<table>
<thead>
<tr>
<th></th>
<th>FEBRUARY</th>
<th>MARCH</th>
<th>APRIL</th>
<th>MAY</th>
<th>JUNE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at beginning of periods</td>
<td>924</td>
<td>769</td>
<td>1,149</td>
<td>1,304</td>
<td>1,039</td>
<td>924</td>
</tr>
<tr>
<td>Receipts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General revenue</td>
<td>275</td>
<td>1,175</td>
<td>510</td>
<td>320</td>
<td>330</td>
<td>1,530</td>
</tr>
<tr>
<td>U.S. Savings Bonds</td>
<td>50</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>200</td>
</tr>
<tr>
<td>Treasury Bills (extra)</td>
<td>100</td>
<td>200</td>
<td>500</td>
<td>-</td>
<td>-</td>
<td>600</td>
</tr>
<tr>
<td>Treasury Notes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,349</td>
<td>2,194</td>
<td>1,979</td>
<td>1,644</td>
<td>1,979</td>
<td>4,874</td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>280</td>
<td>290</td>
<td>310</td>
<td>320</td>
<td>330</td>
<td>1,530</td>
</tr>
<tr>
<td>Emergency</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>190</td>
<td>180</td>
<td>770</td>
</tr>
<tr>
<td>Interest on debt</td>
<td>15</td>
<td>155</td>
<td>80</td>
<td>10</td>
<td>150</td>
<td>410</td>
</tr>
<tr>
<td>Redemption of debt</td>
<td>40</td>
<td>325</td>
<td>20</td>
<td>20</td>
<td>320</td>
<td>765</td>
</tr>
<tr>
<td>Special transactions</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>75</td>
</tr>
<tr>
<td>Gold purchases</td>
<td>30</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>200</td>
</tr>
<tr>
<td>TOTAL</td>
<td>580</td>
<td>1,035</td>
<td>675</td>
<td>605</td>
<td>1,045</td>
<td>5,940</td>
</tr>
<tr>
<td>Balances at end of periods</td>
<td>769</td>
<td>1,149</td>
<td>1,304</td>
<td>1,039</td>
<td>934</td>
<td>934</td>
</tr>
<tr>
<td>Refunding operations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Bills:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular</td>
<td>200</td>
<td>250</td>
<td>200</td>
<td>200</td>
<td>250</td>
<td>1,100</td>
</tr>
<tr>
<td>Special</td>
<td>-</td>
<td>300</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>300</td>
</tr>
<tr>
<td>Treasury Notes</td>
<td>-</td>
<td>-</td>
<td>502</td>
<td>-</td>
<td>-</td>
<td>502</td>
</tr>
<tr>
<td>TOTAL</td>
<td>200</td>
<td>550</td>
<td>702</td>
<td>200</td>
<td>550</td>
<td>2,202</td>
</tr>
</tbody>
</table>
I. Cash Requirements

1. On the basis of Mr. Bell's estimates of the prospective changes in the Working Balance in the General Fund, it will be possible for the Treasury to coast along without raising new money until April 15, provided we are willing to allow the Working Balance to run as low as some $658 millions early in March. Without new money, the month-end Working Balances are estimated as follows to the end of March:

<table>
<thead>
<tr>
<th>Month</th>
<th>Estimated Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td>$658 millions</td>
</tr>
<tr>
<td>March</td>
<td>$556 millions</td>
</tr>
</tbody>
</table>

2. Unless we do raise new money between now and the middle of April, the Working Balance at the end of each of the three last months of the fiscal year is estimated as follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>Estimated Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>$533 millions</td>
</tr>
<tr>
<td>May</td>
<td>228 millions</td>
</tr>
<tr>
<td>June</td>
<td>503 millions</td>
</tr>
</tbody>
</table>

3. Judging by the bid and ask quotations for Treasury bills, and the price behavior of our outstanding notes and bonds, the market's response to the announcement of the increases on March 1 and May 1 in reserve requirements has not been unfavorable. The last two 273-day bill issues, which were sold at an average bank discount rate of .361 and .401 percent, respectively, were quoted on February 6 at a bid price to yield .42 percent on a bank discount basis. Unless the market's action becomes more unfavorable, it would appear feasible to raise $200 millions of new money by additional bill issues of $50 millions each on February 17 and 24 and March 3 and 10; or $300 millions if the additional bill issues are continued on March 17 and 24. The first of the additional issues would preferably be for 119 days, and the succeeding issues for successively shorter periods, so that the entire extra amount of $200 or $300 millions would mature in the middle of June.
A distinct advantage of concentrating $200 to $300 millions of bill maturities in mid-June is that it would coincide with an income-tax payment date and would therefore reduce the strain on bank reserves incident to the latter. Dr. Goldenweiser indicated in a telephone conversation today that his people would prefer $300 millions to $200 millions of such bill maturities, distributed between June 16, 17, and 18. If it were desired to confine the additional bill issues to $200 millions, but to have $300 millions of mid-June bill maturities, this could be accomplished by substituting mid-June maturities for two weekly issues of our regular 273-day bills, though this method might be open to the objection that it would interfere temporarily with the uniformity of the present series of regular bill issues.

Having raised $200 or $300 millions of new money by these bill issues, we could then, on either March 15 or April 15, obtain an additional $300 millions of new money by a note or bond issue that also covered the $502 millions note maturity of April 15. The $500 or $600 millions of new money raised in this period through bill issues and the bond or note financing would just compensate for the retirement during this period of maturing bills — $300 millions in the middle of March and either $200 or $300 millions in the middle of June. So far as these new money requirements are concerned, therefore, no net change in the public debt as of June 30, 1937 is involved.

Assuming that $200 millions is raised through bill issues in February and March, and $300 millions through a note or bond issue sold on March 15, our month-end Cash Balances would be approximately as follows:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 758 millions</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,358 millions</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,033 millions</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>788 millions</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>803 millions</td>
<td></td>
</tr>
</tbody>
</table>

If market developments are altogether unfavorable, the raising of new money could be deferred entirely until the middle of April (provided gold imports are not too large), when $500 millions could be raised in conjunction with the refunding of the April note maturity by an issue of notes or bonds. If this procedure were adopted, the month-end Cash Balances would be as follows:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 658 millions</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>858 millions</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,033 millions</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>788 millions</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,003 millions</td>
<td></td>
</tr>
</tbody>
</table>

Regraded Unclassified
This plan would involve a net increase of $200 millions in outstanding debt issues at June 30, unless four of the regular June issues of $50 millions each were repaid out of the Cash Balance and no replacement bills were offered, in which case the June 30 Balance would be $503 millions.

II. Alternative Methods of Financing

1. Increase of $50 millions in weekly bill issues of each of the ten weeks beginning February 17: The first $200 or $300 millions of these bills could be made to mature on June 16, 17, or/and 18, coinciding with the quarterly income-tax payment period. The first of these issues would be for 119 days and the succeeding issues would be progressively for 7 days fewer in length, except for the minor changes required for staggering the maturities over several days. The maturities of the remaining $300 or $200 millions of bills could be split between the middle of September and the middle of December. Both of these periods are convenient for bill maturities because they coincide with income-tax payment dates. A note issue of $517 millions matures on September 15; there is no existing note maturity in December.

It is impossible to estimate at all accurately the rates at which our regular and additional bills would sell in view of the tightening in the money markets that may be occasioned by the increase in required reserves. It is reasonably certain, however, that the immediate absolute cost of additional money raised through bill issues would be less than the cost of raising the same funds through notes or bonds. Nevertheless, the raising of the entire $500 millions of new money through bill issues would not necessarily be the cheapest method of finance from a longer-term viewpoint. Much will depend upon the relative market behavior of bills, notes, and bonds during the next several weeks. Our previous experience has indicated that additional bill issues of shorter maturity than the regular bill issues do not sell on a proportionately reduced yield basis.

2. Issue of $200 millions of additional bills in February and March, and the offering of a 5-year 1-3/8 percent note on either March 15 or April 15 to raise $300 millions of new money and to refund the April note maturity of $502 millions; This method would bring about a net reduction in the aggregate volume of outstanding bills of $300 millions by the end of the fiscal year, other things being equal.

While an open date exists for a 3½-year note issue to mature on September 15, 1940, and while such a maturity may be utilized if market conditions become more unsettled, it does not appear at this time that a sufficient saving in cost can be effected by reducing the proposed maturity from 5 years to 3½ years. The prices and yields of outstanding notes maturing on and after June 15, 1940 were as follows on February 6, 1937;
The foregoing figures indicate that a note maturing March 15, 1942 should sell on virtually the same yield basis — about 1.20 — as the three last-issued outstanding notes. A 5-year 1-3/8 percent note would sell at a price of 100-27/32 if it sold on a 1.20 yield basis. Such a premium would be liberal.

A great deal can be said for this method of financing. Five-year money at a cost of 1-3/8 percent is cheap money; and the 5-year maturity is ample compensation, in view of existing uncertainties with respect to short-term money rates, for the somewhat higher cost of such a note issue over exclusive reliance upon bills. Whether the financing should take place on March 15 or April 15 should be determined primarily by the state of the market at the beginning of March, with a slight presumption in favor of March 15 because it represents a regular quarterly financing date. The April 15 financing would be just as suitable as the March 15 financing from the sole standpoint of the Working Balance.

3. Issue of $200 millions of additional bills in February and March, and the offering of a 12-17 year 21/2 percent bond on either March 15 or April 15 to raise $300 millions of new money and to refund the April note maturity of $502 millions: This possibility has the following advantages:

(1) Like No. 2, it results in a net reduction rather than an increase in the volume of bill issues;

(2) It provides for the refunding of the April notes into a medium-term bond;

(3) It reduces rather than adds to the volume of our outstanding note issues;

(4) The coupon rate of 21/2 percent for 17-year money represents distinctly low-cost financing;

(5) An improvement is made over our preceding 21/2 percent bond issue by increasing the call period to 5 years; and
In the present market, the issue should command a liberal premium.

The most comparable outstanding issues are the following:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Price (Feb. 6)</th>
<th>Yield to call date</th>
<th>Yield to maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-1/2% of 1949-53</td>
<td>101-18/32</td>
<td>2.36</td>
<td>2.39</td>
</tr>
<tr>
<td>2-3/4% of 1951-54</td>
<td>103-13/32</td>
<td>2.17</td>
<td>2.51</td>
</tr>
<tr>
<td>3-1/8% of 1949-52</td>
<td>108-8/32</td>
<td>2.38</td>
<td>2.49</td>
</tr>
</tbody>
</table>

The proposed issue would probably sell on a basis rather close to that of the outstanding 21/2% bond. It differs from the outstanding issue in being 3 months later in final maturity and in being callable 9 months earlier. If it sold on precisely the same yield basis to call date as the outstanding 21/2% — 2.36 —, it would sell at about 101-15/32, a handsome premium.

At the other extreme, however, the proposed issue might conceivably (though not probably) sell on a yield basis only slightly better than that of the outstanding 21/2% of 1951-54 (2.47 percent). These mature only 3 months later than the proposed issue, and are not callable until 2 years and 3 months later. If the proposed issue were to sell on no better basis than the outstanding 21/2% of 1951-54, it would command a price of about 100-10/32.

It is probable, however, that the proposed issue would sell much nearer the outstanding 21/2% than the outstanding 21/2%, being far more comparable with the former. If it sold on a basis approximately half way between these two issues — on a basis of 2.42 percent —, it would command a price of approximately 100-27/32.

In the present market, therefore, it appears that the proposed 21/2 percent 12-17 year bond would command an amply safe premium.

4. Consideration might be given to permitting payment for the Treasury bills to be issued near the middle of March to be made by credit on War-loan account. These additional bill offerings will be made at a time when bank reserves will be affected by both the new reserve requirements and the very large March income-tax payments. The March income-tax collections will be sufficiently heavy to permit us to refrain from making calls upon depository institutions during the two or three weeks bridging the middle of that month. The Treasury, during the early months of 1934, permitted subscriptions for Treasury bills to be paid in this fashion.
Secretary of the Treasury Morgenthau announced today that the sale of United States Savings Bonds since March 1, 1935, when these bonds were made available, to February 1st of this year has reached a total of $862,781,212, maturity value. This is a daily average of $1,472,322, maturity value, for each of the 586 business days elapsed.

These bonds were bought by approximately 750,000 individual investors, and approximately 60,000 investors — over 50 percent of whom are repeat purchasers — are now buying United States Savings Bonds each month.

The sale of Savings Bonds for the year 1935 amounted to $259,000,024, maturity value. For the year 1936 the sales were $473,515,140 — an increase of approximately 82.8 percent. The January sales of this year were in excess of $130,000,000, maturity value — more than twice the sales of the corresponding month last year.

The highest total for daily sales was reached on January 4th of this year with the receipt by the Treasurer of the United States of $6,230,330 from post offices selling these bonds throughout the country. In addition and on the same day the Treasurer received direct-by-mail orders accompanied with cash representing $1,319,425, maturity value — or a total sale for this single day of January 4th of $9,626,532, maturity value, of United States Savings Bonds.

The Secretary stated that tabulation of sales by states to the end of the year 1936 shows that the State of Illinois leads the United States with a maturity value sale of $72,337,850. New York State is second with a maturity value sale of $49,021,675. Ohio is third, then follows Pennsylvania, with Iowa, Missouri, and Minnesota next in order. Michigan takes the eighth place, while California, Texas, Indiana, Wisconsin, Kansas, and Nebraska follow in close succession.
The sales of United States Savings Bonds in the 50 leading cities show Chicago well in the lead with a maturity value sale of $35,611,666 from March 1, 1935, to January 1, 1937. New York is not a very close second with only $25,626,226. The total sales for the 50 leading cities amounted, on January 1, 1937, to $261,968,549, maturity value.

Tabulations of sales made during the last quarter of the year 1936 indicate that men are buying approximately 23.12 percent of the total of Savings Bonds sold; while coowners — mostly man and wife who buy these bonds jointly — account for 32.43 percent; and women, for approximately 17.14 percent. A beneficiary is named in about 8.61 percent of the bonds sold. Banks are buying about 8.75 percent, and the rest of the sales are to corporations, associations, and trust funds.

The small towns and rural America purchase in excess of 31.90 percent of the total amount of bonds sold each month; and towns from 10,000 to 25,000 population, about 9.94 percent; while cities from 25,000 to 100,000, buy approximately 13.72 percent. The metropolitan cities of 100,000 or more, account for about 44.44 percent of the total sales of Savings Bonds each month.

The most popular unit of the five denominations in which United States Savings Bonds are sold is the $100, maturity value, bond, which accounts for approximately 32.46 percent of all the bonds sold. The $25 unit is next in popularity with approximately 23.12 percent. Then follows the $50 unit with 19.37 percent. The $1,000 bond is next in order being more popular than the $500 unit and accounting for approximately 15.73 percent of the total sales, while the $500 unit accounts for 9.32 percent of the total sales.

Sales of United States Savings Bonds in the 50 larger cities and in the several states and possessions from March 1, 1935, to January 1, 1937, arranged in order of their total sales for this entire period were:
## STATEMENTS OF UNITED STATES SAVINGS BONDS SALES FROM MARCH 1, 1935, THROUGH DECEMBER 31, 1936.

<table>
<thead>
<tr>
<th>STATE</th>
<th>MATURITY VALUE OF TOTAL SALES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>$72,337,850</td>
</tr>
<tr>
<td>New York</td>
<td>49,021,675</td>
</tr>
<tr>
<td>Ohio</td>
<td>42,523,750</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>38,112,625</td>
</tr>
<tr>
<td>Iowa</td>
<td>35,625,750</td>
</tr>
<tr>
<td>Missouri</td>
<td>35,466,900</td>
</tr>
<tr>
<td>Minnesota</td>
<td>33,484,625</td>
</tr>
<tr>
<td>Michigan</td>
<td>30,251,575</td>
</tr>
<tr>
<td>California</td>
<td>29,018,800</td>
</tr>
<tr>
<td>Texas</td>
<td>27,855,400</td>
</tr>
<tr>
<td>Indiana</td>
<td>25,711,875</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>25,605,575</td>
</tr>
<tr>
<td>Kansas</td>
<td>25,373,800</td>
</tr>
<tr>
<td>Nebraska</td>
<td>18,480,425</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>12,754,750</td>
</tr>
<tr>
<td>New Jersey</td>
<td>12,233,050</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>12,100,275</td>
</tr>
<tr>
<td>Washington</td>
<td>11,990,475</td>
</tr>
<tr>
<td>Colorado</td>
<td>9,466,700</td>
</tr>
<tr>
<td>Kentucky</td>
<td>9,360,375</td>
</tr>
<tr>
<td>Oregon</td>
<td>9,084,850</td>
</tr>
<tr>
<td>North Carolina</td>
<td>8,940,100</td>
</tr>
<tr>
<td>Virginia</td>
<td>8,340,650</td>
</tr>
<tr>
<td>Maryland</td>
<td>7,376,225</td>
</tr>
<tr>
<td>West Virginia</td>
<td>7,564,500</td>
</tr>
<tr>
<td>Tennessee</td>
<td>7,475,300</td>
</tr>
<tr>
<td>Montana</td>
<td>7,389,800</td>
</tr>
<tr>
<td>Florida</td>
<td>7,221,175</td>
</tr>
<tr>
<td>Georgia</td>
<td>7,131,975</td>
</tr>
<tr>
<td>North Dakota</td>
<td>6,333,375</td>
</tr>
<tr>
<td>Louisiana</td>
<td>5,721,425</td>
</tr>
<tr>
<td>Arkansas</td>
<td>5,445,850</td>
</tr>
<tr>
<td>South Dakota</td>
<td>5,399,125</td>
</tr>
<tr>
<td>Mississippi</td>
<td>5,292,025</td>
</tr>
<tr>
<td>Alabama</td>
<td>4,574,125</td>
</tr>
<tr>
<td>South Carolina</td>
<td>3,870,275</td>
</tr>
<tr>
<td>Connecticut</td>
<td>3,513,150</td>
</tr>
<tr>
<td>Maine</td>
<td>2,711,600</td>
</tr>
<tr>
<td>Idaho</td>
<td>2,071,075</td>
</tr>
<tr>
<td>Utah</td>
<td>1,993,625</td>
</tr>
<tr>
<td>Wyoming</td>
<td>1,828,000</td>
</tr>
<tr>
<td>New Mexico</td>
<td>1,604,825</td>
</tr>
<tr>
<td>Arizona</td>
<td>1,681,850</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>1,463,150</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>1,393,100</td>
</tr>
<tr>
<td>Vermont</td>
<td>1,328,575</td>
</tr>
<tr>
<td>Nevada</td>
<td>925,975</td>
</tr>
<tr>
<td>Delaware</td>
<td>687,075</td>
</tr>
<tr>
<td>*Dist, of Columbia</td>
<td>34,200,775</td>
</tr>
</tbody>
</table>

*Includes a portion of mail orders.*

**Total:** $720,175,900
Statement of United States Savings Bonds Sales at the Fifty Largest Offices from March 1, 1935, through December 31, 1936.

<table>
<thead>
<tr>
<th>OFFICE</th>
<th>MATURITY VALUE OF SALES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago, Illinois</td>
<td>$ 35,611,666.00</td>
</tr>
<tr>
<td>New York, N.Y.</td>
<td>26,556,285.00</td>
</tr>
<tr>
<td>Detroit, Michigan</td>
<td>12,459,416.00</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>10,834,905.00</td>
</tr>
<tr>
<td>Milwaukee, Wisconsin</td>
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* Includes a portion of mail orders | $261,968,549.00 |
A portion of this telegram must be closely paraphrased before being communicated to anyone. (A)

Secretary of State,
Washington.

178, February 8, 6 p. m.

(GRAY) FOR TREASURY.

Dealings on the exchange market today were fairly quiet and the tendency slightly less nervous. Nevertheless the exchange fund was called upon to intervene several times and lost a fair amount of sterling we are told by our market contact. Sterling opened at 105.10 and is now quoted at 105.13. The dollar is steady at 21.48 with other currencies firm.

The forward rate for the dollar is 25 centimes for one month and 68 centimes for three months. The rate for the pound is 1.15 francs for one month and 3.12 francs for three months. This is a slight improvement on Friday's forward rates.

On the security market rentes showed a weak tendency but apparent official intervention reduced losses to about 20 centimes. Other French securities were weak and irregular but internationals continued active and strong.

On account of the holiday here tomorrow, Shrove Tuesday, the banks will close at mid-day and there will be no

Regraded Unclassified
no official exchange dealings.

It is thought possible that a very moderate repatriation of French funds has taken place recently and thus offset to some extent the substantial purchases which have been made of pounds and dollars. The impression is given by the financial press that with the proceeds of the London credit and the three billion francs recently transferred from the Bank of France to the fund it will be possible for the Treasury to get along for a few weeks.

The results of the "national defense" loan which closed on February 1, have not yet been announced. Silence in this regard has been interpreted as an indication that results are disappointing.

CONFIDENTIAL. Reliable information has come to us that through subscription the Government received comparatively little gold. However, on the other hand it was stated that they had fairly satisfactory results from subscriptions in the form of the so-called Auriol bonds of July 9, 1938.

According to press reports Minister of State Faure in referring to the financial situation at St. Etienne yesterday stressed that the present Government had never claimed that it would apply the program and
and the doctrine of the Socialist Party. The Government had not taken the power to this end and all were in agreement in this respect, he said. Turning to the financial situation he recognized that there existed some "black" spots but contended that this was the consequence of the billions of debts which the Popular Front Government had inherited from the so-called "National" Governments.

A debate on the financial situation before the Senate is announced for tomorrow February 9.

BULLITT

CSB
TO THE SECRETARY

FROM MR. TAYLOR

Saturday afternoon, about three o'clock, Kenneth Bewley called up and said that he had a message for you from the Chancellor of the Exchequer. He came out to the house and let me see the text of the message which was about as follows:

"That, as you know, the credit to the French Railways amounting to 40 thousand pounds, of which I spoke in my last message, was arranged. Ostensibly this credit was to the French Railways but of course was really for the benefit of the French Government. Such indications as I have received lead me to fear that it has not had the effect I hoped for and the French Government's difficulties seem to be increasing. The Governor of the Bank of England has gone to the meeting of the BIS at Basle and hopes to have the opportunity of speaking to the Governor of the Bank of France about the situation generally. On his return I hope to be able better to judge the position. I will communicate with Mr. Morgenthau again when there is anything more to say."

I had a brief general discussion with Bewley and he interpreted this message to indicate a desire on the part of the Chancellor to keep in very close touch with you during this period. Bewley also expressed the personal hope that, regardless of what the French did, it would not be necessary for either the British or ourselves to alter the dollar-pound relationship.

He then asked me my own opinion as to whether further French devaluation or exchange control would be preferable from our joint standpoint. I said that naturally this was a very difficult question and that all of France's difficulties seem to be caused by the fact that French capital has no confidence in the present Government, so that a new devaluation would probably not correct this situation. Also, that much as we might dislike exchange control, for our purposes it might be the lesser of two evils, but that it was impossible to give even a personal answer to this question without giving the matter a great deal more thought.

I then telephoned you, giving you the Chancellor's message, which I indicated that you would probably answer on your return on Monday.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France
DATE: February 9, 1937, 3 p.m.
NO.: 180

A good authority has informed us that while the outflow of capital from France has considerably decreased it has by no means come to an end, and that the exchange fund frequently and for substantial amounts must intervene.

All banks here, we are told, have again been asked by the Governor of the Bank of France not to encourage forward currency operations; recent exchange operations have probably been influenced to some extent by this recommendation. Rueff of the Treasury, it seems was the sponsor of the decision of the Minister of Finance on December 16th to remove all restrictions on movements of capital. Rueff, it is suggested, was anxious to make an impressive gesture at the outset of his career as Director of the Movement of Funds section. The Bank of France, we are told, opposed the decision taken in this respect. The impression prevailed in the Bank of France that an abrupt return to complete freedom was unnecessary and undesirable.

Reliable information has also come to us regarding the impression given by the press that some repatriation of capital has taken place. We are told that since the announcement
announcement of the British credit something like
100,000,000 francs only have been repatriated and that
this represents chiefly sums brought back for industrial
requirements and for speculation on the Paris bourse.

END SECTION ONE.

BULLITT.
Monday
February 8, 1937
3:10 p.m.

HMJr: Hello? - hello?
Cordell Hull: Welcome back.
HMJr: Thank you.
H: How are you feeling?
HMJr: Oh, I had a good rest.
H: Well, that's fine, have you got sunshine?
HMJr: Yes, we were very fortunate.
H: Yes, that's fine.
HMJr: It's a nice cool sunny day.
H: Yes - glad you're back.
HMJr: I'm glad. Cordell, two things I'm calling up about -
H: Yes
HMJr: I don't know whether anybody has brought to your attention this article that Henry Wallace wrote for an English newspaper.
H: No, I haven't seen it.
HMJr: Well, he wrote an article which - for some paper - he showed it to me about a month ago - we made some criticisms and then he said he wasn't going to write it.
H: Yes
HMJr: Now he's written it up for a British paper and he's given it out here and he goes ahead and scolds the English about the gold and silver and all that.
H: That was a speech wasn't it?
HMJr: No, it was an article.
H: Oh, was it? Why, they were asking me about it this morning. I just thought it was a speech. I didn't pay any attention to it.
HMJr: No, it was an article which he wrote for some British newspaper. But he promised me - I didn't - after showing it to me that he decided, well, I think it's a good thing - the London Daily Telegraph --

H: Yes

HMJr: But he gave it out here and there.

H: Yes

HMJr: Now, I wanted to ask your advice sort of off the record. I thought I'd call up Henry -

H: Yes

HMJr: - and say, "Henry, how come, you told me you weren't going to do it?"

H: Yes

HMJr: "We pointed out three or four mistakes when you did show it to us."

H: Yes

HMJr: "And, frankly, I'm surprised to read it in the paper after you promised me you wouldn't do it."

H: Yes - and especially when it's so easy to rock the boat in international affairs right now.

HMJr: I mean, for him to go ahead and scold the English -

H: Yes, - yes

HMJr: Don't you think if I do that very quietly it's all right?

H: Well, I don't see - tell him that you wouldn't be frank -

HMJr: Yes

H: - and you know he wants to be just as helpful as you do -

HMJr: Yes
H: - but on international matters here that - that are delicate as they can be -

HMJr: Yes

H: - And while we are gradually making progress -

HMJr: Yes

H: - those whose function it is to deal with them primarily, it's - You're just sorry that he feels obliged to feel constrained to make these kind of utterances.

HMJr: If I was going to write an article for an English paper, even if it was on monetary matters, I wouldn't think of doing it before sending it over to your place.

H: Well, of course -

HMJr: I wouldn't think of doing it.

H: I can't - if he sent it anywhere around here I never heard of it. They were asking me about it at at the Press Conference this morning and I told them I knew nothing about what it was all about.

HMJr: Well, I have a Press Conference at four o'clock and I don't know what to say.

H: Yes

HMJr: Well, I think I'll call him up and tell him.

H: I think just a few words along the line -

HMJr: As long as he showed it to me and then -

H: Yes

HMJr: - gave me his word he wasn't going to do it.

H: Because it causes us - it gets up - as you know, right now, there are prospects of real progress over there -

HMJr: Yes

H: - with those people. And then to have a Cabinet member -
H: Yes

- go to biffing them on the nose, you know. - It is unfortunate, that's true.

H: I'm sending you over a little later a note about - we're sending some extra people over to Europe to fight narcotics over there.

H: Yes

H: And, normally it would just go through the regular channels, but I'm bringing it to your attention personally.

H: Yes, all right, I - I haven't had a chance to get into that.

H: Well, I - what I'm doing, quite frankly, is I'm just disregarding (Laughs) I find there have been eight or ten letters that have gone on between our departments since September second.

H: Yes

H: I'm sure you haven't got time to read them.

H: I've read them --

H: And I haven't either and - the situation over there is very serious and we want to send three men over there.

H: Yes

H: And I'm writing the regular formal letter - we always notify you people -

H: Yes

H: - when people are going abroad, plus a personal note.

H: Yes

H: Strictly between us - I think this fellow Fuller hasn't got enough to do.

H: Yes, I see. I haven't gone into it.
HMJr: Well, I think he - I think he's got this thing - he takes his job seriously and I think his - There's the treaty side of it and there's the police side of it and ours is the police side.

H: Yes

HMJr: And, which we're charged with and we've got to see that this stuff doesn't come to our shores.

H: Yes - Henry -

HMJr: Yes

H: You've been away how long, ten days?

HMJr: One week -

H: Well, you - I'd gotten by - I'd gotten my reply from the British, hadn't I, before you left?

HMJr: No, I -

H: It came in just the other day.

HMJr: No, I didn't know anything about it.

H: Anyhow, of course this is in great confidence -

HMJr: Surely

H: They have indicated a disposition - they have indicated for the first time -

HMJr: Yes

H: - a disposition to reduce some of their Empire preference rates.

HMJr: Well, that's very interesting.

H: Well, that's the first time - that's the first time they've showed the slightest disposition - and I'm -

HMJr: I'm keenly interested.

H: Well, that's - that's a tremendously interesting thing and if now, we do go forward -

HMJr: Yes
H: - with our - with the trade rulings and with a fairly substantial arrangement it's going to ring out in great shape.

HMJr: Oh, well I'm simply delighted. And then there's this thing of Wallace's that's particularly unfortunate.

H: Oh, of course, of course, from what you say. I haven't really read it; I just saw the head-line.

HMJr: Well, I've read it and it's just damn stupid.

H: Yes, I see.

HMJr: I mean, after all I sit here and sweat - my job is this gold that's coming over and - and it's my responsibility and it's a terrifically serious one.

H: Well, why don't you - why don't you say to the Press that - that you knew nothing about this and are not responsible in any way. And, so far as you can say - so far as you know the State Department didn't either.

HMJr: All right.

H: What do you think about that?

HMJr: Well, what I am going to do is - I don't want to keep bothering the President with these squabbles.

H: Yes, that's - if you could get some -

HMJr: I'm going to ask Steve Early if he saw it, see?

H: Yes

HMJr: If he didn't, then I will say that neither - so far as I know, neither the State Department nor the Treasury were consulted before this went out.

H: If you could get/in some little -

HMJr: - dig -

H: - some little mild form and just say, "I don't - we didn't know anything about this until we saw it in the papers and I haven't - - " - Well, maybe if you say that and then let me - I said that practically this morning.
Well, may - I think I can say something that -

Oh, - that I hadn't - I don't know - I'll get in something a little bit surprised, because if Mr. Wallace had anything in mind to give on gold I should think he'd have given it to me first, instead of letting me get it by reading the English newspapers.

Yes, I - I don't - it's a question always about whether to get the President to try to stabilize a situation like that.

Well, I hate to bother him.

Yes, I know.

But, what I've done heretofore, and I'll most likely end up by doing it, if some Cabinet member says something, I usually just say, 'Well, I don't know anything about it.' - and take it.

Yes, and say we never - you never heard of it and had no information about it until you saw the headlines and that's all you've seen yet.

I think that's safe.

Yes, all right, Henry.

I'm - but I'm delighted about that English -

Oh, that's awfully interesting.

And I don't know whether - the only thing I got is that on Saturday Taylor called me up down south -

Yes

- to say that he had a 'secret and confidential' via Bewley from Neville Chamberlain.

Yes

- that Neville Chamberlain was very much worried about the French situation.
H: Well, I can understand that.

HMJr: And that he would - I would hear from him shortly again.

H: Yes

HMJr: But it would be marked "Secret and Confidential" - I don't know whether Taylor told us the price or not.

H: Yes, I don't either, but I'm not surprised at it.

HMJr: I'm not either.

H: Well, I'm so glad you're back, Henry.

HMJr: Thank you.
Confidential information has come to us that a BIS delegation visited the Bank of England a few days ago in order to secure the assent of the latter to sell gold to the BIS "for the account of others"; i.e., for the central banks of issue of the small Central European countries members of the BIS. The Bank of England, we are told, refused the request. It was the impression of our informant that the Bank of England was influenced in this respect by its desire to maintain its direct contact with the institutions concerned. Strictly confidentially the Bank of England informed the Bank of France of its position, and indicated to the latter that the delegation on its way back to Basel might make a similar request of the Bank of France.

The Bank of France was in fact approached by the above-mentioned delegation. While the Bank of France did not definitely say no, we are told that the delegation was told in view of the present situation the rates of the Bank of France would undoubtedly be so high that the BIS would probably not find it practicable to engage in such transactions.

There are rumors circulating that the French Treasury is negotiating for loans in the Netherlands and in Sweden. In this connection we are told that soundings have probably taken place by certain intermediaries interested in possible commissions but that such soundings have not reached the stage of...
definite negotiations, so far as is known.

BULLITT.

EA: LWW
Secretary of State
Washington.

130, February 9, 2 p.m. (SECTION THREE).

With respect to the board meeting of the BIS on February 8 considerable interest has been shown in the French press with regard to the indication that Governor Norman may be the next President of the Institution and that he will probably be elected at the annual general meeting which according to the press has been fixed for May 3.

An official communique published in the press indicates that no changes are contemplated in the relations between the BIS and the Reichsbank.

Unofficial dealings in exchange this morning are fairly quiet and the rates are about on a level with those of yesterday. As indicated in our telegram of yesterday there will be no official exchange market this afternoon. (END OF MESSAGE)

BULLITT

CSB
PARAPHRASE OF TELEGRAM RECEIVED
DATE: February 9, 1937, 6 p.m.
NO.: 54
FROM BUTTERWORTH.
FOR TREASURY.

At a meeting of the British Treasury today they confirmed that they too had received assurances through LeMorcy that the French had no intention of changing the franc's value at the present time. It appeared from today's conversation that Waley and Phillips were if anything more pessimistic about the French position than they were when we last met – reference, telegram No. 33 of January 28, 6 p.m., from the Embassy.

The past fortnight, it was emphasized, had really been a critical one in that that was the time when a change for the better should have taken place if it were to come at all. Technically the belief had become widely held that it would be insufficient to depreciate the franc within its legal limits and remove the penal measures on gold hoarding and funds held abroad. Waley pointed out, in fact, that before September one could look forward and say that improvement would come to France when the franc was devalued, but that no one could now point to a sure remedy for the French.

ATHERTON.
TO

THE SECRETARY

FROM

MR. MAGILL

1. Tax on Foreign Investments and Investors.

Mr. Haas and Mr. Zucker reported the substance of their conference on Friday with representatives of the Federal Reserve Board and the Securities and Exchange Commission. At the conference Mr. King's memorandum of objections to Mr. Bryan's tax program was read in Mr. King's absence, but no agreement was reached as to substitute proposals. I asked Mr. Zucker to study the various memoranda and to suggest any alternative taxes which seemed to him to be theoretically sound and capable of practicable administration.

2. Railroad Retirement Allowances.

Mr. Opper brought in the draft of a proposal for the extension of the period during which the tax will be operative, the new date being June 30, 1938; together with a memorandum of the history of the legislation. Opper had cleared the proposal with Justice. He asked me to clear it with Mr. Bell, the Railroad Retirement Board and the Department of Labor. Mr. Bell gave me a clearance over the telephone and stated that he saw no reason for consulting Labor. Mr. Latimer of the Railroad Retirement Board stated that negotiations were now in progress between the railroads and their employees for substitute legislation, but he appeared to be agreeable to the extension legislation.


I have asked Mr. Kent to consider and draft legislation to eliminate the necessity for your signature on compromises of income and miscellaneous tax involving small sums. We seem to get around two dozen compromises a day involving $5.00 to $10.00, and I have noticed that ordinarily twelve initials appear on them when they get to us. I see no reason why compromises involving less than some maximum amount—say, $500. or $1,000. should not be negotiated and concluded by the Collectors.
February 9, 1937.
9:17 a.m.

H.M.Jr: Hello

Hello

H.M.Jr: Landis?

Landis: Yes.

H.M.Jr: How are you?

L: Pretty good thank you.

H.M.Jr: Fine. Landis, I walked down with Eccles this morning and talked to him about this question of how we might handle the - ah - foreign foreigner who invests in our stock, see?

L: Yes.

H.M.Jr: And our boys - all of them - they're making this thing so complicated we're not going to get anywhere - at least I'm afraid not and I have a suggestion, which I gave to Eccles, and I wanted you to think about it and that is that we might do this thing in two bites; one bite immediately and that is to increases the taxes on the alien - on his stocks and his interest, you see? We've already got that principle where we tax them at the source you see?

L: Yes.

H.M.Jr: Ah - I think I I could get that bill through in a week or ten days without raising the whole question of a tax bill. At the same time - I'm just throwing this out as thoughts - listing the things that the three organizations were studying, you see?

L: Yes.

H.M.Jr: I think that that would throw a fright into the people and would check the thing for some time and that would give us additional time to iron out our differences but I don't know whether you've listened to your boys on this.

L: Yes, I have.

H.M.Jr: But it just makes you dizzy.

L: Yes.
H.M.Jr: Now Eccles said he frankly hadn't studied it - he'd work on it over the week-end and he said he'd be ready at 10 o'clock Monday. I wondered whether you would be free and.

L: That's next Monday?
H.M.Jr: Next Monday.
L: Yes.
H.M.Jr: Could you come to - would you be willing to come to my office......
L: Sure.
H.M.Jr: .....at 10 o'clock.
L: Sure, I'd be glad to.
H.M.Jr: But I just wanted to tell you what was running through my mind.
L: Yes.
H.M.Jr: I mean to get something immediately.
L: Yes.
H.M.Jr: I think I could get it through in a week or ten days.
L: Yes.
H.M.Jr: Hello.
L: Yes, I think that's - I think that's possible and get - I mean you can't cover this problem absolutely. You've just got to chisel at it here and there.
H.M.Jr: That's it and then list the things we were studying - all the different devices.
L: Yes.
H.M.Jr: That would be a trial balloon and we - people could criticize it......
L: Ah-ha.
H.M.Jr: ....but it would give us something to check this thing......
L: Yes.
H.M.Jr: .....immediately.
L: Isn't the President is very sympathetic to this, isn't he?
H.M.Jr: Oh yes.
L: That's what I thought.
H.M.Jr: And - but I wanted to give you what was just running through my mind.
L: Yes - yes.
H.M.Jr: And then I thought - Eccles says he needs Saturday and Sunday to study it and then he said he'd be ready at ten Monday.
L: Yes.
H.M.Jr: How does that strike you?
L: That's all right with me.
H.M.Jr: What?
L: That's all right with me.
H.M.Jr: Fine - well then you come and bring anybody you want with you.
L: Yes, all right.
H.M.Jr: What?
L: All right, fine.
H.M.Jr: All right, and you feel pretty well?
L: I feel quite well - well not quite well - I'm very apologetic over (laughs)
H.M.Jr: Oh well forget about that.
L: Thank you very much for your courtesy and consideration.
H.M.Jr: Well I wish I could have done more.
L: Well that's awfully good of you.
H.M.Jr: Well I'll - I'll see you at ten Monday.
L: Yes indeed.
H.M.Jr: Thank you.
L: All right, thanks.
February 9, 1937.
9:50 a.m.

Operator: Chairman Miller.

H.M.Jr: Hello

Miller: Hello Mr. Secretary.

H.M.Jr: Mr. Miller.

M: Yes.

H.M.Jr: Your man, Sweke.......

M: Yes.

H.M.Jr: .......has been making our here miserable about this letter of Mr. Eastman's.

M: He has.

H.M.Jr: Yes, and - ah - ah - finally through Mr. McIntyre and Mr. Foster yesterday we found that the letter did go to the White House and never did come here.

M: Yes.

H.M.Jr: And it went directly from your office to the White House.

M: Well I don't know how that could have happened.

H.M.Jr: And he's been calling up my Secretary, Mrs. Klotz, again and again and the letter never did come here.

M: Well I don't understand that. I'll take it up with Mr. Eastman but he told me that he sent it over to you by Special Messenger.

H.M.Jr: Well we have absolutely no record here and you better find - for your own satisfaction, I wish you'd send for the messenger, see?

M: Yes.

H.M.Jr: Who was supposed to carry the letter and ask him what he did with it.
M: I certainly will as this is an awful lot of parsnip, Mr. Morgenthau, and I don't understand it. They shouldn't have had any mixups anyhow.

H.M.Jr: Well would you mind doing it and then calling me back?

M: I certainly will. I'll do it right away.

H.M.Jr: But Mr. McIntyre and Mr. Foster say the letter is over at the White House; we have not yet gotten a copy of it - we haven't got the original.

M: Yes, well I know it was over there because ......

H.M.Jr: Well I'm as positive as anybody can be that it never came to the Treasury.

M: Well I certainly am sorry. I'll check it up right away.

H.M.Jr: And just send for whoever the messenger is and ask him what he did with it.

M: Yes I certainly will.

H.M.Jr: And I'd like to know to whom he gave it.

M: Yes sir, I'll find out.

H.M.Jr: All right, thank you very much.

M: Thank you for calling.

H.M.Jr: Thank you.
February 9, 1937.
10:25 a.m.

Operator: Go ahead.

H.M.Jr: Hello

Miller: Hello Mr. Morgenthau.

H.M.Jr: How good a detective are you, Mr. Miller?

M: Well I don't know. It's a peculiar thing. Our messenger, who is the personal messenger in Eastman's office, said he delivered these papers to a colored fellow in your office and, of course, we don't know what happened beyond that.

H.M.Jr: Could he come over and identify him?

M: I think so and now I went further and called up the White House; I didn't get McIntyre; he wasn't there but I talked to Miss Barrows.......

H.M.Jr: Yes.

M: ......and she tried to find out what she could.

H.M.Jr: Yes.

M: You see I saw the letter of Eastman's and also the proposed copy to the President in McIntyre's office the morning I went over there and she (Miss Barrow) said that she didn't know what had happened in the President's office with the letter but that McIntyre was going to talk with you today about it.

H.M.Jr: Yes.

M: Now I don't know if - just what he's got to say but maybe he knows something personally about it.

H.M.Jr: No he doesn't because he talked to my Secretary last night and he wanted to know what all the shooting was about.......

M: Well (laughs)
H.M.Jr: and she told him and then he said that he didn't know anything about it but I'll tell you what I'd like you to do because I'm really interested.

M: Yes.

H.M.Jr: What is this messenger's name?

M: Well I don't know his name but I'll find out.

H. M. Jr: Well would you send him over with a letter from you and ask him - ah to come - ah - to my office.

M: Yes.

H.M.Jr: Will you?

M: Send him over with a letter?

H.M.Jr: Well I mean just so we can identify him.

M: Oh sure, I'll get ahold of him just right away.

H.M.Jr: And have him over here, say at 12 o'clock.

M: At 12 o'clock.

H.M.Jr: To come to my room and he can ask for - ah - when he gets there just ask for Mrs. Klotz - K-l-o-t-z.

M: Ask for Mrs. Klotz.

H.M.Jr: Yes, and I want him to identify the messenger to whom he gave it to.

M: Well I certainly would like to have this straightened out. We might have to put your Secret Service on it.

H.M.Jr: Well we've done that before.

M: (Laughs)

H.M.Jr: Well...
M: But it's awful unfortunate and I'm awful very sorry but and I would certainly like to find out what it is all about.

H.M.Jr: Yes, well have him over here at 12 o'clock, you see?

M: I will to see Mrs. Klotz.

H.M.Jr: K-l-o-t-z.

M: Yes, I'm very much obliged and I'm awful sorry to have to take up all your time.

H.M.Jr: No, McIntyre doesn't know anything because he called up and tried to find out last night what it was all about and he spoke to Mrs. Klotz and he didn't know anything about it.

M: Well maybe Miss Barrows is mixed up but the last thing she told me was that McIntyre was going to see you about it to-day.

H.M.Jr: Yes, that's right.

M: Yes.

H.M.Jr: Well that's right but he's trying to find out from me what I know.

M: Oh yes I see well maybe we'll have to put the Secret Service on it.

H.M.Jr: But as I understand it, Eastman's messenger said he came to the Treasury and delivered it to one of our colored messengers?

M: That's it - to a colored boy at the door. That's the way he describes it.

H.M.Jr: Well let him come over and we'll have him identify him (our man)

M: All right.

H.M.Jr: Thank you.

M: Goodbye.
Tuesday
February 9, 1937
12:45 p.m.

HMJr: Hello
Treas.
Operator: Chairman Miller – go ahead.

HMJr: Hello
Miller: Hello, Mr. Morgenthau

HMJr: Say, Mr. Miller –
Miller: Yes

HMJr: That boy has been here for about an hour –
Miller: Yes

HMJr: Did you talk to him? - Yourself?
Miller: Oh yes, I just saw him and gave him a letter –

HMJr: Well, he seems like a half wit to me.
Miller: Oh, he does?

HMJr: Well, I mean, he insists that he gave it to the Comptroller General.
Miller: Comptroller General?

HMJr: That's what he says.
Miller: Why he told me he gave it to a colored fellow at your – –

HMJr: No, we've had him – I've had my secretary take him up and down – he's been to the fourth floor and the second floor – I think what he means is the Comptroller General down at the other end of the hall.

Miller: Yes
HMJr: See?
Miller: Yes

HMJr: Yes, I think he must have given it to somebody, just some messenger of the Comptroller General. But, I mean,
the Comptroller of the Currency. But he insists he gave it to the Comptroller General.

Miller: Well (laughs)

HMJr: And most likely he gave it to somebody in the building and somehow or other it got to the White House. But he did not give it into my office.

Miller: Well -

HMJr: But he insisted that he gave it to the Comptroller General.

Miller: Well, that's peculiar, he told me he gave it to a colored fellow in your office.

HMJr: No, we've had him all over the building and he can't identify anybody.

Miller: I never saw him until today.

HMJr: Well, let's let the matter drop.

Miller: Yes - Well, it's perfectly all right with me, - it was embarrassing to you I was afraid.

HMJr: Well, no, it wasn't embarrassing - as I understand it, your people over there wondered how it got to the White House.

Miller: Yes

HMJr: I don't know how it got there, but the messenger - he keeps saying, "I gave it to the Comptroller General."

Miller: Well that's the most peculiar thing.

HMJr: Yes - well, I guess it'll have to be among the unsolved mysteries of Washington.

Miller: (laughs) Well, it's all right with me, Mr. Morgenthau.

HMJr: Well, I'm not going to worry. It's not important enough.

Miller: No, I think it's all over with now, as far as that goes.

HMJr: But, the boy doesn't seem quite all there to me.

Miller: Well, I don't know. I only saw him for the moment. I'll find out more about him out of my own personal curiosity.
Miller: Well, I'm sorry it all happened and I reckon it's the best thing just to let it go.

Miller: Are we going on with any more talk in regard to that -- ?

HMJr: What's that?

Miller: Are we your experts going on with any more talk -- ?

HMJr: Well, I don't know, I haven't -- it's in Magill's hands and I haven't talked to him recently.

Miller: Well, it's left so that if he wants any more he's to let us know.

HMJr: All right.

Miller: So anything he says then is all right with us.

HMJr: Thank you.

Miller: All right, thank you, Mr. Morgenthau.
February 9, 1937

Walked down with Eccles and told him that I thought we ought to get together and get through quickly a piece of legislation which would simply raise the tax on dividends and interest to aliens living abroad and also change the Second Liberty Loan Act which gives aliens living abroad the right to be exempt from paying any taxes on Governments owned by them. He seemed to think fairly well of this. I wanted to get together with him Friday, but he said he would not be ready, so we set the time for ten o'clock Monday morning.

He told me that if I agreed, he would let Leon Fraser know (who evidently has been bringing pressure to bear on Eccles) that he, Eccles, did not wish the By-laws changed in order to admit American members. Eccles said, After all, the question of international finance is the Treasury's problem and if the Treasury does not want the Federal Reserve to have representation on the B.I.S., the Federal Reserve is ready to drop the whole matter. Our thought was that the B.I.S. would simply become a listening post where various European central bankers would go once a month and exchange gossip and that the chances were, in the not too distant future, that we would take away from the B.I.S. the privilege to earmark gold to the United States.
MEMORANDUM

TO: Secretary of the Treasury
FROM: Director of Procurement

My dear Mr. Secretary:

In connection with the model which has recently been prepared to show the exterior design of the new Federal building to be constructed at Poughkeepsie, you will recall that three suggestions were made for changes:

1. Omission of the belt course at the second story line;
2. Substitution of granite like the wall facing, for the cut blue stone above the first floor line, the stone facing to be laid similar to the Memorial Library at Hyde Park;
3. Addition of a bell in the cupola.

I am sending with this memorandum a photograph of the front showing the model as revised and showing a bell in the cupola. The latter is further indicated by a close-up photograph.

In regard to the bell, an architect from the Supervising Architect's Office was sent to the Library of Congress to make a study of the records regarding details of hanging bells in the earlier precedents.

If there are no further suggestions, it is now proposed to have the model sent for exhibition in the present Post Office building at Poughkeepsie.

[Signature]

Director of Procurement
COAST GUARD OPERATIONS IN FLOOD AREA

Coast Guard boats which had operated in the Ohio Valley are now arriving at their regular stations on the Coast.

The Commander, Coast Guard Relief Force, now at Memphis reports conditions in the Mississippi Valley much better than had been expected. He anticipates the necessity for Coast Guard units in the region between Cairo and Memphis will cease by the end of this week. Eight of the 10 planes which have been operating in the flood zone will be returned to their regular stations by Thursday of this week.

General Water Level Conditions.

Crest of flood now at Cairo 50.3'; Helena 59.9' and slowly rising all the way to New Orleans.
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 9, 1937

TO The Secretary

FROM Mr. Taylor

Sumner Welles called at your office this morning to tell you of the President's and his progress in connection with assisting Brazil to stabilize its currency, establish a bank of issue, incorporate gold and silver in its reserves, and establish a definite relationship with the dollar. One of the steps involved would be the earmarking of 50 million dollars of gold for Brazilian account in New York. The actual gold would not leave the country except on the basis of actual payment by Brazil on a schedule which would be worked out in advance; in other words, on an installment basis.

Mr. Welles felt that it would be possible to utilize the Brazilian situation to work out a model for the rest of this hemisphere. You called his attention to the different conditions which existed in each country and said that you would immediately start studying the situation, with a view to discussions with the Brazilian authorities at a later date, if the preliminary investigations indicated that there was a basis for cooperation. You emphasized the necessity of going slowly in these matters and that it had taken you a full year to prepare for the Tripartite Agreement.

We then mentioned the question of Cuba. In the discussion it was confirmed that the Cuban Government would be encouraged to send a confidential mission to this country to discuss their monetary problems with the Treasury, in the hope that a workable system could be evolved which would be of use to both the Cubans and ourselves.

I have given instructions to Haas to start work on both Cuba and Brazil immediately and I mentioned to Haas some of the fundamentals of the Cuban situation which can be taken into consideration in any solution which we may suggest.
MEETING WITH EXECUTIVE COMMITTEE OF FEDERAL RESERVE OPEN MARKET COMMITTEE

February 9, 1937
11:00 A.M.

Present: Mr. Taylor
         Mr. Bell
         Mr. Haas
         Mr. Upham
         Mr. Eccles
         Mr. Harrison
         Mr. Ransom
         Mr. Broderick
         Mr. Piser
         Mr. Goldenweiser

H.M. Jr:

The reason I asked Chairman Eccles to have you come here was to go over our financing problems. Bell prepared a memorandum which he gave me at 9:10 and I haven't had a chance to read it, so if you will bear with me I'll read it out loud. I haven't had a chance to do it, so if you'd just as leave, I'll read it out loud and do it right now.

"February 8, 1937

"TO THE SECRETARY:

Re: Treasury Financing

"The following comments are submitted on Treasury financing for the next few months:

"February 1 to June 30, 1937: After the discussions of last week on my estimates of the cash position for this period, I believe there was a feeling that the 30 million dollars a month allowed for inactive gold was insufficient and that this estimate should be increased to 50 million dollars a month. From information now available it is believed that 30 million dollars for the month of February will be just about right. I have, however, increased the other four months by 20 million dollars each. Furthermore, there was a feeling that the Treasury should not permit its balances to run as low as indicated in my estimates.

"The following table shows the estimated Treasury balances at the end of each month, including sales of U. S. Savings Bonds and adding $80,000,000 for inactive gold on the basis of (1) no new financing;
(2) $300,000,000 of new funds raised in April, in addition to the refunding of $502,000,000 maturing notes. (This can be switched to March 15th); (3) same as (2) but adding $300,000,000 of Treasury bills to be issued between February 17th and March 24th, all to mature June 16-18 (this amount can be reduced to $200,000,000 and stop issue on March 10th); (4) $500,000,000 of new funds raised in April in addition to the refunding of $502,000,000 of maturing notes (this can be switched to March 15th); (5) same as (4) but adding $300,000,000 in Treasury bills to be issued between February 17th and March 24th, all to mature June 16-18 (this can be reduced to $200,000,000 and stop issue on March 10th):

<table>
<thead>
<tr>
<th>End of Month</th>
<th>No new financing (1)</th>
<th>$300M of T/N or bds. (2)</th>
<th>$300M of bills (3)</th>
<th>$500M of T/N or bonds and $300M bills (4)</th>
<th>$500M of T/N or bonds and $300M bills (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td>$ 669 M</td>
<td>$ 669 M</td>
<td>$ 769 M</td>
<td>$ 669 M</td>
<td>$ 769 M</td>
</tr>
<tr>
<td>March</td>
<td>849</td>
<td>849</td>
<td>1,149</td>
<td>849</td>
<td>1,149</td>
</tr>
<tr>
<td>April</td>
<td>504</td>
<td>804</td>
<td>1,104</td>
<td>1,004</td>
<td>1,304</td>
</tr>
<tr>
<td>May</td>
<td>239</td>
<td>539</td>
<td>839</td>
<td>739</td>
<td>1,039</td>
</tr>
<tr>
<td>June</td>
<td>434</td>
<td>734</td>
<td>734</td>
<td>934</td>
<td>934</td>
</tr>
</tbody>
</table>

"It is obvious that our balances under (1) above would run too low for comfort, and even under (2) and (3), while I believe we can get through with them, run considerably under what you have in the past contemplated. (4) or (5) is the safest course to pursue, and one under which you would feel more comfortable. It will be noted that the low points in the balances will be reached at the end of the months of February and May, but then we are, at these points, approaching heavy income tax payments and there is therefore no harm in letting the balances run down at these periods."
Moreover, I feel that the time is approaching when a billion dollar working balance is too high for our needs, especially in view of the large anticipated receipts under the Social Security Act.

"I would suggest, therefore, that you give consideration to (1) raising two or three hundred millions of new funds through additional issues of Treasury bills beginning February 17th and stopping either on March 10th or 24th, depending on the amount, all to mature June 16-18, for purposes of leveling off income tax payments at that time (later discussed), and (2) raising $500,000,000 of new funds through the issuance of Treasury notes or bonds at the time and in connection with the refunding of $502,000,000 Treasury notes maturing on April 15th. I prefer to see this major financing on April 15th rather than on March 15th for money market reasons (later discussed). While it gets away temporarily from our policy of financing on quarterly tax-payment dates, yet the new issue can be made to mature on a tax-payment date without any difficulty.

"Bonds or notes: As we approach a balanced budget, the Treasury will have to consider the problem as to whether it will want to continue to issue bonds. It was, of course, necessary to issue bonds during the time of deficit financing in order not to have too much debt maturing in the immediate future. We now have the problem of rearranging our debt program to meet the requirements of our sinking fund and investment accounts. Below is a statement showing the total debt maturing or subject to call (exclusive of regular Treasury bills) in each fiscal year 1937-1950 and the net total requirements of the sinking fund and Old Age Reserve account:
<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total debt maturing or callable</th>
<th>Sinking Fund and Old Age Reserve requirements</th>
<th>Excess maturities</th>
<th>Shortage in maturities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>$802</td>
<td>$668</td>
<td>$134</td>
<td>$-</td>
</tr>
<tr>
<td>1938</td>
<td>2,167</td>
<td>834</td>
<td>1,333</td>
<td>$-</td>
</tr>
<tr>
<td>1939</td>
<td>2,832</td>
<td>1,384</td>
<td>1,448</td>
<td>$-</td>
</tr>
<tr>
<td>1940</td>
<td>2,995</td>
<td>1,531</td>
<td>1,464</td>
<td>$-</td>
</tr>
<tr>
<td>1941</td>
<td>3,287</td>
<td>1,432</td>
<td>1,855</td>
<td>$-</td>
</tr>
<tr>
<td>1942</td>
<td>204</td>
<td>1,438</td>
<td>-</td>
<td>1,234</td>
</tr>
<tr>
<td>1943</td>
<td>454</td>
<td>1,459</td>
<td>-</td>
<td>1,005</td>
</tr>
<tr>
<td>1944</td>
<td>2,920</td>
<td>1,668</td>
<td>1,252</td>
<td>$-</td>
</tr>
<tr>
<td>1945</td>
<td>1,037</td>
<td>1,846</td>
<td>-</td>
<td>609</td>
</tr>
<tr>
<td>1946</td>
<td>3,557</td>
<td>1,748</td>
<td>1,809</td>
<td>$-</td>
</tr>
<tr>
<td>1947</td>
<td>-</td>
<td>1,841</td>
<td>-</td>
<td>1,841</td>
</tr>
<tr>
<td>1948</td>
<td>1,982</td>
<td>1,810</td>
<td>172</td>
<td>$-</td>
</tr>
<tr>
<td>1949</td>
<td>-</td>
<td>1,889</td>
<td>-</td>
<td>1,889</td>
</tr>
<tr>
<td>1950</td>
<td>1,794</td>
<td>1,953</td>
<td>-</td>
<td>159</td>
</tr>
</tbody>
</table>

NOTE: No allowance made in above figures for investments for account of Unemployment Trust Fund.

"A glance at this statement shows that in some years there is too much debt maturing, while in others there is not enough. An ideal situation from the standpoint of the Treasury would be to have about $2,000M maturing each year, about $500M each tax-payment date. In 1942 and 1943 there is not sufficient maturity to meet the sinking fund requirements at that time, while in 1947 and 1949 there are no maturities. We can, of course, purchase securities in the market for the sinking fund provided we do not exceed an average of par, but the operation is much less disturbing if these requirements are met through maturing issues. This will also be true of the investment operations, where we are..."
authorized to issue special securities to the investment accounts. In other words, to pay off maturing obligations with revenue coming in and to issue special securities to the investment accounts would represent an ideal investment arrangement.

"There will be very little change in the amount of the sinking fund over the next few years, but the amounts available for investment under the Social Security Act will be problematical for some time to come. The Act not only has to run the gantlet of the Supreme Court, but will be subject to political attack for the next few years. An attempt is now being made in the Congress to eliminate the Old Age Reserve Fund. To offset this attempt, the Social Security Board has prepared amendments to the Act which will liberalize Old Age Assistance and thereby increase the costs to the Fund amounting in 1942 to more than $380,000,000 without any corresponding increase in the taxes. The Treasury should now recognize that it can not build up the reserve of 40 or 50 billion dollars contemplated under the Act, but if it can hold the present arrangement until a reserve of, say, $5,000,000,000, or better still, $10,000,000,000 is available, then I believe it should agree to the principle of pay-as-you-go.

"Effect of Treasury financing on money market: Prior to the period of huge excess reserves, it was always necessary for the Treasury to give consideration to the effect that its financing operations, including collections of revenues on quarterly income tax payment dates, would have on the money market and what steps were necessary to correct any adverse effects. The Treasury considered that it was its duty to so arrange its financing as to cause as little disturbance as possible to the market. Now that the Federal Reserve Board has taken definite action which will reduce excess reserves to about five or six hundred million dollars, it becomes important for the Treasury to again consider the effect of its major financing operations on the money market. So that you will be able to see the picture, the following table shows the estimated net amount of funds (after deducting estimated expenditures) that the Treasury will withdraw from the market on its next four income tax dates.
The only public debt maturities included for the purpose of this statement are the Treasury bills in the amount of $300,000,000 maturing March 16, 17 and 18.

(In millions of dollars)

<table>
<thead>
<tr>
<th>Heavy income tax payment dates</th>
<th>March</th>
<th>June</th>
<th>Sept.</th>
<th>Dec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>8-14</td>
<td>$ 66</td>
<td>$ 46</td>
<td>$ 52</td>
<td>$ 56</td>
</tr>
<tr>
<td>15-20</td>
<td>123</td>
<td>271</td>
<td>223</td>
<td>235</td>
</tr>
<tr>
<td>21-23</td>
<td>32</td>
<td>29</td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td>Total:</td>
<td>$ 221</td>
<td>$ 346</td>
<td>$ 298</td>
<td>$ 312</td>
</tr>
</tbody>
</table>

"The full effect of the Federal Reserve Board's action will not be felt until May first. During March there will still be substantial excess reserves and the withdrawal of $221,000,000 from the market at that time should not therefore cause any disturbance. In order that the Treasury may be in a position to meet in part any disturbance that may occur, I suggest we permit our investment funds for Postal Savings and Federal Deposit Insurance Corporation to accumulate, which on March 15th should amount to between 50 and 60 million dollars and which can be increased by redeeming special 2% securities. If this does not entirely relieve the pressure I suggest we permit payment by credit in War Loan account of one or more Treasury bill issues.

"It is quite obvious that the Treasury can not expect to withdraw excess funds during the months of June, September and December in the net amounts above indicated, with only 500 or 600 million dollars in excess reserves, without disastrous effects on the money market. It seems to me, therefore, that it is important we should have Treasury bill maturities of not less than $200,000,000 in June. It may be necessary to have maturities of bills also in September and
December to meet a similar situation, although these can be discussed later in the year.

"Action which the Treasury can take to offset large net withdrawals of cash from money market: The Treasury can by some action of its own meet almost every tight money market situation caused by its withdrawing from the money market more funds than it is putting back into the market. This can be accomplished in one or more of the following ways:

"(1) Purchase outstanding Treasury notes or bonds for account of the sinking fund. (Authority now available to purchase up to $500 million for this account at a price of not to exceed an average of $101. If price is lower than or exceeds $101, then the amount available will be correspondingly increased or reduced).

"(2) Purchase outstanding Treasury obligations for investment accounts. (About $45 million now available in cash which can be increased by redeeming special 2% securities amounting to $200 million).

"(3) Pay off maturing Treasury bills in cash without any issue of bills, or pay off maturing Treasury bills in cash and permit payment of issuing Treasury bills by credit in War Loan Account.

"(4) Provide beforehand for Treasury bills or other public debt obligations to mature in these heavy income tax payment periods for the specific purpose of offsetting excess receipts.

"(5) If there is a Treasury note or bond maturity during these periods of excess receipts, provide for refunding only part of it, paying balance in cash, thus offsetting effect on market of excess receipts. For example, in September there is a Treasury note maturity of $317 million and there are estimated excess funds coming in of $298 million. The Secretary would announce in his financing circular that the maturing notes would be accepted in exchange for any new issue offered up to only, say, seventy per cent of the amount of such maturing notes. This would leave thirty per cent, or $245 million, to be paid off in cash. Such an operation as this would have to be
handled with care as the maturing notes to be paid off in cash might come in faster than the excess receipts, in which case it might result in an overdraft at the Federal Reserve Banks. We could operate this in conjunction with (a) and (b) below.

"(a) Deposit inactive gold with Federal Reserve Banks for a period of not to exceed seven days to cover overdraft, at the end of which the operations could be reversed. The amount deposited might be returned to the Treasury from day to day as the receipts come in. These temporary deposits would have no appreciable effect on the market.

"(b) Sell through the Federal Reserve Banks as our fiscal agents, one to seven day certificates of indebtedness to large banks in money centers, redeeming the certificates as the excess receipts come in. Prior to the Banking Act of 1935, it was customary for the Treasury to run overdrafts at Federal Reserve Banks during the tax-payment periods, giving them a one-day certificate for the amount of such overdraft, the Federal Reserve Banks in turn selling to local banks participating certificates in our one-day obligation. Each day these certificates were redeemed and others issued in smaller aggregate amounts until finally wiped out by revenue receipts.

"(6) Redeposit some of the income tax receipts in War Loan accounts of special depositaries. We have authority to do this, but it is cumbersome unless confined to a relatively few banks."

Now, I got another suggestion. We haven't had a chance to get together on this thing.

Bell: There are one or two holes in that, I noticed; wasn't gone over until this morning.

H.M. Jr: Dan's got five; I've got a sixth suggestion. And that is that we do nothing from now until the 15th of March, and at that time we pick up the April note,
raise 500 million dollars new money, and then immediately after the 15th begin to sell 50 million dollars a week to come due June 15, 16, and 17, and then let our nine months bills run off, with the idea that we might stop our nine months entirely and sell each tax date from three to four hundred million dollars worth of bills coming due on tax dates, to take care of the situation. The net result of that would be that it would reduce our outstanding bills by five or six hundred million dollars and we would take care of these heavy tax payments by just having our bills come due on tax dates.

What's our total bills outstanding now?

Haas: About two billion two or three.
Bell: Three.
H.M.Jr: What?
Bell: Two billion three. Two billion, 253.
H.M.Jr: We could - how much?
Bell: Two billion, 253.
H.M.Jr: Two billion, 253.
Bell: You will retire four hundred million in March. That brings it down to a billion nine.
H.M.Jr: I mean let our nine months stuff run off.
Eccles: In discussing that....
H.M.Jr: I mean I just want to offer that as another thing.
Eccles: That is, your idea is to gradually eliminate the nine month. This was - after you discussed the matter with me, I've been discussing it, thinking of it and discussing it.
H.M.Jr: Marriner and I - I walked down with Mr. Eccles this morning and gave him this idea so he'd have a couple hours to think about it.
There is a good deal of merit to it, it seems to me, if it was done somewhat along this line. After the March financing - don't issue any bills until after the March financing. In the March financing you'd get new money to take care of the three hundred million of bills that mature in March, so that you'd reduce bills by three hundred million. You wouldn't put them out again. That would be included in your new money. If you got three hundred million, it would take care of it. If you got five, it would take care of an additional two hundred. Then issue the bills; divide them into two parts, say eight hundred million bills maturing, four hundred million in three months and four hundred million in six months. Those bills would be a constant turnover and would make possible four hundred million maturing on each tax period, and the bills would not be longer than - half of them would be three months and half six months, and it wouldn't be longer than the six months date. That would mean a total of eight hundred millions, or in a year sixteen hundred million, or four hundred million a quarter. Then, as you go on through the year, as the nine month bills fall due, you would reduce that down to eight hundred million, so that you'd have a total of sixteen hundred million bills. And it would mean not to exceed six months bills.

The other bills - you would issue them in between tax periods, so such a week, so that you'd steady out your market and those bills could also be not to exceed six months bills. Now, that would give you a shorter bill, be not to exceed six months bill in any case. You would reduce the total outstanding bills to a billion six. I'd hate to see them get less than a billion six, billion and a half. That would reduce them six hundred million. It would give you - because of the less amount of bills, you'd get a better rate and because of the shorter maturity you'd get a better rate. So that the combination of the two, it seems to me, would tend to keep the bill rate down, and we'd like to see that as well as you.

I don't know whether I make myself clear.

H.M.Jr: Well, the only thing is I don't see how it would even out. What I was going to say is that, say we start the 15th of March and begin to sell fifty million a week. Now, if you want to hurry it up, we could sell
a hundred million a week - it doesn't make any difference - into the 15th of June. Then, instead of doing what you suggest, we wait until the 15th of June, and then on the 15th of June we again begin to sell into September. And then that would become a regular thing. But with this thing we'd come around to the 15th of June and we couldn't then sell into September because September would already be filled.

Harrison: Mr. Secretary, I think that was...

H.M.Jr: It would already be filled.

Harrison: As I understood, what Chairman Eccles was saying is this: Supposing you begin in the middle of March, instead of right now, just to make it easier for discussion. You would issue bills in two amounts, say a hundred million a week, some of them to mature - half of them, we'll say, to mature in the following September.

H.M.Jr: Yes, that's what he said.

Harrison: And the other half mature so you will always be picking them up each week just as you're doing now; keep that up. But always have your supplemental fifty millions always maturing on a tax date. Now, that would mean that you would have four hundred millions on the two next tax dates. That would be an aggregate of eight hundred million, and you would have fifty million a week maturing in each one of the twelve weeks between tax dates.

Eccles: Turnover.

Harrison: Turnover, which would be six hundred million, so you'd have a total of fourteen hundred million.

H.M.Jr: I thought you meant they'd all mature the....

Eccles: No, no, half of them. This eight hundred million would be the supplemental.

H.M.Jr: Well, the six months would come due when? Every week? I thought you were selling everything into the tax date.

Eccles: Only half into the tax date.
H.M.Jr: Let's say that the six months were to come due every week.

Eccles: That's right, for eight hundred million.

H.M.Jr: What's the advantage?

Eccles: You've got six months instead of a six-nine months; and you've only got eight hundred millions.

H.M.Jr: What's the matter? The nine months is all right.

Harrison: That would be all right, but that increases your amount, your aggregate amount, because you'd have four more weeks.

H.M.Jr: Well, I can't see that. I thought you meant - that's what I couldn't figure out - that you'd sell the six months, have them all come due on the 15th of September.

Eccles: Oh no. You'd have eight hundred million with four of them coming due in June and four in September. And then in June you would extend that for six months, making that four hundred running along, so much a week - making that come due in December. Then in September the four then would run coming due in March. So you'd always have eight hundred of bills, four hundred coming due on each period.

H.M.Jr: I get that what you are proposing - now the only difference is that I was proposing that we have all of our bills come due on tax dates.

Eccles: Well, you'd have to have some year bills or an awful lot of them coming due on tax dates.

Bell: No, wait until June and issue nine months or wait until September and issue six months; come due in March.

Eccles: Up to a total of how many bills?

H.M.Jr: You'd have four hundred million in each.

Eccles: Sell what?

H.M.Jr: Sell four hundred million coming due on each tax date.

Eccles: What maturity?
H.M. Jr: They'd average about two and a half months.
Eccles: Having the whole billion six?
H.M. Jr: Only four hundred million.
Eccles: Then some of them would have to be year bills.
H.M. Jr: No, they'd average about two and a half months. Every tax date that we start selling - every tax date we pick them up and pay them all off, and then each tax date we start selling.
Eccles: Yes, but if you've got a billion six of bills finally that you've got out, you couldn't have some of - some of those bills would have to be longer than the period of three months.
H.M. Jr: I don't make myself clear. Let's say we had no bills outstanding at all on the 16th of March. The decks are clear; not a bill. Then we start selling three hundred million into June.
Eccles: And how you going to get a billion six without, - with a three months maturity or even a six months maturity - without having more than three hundred or four hundred million coming due on a quarter?
Bell: Well, you don't have to have them all coming due on a quarter. They can mature between quarters.
Eccles: Well, that's right, that's what we're talking about. You've got to.
Harrison: Then we agree.
Eccles: Our idea was half on the tax periods and half in between.
H.M. Jr: Well, I guess neither of us explained it very well.
Ransom: I can't see what the issue is between you.
H.M. Jr: There isn't any.
Harrison: I think that makes it all right, Mr. Secretary, if
you have half your total bills, say, roughly speaking, maturing on tax date periods; one quarter, we'll say, on the next succeeding tax date and another quarter on the second succeeding tax date - that takes half of your bills - the remaining half of your bills to mature in intermedial weekly periods.

H.M. Jr: The only difference is - to answer Ransom - they are talking about six months and I say why not keep them at nine months.

Harrison: You could do it either way.

H.M. Jr: That's the only difference.

Eccles: If you are going to reduce bills from two billion two to a billion six, then a six months...

H.M. Jr: I think you'll find, as you figure it out, that your nine months bill proportionately doesn't cost you the three months extra that it runs; I mean as against the six months, if you compare the nine with the three.

Harrison: Oh yes, you get your last three months for almost nothing.

H.M. Jr: Isn't that right, George?

Harrison: That's right.

H.M. Jr: I mean the extra three months doesn't cost you anything.

Harrison: They cost you very little.

H.M. Jr: And you can't disregard that. There is very little difference.

Eccles: It would cost you more if short rate picks up a little.

H.M. Jr: Well, the first Rubicon we've got to cross is this: Should I sit tight from now until the 15th of March and do nothing?

Eccles: Do you think you can cross that unless you figure what you are going to do after that?

H.M. Jr: Oh yes, because we can do so many things. We could run through until April and do nothing; we wouldn't even have to cross it in March. If we had a bad
situation the 15th, we could run until April and still be all right.

Bell: That's right.

Harrison: I think it is important to decide the question whether you will provide us with two or three hundred millions of maturities in June, and once you decide that...

H.M.Jr: Well, I'll decide that very quickly. The answer is yes.

Harrison: Then it is easier to make plans for March if you know that, because you can put out your maturities for a period of two months at fifty million and get two hundred millions - or, you'd get four hundred millions at that rate.

H.M.Jr: Yes, the answer - I'm sold - I think everybody's sold in the Treasury on the idea that we should give you something on the 15th of June. We don't think there's any argument about that.

Harrison: I think that's fine.

Eccles: Pass up bills until after the 15th, I think, then.

H.M.Jr: What?

Eccles: I say I see no reason why you can't pass up bills, offering any bills, until after the 15th.

Bell: Now, does that mean on March 15 we begin to have a hundred million dollars a week, or merely take a nine months bill and put it into June; stop issuing nine months bills as a refunding operation and put a new issue into June?

H.M.Jr: Well, the way I feel today - I mean I - my mind's entirely open - is that we stop issuing nine months bills and for that period issue bills maturing in June.

Eccles: Commencing...

H.M.Jr: The 15th of March.

Eccles: Commence the 15th. Well, the week after. I guess you could...
H.M. Jr: Well, we'd announce it and a week after begin. Wouldn't have any effect on the money market.

Harrison: I think there may be one disadvantage in putting your eight weeks' issue of bills off until March, beginning in March, and that is this: That if you do that, your eight weeks' serial issues of bills will not be up until the middle of May; that takes the two weeks after the final increase in reserve requirements. Query: whether you wouldn't, if you were going to issue fifty millions extra for eight different weeks - whether you wouldn't do better to begin them sooner and get them over by May rather than to run the risk of being held up in May.

H.M. Jr: Another way to do it, have it a hundred million a week.

Eccles: After March.

H.M. Jr: And do it in four weeks.

Bell: I don't see why you put four hundred million in June.

H.M. Jr: We could do a hundred million a week and just get it over with. Huh?

Harrison: I think it is important to consider getting it over before the first of May.

Eccles: Well, the only reason I'd say - I said four hundred in June would be if you contemplate going to a six months instead of a nine months bill, you'd have four hundred million; that would be, you could go on a basis of four hundred million each quarter, with a six months bill. If you were going to stay nine months, you wouldn't need to go to four hundred.

H.M. Jr: We were thinking of two hundred million.

Eccles: I said four hundred million only because I understood your new plan contemplated having four hundred millions on tax date periods.

H.M. Jr: We expected to split the difference.

Bell: Three hundred million is ample for June.

Eccles: Well, you could take - for instance, you could take
nine months then and take three hundred million and make - and continue your nine month bills, and take nine hundred million of your total, making three hundred million come due each quarter, and then just keep that turning over, three hundred million at each tax period, and a total of nine hundred million. That would leave then - if you reduced the total outstanding bills to a billion six, that would leave six hundred million of bills to fill in between.

Golden: Mr. Secretary, when you say you are not going to do anything until March 15, do you mean that you would - what would you do with the bills that mature every week, just pay them off?

H.M.Jr: You mean now? Just roll them over.

Golden: Roll them over. You'd continue that?

H.M.Jr: I just continue as is. I mean I haven't settled it. Just continue as is until the 15th. I mean I'm not - I don't know.

Piser: If you'd continue to issue the nine month bills and add the June bills to that, it wouldn't be necessary to raise any additional cash in March, would it? Or in April?

H.M.Jr: That's the trouble, you see. That's just the thing, that's what I'm up against. I think that it is my - if I start now - I think that is Plan Three - and take, begin to take fifty million additional now into June, and then I should, say, on top of that take a few hundred million, it runs up my balances to a larger amount than necessary. The money market is so good that it looks to me to be a very good time to sell five hundred million of your notes or bonds on the 15th of March - new money, I mean. And I always go back - there have been so many times when I couldn't that I hate to go by a period when I can; because there have been lots of times, and I'm not yet convinced that the time won't come when maybe the situation is such that I cannot, because it's happened so often in the last three years that I couldn't, you see.
One thing in addition that I was thinking.....

That's why I was leaning towards doing nothing. Let the thing run down and then build it up by doing the April five hundred million and possibly five hundred million in cash, making a billion dollar issue on the 15th of March.

Do you, by doing nothing - you don't mean discontinue the turnover?

I mean just keep everything as it is until the 15th.

Yes, yes.

And then have a billion dollar financing on the 15th of March. See?

One thing I was thinking was if you merely refund the April notes, it might be possible then to refund all of the September notes without raising any additional cash at all.

You mean in March?

Yes.

That's a little bit hard.

Going back six months, you mean?

No, no. In March to merely refund the maturing notes and doing the same thing in September. I think you are contemplating paying off some of the September notes. Isn't that right?

No, I spoke of one plan to pay off 70 percent, the 30 percent to be used to level off the money market. I didn't recommend that. That was just one plan we could adopt; consider it.

To give you entirely what's in my mind, here I am sitting time and again and I haven't been able to get long term money when I wanted. Now, if the thing stayed away for just another two or three weeks, I can go out and borrow other money for five years or seventeen, eighteen, nineteen years - I
mean very reasonable terms. And I frankly hate to see that opportunity go by because, as I said before, there are so many times when I couldn't. And I'm - this depression isn't far enough behind me that I feel we could forget, just say we can do anything we want any time - I don't think that is so.

Eccles: You are thinking of new money?

H.M.Jr: To the extent of five hundred million dollars.

Eccles: Yes.

H.M.Jr: Now, I don't take so much stock in all this talk about drouth and all that.

Bell: And I haven't seen any particular indications that it will....

H.M.Jr: What?

Bell: It's been the other way.

H.M.Jr: And the 790 million dollars which the President will sign today will pretty well last them until the 15th of June, as far as we can see. Don't you think so, Dan?

Bell: I think it will.

Eccles: Even with the flood and all?

H.M.Jr: It's like the drouth last year. They crowded every dollar they could into the drouth. They spent eight or ten billion in the papers. The best they could credit to the drouth was 110 million dollars, but in the papers they spent eight or ten billions. And by the best stretch of the imagination, all they could charge to the drouth was 110 million. Is that right?

Bell: 110 or 115. Something like that.

H.M.Jr: 110 or 115. And the same thing on the flood.

Bell: Ten million dollars in the flood area will go a long way.
Eccles: There's going to be a point where you won't need new money, of course, unless you refund - unless you reduce the bills; as, reduce the bills by bond issues.

Bell: That's what you would do.

Eccles: Otherwise, if you don't reduce the bills and if you get new money with bonds, why - you get a balanced budget - you've just got more than you're going to need.

H.M.Jr: Well, frankly, I'd like to reduce outstanding bills by around five hundred million dollars if I could. I think it is a good time to do it. From your standpoint - your people are here, and we don't want to do anything that is going to make your job unnecessarily difficult.

Eccles: Well, we've discussed it.

H.M.Jr: I'd like you to have in mind the Treasury's idea of reducing the outstanding bills by about five hundred million at this time.

Eccles: That would only put you down, see, to a billion and three quarters. So long as you have a billion and a half or better, as far as the money market is concerned we'd be all right, don't you think, George?

Harrison: Yes, I think that we won't need as many bills after this final increase in reserve requirements, because they have been particularly popular with the banks in big centers as a means of meeting this increase in reserve requirements.

H.M.Jr: Tide themselves over.

Harrison: Yes. So I should think, although I'd like to check up a little more with Burgess - but I should think that we could better stand a reduction in total volume of bills now than ever before.

Eccles: Not only that, but you will get an increase in bankers' bills too with this changed condition. Now, of course, the amount of bills held by the banks is a total of about three hundred million, whereas in '29 - what was it, a billion and a half?
Bell: I thought they were two and a quarter, but Mr. Harrison questioned that the other day.

Eccles: Well, if they increase, then you could reduce yours.

Bell: We should gradually get out of the market if bankers' acceptances take that place.

Eccles: But certainly, even at the present, for the next year, a reduction in your bills of five hundred million, with the amount you've got outstanding - I can't see that it would...

H.M.Jr: Well, between now and the first of July.

Eccles: But I mean a billion and three quarters of bills that would leave for the market. And personally I think that would be a good thing, to reduce them some. It would help your rate. To the extent that the total volume is reduced, it is going to give you maybe a little better rate than otherwise. And personally I'd like to see the rate on Treasury bills kept down and that's why I'd like to see - if shortening the bills, shortening the maturity and reducing the amount will tend to keep the rate down, I'd like to see it.

Piser: There is one point in regard to that. In recent weeks New York City banks have been selling some of their holdings of Treasury bills; indicates that they are anxious to get out of them.

Eccles: So five hundred million would of course tend to help them meet the reserve requirement position if that much was refunded.

H.M.Jr: I was encouraged yesterday that our nine months bills sold for less than they had the week previous. I'd like to see one more week - what will happen. I don't think one week's enough.

Harrison: No.

H.M.Jr: What?

Harrison: No, I think that's true.

H.M.Jr: I'd like to see another week what would happen.
Frankly, I think for all of us in this room it is an important decision we are going to make. I mean it is more of a departure from our regular financing, and I think our problems are new ones.

Eccles: That's right.

H.J., Jr.: What I'd like to do, if it's agreeable to you - I'd like to do nothing again for another week, and like to impose on you people to come back again a week from today; because we'll know Monday what the thing is and then see. But this thing - I'm not sure enough of myself. I don't think we'll lose anything by doing nothing for another week. I've thrown out some new ideas, you people have thrown out some new ideas, and we don't want any disturbance in the money market. I haven't - usually when I go ahead, I have entire confidence in my own decision, and I haven't reached that point yet.

Harrison: Mr. Secretary, may I ask a question to help us in thinking it over in the meantime? And this relates to the maturity, whether they should be six months bills or nine months bills. There are 38 weeks approximately in nine months, and if you issue fifty millions a week to mature each week in those nine months, you would have outstanding about a billion eight.

Piser: Billion nine fifty, to be exact.

Harrison: About a billion nine fifty.

Piser: That's right.

Harrison: Now, if you want to reduce the total of bills outstanding, you've either got to reduce the maturity of those weekly bills or the amount you'd issue each week. I think it would be better to reduce the maturity than to reduce the amount, because fifty millions is a pretty good round amount. What I say is particularly true if you also contemplate having four hundred millions mature...

H.M., Jr.: Three hundred millions.

Harrison: Well, three hundred millions mature on each of the
next two tax payment dates, which is six hundred million. So you'd always have six hundred millions payable on tax days. Then you've got your weekly maturities, which you would have to reduce to a little over a billion nine if you want to reduce your aggregate of all bills.

H.M.Jr: Let me take it as a matter of mathematics. Supposing somebody takes a pencil and paper - you, George (Haas). Nine months bills, fifty millions. How much is that?

Piser: A billion nine fifty.

H.M.Jr: A billion nine fifty. And then every tax date we'd have outstanding three hundred millions.

Harrison: For two tax dates.

H.M.Jr: No, only one.

Bell: Well, the immediate one would be only in June.

H.M.Jr: Well, we'd only start after the 15th of March, after we'd paid off the others; there would only be three hundred million outstanding, one issue.

Harrison: Then they'd have to be ninety days.

Bell: Depends on whether you'd issue ninety days.

Eccles: You could do that.

H.M.Jr: I said they'd only average two, two and a half months. Then there'd be three hundred million on top of a billion nine fifty.

Haas: That's exactly where you are now. That's two billion two fifty - is where you are now.

H.M.Jr: That doesn't do the trick.

Bell: I don't think that's correct, is it? You're going to retire three hundred millions in March - would get you down to one billion nine fifty. Now you're going to have the maturing issues thrown into June - two, three hundred millions.

Haas: Well, that cuts six hundred off this.
Bell: No, you've still got three hundred million. 
Eccles: But you've got to have fifty millions - it takes fifty million a week to make the billion nine fifty. Then if you add three to that to get the June maturity, that puts you just exactly where you are.
H.M.Jr: Let me just get that. That would bring it to...
Haas: Two billion two fifty.
H.M.Jr: Two billion two fifty.
All right, now let's do it on a six months basis. Now, that...
Piser: That would be a billion three plus three hundred million.
Harrison: That's the reason I'm suggesting six months; that makes an orderly operation and you reduce your aggregate.
Eccles: Yes, and you reduce your bills.
H.M.Jr: I want to think that over and you people want to think it over.
Harrison: Yes, I want to think it over very much.
H.M.Jr: Won't Burgess be back by next week?
Harrison: He'll be back Monday morning.
H.M.Jr: Wayne, did you want to think this over?
Taylor: Yes, I've got.... Taking all these things, taking the approach to the balanced budget, which - we can call it an approach - I think we can establish what you can call theoretical pars. You start with your balances; you've got your leeway, above and below which you don't want to go; and you also have your theoretical par of your bills, meaning the total amount, which you will say now is two billion two. Now, to me it doesn't make so much difference when those mature. You've got a certain volume of bills in the market; you desire to have enough of those bills mature on your tax.
dates. But you are not - there is a theoretical par for your total volume of bills that is going to be outstanding, and what you might call your financial statement, if you want to call it that. And then you'd go from there to your other three elements. There are really four. One is your notes; then your Savings Bonds, your long term bonds, and your special operations. I think we've got to be thinking in terms of theoretical pars for all those things right about this time, and it is one of the first times that we have been in a position to do that, or that it may have been desirable to do it.

Bell: In other words, what we are considering now settles the problem for this calendar year.

Taylor: The pattern as far as you can see.

Bell: It doesn't settle it for next March, because your income tax payments next year - from now on - will be huge, and three hundred million, five hundred million of bills will not take up the excess.

Taylor: Well, I'm talking in terms of theoretical pars for the situation that you have at the present time. I think there is something in the amount of your balances that you want to carry plus or minus; certainly the amount of bills in your total debt structure which is both good for the Treasury and the market, which can go up or down; there is a certain amount of leeway. And then these other problems come in.

Dan's doing it from another standpoint - more or less what I was doing; I don't figure quite the same way that he does.

Eccles: Of course, you've got two factors which we haven't had before, which do, as you say - we are in a period of transition for the first time, with a prospective budget balance and looking forward to some surplus revenue in a period of a year, and with the excess reserve picture changed again to where - for a time the cushion of excess reserves was such that the tax period never had to be considered at all. So we do have, as you say, these
two factors, and it is going to - we should give
this thing a good deal of thought and study, try
to anticipate every aspect of it so we won't....

H.M. Jr: Well, as far as we're concerned, I don't see any
reason why we can't let this go for another week.
How do you gentlemen feel?

Broderick: Very wise.

Ransom: Feel the same way.

Eccles: Joe and Ronald here didn't have an opportunity to
get any part of this picture. Ronald had a meeting
and I didn't get in touch with Joe until....

H.M. Jr: But you've got it now?

Ransom: Yes.

H.M. Jr: And you can have at least one more meeting between
now and Tuesday.

Ransom: I think there's no possible disadvantage in letting
it go for a week and discussing it again.

H.M. Jr: I think it is a very important decision for both
organizations. I really do. If we went from nine
to six, then there would be a period there of three
months where we just wouldn't issue any nine months
at all and have to wait until....

Piser: What you could do during that period is to issue the
bill to mature around June 15.

H.M. Jr: Well, we would, and then I think we ought to issue
them in lots of a hundred million a week in order to
hurry it up, you see, and get it out of the way
before the first of May. I'm just throwing that out.
Right after the 15th, for three weeks we could issue
a hundred million a week. And the nine months - we'd
let them die, so to speak, for three months, wouldn't
we?

Piser: For three weeks.

H.M. Jr: For three months.
Piser: I see what you mean.

H.M. Jr: Then about the 15th of June we'd pick them up and begin to issue six months and at that time, if we want to, we could begin ahead of the 15th of June to sell three hundred millions into the 15th of September. We wouldn't have to wait until the 15th of June, huh? Is that right?

Piser: Yes.

H.M. Jr: And also we won't have this date like May first facing us.

Bell: If you issue three hundred million into June, you'll get it over by the 21st - April 21.

Eccles: When? April 21?

Bell: Yes, selling three hundred million into June and fifty million a week.

Eccles: Yes, April. Before May first.

Harrison: Mr. Secretary, may I ask Mr. Bell a question? The last tenders on your bill issue of Monday totaled around 148 millions of dollars only. The lowest priced bid was 6.9 yield. Now, if you're going to have your regular issue at fifty millions a week and then try to add another hundred million a week, aren't you apt to run into a snag on your bids?

Bell: I didn't understand that was the Secretary's....

H.M. Jr: No, when we start selling these other things, we're going to cut out the nine months for three months.

Harrison: I see.

H.M. Jr: For three months we won't issue...

Eccles: That's the way you'll reduce the total bills.

H.M. Jr: For three months we won't issue any.

Harrison: I see.
H.M. Jr.: But we will only for three weeks or six weeks be selling fifty million or a hundred million of bills into the 15th of June.

Harrison: But I was just raising the question of whether even a hundred million a week, three hundred millions altogether, prior to May first, might not be...

Bell: Probably raise your average rate.

H.M. Jr.: At the end there, we'd be selling two months sixty day stuff - less than that.

Bell: Wouldn't raise the present rate, but it might raise the rate for the three months' period.

H.M. Jr.: And then we stop. We don't do it again for three months and the thing will die down again.

Harrison: I'm just thinking that fifty millions a week is the better procedure if you've got the time to do it.

H.M. Jr.: Well, we can start about the first of March.

Bell: Of course, it wouldn't hurt to issue these bills, roll over, allowing them to mature in June, beginning the third of March. You ride through the financing date; doesn't hurt.

H.M. Jr.: And stop the nine months at the same time.

Harrison: I think that's better.

Bell: That will clean you up by the 14th of April.

Eccles: Then fifty, instead of a hundred after the 15th.

Bell: No, fifty beginning the third.

Eccles: Instead of a hundred after the 15th, start fifty before the 15th.

Bell: That's right.

Eccles: But you want - we ought to study this thing with an idea of reducing the bills from two billion two hundred fifty down to somewhere around a billion and a half to
a billion and three quarters.

H.M.Jr: That's right.

Eccles: Then it's a question of working out...

Taylor: If that is a good thing to do. If that is a good financial structure for the Treasury to have - borrowing structure - is it also a good structure for....

H.M.Jr: What I want Haas to do - I want him to study this thing for a week with his people; he'll have a memorandum. Bell will study it, and let your people study it; and I think the Federal Reserve crowd in New York ought to study it and then come back again in another week and talk this thing over again.

Harrison: Would there be any objection to having a copy of Mr. Bell's memorandum that sets forth the five possible procedures?

H.M.Jr: What do you (Bell) think?

Bell: I don't care. There's a lot of stuff in there that is strictly confidential. I don't have any objection if you don't.

Harrison: If there is any question about it, I'd rather not have it.

Bell: It ought to be dressed up a little. There are two or three holes in it.

H.M.Jr: Well, do you have any...

Bell: Only as to balances, the statements of financial requirements; they never go any farther than you.

Harrison: Just leave it this way: If you've got anything you can give us.

H.M.Jr: Let him give a statement and we'll give a copy to the boys.

Harrison: I wouldn't want to have anything highly confidential that might get out. What I would like to have is the substance of the five programs.
H.M.Jr: Let him prepare a special statement.
Eccles: In other words, it would help us to consider the same alternatives that you are.
H.M.Jr: Bell will prepare a memorandum for the boys - for our fiscal agents. How's that?
Harrison: Fine.
Bell: You want those different methods that could be used to level off the money market in the tax payment period.
Eccles: I think that's very important.
Harrison: Our three are the only ones that are any good.
H.M.Jr: Anybody got anything else?
Eccles: I think we better get all of them.
Bell: That all depends. That Number One is pretty good if the market is below par. Sinking fund is very important.
Harrison: Yes.
H.M.Jr: Well, is one o'clock next Tuesday all right?
Eccles: It's all right with me.
H.M.Jr: All right with you men (Broderick and Ransom)?
Broderick: Yes.
Ransom: Yes.
H.M.Jr: It gives us the advantage that we get the rates of bills the day before.
Ransom: I think the most important thing is to give us a chance during that period to discuss it - that is, the Board - and whoever is here from the Board will have the Board's thought on the subject.
H.M.Jr: Would you rather have it Wednesday?
Eccles: Well, Wednesday is a little better. Tuesday is our regular meeting day.

H.M. Jr: Well, Wednesday at eleven o'clock.

Ransom: There is a possibility that I might be out of town, but that doesn't matter because we would have discussed it thoroughly among ourselves.

H.M. Jr: Let's say that it goes on my calendar for next Wednesday at eleven. All right, gentlemen.
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February 5, 1937
Representative
Jennings: Well, I've had a little flu - it sort of slowed me down a little.

HMJr: Well, I'm sorry.
R: But I'll be all right. I trust that you are fine.
HMJr: Yes, thank you.
R: Secretary, I want you to just tell me if there is any chance of a certain gentleman that I am interested in being considered for the Register of the Treasury - is that position already in your mind filled?
HMJr: Well, it isn't in mine but it is in Mr. Farley's.
(Rawns)
R: Well, I didn't know who made it, I'm very frank to say.
HMJr: Yes, well I am being frank.
R: Yes, I want you to.
HMJr: Mr. Farley has got somebody that he's been trying to get a job for three and a half years.
R: Yes
HMJr: And he's very anxious that we take this man.
R: Oh, I see.
HMJr: As a matter of fact he talked to me when I was in Farm Credit and he's been trying ever since to get a job.
R: (Laughs) I see.
HMJr: But -
R: Well, for thirty-five years, twenty years spent in Loans and Currency -
HMJr: Yes
R: - Mr. McCaffrey
HMJr: Yes
R: - of my State - District - And I'm really just trying to get the picture; I don't want to -
HMJr: I believe in being frank and I think it's - you people appreciate that.
R: Yes, always - well, this man does.
HMJr: And --
R: He wouldn't want us to waste time of getting a lot of stuff in and worrying you, you see?
HMJr: Yes, I - I think that - that if we do fill it that this man that Mr. Farley has suggested - I mean, he owes him a debt from a campaign of four years ago.
R: I know.
HMJr: And has never been able to fill it.
R: Yes
HMJr: And he's been looking all around and now he says that that this vacancy - he's very anxious that we give this man this position.
R: Yes
HMJr: And I think - I mean when - I like to do what I can for the organization -
R: Always - always
HMJr: It's so rare that we can do it.
R: I know that.
HMJr: And this seems one time that we ought to cheerfully go along with Mr. Farley.
R: Well now, Secretary, I appreciate so much your just telling me that, because I don't want to worry you and I don't want to get -
HMJr: No.
- endorsements coming in. And I don't want to build up any hopes of this man and he doesn't want that.

HMJr: Well, I'm giving you the absolute low-down.

R: Well now, I certainly appreciate it too. And, now, take care of yourself. And I'll be seeing you.

HMJr: Thank you very much.

R: Goodbye.
Tuesday
February 9, 1937
12:45 p.m.

HMJr:        Hello
Treas.
Operator:    Chairman Miller - go ahead.
HMJr:        Hello
Miller:      Hello, Mr. Morgenthau
HMJr:        Say, Mr. Miller -
M:           Yes
HMJr:        That boy has been here for about an hour -
M:           Yes
HMJr:        Did you talk to him? - Yourself?
M:           Oh yes, I just saw him and gave him a letter -
HMJr:        Well, he seems like a half wit to me.
M:           Oh, he does?
HMJr:        Well, I mean, he insists that he gave it to the
            Comptroller General.
M:           Comptroller General?
HMJr:        That's what he says.
M:           Why he told me he gave it to a colored fellow at
            your - -
HMJr:        No, we've had him - I've had my secretary take
            him up and down - he's been to the fourth floor
            and the second floor - I think what he means is
            the Comptroller General down at the other end of
            the hall.
M:           Yes
HMJr:        See?
M:           Yes
HMJr:        Yes, I think he must have given it to somebody, just
            some messenger of the Comptroller General. But, I mean,
the Comptroller of the Currency. But he insists he gave it to the Comptroller General.

M: Well (laughs)

HMJr: And most likely he gave it to somebody in the building and somehow or other it got to the White House. But he did not give it into my office.

M: Well –

HMJr: But he insisted that he gave it to the Comptroller General.

M: Well, that's peculiar, he told me he gave it to a colored fellow in your office.

HMJr: No, we've had him all over the building and he can't identify anybody.

M: I never saw him until today.

HMJr: well, let's let the matter drop.

M: Yes – Well, it's perfectly all right with me, - it was embarrassing to you I was afraid.

HMJr: Well, no, it wasn't embarrass- – as I understand it, your people over there wondered how it got to the White House.

M: Yes

HMJr: I don't know how it got there, but the messenger - he keeps saying, "I gave it to the Comptroller General."

M: Well that's the most peculiar thing.

HMJr: Yes – well, I guess it'll have to be among the unsolved mysteries of Washington.

M: (Laughs) Well, it's all right with me, Mr. Morgenthau.

HMJr: Well, I'm not going to worry. It's not important enough.

M: No, I think it's all over with now, as far as that goes.

HMJr: But, the boy doesn't seem quite all there to me.
Well, I don't know. I only saw him for the moment. I'll find out more about him out of my own personal curiosity.

O.K.

Well, I'm sorry it all happened and I reckon it's the best thing just to let it go.

Thank you.

Are we going on with any more talk in regard to that - ?

What's that?

Are we - are our experts going on with any more talk - ?

Well, I don't know, I haven't - it's in Magill's hands and I haven't talked to him recently.

Well, it's left so that if he wants any more he's to let us know.

All right.

So anything he says then is all right with us.

Thank you.

All right, thank you, Mr. Morgenthau.
Lunched with the President. I showed him the attached memorandum on military expenditures. (See attachment No. 1) He was tremendously interested. He gave me the opportunity to show it to him when he said, "How is the foreign situation. How do you feel about it?" I said, "I feel extremely blue and feel that the world is just drifting rapidly towards war." I said, "We patch up the French situation every so often but with the constant increased percentage of their budget going for war purposes we really cannot help them. The European countries are gradually going bankrupt through preparing for war". I said, "You are the only person who can stop it". He said, with a smile on his face, "I feel like throwing either a cup and saucer at you or the coffee pot". I replied, "Or throw both but why?" He said, "Well I had Hull, Norman Davis for lunch and Davis said, 'The only person who can save the situation is Roosevelt' and then I said to Davis 'How'? and Davis said, 'by sending a secret envoy to Europe'. The President said, 'another Colonel House'.

The President said, "Hull philosophy is that through his trade treaties he would increase world trade and take up the slack of unemployment as the individual countries gradually disarmed." I said, "I am not in disagreement with Hull but his policies will take five years to feel the full effect. He may only have five months before we have a world war and if we do and it lasts two or three years you can be sure we will be drawn into it".

I said, "Would you have any objection to my sending a secret confidential message by word of mouth through Bewley, who is returning to England, to 'eville Chamberlain asking him if he has any suggestions to make as to how we can keep the world from going financially broke due to constant increased cost of armaments'?" The President thought a moment and said, "No, that will be all right" and I said, "are you sure" and he said, "Yes, I am sure." I said, "You know my idea is that if there are any negotiations to be conducted it is to do them here and not send anybody abroad". He said, "That is right".

Then he told me the following amazing story in utmost confidence. He said, "Sometime ago Senator Bob LaFollette asked him how he would feel if the Under-Secretary for Foreign Affairs of England, the name sounded like DeSitter, should come to America ostensibly for a vacation. The President said he would have no objection provided it was strictly unofficial. He said he knew Mrs. DeSitter; that she was an old friend and a peach
but that DeSitter was here in 1933 with MacDonald and he was very hard-boiled. LaFollette assured him that DeSitter was pro-United States.

This morning LaFollette called up the President and told him that DeSitter was coming. The President and I both agreed that it was amusing that DeSitter should arrange this visit through LaFollette. "Neither of us could understand it."

I then asked the President whether he would give me a memorandum to the War Department so that I could get some inside dope on costs or armaments. He unhesitatingly gave it to me. (See attachment No. 2). I am tremendously encouraged as I think I have made a real start.

During the beginning of the conversation I said to the President, "You know whenever you are through here I am through and wild horses could not keep me in Washington one day longer after you have gone" and he said, "Of course that is right. I wanted to plant the seed in his mind that I was his man and had no interest in who might succeed him. I expect to do this again some months from now.

I told him about the Self Help Project in Richmond and pointed out to him that through Resettlement we assisted farm families in getting a new start in life; that city families we do nothing of this kind for; that the project in Richmond has been for the past three years really putting people back on their feet on a permanent basis; that I wanted to start a project in Washington. Much to my surprise he was enthusiastic. He said that I should form a committee including someone from Hopkins' organization, Resettlement and CCC to advise the group here in Washington. I told him that I had seen his wife and hoped to have her go with me to Richmond to look over the project.

I have been trying to do this for a year and a half. I think it is tremendously important that we get away from this monthly wage we are paying the unemployed and begin to resettle the city families in permanent jobs just the way we are trying to resettle the country families, and find some way out of our present unemployment problem." Again much to my surprise he gave me permission, subject to Hopkins' O.K. to release once a month the total figures of everybody who gets a government check.

A month ago he would not let me show these figures to anybody. To-day he is willing to have them made public. I certainly had a most interesting and constructive lunch and if I can be helpful in doing something to get the world to disarm I will die happy.
TO
Secretary Morgenthau

FROM
Mr. Hass

Subject: Percentage of military expenditures to total expenditures of leading countries.

The information on the volume of military expenditures of leading countries was taken from published reports of these countries. The published data for some countries are probably not too reliable, but it may be presumed that if the data err, the errors will be understatements. Data on military expenditures in Germany were not included in the memorandum, since published statements obviously do not reflect the actual expenditures.

The military expenditures of the 15 leading countries listed in the attached table for the fiscal year 1935-1936, or for the calendar year 1936, total to, roughly, $5 billions, when the foreign currencies are converted into dollars at the average rate of exchange for the period covered. The totals cannot be relied upon too heavily since (a) Germany is excluded, as well as other countries, (b) military expenditures reported by some countries are understated, and (c) converting foreign currencies into dollars in a period of fluctuating exchanges and under conditions of controlled exchanges does not accurately reflect the true significance of the volume of military expenditures.

The average of the ratios of military expenditures to total expenditures, for the 15 countries, was approximately 20 percent for the calendar year 1936, or the fiscal year 1935-1936.

A search through the confidential files of the State Department might reveal evidence of larger expenditures than those indicated in the official published reports, but it is doubtful if such an investigation will produce more than rough estimates of the scale of military expenditures.
Percentage of military expenditures to total expenditures of leading countries

As reported in the budgets and budget estimates of the respective countries. Military expenditures do not include pensions to war veterans.

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<th>Military expenditures</th>
<th>Percent of total expenditures</th>
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<td>(In millions of dollars)</td>
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Regarded Uclassified
Percentage of military expenditures to total expenditures of leading countries

As reported in the budgets and budget estimates of the respective countries. Military expenditures do not include pensions to war veterans.

(continued - 2)

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<td>1936-1937 1/</td>
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(In millions of rubles)

(In millions of dollars)

(In millions of francs)

(In millions of guilders)

(In millions of francs)

(In millions of zlotys)
Percentage of military expenditures to total expenditures of leading countries

As reported in the budgets and budget estimates of the respective countries. Military expenditures do not include pensions to war veterans.

(continued - 3)

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<th>Country</th>
<th>Total expenditures</th>
<th>Military expenditures</th>
<th>Percent of total expenditures</th>
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<td>(In millions of krone)</td>
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</table>

Treasury Department, Division of Research and Statistics. January 28, 1937.

1/ Budget estimates.
2/ In October 1931 the financial year was changed to the calendar year so that the 1932 budget includes only nine months to December 31, 1932.
3/ Additional extraordinary expenditures on operations in East Africa authorized in the fiscal year ended June 30, 1935, 9,100 million lire. In June 1936 an additional 1,300 million lire was appropriated for the same purpose.
4/ On November 20, 1932, the Cabinet postponed the beginning of the next fiscal year from January 1 to April 1, 1933, and the 1932 budget was extended for the intervening three months.

Source: Consular reports and financial publications received from the respective countries.
THE WHITE HOUSE
WASHINGTON

Confidential

Dear Mr. War -

Will you please have L2 in War college drop Haas on White of the Treasury for your figures of cost of foreign armaments - not details of material but the dollars involved.

Sincerely,

[Signature]
To: Mrs. Klotz
From: Miss Lonigan

Attached are ribbon copies of tables which the Secretary requested.
<table>
<thead>
<tr>
<th>Month</th>
<th>FBI* Number of Families</th>
<th>FBI* Expenditures</th>
<th>WPA Number of Workers</th>
<th>WPA Expenditures</th>
<th>Enrollement Loans and Grants</th>
<th>Social Security Grants**</th>
<th>Total Relief and Welfare</th>
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<td>January</td>
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<td>$223,604,000</td>
<td>70,000</td>
<td>$162,000</td>
<td>4,456,000</td>
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<td>103,000</td>
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<td>4,242,000</td>
<td>111,705,000</td>
<td>250,000</td>
<td>5,013,000</td>
<td>4,405,000</td>
<td>1,010,000</td>
<td>107,000</td>
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<td>3,085,000</td>
<td>89,299,000</td>
<td>450,000</td>
<td>10,900,000</td>
<td>4,381,000</td>
<td>46,000</td>
<td>877,000</td>
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<td>3,725,000</td>
<td>85,264,000</td>
<td>777,000</td>
<td>35,696,000</td>
<td>4,502,000</td>
<td>50,000</td>
<td>1,509,000</td>
</tr>
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<td>63,410,000</td>
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<td>2,027,000</td>
<td>167,900,000</td>
<td>5,137,000</td>
<td>190,000</td>
<td>6,729,000</td>
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<td>4,600,000</td>
<td>1,039,000</td>
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<td>5,169,000</td>
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<td>3,100,000</td>
<td>2,077,000</td>
<td>162,324,000</td>
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<td>169,104,000</td>
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<tr>
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<td>10,400,000</td>
<td>2,027,000</td>
<td>167,900,000</td>
<td>5,137,000</td>
<td>190,000</td>
<td>6,729,000</td>
</tr>
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</table>

** Retirement Loans and Grants**

---

* FBI: Federal Relief Administration

** WPA: Works Progress Administration

**** Social Security Grants

---

** Sources:**

- FBI: Checks Issued - Treasury Department
- All Others: Direct from the agency

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** The number of families reported under FBI includes all families on relief rolls under both Federal and State funds. Funds are Federal Funds only. It is not possible to separate families dependent on Federal funds only before 1936.

** Excluding administrative grants.

*** Estimated for January 1, 1936, and all later months.

---

** Estimated.
GOVERNMENT BENEFIT PROGRAMS

EXPENDITURES FROM FEDERAL FUNDS ONLY

<table>
<thead>
<tr>
<th>Month</th>
<th>Number of Workers</th>
<th>Pay Rolls</th>
<th>Number of Workers</th>
<th>Pay Rolls</th>
<th>Number of Workers</th>
<th>Pay Rolls</th>
<th>Number of Workers</th>
<th>Pay Rolls</th>
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<td>35,000</td>
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<td>745,000</td>
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<td>340,000</td>
<td>23,770,000</td>
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<td>3,000</td>
<td>1,003,000</td>
<td>10,000</td>
<td>4,077,000</td>
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<tr>
<td>December</td>
<td>507,000</td>
<td>21,546,000</td>
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<td>7,000</td>
<td>1,000</td>
<td>3,709,000</td>
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<tr>
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<td>1,000</td>
<td>3,709,000</td>
<td>8,000</td>
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Source: WPA Checks Issued - Treasury Department

1Total Work and Welfare includes WPA, Reemployment, Social Security, Emergency Employment Programs, and Regular Governmental Construction.
2Number of Workers refers to the number of workers on the rolls as of the end of the month.
3Pay Rolls refers to the amount of pay distributed to the workers during the month.

February 9, 1937
### EXPENDITURES FROM STATE AND LOCAL FUNDS

<table>
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<th>Year</th>
<th>Month</th>
<th>WPA Relief</th>
<th>Social Security</th>
<th>Total WPA</th>
<th>FWA Total</th>
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<td>$46,283,000</td>
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</table>

*Estimated for January 1936, and all later months.

1/Estimates can be computed. Material now available.
UNEMPLOYMENT IN THE DISTRICT OF COLUMBIA

There are about 3,000 families in the District with employable workers who are neither on relief nor on WPA. This was Mr. Street's estimate. There are no facts.

There are about 3,000 families on direct relief, some of whom would be eligible for certain types of self-help projects.

The WPA is taking care of about 11,000 - 12,000 workers in the District. These workers would not be able to give time to a self-help cooperative, but some of them are being laid off.

Altogether there are about four thousand eligible families from whom it should be possible to get 500 working members for a self-help cooperative.

There is one extremely fortunate circumstance in the search for technical leaders for projects. The WPA in the District is at present laying off about 200 workers on its administrative staff. (This statement was given in confidence.) Most of these men are trained and competent supervisors of unskilled or semi-skilled workers. Some of them have been with District work-relief programs since 1930. They would form an excellent pool of project managers from which a self-help cooperative could draw its supervisors. Many of them might be eager to join as members. They are now totally unemployed.

The WPA has a list of 965 workers certified to WPA but not now employed on projects. The occupation and work history of each of these men and women is available at short notice.
Most of these workers were connected with the building trades or domestic service, but there is a scattering of other skills. There is a relative shortage of workers connected with industrial and mechanical trades.

The colored numbered 630; the white workers 335. Only eleven were classified as workers seeking first jobs.

The largest skilled group was "painters." Some of them are probably brush men. There were 33 skilled negro cement finishers and about 300 colored laborers in the building trades.

There were about 50 white bookkeepers, accountants, and clerks - men, and about 30 women. Colored office workers are hard to place, either in private industry or on WPA. There were about 80 unskilled colored women in cooking and domestic service, and 15 colored men classified as cooks.

On the records of some of these workers were notations that they had hernias, high-blood pressure, or other physical disabilities. Such men do not need a work program. They need medical attention. With the inauguration of WPA all means of aiding such workers except through work were rendered impossible.

February 13, 1937
MEMORANDUM OF DAY'S ACTIVITIES
FOR FEBRUARY 9.

DATE: February 10, 1937

TO: THE SECRETARY
FROM: MR. MAGILL


I called Representative Doughton and arranged for a meeting at the Capitol today with him and a few members of his Committee regarding the proposed extension of the date of expiration of the Act.

2. Declaratory Tax Rulings.

Professor Intema discussed his plan for Declaratory Rulings in tax cases before a group of men from the General Counsel's office. The general idea is to facilitate the disposition of cases by agreeing with the taxpayer in advance upon the facts of the transaction and the applicable rule of law. The Commissioner will, of course, have the power to issue these rulings or not as he sees fit and presumably will make them mainly in cases in which a large number of taxpayers are confronted with the same question; as, for example, when securities in a bankrupt became worthless.

3. Taxation of Non-Resident Aliens.

We conferred for an hour and a half upon the possible solutions. Most of the discussions involved a proposal by Mr. Oliphant for a form of tax on capital gains with some discretionary power in the President to put it on or take it off. Mr. Zucker will do some further work on the subject.
Tuesday
February 9, 1937
3:25 p.m.

HMJr: Harry?

Harry Hopkins: Yes

HMJr: How are you?

H: I'm fine, where are you?

HMJr: I'm at the Treasury.

H: Oh, I thought you were still --

HMJr: That's where I hang out.

H: Yes (Laughs)

HMJr: Harry, I don't know whether you are familiar with these statistics that we've been getting out for the President for the last two or three months, which we picked up where Frank Walker's organization left off. They have to do with all the people at work in all the agencies, see?

H: Yes

HMJr: Have you ever seen those?

H: Well, I haven't seen yours. I know we get them out every two weeks.

HMJr: You mean you show everything?

H: Well no, we just show emergency funds.

HMJr: Well, I'd like to send you - I'd like to send Miss Lonigan over with these and I'll tell you why. I asked the President - the President, up until now, has never let me show them to anybody, even Cabinet members.

H: Well, didn't Miss Lonigan show those to me about that's where she was building up the number of people getting work -- ?

HMJr: Yes

H: - through Government benefits.
HMJr: Yes, we've run them now - this is the third month we've had them.

H: I'd like to see them very much.

HMJr: Now - well, now, here's the point. I asked him if we could make them public.

H: Yes

HMJr: He said as far as he was concerned, yes, but to discuss it with you.

H: Yes

HMJr: See?

H: Well, I'd like to take a look at it with that in mind.

HMJr: Well now, what time tomorrow - ?

H: I'll have to let you know, Henry, because I'm just snowed under with this flood stuff now and I've got to get something to the President by tomorrow noon.

HMJr: Well, can you make a note?

H: Well, I'll call Miss Lonigan up between now and tomorrow - now and tonight.

HMJr: You will?

H: Sure

HMJr: All right.

H: I'll get a time.

HMJr: And I want to tell you something else.

H: Yes

HMJr: I am writing on this Self-Help thing down in Richmond.

H: Yes

HMJr: And I am tremendously interested.

H: Yes
HMJr: And she's over there now with Jake Baker.
H: Who?
HMJr: Miss Lonigan
H: Yes
HMJr: She's riding over there now.
H: All right.
HMJr: And - I want to talk to you about it sometime -
H: - this next - ?
HMJr: Hello?
H: Yes.
HMJr: - the thing that I've got in mind, see?
H: Yes
HMJr: I - it's a long time since I've had a project, about five years.
H: Yes
HMJr: - is the possibility of doing something like that in Washington.
H: Yes
HMJr: - as a demonstration.
H: Yes - well, I'd like to talk to you about it.
HMJr: And I sent her down there to check up - I had been there a year ago.
H: Yes
HMJr: And they're really going awfully well.
H: Well, that's fine, Henry.
HMJr: And -
H: Did you stop by this time and see her?
HMJr: No, I - I have not. I sent Miss Lonigan there.
H: I know you were down there a year or so -
HMJr: But she came back with a very enthusiastic report and -
H: Yes
HMJr: - they're continuing to really -
H: Yes
HMJr: - get people permanent jobs.
H: Yes - all right, Henry, fine.
HMJr: Thank you.
H: Goodbye.
Tuesday
February 9, 1937
3:32 p.m.

HMJr: Hello
Jake
Baker: Hello

HMJr: Jake Baker?

B: Yes

HMJr: Henry Morgenthau, Jr.

B: Yes, sir

HMJr: You've got Miss Lonigan over there, haven't you?

B: Yes, she is.

HMJr: What?

B: Yes, she's here.

HMJr: All right. When she's - I'm through speaking to you may I speak to her a minute?

B: Oh yes

HMJr: I just want to tell you this. I had a chance to talk to both the President and Mrs. Roosevelt about this Self-Help thing in Richmond.

B: Oh yes

HMJr: And I finally have got them interested.

B: Well, I'm awfully glad to hear that.

HMJr: Now, the thing that the President - I talked to him about - and he is really quite enthusiastic about the idea of trying to establish one here in the District.

B: Oh yes

HMJr: See?

B: Yes

HMJr: And bring the people up from Richmond who know the technique and start it right here, very quietly, without any publicity,

B: Yes
HMJr: - get it going, and then after it's going why we can take people around and show it to them.

B: Yes

HMJr: And that's what I wanted to tell you - what he had in mind. He's very enthusiastic. He said to have an informal committee, have somebody on it from your organization, I think he said C.C.C. -

B: Yes

HMJr: - somebody from Resettlement -

B: Yes

HMJr: And just watch the thing - do it very quietly -

B: Yes

HMJr: But get it started.

B: Yes

HMJr: And then after it works we can take people down and show it to them, right here, see?

B: All right, sir.

HMJr: Now, I just wanted to tell you, that, for the first time I've got both the President and Mrs. Roosevelt really interested.

B: I wonder if you'll say anything to Harry about it.

HMJr: I just called Harry up.

B: Oh, you did?

HMJr: And I told him that I was tremendously interested, that it was the first time in five years I was going to get back in social work.

B: I see.

HMJr: And I said the first time he was free I wanted to talk to him about it.

B: Well, I'll talk to him about it too, of course, and we'll get a scheme worked out to do it.

HMJr: But, I - I mean, I - just before I called you I called Harry.
B: Surely, well, I'm very glad. Thank you very much, Mr. Secretary.

HMJr: And -

B: Shall I have Miss Lonigan call you; she's in another office? I can get her, she's --

HMJr: Well, just tell her this, that - just tell her, if you don't - do you mind giving her a message?

B: I don't mind in the least.

HMJr: She has a group of unemployment figures on other - of a monthly series which she gave me this morning -

B: Yes

HMJr: And Hopkins is going to send for her tonight or tomorrow. He wants to go over them with her.

B: Oh yes

HMJr: That's all.

B: All right, I'll tell her that.

HMJr: And - but this other thing - let's see if we - you yourself are enthusiastic?

B: Oh yes, yes, no question about it. I think it's swell stuff. I want to keep pushing it.

HMJr: Well, what do you -

B: I'll get after Harry right away and we'll get some money. I think I can - -

HMJr: Will you make a tentative budget of what it would cost in Washington?

B: Oh yes, we can use the Richmond figures, you see, and scale it a little bit, and so on. You see - as a matter of fact, Mr. Secretary, we have a small beginning of a Self-Help group her among the negroes.

HMJr: I see.

B: And we've never said anything much about it because
of the fact that we wanted to pretty well prove it out. It's just about ready now for us to begin to show things.

HMJr: Yes

B: There's a woman named Nannie - Mrs. Nannie Burroughs, who is devoting her whole time to it. She's a former social worker among negroes, she's a negro -

HMJr: Yes

B: And we've got something there to begin with and if we just get a little bit more friendliness in the aid to it from our social work people, our other social work folks, you know, and from Harry, why I think we can have something within a month that'll begin to show something; that we can get a committee on and actually it'll show results. I don't mean to promote it, bally hoo it, but just simply ---

HMJr: No, no - I - if I had anything at all to do with it, I'd like to have it start with no bally hoo.

B: Yes, none at all.

HMJr: None at all.

B: None at all, that's right.

HMJr: And then after it's going there'll be plenty of time.

B: Oh yes, -yes indeed.

HMJr: But, to me, it's the most encouraging thing that I've seen in getting people permanently in place.

B: Well, I'm awfully glad you like it, Mr. Secretary.

HMJr: And golly, I've tried for one year to get the Roosevelts interested and I finally succeeded today.

B: Well, I'm delighted to hear that.

HMJr: And - Do you follow this yourself?

B: Yes, I do.

HMJr: You do?

B: I follow it very closely myself.
What's that?

I follow it very closely myself.

Fine

And I'll get right after it - get right on to it right away.

Fine

All right, sir.

Thank you.

Thank you, very much.
GROUP MEETING

February 10, 1937
9:30 A.M.

Present:
Mrs Klotz
Mr. McReynolds
Mr. Upham
Mr. Lochhead
Miss Roche
Mr. Gaston
Mr. Gibbons
Mr. Oliphant

McReynolds: Dan had to go up to see Joe Robinson about something this morning; he didn't know what.

H.M.Jr: Well, as long as you're talking....

McReynolds: Nothing more.

Upham: Nothing, Mr. Secretary.

H.M.Jr: Tom Smith all right these days?

Upham: You've seen him since I did.

H.M.Jr: No.

Upham: In the hall.

H.M.Jr: Well, just to say hello. But you were with him all day.

Upham: No. Only at lunch.

H.M.Jr: How was he?

Upham: All right.

H.M.Jr: Any gossip.

Upham: No, I think not.

McReynolds: Tom says he's being overworked.

H.M.Jr: He don't look it.

Gibbons: He's getting too fat.

Lochhead: Nothing new. There has been a downward movement in guilders, but there's no explanation so far.
Have we anybody who can translate French in this place?

Well, on that letter, by the way, they sent over an English translation with it.

Did they?

Yes.

I'd like to see it afterwards.

I don't have anything special, sir. Had a nice meeting yesterday, except the Chairlady was very expansive and when I got through, with large gestures she said, "Miss Roche will answer any questions" to these eight hundred women. The question came up would I please comment on the President's trying to pack the Supreme Court. I didn't.

You didn't?

No, sir. I asked the Chairman to amend her suggestion; that I would give factual statements on the subject I was discussing. It was awfully funny.

Do you know Mrs. Woodward?

Yes, sir.

Who is the head of the women's thing over at Hopkins. Do you know her?

Quite well, sir, yes.

I may want to ask you something about her.

Yes.

I suppose you noticed that Vincent Astor announced the purchase of News-Week.

No.

They are to combine the news review of News-Week with
Raymond Moley's editorials and the publication will be known as News-Week, so that Today is dead and gone.

H.M.Jr.: Not losing enough for one magazine.

Gaston: Well, I presume he expects to lose a little less.

H.M.Jr.: How much circulation, News-Week?

Gaston: I don't know.

H.M.Jr.: But Today has been put to bed?

Gaston: Today has been interred, yes.

Oliphant: Moley continues as Editor?

Gaston: Moley will be the Editor of News-Week, and it will be a combination of the present features of News-Week with Raymond Moley's editorials.

H.M.Jr.: What other good news have you got?

Gaston: Nothing, except our Coast Guard picture showing over at Keith's - it's good and rotten.

H.M.Jr.: Good and rotten?

Gaston: I mean it's very punk.

Gibbons: I told Herbert I'd sell the Coast Guard's interest in it to him for a quarter.

Gaston: I wrote a note to Gelly and told him that no more cooperation on full length pictures about the Coast Guard.

H.M.Jr.: Why, doesn't it show them up well?

Gaston: No, I don't think so.

Gibbons: It's cheap stuff. It shows a lot of barroom drunkards fighting and a lot of slap-stick stuff that's just terrible; worse than the last one, and I thought the last one was awful.
H.M.Jr: What company produced it?
Gibbons: Warner Bros.
Gaston: No, it's R.K.O., isn't it?
Gibbons: Yes, R.K.O.
H.M.Jr: Anything else?
Gaston: No, that's all.
H.M.Jr: All right, Steve?
Gibbons: Nothing in the - on the morning meeting. But I thought this would be a little comedy or interest: that Vic Donahey is about dying - the Senator - and there are two candidates already for... A National Committeeman, Sawyer, who is married into the Proctor & Gamble family, has approached a friend of mine in Ohio to manage his candidacy, and old George White is a candidate. Poor fellow's not dead yet, but they've declared themselves.
Gaston: How about Moore? Isn't he a candidate?
Gibbons: I haven't heard. Moore's away, isn't he?
H.M.Jr: What else have you got?
Gibbons: That's all. Isn't that terrible?
H.M.Jr: Herman?
Oliphant: I'd like to speak for some time this afternoon; if not this afternoon, tomorrow afternoon.
H.M.Jr: (To Mrs. Klotz) For this afternoon, Mrs. Forbush's mother's funeral. 3:30 tomorrow afternoon?
Oliphant: Yes. I'd like - before you call Judge Black, I'd like to see you. You haven't called him yet?
Mrs. Klotz: I haven't yet.
H.M.Jr: No.
Oliphant: Before you do.

H.M.Jr: Well then, you better stay behind.

Look, you wrote me that note last night that Dailey up there in New York - not Vincent - seemed surprised that this fellow kept saying that he saw me all the time. What else can the fellow say? He admits he forged the signature, and the only story that he can give is that he saw me and I told him it was all right.

Oliphant: Well, that wouldn't be a forgery if he acted - if you authorized the signing, it would not be a forgery.

H.M.Jr: But having admitted he signed the thing, what else could he do but simply insist he saw me? Huh? Could he?

Oliphant: No, I was mystified by Dailey's surprise.

Gaston: You mean that that is the obvious lie that he would tell.

H.M.Jr: What else could he do? Why should Dailey be mystified?

Oliphant: I'm not sure.

H.M.Jr: What?

Oliphant: I'm not sure.

H.M.Jr: Anybody got anything else? All right. Herman, then, if you'll stay I'll talk to you.
Wednesday
February 10, 1937
11:23 a.m.

HMJr: Hello
Treas.
Operator: Mr. Miller is out until a quarter of twelve.

(Short Pause)

T.O.: I'll talk to him.

T.O.: All right. Go ahead.

HMJr: Hello
Mr. Miller's
Secy.: Hello

HMJr: Mr. Morgenthau, speaking, -

S: Good morning, sir.

HMJr: Hello

S: Hello

HMJr: Would you give Mr. Miller the following message for me?

S: Be glad to, sir.

HMJr: This young man that he sent over came back to see us today, this messenger.

S: Yes

HMJr: And he's now refreshed his memory and the letter which he was supposed to have brought over to me was delivered to Mr. Bell; and it was a letter for Mr. Bell and the letter is in Mr. Bell's file. And on that day this messenger, who is Mr. Eastman's messenger, brought no other letter to the Treasury.

S: I see. In other words, it was a letter addressed to Mr. Brown?

HMJr: To Mr. Bell, Dan Bell of the Budget.

S: Oh, Mr. Bell, that's right, of the Budget.
HMJr: - of the Budget. And the letter is there. So that - we have - Mr. Bell has that letter in his files.

S: I see. All right, I'll be glad to give him that message, Secretary.

HMJr: At least that's - we haven't checked that it's in his files but that's what the messenger said, see?

S: In other words, he never did bring any letter over there, except that one to Mr. Bell?

HMJr: That's what he said.

S: Yes - All right, I'll bring that to the Chairman's attention, Mr. Secretary.

HMJr: Thank you.

S: Thank you.
COAST GUARD OPERATIONS IN FLOOD AREA

All boats in the Ohio River Valley as far south but not including Cairo are being returned to their regular stations. A force of approximately 225 boats and 22 seagoing units are distributed at strategic points along the Mississippi from Cairo southward to Louisiana.

General Water Level Conditions.

No change from yesterday except crest now at Memphis (48.6') falling above Memphis and slowly rising all the way to New Orleans, where water is being diverted by spillway.
February 10, 1937.

My dear Cordell:

In response to your note of yesterday, I am glad to advise you that the officers named in the Department's letter of February 8, informing you of the transfer of three Customs agents to the investigative staff of the Supervising Treasury Attache at Paris, are to be assigned exclusively upon narcotics investigations. This is in addition to, and not in relief of, other agents now performing such duties.

Thank you very much for your cordial cooperation in this matter.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. Cordell Hull,

The Secretary of State.

HNG/mff
My dear Henry:

I have your note of February 8th in regard to your purpose to augment the investigative staff of the Supervising Treasury Atache at Paris and I find there has also been received a letter naming three agents who are to be sent.

Inasmuch as our Government's understanding with the French Government is that American Treasury Agents in France for the purpose of cooperating under the drug treaties will limit their activities exclusively to the matters to which the treaties pertain and that this is the condition on which the French Government permits such Agents to reside and function in France, I would thank you to advise me whether the three persons mentioned are to be assigned exclusively to narcotics investigation, either in relief of or in addition to other Agents.

It is, of course, my earnest desire to assist in every way possible the efforts of your Department to combat illicit traffic in narcotic drugs and, on hearing from you, I shall be glad to see that this Department's representatives abroad are given the proper instructions.

Yours very sincerely,

(Signed) CORDELL HULL

The Honorable

Henry Morgenthau, Junior,
Secretary of the Treasury.
MEMORANDUM OF DAY'S ACTIVITIES
FOR FEBRUARY 10, 1937

TO Secretary Morgenthau

FROM Mr. Magill

1. Carriers Taxing Act

Mr. Kent, Mr. Latimer and Mr. Eddy of the Railroad Retirement Board and myself, met with the Democratic members of the Ways and Means Committee to discuss the extension of the date of expiration of this tax. After an hour's discussion it was agreed that the date should be extended to the end of the fiscal year 1938; that Mr. Kent and Mr. Beaman will prepare the Bill and Mr. Doughton introduce it. The Bill was completed and will be introduced this afternoon and the Ways and Means Committee will consider it tomorrow morning, at 10:30. The Chairman has asked Mr. Kent and myself to be present.

We also discussed the proposed legislation with Senator Harrison. He suggested that we obtain the agreement of the railroads (through Mr. Pelley). Since Mr. Latimer is now in touch with the railroads and the brotherhoods, I asked him to speak to Mr. Pelley. Mr. Latimer told me over the telephone that the brotherhoods and the railroad executives would not oppose the extension.

2. Non-resident aliens

Mr. Zucker discussed with me proposals for increasing the withholding rate on dividend income to correspond with the average effective rate now applicable to dividends received by individuals. This figure will be about twenty percent. We agreed that the present exemption of interest on non-resident alien bank balances (Sec. 119 (a) (1) (A)) should be eliminated.

Mr. Zucker is also working on a plan for the taxation of capital gains by directing the broker who sells for a non-resident alien in this country to withhold a percentage of the proceeds until the alien files a tax return showing his actual profit. Mr. Zucker will prepare short memoranda supporting these proposals and will have them available for us tomorrow noon.

3. Contributions for flood relief

I sent to the President the draft of a letter expressing opposition to a Bill by Representative Ludlow to eliminate the fifteen percent restriction on deductions for charitable contributions in so far as it applies to organizations engaged in flood relief.
In reply refer to FE 894.00/693

February 10, 1937

CONFIDENTIAL

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and, with reference to this Department's letter of February 10 to which was attached a memorandum in regard to the formation of a new Cabinet in Japan, encloses, for the confidential information of the Secretary of the Treasury, a further memorandum on the subject under reference which is based on information transmitted to the Department by the American Ambassador at Tokyo on February 10.

Enclosure:
    Memorandum under date February 10, 1937.
Enclosure.

To: Treasury.
February 10, 1937.

MEMORANDUM

(Based on information received from the American Embassy at Tokyo on February 10, 1937.)

On February 9 there were made two appointments of significance.

Because of illness, which apparently is genuine, the Minister of War (General Nakamura) resigned, and last night (February 9) there was appointed as his successor General Hajime Sugiyama, Inspector-General of Military Training. The probability is that the Cabinet's financial difficulties will not be lessened by this appointment, as it seems likely that Sugiyama will insist on the approval of the proposed military budget.

The Governor of the Bank of Japan (Fukai) resigned on February 8 and Seihiu Ikeda has been appointed to succeed him. Ikeda formerly was Managing Director of the Mitsui organization. Juichi Tsushima, former Vice Minister of Finance and Financial Commissioner at London and New York was appointed Vice Governor of the Bank of Japan. Ikeda and Tsushima are well known to financial circles in America. Fukai was considered by financiers in Tokyo as not so much a practical banker as a theorist and scholar and it is said that Ikeda will pursue a more positive policy of cooperation.
cooperation with industrial and financial circles than
did his predecessor. Financial circles in Japan welcome
Ikeda's and Tsushima's appointments and feel that they
with Yuki (Minister of Finance) form a strong triumvirate
which will be able to steady Japan's disturbed financial
situation while giving to industry all possible assistance.
CONFIDENTIAL

In reply refer to 
FE 894.00/690

February 10, 1937

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and, with reference to this Department's letter of February 3 in regard to the formation of a new Cabinet in Japan, encloses, for the confidential information of the Secretary of the Treasury, a memorandum in which is set forth certain additional information received from the American Ambassador at Tokyo on the subject under discussion.

Enclosure:
Memorandum under date February 9, 1937.
February 9, 1937.

MEMORANDUM

(Based on information received from the American Embassy at Tokyo.)

The cabinet of Hayashi is not supported by the political parties, has no decided complexion, and has no marked theories or convictions. However, more mature public opinion inclines toward the belief that the new Cabinet is less colorless than was at first thought. Although this Cabinet is under military influence to a somewhat greater extent than the Hirota Cabinet was, it is likely that on account of the attitude of the military leaders this influence will be exerted with restraint. There are indications that the Army leaders will await the development of the new reactionary political party, which will support and be supported by the Army, before asserting further their power.

Hayashi, who has had little experience in government and politics, is exclusively a soldier and is influential in Army circles. He is honest, straightforward, and rational but not a forceful character. The Minister of War (Nakamura) and the Minister of the Navy (Yonai) are good service men but little known outside the Army and Navy. It is the general belief that the strong figure in the Cabinet is Yuki (Minister of Finance) who is a follower
follower and protege of Takahashi (formerly Minister of Finance) whose cautious financial policies he (Yuki) can be expected to follow with tenacity. It is generally believed that Yuki will try as far as the military will allow to reduce the financial burden on the Japanese people and will not endanger the financial structure of the country by sudden or drastic moves. Few of the other Cabinet members are well known to the public and none are outstanding in reputation.

The vagueness of the Cabinet's supposed policies, as published in the press, illustrates the indeterminate character of that body. These policies are:

(a) Righteous administration under the Imperial Constitution;

(b) Complete clarification of the national polity;

(c) Development of national industry and repletion of national defense;

(d) Establishment of a definite diplomatic policy.

Undoubtedly the Hayashi Cabinet will meet opposition in the Diet but it is not believed that the politicians will go to extremes in their criticism as too strong opposition would result in the dissolution of the Diet. It is the general opinion that the new Cabinet perhaps constitutes a short step on the way to some kind of Japanese Fascism and that it is a temporary and transitional government intended
ment intended to tide over a political crisis. The
general weakness of the Cabinet and the absence of support
from the political parties (none of the Cabinet being
members of political parties) would seem to portend a
short life. However, in Japan, Cabinets of this kind
often live longer than expected and some observers think
that unless this Cabinet is overthrown by some unforeseen
cause it will survive for about one year.
Secretary of State
Washington.

183, February 10, 3 p.m. SECTION ONE
FOR TREASURY

The exchange market has been extremely quiet today and we are told be our market contact that the exchange fund intervened rarely. Sterling is now quoted at 105.10 after 105.12. The dollar is lower at 21.46 5/8. With regard to the other currencies the florin showed some weakness due to persistent rumors that the city of Paris is about to conclude a loan of two hundred million florins in Amsterdam. The forward rates moved slightly in favor of the franc, the dollar being quoted at 21 1/2 centimes for one months and 65 centimes for three months. The one month rate for sterling is one franc and three francs for three months.

The security market was generally irregular. Rentes showed strength closing from 1.10 francs to 1.60 francs up. END SECTION ONE

CSB

BULITT
Scheduled debate in the Senate on the financial situation took place last evening on the occasion of the discussion of the December supplementary credits bill for 1936. The essential features of the discussion relate to the warning of M. Gardey, reporter of the Senate Finance Committee, to halt expenditures, and the notice served on the Government by Caillaux, President of the Senate Finance Committee, that that body would henceforth reject any requests for expenditure without corresponding revenue.

Gardey, in an objective analysis of the situation, said that the Government’s calculation that thirty-six billions over and above budgetary revenue would be required during 1937 was open to question and that, by based on figures furnished/the Minister of Finance, himself, requirements totaled between thirty-eight and thirty-nine billions including loans for the railways.

This was
This was not contested by Auriol. Assuming that at February 1 the Treasury had at its disposal ordinary Treasury bonds of eight and a half billion francs and one billion francs still available at the Bank of France, Gardey explored ways and means of procuring the additional thirty billions. He recalled that Auriol had concluded before the Chamber that loan issues must provide necessary funds. Listing the various ways and means resorted to to cover last year's expenditures, mostly expedients, he expressed doubt that similar procedure would succeed as concerned the year 1937. He was far from convinced that Auriol's hopes for obtaining funds would be realized (in this respect particular reference was made to the Government's announced intention of calling upon the departments and communes.

END OF TWO.

BULLITT.

SMS

NPL
Secretary of State,
Washington,

183, February 10, 5 p.m. SECTION THREE
to repay advances) and he could not believe that the Government envisaged borrowing through a third party.

Garday called upon the Government to halt rising prices, to curb expenditures and to state clearly and definitively its intentions "so as to dissipate the anxiety of a large part of the populace and the illusions of others".

Finally he insisted that the country must be accorded a breathing spell to rebuild its reserves and to enable it to respond to the calls of the Treasury for credit. The currency, national defense, and liberty were at stake, he solemnly warned.

Auriol expressed regret that on account of calls upon his time and attention he must make an improvised reply. Briefly he recalled previous budgetary deficits and the unfortunate development of French finances under previous governments. He did not contest Garday's
Gardey's estimate of requirements for 1937 but hopefully pointed to increased revenue receipts of 282,000,000 francs for December and 253,000,000 for January from indirect taxes alone. Thus he was justified in believing that budgetary estimate of revenue for 1937 would be amply justified and especially in view of the probable stimulation of the Exposition. He complained that he was criticized but that no one brought any solutions. He could not raise taxes nor would he have recourse.

END SECTION THREE

BULLITT

CSB
Secretary of State,  
Washington.  

183, February 10, 5 p.m. (SECTION FOUR)  
to a new devaluation. He would not bring another  
monetary law before Parliament. Therefore borrowing  
was the only solution. But in connection with the  
necessity to borrow and the credit of the state  
Auriol begged "certain newspapers and certain  
people" to cease alarming the public and called on  
the whole country "to group itself around the  
Government in order to ward off threatening dangers".  
The Minister was then lead to repeat that he  
would not devaluate further, he would not reserect  
exchange control nor would he resort to monetary  
manipulation. France had signed a tripartite agree-  
ment with two great democracies. "France would not  
practice a policy of monetary isolation, it would  
not shut itself out from the world at a moment when  
it was necessary for French financial and economic  
interests
interests to draw closer to the great democracies and to consolidate existing arrangements and not to break them." Exchange control he went on would mean the breaking up of the monetary arrangement.

Auriol pointed out that while he had promised freedom of monetary exchanges he had also insisted that there should be no fraud and there existed no contradiction in this respect as had been claimed. He insisted that exchange transactions must be "normal".

Auriol expressed his inability to understand why

END OF FOUR

BULLITT

CSB
Secretary of State,
Washington, D.C.

183, February 10, 5 p.m. SECTION FIVE

the "climate" for local issues was unfavorable. The Government, he said, had only the public welfare in view and that this had been recognized by all. However, he complained that false rumors circulated about further devaluation, empty treasury, etc., could not possibly create a favorable climate. In conclusion, he refused to believe that such a campaign had political ends but he regretted to note that an important Right organ had yesterday predicted that in three weeks anarchy and revolt would be rampant in Paris and this at a moment when foreigners were preparing to come to France.

Cailiaux, referring to the economic situation, insisted that unless the price problem received an early solution, the situation would become "extremely perilous." Turning to the financial situation, he claimed that while the present administration could not be held entirely responsible for the present embarrassment, the principal cause was the program of the Popular Front. In a word, a part of the deficit arose from the policy of reflection based on the theory of purchasing power which Cailiaux characterized
characterized as "absurd". He observed that the Government could only find relief abroad because the French public had withdrawn its confidence in the Government. The reason was because the public was alarmed at ever increasing expenditures, and he predicted that soon even foreign sources of revenue would dry up.

A country whose public debt had increased by 100,000,000,000 francs in seven years could not possibly survive, Caillaux continued, and concluded that authorizations for expenditures not covered by revenue would henceforth be refused by his committee.

Spinetti, Minister of National Economy, closed the debate by explaining his views of the price problem and expressed the hope that by the organization of labor it would be possible to increase production and thus bring about a reduction of prices and the cost of living and revive commercial exchanges.

END SECTION FIVE

BULITT

SSS END
Yesterday the Chamber by a large majority decided to abrogate Article Six of the monetary law of October 1, last, which provided in effect that the present definition of the franc is not applicable to international payments expressed in francs prior to the promulgation of that law and that such payments should be defined in accordance with the monetary law in force in France at the time when the obligation giving rise to the payment was contracted.

The Chamber decided, according to press accounts, to substitute a new article stipulating in effect that the gold clause in international loans must be recognized so that when payments had been stipulated in French gold francs at a specified weight in gold then they must be upheld. In all other cases the term "franc" should be understood as being the current legal franc at the date of payment. The Minister of Finance pointed out that if the provisions of Article Six of the monetary law were maintained, more loss than profit would be caused to French interests and that the charge on the Treasury alone would be not less than six hundred
six hundred million francs. The question will now be
confirmed by the upper house. The proposed modification
was the subject of the Embassy's despatch No. 234 of
January 5.

Some comment has appeared in the financial press
with respect to telegraphed accounts of an article by
Secretary Wallace to the effect that the United States was
not ready to renew its loaning policies "until the question
of defaults is settled." JOURNEE INDUSTRIELLE suggests
that the opinion of Mr. Wallace is probably not shared by
the great majority of New York bankers and goes on to
recall that in spite of the suspension of credit operat-
ions, London has already granted credit to countries
"in default" and in this respect mentioned the credit
to Russia of ten million pounds. The paper concludes that
exigencies exist in internal finance "which do not go
hand in hand with a rigid puritanism."

END OF MESSAGE.

BULLITT

SRS WMB
I called Mr. Carigueur at 11:10 a.m. I referred to the tri-partite agreement of last September and mentioned that the Swiss National Bank on December 7 of last year inquired of us with regard to the revocation or modification of the agreement. I added that these inquiries had prompted us to look into the matter further and we had suggested to the Swiss, and they had since agreed to, certain modification. I told Cariguier that I was sending him a cable tonight quoting two paragraphs dealing with the revocation or modification of the agreement and suggested that he read them and talk to me afterwards or else cable me. I emphasized that I was sure he would find that modification suggested was essentially the basis on which we had been and were now operating with him. I also explained that after receiving the Swiss National Bank's confirmation we had written letters to Belgium and to Holland, telling them what we had done, and suggested that if they agreed, they confirm to us or else give us their reactions. The purpose of our cabling him and also the Bank of England today was to assure uniformity for all members of the agreement.

I then inquired about market conditions in Paris. Cariguier replied that things were very much better yesterday but today, not so good any more. Foreign stock markets were attracting French funds and the reported settlement of the General Motors strike, he thought, would again take French capital into our securities. I replied that, according to the figures reported to us, buying of our securities for French account had recently been insignificant.

Speaking of the Dutch guilder, Cariguier said that he had heard
of rumors of a Dutch loan to the French but that he knew absolutely nothing about it.
February 11, 1937.

TELEPHONE CONVERSATION WITH
BANK OF ENGLAND.

I called Mr. Bolton at 10:55 a. m. I referred to the tripartite agreement of last September and mentioned that the Swiss National Bank on December 7 of last year inquired of us with regard to the revocation or modification of the agreement. I added that these inquiries had prompted us to look into the matter further and we had suggested to the Swiss, and they had since agreed to, certain modification. I told Bolton that I was sending him a cable tonight quoting two paragraphs dealing with the revocation or modification of the agreement and suggested that he read them and talk to me afterwards or else cable me. I emphasized that I was sure he would find that modification suggested was essentially the basis on which we had been and were now operating with him. I also explained that after receiving the Swiss National Bank's confirmation we had written letters to Belgium and to Holland, telling them what we had done, and suggested that if they agreed, they confirm to us or else give us their reactions. The purpose of our cabling him and also the Bank of France today was to assure uniformity for all members of the agreement.

I then asked what he could tell me about the guilder rate. Bolton thought its weakness was due to three reasons:

1. Repatriation of capital had either died down or was completely over.

2. There were rumors that Paris sought a credit in Amsterdam.

3. It was believed that under the recent German exchange law a certain amount of Dutch securities had been turned in to the German authorities and had now been sold by the latter.
I asked Bolton whether he had heard about the rumor that Cariguel was leaving the Bank of France. He said he had and could tell me what had happened. Paris newspapers, led by the Agence Economique, had started an attack upon the French exchange policy, aiming at Labeyrie and Aural. The market, however, misinterpreted the attack and thought it was directed at the man who was handling the technical details of the program, that is Cariguel, with the result that Cariguel was expected to quit. When the newspapers realized the misinterpretation on the part of the market, the Agence Economique published a notice correcting that impression. With that, Bolton thought, the matter had been closed. The firming up of the franc rate, to which he had referred in his cable to us of this morning, Bolton said, was due to rumors of a change in the governorship of the bank. These rumors, he thought, might not be without foundation. As to who might succeed Labeyrie, he knew no more than had been reported by the news service in London as well as here, namely Baudoin of the Banque de L'Indo Chine, and Monick.

Bolton then referred to the increased turnover in their account with us, which, he said, was entirely due to the necessity of swapping clearing house funds for Federal funds and also to a desire not to force more gold upon us. I replied that as far as the extra trouble was concerned, he need not worry and that any steps which resulted in our acquiring less gold in London, I thought, would be welcome here. He inquired whether there was not a chance of doing away with this
distinction between clearing house and Federal funds. I replied that this matter had been discussed frequently in the past but that because of the practices and customs of the New York Clearing House Association, most of the items payable in New York City were not finally collected until the day following their receipt by us.

With reference to the situation in France, Bolton thought that the speculation against the franc might temporarily die down a little but that the movement of capital out of France seemed inevitable at the moment at least. The problem, he thought, were the acts of the government at present in power in France.
February 11th

H.M.Jr. sent for Bewley.

Bewley: I have a message for you from the Chancellor of the Exchequer:

"Please convey to Secretary Morgenthau the following personal and strictly confidential message from Chancellor of the Exchequer:

Further to my message of February 6th Governor of the Bank of England has returned from Basel where he had conversations with Governor of the Bank of France. He reports that financial situation in France has in no way been improved by recent credit afforded French Railways in London. In my opinion the outlook is increasingly serious and unless French government can speedily take most vigorous action to restore confidence I fear that we may see a flight from the franc, strict exchange control and other features only too familiar in similar circumstances. This would of course mean break-up of tripartite agreement. We are urging the French government to make every effort to avoid such an outcome which we should regard as serious disaster."

H.M.Jr: I want to ask you a question. Can I give you a verbal message for Mr. Chamberlain and can you give me your word of honor that you do not have to give it to anybody but to Mr. Chamberlain?

Bewley: Well, no - - -

H.M.Jr: I want to send him a message as one Finance Minister to another via you and not have it go through the Foreign Office.

Bewley: Oh you mean verbally, after I get back to Europe? Oh yes, of course.

H.M.Jr: The only person who knows he is getting this is the President. I do not send messages of this kind unless it is with the approval of the President. What I would like you to say to Mr. Chamberlain is this:

"That looking at this whole world situation the thing that is breaking down the credit of the big countries of the world is armaments. That affects your Treasury and it does not happen to, at the moment, affect ours but it is the basis of the
"French troubles, the Japanese troubles and looking at it as a financial matter and not as a diplomatic has he any suggestions to make to me whereby he and I might make some start to stop the arming that is going on all over the world."

Bewley: I would be delighted to pass this on.

H.M.Jr: I am telling you that I could not and would not make a suggestion like this if it was not with the approval of the President. Nobody knows about this except the President.

H.M.Jr: As to the answer - there are two ways you can get it to me: Either you come back yourself or send for Cochran and give it to him by word of mouth and let him come back - but nobody else. I do not want to trust any cables.

Bewley: You simply want to know whether he has any suggestions?

H.M.Jr: Nobody in the Treasury knows about this except you, the President, Mrs. Klotz and I. I want an answer by word of mouth. I will get word to Cochran that if you should ask him to come to London that he should go but ask no questions. Cochran is so situated that he does not have to report to anybody but to me.

Bewley: I will not be in London until the 15th of March. I will land at Plymouth. It is not absolutely certain but we are planning to make a trip to California first.

H.M.Jr: I lay great stress on this. I wonder if it would not be possible - I wonder whether you could not go over, stay there three or four days and then come back and get your two weeks vacation here.

BEWLEY HESITATED FOR SOME TIME

H.M.Jr: Is there any way of my getting word to Chamberlain? I feel terribly pessimistic about this situation and what you say about the French. These countries are just heading for financial bankruptcy and what is bankruptcy - that is this race for armaments.
Bewley: The Chancellor will not be able to give you any suggestions without discussing it with somebody.

H.M.Jr: I do not want this message to go through your Embassy nor through the State Department but what the Chancellor does after he gets the message and with whom he wants to discuss it that is up to him.

Bewley: If I ask for special permission there will be a lot of buzzing about it. Will that be helpful?

H.M.Jr: The buzzing would be in your service.

Bewley: I would have to get the approval of our Ambassador.

H.M.Jr: Could you say to Sir Ronald that I have asked you to give a message to nobody except the Chancellor of the Exchequer and suggested that you sail on the first boat out and then come back? You could be back here in two and a half weeks.

Bewley: My main feeling is that when it gets to London he will not regard it purely as a financial matter and will want to discuss it with his colleagues.

H.M.Jr: What he does with it after he gets it I am perfectly willing to leave to him. That is his look-out. I am asking him a question. I have made a study of these figures and what these various countries are spending is just unbelievable.

Bewley: We are doing our best to moderate the other countries and when we could not we just decided that we had to build too. The prime mover is Germany.

H.M.Jr: Supposing you talk it over with Sir Ronald since there is no sailing for a week and tell him just what I would like you to do.

Bewley: I do not see that there will be any difficulties. I think it can be worked out.

H.M.Jr: I would rather have you come back with the answer. I only suggested Cochran in case you could not.
February 11th

Ambassador Bingham was in to see H.M.Jr. to-day. He said that in his opinion the monetary agreement absolutely saved Europe from going to war. H.M.Jr. should be given entire credit for that.
GRAY
London
Dated February 11, 1937
Rec'd 3:40 p.m.

Secretary of State,
Washington.

58, February 11, 6 p.m.
FOR TREASURY.

The Chancellor of the Exchequer announced in the House of Commons this afternoon that the Government would immediately seek powers to authorize it "to raise capital or to use surpluses for its defense expenditure up to a sum not exceeding 400,000,000 pounds over a period not exceeding five years". Chamberlain particularly emphasized (one) that this in no way constituted an authorization to the fighting service to undertake any additional expenditure; (two) that "flexibility and adaptation must be a necessary part of our program".

British Government securities which, as mentioned in my 38, January 29, 7 p.m., have been weak remained comparatively unaffected by this announcement due to the fact that jobbers widened decidedly the spread between their buying and selling prices.

The
LMS 2-lo. 58, February 11, 6 p. m., from London.

The initial reaction of the city to this announcement was not unfavorable and it was assumed that the reason Chamberlain chose this time to make it rather than during his budget speech was in order that he might undertake some borrowing during the present fiscal year through the issue of Treasury bills thus avoiding having to take this same action after an unbalanced budget had resulted. It has also been noted that the powers he will obtain would cover the acquisition of the profit on the gold held in the Bank of England, the market value of which is approximately 180,000,000 pounds over its book value, if this should be realized during this five-year period.

It is interesting that this announcement was made just an hour before Ambassador Ribbentrop's much heralded visit to the Acting Foreign Secretary.

The franc strengthened somewhat today in terms of sterling; in fact the Bank of France bought some pounds sterling due to (one) Chamberlain's loan announcement; (two) bear covering in Paris. The recent French revenue returns have made a favorable impression here and it is also thought here (one) that the new French financial legislation is intended in due course to make a free gold market in Paris; (two) that an announcement will be made in the near future of the appointment of a "cooperating second"
LMS 3- Fo. 58, February 11, 6 p. m., from London.

second" to Auriol, who will be acceptable to the Rue de Rivoli, (three) at the same time the franc will be held in Paris and London fairly rigidly.

ATHERTON

CSB
Secretary of State,
Washington,

191, February 11, 6 p.m. (SECTION ONE)
FOR TREASURY.

While the exchange market has been fairly quiet today, sterling has fluctuated somewhat and reacted to 104.99 at which point the exchange fund made slight purchases but it quickly reacted to 105.03 and 105.04 when the fund turned round and sold. The rate is now 105.03.

The dollar has remained fairly steady and is now quoted at 21.43½. The florin receded slightly apparently influenced by persistent rumors that the city of Paris has been successful in the negotiation of a substantial loan at Amsterdam but it has not been possible to confirm this. The Swiss franc also receded apparently due to sales of German holdings following liquidation of securities prompted by the tightening up of regulations by the Reich.

Forward rates again moved in favor of the franc, the dollar being quoted at 16 centimes for one month and 52 centimes.
LMS 2-To. 191, February 11, 6 p. m., Sec. 1, from Paris.

52 centimes for three months. The pound is quoted at 75 centimes for one month and 1.45 francs for three months.

Rumors somewhat vague are being circulated on the Bourse that the Government envisages making certain changes in its financial policy notably as concerns the budget. These rumors coupled with the realization of installments of the British credit may account in a certain measure for the easing of pressure against the franc.

The Bank of France statement dated February 4 reveals no changes of importance. The gold reserves are unchanged. Commercial discounts are down 582,000,000 francs. Advances to the Treasury under the ten billion franc authorization remain unchanged at 7,500,000,000. The note circulation is down about 800,000,000. Deposits up 132,000,000. The ratio of gold cover is 55.01 compared with 54.67.

The security market was generally lower and rentes failed to maintain their upward trend; on the contrary losses from 10 to 40 centimes were recorded. Internationals improved slightly. (END FIRST SECTION)

BULLITT

CSB
PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France
DATE: February 11, 1937, 6 p.m.
NO.: 191

AGENCE ECONOMIQUE has lately shown considerable preoccupation about the competency of the high officials responsible for the financial policy of the Administration and has stressed the view that if the tripartite monetary agreement could lead the French authorities to adopt methods which have been employed with success in London and in Washington the country could envisage with much less anxiety the numerous pressing financial problems which now face the Government.

The following is strictly confidential:

AGENCE ECONOMIQUE in its February 9 issue was at pains to make it clear that its criticism was directed at the higher officials who are responsible for administration of the exchange fund and not the official actually manipulating the fund. We are very reliably and confidentially informed that AGENCE ECONOMIQUE had in mind the Bank of France's Governor, and the Treasury's Director of the Movement of Funds section.

In
GRAY) In the FIGARO of today notice is given to a rumor that Auriol might resign but adds that there does not appear to be any real grounds for this rumor. However, it suggests that the story explains the strength of rentes yesterday. On the other hand this paper pointedly stresses that the possible resignation of Labeyrie "merits consideration" and that his departure would "bring to an end the regrettable discordances between the action of the Treasury and that of the Bank" and that his resignation would imply a change in the credit policy. This paper goes so far as to suggest that M. Baudouin, Director of the Banque de l'Indo-Chine is to replace Labeyrie but that Baudouin is not disposed to accept and that Monick would be the next choice. No serious attention is given in financial circles here to the suggestion that Monick might be under consideration.

The debate which took place in the Senate on February 9 summarized in my telegram of yesterday has been given considerable notice in the press. Particular agreement is noted with the contention made by Caillaux that if the Government is encountering difficulties in raising necessary funds it is not due to the opposition of
LMS 3-100. 191, February 11, 6 p. m., Sec. 2, from Paris.

of any particular money block or to campaigns or maneuvers against the Government and that the money block if one exists is composed of the millions of Frenchmen who have savings and who are unwilling to subscribe to Government loans because they consider that the state expends too much and that the administration of public finances is exactly the opposite of what it should be to gain public confidence. (F. D. Gray)

BULLITT

CSB
Secretary of State,
Washington.

191, February 11, 6 p. m. (SECTION THREE) (introduced?)

The Government has instructed a measure before Parliament which provides for a modification of Article Eight of the Monetary Law of October 1 last relating to the negotiation and importation and exportation of gold. The Senate has held up the proposal for further examination and it appears that the legal and financial committees will make a study of the project and expect to make their report on Tuesday, February 16. An opportunity has not yet been had to study the proposed modifications but according to the Journal Officiel it relates to penalties applicable to infractions of Articles 628, 629 and 631 of the customs code which govern exports of gold.

The Senate Finance Committee yesterday deleted from the 1936 Supplementary Credits Bill in which it had been embodied the clause approved by the Chamber modifying Article 6 of the Monetary Law of October 1 last referred to in my telegram of yesterday. The proposed modification
LMS 2-No. 191, February 11, 6 p. m., Sec. 3, from Paris.

modification, however, with amendments proposed by the chairman of the Gold Loans Committee will be considered by the Senate early next week according to present plans.

The Parliament yesterday authorized the guarantee of the state to the loan issue of 600 million francs by Czechoslovakia referred to in my telegram 173 of February 6. The issue is intended to reimburse the Czechoslovak loan maturing on April 1 next and is to run for ten years.

(END OF MESSAGE)

BULLITT

CSB
February 11, 1937

Miss Tully called the Secretary and told him she had a private matter to take up with him and asked permission to come right over. The Secretary, of course, told her to come at once.

She was received by Mrs. Klotz in her office and said, quite emphatically, that the President wanted her to see HM, Jr. alone and that no one else was to be in the room. The Secretary had some people in his room and he sent them all out and asked Miss Tully to come in. She then handed him the attached note from the President with its attachments.

Up to this point, HM, Jr. had taken Miss Tully's request for an interview with all seriousness and had no idea the President was playing a joke on him. Upon reading the President's message he shrieked with laughter because the President still continues to kid him about Mrs. Rainey.
February 11, 1937.

Dear Henry:

This seems to be a matter so personal to you that I know you will want to help your old friend Mrs. Rainey. Considering the long separation, I am sure your Elinor would not mind.

F. D. R.
Hon. Franklin D. Roosevelt,
Washington, D. C.

My dear Mr. President:

At the request of Mrs. Henry T. Rainey, I am sending herewith, a copy, of our auction catalogue, containing a selection from the late Speaker's library.

Both the late Speaker and Mrs. Rainey were quite active in Boy Scout and Girl Scout work, in Carrolton and vicinity. Mrs. Rainey intends to use the proceeds from this sale to further her work among the boys and girls, for which she deserves a vote of thanks from all Americans.

I would consider it a personal honor to execute any bids that you may desire to submit.

Respectfully yours,

George W. Schoenbeck
Secretary and Treasurer
Chicago Book and Art Auctions.

GWS/MB
Encl.
SALE No. 77

Selections From the Library of the Late

Hon. Henry T. Rainey
Speaker, House of Representatives

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Thursday and Friday
February 18th and 19th
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4. Title passes when the auctioneer has declared the lot sold and has named the buyer thereof. Thereafter the property is entirely at the purchaser's risk. All articles must be called for the following day from 1 to 6 P.M., Room 919 Fine Arts Building. For all out-of-town shipments an extra charge will be made to cover packing and shipping. Articles not called for the following day, or not paid for in full, may at the option of the firm be re-sold.

ALL SALES FINAL

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8. A 3% sales tax will be added to the purchase price on all sales, where legally applicable, to buyers in Illinois.

9. All bids, or offers, oral or written, are made subject to the above Conditions of Sale.
FIRST SESSION
THURSDAY, FEBRUARY 18
Promptly at 8 P. M.


2 ADDISON, JOSEPH. *The Life of Addison by Lucy Aiken*. Extrav-illustrated with 12 fine steel and copper engravings (portraits of Steele, Pope, Swift and others of the period, etc.) 2 vols. post 8vo, 3½ crushed morocco. Gilt lettering and decoration on the backbone, t.e.g. London, 1843.


"THE STORY OF A BAD BOY"

4 ALDRICH, T. B. A. L. S., 3 pp. 12mo. Boston, Feb. 21, 1899. To Mr. Chambers. Reads in part: "I think that I lost thousands of readers by calling my little autobiography 'The Story of a Bad Boy.' I know that it has been excluded from several Sunday School libraries simply on account of the title. To be sure it has attracted a great many persons; but I might have had both classes of readers. If I had the book to name over again, I should call it something else—'The Story of a Real Boy,' for example. The thing sells right along all the same."


THE RARE FIRST EDITION

6 ALDRICH, THOMAS BAILEY. *The Story of a Bad Boy*. With Illustrations. Boston, 1870. 12mo, original red cloth (cover soiled and worn; backstrip torn about 1 inch at bottom of outer hinge).

First Edition of one of the rarest of American "High Spots." The extremely rare first issue, with "scattered" for "scatters" on page 14, line 20, and with "abroad" for "aboard" on page 197, line 10. Save for a few slight time stains and the defects noted above, this is almost a good copy of this important rarity.

8 ALMANAC, AMERICAN. The American Almanac and Repository of Useful Knowledge for the Years 1830-42, incl. 12 volumes. 12mo, calf and boards. (or 4 backstrips suffused at top.) Also for 1834 and 1836, 2 volumes. Original wrappers (backstrips suffused). Together 14 volumes. Contents fine.


First Edition. The first 250 pages are devoted to North and South America. One signature sprung. Fine copy.


11 AMERICAN AUTHORS. A collection of 3 A. L. S., one of Edwin Booth '87, declining an invitation to appear in Washington; and 2 of Laurence Barrett, Shakespearean actor of the Eighties; both dated 1889. Three fine autograph letters.

12 AMERICAN HISTORIANS. A collection of 5 A. L. S., mostly 1890-1895. John Fiske (2, one typed), George Bancroft (at 88) and Alexander Brown. Several of these refer to Col. Charles Ellet, famed for his Mississippi River battles, particularly Memphis.

13 AMERICAN MAGAZINE, EARLY. The American Magazine, or Universal Magazine. Philadelphia, 1789-92. 8vo, old boards, 2 paper labels, 1 volume rebacked, 1 binding broken, untrimmed. Vols. 1, 4 and 6 of this early American magazine. With the scarce list of subscribers in Volume 1. Contents very good.


15 AMERICAN REVOLUTION. The Naval Monument, containing Official and Other Accounts of All the Battles Between the Navies of the United States and Great Britain. With 25 engravings, etc. 8vo, calf. First Edition. Soiled and worn; a few pages torn at corner margins, damaging the text to a slight extent. Lacks end-papers. This is, however, a tight copy.

16 AMERICAN REVOLUTION. The Wives of the. By Elizabeth F. Elliot. In 3 volumes. New York, 1852-3. 12mo, original cloth; backstrips chipped at top and bottom; some foxing; 1 signature loose; contents otherwise very good. Vol. 3 is one from a different set.


18 ANTIQUES ON VELLUM. Fine Musical Manuscript of the Middle 15th Century, 124 leaves, large folio, 23x16 inches, in an unusual contemporary stamped leather over oak boards binding, slightly repaired with most of the original brass bosses and all of the brass corner pieces intact. First page within decorative border, large rubricated letters. Hallan, circa 1450.


Fine copy, with d. w. Contains 233 illustrations throughout the text, including many full-page plates representative of the work of the most important artists in the Decorative Arts in England.

SMITH'S CATALOGUE RAISONNE


This elaborate work is indispensable to collectors of paintings. Fine set.


Author's Presentation Copy, with signed inscription on front end-paper.


With author's inscription, signed and dated, of an epigram from the book on front end-paper.

28 BANCROFT, HUBERT HOWE. The Book of the Far. An Historical and Descriptive Presentation of the World’s Science, Art, and Industry, as Viewed through the Columbian Exposition in 1893. Chicago and San Francisco, 1893. Wide elephant folio, 5/5 original pigskin and boards, gilt tops. 11 volumes, including a set of extra plates in portfolio. The De Luxe Author’s Edition, limited to 150 numbered sets, this being No. 4, signed by Hubert Howe Bancroft, the distinguished author. As new, with original d. w., each volume in a separate box, as issued. The most monumental memento of the world famed Fair of 1893, and one of the scarcest of Bancroft items.


32 BEARDSLEY, AUBREY. An Issue of 3 Drawings Illustrative of Juvenile and Lesbian Foolscap folio, vellum paper, in red half morocco slipcase, inner cloth wrappers. Limited to only 129 numbered copies.


34 BENNETT, ARNOLD. The Old Wives’ Tale. New York, no date. 12mo 8vo, original cloth. Fine copy. Author’s signed Presentation Copy, Xmas, 1912.

MANUSCRIPT EDITION


36 BIBLIOPHILE LIBRARY, THE. The Bibliophile Library of Literature, Art and Rare Manuscripts. Introductions by Andrew Lang and Donald G. Mitchell. Compiled and arranged by Nathan Haskell Dole, Forrest Morgan, and Caroline Ticknor. 30 volumes. International Bibliophile Society, (1904). Large 8vo, original green buckram, paper labels, g. t. Member’s Edition de Luxe, limited to 1,000 numbered sets. Very fine set.


38 BIBLIOGRAPHY. The Librarian. By James Savage. London, 1898. Thick 8vo, old tooled calf (front cover loose), contents fine. Two vols. in one. Contains important bibliographical information including an "Analysis of Books."


41 BLACKMORE, R. D. A. L. S. 4 pages, large 32mo, Teddington, August 7th, 1887, to a dear friend. A splendid letter, by the author of “Lorna Doone,” mentioning the sudden loss of his left hand as a motive power. In part: "I thank your son for his soft and touching letters about the dear friend you have lost, whom many in this country mourned for. I was reading some of your husband’s poems once again, and the beauty of the thought made me wonder whether his son can write in like strain. We are suffering from the worst and largest drought that I can remember," etc. About 240 words.

67 BURTON, JOHN HILL. *The Book-Hunter, etc.* With a Memoir of the Author. Edinburgh, 1882. Large square 8vo, buckram, uncut.

The Second Edition, large paper, limited to 1,000 numbered copies. Nice copy, partly unopened.


**ORIGINAL BOOK MANUSCRIPT**

69 BYRNE, DONN. *Crusade.* The original Autograph Manuscript, signed 3 times. 230 pages entirely in Byrne's own hand, fine manuscript beautifully written of one of his best books. Autograph manuscripts by Byrne are excessively rare.

**VERY FINE COPY**

70 BYRNE, DONN. *Stories Without Women.* (And a Few With Women.) Illustrated. New York, 1913. Large 12mo, original cloth.

The extremely rare First Edition of the author's first book. Save for a tiny tear (about 1 1/2 inches) at top of backstrip, this is an exceptionally fine copy, with the white lettering on covers and spine perfectly bright and intact.

**BYRON ON MORALITY**

71 BYRON, LORD. A, L, S. 5 May, 1821. 2 pp, 8vo in Byron's characteristic large hand. The letter reads in full, "My dear Sir, I open the packet & which is a quarter to 4 P. M. In order to add a few lines. I have not been with the Quarters— & but let them look to it. As for Milton (you well know that I have not been unfair to his poetry even)— but I have lately had some information of his critical proceedings which may bring to him be will be sorry for. I happen to know that of him which would annihilate him— when he pretends to teach morality. As to the old Depont— sentimental cradle— let the cattie crow crash—I want any thing for fear of being indecise. Yours ever, Byron."


With signed inscription by the author on end-paper. With A, L, S., 1 page, 8vo, presenting a copy of "The Cavalier."

74 CARELL, JAMES BRANCH. *Cords of Vanity.* N. Y., 1869. 12mo, original red cloth.

First Edition, first issue, with "Cords of Vanity" on spine. The white lettering on the spine has been partly worn off, as usual, and there is a slight water stain on the front cover, otherwise a very good copy.

75 CABLE, GEORGE W. *Old Creole Days.* New York, 1879. 12mo, original cloth. First Edition of the author's first book. Binding somewhat warped; rear cover slightly crinkled; otherwise a fine clean sound copy of this scarce "High Spot."

76 CALIFORNIA. *The Annals of San Francisco.* By Frank Soule, John H. Gilson, M. D., and James Nisbet. Illustrated with 150 fine engravings. New York, 1856. 8vo, leather and mottled boards. Very good copy, with the scarce large folded map, usually lacking, in front of text.


**MR. AND MRS. BROWNING'S COPY OF CALLIMACHUS**

78 CALLIMACHUS. *Hymns and Epigrams.* Glasgow, 1755. Greek text, with title in Greek and Latin. Square 8vo, old calf and marble boards. In full green grained calf slipcase, inner cloth wrappers. Fine copy.

An extraordinary Association Copy, with Elizabeth Barrett's name and a note, both in her handwriting at top of title, and the word "Browning," written underneath by Robert Browning. Thus linking intimately a husband and wife whose joint literary and romantic history is perhaps the most fascinating episode in the entire annals of English literature. It is to be presumed that this copy originally belonged to Robert, who gave it to Elizabeth. It contains, moreover, 6 critical notes in Mrs. Browning's beautiful hand, in Greek and English, totalling about 76 words written in the margins. A more desirable Association Copy can hardly be imagined.

79 CARLETON, WILL. *Autograph MS., 5 pages, post 4to, "The Ballad of Solomon." A fine long ballad by the famous author of "Farm Ballads." Together with a 4, L, S., various dates and sizes, in half red-crushed levant morocco slipcase.

80 CARLYLE, THOMAS. *Chelsea, 25 Jan. 1843. 3 pp, 12mo, referring to Kingsley's Book, Fraser's Magazine and his friend Emerson. Reads in part, "... I think it would be handsome and proper to send Emerson The American, an edition or Publisher's copy: he was a valued friend and correspondent of the deceased."

82 CAXTON CLUB. William Caxton. By E. Gordon Duff. Chicago, The Caxton Club, 1903. 4to, original boards and linen, paper label, deckle edges. With 25 full-page plates. Limited to 252 copies on hand-made paper. Fine copy of this rare and important work on the achievements of one of the greatest printers.


85 CARTOONS, OLD AMERICAN. Cartoons Twenty Years Ago A Glass Backward. By Thomas Nast, 1893.—Let Them All Be Crooked. Laurel Wreaths for the men who made the Columbian exposition. By Art Young, (1893). Together 2 cartoons, folio, on cardboard.

86 CARTOON. Original pen-and-ink cartoon of Theodore Roosevelt, by Bradley, depicting Mahomet, seated a distance from a mountain labeled "0 0 P." The cartoon, entitled "Will the Mountain Come to Mahomet?" carries the following presentation inscription in ink: "To Florence, with the compliments of the cartoonist—Luther. (Bradley)


"It is declared that we are to have forty thousand land forces to secure us against dangers.... France will not concern itself in one quarrel with Spain.... Parliament meets in November, money being wanted."


96 CHITTENDEN, HIRAM MARTIN. The American Fur Trade in the Far West. Map and Illustrations. 3 volumes. New York, 1902. Royal 8vo, original cloth.

The most authoritative and comprehensive history of the early American fur trade. One fly-leaf lacking, and name in ink on another, otherwise a very good set of this important work.

97 CHURCH OF ENGLAND. Epiiscopacy by Divine Right. Asserted by Jos. Hall. London, 1640. Wide 8vo, old calf (badly worn.).

Margins of last 50 pages worn. Re-binding copy. Rare.


A collection of utmost importance as to the details of this major campaign. Including his appointment to the command and final report. The collection contains field dispatches, reports of commanding and minor officers. The valuable diaries and letters of the officers vary in size from one page to 12 pages folio. Many famous names are signed to various orders, Grant, Rosecrans, Kirby.
THE GILT-EDGED FIRST ISSUE OF "TOM SAWYER"


The excessively rare First Edition, first issue, with gilt edges and measuring 1" across top of covers, and with half title and preface versus black. Binding somewhat rubbed in a few places, as usual, and some small stains on back cover; this is otherwise a very good, sound, clean copy of one of the rarest and most important of American first editions. This copy is especially noteworthy, as it contains the correct three-blank fly-leaves at front and back.


The rare First Edition of this famous book, with the points: page 283 on a stub; the second 5, page 155 extends slightly below the first 5. Insufficient stain at bottom of front cover, light pencil inscription on front endpaper, and one edge of circular pasted on inside of back cover. Save for these insignificant defects, this is a clean, bright, sound copy.


104 (CLEMENS, SAMUEL L.) The Tragedy of Pudd'head Wilson, and the Comedy, Those Extraordinary Twins. By Mark Twain. With Marginal Illustrations. Hartford, 1894. 8vo, original cloth.

First Edition. Inscription on verso of frontispiece, and front cover slightly spotted, otherwise a very good clean sound copy of this scarce book.

105 (CLEMENS, SAMUEL L.) Revised Remarks on Mark Twain. By George Ade. Also the address of John T. McCutcheon, commemorating the Centenary of Mark Twain's Birth. Compiled by George Hiram Brownell. Chicago, 1936. Limited to 500 numbered copies signed by George Ade. No. 154. 12mo, 36 pp., printed pictorial wrappers.

Pamphlet contains 3 articles by George Ade on Mark Twain; several rare early caricatures of Mark Twain: an original cartoon of Ade prepared by McCutcheon for this publication and autographed by him: a frontispiece portrait of Ade, autographed; and the pamphlet is also signed by the compiler, George H. Brownell. A choice collector's item for all Mark Twain fans.

MENTIONING JOAN OF ARC AND DREYFUS


An extraordinarily fine letter of over 300 words, written to his English publisher, Murray, while he was working on his biography of Joan of Arc. He is extremely anti-French, his letter reading in part:

"There is something very Frenchy about the cheeky interest (and complacent) which that excessiveness of the human race take in Joan of Arc. In a bookshop window in Rouen I saw a bibliography of their contributions to her literature containing 3,000 titles, 99 hundredths of that must have been written since 1845; five centuries hence they will find something to be vain about in their treatment of Dreyfus."

"How lucky that they condemned him again. If I hadn't been supported and encouraged by my deep trust in their innate and hereditary rottenness, I should have been afraid, at times, that they would strike a kind interval and save their country that final which."


Also written to Murray on the same subject as the preceding; over 400 words. "Yes, it (the Dreyfus trial) does remind me of the Renne trial. I had a paragraph in my Introduction, particularising the twin-resemblances, and suggesting that French character has not improved in five centuries, but Mrs. Clemens knocked it out. . . . I was never likely to profane Joan's lips with words which she had not uttered or attribute to her an important act which was not drawn from history."


Again addressed to his publisher on the subject of his biography of Joan of Arc. Clemens indites in a number of witnesses and a long description of the beauties of Sevenc. About 300 words.

To his publisher referring to John of Arc, saying in part: "I have finished the introduction, & have discarded a third of it, & have in various ways reduced it & compacted it & got it to suit Mrs. Clemens & myself . . . . About 150 words, incomplete, not signed.

110 CLEVELAND, ROVER. 2 Autograph Letters signed, 1880 and 1883. One letter 2 pp., 12mo, with envelope, regretting inability to give a lecture, and one short autograph note signed in full.

111 CLOCKS. Old Clocks and Watches and Their Makers. With 400 illustrations, many from photographs. London, 1899. 8vo, original cloth. Fine copy. Scarce.


114 COLERIDGE, SAMUEL TAYLOR. The Rise of the Ancient Mariner. With ten engravings on copper by David Jones. Bristol, 1829. 4to, linen cloth, gilt top, other edges untrimmed. Printed by Douglas Cleverdon at the Fauvare Press, and limited to 60 numbered copies signed by the artist and containing a set of engravings in final state. Fine copy.


116 COLLINS, WILLIE. A. L. S., 2 pages, 12mo. Ranelagh, 2nd August, 1886, to Frederick E. Kitts. A fine letter mentioning Charles Dickens. In part: "I abstain from adopting your suggestions, out of consideration for the wishes of Dickens himself. He more than once expressed to me his dislike of being presented to public curiosity by means of "pen-portraits," and his desire to be only known to the great world of readers after his death by his books."


121 COLORED LITHOGRAPH. Henry Clay of Kentucky. No date (contemporary). Folio size. Inclosed in glass, in dark heavy wood frame.


126 COMMERCIAL PRICE LISTS, O.I.D. Collection of 6 sheets, 8vo and post 4to, mounted on card boards, listing prices of commodities and dated, London, 1756; Baltimore, 1803; Bordeaux, 1816; Mobile, 1837; another list, Mobile, same year; New Orleans, 1849. Together 6 pieces, in fine condition.


128 CONFEDERATE IMPRINTS. Three printed leaflets, 12mo, Army Orders, 1864. Richmond. Regulations as to use of Certificate of Indenture, Bureau of Conscription covering grain control, and Quartermaster's.


A FINE LETTER REFERRING TO THREE BOOKS


"I shall select scenes, adventures, interviews, etc., from what I have seen, all over Europe, put them in the order of time, etc. This will be a condensation of travels, rejecting the parts that are not distinctive, and yet not throwing away the notes I have had so much pains in writing."

"I shall publish most probably in the Spring Naval Annals of the United States, a work on which I have been employed for many years. I should like this book to be printed in England, for I hope it will correct many errors on both sides of the Atlantic."

133 (Cooper, James Fenimore.) The Spy Unmasked; or, Memoirs of Enoch Crosby, alias Harvey Burch, the Hero of Mr. Cooper's Tale of the Neutral Ground: Being an Authentic Account of the Secret Services which He Rendered His Country During the Revolutionary War. (Taken from his own lips, in shorthand.) By H. L. Barnum. Embellished with engravings. New York, 1828. Tall 8vo, original boards and cloth, paper label (backstrip rubbed).

First Edition of this rare account of Cooper's celebrated character in the flesh. Rare for some very slight foxing this is a fine copy internally.


THE RED BADGE OF COURAGE

137 Crane, Stephen. The Red Badge of Courage. An Episode of the American Civil War. New York, 1895. 12mo, original buckram, yellow top. First Edition, the very rare first issue, with perfect type at page 223, last line. Cover with material spotted; inscription on front fly-leaf; otherwise a nice, clean, sound copy of this rarity.


140 Cruikshank, George. A. L. S., London, Feb. 7, 1874. Four full pp. 8vo, to John B. Gough, the famous American temperance lecturer. A very friendly letter discussing Cruikshank's work, the temperance cause, and his hard luck. Reads in part:

"I am republishing some of my early works, the first one being "Phrenological Illustrations," done nearly 50 years back ... with respect to disappointments it really seems to be my fate to meet with them constantly for four years I have been preparing some works to be published in photogravure, but after many attempts the party failed altogether in the press, so there is all my time and money gone, etc.


143 Curious. Emblems of Eternity; or, Choyce Observations, etc. Collected by D. Lupton. London, 1639. 16mo, old leather. Backstrip torn, contents fine. Rare. A little encyclopedia of curious and interesting information: Gutenberg and printing; the invention of guns, etc.


147 DEARBORN, HENRY. ("Father Dearborn"—Chicago.) Document signed. Boston, August 22, 1869. 2 pp., 8vo. Manifest signed as Collector of the Port of Boston.


149 DECORATIVE MAPS, OLD. Cardiganshire, Montgomery, Brecknock. Together 3 fine decorative maps of parts of England; enclosed in glass (1 piece broken), large atlas folio size, ca. 1700 or earlier.

150 DECORATIVE MAP, OLD. Le Perou et le cours de la Riviere Amazonas. Par N. Sanson d’Abbeville, 1656. Superb colored map, enclosed in glass, large atlas folio size.

151 DECORATIVE MAP, OLD. Persia sive Saporum Regnum. William Blaeu, Amsterdam, 1634. Splendid colored map, enclosed in glass, large atlas folio size.

152 DECORATIVE MAP, OLD. Superb colored map of America, large atlas folio size, enclosed in glass: Taviss Americae Septentrionalis et Meridionalis Numismata Representatae, Johannes Baptista Homann, Nuremberg. (ca. 1680).


First Edition, with half-title-page. Fine copy of this book. This present satire contains the first hints of many of the ideas of Swift afterwards embodied in Gulliver, and many of the sly hits at all authors of the time, from Dryden to Tom D’Urfe.


First edition in one volume, bound in cloth. Tipped in on the inside of the cover is a salutation, signed by Dickens—"Dear Sir—Faithfully yours—Charles Dickens. The Rev. A. H. Banford." Good copy, loose in binding.

158 DICKENS, CHARLES. The Posthumous Papers of the Pickwick Club. With 42 illustrations, by R. Seymour and Phiz. London, 1837. 8vo, original cloth.

The First Edition in cloth. Front cover very slightly rubbed, otherwise a fine copy.

MASTER HUMPHREY’S CLOCK


First Edition. Some backstrips repaired, and the back wrapper of Part 12 has been used for Part F, and the wrapper for Part 20 is Part 2 changed to 20.

DOMBEY AND SON


The rare First Edition in parts. Part V has the 12-line errata slip. A good sound set, with some bookstrips repaired and some covers soiled. Most of the covers are in fine clean condition.


LITTLE DORRIT


First edition in parts, lacking the half-title. First issue, with the white slip on which the author corrected the errors in the preceding chapter, in Part XVI. The back wrappers of Part I, II, V, XIX and XXX have been supplied from other parts. Backstrips of some wrappers repaired.
EDWIN DROOD
164 DICKENS, CHARLES. The Mystery of Edwin Drood. With 12 Illustrations by S. L. Fildes, and a portrait, 6 parts, 8vo, green wrappers. In a green half-morocco slip-case. London, 1870.
First Edition. The back wrappers of Parts II and VI have been supplied from Parts I and V, and backstrips of some wrappers have been repaired.

165 DICKENS, CHARLES. A. L. S., "Office of All the Year-Round." London, 23 July, 1885, 1p., 12mo., to Mr. Kilton. Reads in part, "When I went to America the Pickwick spoons were packed up with other articles and stored away," etc.

WITH ORIGINAL WATER COLOR DRAWING
166 DICKENS, CHARLES. The First Editions of the Writings of Charles Dickens and Their Values, A Bibliography by John C. Eikel. With a Portrait of Charles Dickens and 36 Illustrations and Facsimiles. London, 1915. 4to. 1/2 white vellum, cloth sides, gilt top, other edges untrimmed. Large-paper Copy with original water color drawing by "Kyd." Limited to only 250 copies signed by the author and publishers. Very fine copy.


ONLY FIVE COPIES
171 DRAKE, JOSEPH RODMAN. The Curtain Fall and Other Poems. With a Title Page and Vignettes by Edmund Garrett. Printed by the Roxburg Club, Cleveland, 1883. Large 8vo, original white cloth (very slightly spotted), leather label. Limited to only 5 copies on Japan vellum. With 2 A. L. S. by the author regarding the book, laid in. Fine copy, in half green morocco slipcase. Of the greatest rarity.


174 DRYDEN, JOHN. All for Love; or, the World Well Lost. A Tragedy. San Francisco; Printed for William Andrews Clark, Jr., by John Henry Nash, 1929. Folio, original boards and vellum, gilt top, other edges untrimmed. Limited to 250 numbered copies for private distribution. With 13 colored plates and other decorations. Together with a facsimile, also one of 250 numbered copies of the very rare First Edition, small 4to, boards and vellum. Two very fine volumes in board slipcase, as issued.


In 1789, while her husband was still alive, the lady married the Duke of Kingston, while her husband, the Earl of Bristol, was still alive. Tried for forgery, she was found guilty, but, pleading her "privilege as a Peer's wife," she was discharged without any punishment. She died in 1788 after an interesting interlude in Italy and Russia.

177 DU MAURIER, GEORGE. A. L. S., 1 page. 24mo, Hampstead Heath, Jan. 3, (1877), to my "Dear (Cholmondeley) Powell." An intimate letter to a friend. With original addressed envelope.

178 EIDSON, THOS. A. Attractive Photograph of an Oil Painting Portrait, 6" x 8". Signed by Thos. A. Eidson to W. F. Bauer. Well framed.

179 EDWARDS, JONATHAN. The Great Christian Doctrine of Original Sin Defended; Evidence of Its Truth Produced, etc. Boston, New England, 1768. Post 8vo, contemporary panelled calf (worse: backstrip chipped). First Edition of this early American religious work by one of the famous New England ministers and college presidents. Lacks front end-paper; contents otherwise sound and fine. With the list of subscribers at the end. Very rare.
130 EGGLESTON, EDWARD. A collection of 4 A. L. S., about 10 pic to Mrs. Cabell, 1890-1892. One letter discusses various phases of American history—Civil and Political, Cultural, Institutional and Library—and cites the most important names of American historical writers in each field. Bancroft, Parkman, etc.

SIR HENRY IRVING'S SET OF A GEORGE ELIOT RARITY

131 ELIOT, GEORGE. Daniel Deronda. Edinburgh and London. 1876. 12mo. 3\(^2\) contemporary brown morocco, marbled boards sides and edges. 4 volumes. Nice set.

The rare First Edition of George Eliot's masterpiece. From the library of Sir Henry Irving, the celebrated actor, with his bookplate in each volume.


136 EMERSON, R. W. A. L. S. 2 pages, 32 mo, Concord, March 14, no date, to W. D. Rowells, rejecting a proposal to write a paper. In part: "... My habit of writing is so irregular in these days & I have so much incomplete work that I must not make new promises." About 55 words.

EMERSON GENEALOGY

137 EMERSON, R. W. A. L. S. 2 pp. 4to. Divinity Hall, Cambridge, 20 Oct. 1828, to John Farnese, Concord, N. H. Long letter regarding Emerson genealogy. Reads in part: "I have received yesterday a letter from Mr. Samuel Emerson of Newport (port by the way is son of Bulkley who was son of Joseph E. Malden) in answer to my request for information about Rev. Joseph E.'s parentage..."

He sends me this minute, 'Joseph Emerson, the son of St. John Emerson & Judith his wife, born 24 March 1669... Now you see, in your letter that Rev. J. E. should be born in 1699. This difference is not very considerable, & must not deprive my ancestor of the lieutenant of a father, unless we can find him a better... So pray, my dear sir, do not let a few refractory impossibilities, if any such should appear, lose us the lieutenant. It sets all my pedigrees adrift..." etc. Another page deals with his brother and Emerson's intention to renew his acquaintances in Concord, "...in some of the revolutions of our ecclesiastical system," etc.


142 EMERSON, R. W. A. L. S. 3 pp. 4to, Concord, 3 Aug. 1859, to Horace Greeley regarding the publication of a memoir of Margaret (Fuller). Letter reads in part: "...your arrangement of her books is judicious certainly; let the notice of Longfellow and of Lowell be omitted. These two critiques of two writers of such respectable ability were exceptional in their severity even from Margaret's pen, and there is no need to repeat the words of Eckermann; too, is her best book in some senses, & 'Gunderode' is good."

143 EVERETT, EDWARD. A. L. S. 2 pp. 4to, Boston, May, 1839, to Robert Southey. Charming letter of introduction for Mr. & Mrs. Daniel Webster, also on the appreciation of Southey's poetry in America. Reading in part: "...Mr. W. must be known to you by reputation as one who has no superior among the statesmen of America now living. His friends have long claimed for him the reputation of standing in the highest place in the Senate of the United States & among the constitutional lawyers of this country..." etc.

144 EVERETT, EDWARD. A. L. S. 2 pages, 4to, Feb. 17, 1825, to an associate of the United States Literary Gazette relative to the writer's offer of assistance and contributions to the publication. A fine letter, over 300 words.

145 FIELD, EUGENE. A. L. S. 1 page, 12mo, Chicago, May 22, 1895, ordering a copy of "With Trumpet and Drum" and of "Love Songs of Childhood" to be shipped to a friend in London.

146 FIELD, EUGENE. A. L. S. 4 pages, 4to, Chicago, Nov. 26th, 1888. A fine courteous letter to a Miss Jasper, soliciting, on behalf of the Chicago Daily News, for publication an article on a forthcoming theatrical performance. About 115 words.
197 FORD, GOV. THOMAS. A History of Illinois, from Its Commencement as a State in 1818 to 1847. Chicago, 1854.
First Edition of this scarce Illinois history. Worn copy, some staining.

THREE FINE FORE-EDGE PAINTINGS

A splendid set, each volume with a beautiful fore-edge painting, an oriental scene.

With a beautiful fore-edge painting of Lake Garda; a gorgeous scene of the river bank, with Italian peasant women in colorful attire - the same subjects considered with relation to the Constitution of the United States.

With a beautiful fore-edge painting of a landscape and river, with trees, countrymen, etc., in the background. Superb copy.

201 FOSTER, WILLIAM. Noted English Artist. An original Pen and Ink Sketch of himself as he appeared on his deathbed (1812). He drew it for Dr. Knight, his physician, and is attested to by Dr. Knight's son.


203 FOSTER, STEPHEN. Collection of 22 pieces of sheet music, mostly early editions, extracted from bound volumes. Good copies.


First Edition. A very rare early American treatise, with a chapter on "The same subjects considered with relation to the Constitution of the United States."

ABOUT THE HERO OF "THE CLIFF DWELLERS"

206 FRÉMONT, BREVET CAPTAIN J. C. Report of the Exploring Expedition to the Rocky Mountains in the Year 1842, and to Oregon and North California in the Years 1843-4. Washington, 1845. 8vo, original cloth. Very good copy, with the scarce folding map in folder inside back cover.

207 FULLER, HENRY B. A. L. S., 5 closely written pages, 4to, Chicago, Oct. 10, 1892, to Mr. Erastus Brainard, Seattle, Wash. A long letter of the utmost importance and human interest, in which Fuller explains the circumstances under which he gave the name, "Erastus H. Brainard," to the hero of his novel, "The Cliff Dwellers." One of the most important Fuller letters ever to appear at public sale, every line of it being significant and of extraordinary association interest. About 550 to 900 words.


210 GALSWORTHY, JOHN. Maids, Songs and Doggerels. London, 1912. 8vo, original blue-green cloth, paper label. First Edition, fine copy, limited to 750 copies.

211 GARLAND, HAMLIN. The Bank of the American Indian. Pictured by Frederick Remington. New York, n.d. Tall 4to, original boards and cloth. Mint copy, with d.w., bound. With Remington's autograph signature on card laid in.

212 GARLAND, HAMLIN. Main-Traversed Roads. New York, no date. 12mo, original cloth. Fine copy.
Author's signed Presentation Copy. With A. L. S., 1 page, small 8vo, April 20, '92, to Franklin McVeigh, former U. S. Secretary of the Treasury, laid in.


WITH 12 FORE-EDGE PAINTINGS


A fine old set, each volume with an interesting fore-edge painting depicting a rustic scene.


219 GREELY, HORACE. A. L. S. 1 p. 4to, New York, 22 Nov., 1842, to "Mrs. Mary Cheyney, Dear Mother." A detailed personal letter about friends. "I hope soon to be able to have a home fit to invite you to, and that you will come and visit me." (Letter is somewhat stained and worn in folds).

WITH AUTOGRAPH LETTER OF QUEEN VICTORIA.


230 GROLIER CLUB. Catalogue of Books from the Libraries or Collections of Celebrated Bibliophiles and Illustrous Persons of the Past with Arms or Devices on the Bindings. Exhibited at the Grolier Club, 1895. 8vo, original green cloth. With many full-page plates.


First Edition, second issue. Fair copy. Mounted on the fly-leaf is a long, important, and interesting A. L. S. by the author regarding the points of the first issue, as well as other editions of this popular "High Spot."

233 HAMILTON, ALEXANDER. The Works of. Comprising His Correspondence, and His Political and Official Writings, Exclusive of the Federalist, Civil and Military. Edited by John C. Hamilton. New York, 1850. 8vo, cloth. 7 volumes. One backstrip torn at upper front hinge.
234 HART, ADOLPHUS H. History of the Valley of the Mississippi. Cincinnati, 1858. 12mo, original cloth. First Edition; some foxing; bookplate, backstrip slightly scuffed; a tight sound copy otherwise.

235 HART, BRENT. A. L. S., 16mo, 1 page, June 28, 1887, mentioning John Hay. About 60 words.

236 HART, BRENT. The Luck of Roaring Camp, and Other Sketches. Boston, 1870. 12mo, original cloth.

The extremely rare first edition, first issue, without "Brown of Calaveras." A poor copy of an important book, though the text is complete and fairly clean.


238 HAWTHORNE, NATHANIEL. The Marble Faun; or, The Romance of Monte Beni. In 2 volumes; Boston, 1860. 12mo, original cloth.


240 HAY, JOHN. A. L. S., 2 pp., 12mo, Washington, Dec. 4, 1888. "Mr. Nicolay and I are much gratified by your letter of the 2nd. We are pleased to know that the brief and inadequate notice of your father's heroic service has given you pleasure." Refers to Commander Cha's. E. Ellet, of Mississippi River fame.


242 HAZLITT, W. C. A. L. S., London, 2 Feb. 1869, 3 pp., 12mo, to James W. Cook, giving an outline of his proposed new book on Drama. Reads in part: "I desire to collect together in a convenient form and one point of view all that has been done, & my volume will embrace a large body of documents & tracts, etc., etc."

"KARMA" — "THE AUTHOR'S TOUCH"

243 HEARN, LAPCADIO. A. L. S., 3 pp. Svo, New York City, 149 W. 10th St., Dec. 26, 1889, to J. M. Stoddart, editor: A friendly letter submitting "Karma" for publication. Reads in part: "'Karma' in its present shape represents, I think, the utmost possible degree of condensation to which a story can be brought. Names, places, all descriptive matter not relating to emotional action, have been eliminated. Accordingly I see no possibility of further condensing the narrative, without weakening it." "Will you kindly agree to have copy strictly followed, and, if possible, to send me corrected proofs as soon as the text is set up, for no work can obtain its best expression except by author's own finishing touches," etc.


246 HEARN, LAPCADIO. Some Chinese Ghosts. Boston, 1887. 12mo, original cloth.

The rare First Edition of the author's second book, and an important "High Spot," Binding broken about 1 inch on spine at outer hinge, front end-paper extracted, and ink drawing of Japanese man on front flyleaf. Otherwise a good copy.


249 HISTORY OF AMERICA. Narrative and Critical. Edited by Justin Winsor. Boston, (1889). Wide imperial 8vo, 33 double brown morocco, marble boards, gilt tops. 10 volumes. Profusely illustrated with portraits, maps, etc. Fine set, attractively bound, of this important and authoritative historical work.

250 HITTELL, JOHN S. A History of the City of San Francisco, and Incidentally of the State of California. San Francisco, 1878. 8vo, original cloth. Insignificant tear on upper hinge on backstrip, otherwise a very fine copy.


HOLMES, OLIVER WENDELL. *The Professor at the Breakfast-Table,* with the Story of Iris. Boston, 1860. Large 12mo, original cloth. First Edition. Two signatures loose, otherwise a fine copy.

HOOD, THOMAS. A. L. S., Adelphi, 23 April 1823. 1 p. 4to, to James Montgomery, requesting a contribution to his next Annual, mentioning Sir Walter Scott.

AN IMPORTANT RUN


HOUGH, EMERSON. *The Covered Wagon.* New York, 1922. 12mo, original cloth. The scarce First Edition. A good copy of this famous "High Spat."

HOWELLS, W. D. Collection of 4 A. L. S., 1 page each, no place, 1892-1909. 2 of them addressed to Mrs. (Julia Ward?) Howe, regarding literary matters. A fine lot totalling about 220 words.


SECOND SESSION

FRIDAY, FEBRUARY 19

Promptly at 8 P. M.


ILLINOIS. *Illinois, the Heart of the Nation.* By Hon. Edward F. Dunne. 5 volumes. Illustrated. Chicago, 1923. Royal 8vo, original decorated heraldic. Mint set.

ILLINOIS. *History of Whiteside County.* Edited by Charles Bent. Morrison, Ill., 1877. 8vo, original cloth. Very fine copy. Scarce in such fine condition.


INMAN, HENRY. A. L. S., 3 pp. 4to, New York, 15 Nov, 1838, with caricature sketch of himself, to James McMurtie, Esq., Phila. Regarding the sale of the Puff Collection at auction. "Do you think old Puff will lie quiet in his coffin, when the auctioneer knocks down the Rumannetti? I think he'll kick. I saw a Vau Alst Fruit piece. I never saw anything to recommend it in the same way with truth, taste and dexterity."

IOWA. *Album of Davenport and Vicinity.* Davenport, Iowa, 1887. Ollong post 4to, original leather and buckram.

271. IRVING, Washington, A. L. S., 3 full pp. 4to, Sunnyside, 1847, to Moses Grinnell, asking Mr. Grinnell to find a place in the merchant marine for Irving's youthful protégé, Newman. Irving goes into lengthy detail about the boy's father who had been a friend of his and an officer in the U.S. Navy. A fine letter revealing Irving's character.

272. IRVING, Washington, A. L. S., 2 pp. 4to, Tarrytown, 2 Dec. 1840, to Wm. S. Stone, American writer. Reads in part, "...he is mistaken in the idea that I have any work in hand connected with the landing of Columbus. The report that got into the papers, must have originated, in the circumstances of Mr. Cooper's being occupied in a novel founded on that subject, and in my name being substituted for his."

273. IRVING, Washington, Salmagundi; or, the Whim-Whams and Opinions of Lamedef Langstaff, Esq., and Others. Reprinted from the American edition, with an introductory essay, and explanatory notes, by John Lambert, London, 1811. 18mo, contemporary ½ calf (rubbed, on backstrip stained).


274. JAMES, Henry, Jr., A. L. S., 8 pages, small 8vo, London, July 19th, (1879), to Richard Watson Gilder, regarding two short stories he had sent him for publication, and requesting, as "a favor," a cheque for $300. A fine long letter, about 400 words.

275. JAMESON, Mrs., Characteristics of Women, Moral, Poetical, and Historical. In Two Volumes. London, 1833. 8vo, original cloth, back lettered in gilt.


JEFFERSON'S THEORY OF LITERATURE.

276. JEFFERSON, Thomas, A. L. S., 2 full pages, 8vo, Monticello, Aug. 9, 1771, to Robert Skipwith, brother-in-law of Mrs. Jefferson. The letter is folded, worn in folds and torn in the half fold across the center. A choice letter as to content; concerning the choice of books for a private library and expressing therein his theory of literature. Mounted in a double-glass frame.

The letter reads in part, "...I sat down with a design of executing your request to form a catalogue of books amounting to about 30 £ sterling, but could by no means satisfy myself with any partial choice I could make..."

"...A little attention to the human mind evinces that the entertainments of fiction are useful as well as pleasant...everything is useful which contributes to fix in us in the principles and practice of virtue..."

"...Thus the lovely and lasting sense of filial duty is more effectively impressed on the mind of a son or daughter by reading King Lear, than by all the dry volumes of ethics and divinity that ever were written. This is my idea of well-written Romance, of Tragedy, Comedy, and Lyric poetry."

"...Come and bring our dear Thoby with you; the first in your affection and second in mine...in every scheme of happiness she is placed in the foreground of the picture, as the principal figure. Take that away, and it is no picture for me."

277. JOHNSTON, Joseph E., Confederate General, A. L. S. 2 full pp., 8vo, New York, May 15, 1868, to W. D. Cabell. A fine letter revealing Johnston's character. "...I am without capital—and have never attempted to teach boys...at my time of life one's not thought capable of making himself fit for a new calling..." etc. A splendid letter.

278. (JOHNSTON, Samuel). Footsteps of Dr. Johnson (Scotland). By George Birbeck Hill, D. C. L. With illustrations by Lancelot Speeal. London, 1890. Thick quarto, original half leather, gilt top.

First Edition. Copiously illustrated with many fine full-page and text illustrations of Scottish scenes. Binding slightly rubbed, otherwise a fine, sound copy.


The thirteenth edition. A fine old set with splendid engravings.


281. JUNIUS. The Letters of. Complete. With Notes, biographical and explanatory; Also a Prefatory Enquiry respecting the real author. By John Almon. In Two Volumes. (London), 1806. 12mo, old calf, front cover of one volume somewhat loose.

The first issue of this edition. The editor, John Almon, is best known as the editor of "The Remembrancer," that "great magazine of information" on the American Revolution.


With a long signed autograph inscription of an excerpt from the book describing the nomination of Abraham Lincoln. Together with A. L. S. in pencil, 2 pages, 8vo, from Franklin McVeagh to Ambassador Jusseneand, and other material of association interest.


With author's autograph poem, written in indelible pencil, signed and dated Sept. 9, 1916. About 45 words ending: "Yet do I live—these things denied, and find life sweet, and God so near that I can almost touch His hand."
285 KENDALL, GEO. WILKINS. Narrative of the Texas Santa Fe Expedition. With Illustrations and a Map. In 2 volumes. New York, 1874. Post 8vo. Original cloth. A good set of the rare First Edition of this important narrative. A few pages are slightly foxed, one front end-paper is pasted onto the cover, and a name in ink on one front end-paper, but both volumes are quite sound and clean.


With author's presentation inscription, signed and dated, "by her father's old friend and 'boy soldier' comrade."


289 KIPLING, RUDYARD. Portrait by Philip Burne-Jones, 1899. Photogravure reproduction in color of this famous painting showing Kipling at his desk, writing, in his library. Print itself measures 14x18 inches framed, published London, 1900, by J. P. Mendoza. Signed in pencil by Philip Burne-Jones and Rudyard Kipling. With an etched Remarque head of Kipling in Indian helmet on the bottom margin.


295 LEE, ROBERT E. Photograph signed, "H. E. Lee." Carte de Visite size, bust, showing the General's stars on his coat.

FINE ELIZABETHAN MANUSCRIPT


A manuscript of singular importance, being the original source for matters of historical, legal and trade interest. The reports include numerous ones of speeches of Sir Walter Raleigh, of Francis Bacon and of the most eminent statesmen of the year 1601. There are reports of the enactment of laws governing trade of all sorts, on the importation of spices, of wines, playing cards, of the printing of songs, of the granting of a monopoly to Thomas Wright and Bonhan Norton to print law books, etc., etc.—the proceedings of Parliament in the year 1601, in the 44th of the reign of Queen Elizabeth. From the famous manuscript collection of Sir Thomas Phillips. Phillips MS. No. 13513.

ORIGINAL MANUSCRIPT


Thomas Plowden (1518-1585), a leading English jurist, after leaving Cambridge, entered the Middle Temple and was called to the Bar, becoming Member of Parliament in 1553, which office he held for many years. One of the foremost lawyers of his day, he was offered by Queen Elizabeth the office of Lord Chancellor on condition of his renouncing the Catholic faith. Of his legal writings, Anthony Wood says that they "are esteemed exquisite and elaborate commentaries and are of high account with all professors of the law." Lowndes adds that "They are still considered valuable to the student of law."

This manuscript may be considered one of the most important original documents in the history of English law, both on account of its early date coupled with the high reputation of its author. The manuscript was formerly the property of Charles Fairfax, barrister and antiquary, 1657-1673, and has an autograph on the fly-leaf. It was later in the possession of Sir Thomas Phillips, Bart., and is Phillips MS. 11114.

WITH THE ORIGINAL WRAPPERS BOUND IN

301 LEVER, CHARLES. Tom Burke of "Ours." With numerous illustrations on steel by H. K. Browne. In 2 volumes. Dublin, 1844. 8vo, bound from the original parts with all the original printed pink front and back wrappers bound in. Handsomely bound in best style half crushed ivorine morocco, full gilt backs, t. e. g., uncut.

The rare First Edition. One of the works on Mr. Newton’s List of The Hundred Great Novels. A very fine copy.

WITH FOUR AUTOGRAPHS


306 LINCOLN, ABRAHAM. Plaster bust of Abraham Lincoln, about 8 inches high and 5 inches wide, by Gutzon Borglum. Presented by him to Henry T. Rainey with inscription by Borglum scratched in base. A very attractive piece by one of America’s foremost sculptors.


First Edition of the author’s first book. Covers soiled, a few margins partly water stained, one page slightly torn at upper margin, and name written in ink on inside of front cover. Despite these defects this is a fairly clean and sound copy internally. One of Merle Johnson’s “High Spots.”

308 LINDBERGH, CHARLES A. Two bronze medals depicting Charles A. Lindbergh, each 2¾ inches in diameter, 1937. Fine pair. Rare.


310 LINDSAY, VACHEL. The Congo. Illustrated by Alexander King. Lineweave Limited Editions, 1931. 4to, original wrappers.


315 LONDON, METROPOLITAN IMPROVEMENTS; or London in the Nineteenth Century; Displayed by a Series of Engravings of New Buildings, Improvements, etc., by the Most Eminent Artists; etc. By Mr. Thos. H. Shepherd. With Historical, Topographical, and Critical Illustrations, by James Elmes. London, 1829. 4to, old tooled calf (rubbed). 1 signature loose; more or less foxed.
MEDALS, BRONZE. Collections of bronze medals. 2½ inches in diameter, mounted within small 8vo, cloth, volumes issued by the Circle of Friends of the Medallion in Manhattan, 1910-13. Together 9 volumes in perfect condition.

MELVILLE, HERMAN. Moby-Dick; or, The Whale. New York, 1851. 12mo. original cloth (corners rubbed).

The rare First Edition of this famous book. Backstrip split at the hinges, fly-leaves lacking; and, as usual, more or less foxed throughout. A sound and reasonably clean copy otherwise.


First Edition limited to 1500 numbered copies. As new, with d.w. Very scarce in this condition.


First Edition. Mencken wrote this book himself, as is generally known, at the request of Theodore Dreiser. Fine copy.

MEREDITH, GEORGE. Poems and Lyrics of the Joy of the Earth. London, 1883. 12mo. original cloth, mottled. In a half blue morocco slipcase.

First Edition. Presentation copy from the author, with the following autograph inscription on the title-page: "G. W. Foote, Esq., with author's compliments. G. M."


MILL, JOHN STUART. A. L. S.; 3 pages, Avignon, Nov. 28, 1868. 13mo. to G. W. Smalley, an American friend. About 220 words. A superb letter by the famous economist, reading in part: "...You have gone through a harder fight than we are likely to have here, and the heroism with which it was fought by the noble minded men of America through all the long years of danger and difficulty, and finally through the sharp crisis of the war, makes the liberals of all other nations look up to the advanced party in America with respectful admiration..."


FORE-EDGE PAINTING OF HUNTING SCENE


With a fine fore-edge painting depicting an English hunting scene.


M'LROD, JOHN. Narrative of a Voyage, in His Majesty's Late Ship Alcette, to the Yellow Sea, Etc., Etc. With an account of Her Shipwreck in the Straits of Gaspar. London, 1817. 8vo. ¾ calf. rare boards.

First Edition. Rare narrative, with portrait and four beautiful colored engravings. Fine copy.

MONETTE, JOHN W. History of the Discovery and Settlement of the Valley of the Mississippi. In 2 volumes. New York, 1843. Colored maps and plates. 8vo, contemporary sheep (slightly rubbed), otherwise a fine clean sound set.


With author's autograph inscription, signed and dated on front end-paper.


353 MOORE, THOMAS. Famous Authors. A. L. S., Nov. 1, 1819. Mayfield Cottage, Ashlarum, Derbyshire. 5 full pages 4to, referring to "A crisis of my life." Reading in part, "I intended to have made a point of your paying a visit to this cottage, and seeing me in the character of Husband and Father; and vagabond as I have been."

A long letter follows relating to his hoped-for appointment to go to India with Lord Morris. However the appointment failed and he refers to it as "a crisis of my life". Failing of political appointment he relates his hardships, "and must employ myself henceforward more substantially.—I am about a work, etc." Apparently Moore had been heavily in debt and had suffered many trials.


356 MORRIS, ROBERT. Signer of the Declaration of Independence. Superintendant of the finances of the U. S. during the Revolutionary War. B. S. 4 pp., folio, Philadelphia, October 9, 1794.

Share certificate for $500 in the Asylum Company, signed by Robert Morris, president, and James Duncan, secretary. An interesting relief of the unfortunate land speculations in which the venerable financier lost the whole of his large fortune, and caused him finally to end his days in a debtor's prison. Autograph.


360 MURR, JOHN. The Mountains of California. New York, 1901. Large 12mo, cloth. Original portrait of author mounted on the inside of front cover, and signed by the author on front end-paper. Very fine copy.

361 MURRAY, JOHN MIDDLETON. An extremely fine collection of 20 A. L. S. and cards from the editor of the "Adelphi Magazine," all addressed to Arnold Bennett, and of very great literary interest, discussing the progress of the magazine and mentioning many of the writers who are working for it. 1929-9. Middleton is the distinguished husband of Katherine Mansfield. Several of the letters are initialed and dated by Bennett.

WITH ARNOLD BENNETT MANUSCRIPT


Together with the original MS., signed, of Bennett's Introductory Note, about 600 words, which was perfected to a catalogue of the exhibition of Nash's work. With a galley proof of the introduction, corrected by Bennett. Nash, one of the foremost modern artists, is best known by his work in the "Seven Pillars" and his illustrations to numerous private press books.


Contains nearly 2,000 illustrations, including many full-page plates in color.


WITH A LONG INSCRIPTION


With long full-page inscription by the author, about 160 words, signed, regarding the book, "a story of mine own people," identifying the characters and some of the incidents described in the book with persons he had known and events that had taken place. With additional inscription on half-title, signed. A superb and unique association item in the finest condition.


368 NONESUCH PRESS. The Songs of the Seasons. Edited by Peter Warlock. The Nonesuch Press, 1925. 4to, vellum boards. With wood engravings by W. M. H. Quick. Limited to 875 numbered copies. Very fine copy, with d.w.


370 OHIO. History of Wayne County, Ohio, from the days of the Pioneers to the present time. By Ben Douglas. Portraits. Indianapolis, 1878. 4to, calf. Very good copy.


377 PARKMAN, FRANCIS. 2 A. L. S., each 4 pages, 12mo. Boston, July 2, and July 8, 1856, to (H. K. Morris), regarding an exchange of colonial documents and manuscripts, in which the famous historian discusses “The Conspiracy of Pontiac.” Two fine long letters, totaling about 500 words.

378 PAYNE, JOHN. English Poet, two A. L. S. 1882. London, altogether 5 pp.; 12 mo. Granting permission to select from his poetry for an anthology, and stating requirements.


381 PERIODICAL, OLD OHIO AGRICULTURAL. The Cincinnatier. Volume 1, 1836. Published at Farmers’ College, College Hill, Ohio. Cincinnati, 1836. 8vo, original cloth.

382 PHILADELPHIA. Plan of the City and Environs, 1811. 20x18 inches. Drawn under the direction of J. A. Paxton, by Wm. Stockland. Somewhat broken at folds and time-stained.


PINEIRO MANUSCRIPT

384 PINEIRO, SIR ARTHUR W. Original autograph manuscript, “Dr. Hunter’s Holidays,” 4to. 89 closely written pages in ink. (London, 1924). In cloth slipcase. A fine manuscript by this famous English playwright.


In the summer of 1835 Poe joined the staff of the magazine, and before the end of the year became its editor-in-chief. The pages contain, therefore, numerous reviews, essays, poems, and tales by America's greatest literary genius.

400 PONY EXPRESS. Reproduction of a Painting by H. C. Edwards, showing Robert Hadlum, "Pony Bob," on a galloping horse, carrying the mail, warding off an Indian attack. Process print, 15 x 20 inches, in color, framed.

401 POSTAGE STAMP. First day cover, with typed letter to Henry T. Rainey, Speaker of the House, from Jim Farley. 1 p. 8vo, Apr. 19, 1933. Letter reads in part, "My dear Henry: The stamp attached to this envelope is one of the first Proclamation of Peace commemorative stamps sold and dispatched from Newburgh, New York; today...Jim."

402 PRESCOTT, WILLIAM A. L. S., 2 pages, 12mo, Salem, (Mass.), Sept. 18, 1794, regarding legal matters, by the father of the famous historian. About 80 words.


405 PRESIDENTIAL PORTRAITS. Collection of 5 portraits, in brown wood frames, encased in glass, large folio size, of Presidents Garfield, Cleveland, Harrison, Arthur, and McKinley.

406 PRIVATELY PRINTED EDITIONS. James Whitcomb Riley's Letter from Boston. Written when he first felt he was gaining recognition. Home! Sweet Home! By John Howard Payne. A Reproduction of the Author's Manuscript of the Poem. - Holograph Letter of Charles L. Kemmerly in the possession of John Evelyn. Together 3 volumes, various dates, boards and wrappers, privately printed by William K. Bixby, St. John's, Minn. First Editions, limited to 500, 500, and 200 copies, respectively, fine copies.

407 PROPAGANDA POSTERS, GERMAN. Collection of several hundred colored posters, various large sizes, 1920-22, as propaganda of "Die Deutschen Nationalen Volkspartei."
405 RILEY, J. W. A. L. S., 3 pp. 8vo, Buffalo, Oct. 22, 1888, to H. L. Johns-
on (Century). A beautifully sincere letter, reading in part, "It is the
praise, though, that I don't seem at all worthy of that worries me, you
me, in fact, since I've nothing now ahead of me to help me to save it, as
much as I wish to do it, and I can't let loose of it now. It is be-
vised, too, as I say, in justice I must make it rightfully mine by future
effort, and God knows how all our friends have heartened me in that
resolve."

406 RILEY, J. W. Two A. L. S., 1p. Apr. 26, 1890, to Mr. Johnson (Century);
1 full page 12mo, about literary matters generally; and another to Cary
(Century) about the publication of his books. The latter letter has a cor-
te: out; the first listed is perfect.

407 RILEY, J. W. A. L. S., 1 p. 12mo, Ind., Sep. 11, 1890, to Mr. John-
on (Century):
"Simply always count me in for anything you Century friends want me
to do; you have done more for me and my work than ever I dared hope for;
you must know that my appreciation of that vast kindness is most
enduringly and feelingly treasured."

408 RILEY, J. W. A. L. S., 1 p. 12mo, Toronto, March 16, 1893, to Johnson
(Century):
"The only critic yet to recognize that I am first a serious, honest-to-God
singer—what I've always, all so lonesomely, felt myself to be, though not
a scholarly one, of course: Therefore, God bless M. W. Hazeltine!"

"I can't go on saying good things of you and your art till death do
us part. As ever your affectionate Jannie."

410 RILEY, J. W. A. L. S., 1 p. 12mo, Ind., July 1, 1901, to Mr. Johnson
(Century). Signed in full name: James Whitcomb Riley. "As to the "humorous"
contribution you ask from me—if the Century can not use another group of
Hoosier Child rhymes, I can supply some certainly." etc.

411 RILEY, J. W. A. L. S., 1 p. 12mo, Ind., June 7, 1905, to Mr. Johnson
(Century):
"Cheer and Goodspeed over the fine prospect of the Keats memorial in-
terests . . . herewith find check for 100 dollars the very most generous
contribution we ever let loose of by the horrid hand of . . . J. W. Rilev."

412 ROBERTSON, WILLIAM. The History of the Reign of the Emperor
Charles V. In 3 volumes. London, 1769. 4to, contemporary calf. First

413 ROCHERTE, MAXIME DE LA. The Life of Marie Antoinette. Trans-
lated from the French by Cota Hamilton Bell. New York, 1883. Tall 8vo,
original white cloth. 2 volumes. First Edition in English of this important
work, crowned by the Académie Francaise. Large-paper Edition, limited
in 100 numbered sets. Very fine set, with d.w.
THE NUREMBERG CHRONICLE

425 SCHEDL, HARTMANN. Das Buch der Chroniken und Geschichten. Translated from Latin into German by George Alt. 297 leaves (not including the blanks). Gothic type, double columns, 59 lines and head lines. Profusely illustrated throughout with fine woodcuts, some full page and a double-page woodcut map of the world; the first capital letter of the index is illuminated in red and blue, other capitals of the rubricated in red. The first capital letter of the text on folio 1 illuminated in red and blue. A few of the woodcuts coloured by a contemporary hand. The rare map at the end is present but a corner of the last page supplied in clever pen and ink facsimile. The woodcut of Pope Joan is unamalated. Folio, old half calf. Nuremberg: Anton Röbenger, 1493.

First Edition of the Nuremberg Chronicle in German, much rarer than the Latin edition printed by Röbenger in the same year. The Nuremberg Chronine is possibly the most beautiful book ever printed. Its woodcuts contain views of all the cities of the known world, illustrations of Biblical history and of natural history, portraits of well known people, a fine half page surgical illustration, the Dance of Death, the Last Judgment, etc.


The rare First Edition of this important sporting book. Front inner hinges very slightly cracked, otherwise a fine clean copy.

THE RARE FOURTH FOLIO

428 SHAKESPEARE, WILLIAM. Mr. William Shakespeare's Comedies, Histories, and Tragedies. Published according to the true Original Copies. Unto which is added, Seven Plays Never Before Printed in Folia... Folio, contemporary calf, neatly rebacked. London: Herringham, etc., 1635. In half calf slip-case.

The rare Fourth Folio of Shakespeare. The first two leaves, two leaves of the text and a part of the last leaf in excellent facsimile. Otherwise a fine copy, measuring 18 3/4 x 8 1/2 inches.

429 SHAKESPEARE (PLAYERS). Love's Labours Lost. Newly Printed from the Folio of 1623. London, 1924. Large 4to, original boards, cloth back, paper label. As new with d.w.

Beautifully illustrated in color by Norman Wilkinson, with line blocks by Messrs. Emery Walker. The fine Shakespeare Head Press Edition limited to 450 numbered copies.

430 SHAKESPEARE (PLAYERS). The Tragedie of Cyndelina. Printed from the Folio of 1623. London, 1923. Large 4to, original boards, cloth back, paper label. As new, with d.w.


431 SHARP, WILLIAM. A. L. S. 4 pages, 4 lines, Halleberg (Germany), n.d. to "My dear Langbridge." A superb, long intimate letter to a friend, expressing sympathy for his "heavy pecuniary loss." In part: "Meanwhile I can give a small gift... by begging you to reserve five copies of your book... they must be sent to quarters where special attention will be paid to them..." etc. Altogether over 400 words.

"SENTIMENTAL IDIOTS OF AMERICA"

432 SHAW, GEORGE BERNARD. A. L. S. Brasnam, 20 July, 1924, 2 full pp. 12mo. A superb letter on the subject of his lecturing in American. Reads in part: "It is very kind of you to have gone 300 miles to see me, and very unkind of me to go 500 miles to avoid you... but after 25 years of the most pressing invitations to lecture in America I am tired of the subject... I am aware that America exists... a large number of the sentimental idiots of America have also exhausted all the unceaseable reasons why I should lighten the darkness of that hitherto land... An interview with me for publication would cost your editor about $1250, and he would probably prefer to have my views at first hand at that price. You forget that I am a professional journalist, and do not need any intermediary when I have views for publication."

"SLAP IN THE FACE"

433 SHAW, G. BERNARD. A. L. S. 1 Aug, 1924, Strathpeffer to Symon Gould, Jr., London. A magnificent Shaw letter reading as follows: "Your budget of invitations, which I return herewith, is the most frightful failure on record. You have not got the President, nor any member of the cabinet, nor M. La Pallete, nor a single magistrate of the New York Times..." But for Mr. Deb and Princeton University I should regard this as the most startling slap in the face I have ever received. Evidently my credit in the United States has waned very considerably."

434 SHAW, GEORGE BERNARD. The Author's Apology from Mrs. Warren's Profession. N. Y., 1905. Pulp cheap 8vo, original paper wrappers.


First Editions. Press Cuttings is of the 2nd issue. The last named contains an unpublished Shaw letter. Mint copies.


First Edition, with bookplate.


442 SOUTHBY, ROBERT. English poet, A. L. S. Keswick, 19 Feb., 1829. 1 full page 8vo to a friend, in London, asking him to take care of a shipment of books from Holland, until he can get them.


446 STANTON, EDWIN N. A. L. S., War Dept., June 9, 1862. "Mrs. Colonel Ellet and her daughter have permission to pass within the lines of the U. S. Forces to Cairo on the Mississippi, and wherever else Colonel Ellet may be. All officers and persons in the Service of the United States will afford them courtesy, assistance and protection." etc. Signed in full. "Edwin M. Stanton, Secretary of War." etc.


Presentation copy, inscribed, in the recipient's hand, "J. A. Taylor, a gift from R. L. S. 10 Wetherly Gardens, 1888." The autograph is that of Lady Taylor to whom "Merry Men" was dedicated.

449 STEVENSON, R. L. *The Wrecker*. Illustrated by W. Hole and W. L. Metcalfe. London, 1892. 8vo, original cloth, preserved in half morocco slipcase.


STOCKTON, FRANK R. *The Rudder Grange*. New York, 1873. 12mo, original cloth (backstrip faded and very slightly soffed at top and bottom).

The scarce First Edition of the author's most sought after book, and one of Merle Johnson's best known "High Spots." The first issue, without reviews or ads. of this title. A fine clean copy internally.


SWINBURNE, A. C. A. L. S., with envelope, 1 p. 12mo, to Langbridge, Jan. 11, 1881, referring to his book in which appear his Christianus Antiphones, requesting that they not be used separately in an anthology proposed by Langbridge.

SYMONS ON HENLEY AND KIPLING


The scarce First Edition, first issue, with all of the points mentioned by Merle Johnson, the ear of corn on spine upside down. The author's first book, and an important "High Spot." Fine copy.

TARKINGTON, BOOTH. *Monsoon Beacons*. Illustrated by C. D. Williams. New York, 1900. Large 12mo, original cloth.

First Edition, first issue, of this rare "High Spot," with the colophon at the end of text measuring 1/8 in. in diameter. Very good, clean sound copy, missing the distinction of being "Fine" by the "breath" of a hair.

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TENNYSON, ALFRED. A. L. (3rd person) Isle of Wight, 1 p. 12mo, April 10, 76. "Mr. Alfred Tennyson presents his compliments to Mr. Hecht & has pleasure in accepting the dedication of his composition for chorus and orchestra: The Light Brigade." Single leaf, creased from fold.

TENNYSON, ALFRED. A. L. (3rd person) Isle of Wight, 1 p. 12mo, April 10, 76. "Mr. Alfred Tennyson presents his compliments to Mr. Hecht & has pleasure in accepting the dedication of his composition for chorus and orchestra: The Light Brigade." Single leaf, creased from fold.


470 THEATRE, WESTERN. Dramatic Life as 1 Found It: A Record of Personal Experience: with an Account of the Rise and Progress of the Drama in the West and South, with Anecdotes and Biographical Sketches of the Principal Actors and Actresses Who Have at Times Appeared upon the Stage in the Mississippi Valley. By N. M. Ludlow. St. Louis, 1880. 8vo. cloth.


481 VIRGINIA HISTORICAL COLLECTIONS. The Official Records of Robert Dinwiddie, Lieutenant-Governor of the Colony of Virginia, 1751-4. Now First Printed, etc. With an introduction and notes by R. A. Brock. Richmond, Va., 1884. Royal 8vo, cloth, paper labels. 2 volumes. Good set.


483 VIRGINIA. Sketches and Recollections of Lynchburg. By the Oldest Inhabitant. Richmond, 1858. 12mo, original cloth. Margins of a few pages somewhat stained, otherwise a fine copy of this rare book. Contemporary inscription in ink: “William D. Ellet, from his friend, Margaret C. Cabell.”


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493 WEST, JAMES. (PRESIDENT OF THE ROYAL SOCIETY.) A. L. S., 1 page, post 4to, Covent Garden, Jan. 18, 1764, requesting someone "look into the will" and to ascertain "by what act or in what office was made the resignation of John Bell, Bishop of Worcester, who is the only bishop I can find who has resigned since the Reformation." About 125 words, mounted on a sheet.


496 WHITEHEAD, CHARLES E. The Camp-Fires of the Everglades, or, Wild Sports in the South. Edinburgh, 1851. Royal 8vo, cloth, gilt top, other edges untrimmed. Nice copy of this interesting work, with fine full-page illustrations.

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497 WHITTING, JOHN G. A. L. S., 4 pages, 12mo, Amesbury, (Mass.), Nov. 15, 1864. A superb affectionate letter to Mrs. Child, an old friend, thanking her for the gift of a book. In part: "I am thinking how much my sister would have liked the book. How strange and terrible are these separations—this utter silence—this dumb agony of mystery!—this reaching out for the love, which we feel must be ever-living, but which gives us no sign! ... Let theology & hate & bigotry talk as they will. I for one will hold fast to this. God is good—He is our Father! ...", etc. Over 300 words. A magnificent letter by one of America's most beloved poets.

FROM JOHN BRIGHT TO WHITTING


The employment of Gordon by our govt was a grievous blunder. Is it possible that our most famous poet whose writings are a constant defence of justice and mercy, can lend his pen to glorify a man whose reputation is founded solely on his passionate engagement in war in distant countries ... Forgive me for writing this letter—No man outside his own family has a greater interest in the reputation of our New England Past than I have. No one will more regret if he should attempt to show that Christianity & multitudinous slaughter performed and practised make the sort of hero which our children are to admire and imitate. It has cost me something to write this letter ... it will not I think be misunderstood.


Regarded Unclassified

502 WIGGIN, KATE DOUGLAS. *Rebecca of Sunnybrook Farm*. Boston, 1903. 12mo, original cloth. First Edition. An immaculate copy in the original dust jacket (partly torn). Scarce in such fine condition.

503 WILSON, ELLA WHEELER. *Poems of Power*. Chicago, no date, Large 12mo, cloth. With autograph poem, 4 lines signed by the author on from end-paper. — *Custer, and Other Poems*. Chicago, no date. Together 2 fine volumes.

504 WILSON, WOODROW. Collection of First Editions, comprising *John Wesley’s Place in History, The Free Life, Why We Are at War, International Ideals, Address of the President of the United States (to Congress), President Wilson’s State Papers and Addresses*. Various dates, sizes, bindings. Together 6 volumes, fine to mint copies with d.w.


507 WILSON WOODROW. *When a Man Comes to Himself*. New York, 1915. 16mo, original cloth. Fine copy. With the author’s autograph signature inscribed on the half-title. Books inscribed by Woodrow Wilson are very scarce.

508 WITHERS, ALEXANDER S. *Chronicles of Border Warfare; or, A History of the Settlement by the Whites, of Northwestern Virginia, and of the Indian Wars and Massacres, etc*. Clarksville, Va., 1831. Small 12mo, old calf (worn). Somewhat foxed. Good copy.

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509 WOLFE, HUMBERT. *This Blind Race*. London, 1928. Post 8vo, original cloth, paper label.

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511 YEATS, W. B. T. L. S. Abbey Theatre, Dublin. March 16, 1910, to Canon Langbridge, 1 p. 4to, with two lines in Yeats’ autograph at end. Fine letter relating to a play of Langbridge’s which Yeats and Lady Gregory are criticizing. Yeats writes in detail how he would revise it.

512 YEATS, W. B. Autograph poem, 2 pages, large 12mo, no place, no date: “To a friend who promises a larger subscription than his first to the Dublin Municipal Gallery and the amount collected proves that there is a considerable popular demand for the pictures.” A probably unpublished poem, 36 lines, about 250 words.


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February 11, 1937

HM, Jr. telephoned the President this morning and said to him, "Due to the settlement of the General Motors strike, they have had a terrific rise in stocks in London. General Motors is up $4.00; U.S. Steel went up to 110, up 4 points. I have arranged for a meeting at my office Monday with Eccles and Landis to discuss this question of inflow of foreign capital. I have a press conference at 10:30 this morning and I would like to tell the boys that the three of us are going to meet, carrying out your suggestion, to discuss the inflow of foreign capital and that will kind of act as a deterrent. If you are free tomorrow morning at this time, I would like to come over and tell you what we have prepared for this meeting."
MEETING ON RESTRICTION OF FOREIGN CAPITAL INFLOW

February 11, 1937
9:45 A.M.

Present: Mr. Kent
         Mr. Zucker
         Mr. Upham
         Mr. White
         Mr. Seltzer
         Mr. Opper
         Mr. Oliphant
         Mr. Lochhead
         Mr. Gaston
         Mr. Magill

H.M.Jr.: "Non-resident aliens engaged in business or having an office here." "Here" meaning United States.

Magill: United States.

H.M.Jr.: "Same rate as citizens and residents.
         "Residents of Canada, if treaty ratified: Five percent." On what?

Magill: All income from United States sources.

H.M.Jr.: This is all right for this purpose, but - I don't know who did it; if I could have it done a little differently.

Magill: Just say how.

H.M.Jr.: I either want it - the particular kind of tax and the rate, and then let's say, let's put "Non-resident aliens" and then have underneath that "Living in United States" and "Living Abroad." And then the rate of the tax, say, up here, see? If it's a ten percent tax - I mean in no place is there mentioned the amount of tax.

Magill: Yes, that's what you've got. She should have made these in figures instead of the way she did. You see, here's your category of persons and your figures.

H.M.Jr.: I see. "Non-resident aliens....

Magill: Here.

H.M.Jr.: "Same rate as citizens and residents."
Magill: That's right.
H.M.Jr: "Residents of Canada, if treaty ratified." That's still living here?
Magill: These residents of Canada taxable on their...
H.M.Jr: But that would be living in the United States?
Magill: No, living in Canada.
H.M.Jr: Well, it wouldn't be that category.
Magill: He's a non-resident alien too, you see.
H.M.Jr: Well, I still...
Kent: Mr. Secretary, if aliens are living in the United States, they are residents and are taxed exactly the same as citizens of the United States.
H.M.Jr: "Non-resident aliens engaged in business or having an office in the United States." They are the same as citizens?
Magill: That's right.
H.M.Jr: Residents of Canada, five percent on what?
Magill: On American income.
H.M.Jr: On income derived from the United States.
Magill: Yes.
H.M.Jr: "Non-resident aliens other than above."
Oliphant: All other non-resident aliens, if not engaged in business, not having an office; not a Canadian; in other words, a Britisher living in London.
H.M.Jr: "Ten percent on dividends, interest, rents, royalties, wages and compensation, etc., from sources within the United States."
See, it's so clear in your mind and I've never seen it written down.
Magill: Well, it's a complicated thing; about eight different rates there.
H.M.Jr: "No tax on capital gains."

"Foreign corporations. Resident foreign corporations."

Magill: That's a British company doing business in the United States, having offices here.

H.M.Jr: "Twenty-two percent on income from United States sources." That would be the same as that, wouldn't it...

Magill: Yes

H.M.Jr: ...except that it is incorporated, doing business here. A flat 22 percent?

Magill: Right.

H.M.Jr: Is that something special?

Magill: Yes.

H.M.Jr: A flat 22 percent.

Magill: That's right.

H.M.Jr: "Canadian corporations: Five percent." That's located here?

Magill: No, if he'd be located here he'd be in this category. Canadian corporation that has dividend income from the United States Steel Company.

H.M.Jr: I see. Five percent, and no tax on capital gains.

"Other foreign corporations: Fifteen percent on interest, rents, and royalties and ten percent on dividends from United States sources. No tax on capital gains."

Well now, let me just see. Non-resident alien engaged in business, same. If this non-resident is not incorporated and does business here, he's an individual and he pays ten percent; if he is a corporation, he pays fifteen.

Magill: That's right.

H.M.Jr: I got it.
Now, what I want to know from this group is - I mean before we have any more meetings - that idea which I threw out the other day, in preparation of meeting with Mr. Landis and Mr. Eccles on Monday. Is this group in accord; do I understand it - I mean that I can say to these people at ten o'clock on Monday that we propose for non-resident aliens...

Magill: Our proposal really affects this third category. See? These fellows are already treated like Americans. These are covered by the treaty. Now, as to these fellows, the proposal is to raise it from ten to twenty; that's what that amounts to.

H.M.Jr: From ten to twenty.

Magill: Then here's the other one down here, these corporations - to raise those two rates. This rate, fifteen percent.

H.M.Jr: What?

Magill: Raise them both.

H.M.Jr: What do you mean both?

Magill: Interest, rent, royalties - perhaps make that twenty; and dividends - make that fifteen, if you want.

H.M.Jr: But raise - the raising would take place here. What?

Magill: The raising would take place here and here (Nos. I-3 and II-3 on attached sheet).

H.M.Jr: And not on the first bunch touch capital gains.

Magill: There are - if you want me to interject at this point, there are three proposals really that are before us.

H.M.Jr: Just one minute. - - Go ahead.

Magill: There are three. I think this one hasn't been mentioned, but since it seems to me the most obvious of
the lot - perhaps you won't agree with me - I'll mention it first. The law has contained for many years in Section 119 a provision that non-resident aliens shall not be taxable at all on their income from interest on bank balances in the United States. Now, there is no reason in the theory that I know of why that should be true. It is simply a concession put in there for the purpose of enabling American banks to obtain non-resident alien deposits, and Mr. Zucker tells me that he thinks there is possibly or probably two hundred million dollars of such money in the United States. Now, it seemed to me rather clearly that that exemption ought to be eliminated right off the bat in connection with a proposal of this kind.

H.M.Jr.: "What's the other one?

Magill: Now secondly - the second proposal for this purpose is your proposal that the withholding rate should be raised.

H.M.Jr.: Yes.

Magill: Zucker has gone into that and finds that, with various qualifications that I won't mention now, the average rate on dividends - the average effective rate as applied to dividends received by citizens and residents will run somewhere around 20 to 25 percent. We haven't figured it out.

H.M.Jr.: The alien residents?

Magill: No, on Americans; the average American. Now, that is with some qualifications, the chief of which is that he is excluding the very small dividend recipient, but taking what you might say is the bulk of the dividend income. What he's actually taken are persons who have ten thousand dollars or more income, and the average rate runs - which was unexpected to me - somewhere around 25 percent. So that you could justify an increase of this withholding rate, an increase from 10 percent to 20 percent - without very great difficulty on the theory that you are not doing really any more to the non-resident on the average than what you are doing to the American on the average. And then I am inclined to think from
what he says, as aside from this particular necessity, that the withholding rate ought to be increased in the light of the figures which he has.

Well then, the third proposal is the tax - to try to collect some tax on capital gains. Now, that is a much more difficult and much more complicated affair. In order to do it at all, I would suppose that you'd have to do it in some such fashion as Zucker has worked out; that is, that whenever there is a sale through an American broker on stock by a non-resident alien, that there shall be withheld a certain proportion of the proceeds, but that the non-resident alien may file a return and show that his profit is less than the amount of the proceeds which we have withheld.

Oliphant: Well, I think it is fair to say, Ros, that at our last meeting there was general agreement - there was universal agreement that your proposal was O.K. as the first step.

Magill: Yes, I think so.

Oliphant: And then that we could later develop - go right to work on this capital gains tax, and conceivably you might want to go down and see the Congressmen while your bill was pending. But your suggestion was O.K. as the first step. Is that right? Did we all agree on this? That's what I wanted to find out. Upham, you weren't there at that last meeting.

Upham: No, but I agree with that completely. I would have some reservations on that other matter of removing the exemption from tax on bank balances; that is, interest from bank balances.

Magill: It seems to me clearly the most practicable and on the evidence we have now the most easily supported.

R.M.Jr: You left out one thing that I wanted as a tax point, and that is to tax aliens on income derived from United States Governments.

Oliphant: Hereafter issued.
H.M.Jr: Yes, hereafter issued. I mean I want that as a talking point.
Oliphant: No dissent on that. No dissent on that.
H.M.Jr: As I understand, it is tax free now.
Oliphant: Those under the Second Liberty Loan Act.
Oppen: Bonds, notes, and certificates.
H.M.Jr: No tax on United States Government obligations.
Oppen: I think just leaving out bills.
H.M.Jr: Obligations, except bills. What?
Oppen: Except bills.
H.M.Jr: No tax on United States Government obligations held by aliens.
Magill: Non-resident aliens.
H.M.Jr: Right. Non-resident aliens. Then that would go in. Then this other question of a tax on bank balances.
White: I'm afraid that figure came from me and I gave it as a maximum outside figure. It might be very much less than that. We might have to investigate and find out.
H.M.Jr: Well, I personally wouldn't want to move too quickly on that, because that brings up the question of drawing funds here. I just - I mean....
Lochhead: At the present time I think that most of those big balances in New York are on spot deposits and not time deposits, and they don't draw interest.
H.M.Jr: Oh.
Kent: It was formerly more important, Mr. Secretary, because formerly banks were allowed to pay interest on demand deposits and now only time deposits from abroad would be affected by this.
On the other hand, I think it is probably - really, as Mr. Magill says, this is a thing that could be easily achieved, and there is no rhyme or rhythm to it as it stands.

Magill: No rhyme or rhythm, and I would think psychologically the repeal of that exemption would be beneficial.

H.M. Jr: You say there's no rhyme or reason.

Oliphant: There is a disagreement.

H.M. Jr: what's your (Upahm) rhyme or reason?

Upahm: Two or three points. If you permit the banks to have those balances you get more earnings and more money out of your banks; undoubtedly that money coming here makes for a bigger money center in New York and makes for bigger bank business of our own. That is, I would advance that.

Magill: Well, it's American source income, though. I mean....

Zucker: The original purpose...

Magill: ....any interest on those balances.

Zucker: The original purpose when it was first enacted in 1921, as presented to the Senate, was stated by Dr. Adams to be - he says: "There have been requests from many sources and there has been recommended several times.... And the purpose of it is to encourage deposits in American banks by non-resident aliens, since these deposits are usually made as part of some business transaction." If today we are attempting to reverse the policy, then this particular advantage which was conceded to foreigners - it might be conceivable that it would be the right thing to do to eliminate this non-taxable item which is applicable only to non-resident aliens and not to Americans.

Kent: Mr. Zucker, may I ask a question? In your judgment, wouldn't the deposits which are made in New York in connection with commercial transactions in a narrower sense in all likelihood be demand deposits?

White: Most of them are.
Zucker: I first made an inquiry as to that and a figure was - an approximation given me was anywhere from 150 to 200 million dollars.

Oliphant: Of demand deposits.

White: Of the total billion and a half, 200 millions.

Oliphant: That's demand non-interest bearing deposits.

Magill: Well, isn't that the answer to Upham's point: that the money which is earning money and working in American business is not your time deposits as a rule; the great bulk of it is deposits in connection with business, which are not earning money.

Oliphant: Suppose we took the Secretary's suggestion as the first step and then went ahead and studied the deposits taing and capital gains for two or three days, then go down and see Boughton and tell him about it.

H.M.Jr: The thing I would like to do, as far as the whole shop is concerned - the only proposals I want to make are those we are all in complete accord on. Now, we are all in complete accord on raising this withholding tax for non-resident aliens. We are all in complete accord that a non-resident alien holding a United States Government obligation should pay taxes on the income of that.

Magill: Right.

H.M.Jr: So there's no argument about that. All right, I want this thing - I mean so I can say - I want two things. I want to be able to say Monday that the Treasury has a united front on these two suggestions for a quick piece of legislation. Then we have an agenda of things we'd like to offer for study, things that we'd like to explore further.

Oliphant: Further study.

H.M.Jr: What?

Oliphant: Further study. Right?
H.M. Jr: Now, is anybody...

Magill: All right.

Oliphant: As I pointed out, it would take at least three weeks for any legislation proposed to get through. If within those three weeks you had another bright idea, we could go down there again.

H.M. Jr: That's all right. Now, you see, the reason I'm rushing this thing is this: U. S. Steel and General Motors up four points in London before our market opened.

Oliphant: And Chrysler.

H.M. Jr: Well, they didn't happen to quote Chrysler. And what I am going to do at 10:30, with the knowledge and the approval of the President, is to announce that this meeting is going to take place on Monday between Eccles and Landis and myself, that we are now ready to call a meeting to study the inflow of foreign capital.

Oliphant: To study the inflow or the taxation of it.

H.M. Jr: I wasn't going to - I was going to simply say we were - the President asked us to study the inflow of foreign capital and that we had now progressed far enough that we were ready to meet with these people, and that's all. I don't want to use - I hadn't thought of using the word "taxation." Simply that the President asked these three agencies to study the inflow of foreign capital, that the Treasury had progressed far enough in its study that I had invited Mr. Landis and Mr. Eccles to meet with me at ten o'clock Monday.

Don't anybody run out quickly and sell General Motors.

White: Would that statement imply that the other agencies haven't been studying it?

H.M. Jr: No, no. No, between now and 10:30 I'm going to call Landis and Eccles and tell them what I'm going to do. I'm going to call the two of them on
the phone. I get your point. I can say that we have - that the group has progressed far enough that the principles are ready to be decided.

Oliphant: That's it.

H.M.Jr: That the committee has progressed far enough that I feel that I can call a meeting.

And am I worried about the inflow of foreign capital? Yes. All right?

White: All right as far as I'm concerned.


Gaston: Why?

(Hearty laughter)

H.M.Jr: Herbert, because.

Kent: I am because I am.

H.M.Jr: For many reasons.

Oliphant: Well, has the Treasury some proposals it is going to offer at this meeting?

H.M.Jr: Yes. At this time I can't disclose them.

Oliphant: Do they relate to taxation?

H.M.Jr: You gentlemen will have to wait. We have just - I don't think I'd answer that, Herbert, do you?

Gaston: No. The point is that each one separately has been studying the thing and now you are going to hold a meeting, and obviously it would not be fair or ethical for you to disclose your proposals until you had disclosed them to the others in the group.

Oliphant: You don't want to imply you haven't disclosed them to the others, do you?

White: Are you concerned about the capital that is already
here, about the capital that is coming in, or both?

H.M.Jr: Both.

White: That's a little dangerous.

Lochhead: Well, he's shown he is concerned because he is sterilizing gold.

White: No, but the implication there is that you intend doing something which may drive it out.

H.M.Jr: Well then, the answer is that we are just worried about the additional.

White: The incoming - the further inflow.

H.M.Jr: What?

White: Further inflow.

Lochhead: You made a study and you figure the amount of gold you have now is just right.

H.M.Jr: And I can't see but what this flow is going to continue for an indefinite period; very pessimistic about the European situation.

White: They might quote you on that.

H.M.Jr: No?

White: No.

H.M.Jr: All right.

Oliphant: Because the next question is - the next question then would be: "So you anticipate war, and what is the bearing of all this on your neutrality policy and the cash-and-carry thing?"

H.M.Jr: I think I'm all right on the thing. But I think it is very important that this thing - that we cap this thing off at this time. You (Lochhead) still got time to call your broker.
Oliphant: When are you meeting with Landis and Eccles?

H.M. Jr: Ten o'clock Monday. Needless to say, what's here is ultra-confidential for everybody. Well, it's almost 15 after now; got three minutes to go. I wonder if I should have something in which I show these people when they come in at ten o'clock - I mean a piece of paper; like to show them. Now, is... what time do you (Magill) leave?

Magill: Six o'clock.

Oliphant: May I ask a question? I want to mention one matter to be eliminated if you are not interested in it. This withholding tax which is to be raised could be made flexible in the hands of the President if he wanted it; if not, just merely raise the rate. Now, if you wanted to make it flexible, there's a little more work we ought to do.

H.M. Jr: Well, are you sure of your law on that?

Oliphant: Yes.

H.M. Jr: Well, I tell you the reason I want... I'm seeing the President on this at - tomorrow morning at 9:15. Now, I want something. That's why I want to meet again. Before I meet with these people Monday I want to show this to him and have him say, "This is fine," or it isn't. So will you people have alternative pieces of paper, one definitely raising it to twenty and the other leaving it flexible, so I could have two pieces of paper and could say, "Mr. President, here's one plan raising it to twenty, and the other is an alternative leaving it flexible in your hands. The arguments for it..." I'm going over tomorrow morning and I want to be able to give him the alternative plans and the arguments.

Magill: Why don't you suggest when you want to meet again?

H.M. Jr: We've got the big staff at eleven, which runs over to twelve. I won't be so good. I've got an appointment at three with Bell. 3:30, Cochran. I've got appointments at 3:30 and 4. If you people would be ready at 2:30 I could be ready at 2:30. What? Is that crowding you too much?
I won't be able to do much on it personally because I've got to go up on the hill.

All right, I can change my four o'clock appointment and have him come in at 2:30, and see you fellows at - this four o'clock appointment won't run more than fifteen minutes, so why don't I say 4:15?

Fine.

Then we could run from 4:15 to five. Would that be....

O.K.

Would you want an agenda also drawn up as to what you propose to study after this, for that meeting?

I do.

You want three sheets of paper.

Yes. (To Mrs Klotz) 4:15, group on taxes.

All right.

You (Oliphant) raising your hand to talk?

You want three sheets of paper, and no (Magill) has the ball.

Yes. Let me just think.

weren't you going to change your four o'clock appointment to 2:30?

No. That one at four o'clock will not run very long and I'd just as leave have a little time to provide for something unforeseen, which happens every day.

You can make it 3:30 if you want to.

I'd a little rather make it - will you be in on that?

I can be there.

Well, you see - no, I'd rather - I'd rather give you as much time as possible. Everybody happy in here? I don't expect that I want to say it, but I think that this is an indication; all I want to do is just to throw out a very definite hint.
Of the several approaches through tax proposals, the one pertaining to increasing the withholding rates is most feasible, involving little, if any, change of tax administration in the existing mechanism for withholding. The increased tax on fixed items of income, i.e., dividends, interest, rentals, etc., will tend to become a discouraging factor to the foreign investor. The application of this approach to controlling the inflow and outflow of foreign capital avoids the necessity for filing returns by nonresident aliens and foreign corporations not having a place of business in the United States, and thus is not a cause for increasing the inequalities produced as a result of tax evasions of some aliens and diligence of others in reporting their profits from sales.

The present rate of withholding in Great Britain is 23% percent; in France the rates of withholding are 12, 16 and 24 percent, dependent upon the types of securities. Thus, increasing the rate to approximately 20 to 25 percent does not give rise to discrimination against the Nationals of foreign countries from the standpoint of tax load. Furthermore, it has been roughly ascertained (subject to check) that the average rate at which American Nationals are subject to tax on dividends in the United States, counting those in the net income classes of $10,000 and over, will be, under the 1936 Act, about 20 percent. Increasing the withholding rate against foreigners, therefore, to a figure of 20 or 25 percent merely places the foreigner to the same accountability as the American earning his income in our shores.

The chief objection to the utilization of an increased withholding rate at this time is that it strikes indiscriminately against all foreign investors and not specifically against in-and-out traders in our security markets. These traders are more interested in the making of profits accruing from the rise in daily stock prices than they are in the retention of securities for purposes of yields therefrom. The efficacy of the increased withholding tax to act as a deterrent in a general way to foreign investors, however, is sufficiently potent to be considered a valuable approach to the problem of effecting a reduction in foreign investments in the United States.

It is estimated the yield under the 1936 Revenue Act, applicable to nonresident aliens and foreign corporations, will be approximately $15,000,000 for 1936. The contemplated increased withholding rates will tend to double the yield. This may be accomplished without added burdens on withholding agents other than more rigid regulatory provisions as to ascertainment of true foreign owners in cases where the record owners are Americans.
1. Increase the withholding rate applicable against non-resident aliens with no place of business in the United States as well as those engaged in business or having an office here from 10 percent to 20 percent, to be withheld on all items of fixed or determinable income covered under Section 211, Revenue Act of 1936.

2. Increase the withholding rate applicable against non-resident foreign corporations from 15 percent to 25 percent on all items of fixed or determinable income other than dividends, and increase the withholding rate on dividends from 10 percent to 20 percent (Section 231 (a), Revenue Act of 1936).

Note: Under the provisions of Sections 211 and 231 (a), cited above, the withholding rate applicable against residents of the contiguous countries, Canada and Mexico, may be reduced by treaty with such countries to a rate not less than 5 percent. Similarly, the withholding rate against dividends received by corporations organized under the laws of Canada and Mexico may be reduced by treaty with such countries from 10 percent to a rate not less than 5 percent. The proposed Canadian treaty now pending, if ratified in its present form reducing the withholding rate to 5 percent, constitutes a serious potential loophole. This fact suggests the desirability of reconvening the Canadian situation with the State Department.

3. Subject alien individuals and corporations not residing or doing business in the United States to Federal taxes on Government obligations hereafter issued to the same extent as such aliens are now or will hereafter be taxed on other obligations in the United States.
PROPOSED ALTERNATIVE FIRST STEP IN THE CONTROL OF
THE INFLOW AND OUTFLOW OF FOREIGN CAPITAL

Proposal No. 2

1. Enact the increased withholding rates as in Proposal No. 1.

2. The increased withholding rates to take effect within
30 days from the date of their enactment unless the President sooner
finds and proclaims that a part or all of such taxes would be detri-
mental to the public interest in relation to international trans-
actions and relations, in which event vest power in him so to make
a part or all rates effective, lowering and raising the effective
portion from time to time as circumstances so found and proclaimed
may require.

3. Subject alien individuals and corporations not residing or
doing business in the United States to Federal taxes on Government
obligations hereafter issued to the same extent as such aliens are
now or will hereafter be taxed on other obligations in the United
States.
PROPOSED SUPPLEMENTAL STEPS IN THE CONTROL OF THE INFLOW AND OUTFLOW OF FOREIGN CAPITAL

Proposal No. 3

In the event that other and more drastic approaches are found desirable to affect control of the inflow and outflow of foreign capital, additional tax measures can be proposed. Further studies are being made on contemplated proposals. In general, the proposals now under consideration are:

1. (a) To levy a tax of ___ percent on all capital gains realized by nonresident aliens and nonresident foreign corporations.

1. (b) The amount of this tax shall be collected by withholding 3 percent to 5 percent (as may be determined) of the total proceeds of sale, subject to final tax readjustment upon the filing of returns by the foreign seller, showing actual profits from the transactions.

1. (c) The above tax to take effect within 30 days from the date of its enactment unless the President sooner finds and proclaims that a part or all of such tax would be detrimental to the public interest in relation to international transactions and relations, in which event vest power in him so to make a part or all of the tax effective, lowering or raising the tax from time to time as circumstances so found and proclaimed may require.

2. Restores as a taxable item, interest on all deposits with persons carrying on the banking business paid to persons not engaged in business within the United States and not having an office or place of business therein.

This contemplates the elimination of Section 119 (a) (1) (A), Revenue Act of 1936, thus subjecting nonresident aliens and nonresident foreign corporations to the regular tax now or hereafter enacted on interest received on bank deposits.

3. It may be advisable, for the purpose of curbing any sudden or excessive outflow of foreign capital, to enact a special transfer tax, on a graduated basis, on proceeds from sales made by nonresident alien individuals and foreign corporations, the tax being lessened in accordance with the length of time the securities were owned prior to sale. For example, a tax of 1 percent if the property sold has been owned a year or more, 2 percent if owned 11 months, 3 percent if owned 10 months, etc.
The following are the outstanding arguments in favor of more degree of flexibility as to the rate of tax on foreigners:

1. It is designed to have some effect on international capital movements. International conditions not in any way connected with the tax may disappear and, in fact, such other considerations may make the existence of the increased tax definitely a detriment.

2. The tax itself, and particularly the rate, are experimental, and designed to produce an effect not connected with the raising of revenue. No one can now estimate with any accuracy the extent to which a given rate of tax may under shoot or overshoot that mark.

3. One of the purposes of the proposal is psychological, that is, the very statement that it is under consideration may have some part or all of the desired effect. Since we are dealing with the composite frame of mind of thousands of foreign investors, no one can accurately forecast this element. A statute sparing giving the power to raise rates, coupled with the knowledge that it will be exercised if needed, may be sufficient to discourage dangerous increases of foreign investment. If this is so, it would be advantageous to the enen from exercising the power, and thus avoid ill feeling or even reprisal abroad.

4. The interest of the Treasury in the whole problem is not the mere revenue aspect. Its interest is the foreign exchange and gold angle. A rigid provision will deprive the Treasury of any control over the situation and leave whatever flexibility there may be in the hands of SEC and the Federal Reserve Board — organizations whose primary concern should be the domestic situation.

5. Flexibility in connection with the treatment of matters involving foreign governments and foreign private interests are, by tradition and logic, peculiarly susceptible to flexibility in the hands of the executive. Questions in which foreign governments are concerned are by their nature delicate, subject to frequent change, and based upon facts particularly at the disposal of the President. The most familiar examples of flexible provisions relate almost without exception to international relations, such as

Exports for war purposes (neutrality legislation).
Increase of tariffs for discrimination abroad.
Increase of taxes on foreigners for discrimination abroad.
Fixing the content of the dollar.

By Order

[Signature]
I. Non-resident alien individuals

1. Non-resident aliens engaged in business or having an office here: 

   Same rates as citizens and residents

2. Residents of Canada, if treaty ratified:

   Five percent on income derived from U.S.

   No tax on capital gains.

3. Non-resident aliens other than above:

   Ten percent on dividends, interest, rents, royalties, wages and compensation, etc., from sources within the United States.

   No tax on capital gains.

II. Foreign corporations

1. Resident foreign corporations:

   Twenty-two percent on income from U.S. sources.

2. Canadian corporations:

   Five percent on dividends.

   No tax on capital gains

3. Other foreign corporations:

   Fifteen percent on interest, rents, and royalties and ten percent on dividends from U.S. sources.

   No tax on capital gains

\[ \text{no tax on } 13K \text{ balances?} \]

\[ \text{no tax on U.S. gov. obligations (except bills) held by non-resident aliens} \]
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   Same rates as citizens and residents

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   Five percent.
   
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   and ten percent on dividends from U.S. sources.
   
   No tax on capital gains.
February 11, 1937.

Excerpt from Mr. Magill's "Memorandum of the Day's Activities for February 11th," to the Secretary.

2. Non-resident aliens

Mr. Zucker and I spent several hours going over the various plans for taxing the income of non-resident aliens from American sources and he is preparing supporting memoranda.
TO
SECRETARY MORGENTHAU

FROM
MR. MAGILL

RE: INTERSTATE COMMERCE COMMISSION'S REPORT -
UNDISTRIBUTED PROFITS TAX.

I have just read Mr. Eastman's letter to you dated January
26th, enclosing a draft of a letter addressed to the President to
be signed by the Chairman of the Commission. I have referred the
draft to Mr. Kent since I understand he drafted the Treasury's
original letter to the President on this subject.

So far as I can find out, neither one of these letters were
in our possession at the time Mr. Sweet conferred with me. Conse-
sequently, it was impossible for me to discuss with Mr. Sweet the
merits of the various questions considered in the draft letter. I
do not know whether the Commission's draft letter has now gone for-
ward to the President but if it has, it would seem that we should
have some opportunity of expression our views further.
Feb. 11, 1937.

To 
SECRETARY MORGENTHAU

From 
MR. MAGILL

RE: INTERSTATE COMMERCE COMMISSION'S REPORT - UNDISTRIBUTED PROFITS TAX.

I have just read Mr. Eastman's letter to you dated January 16th, enclosing a draft of a letter addressed to the President to be signed by the Chairman of the Commission. I have referred the draft to Mr. Kent since I understand he drafted the Treasury's original letter to the President on this subject.

So far as I can find out, neither one of these letters were in our possession at the time Mr. Sweet conferred with me. Consequently, it was impossible for me to discuss with Mr. Sweet the merits of the various questions considered in the draft letter. I do not know whether the Commission's draft letter has now gone forward to the President but if it has, it would seem that we should have some opportunity of expressing our views further.

Copied: Dec 2-15-37
11 February, 1937

COAST GUARD OPERATIONS IN FLOOD AREA

With the exception of a few boats, which are being retained at Paducah and several other cities upon the request of the local municipal and Red Cross officials, all Coast Guard boats are being withdrawn northward from Memphis. All motor lifeboats, which were operating in the Memphis region, together with all Navy boats, are being returned to their stations.

Eighteen Coast Guard boats are being retained at Memphis which, together with the small boats operating in conjunction with seagoing units below Memphis, are considered sufficient to take care of needs in the Mississippi Valley.

General Water Level Conditions.

River receding at Memphis and crest is now approaching Helena, reading 60.2'.

w.s.
Operator: Yes, sir

RM Jr: Tell Landis' secretary that I am going to call him in about two minutes, to have him ready.

T.O.: All right.

RM Jr: Hello

T.O.: Chairman Eccles -

Eccles: Hello

RM Jr: Hello, Marriner?

E: Yes

RM Jr: I want to tell you what I am thinking of doing in about four minutes. I have a press conference at ten thirty, and I've talked to the President. And on account of this stock market jumping up in London on an average of four points, I asked him what he thought if I'd announce that this his committee, consisting of yourself, Landis and myself, were going to meet on Monday. That we'd progressed far enough on our studies that we could meet, you see?

E: Yes

RM Jr: That's all.

E: Yes

RM Jr: Just say that, you see?

E: Yes, I think it's all right.

RM Jr: Let them know it's coming.

E: I think it's all right. It wouldn't hurt the market at all.

RM Jr: Well, it might keep it from going complete --

E: Well, that's what I mean.

RM Jr: Yes, but I wanted to let you know that I was going to do it and see if you had any objections.
E: I haven't any objection at all. I think it would be a good thing to do.

HMJr: Thank you very much.

E: All right.

HMJr: Goodbye.
Thursday
February 11, 1937
10:24 a.m.

HMJr: Hello

Trues.

Operator: Chairman Landis — Go ahead.

HMJr: Hello

Landis: Hello

HMJr: Landis —

L: Yes

HMJr: Good morning

L: Good morning, how are you?

HMJr: I'm fine. Landis, I called up the President this morning to tell him that the London stock market opened up four points in some cases above New York. Hello?

L: Yes

HMJr: And asked him if it would be all right that I would announce in my ten thirty press conference that you and Eccles and I were going to meet Monday to discuss this inflow of foreign capital.

L: Yes

HMJr: And he said, "Fine." And, - I'd simply say that we'd progressed far enough that we could meet, you see?

L: Yes

HMJr: And he said it was all right. And I - but I didn't want to do it without first talking to you.

L: Well, I think it's a good idea.

HMJr: I called up Marriner and Marriner said, "Swell."

L: Yes

HMJr: Is it all right with you?

L: Oh yes, indeed.
HMJr: I mean, I'm just going to say that we've progressed far enough on our studies to have our first meeting.

L: Yes - yes, I think that's good.

HMJr: You think that's good?

L: Yes

HMJr: Well, how are you feeling?

L: Oh, very well, thanks.

HMJr: Really?

L: Yes - I'm back in good form again, I think.

HMJr: (Laughs) Fine - me

L: The President gave some more work, you know.

HMJr: More work?

L: Yes

HMJr: I see.

L: (Laughs) So he -

HMJr: As a tonic he gave you some more work?

L: Yes, he says that's the best cure.

HMJr: Fine

L: (laughs)

HMJr: Well, I don't know.

L: (laughs)

HMJr: And I'll see you at ten Monday.

L: All right, fine.

HMJr: Thank you.

L: Fine, thank you.
Sen. Pat Harrison: Henry -

HMJr: Good morning

H: How are you?

HMJr: Oh, I'm fine.

H: Henry, are you tied up this afternoon?

HMJr: Unfortunately I've got three appointments.

H: Well, how long will you - will you be - when will you be free?

HMJr: Well, to you -

H: I've been having these hearings on this trade agreement -

HMJr: Yes

H: But this afternoon I haven't got a hearing and they've got us pretty busy up here and I thought if you were free we'd come there any time this afternoon. I just talked to Bob, he's free this afternoon, too.

HMJr: Well, if you're free, I'll be free at four o'clock.

H: At what time?

HMJr: Four o'clock

H: Four?

HMJr: Is that a good time?

H: Well, I think that's all right.

HMJr: All right.

H: Well, suppose - where do you want us to come?

HMJr: Any place you say.

H: Well, I just don't want any publicity attached to our meeting.

HMJr: Well, I tell you, if you come to my private entrance -
H: Yes
HMJr: You know where that is?
H: Yes
HMJr: And come right in - don't go into Kieley's room, but come directly into my room; nobody will see you.
H: We'll be there at four o'clock. And you'll have the other fellows there?
HMJr: I'll have the other fellows there.
H: All right.
HMJr: And you - you'll talk to Bob?
H: Yes
HMJr: All right.
H: I've talked to him already, and I'm to let him know.
HMJr: O. K.
H: All right.
HMJr: Thank you.
Thursday
February 11, 1937
2:50 p.m.

HMJr: Hello
Treas.
Operator: Senator Moore - Go ahead.

HMJr: Hello
Sen. A. Harry
Moore: Hello

HMJr: Morgenthau talking -
Moore: Yes, sir, this is Moore, of the great State of New Jersey.

HMJr: I know, I suppose you're calling up about our friend up there.
Moore: Yes

HMJr: Well, I just haven't been able yet to see my way clear. I've discussed it with Guy Helvering.
Moore: Yes

HMJr: And he tells me that you've had it up with him a number of times during the past year. And, I - frankly, I just haven't got any answer for you yet. And -

Moore: You know, of course, we don't care who it is.

HMJr: I know, I appreciate that. And the investigation I asked to have made of that man has not yet come through.

Moore: Oh well, we don't care about him. We only mentioned him because Helvering - -

HMJr: Yes

Moore:

HMJr: And, what I'd like to do is, as soon as I get it, if you would stop by here some morning, I'll have Helvering over here and we can talk it over.

Moore: Well, I'll do that.

HMJr: But -

Moore: I could be there Monday.
But Helvering said that— I understand he has had it up with you a number of times.

Moore: No, he didn't— he's just talking.

HMJr: What?

Moore: He's just talking.

HMJr: Well, he's a good politician.

Moore: Yes, he has a good deal/say.

HMJr: I'm just—

Moore: — tell us to go to hell or else tell us to put a Democrat in. What's the use of running all over the lot.

HMJr: Yes— Well, now, will you be here Tuesday?

Moore: Yes, sir

HMJr: I'll try to get a report— and— is ten o'clock a good time for you?

Moore: Yes, sir, I'll come over there at ten.

HMJr: Tuesday morning?

Moore: Yes

HMJr: Thank you very much.

Moore: You can have Helvering there and we can fight it out.

HMJr: I'll have Helvering there and we'll—

Moore: Ten o'clock Tuesday morning.

HMJr: Thank you, Senator.

Moore: Thank you.