorable returns ahead for the critical years of a new enterprise. Their forecasts may have been good or bad, but they are final. The new ventures have not been started, the new employments have not been created. The effect of this delay must somehow be counteracted.

It has been claimed that government spending would replace private investment. But government spending did not replace investment in new ventures because, like the Federal Farm Board, it was artificial, inconstant and unpredictable. It did not encourage risk-taking.

Artificial "purchasing power" does not create new sources of employment. It provides more business for existing units, rather than the setting up of new units. It increases the cost of living rather than increasing the supply of employments. All influences which increase government spending, without increasing new employment, tend to increase monopoly. That is why retail business favors them.

The remedy is a reorientation of government spending, not to create "purchasing power" but to create employment. This means that all government emergency spending should be coordinated and used as a capital fund for the needy with emphasis on two things - continuous encouragement of new firms and new industries in private business, and a continuously increasing degree of self-support in public undertakings. This is the original program outlined by the President in his relief message in January 1935.

January 8, 1937

9:30
GROUP MEETING

January 8, 1937
9:30 A.M.

Present: Mr. McReynolds
Mr. Upham
Mr. Haas
Miss Roche
Mr. Gibbons
Mr. Taylor
Mr. Gaston
Mr. Oliphant

McReynolds:and it's easy enough for me to arrange it.

H.M.Jr: Have you got a friend there?

McReynolds: No, but they - I know these Inaugural Committee boys.

H.M.Jr: Well -

McReynolds: And -

H.M.Jr: Well, maybe somebody else here is interested - I mean I told them point blank if they thought I was going to be under there and look at Mrs. Morgenthau down below sitting in the rain, they were mistaken; one of us would be absent. I mean I'm thinking of this covered stand. But if you've got any friends around here -

Oliphant: I hope I am or one member of my family is a friend of Mac's.

McReynolds: Well, of course, I don't suppose you could get very many under there. But how many would you want? I don't suppose you'd need a lot of help.

H.M.Jr: Well, it's all right, as I say.

McReynolds: Who's getting it for you?

H.M.Jr: I spoke to Admiral Grayson. I called Admiral Grayson.

McReynolds: Oh well, Grayson will take care of it.

H.M.Jr: But I'm so used to having to scramble for myself the

- 2 -

last four years that I know if I don't go after it myself - I'm not referring to people around here - nobody else will. No, I called up the Admiral myself.

I hear you took my suggestion to charge a dollar a seat and the Welfare is going to get \$175.

McReynolds: I didn't know they had taken that. Have you heard of it, anybody? I got a request for 60 from a few of these offices around here - 60 chairs. We have sent around bills for sixty dollars.

H.M.Jr: George?

Haas: I have nothing this morning.

Roche: Not a thing.

Taylor: Mr. Reefer. (Hands Secretary some papers)

H.M.Jr: Yes, thanks. Herbert?

Gaston: I haven't anything.

H.M.Jr: Did they cross-question you much last night?

Gaston: No, I had only three telephone calls after I got home, two or three at the office before I left.

H.M.Jr: Hello Steve. Huh?

Gaston: I didn't have very many calls.

H.M.Jr: Herman?

Oliphant: Lamar Hardy's here; I wasn't able to get him last night or yet this morning. I'm just staying after it - telephoning him.

It's of general interest, I think, that the Supreme Court decided in a recent case that a person seeking a refund of processing taxes would have to go back and comply with all those provisions we put in the statute designed to make that none too easy, among other things giving the Commissioner 18 months in

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which to pass on his claim. So I imagine that now, with the decision on that case, we will begin to get a considerable amount of those refunds.

And another thing, I noticed Glass, when he left that conference, was asked, was he not, if they had separated the Stabilization Fund and the gold - I mean the dollar thing, and -

H.M.Jr: Well, my own guess is that he is going to do quite a bit of mumbling on that, but I don't look for much trouble.

Oliphant: Of course, he might want to get it in a separate bill so that - to play one off against the other.

H.M.Jr: I don't think they'll let him. Do those two bills go in the hopper today?

Oliphant: They'll be introduced when the gavel falls.

H.M.Jr: I must say the temper of the gentlemen that we met with on the Hill yesterday was excellent, and I felt that their attitude towards the Treasury was as good as it's ever been.

Incidentally, one of them, the Speaker said, though, "As long as we have Pat Harrison here, what about taxes and tax bill, etc.?" So I said, "Well, I'm not ready to talk on that." Harrison said, "No. No, we're not ready. We're working with the Treasury; we're not ready."

Steve?

Gibbons: You heard about Mr. Hearst's episode, trying to pull a publicity stunt with that aviator.

H.M.Jr: I can't hear.

Gibbons: I say you heard about what happened in New York the day before yesterday - Hearst's publicity stunt, one of his papers trying to get a - have us stop a Spanish boat.

H.M.Jr: I can't hear, Steve.

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Gibbons: Trying to stop a Spanish boat that was sailing.

H.M.Jr: Yes.

Gibbons: This aviator went into court after the Collector had cleared the boat and said that they owed him \$1,500, which of course they were perfectly willing to pay. But he didn't want that. He wanted the Coast Guard to go down and bring the boat back. And I happened to be up there at the launching of the ship - talked it over with Harry Durning - so obvious it was just a stunt. They would have had this Acosta flying down over the ship taking moving pictures and all that sort of thing. So Harry just let the boat sail.

H.M.Jr: But he didn't. He fell for it. He didn't, because he did exactly what they wanted him to do.

Gibbons: Well, the way they had it at 5 o'clock...

H.M.Jr: Why, he sent a radio down to stop the ship, had them accompany the Coast Guard - what's the name?

Gaston: Hottel.

H.M.Jr: Hottel got the Marshal and then - then he communicated with Durning and Durning ordered him to release it.

Gibbons: At the time I talked to Durning - well then, that was the Coast Guard did it.

H.M.Jr: They certainly did, because I called up Admiral Waesche yesterday and inquired about it, and they sent this Marshal down and, if I can use my legal language, they had a writ instead of a libel, and they had the wrong thing. A writ is for an individual and a libel is for a boat. Is that right?

Oliphant: (Nods affirmatively)

Gibbons: Hottel did that on his own then.

H.M.Jr: They certainly fell for it, and so did the Collector, if he didn't instigate it - I don't know. But quite a story - as long as you brought it up - it's just...

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Gibbons: Well, at 5 o'clock I talked to Harry and...

H.M.Jr: Well, it was all in the papers, and I asked Waesche, "Is it the usual thing for a Coast Guard boat to accompany every boat that goes out of the Harbor?"

Gibbons: Certainly not.

H.M.Jr: And they got this writ - is that what you call it? - that you serve on an individual, and the Marshal did go down on the Coast Guard. They did radio down. And then, the thing that you need to stop a boat is a libel and not a writ; they had the wrong thing. And so the boat sailed. Is that the correct legal language?

Gibbons: Well, Hottel then did this thing on his own. I'm going to look into that thing, because Durning was just decidedly opposite at 5 o'clock. Now, Hottel had no reason at all - took this thing on himself.

H.M.Jr: Well, I don't know. All I know is the boat was stopped, the U. S. Marshal was taken down with a writ for the salary and the - this aviator....

Taylor: They talked to me about that a couple times on that same day, and the Collector of the Port - that's correct, they let him go.

H.M.Jr: Pardon me?

Taylor: Durning let them go.

H.M.Jr: After they stopped them.

Taylor: No, no.

Gibbons: No, before. No, Hottel did this thing without any orders at all.

H.M.Jr: The Marshal went down with this writ on board a Coast Guard boat.

Taylor: Yes, that's right.

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H.M.Jr: And stopped this boat.

Gibbons: Yes, but the Collector didn't do anything about it.

Taylor: Yes, that's the only point.

Gibbons: The Coast Guard had absolutely no right to do that, in my opinion.

H.M.Jr: Then I asked Mr. Waesche was everything legal and everything proper and he said that Hottel had checked with him before he had done it.

Gibbons: Well, just making a cat's-paw out of the Coast Guard and tried to do it out of the Collector. Just a typical Hearst publicity stunt.

H.M.Jr: Well, it worked anyway.

Taylor: Your point is if they'd brought it to Durning's attention he'd have stopped it.

Gibbons: At the time I left him he hadn't known anything about Hottel doing this.

Taylor: That ought to develop because, as I say, they talked to me and Steve about it.

H.M.Jr: All I know about it - I called up Waesche - "I want to know everything that you did, if it is legal and regular, routine. If it is, don't call me back." He didn't call me back, so I dropped the matter. See? Now, where the Collector or anything else is, I don't know.

Gibbons: Well, I'm going to find out where - pardon - I'm going to find out if Hottel took the thing on himself to do it.

H.M.Jr: I can't tell.

Eliphant: Well, I'm bound to say that there's a tendency on the part of the Coast Guard to take legal matters into their own hands. I understand they have a large number of students taking a correspondence

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course in law and that is paid for by a special appropriation of Congress. There have been a number of instances where matters should have been referred to the Legal Department for action.

Gibbons: Should where they are in touch. That is presumed to be when they are out on the high seas and out of the way places where they are - that is, times when they have to know something about the law. But....

Oliphant: I was very much surprised to find that we are paying for a large number of students who are taking correspondence courses in law, a thoroughly disreputable - thoroughly disreputable form of legal education.

H.M.Jr: That is not a good way to learn law?

Oliphant: Well, it's a good way to learn to practice medicine, but not law. (Hearty laughter)

H.M.Jr: Miss Roche should have something to say there.

Taylor: In other words, the patients....

Oliphant: Well, they bear their mistakes as long as they can.

Gaston: Say it out loud, George, I dare you to.

Reas: What?

Upham: I dare you to say it out loud.

Reas: I said they thought - I thought that's the way Abe Lincoln learned his. I just got in the habit of that, talking taxes and all....

Oliphant: No better was available at that time.

H.M.Jr: Well, the launching went off successfully?

Gibbons: The launching was successful.

H.M.Jr: All right. If anybody's got anything - anybody got anything personally, privately, under the table?

COAST GUARD

1. INCREASE EFFICIENCY OF COAST GUARD

To provide for voluntary and involuntary retirement of officers of the Coast Guard. Involuntary retirement is to be brought about by action of the President upon the recommendation of a Board convened for the purpose of making recommendations for such involuntary retirement. Draft of this bill has been submitted to Budget. A bill of the same title was introduced in the last Congress but permitted to die by the Department. The present bill is a substantial revision of that bill with selection features, as well as provisions relating to enlistments, eliminated. See bill ENLISTMENTS IN THE COAST GUARD, EXTENSION OF.

2. ENLISTMENTS IN THE COAST GUARD, EXTENSION OF

To authorize extensions of enlistments for 1, 2, or 3 years; to permit detention of enlisted men beyond their terms of enlistment when necessary in the public interests; to extend to personnel (not civil) the facilities of the Public Health Service; to extend certain naturalization privileges to Filipinos serving in the Coast Guard; to enable retired Coast Guard officers to accept any other office to which compensation is attached; to authorize the awarding of a distinguished flying cross to members of the aviation branch; and to credit a cadet with \$250 upon entering the academy to cover cost of initial clothing and equipment. Draft of bill prepared but not yet submitted to Budget. Many of these provisions were formerly included in the bill to INCREASE EFFICIENCY OF COAST GUARD.

3. PROFESSORS BILL

To establish a permanent instruction staff for the Coast Guard Academy and to create a Board of Visitors therefor. Bill would authorize the appointment of 5 professors and 2 civilian instructors, the professors to be appointed by the President and to be commissioned officers. The Secretary is to appoint the civilian instructors in accordance with civil service laws and regulations. Board of Visitors is to consist of 2 Senators and 3 Members of the House, to be appointed by the Chairmen of the committees handling Coast Guard matters. Bill approved by Budget May 20, 1936, prior to insertion of provision for Board of Visitors; letters of transmittal signed by Acting Secretary June 9, 1936. In view of revision of bill, letters of transmittal have also been revised.

4. COAST GUARD OFFICERS, ACCEPTANCE OF FOREIGN DECORATIONS

To authorize various Coast Guard officers to accept certain foreign decorations and diplomas. Draft of bill approved by Budget November 27, 1936.

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5. COAST GUARD OFFICERS, PURCHASE OF ORDNANCE MATERIAL

To authorize Coast Guard officers to purchase articles of ordnance material in the same manner as such articles may be purchased by officers of the Army, Navy and Marine Corps. Draft of bill submitted to Budget December 22, 1936.

6. RETIRED COAST GUARD OFFICERS, APPOINTMENT TO PUBLIC OFFICE

To permit retired Coast Guard officers to accept any other office to which compensation is attached. This will place such retired officers on a parity in this respect with retired officers of the Army and Navy who are now excepted from the law providing that no person who holds an office to which is attached compensation of \$2500 or more shall be appointed to any other office to which compensation is attached, unless specially authorized by law. This provision is to be included in the bill relating to ENLISTMENTS IN THE COAST GUARD, EXTENSION OF.

CUSTOMS

1. CALDER ACT, AMENDMENT

To increase Secretary's power to appoint customs officers by adding thereto authority to appoint assistant collectors, assistant comptrollers, and at New York, the assistant surveyor and chief assistant appraiser. Also to authorize appointment of additional solicitors at ports other than New York. Approved by Budget April 30, 1936. Letters of transmittal signed by Acting Secretary May 11, 1936. This bill will probably be inserted in the CUSTOMS OMNIBUS BILL.

2. CUSTOMS AND IMMIGRATION FACILITIES AT BORDERS

To increase from \$3000 and \$6000 to \$5000 and \$10000, respectively, the limitation on the amount which may be expended on customs and immigration office and housing facilities at the borders. Approved by Budget during first session but not recommended to Congress. Returned to Customs November 15, 1936, for determination of whether enactment of bill is desired.

3. FENCES AND GATES AT BORDERS

To provide protective gates and fences for the better enforcement of the customs laws, on highways running along or crossing our international boundaries. Returned to Customs November 15, 1936, for determination of whether enactment of bill is desired.

4. CUSTOMS OMNIBUS BILL

To amend certain administrative provisions of the Tariff Act of 1930; to remedy existing defects in the customs laws, etc. Several of the

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provisions of this bill are (a) to withdraw from customs territory the Island of Wake and the Midway Islands in order to obviate unnecessary examination of Clipper ships at fuelling stations, (b) to liberalize provisions with respect to marking of imported merchandise, and (c) to permit the Secretary to issue special instructions in order that exceptions may be made to the requirement that one package of every ten of the same article must be inspected, examined, and appraised.

5. SURVEYOR BILL

To abolish the office of Surveyor of Customs at the port of New York. Draft of bill submitted to Budget November 25, 1936.

ENFORCEMENT, GENERAL

1. ATTORNEYS BILL

To modernize and plug loopholes in the statutes regulating the prosecution by persons at present or formerly in the Government service, of claims in which the United States is interested, by making them uniform as to classes of persons to which they apply, extending them to include persons employed by independent establishments, Government-owned or controlled corporations, and the District of Columbia, etc. Submitted to Budget last session, thence through National Emergency Council to Justice; Justice approved, but suggested revision so as to exempt special counsel and retired officers of Army, Navy, and Marine Corps. Revised draft not yet submitted to Budget.

2. FORFEITURE BILL

To provide for the seizure and forfeiture of vessels, vehicles, and aircraft used to transport narcotic drugs, counterfeiting material, firearms, etc. Approved by Budget April 1, 1936.

3. ATTACHMENT BILL

To impose upon smugglers liability for customs duties and internal-revenue taxes for the importation of smuggled merchandise, and to permit the use of foreign attachment in enforcing such liability. Draft of bill prepared but not yet submitted to Budget.

4. TREASURY AGENCY SERVICE

To consolidate the Treasury enforcement agencies. Passed by House May 6, 1936, and reported by Senate Finance Committee on June 8, 1936. See H.R. 12556, 74th Congress.

5. PREFERENCE, UNITED STATES PROCEEDINGS

To grant preference as to hearing and trial to proceedings involving fraud upon the revenue of the United States. Passed Senate June 1, 1936,

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and referred to House Judiciary Committee. See S. 4541, 74th Congress.

FISCAL

1. GOLD CONTENT OF DOLLAR, ~~EXTEND~~ PRESIDENT'S AUTHORITY

Extend beyond January 30, 1937, the authority of the President to fix the gold content of the dollar. Draft of bill prepared but not yet submitted to Budget.

2. STABILIZATION FUND POWERS, EXTEND

To extend beyond January 30, 1937, the stabilization fund and powers of the Secretary in connection therewith.

3. DUPLICATE CHECKS, BONDS OF INDEMNITY

To provide that no bond of indemnity need be executed in any case where the Secretary is satisfied that the loss of a check occurred without fault of the person from whom such bond would otherwise be due, while such check was in control or custody of the United States or while it was being transported. This bill was inserted in the INSURANCE BILL.

4. FIVE PERCENT BILL

To cover into the Treasury as a miscellaneous receipt the so-called 5% National Bank Note Redemption Fund. This fund has now been returned to the national banks, except for a portion estimated to be sufficient to redeem the outstanding notes and defray the administrative expenses in connection with such redemption. In order to avoid burdensome bookkeeping procedure, the Treasurer has recommended that the sum retained be covered into the Treasury. Thereafter, amounts which would otherwise be paid out of the fund to cover redemption and administrative expenses will be provided by annual appropriations. Recommendation of this bill to Congress is being withheld pending final disposition of the suit brought by the Dixie Terminal Co., to recover interest on a coupon of a Fourth Liberty Loan 4 $\frac{1}{4}$ % bond called for redemption April 15, 1934.

5. SECOND LIBERTY BOND ACT, AMEND

To permit (1) withdrawal without loss of interest of postal savings funds to purchase savings bonds (baby bonds); (2) the free use of the Registry Service of the Post Office Department for transmitting such bonds through the mails, and (3) the issuance of duplicate lost, stolen or destroyed bonds without requiring a bond of indemnity. Action deferred, at suggestion of Mr. Broughton, on (1) and (2), while (3) was incorporated in the INSURANCE BILL.

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6. INSURANCE BILL

To minimize risks of loss and destruction of, and damage to, valuables shipped by executive departments, independent establishments, agencies, wholly-owned corporations, officers and employees of the United States, by authorizing an initial appropriation of \$500,000 and an annual appropriation of \$200,000 for 10 years, to be used, under the direction of the Secretary, for the payment, reimbursement, replacement and duplication of valuables lost, destroyed, or damaged, in the course of shipment effected in accordance with regulations prescribed by the Postmaster General with the approval of the President. This fund is to be a revolving fund. This bill also includes provisions relating to the furnishing of bonds of indemnity for the issuance of duplicate lost, stolen, or destroyed checks and bonds, explanation of which appears elsewhere under this heading. Draft of bill prepared and sent to Budget for approval on November 25, 1936.

7. VOUCHER BILL

To give specific statutory sanction to 17 year old practice of Division of Disbursement's preparing both United States Government Life Insurance Dividends, checks, and vouchers from addressograph equipment lent by Veterans' Administration. This is necessary to obviate recent ruling of Comptroller General that this practice violates Act of August 23, 1912, which provides that all vouchers shall be prepared and examined by and through the administrative heads of divisions and bureaus of the executive departments and not by the disbursing clerks of said departments. Draft of bill now being prepared.

8. CHECKS, PHILIPPINE AND PUERTO RICO TRUST FUND

To amend section 21, Permanent Appropriation Repeal Act, in order to prevent the covering into the Treasury of amounts of checks on account of public debt operations of the Philippine Islands and Puerto Rico which are not presented for payment within the prescribed period (end of fiscal year following fiscal year of issue). Passed Senate June 1, 1936, and referred to House Committee on Expenditures. See S. 4596, 74th Congress.

9. MEDALS, COMMEMORATIVE, IN LIEU OF COINS

To provide for the striking of commemorative medals in lieu of coins. Passed Senate July 30, 1935, and referred to House Coinage Committee; House bill not reported. See S. 3086 and H. R. 8969, 74th Congress.

INTERNAL REVENUE

1. MISCELLANEOUS TAX BILL

To remove existing defects in internal-revenue laws, plug loopholes, etc. Draft of bill not yet prepared. For list of suggested amendments reference is made to comprehensive memorandum prepared for Mr. Oliphant in

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November, 1936. Suggestions include changes affecting the Board of Tax Appeals, Capital Stock Tax, Collection of Tax, Estate Tax, Estate and Gift Tax, Income Tax, Miscellaneous Excise Taxes, Penalties, and Postage Rates.

MISCELLANEOUS

1. PHILATELY BILL (STAMP CATALOGUE)

To permit the reproduction of illustrations of foreign or United States postage stamps bearing postmark cancellations; to provide for the publication by the Government of a stamp catalogue; and to prohibit the sale of plates. Transmitted to Budget November 21, 1936.

2. DEATH OF FEDERAL EMPLOYEES ABROAD

To pay the expenses back to the United States of the remains and families of all Federal employees who die while abroad. Draft of bill not yet prepared.

3. OATHS, RENEWALS OF

To dispense with renewals of oaths of office for every change in status, where the public interest will not be jeopardized. Senate bill passed Senate June 1, 1936; House bill reported by House Judiciary Committee on May 8, 1936. See S. 4519 and H.R. 12219, 74th Congress.

Note: The Treasury will sponsor several bills for the relief of Treasury employees.

NARCOTICS

1. PUNISHMENT OF SECOND, THIRD, AND SUBSEQUENT NARCOTIC OFFENDERS

To increase the punishment of second, third and subsequent offenders against the narcotic laws. Approved by Budget April 18, 1936.

2. PHYSICIANS, REGULATION OF

To provide for the automatic revocation of registration under the Harrison Act of physicians and other persons convicted of violation of that Act, and refusal of registration to persons thus convicted. Studying constitutionality in light of comments made by Dr. Woodward of American Medical Association.

3. RACEHORSE DOPING BILL

To discourage the administration of narcotic drugs to racehorses, except for medical purposes, by providing severe penalties for those violating the bill. Commissioner of Narcotics authorized to prescribe

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reasonable regulations which may include registration of animals and owners. Draft of bill under Commerce power prepared last session. Draft of bill under Treaty power recently prepared but not yet submitted to Budget.

4. CANNABIS (MARIHUANA) BILL

To regulate the production, manufacture and disposition of marihuana by the imposition of an occupational tax upon such production, manufacture and disposition and a transfer tax upon all transfers of marihuana. Draft of bill has been prepared but has not yet been submitted to Budget.

PROCUREMENT

1. KEYES ELLIOTT AREA IN D. C. EXTEND

To amend the Public Buildings Act so as to include within the Northwest Area (within which building sites may be acquired by the Secretary) the area west of 19th Street, N. W., bounded by New York Ave., N. W., E. Street, N. W., and the Potomac River; also squares 122, 104, 81, 58, 59, 44, and 33. Reported by House Public Buildings and Grounds Committee; Senate bill not reported. See H. R. 11969 and S. 4696, 74th Congress.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION



144

DATE January 8, 1937

TO Secretary Morgenthau

FROM Miss Roche

Developments on General Motors' Situation

The American Bar Association has taken cognizance of the seriousness of the issuing of an injunction by Judge Black, who owns considerable General Motors' stock, and has ordered its Grievance Committee to investigate his action. Cadillac Plant of General Motors is shut down, bringing the total number of men now out to nearly 80,000.

An interesting development is the friction that is being reported between union and non-union employees of General Motors, due in all probability to company instigation through company controlled employee representatives.

Governor Murphy is endeavoring, as are the Federal conciliators, to induce General Motors' officials to enter into a conference on the situation. No cooperation has been given so far by the General Motors' officials.

J. Roche

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 8, 1937

TO Secretary Morgenthau

FROM Miss Roche

Calendar - January 8th.

The entire morning following Staff Meeting was given over to the conference with the representatives of the International Pressmen's Union, Mr. Graves, Mr. Wilson and Mr. Hall on the matter of the change in the method of printing the green bottled-in-bond revenue stamps. We all felt that it was a very satisfactory conference although no final decision was reached and we are having a further discussion with experts from the Bureau of Engraving and Printing to testify on relative merits of the two processes regarding counterfeiting -- engraving versus offset printing. At the next conference representatives of the Plate Engravers will also be present.

There is nothing immediate about the situation. The contemplated change of method would not take place for several months or a year, nor is there any serious question of labor displacement involved.

The chief concern of the Pressmen's Union is that in the future, if this change is made, other revenue stamps may be changed in like way and their particular operations in the Bureau be curtailed. They also feel that if this change is not made to engraving the increased use of the stamps printed on the offset processes will in the future substantially increase and give more opportunities for jobs in their craft.

The spirit of the conference was most friendly and cooperative and both Mr. Wilson and Mr. Graves were exceedingly frank and cooperative in their discussions with the Union officials and appreciative of the information and suggestions given by the Union officials in the course of the discussion.


J. Roche

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE January 8, 1937

TO Secretary Morgenthau
FROM Mr. Haas 

At a meeting with Mr. Gerrish Milliken, of the Deering Milliken and Company, New York City, in your office at 11:45 this morning, you requested that I discuss further with Mr. Milliken the problem he raised with regard to the operation of the undistributed profits tax on several specific textile corporations to which Mr. Milliken's company has extended substantial loans. Mr. Milliken said he was in the position of sole creditor but that in order to have his loan repaid it would be necessary for him to foreclose, which would be at the expense of the small stockholder. He said he was sure it was not the intention of the Administration to enact tax legislation which would bring injury upon the small shareholder. You asked that I investigate thoroughly the specific companies to which he referred and that I furnish you with a written report.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE January 8, 1937

TO Secretary Morgenthau

FROM Mr. Haas 

At a meeting in your office at 3:10 today with Mr. Julian W. Curtis, Chairman of the Board of Directors of the A. G. Spaulding and Brothers, and also Chairman of the Tax Committee on the Sporting Goods Industry, following a discussion by Mr. Curtis of the present tax on sporting goods, you requested that I discuss the matter further with Mr. Curtis, and go into this whole matter with Mr. Curtis, and submit a written report of my findings to you.

GRAY

Paris

Dated January 8, 1937

Rec'd 2:18 p.m.

Secretary of State

Washington

26, January 8, 5 p.m.

FROM COCHRAN.

Exceptionally quiet day on Paris exchange market. Security market on the other hand is active and firm with French rentes up 50 centimes to one franc and industrials in demand. Market observers encouraged to see such a good day in spite of international political situation and particularly the developments in the Alexandretta affair. Part of market strength may well be attributed to amelioration of French labor situation and part to more frequently occurring observations in British as well as French financial press upon actual evidence of economic recovery in France.

In AGENCE ECONOMIQUE Willis reports administration will seek prolongation of monetary authority until June 30, 1939. Reuter cables from New York that Governor Eccles participated in conference on foregoing subject and that he seeks inclusion in the legislation of an "extension of the authorization under which United States securities are eligible as coverage for Federal Reserve notes".

(END SECTION ONE)

CSB

BULLITT

Section two of telegram No. 28, January 8, 5 p.m.
From Paris.

Yesterday afternoon I had a talk with the resident officer in charge of an American Bank in Paris. As for his bank, he confirmed information which I communicated recently to you as received from one of the other important American banks in Paris, namely, that accounts show that banking clients, mainly industrial concerns, have experienced an improvement in business during the past few months, are paying dividends, and have increased their reserves. This banker said that French franc deposits of his bank which had picked up after devaluation had declined somewhat due to end of year requirements, but are again increasing. However, he stated, the announcement made recently to the effect that the Bank of France would ^{no longer} discourage movement of funds from France abroad for investment in foreign exchange or securities is being seized as an opportunity for some of these business concerns which have been prospering ^{now} to place abroad the proceeds of their business. That is to say, the people benefiting therefrom are not yet sufficiently convinced of the soundness of the monetary and financial outlook in France to place their gains in French investments or hold them in French banks, despite the fact that business is improving. It is understood confidentially by my informant that the Minister of Finance had thought that this was an appropriate gesture to be made with a view to overcoming the belief which

was

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was growing toward the end of the year that placing of exchange control might prove necessary, but that the Bank of France had been opposed to the above-mentioned step. Thus, advantage is being taken of this generous gesture to such an extent that the present tendency may in fact result in necessitating some sort of exchange control if it is not checked by a genuine revival in confidence or a marked recovery in French business.

My informant confirmed my opinion that the financing of the government is now to be accomplished through issuance of short-term treasury bills and through borrowing at the Bank of France. It would appear to my banking friends that the Bank of France is likely to be obliged to give up important amounts of gold if the franc rate is to be held steady, in view of the recurring advances by the Bank of France to the French Treasury and judging by the extent to which capitalists have recently operated to protect themselves against forward francs with resultant pressure on the exchange situation. That is to say, the pressure on the franc is likely to become heavier as treasury borrowing at the bank grows and consequent fear of inflation increases. This would mean that the stabilization fund would be obliged to take gold from the Bank of France to replenish its funds, as it would have to yield more gold to protect the franc. It is thought by my contact that it is possible that

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that the recovery in French business may be sufficient within a few months to rescue the situation, if the authorities have the courage to see the gold supply of the bank diminish importantly without consideration for "war chest" alluvial. During the past few days this banker has heard gossip of efforts on the part of France to procure a new short-term credit from banks in London. He believes also that some of the responsible officials in the Ministry of Finance are still hopeful that some arrangement can be made with the United States so that French borrowing on the American market will be feasible. Within the past week this American banker had called on several of his colleagues in the important French banks and had found a general lack of optimism regarding the monetary outlook in France.

I talked with Pennachio of the Bank of Italy later in the evening. He also had been paying New Year calls on French bankers, and had the very different opinion that proceeds of (?) business were not remaining in France, but were moving to foreign centers. In addition, he had likewise heard the gossip that the French were seeking English aid in obtaining another credit.

End of message.

EA:FL:DJW

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 8, 1937.

TO: CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH

FROM: L. W. Kneke

BANK OF ENGLAND.

I called Mr. Bolton at 10:30 today and mentioned that we were going to request him by cable tonight to make three shipments of gold of \$10,000,000 each per Steamship Manhattan on January 16, President Harding on January 21 and Washington on January 28. Bolton thanked me for giving him a little notice.

He then stated that he had just found out that the Chemical Bank, which had been a steady buyer of gold in London, was always shipping on two Red Star boats only. I replied that we had been aware of this for a number of months, that I had discussed it with the Chemical which had frankly told me that they had been able to make an arrangement under which part of the freight money earned by the carrier on the Chemical's gold was being applied against an old debt and that the Chemical was thus enabled to liquidate some frozen items. Bolton emphasized that as far as the Bank of England was concerned, they did not mind at all and that I was not to imagine that he was asking me to take some action. He wanted to mention it to me only because, if this sort of thing continued and if, furthermore it were true as was now being rumored, that certain German boats, through agencies in Amsterdam, were taking gold at more or less any price, the figures on which the Bank of England bases its gold parities were no longer correct. I replied that the rumors about German boats breaking the conference rate were new to me and that I would certainly keep my eyes open. Present evidence, however, I said, did not bear out the rumor. There were, for instance, according to reports received yesterday morning, close to

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 8, 1937.TO CONFIDENTIAL FILESSUBJECT TELEPHONE CONVERSATION WITH
BANK OF ENGLAND.FROM L. W. Kneke

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\$50,000,000 of gold on the way to New York, none of which was coming on a German boat. This of course was not conclusive but did not, at least on the face of it, quite tally with what he had learned.

We then discussed briefly the foreign exchange market in general. I asked Bolton about France and he replied that, personally, he was getting more faint-hearted about the French situation every day. I inquired whether he knew to what extent the French Fund had used the original 10,000,000,000 francs and he replied that, if he were to venture a guess, he would say 75%.

LWK:KMC

January 8, 1937
4:26 P.M.

H.M.Jr: Vice-President, how are you?

Knoke: Thank you. Very well indeed. Thanks very much.

H.M.Jr: I knew about it three or four days ago, but it just came over the ticker and I wanted to congratulate you.

K: That is very kind of you. I greatly - I appreciate that greatly, Mr. Secretary.

H.M.Jr: I think the Federal Reserve of New York showed very good judgment this time.

K: (Laughs) Well, that's - thank you very much.

H.M.Jr: Well, you earned it.

K: (Laughs)

H.M.Jr: I'll be seeing you Monday.

K: That's right.

H.M.Jr: All right.

K: Thank you again.

H.M.Jr: I'm delighted.

K: Very kind of you. Thank you, sir.

H.M.Jr: Bye.

K: Bye.



TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

WASHINGTON

January 9, 1937.

DIVISION OF PRINTING

Memorandum to Mr. Thompson:

In response to your telephonic request for a statement of the duties of the Division of Printing the following is respectfully submitted:

The Division of Printing has supervision over printing and binding of the Treasury Department; authorizes engraving work done by the Bureau of Engraving and Printing for all Departments and establishments, unless money, bonds or stamps are involved; stores and distributes blank books and forms to various Department activities; controls newspaper and periodical advertising; and exercises administrative control over the Department's appropriations for stationery and for printing and binding.

The sections comprising the Division of Printing are as follows:

- Administrative
- Printing and Binding
- Accounts and Statistics
- Stationery
- Treasury Binding and Service Section
- Stores and Issues
- Advertising
- Office Service

ADMINISTRATIVE SECTION

The personnel of the Administrative Section consists of the Chief and Assistant Chief of the Division, who exercise general supervision over the employees of the Division and are responsible to the Secretary for the efficient administration of the Division.

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PRINTING AND BINDING SECTION

This section is in charge of Mr. F. H. Berger, who is the principal contact man with the Government Printing Office. In addition to Mr. Berger, there are seven employees in this section who devote their time to the preparation of orders for printing and binding; auditing vouchers covering payments in connection therewith; the handling of all inquiries of work ordered; making estimates of costs; revising copy and proofs; editing and preparing weekly Treasury Decisions and maintaining a mailing list for their distribution. Constant watchfulness is exercised to prevent appropriation allotments made to the several offices and divisions of the Department from being exceeded. In this section the records are kept of authorizations issued for engraving work to be done by the Bureau of Engraving and Printing. The major part of these records pertains to blank checks and travel requests used by the entire Federal Government.

There is no printing done in the Division of Printing.

STATIONERY SECTION

This section is supervised by Mrs. R. L. Miner, who, with eight assistants, revises requisitions for stationery supplies with a view to preventing waste by restricting to actual needs the quantities of the various items supplied. Purchase Authorities for stationery items are prepared in this section which also handles the correspondence in connection with its work. Every precaution is taken to prevent the issuance of supplies in excess of annual allotments to the various branches of the Department.

ACCOUNTS AND STATISTICS

This section is supervised by Mr. C. N. Belt, who, with three assistants, handles the bookkeeping and accounting work of the Division in connection with expenditures from printing and binding and stationery appropriations including the allotments made thereto from other appropriations. In this section are prepared the estimates for the appropriations under control of the Division of Printing.

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TREASURY BINDING AND SERVICE SECTION

This section is under the supervision of Mr. John V. Shea, who, with eight assistants does special book binding of confidential records for the Department; produces scratch pads from paper waste; cuts paper to special sizes and renders general service to offices in the Treasury Building.

STORES AND ISSUES SECTION

This is a warehouse section supervised by Mr. Paul H. Moore, who, with six assistants receives, inspects, stores, packs, and ships blank books and forms to the different offices of the Department.

ADVERTISING SECTION

This section is under the supervision of Mr. Leo C. Nolan, who, with two assistants, selects advertising mediums, prepares advertising orders for the Department and makes final audit of vouchers therefore; keeps record of amount expended for advertising and maintains a file of sworn statements of advertising rates submitted by publishers.

OFFICE SERVICE SECTION

The Office Service Section is supervised by Miss D. M. Ireman, who, with four assistants, handles the personnel work of the Division, receives and distributes mail, maintains files, directs messengers and prepares office requisitions.

L. Spangler
Chief, Division of Printing.

9:30
STAFF MEETING

January 11, 1937
9:30 A.M.

Present: Mrs Klotz
Mr. McReynolds
Mr. Upham
Mr. Bell
Mr. Haas
Mr. White
Mr. Taylor
Mr. Gibbons
Miss Roche
Mr. Gaston
Mr. Oliphant

H.M.Jr: (To Haas) I'll see you and White at 11:15.

Herman?

Oliphant: Nothing at the moment. We have that letter to the Interstate Commerce Commission almost ready to clear. I thought it would be ready this morning, but it will be a few minutes before it will be ready.

H.M.Jr: Herbert?

Gaston: Nothing much, except we are letting the boys take pictures at the Philadelphia Mint and giving them a story for at least Wednesday morning, when the first trainload of gold arrives at Fort Knox.

H.M.Jr: Mrs. Ross be in Philadelphia?

Gaston: Mrs. Ross will be in Philadelphia and also at Fort Knox.

Gibbons: Was it arranged for the Coast Guard to fly her out from Philadelphia to Fort Knox? She has to be both places at the same time.

H.M.Jr: No, no. I'm not so sure whether she is or not. All right.

Gaston: All right.

H.M.Jr: Well, she can go out on a gold train.

Gibbons: I was just joking.

H.M.Jr: What?

- 2 -

Gibbons: I was just joking.

H.M.Jr: Anything else?

Gaston: No, that's all, except the State Department has complained about some of the statements we made in that little pamphlet we got out.

H.M.Jr: If you don't mind my saying, whenever a pamphlet like that goes out, it's just got to be as good as Ivory Soap.

Gaston: Yes. I thought we had it all pretty well safeguarded, but we didn't show it to the State Department.

H.M.Jr: I think it is unfortunate. I mean it gives them a chance to talk about it for the next four years.

Gaston: Yes.

H.M.Jr: Who wrote it?

Gaston: Craig did most of it.

H.M.Jr: Did Anslinger go over it?

Gaston: Yes.

H.M.Jr: What are the mistakes in it?

Gaston: Why, as far as I have been able to see, they are very trivial, although I haven't gone through all the corrections that Wayne marked. The first statement was the statement that because of its tax collection - that narcotics was an important concern to the Treasury Department because it was the Treasury Department's responsibility for collecting the revenue. Of course that is true, but they regard that over there as an insufficient statement - that they should have had something about the responsibility on account of international conventions.

And then another place, where we said that the prevention of the import of illicit drugs was an important function of the Customs Bureau - they objected to that statement because they said that the international

- 3 -

conventions made prevention of narcotics imports primarily a concern of the Bureau of Narcotics.

H.M.Jr: I see.

Gaston: Both statements are correct, but they thought something should have been added to them.

H.W.Jr: Well, if it was nothing worse than that....

Gibbons: Splitting hairs.

H.M.Jr: I'll say so.

Gaston: Those that I saw were just splitting hairs, but there may be some others that are genuine misstatements.

H.M.Jr: All right.

Taylor: There were two or three of them that were misstatements.

H.M.Jr: Well, anyway we'll do the best we can.

Gibbons?

Gibbons: Nothing. Ballinger will be back today on that New York situation. I'll have a report for you today on it.

H.W.Jr: All right.

Gibbons: Going to take all the Deputy Surveyors that've been in charge of that work - change them, put younger.... Lack of administration, you know.

H.M.Jr: You mean move them around or fire them?

Gibbons: We are going to reduce them, move them around. A lot of them are about ready to retire anyhow - fellows been there for years. Just a question of not watching the stuff.

H.M.Jr: All right sir.

Gibbons: Bit lackadaisical unless you are there yourself.

H.M.Jr: Wayne?

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Taylor: (Nods negatively).

H.M.Jr: George?

Haas: We've got this Social Security thing. (Hands report to Secretary).

H.M.Jr: You saw they quoted the President - I mean on that fund.

Haas: No, I didn't.

H.M.Jr: Yes, the boys - it was on the front page of the Times Friday and Saturday.

Haas: Oh yes, I did.

H.M.Jr: Well...

Haas: That looks rather long, but in reality that is only a summary. That's a large Act.

H.M.Jr: All right.

Haas: There's one other thing that you might hear something about. We asked the Bureau to add an additional schedule to the corporation income tax return, which was necessary to give us some information to analyze the operation of this undistributed profit tax; and returns have gone out, so that the extra schedule has to be mailed out separately. You might hear something about it, so....

H.M.Jr: How about those two business men I sent back to you?

Haas: The first one might work out rather interestingly. I don't know who this Milligan is looking out for, but we...

H.M.Jr: The reason I asked you - I know he went up on the Hill to see Senator George and Senator George is coming down when?

Mrs Klotz: At 10:45.

H.M.Jr: So I may...

Haas: They are located in that territory, in the South.

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What we are going to do - we are going into it, as you suggested, in great detail, and if he's worried about the small stockholder, we'll know.

H.M.Jr: It's an interesting case. This man came down. I think you call him a factor. Is that what you call him?

Haas: He's been at his mills.

H.M.Jr: Aren't they factors?

Haas: He's a selling agent.

H.M.Jr: He's got this contract, but nothing in writing. They have never done business in writing, so - I mean under the law if you had a certain contract at a certain time it exempted you; he said he finds himself in the position that under this tax law he's got to close on the cotton mills. He says he, his brothers and sisters will make a million. George had some doubts as to whether he didn't own the corporation.

Haas: I found out he owned stock in those mills he's worried about.

H.M.Jr: Well, it's interesting. Milligan is a name for years - is a reputable name.

Haas: Oh yes.

H.M.Jr: I mean reputable firm.

Haas: He's not doing anything disreputable.

H.M.Jr: I'm pleased to have them come in that way directly - no "shenanigans" - and put their cards on the table; and when they do that I'll go 75 percent of the way. When you are ready, let me know.

Haas: That will take a little time.

H.M.Jr: Well, when Senator George comes in, I'll simply tell him we are not ready. How about the other man?

Haas: Curtis?

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H.M.Jr: Yes, the Spalding man.

Haas: Zucker had done quite a little work on that and he's supplying Zucker with some information which was not available to us. So he's coming back again too.

H.M.Jr: Well, I - I'll get a set of golf clubs out of that.

Haas: You put yourself in.

H.M.Jr: Jesse Jones has asked for a set. He made the appointment. Do you play golf (to Oliphant)?

Oliphant: Not much now, but he saw me the day he saw you. He's seen me several times.

H.M.Jr: Nice fellow.

Oliphant:or is he a lobbyist?

H.M.Jr: No, Chairman of the Board. No, no, he's all right.

Taylor: He's a good fellow.

H.M.Jr: Oh yes. He's been over to see the President at the - the same day. No, he's quite.....

Oliphant: Well, he's seen me several times.

Haas: Might bring Bobby Jones up to the committee.

H.M.Jr: I like to see those people occasionally.

All right, George?

Haas: If I can....

H.M.Jr: When you come in at 11:15 you'll have plenty of time.

Haas: All right.

H.M.Jr: Miss Roche?

Roche: Nothing very special. We have a few week-end conferences on possible problems under reorganization.

H.M.Jr: Oh.

Roche: Nothing very special.

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H.M.Jr: Going all right?

McReynolds: Going all right.

H.M.Jr: I thought the President got an awful good press on his budget message.

Bell: Very good.

H.M.Jr: What have you got in your lap?

Bell: Well, I've got some memoranda, things that you asked for, a couple of letters to sign. One thing that I have is the Annual Report of the Social Security Board, which we have been over several times and made several suggestions. They had quite a harangue on the money market and the effect that the operation of the old age reserve fund would have on the money market, so we got them to take that out. It's in fair shape now and I just wondered if you'd like to have anybody else look over it.

McReynolds: Gaston's already seen it.

H.M.Jr: I'd like Haas to look at it.

Bell: They'd like to have it today. (Hands report to Haas)

H.M.Jr: All right.

Haas: Thanks.

Bell: That's all I have.

H.M.Jr: (To Haas) You got that out. I mean as long as you just made this study of Social Security, I think.... Who made it, Seltzer?

Haas: Yes

H.M.Jr: Seltzer, then.

Haas: Well, I agree 100 percent. That would be my major operation.

Bell: There are still some things in there that might very well be cut out, but they don't do any harm leaving them in.

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McReynolds: They called me about it about a week ago and I told them to send it over, not release it until they got it released from here.

H.M.Jr: (To Bell) Do you want to stay afterwards for me?

Bell: Yes, can I have about three or four minutes?

A.S.Jr: Yes. Upham?

Upham: Nothing.

H.M.Jr: You're looking better. Last week you didn't look so well.

Upham: Well - ah - I feel fine.

Bell: (Laughing) Hangover, he says.

H.M.Jr: What from, Christmas?

Hess: Cy's blushing.

Upham: That's because of the fire.

Mrs Klotz: A reflection.

H.V.Jr: Mac?

McReynolds: No, I have nothing. We had an interesting time over at the White House.

H.V.Jr: Were you over? When was that?

McReynolds: Four o'clock. Two hours.

H.M.Jr: Did you go over to that meeting?

McReynolds: Lots of fun.

H.M.Jr: What?

McReynolds: Lots of fun. Hester's on the Hill this morning; went up there before 8 o'clock, talked to the Legislative Counsel, which was the arrangement.

H.M.Jr: Well, did the Attorney General - when he got hold of

- 9 -

it, did he change Hester's work? Did he find Hester had done his home work all right?

McReynolds: He approved, said it was all right.

H.M.Jr: The main thing that got the Attorney General up was that - when he found they were going to take prisons away from him.

McReynolds: Well, that wasn't Hester's job. But it stayed in.

H.M.Jr: But he used that excuse. What?

McReynolds: I said that stayed in in spite of his protest.

H.M.Jr: All right.

McReynolds: But instead of releasing the draft of legislation....

H.M.Jr: Did this leave me anything besides Baby Bonds? What?

McReynolds: You got a bigger shop than you ever had.

H.M.Jr: Did they leave me Baby Bonds?

McReynolds: Yes, they left you Baby Bonds.

H.M.Jr: All right. Well, you who stay - we'll have a sub-school in here. All right now - now, in the order that you asked. The rest of you can be excused. Miss Roche first and then Bell.

Roche: Mr. Bell first; he's busier than I am.

Prepared by
Miss Lonigan
Division of Research & Statistics T

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INTER OFFICE COMMUNICATION

DATE January 11, 1937

TO Secretary Morgenthau
FROM Mr. Haas *HA*

Mr. Stuart Rice of the Central Statistical Board has in his letter transmitted a report from Mr. Isador Lubin, Chairman of the Committee on an Unemployment Census. This report concerns the meeting of the Committee on December 23, 1936.

The Committee unanimously agreed upon the advisability of a census of population and employment.

The Bureau of Labor Statistics, the United States Employment Service, and the Works Progress Administration have a large volume of data on employment and unemployment in the United States.

The weakness of the existing data lies "in the fact that we do not know exactly what proportion of the unemployed population they deal with." If a census were taken it would be possible to correlate the records of the Employment Service with the totals obtained from the Census in each district, to determine how representative they were.

A continuous picture of the unemployment situation in the United States could then be obtained from Employment Service figures.

Mr. Lubin instructed the subcommittee on technical methods "to report on the possible mechanisms by which continuing data can be maintained as to the extent of unemployment in the United States."

CENTRAL STATISTICAL BOARD
7028 COMMERCE BUILDING
WASHINGTON, D. C.

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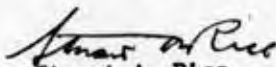
January 4, 1937

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

My dear Mr. Secretary:

I think you will be interested in some
of the information contained in a report of the
Committee of the Central Statistical Board on an
Unemployment Census, which is enclosed.

Sincerely yours,


Stuart A. Rice
Chairman

RECEIVED

JAN 8 1937

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JAN 7 1937

U. S. DEPARTMENT OF LABOR
Bureau of Labor Statistics
Washington

December 31, 1936

MEMORANDUM

To: Stuart A. Rice, Central Statistical Board

From: Isador Lubin, Bureau of Labor Statistics

Re: Meeting of Committee on an Unemployment Census of the Central Statistical Board.

On December 23 I, as Chairman of the Committee on an Unemployment Census of the Central Statistical Board, called a meeting of the membership. This Committee, as you know, is made up of representatives of all of the agencies that are interested in the problem of employment and the problem of population enumeration. It consists of:

Isador Lubin, Bureau of Labor Statistics, Chairman
Vergil Reed, Assistant Director, Bureau of the Census
Lewis C. Gray, Bureau of Agricultural Economics and the
Resettlement Administration
William Stead, Assistant Director, U. S. Employment Service
Howard B. Myers, Alternate for Corrington Gill, Assistant
Administrator of Works Progress Administration
Stuart A. Rice, Chairman, Central Statistical Board
Morris A. Copeland, Executive Secretary, Central Statistical Board
(Mr. Calvert Dedrick, of the Bureau of the Census, was also present)

The Committee gave careful consideration to the question of the advisability of a census of population and employment. The discussion revealed the unanimous agreement that such a census is essential to provide benchmarks from which to measure current changes in employment and unemployment.

A large volume of data are now available throwing light on employment and unemployment in the United States. These data have been collected by the Bureau of Labor Statistics, the U. S. Employment Service, and the Works Progress Administration. They throw considerable light upon the status of employment in the various important industries of the country and contain essential basic information on the composition of the population now employed on Works Progress projects or registered in the U. S. Employment Service as applicants for positions.

The data dealing with persons employed on works projects are based upon a census made in March 1935 and a census made in January 1936. The data for March 1935 cover for the heads of families and for secondary workers the following information:

- Previous occupation
- Former industrial connection
- Age
- Sex
- Color
- Previous education
- Number of workers in each family and size of family

These data cover every county in the United States.

A second series of data cover approximately 6,000,000 persons certified to the works program and includes the occupation and sex of the economic heads of families and of secondary workers for each county in the United States. These data also show the occupation and sex of workers employed on the works program.

Additional data subsequent to 1936 have been collected in 13 cities. Furthermore, information amounting virtually to a perpetual inventory of workers in occupational groupings is available in the WPA office of every local community. Such information could easily be assembled for any given area.

The data available in the U. S. Employment Service cover the characteristics of 7,800,000 workers registered with the Employment Service in December 1935 and 6,800,000 registered in July 1936. These cover the geographical distribution of such registrants, their sex, their occupational qualifications, their industrial background, their age distribution, the number of veterans among the registrants, and the proportion of such registrants who are on relief.

The data showing geographical distribution show the situation in 3,098 counties in the United States and reveal the extent of registration in each of these counties.

As to occupational groupings of registrants in the active file in July 1936 the data show that 23.4 per cent of the registrants were unskilled laborers, that 23 per cent were semi-skilled workers and that 18.8 per cent were skilled workers. Of the total 15.5 per cent were service workers, 6.6 per cent clerical workers, 3.5 per cent sales persons, 3.2 per cent professional and kindred workers, and 5.3 per cent unassigned persons who had never had occupational experience.

Of the 6,800,000 registrants in July 1936, 30 per cent had formerly been connected with manufacturing and the extraction of minerals. Of the whole 14.3 per cent had been connected with agriculture, forestry and fishing, 11.6 per cent

with building and construction, 9.4 per cent with domestic and personal service, 8.6 per cent with distribution, 5 per cent with public utilities and transportation, 3.4 per cent with governmental service, 2.7 per cent with commercial, professional, finance and service callings, and 25 per cent with miscellaneous and unspecified activities.

The data available in the U.S. Employment Service files show that approximately one-fourth of the registrants fall in the age group from 16 to 24 years. An equal number fall in the age group from 25 to 34 years and approximately one-fifth are in the group from 35 to 44 years. Of the total 16 per cent are from 45 to 54, 9.4 per cent from 55 to 64 and 4.5 per cent 65 years and over. These data are further broken down by sex. The figures dealing with this aspect of the problem show that the proportion of registrants between 25 and 45 is somewhat smaller than the proportion of the gainfully employed within that age range, suggesting steadier employment and greater ease in securing jobs for this group. A further outstanding fact shown by these data is that the proportion of the applicants between the ages of 45 and 65 exceeds the proportion of the gainfully employed of these ages. This fact has a definite bearing upon the contention that it is difficult for old people to secure employment, once they become unemployed. The third significant fact shown by these existing data on age distribution is that the greatest excess of applicants for positions with the Employment Service, as compared with the gainfully employed, is among the males in the younger age group, 25 years or less.

The recently completed tabulations of the more important data available in the Employment Service files cover all persons who are seeking public relief or are engaged on public works. In addition, they cover 4,000,000 other persons who are seeking employment at the present moment. They no doubt cover a very large segment of the unemployed population of the country.

Existing data no doubt furnish as good a cross-section picture of the unemployed population as could be made available by any method other than a census of population and employment. Their weakness lies in the fact that we do not know exactly what proportion of the unemployed population they deal with. If a census were taken it would be possible to correlate the records of the Employment Service as of the date of the census, thereby securing a basis for getting a picture of the representativeness of the Employment Service figures. With definite knowledge of their representativeness, these figures could be tabulated at regular intervals to secure a continuous picture of the unemployment situation in the United States.

The Committee has instructed me to request our technical subcommittee to report on the possible mechanisms by which continuing data can be maintained as to the extent of unemployment in the United States. Upon receipt of the report of that committee I shall notify you of their recommendations.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE January 11, 1937

TO Mrs. Klotz
FROM Miss Lonigan

Attached are ribbon copies of the two memoranda that I sent to the Secretary on Friday afternoon.

I will try to give you an extra ribbon copy of all future memoranda for your files, but they will be a little later than the first copies.

COPY

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 8, 1937

TO The Secretary
FROM Miss Lonigan

Attached are two memoranda relating to employment and the cost
of living -

Reemployment and New Industries

The Low-Rent Housing Industry

REEMPLOYMENT AND NEW INDUSTRIES

The essential problem in reemployment is the creation of new firms and new industries. Appeals to existing firms to increase employment will never be sufficient.

Old firms never expand fast enough to take care of the oncoming working population. It is new firms and new industries that take care of the 400,000 new workers each year. There must be a gain in the number of employers before there can be large gains in the number of the employed.

Recovery after every depression has been due to the rise of new industries. Recovery from the 1914 depression was due to the new manufacture of war materials for Europe. In 1919, recovery from the incipient decline after demobilization was due to development of new mass consumption industries, to satisfy the needs of workers with post-war wages. Silk was the most striking example. Ready-made clothing, furs, and textiles were others. In 1922, recovery was due to new industries to provide consumers' durable goods - automobiles, radios, and suburban housing for those with high wages.

All future recovery will be found in new inventions and new industries which can supply the needs of the masses at lower and lower levels of the wage scale.

The explanation of present unemployment must be sought in the scarcity of new employers. Private enterprise did not develop new firms and new industries in 1933-1936 at the rate that is usual for

this stage of recovery. Industry is not seeking money in the investment market for new undertakings, nor seeking bank loans for further expansion, at its usual rate. The turnover of bank deposits is still low.

The reason that prevents private enterprise from starting new ventures is that risk-taking is still not as well paid as safe investment in bonds or other forms of debt. The need is there, but men who start new ventures must see favorable returns ahead for the critical years of a new enterprise. Their forecasts may have been good or bad, but they are final. The new ventures have not been started, the new employments have not been created. The effect of this delay must somehow be counteracted.

It has been claimed that government spending would replace private investment. But government spending did not replace investment in new ventures because, like the Federal Farm Board, it was artificial, inconstant and unpredictable. It did not encourage risk-taking.

Artificial "purchasing power" does not create new sources of employment. It provides more business for existing units, rather than the setting up of new units. It increases the cost of living rather than increasing the supply of employments. All influences which increase government spending, without increasing new employment, tend to increase monopoly. That is why retail business favors them.

The remedy is a reorientation of government spending, not to create "purchasing power" but to create employment. This means that all government emergency spending should be coordinated and used as a capital fund for the needy with emphasis on two things - continuous encouragement of new firms and new industries in private business, and a continuously increasing degree of self-support in public undertakings. This is the original program outlined by the President in his relief message in January 1935.

January 8, 1937

Regraded Unclassified

THE LOW-RENT HOUSING INDUSTRY

The immediate opening for new industries to meet present unemployment is in provision of necessities for mass consumption, especially for people of lower income levels than were aided by the business recovery of 1922-1929.

The chief necessity of mass consumption in the face of the rising cost of living is housing. It is the poorer people who will bear the brunt of the approaching shortage of housing. Relief clients are already suffering in New York City.

A housing shortage means that mothers of poor families must walk the streets, going from house to house, only to be rebuffed by landlords because they have children, or are on relief, or cannot provide evidence of continuing employment. Families with children pay more than they can afford for rent, and economize on food. Sick people, and those with heart disease or physical defects, take rooms on the top floor of a walk-up tenement, because top floors are cheaper. Old people take houses with worn-out stoves, and carry coal up several flights of stairs. Shabby private houses in old sections are remodelled for two, three, or six-family tenements, creating new slums and new vested interests which will fight all future housing legislation.

There is not the slightest chance that private industry can be organized in time to relieve next year's shortage. Even if private industry were expanded to its full limit it could not meet the immediate demand for new housing. But there is no private industry providing low-rent housing. Industry has never entered that field.

- 2 -

The need for housing is so great that it no longer matters whether the government finds the one best method or not, so long as houses are built. It is far better to make grants to several types of housing agencies, in time, than to find the best agency, too late.

Prompt expansion of public housing will indirectly stimulate private industry by far more than the amount of government expenditure. It will speed up the activity of private builders because of the money put into circulation. It will stimulate a large circle of satellite industries that always increase with new housing.

Funds used in low-rent housing will meet the need to put excess reserves to work in productive employment. The only other employment for excess reserves is speculation, in one form or another.

Finally, the best single way to expand the market for farmers raising wheat, dairy, meat, and fruit products is to reduce the cost of housing. The poor man's budget may support rising costs for one or the other, but it cannot support both.

If public housing is not begun promptly, it will make the cost of relief even higher, lead to demands for even higher WPA wages, and cause more strikes in private industry, because of the rising cost of living.

January 8, 1937

The President

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Japanese Foreign
exchange for last
two days ~~have~~ has
been acting in
peculiar and
unaccountable
manner.

Morgenthau

Dec. 5, 1936

Monday, January 11, 1937

Re: Japanese Exchange Restrictions

On January 8 it was reported that the Japanese Government was instituting exchange control restrictions and one or two New York banks were informed by cable on Saturday, January 9, that certain sums which were to be paid to the credit of their accounts with their Japanese correspondents were not made because of these exchange restrictions.

On Monday, January 11, the cotton market in Osaka, Japan was closed because of speculation in cotton and rayon due to the fears of local users of these materials that they would have difficulty in obtaining exchange to cover the necessary purchase of these materials. The foreign exchange value of the yen remained steady and the disturbance in cotton was confined to the Japanese internal markets.

The National City Bank was requested through the Federal Reserve Bank of New York to obtain cable advice from their Tokyo Office giving the latest developments in this situation.

On the occasion of the Secretary's visit to the President at 10:45 this morning he advised the President of this situation and informed him of the steps we had taken to obtain further information.

CABLE SENT TO THE NATIONAL CITY BANK OF NEW YORK,
TOKIO, JAPAN, JANUARY 9, 1937

DO YOU ANTICIPATE ANY DIFFICULTY IN REGULATING CASH POSITION DURING
NEXT SIX MONTHS SINCE SIMULTANEOUS READY AND FORWARD OPERATIONS
PROBABLY BARRED (STOP) DO YOU ANTICIPATE ANY DIFFICULTY IN DELIVERIES
OF FORMER FORWARD CONTRACTS WHERE THEY CANNOT BE IDENTIFIED WITH
STRICTLY COMMERCIAL TRANSACTIONS

CABLE RECEIVED FROM THE NATIONAL CITY BANK OF NEW YORK
TOKIO, JAPAN, JANUARY 11, 1937

YOUR CABLE OF THE 9TH INST. NEW LAWS REFER ONLY TO TRANSACTIONS RELATIVE
TO IMPORTS AND PAYMENTS TO BANKS AND BRANCHES UNDER INSTRUCTIONS FROM
ABROAD (STOP) PRESENT INDICATIONS NO EFFECT UPON OPERATIONS WITH OUTSIDE
BRANCHES OR BANKS EXCEPT WHEN TRANSACTIONS INVOLVE PAYMENTS TO ANOTHER BRANCH
OR BANK PERMISSION IS REQUIRED (STOP) APPARENTLY NO ONE KNOWS HOW NEW
REGULATIONS WILL BE INTERPRETED (STOP) IMPORTERS PRACTICALLY CEASED BUSINESS
PENDING CLARIFICATION

THE MITSUI BANK LIMITED

Account #12

New York, January 8, 1937.

Bank of the Manhattan Co.
40 Wall Street
New York City

Gentlemen:

Attention: Foreign Department

We are informed by cable from our Tokio Head Office that the Japanese Government has issued an urgent and temporary ordinance tightening their exchange control effective on and after January 9th, 1937. In this connection, we hasten to inform you that you are kindly requested to understand that all your drawings on our Home Branches in favor of banks or bankers, for the time being, will not be effected by them unless permission of the Government has been obtained. (The above licenses are not required for transactions of Less than \$10,000. or equivalent by draft or by mail.)

As to the particulars, we shall be pleased to write you again upon receipt of the confirmatory information.

Yours truly,

THE MITSUI BANK LIMITED

On January 8th the Finance Department under the Exchange Control Act promulgate decree effective as of the same date.
Among the articles the following are of importance to banks-

(1). Basically a permit is required for Exchange Transactions and acquisition of letters of credit covering payment of imports.

(2). Exchange transaction controlled under this regulation include-buying of Foreign Exchange, selling of Yen exchange in foreign countries, remittances to foreign countries, payments to be held in trust, etc. and execution of exchange contracts which were made before the issuance of this decree.

(3). No permit is required for Exchange Transactions or for acquisition of letters of credit in the following cases:-

- a. Where the aggregate amount for one month does not exceed Y 30,000.00 or its equivalent.
- b. Where Exchange Transactions arising out of letter of credit acquired by permit or where permit is not required (however, a permit is necessary for exchange transactions covering payment of imported good when letter of credit was obtained prior to the issuance of this decree).
- c. Where payment of Documentary Bills, relative goods of which have been imported into Japan or shipped from foreign ports at the time of enforcement of this decree.
- d. Where execution of exchange contract which has been made prior to the enforcement of this decree, for the purpose of payment of Documentary Bills, relative goods of which have been shipped from foreign ports within one week after the enforcement of this decree.

(4). Permit is required in case of appropriation of proceeds of "Exports without bill of Exchange" to the payment of imports.

(5). Permit is required when importers desire to realize from their securities, deposits and loans, etc. in foreign currencies held abroad or to borrow funds on mortgage of above items for the payment of imports.

(6). Exchange Banks are required to examine and confirm the legality of exchange transactions or acquisition of letter of credit of their customers.

(7). Exchange Banks are required to get permit when they make payment under the instructions from abroad except the payment of cheques, drafts and paying notes not exceeding the equivalent of Y10,000.00 per item.

(8). Those importers who have imported more than Yen 500,000.00 during 1938 are required to file the return for 1935 and 1936 showing the results of payments for imported goods.

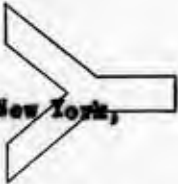
(9). Those who obtained permit regarding exchange transactions for imports are required to file monthly return of imports when the relative goods are imported.

- Received by the Bank of the Manhattan Company from the Yokohama Specie Bank, January 11, 1937.

Submitted to the Federal Reserve Bank of New York by the Bank of the Manhattan Company, January 11, 1937.

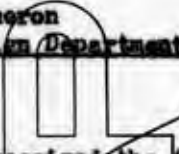
THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

January 11, 1957


Federal Reserve Bank of New York,
55 Liberty Street,
New York, N.Y.


Attention - Mr. D. J. Cameron
Manager Foreign Department

Gentlemen:

 *Kobe*
We have today received the following cable from the
Netherlands Trading Society:

"HAVE BEEN INFORMED YOUR EXCHANGE TRANSACTIONS WITH
ME ALLOWED WITHOUT A PERMIT INCLUDING EXECUTION
OUTSTANDING CONTRACTS"

Yours very truly,


E. O. Funk
Second Vice President

1_n

C A B L E

From: National City Bank of N. Y.
Tokyo Branch

Date: January 12, 1937

Exchanges firmer small business account uncertainty of effects of new regulations. Assurances given permits will be granted for all normal business with preferred attention to non-speculative imports meantime nothing forthcoming Bureau swamped with applications which must report volume of business done prior period.

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Tokyo, Japan

DATE: January 11, 1937, 5 p.m.

NO.: 3

RUSH.

You are requested by the Treasury to telegraph at its expense a comprehensive report on Japan's present financial situation.

MOORE, ACTING

EA: LWW

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 11, 1937

TO Secretary Morgenthau
FROM M. A. Harris

Treasury Bill Offering

In New York, tenders were received in the amount of \$107,555,000 to the offering of 273-day Treasury Bills today. The average discount on the first 50-million was 0.345. The highest discount was 0.288 and the low 0.377. On a similar offering last week, the average discount was 0.316 on the accepted bids.

January 11, 1937
10:25 A.M.

Present: Eldon P. King, Bureau of Internal Revenue
Chas. T. Russell, " " " "
Eldon O. Hanson, " " " "

Hanson: This case involves the year 1920.

H.M.Jr: Will you talk a little louder?

Hanson: The taxpayer is a Japanese steamship company
(Osaka Shosen Kabuishiiki Kaisha) 17 Battery Place,
New York, New York).

I have a memorandum for your files. (Hands to Secretary)

King: At the last session we thought we'd better prepare
a brief memorandum.

H.M.Jr: This helps. Now, you go ahead.

Hanson: The year 1920 is involved, and the taxpayer filed a
tentative return upon which he disclosed a tax of
about - of \$200,000. It was a tentative return and
no income was reported. Paid \$50,000 with the return
and later, in 1921 - June 15 - paid an additional
\$50,000.

Thereafter it filed its final - filed its completed
return, upon which it disclosed a net loss and no
tax due. But inasmuch as the - a hundred thousand
had been paid in, the Bureau made an assessment of
\$100,000 to offset the payment.

You will bear in mind that on its return it disclosed
this large loss of \$431,000. The Bureau made its
re-audit of the return and determined that an income
of \$121,725.44 had been realized and that a tax of
\$34,243.40 was due. Inasmuch as they had paid in
\$100,000 on their tentative return and the Bureau
has determined that a tax of only \$34,243 is due,
there is a resulting over-assessment of \$65,000.

H.M.Jr: I see.

Hanson: No refund is contemplated, because this case is related
to the case of the taxpayer for the years '18 and '19.

H.M.Jr: I see.

- 2 -

Hanson: Which you approved, Mr. Secretary, on the - the settlement on which you approved on September 4. So the overpayment will simply be applied for the tax due on it. As Mr. Russell indicated, this is one of the remaining few Japanese or foreign steamship company cases, and the case has been audited in accordance with the usual practice of the Bureau governing cases of that kind.

H.M.Jr: If you don't mind, I'm just going to read this (the memorandum) as long as you've got it down here. (Reads memorandum) - That looks all right. (Signs settlement form) That's that.

King: Mr. Secretary, may I inquire whether - as to the form of that little memo there?

H.M.Jr: That's just the way I want it. That's all right.

King: That's fine.

H.M.Jr: That's just the way I want it.

Russell: Now, will you take the other case up here, this Matamoras Water Company.

Hanson: Here is the other company.

H.M.Jr: What's the name of this company?

King: This is the Matamoras Citizens' Water Company. This (memorandum) will be a part of your record (to reporter) I suggest I just read this, if it is satisfactory with you.

H.M.Jr: Supposing I read it. (Reads memo) Well, this looks all right, doesn't it? No argument.

Hanson: I don't think so.

Russell: There's nothing in the future, because the company's closing out and winding up its affairs.

H.M.Jr: All right, now this is for me and this is for me here. (Signs settlement) And what else?

King: That's the end of it, Mr. Secretary. That's all we have this morning.

- 3 -

H.M.Jr: How are you coming on some of these old cases?

Russell: We are ready to just about come out of them.

H.M.Jr: You're making some progress?

Russell: Yes, sir. And we are consolidating the examination of returns; we are about two months ahead of any prior year on that.

H.M.Jr: Swell.

Russell: We started in July of last year checking 1935 returns.

H.M.Jr: Well, that's fine.

Russell: And while we did have some '34 still on, most of them were a result of the taxpayers themselves asking for late examinations. So we are really about two months ahead of any prior year.

H.M.Jr: But you are doing July returns now?

Russell: Oh yes.

H.M.Jr: That's fine.

Russell: We're almost half way through with our '35 now.

H.M.Jr: Good. All right.

Russell: And we're getting lot of favorable comments.

H.M.Jr: I should think you would. Of course, once you get caught up, it's going to be so much easier. It's the catching up process that's hard.

Russell: And we're practically caught up now.

H.M.Jr: Well, do you think you'll have all of '35 done before the '36?

Russell: Yes. Well, all but just a few that the taxpayers themselves asked us to hold off, and some of the very, very large cases which it is impossible to do. But we'll have them all started by then.

H.M.Jr: Fine.

- 4 -

King: It seems to me that's the important thing. We get....

H.M.Jr: Russell, whatever happened - there was six or eight or ten very important alcohol cases - I mean companies in alcohol business - when I first came over here, some of them in Baltimore. I remember they were taken away from us by the Department of Justice. I think there were ten companies.

Russell: Those were Alcohol Tax cases.

H.M.Jr: Diversion of alcohol.

Russell: U. S. Industrial Alcohol was one of them.

H.M.Jr: That's right. That was taken out of the Treasury when I first came here. That's over three years. Whatever's happened to them?

Russell: I believe Justice settled U. S. Industrial Alcohol.

King: I saw the announcement of it in the paper, one of those big ones, and I haven't seen a thing since.

H.M.Jr: There was either eight or ten diversion of alcohol cases, and just - either when I came here or just before, they took them out of our hands.

Russell: I'll check on those.

H.M.Jr: And let me know.

Russell: Yes, I'll check on those today. Was that all?

H.M.Jr: That's all. Thank you.