

FROM: MR. OPPER'S OFFICE

208

MRS. KLOTZ

Since the Secretary was furnished a set of the papers on transfers of earmarks, you may wish to have these letters to complete the file.

B. Jenkins

Mr. Taylor
Mr. Gibbons
Mr. Worsley

Mr. Oliphant
Miss Hoehn
Mr. Gaston

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APR 19 1937

My dear Mr. van Rechteren:

I beg to acknowledge receipt of your letter of April 15, 1937, relating to transfers of earmarks of gold, the contents of which have been carefully noted.

Sincerely yours,

(Signed) Wayne C. Taylor

Assistant Secretary of the Treasury.

Mr. W. van Rechteren,
Charge d'Affaires a.i.,
Royal Netherland Legation,
Washington, D. C.

W/C
4/18/37

ROYAL NETHERLAND LEGATION.

Washington, 15 April 1937.

No. 1483.

My dear Mr. Taylor:-

In his letter of March 13th, Baron van Breugel Douglas indicated to you the willingness of the Netherlands Government, on the basis of reciprocity, to authorize transfers of earmarks of gold in accordance with the statement handed to him at the conference of January 27, 1937. At the same time he mentioned that a letter from the Netherlands Government was under way.

I beg to inform you now that this letter has arrived and confirms Baron van Breugel's communication as referred to above without containing any remarks which might be of interest to you.

Yours sincerely,



M. van Rechteren
Netherland Chargé d'Affaires a.i.

Wayne Chatfield Taylor
Assistant Secretary of the Treasury
Department of the Treasury
Washington, D.C.

April 19, 1937.
3:37 p.m.

H.M.Jr: Hello.

Operator: Chairman Eccles - go ahead.

E: Hello - hello Henry.

H.M.Jr: Yes.

E: Ah - this is the - Eccles speaking.

H.M.Jr: You don't mean it.

E: (Laughs) Well I didn't recognize your voice.

H.M.Jr: Well I've been practicing this southern talk here; they've been trying to rush me, see?

E: By golly - I couldn't - I wondered if I had the wrong fellow.

H.M.Jr: No we're just - ain't going to be rushed to-day.

E: I see. Well I - I - how do you feel about these bids.

H.M.Jr: What bids?

E: On the bills.

H.M.Jr: Oh have we got some bills for sale?

E: (Laughs) You don't know about it I guess.

H.M.Jr: No why we've just been kind of practicing our southern dialect around here.

E: You've done a good job of it. (Laughs)

H.M.Jr: (Laughs)

E: You've done a good job of it.

H.M.Jr: Why have we got something for sale?

E: I don't know whether you have or not - maybe they're all sold now.

H.M.Jr: Have you seen the bids?

- 2 -

E: Have I?

H.M.Jr: Yes.

E: Well I've heard about them.

H.M.Jr: What are they?

E: Ah - -

H.M.Jr: The Mexican Finance Minister just left here and I've been practicing my southern dialect on him.

E: Southern?

H.M.Jr: Yes, what did you think it was?

E: Well does a Mexican understand southern.

H.M.Jr: (Laughs)

E: What?

H.M.Jr: I don't know but I had to get some dialect to match his.

E: Is he - is he pretty foreign? Doesn't he speak English?

H.M.Jr: Here comes my bid boy.
(Pause - while H.M.Jr. talks aside to someone)

H.M.Jr: Well he says that 148 at decimal 561.

E: All right - well that's New York .

H.M.Jr: Yes.

E: I judge - I don't suppose they've got the count yet and it may bring it down I don't know.

H.M.Jr: It's 73 at 704.

E: It's 70 - yeah.

H.M.Jr: Yes.

- 3 -

E: 273.....

H.M.Jr: Yes.

E:at 704.

H.M.Jr: Well I couldn't believe that you'd have these bids now; usually you have them tomorrow.

E: We what?

H.M.Jr: You usually would have them tomorrow.

E: Hell we do. We have them within - by 3 o'clock.

H.M.Jr: My heaven's, you people are getting right up on your toes. Well it isn't so bad, is it?

E: No it isn't as bad as last week that - try to make it appear.

H.M.Jr: No, I think Wayne Taylor getting angry last week was very good. And I think it's all right.

E: Well now what we - what we - what they did this morning and it wasn't as much as I wanted I'm perfectly frank to say but it was all that could be gotten lined up - .

H.M.Jr: Yes.

E: They - ah - put orders in for five million; expected to buy five million - ah - clean up the market. Now - ah - so that's what they did.

H.M.Jr: Yes.

E: And I wanted them to go in and place orders for 12 million. We had 12 million - ah - representing the sale of bonds and notes last week.....

H.M.Jr: Yes.

E:to invest in bills.....

H.M.Jr: Yes.

- 4 -

- E:and - ah - I - the way I felt about it was to simply place orders for bills of from 7 to 9 month maturities.....
- H.M.Jr: Yes.
- E:to-day for delivery to-day, tomorrow or Wednesday.
- H.M.Jr: Yes.
- E: Ah - well I didn't - didn't get it over but what they did do -
- H.M.Jr: Yes.
- E: - They agreed to go five million to clean up the market and - ah - and - ah - buy the balance of them between now and Wednesday.
- H.M.Jr: Yes.
- E: Now that may work out all right under the circumstances because the - the - the thing was substantially over subscribed but I - I felt that if they had gone in for 12 million this morning it would have assured the thing and I don't want to take any chances.
- H.M.Jr: Well listen. I think the thing is working along pretty well; I think they're learning and I must say, considering the opposition that they put, I think the last two weeks on the whole things have worked out very nicely.
- E: Yes it is working out but by God it - it isn't done with any - it's a trade every inch of the way.
- H.M.Jr: Now listen old man do you want to walk down with me tomorrow or is that too early for you?
- E: Yes I'll walk down with you. I've got a meeting with the Committee here.
- H.M.Jr: What time?
- E: Well it isn't till late though.
- H.M.Jr: Well you don't like to walk down in the morning?

E: Yes I do. I'll be glad to walk down with you.

H.M.Jr: Well I leave at 8:25.

E: (Laughs) Well that's all right this kind of weather. Can you guarantee another nice day tomorrow?

H.M.Jr: Guarantee it.

E: Well all right I'll do that.

H.M.Jr: Yes.

E: I'd like to walk down with you because it will be helpful. I'm going to meet with the Committee.....

H.M.Jr: Yes.

E:in the morning before coming over with you in the afternoon.

H.M.Jr: Fine.

E: So I - it may be a good thing to walk down together before I meet.

H.M.Jr: I think so and - ah - the reason I'm kidding is I'm trying to make myself take things a little bit less tense and we can't all keep up this speed indefinitely.

E: (Laughs)

H.M.Jr: I can't anyway.

E: (Laughs) Neither can I.

H.M.Jr: All right but we'll see what (Eccles coughed spoiling words) and let's walk down tomorrow, eh?

E: Ah - all right. By the way they sold another five million this afternoon of notes.....

H.M.Jr: Did they?

E:so that they've got instead of seven million now - they invested the five this morning and they've still got 12 million to invest.

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H.M.Jr: I see. That's notes for you.

E: Yes. We sold some - some of the 1940 notes above Saturday. There seems to be a strong demand for them.....

H.M.Jr: I see.

E:and so we let five million go from the portfolio giving us a price so that we've got 12 million now to clean up the dealers tomorrow on these bills if they happen to be stuck on them.

H.M.Jr: Yes, well don't give them a profit.

E: Well that's what we got this damn bill - ah - that.....

H.M.Jr: Well the bill don't say how much you have to pay him.

E: No - no - oh no - I don't mean that but I mean we - we - we - we've got to buy in the market and that's - that's - that's the tough part of it.

H.M.Jr: Let's talk when we go down tomorrow morning.....

E: Yes.

H.M.Jr:but looking over the last two weeks and then going back of that for a month - I mean we're so much better off that I personally am really quite happy.

E: Yes, well I'm glad you feel that way. I feel all right now the way - with these bids open but the way this - the way the situation looked last week when New York.....

H.M.Jr: Oh yes. .

E:indicated that you can't sell any bonds and you can't sell any notes and you can't sell any nine months bills now why it just looked like by God what the hell can you sell.

H.M.Jr: That's right.

E: And, of course, they - they have come around and the thing looks a little better.

H.M.Jr: That's right.

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E: Well then I'll see you in the morning at 8:30.

H.M.Jr: All right.

E: Over at your - ah - 8:30 is that the right time?

H.M.Jr: 8:25.

E: Well I'll learn to talk southern between now and tomorrow by God so I can.....

H.M.Jr: You take Ransom out and have him feed you something.

E: (Laughs)

H.M.Jr: (Laughs)

E: All right then,

H.M.Jr: Goodbye.

E: Goodbye.

MEMORANDUM

April 19, 1937



To: Secretary Morgenthau
From: Dr. Burgess

Treasury bond market was quiet and firm today, board quotations tending higher as the day progressed. At the close the long bonds were 2/32 to 3/32 up from last Saturday; the rest of the list was generally 1/32 to 7/32 up. Closing quotations were down slightly from the highs. F.F.M.C. bonds were up 3/32 to 8/32 and H.O.L.C. bonds 2/32 to 4/32. Government bond turnover on the board was small, totaling \$852,000. Note market was also quiet and firm and the individual issues closed in most cases at their highs, generally 1/32 to 3/32 better than Saturday. The 1 5/8s of 1940 were up 1/8th and the new 1 1/4s were up 3/16ths.

Both high and second grade domestic bonds were dull all day and prices were unchanged to small fractions better than last Saturday.

Foreigns were mostly unchanged and quiet. Italians were mixed; German and Japanese bonds were small fractions higher.

No purchases for Treasury today, except on a special order for account Secretary of Interior. We bought on this order \$500,000 2 3/4s 58/59 and \$200,500 2 3/4s 51/54.

April 19, 1937

The original and one photostat of the attached went to the White House today.

Government emergency programs
Expenditures from State and local funds

State and local funds					
ERA Relief	Social Security	Total ERA and Social Security	WPA 1/	PWA 1/	RA 1/
Column 1	Column 2	Column 3 (1 and 2)			
1935					
July	\$36,942,000	-	\$36,942,000		
August	36,092,000	-	36,092,000		
September	31,870,000	-	31,870,000		
October	35,241,000	-	35,241,000		
November	31,800,000	-	31,800,000		
December	39,641,000	-	39,641,000		
6 mos. total	211,586,000	-	211,586,000		
1936					
January	49,200,000 2/	-	49,200,000		
February	51,400,000	\$2,373,000	53,773,000		
March	49,800,000	2,716,000	52,516,000		
April	44,700,000	4,088,000	48,788,000		
May	39,400,000	4,631,000	44,031,000		
June	36,100,000	6,001,000	44,101,000		
6 mos. total	272,600,000	19,810,000	292,410,000		
July	35,800,000	7,333,000	43,133,000		
August	34,600,000	3,426,000	44,026,000		
September	34,720,000	10,064,000	44,784,000		
October	35,820,000	11,223,000	47,043,000		
November	36,750,000	12,002,000	48,752,000		
December	36,700,000	12,715,000	49,415,000		
6 mos. total	214,390,000	62,762,000	277,152,000		
1937					
January	37,000,000	13,262,000	50,262,000		
February	37,000,000	13,848,000	50,848,000		

Treasury Department, Division of Research and Statistics

April 19, 1937

1/ No direct information.
2/ Estimated for January 1, 1936, and all later months.

Case No.	Name	Date of Birth		Place of Birth		Race		Sex		Religion		Education		Occupation		Marital Status		Income		Assets		Liabilities		Net Worth	
		Month	Year	City	State	White	Black	Male	Female	Protestant	Catholic	High School	College	Employer	Self	Married	Single	Salary	Other	Real Estate	Personal	Loans	Other	Total	
100-100000-1	John Doe	01	1920	New York	NY	White	Male	Protestant	High School	Teacher	Married	\$10,000	\$5,000	\$15,000	\$2,000	\$13,000	\$10,000	\$5,000	\$15,000	\$2,000	\$13,000	\$10,000	\$5,000	\$15,000	
100-100000-2	Jane Smith	03	1925	Chicago	IL	White	Female	Catholic	College	Nurse	Married	\$12,000	\$8,000	\$20,000	\$3,000	\$17,000	\$12,000	\$8,000	\$20,000	\$3,000	\$17,000	\$12,000	\$8,000	\$20,000	
100-100000-3	Robert Brown	15	1930	Los Angeles	CA	White	Male	Protestant	High School	Engineer	Married	\$15,000	\$10,000	\$25,000	\$4,000	\$21,000	\$15,000	\$10,000	\$25,000	\$4,000	\$21,000	\$15,000	\$10,000	\$25,000	
100-100000-4	Mary White	22	1935	San Francisco	CA	White	Female	Catholic	College	Writer	Single	\$8,000	\$6,000	\$14,000	\$1,000	\$13,000	\$8,000	\$6,000	\$14,000	\$1,000	\$13,000	\$8,000	\$6,000	\$14,000	
100-100000-5	William Black	08	1940	Atlanta	GA	Black	Male	Protestant	High School	Construction Worker	Married	\$6,000	\$4,000	\$10,000	\$800	\$9,200	\$6,000	\$4,000	\$10,000	\$800	\$9,200	\$6,000	\$4,000	\$10,000	
100-100000-6	Elizabeth Green	12	1945	Philadelphia	PA	White	Female	Catholic	College	Librarian	Married	\$9,000	\$7,000	\$16,000	\$1,200	\$14,800	\$9,000	\$7,000	\$16,000	\$1,200	\$14,800	\$9,000	\$7,000	\$16,000	
100-100000-7	James Taylor	18	1950	San Diego	CA	White	Male	Protestant	High School	Police Officer	Married	\$7,000	\$5,000	\$12,000	\$900	\$11,100	\$7,000	\$5,000	\$12,000	\$900	\$11,100	\$7,000	\$5,000	\$12,000	
100-100000-8	Sarah Johnson	25	1955	Seattle	WA	White	Female	Catholic	College	Accountant	Married	\$11,000	\$9,000	\$20,000	\$1,500	\$18,500	\$11,000	\$9,000	\$20,000	\$1,500	\$18,500	\$11,000	\$9,000	\$20,000	
100-100000-9	Michael King	05	1960	Portland	OR	White	Male	Protestant	High School	Software Developer	Married	\$13,000	\$11,000	\$24,000	\$2,000	\$22,000	\$13,000	\$11,000	\$24,000	\$2,000	\$22,000	\$13,000	\$11,000	\$24,000	
100-100000-10	Patricia Lee	10	1965	Denver	CO	White	Female	Catholic	College	Marketing Executive	Married	\$14,000	\$12,000	\$26,000	\$2,500	\$23,500	\$14,000	\$12,000	\$26,000	\$2,500	\$23,500	\$14,000	\$12,000	\$26,000	
100-100000-11	David Miller	14	1970	Phoenix	AZ	White	Male	Protestant	High School	Sales Representative	Married	\$9,000	\$7,000	\$16,000	\$1,200	\$14,800	\$9,000	\$7,000	\$16,000	\$1,200	\$14,800	\$9,000	\$7,000	\$16,000	
100-100000-12	Linda Wilson	19	1975	San Jose	CA	White	Female	Catholic	College	Product Manager	Married	\$12,000	\$10,000	\$22,000	\$1,800	\$20,200	\$12,000	\$10,000	\$22,000	\$1,800	\$20,200	\$12,000	\$10,000	\$22,000	
100-100000-13	Christopher Moore	23	1980	San Antonio	TX	White	Male	Protestant	High School	IT Support	Married	\$8,000	\$6,000	\$14,000	\$1,000	\$13,000	\$8,000	\$6,000	\$14,000	\$1,000	\$13,000	\$8,000	\$6,000	\$14,000	
100-100000-14	Michelle Adams	27	1985	San Jose	CA	White	Female	Catholic	College	Business Analyst	Married	\$10,000	\$8,000	\$18,000	\$1,400	\$16,600	\$10,000	\$8,000	\$18,000	\$1,400	\$16,600	\$10,000	\$8,000	\$18,000	
100-100000-15	Kevin Baker	31	1990	San Jose	CA	White	Male	Protestant	High School	Software Engineer	Married	\$11,000	\$9,000	\$20,000	\$1,600	\$18,400	\$11,000	\$9,000	\$20,000	\$1,600	\$18,400	\$11,000	\$9,000	\$20,000	
100-100000-16	Amanda Clark	35	1995	San Jose	CA	White	Female	Catholic	College	UX Designer	Married	\$13,000	\$11,000	\$24,000	\$2,000	\$22,000	\$13,000	\$11,000	\$24,000	\$2,000	\$22,000	\$13,000	\$11,000	\$24,000	
100-100000-17	Brandon Evans	39	2000	San Jose	CA	White	Male	Protestant	High School	Systems Administrator	Married	\$9,000	\$7,000	\$16,000	\$1,200	\$14,800	\$9,000	\$7,000	\$16,000	\$1,200	\$14,800	\$9,000	\$7,000	\$16,000	
100-100000-18	Stephanie Foster	43	2005	San Jose	CA	White	Female	Catholic	College	Operations Manager	Married	\$12,000	\$10,000	\$22,000	\$1,800	\$20,200	\$12,000	\$10,000	\$22,000	\$1,800	\$20,200	\$12,000	\$10,000	\$22,000	
100-100000-19	Gregory Grant	47	2010	San Jose	CA	White	Male	Protestant	High School	Network Engineer	Married	\$10,000	\$8,000	\$18,000	\$1,400	\$16,600	\$10,000	\$8,000	\$18,000	\$1,400	\$16,600	\$10,000	\$8,000	\$18,000	
100-100000-20	Christina Hill	51	2015	San Jose	CA	White	Female	Catholic	College	Project Manager	Married	\$11,000	\$9,000	\$20,000	\$1,600	\$18,400	\$11,000	\$9,000	\$20,000	\$1,600	\$18,400	\$11,000	\$9,000	\$20,000	

Form 1041-100 (Rev. 1-1-78) Instructions for Form 1041-100

1. This form is to be filed by the estate of a decedent who was a resident of the United States at the time of death. It should be filed with the estate tax return for the year of the decedent's death.

2. The estate tax return for the year of the decedent's death should be filed with the estate tax return for the year of the decedent's death.

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April 19, 1937.
4:15 p.m.

Operator: Operator.

H.M.Jr: Find out - who is this?

O: Miss Triplet.

H.M.Jr: Oh. Find out if Professor Buck is in town.....

O: All right, sir.

H.M.Jr:...and tell him if I'm not too tired I may want to see him to-night. I don't know yet, see?

O: All right, sir.

H.M.Jr: And will he be available from 8 o'clock on if I'm not too tired.

O: If you're not too tired. All right I'll find out for you.

April 19, 1937.
4:16 p.m.

Operator: Operator.

H.M.Jr: Magill.

O: Right.

O: Dr. Magill

Magill: Hello

H.M.Jr: Magill

M: Sir.

H.M.Jr: On tomorrow's Staff Meeting will you bring up the question of the Smith case of Los Angeles, please?

M: Yes.

H.M.Jr: You can bring it up at that time.

M: Yes, what - what's new anything?

H.M.Jr: No - ah - I don't want to talk about it over the

M: Yes - yes.

H.M.Jr: Will you?

M: Do you want me

H.M.Jr: Remind me.

M: Just remind you of it. Ask you what's happened to it.

H.M.Jr: That's right.

M: Good I will.

H.M.Jr: Thank you.

M: Not at all.

April 19, 1937.
3:37 p.m.

H.M.Jr: Hello.

Operator: Chairman Eccles - go ahead.

E: Hello - hello Henry.

H.M.Jr: Yes.

E: Ah - this is the - Eccles speaking.

H.M.Jr: You don't mean it.

E: (Laughs) Well I didn't recognize your voice.

H.M.Jr: Well I've been practicing this southern talk here; they've been trying to rush me, see?

E: By golly - I couldn't - I wondered if I had the wrong fellow.

H.M.Jr: No we're just - ain't going to be rushed to-day.

E: I see. Well I - I - how do you feel about these bids.

H.M.Jr: What bids?

E: On the bills.

H.M.Jr: Oh have we got some bills for sale?

E: (Laughs) You don't know about it I guess.

H.M.Jr: No why we've just been kind of practicing our southern dialect around here.

E: You've done a good job of it. (Laughs)

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E: I don't know whether you have or not - maybe they're all sold now.

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E: Have I?

H.M.Jr: Yes.

E: Well I've heard about them.

H.M.Jr: What are they?

E: Ah - -

H.M.Jr: The Mexican Finance Minister just left here and I've been practicing my southern dialect on him.

E: Southern?

H.M.Jr: Yes, what did you think it was?

E: Well does a Mexican understand southern?

H.M.Jr: (Laughs)

E: What?

H.M.Jr: I don't know but I had to get some dialect to match his.

E: Is he - is he pretty foreign? Doesn't he speak English?

H.M.Jr: Here comes my bid boy.
(Pause - while H.M.Jr. talks aside to someone)

H.M.Jr: Well he says that 148 at decimal 561.

E: All right - well that's New York .

H.M.Jr: Yes.

E: I judge - I don't suppose they've got the count yet and it may bring it down I don't know.

H.M.Jr: It's 73 at 704.

E: It's 70 - yeah.

H.M.Jr: Yes.

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E: Hell we do. We have them within - by 3 o'clock.

H.M.Jr: My heavens, you people are getting right up on your toes. Well it isn't so bad, is it?

E: No it isn't as bad as last week that - try to make it appear.

H.M.Jr: No, I think Wayne Taylor getting angry last week was very good. And I think it's all right.

E: Well now what we - what we - what they did this morning and it wasn't as much as I wanted I'm perfectly frank to say but it was all that could be gotten lined up - .

H.M.Jr: Yes.

E: They - ah - put orders in for five million; expected to buy five million - ah - clean up the market. Now - ah - so that's what they did.

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E: And I wanted them to go in and place orders for 12 million. We had 12 million - ah - representing the sale of bonds and notes last week.....

H.M.Jr: Yes.

E:to invest in bills.....

H.M.Jr: Yes.

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- E:and - ah - I - the way I felt about it was to simply place orders for bills of from 7 to 9 month maturities.....
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- E:to-day for delivery to-day, tomorrow or Wednesday.
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- E: Now that may work out all right under the circumstances because the - the - the thing was substantially over subscribed but I - I felt that if they had gone in for 12 million this morning it would have assured the thing and I don't want to take any chances.
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- E: Well it isn't till late though.
- H.M.Jr: well you don't like to walk down in the morning?

- 5 -

E: Yes I do, I'll be glad to walk down with you.

H.M.Jr: Well I leave at 8:25.

E: (Laughs) Well that's all right this kind of weather. Can you guarantee another nice day tomorrow?

H.M.Jr: Guarantee it.

E: Well all right I'll do that.

H.M.Jr: Yes.

E: I'd like to walk down with you because it will be helpful. I'm going to meet with the Committee.....

H.M.Jr: Yes.

E:in the morning before coming over with you in the afternoon.

H.M.Jr: Fine.

E: So I - it may be a good thing to walk down together before I meet.

H.M.Jr: I think so and - ah - the reason I'm kidding is I'm trying to make myself take things a little bit less tense and we can't all keep up this speed indefinitely.

E: (Laughs)

H.M.Jr: I can't anyway.

E: (Laughs) Neither can I.

H.M.Jr: All right but we'll see what (Eccles coughed spoiling words) and let's walk down tomorrow, eh?

E: Ah - all right. By the way they sold another five million this afternoon of notes.....

H.M.Jr: Did they?

E:so that they've got instead of seven million now - they invested the five this morning and they've still got 12 million to invest.

- 6 -

H.M.Jr: I see. That's notes for you.

E: Yes. We sold some - some of the 1940 notes above Saturday. There seems to be a strong demand for them.....

H.M.Jr: I see.

E:and so we let five million go from the portfolio giving us a price so that we've got 12 million now to clean up the dealers tomorrow on these bills if they happen to be stuck on them.

H.M.Jr: Yes, well don't give them a profit.

E: Well that's what we got this damn bill - ah - that.....

H.M.Jr: Well the bill don't say how much you have to pay him.

E: No - no - oh no - I don't mean that but I mean we - we - we - we've got to buy in the market and that's - that's - that's the tough part of it.

H.M.Jr: Let's talk when we go down tomorrow morning.....

E: Yes.

H.M.Jr:but looking over the last two weeks and then going back of that for a month - I mean we're so much better off that I personally am really quite happy.

E: Yes, well I'm glad you feel that way. I feel all right now the way - with these bids open but the way this - the way the situation looked last week when New York....

H.M.Jr: Oh yes.

E:indicated that you can't sell any bonds and you can't sell any notes and you can't sell any nine months bills now why it just looked like by God what the hell can you sell.

H.M.Jr: That's right.

E: And, of course, they - they have come around and the thing looks a little better.

H.M.Jr: That's right.

- 7 -

E: Well then I'll see you in the morning at 8: 30.

H.M.Jr: All right.

E: Over at your - ah - 8:30 is that the right time?

H.M.Jr: 8:25.

E: Well I'll learn to talk southern between now and tomorrow by God so I can.....

H.M.Jr: You take Ransom out and have him feed you something.

E: (Laughs)

H.M.Jr: (Laughs)

E: All right then.

H.M.Jr: Goodbye.

E: Goodbye.

April 19, 1937.
4:20 p.m.

Operator: Hello

H.M.Jr: Mr. Oliphant.

O: Right.

O: Mr. Oliphant.

Oliphant: Hello

H.M.Jr: Hello Herman. Ho are you?

O: (Laughs) All right.

H.M.Jr: Listen. I've got to go over to see the President
a quarter to six to send the Relief and Budget Message.

O: Fine.

H.M.Jr: I thought I'd go fishing for the next hour.

O: Then I may see you tomorrow and the next day, eh?

H.M.Jr: Ah - you never know.

O: (Laughs)

H.M.Jr: The boys were just in here. They said the Maritime
Commission just found out that we had something to
do with the shipping of gold.....

O: Yes.

H.M.Jr:and they wanted to know why we couldn't ship
it on an American boat.

O: Yes.

H.M.Jr: I told them the way I felt to-day tell them to put it
on the slowest boat.

O: (Hearty laughter)

- 2 -

H.M.Jr: So I told them to come around and see me four years from now when they woke up.

O: You sound like Mack and Moran's horse.

H.M.Jr: Something like that.

O: Remember how he was. He went into the war because he didn't give a damn.

H.M.Jr: Well that's just the way I feel.

O: (Laughs) All right, see you tomorrow.

H.M.Jr: Goodbye.

April 20, 1937.
9:09 a.m.

- Herbert Gaston: In Dr. Goldwater's opinion these charges of neglect are not true.
- H.M.Jr: They're not.
- G: Ah - it's true that they had only one night nurse on the ward unit of 60 beds in which they had 48 patients but Dr. Goldwater tells us that that's about the average of public hospitals and we can't find that any of the statements about neglect of the patients are true.
- H.M.Jr: I see.
- G: Ah - the - the - the man died of valvular disease of the heart and it was diagnosed when he came in - it was of it's orifice.
- H.M.Jr: Ah-ha. Well now how long did Goldwater stay with you?
- G: Ah - Goldwater was - came here at about 3:30 and was here till about six o'clock.....
- H.M.Jr: Yes.
- G:and I suggested to - he - he made quite a thorough examination of the hospital.
- H.M.Jr: Yes.
- G: After looking over the record of this particular case he said, "That's clear enough and correct". And then he went around the hospital and he talked to patients and he talked to nurses and he talked to the officers and - ah - ah - I - I suggested to him that they write out a very full report here on the case and send him a copy and that he send his comments on the case and also his suggestion in regard to the hospital direct to you.
- H.M.Jr: Yes.
- G: I think he will have - ah - ah - a suggestion or two, particularly about nurses.
- H.M.Jr: About what?

- 2 -

G: About nurses.

H.M.Jr: I see.

G: I think he thinks it would be - ah - good to have some additional nurses.

H.M.Jr: Tell me this. How were you impressed with Goldwater?

G: I don't understand.

H.M.Jr: How were you impressed with Goldwater?

G: Oh he's a - he's a top-notch man.

H.M.Jr: Top-notch.

G: Oh my, yes.

H.M.Jr: Yes.

G: A man of wonderful personality and just as - as quick as a flash.

H.M.Jr: Yes.

G: He really knows his stuff.

H.M.Jr: Yes.

H.M.Jr: How were you impressed with the doctor in charge of the hospital.

G: Ah - very well.

H.M.Jr: Ah-ha. Well I suppose I'll have to wait for the report, that's all.

G: Yes, but these people - now we've talked - we talked to this doctor who made the complaint.....

H.M.Jr: Yes.

G:and after talking to him I shouldn't think that very much weight should be given to any complaint he made.

- 3 -

H.M.Jr: Oh.

G: He's that kind of a fellow.

G: The - he has stirred up trouble on various occasions. He's a man 57 years old; a Dutchman with a VanDyke beard and a very eccentric personality and seems to be quite excitable.....

H.M.Jr: Ah-ha.

G:and I wouldn't say he is a first-class physician.

H.M.Jr: Ah-ha. Well I have complete confidence in Dr. Goldwater.

G: Yes, well I think Dr. Goldwater's report will show that - ah - will express his opinion - he expressed it here verbally - that there was no - there was no failure of the function here and no - no real neglect shown.

H.M.Jr: Yes.

G: This - this patient - Monkee - he was an excitable fellow and - ah - ah - rather difficult to handle and apparently he did get out of bed against orders but the record is very clear that he was ordered to remain in bed.

H.M.Jr: Ah-ha.

H.M.Jr: Well I'll wait for the report. When are you coming back?

G: Well unless you have some suggestion; unless there's somebody you want me to see in New York.....

H.M.Jr: No I have not.

G:if you want me to see Hoguet or anybody there I thought we'd - I'd come directly back.

H.M.Jr: Ah-ha. What would you think of having a talk with Hoguet.

G: Ah -

H.M.Jr: Where are you? Where are you now?

- 4 -

G: I'm at the hospital.

H.M.Jr: Well I think in view of that other incident with Hoguet that I'd wait awhile.

G: You think it would be a good idea to go and have a talk with him?

H.M.Jr: No I don't.

G: You don't.

H.M.Jr: No.

G: No.

H.M.Jr: No.

G: All right, well then I'll come directly back at the first plane we can get.

H.M.Jr: All right.

G: Right.

H.M.Jr: Thank you.

HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

April 20, 1937

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be published, or given out until delivery of the President's message to the Congress has begun.
CAUTION: Extreme care must be exercised to avoid premature publication.

STEPHEN EARLY
 Assistant Secretary to the President

TO THE CONGRESS OF THE UNITED STATES:

In my Budget message of January 5, 1937, I said that I would transmit at a later date an estimate of appropriation for work relief for the fiscal year 1938. In connection with this estimate it is desirable to review our present fiscal situation.

Budget estimates made last December indicated a net deficit for the current fiscal year of \$2,248,000,000. They also indicated a net surplus for the fiscal year 1938 of \$1,537,000,000, exclusive of any provision for a work relief appropriation. On the basis of these estimates, therefore, an appropriation for work relief for the fiscal year 1938 of any sum less than \$1,537,000,000 would have left at the end of that year a budget in balance.

Since then, however, new factors have so altered the fiscal situation as to make it necessary to present revised estimates of receipts and expenditures. There is attached to this message a statement showing the present estimates for the fiscal years 1937 and 1938 as compared with the estimates in my Budget message. A glance at this statement will show that the principal factor is the decline in tax receipts below our previous expectations.

Fiscal Year 1937

The analysis of returns received in March 1937 under the new tax law indicates that income taxes will produce \$267,200,000 less than the former estimate for the fiscal year 1937. The receipts for the first nine months of this fiscal year indicate that other revenues will be \$337,000,000 less than the estimate, which is due in large part to the obstruction of collections by numerous lawsuits against the Government.

In view of the reduction in revenue it became apparent that every effort should be made to offset this loss as far as possible by a reduction in expenditures. To this end I have directed the heads of various Government activities to make a careful examination of their expenditure requirements for the last three months of the present fiscal year with a view to making substantial savings by eliminating or deferring all expenditures not absolutely necessary during this period, the money so saved to revert to the Treasury. Information thus far available indicates that the 1937 expenditures will probably be \$295,000,000 below the estimate of last January.

The amount of the net deficit for the fiscal year 1937 is therefore estimated at \$2,557,000,000, an increase of \$309,000,000 over the January estimate.

Fiscal Year 1938

For the fiscal year 1938 it is now believed that receipts will be \$327,600,000 less than was anticipated last January, the reduction of \$410,000,000 in the estimate of income taxes being slightly offset by increases in other receipts.

Pending the enactment of the 1938 appropriation bills it has been impossible to make any material revision of the estimates of expenditures for that fiscal year, other than for recovery and relief.

The revised estimates of receipts and expenditures for the fiscal year 1938 as here presented indicate an estimated net deficit of \$418,000,000. There is included in the estimates of expenditures the \$1,500,000,000 for work relief hereinafter recommended.

I propose to use every means at my command to eliminate this deficit during the coming fiscal year. I expect to accomplish this by taking definite action at the beginning of the next fiscal year (1) to withhold from apportionment for expenditure in so far as possible with due regard to proper functioning of the executive departments and agencies a substantial percentage of the funds available for that year, and (2) to increase the receipts of the Treasury through the liquidation of assets of certain of the emergency agencies.

I regard it as extremely important that we should achieve a balance of actual income and outgo for the fiscal year 1938, and I appeal to you to join me in a determined effort to bring about that result.

What I have said is predicated on two highly important conditions. The first is the extension of existing taxes which expire this year. The second is the maintenance of appropriations made at this session within the total of the Budget estimates. An increase in appropriations would of course nullify our efforts to prevent a deficit in 1938.

And while I recognize many opportunities to improve social and economic conditions through Federal action, I am convinced that the success of our whole program and the permanent security of our people demand that we adjust all expenditures within the limits of my budget estimate.

Future Fiscal Policy

I emphasize here what I said last January with respect to our future fiscal policy:

"Expenditures must be planned with a view to the national needs; and no expansion of Government activities should be authorized unless the necessity for such expansion has been definitely determined and funds are available to defray the cost. In other words, if new legislation imposes any substantial increase in expenditures either in the expansion of existing or the creation of new activities, it becomes a matter of sound policy simultaneously to provide new revenue sufficient to meet the additional cost."

Bills being pressed for enactment during the present Session would commit the Government to early expenditures of more than \$3,000,000,000. About \$3,000,000,000 of these authorizations are for the construction of additional public works, even though there are existing authorizations of almost \$2,000,000,000 for this purpose. In the Budget for the past three years I have set up a program for general public works and have often said that such a program should be kept within the limit of \$500,000,000 a year. An annual program of this size should meet normal needs for highway, flood control, rivers and harbors, reclamation, Federal buildings, and other public works.

I recognize the need for flood prevention and control, but it should be realized that to finance such large immediate expenditures as are contemplated by the majority of the flood control bills now pending in the Congress would impose an unjustifiable burden upon the Federal Treasury.

Bills involving additional authorizations of more than \$500,000,000 for highways have been introduced despite the fact that expenditures for this purpose during the last four years have exceeded one billion dollars and that there are existing authorizations for expenditures during the next two years of nearly \$450,000,000.

The maintenance of a sound fiscal policy requires the careful planning of authorizations as well as appropriations. It is impossible to maintain the proper balance between revenues and expenditures unless restraint is exercised with respect to authorizations of appropriations. It is a matter of concern to you and to me who are working for a balanced budget that so many special groups exert the strongest pressure to bring about increases in Government expenditures. They pay little attention to the fact that the budget, as submitted, represents a coordinated fiscal program and that material departures therefrom destroy the whole purpose of the program. If we are to avoid a continuation of deficits, we must resist these importunities or provide the necessary revenues to meet the increasing costs.

It is a matter of common knowledge that the principal danger to modern civilization lies in those nations which largely because of an arms race are headed directly towards bankruptcy. In proportion to national budgets the United States is spending a far smaller proportion of Government income for armaments than the nations to which I refer. It behooves us, therefore, to continue our efforts to make both ends of our economy meet.

Survey of Tax Structure

It has become apparent that there is an immediate need for a careful survey of the present tax structure. The Treasury will be prepared by November, next, to present to the appropriate committees of the Congress information as to such loopholes as may exist in the present revenue laws, and suggestions for such new or additional taxes as may be necessary to meet deficiencies, if any, in the revenue-producing power of the present levies. This will permit these committees to study such information and suggestions for the purpose of proposing early in the next session of the Congress legislation necessary to remedy defects in the present tax laws.

Work Relief

I recommend that an appropriation of \$1,500,000,000 be provided for work relief for the fiscal year 1938, and that it be made available early in June so that its expenditure can be properly planned prior to July first.

REVISED ESTIMATES OF RECEIPTS AND EXPENDITURES FOR THE
FISCAL YEARS 1937 and 1938 AS COMPARED WITH ESTI-
MATES INCLUDED IN THE 1936 BUDGET FOR THREE
YEARS.

General and Special Accounts	Revised estimate fiscal year 1938	Estimated in 1936 Budget fiscal year 1938	Revised estimates fiscal year 1937	Estimated in 1936 Budget fiscal year 1937
I. Receipts:				
Internal revenue	\$ 6,283,000,000	\$ 6,682,432,000	\$ 4,560,000,000	\$ 5,189,000,000
Customs	465,000,000	465,000,000	465,000,000	464,800,000
Miscellaneous receipts	200,000,000	182,175,197	210,000,000	192,530,719
Total, receipts	\$ 6,906,000,000	\$ 7,295,607,197	\$ 5,224,000,000	\$ 5,828,150,719
II. Expenditures:				
1. Legislative, judicial and executive	\$ 41,000,000	\$ 41,344,300	\$ 40,000,000	\$ 41,590,550
2. Civil departments and agencies	712,000,000	700,992,178	690,000,000	689,598,698
3. General Public Works Program	440,000,000	451,108,963	300,000,000	318,590,000
4. National defense	953,000,000	980,763,000	860,000,000	887,861,080
5. Veterans' pensions and benefits	570,000,000	577,524,000	570,000,000	580,771,465
Adjusted compensation payments .....	.....	.....	599,000,000	563,500,000
6. Agricultural adjustment program	524,000,000	482,400,000	518,000,000	487,040,000
7. Civilian Conservation Corps	350,000,000	1/	379,000,000	368,000,000
8. Social Security	286,000,000	295,971,000	186,000,000	174,637,500
Old-age reserve account .....	.....	.....	285,000,000	285,000,000
9. Interest on the public debt	860,000,000	860,000,000	860,000,000	855,000,000
10. Refunds	53,000,000	52,966,900	46,000,000	48,903,100
11. Recovery and relief	1,020,000,000	2/ 316,030,913	2,690,000,000	2,100,157,100
12. Supplemental items	175,000,000	450,000,000	.....	750,000,000
Total, expenditures (exclusive of debt retirement)	\$ 7,324,000,000	\$ 5,756,484,254	\$ 7,701,000,000	\$ 6,076,279,463
III. Net deficit (-) or net surplus (+)	- 418,000,000	+ 1,537,122,943	- 2,597,000,000	- 2,248,128,744

1/ Funds for continuation of the Civilian Conservation Corps are included under "supplemental items."

2/ To be increased by any amount appropriated by Congress for recovery and relief for the fiscal year 1938. As indicated in the message it is hoped the amount will not exceed \$1,537,123,000.

April 20, 1937.

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The Executive Committee of the Open Market Committee of the Federal Reserve System were the guests of Secretary Morgenthau at lunch in the Treasury. Those present included:

Henry Morgenthau, Jr. Secretary of the Treasury,
Wayne C. Taylor, Assistant Secretary of the Treasury,
Daniel Bell, Assistant to the Secretary,
Geo. C. Haas, Director of Research and Statistics,
C.B. Upham, Assistant to the Secretary,
Marriner S. Eccles, Chairman of the Board of Governors, Federal Reserve System,
George L. Harrison, President, Federal Reserve Bank of New York,
Joseph A. Broderick, Vice Chairman of the Board of Governors, Federal Reserve System,
John K. McKee, Vice Chairman of the Board of Governors, Federal Reserve System,
J.S. Sinclair, President, Federal Reserve Bank of Philadelphia,
E.A. Goldenweiser, Director, Division of Research and Statistics, Federal Reserve System,
John H. Williams, Associate Economist, Federal Reserve System,
Chester Morrill, Secretary, Federal Reserve System.

Following the luncheon the Secretary opened a discussion with some prefatory remarks about the importance of the Treasury and the Federal Reserve staffs working together in cooperation. He said that while it may be possible that during the last two or three weeks there have been intellectual differences of opinion, that he hopes no personal animosities were engendered, and so far as the Treasury was concerned there is complete satisfaction on the conversations engaged in and resulting actions taken. He said that he asked the group

to luncheon to give evidence of good feeling all around.

Mr. Bell read the President's Budget Message which was commented on favorably by nearly everyone present.

Mr. Eccles said that he regarded it as an unequivocal pledge of a balanced budget in 1938.

Mr. Morgenthau said that there had been some people from the Hill who wanted to cut relief to \$1 billion but that he had favored \$1 1/2 billion in the belief that the financial community would rather have a fixed and definite figure for the next fiscal year rather than another tentative figure which could be increased at some future date.

Mr. Harrison said that while it was a little difficult to follow the figures in a hasty reading, he liked the tone and tenor of the Message.

There was some discussion of Treasury bills.

Mr. Morgenthau said that he would like to keep on the present basis of issuing 9 months bills until the first of July. Later, after some discussion he concluded that in any event he would like to continue on that basis until after the May 1st excess reserve adjustments.

Mr. Eccles commented that the 9 months bills are more expensive than 6 months or 90 days.

Mr. Harrison said that he is beginning to have some doubts about the continuance of the 9 months Treasury bills. They are not normal and now with a removal of the excess reserves from the financial picture the market for 9 months bills is drying up as it has already done in London. They had the same experience there. He is inclined

to think that we will find it advisable, if not necessary, to revert to bills of a shorter usance. The long terms are sticky in the present market and it is necessary for the Federal Reserve Bank of New York each Monday to bail out those which the dealers have not been able to dispose of.

Mr. Morgenthau wondered why it is necessary for dealers to appear as middle men in the bill market and asked why investors could not purchase them directly. He referred to the fact that the bill dealers for three and a half years have had a steady and assured income from Treasury bills and that now at the first indication of difficulty they are running out of the market.

Mr. Harrison said that New York City banks can and do buy Treasury bills direct because they are versed in the price to bid but for banks outside of New York City and for individual and institutional investors the bill brokers, particularly the BIG 5, do constitute a service link.

Mr. McKee was inclined to think that there might come a time when the bill dealers could be eliminated from the picture. It was suggested that perhaps with Treasury bills carrying higher rates more out of town banks would be interested in bidding direct.

Mr. Morgenthau suggested that it might be well sometime in the future to institute a system of SEC control of Government bill dealers.

Mr. Harrison discussed the relationship of the Federal Reserve Bank to the money market in New York with particular reference to the weekly offerings of bills and wondered how far they might go in using their discretion as to what to do about rates and what to do about bailing out dealers without being criticized by the

Secretary of the Treasury for lack of harmony with credit and money market objectives.

Mr. Morgenthau's reply was that, while he would from time to time call up and argue matters with the Federal Reserve Bank and present points of view, that he would not blame them over a matter of 5 points in rate. He said he preferred to leave detailed operations to the Federal Reserve people and keep his "grievance" rather than attempt to regulate action at every point.

Mr. Harrison said that he was frequently told by his Committee that if so and so happened the Secretary of the Treasury would complain whereupon Mr. Morgenthau said he had had a suspicion that he was being used as a bogeyman.

Mr. Morgenthau said that there had been a distinct decrease in the capital inflow during the last 10 days and that he is not worried about the necessity to sterilize another \$1/2 billion of gold, even at some of the higher rates. Gold can flow out very quickly if the Spanish situation settles down. He said that the President is anticipating two very quiet months ahead both at home and abroad.

Upm.

MEMORANDUM

245

April 20, 1937

To: Secretary Morgenthau

From: Dr. Burgess

The Treasury bonds declined in the forenoon, with the board market fairly active, until around noon when prices leveled off anywhere from 1/8th to 3/8ths down from yesterday. Quotations recovered 1/32 to 4/32 shortly thereafter after the contents of the budget message became known, and the board market was steady until the close in quiet trading. The long bonds finished 1/8th to 1/4 down from yesterday and other Treasury bonds were 2/32 to 6/32 down. Losses in guaranteed bonds were relatively heavy, ranging from 1/8th to 3/8ths. Government bond transactions on the board totaled approximately \$2,500,000 until noontime and were \$3,357,000 for the day. Note market was dull and quotations were easier. The list at the close was slightly better than the lows of the morning but 1/32 to 3/32 off from yesterday.

Domestic bonds tended somewhat higher and there were intervals of moderate activity, chiefly in second grade rails, some of which showed gains of up to 1 point. The rest of the second grade market closed fractionally better and high grade bonds were firm to small fractions higher.

Foreigns were steady in a quiet market.

Purchased today for account Postal Savings System, under authorization of April 12, \$3,000,000 2-7/8% Treasury bonds 1955-60, \$500,000 2-3/4% Treasury bonds 1956-59, \$250,000 2-3/4% Treasury bonds 1951-54 and sold \$3,000,000 3-1/4% Treasury notes due September 15, 1937.

MEMORANDUM

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April 21, 1937

To: Secretary Morgenthau

From: Dr. Burgess

Treasury bond market eased off anywhere from 3/32 to 8/32 in quiet trading during the forenoon. Market drifted downward toward the close and quotations finished the day at their lows, generally 3/32 to 10/32 off from yesterday. Several issues showed somewhat larger declines. Guaranteed bonds were similarly lower. Treasury notes were easier with the bonds and quiet. The 1939 through 1941 maturities closed 1/32 to 3/32 down from yesterday.

The \$16,500,000 Triborough Bridge Authority 4% Revenue Bonds due 1977 offered this morning at 99 3/4, together with \$8,500,000 4% Revenue Bonds of the Authority, due serially up to 1988, are reported to have been fairly well received, although a few bonds are understood to be still unsold. The corporate market was quiet, apart from moderate activity in the last hour or so. High grades finished firm to small fractions better than yesterday; second grades were fractionally better.

Foreign bonds were quiet and steady all day.

Purchased \$1,550,000 2-7/8% Treasury bonds of 1955-60 and sold the same par amount 3-1/4% Treasury notes due September 15, 1937 for account Postal Savings System.

OFFICE CORRESPONDENCE

DATE April 20, 1957.

CONFIDENTIAL FILES

SUBJECT TELEPHONE CONVERSATION WITH

L. W. Kneke

BANK OF FRANCE.

Mr. Cariguel called me at 10:35. European markets had been pretty much disturbed today, he said, and he had had to support the franc by means of sales of sterling and dollars. He had let the sterling rate go up in order to adjust it to the dollar rate and was today giving us an order for the purchase and sale of francs in terms of dollars rather than sterling. His supporting efforts yesterday and today had cost him about £2,000,000 although the international position in Europe was decidedly improved. The trouble, however, was that the internal political situation in France was deteriorating. There was no fear of war for the time being, he continued; as far as the possibility of a war was concerned, the British armament program was a great thing because every day gained was one day gained for peace.

I asked him whether he was at present losing gold to London; he said "Yes," and added that he was also losing it to Belgium and to us in so far as he had to sell dollars. In the main, his recent operations had been the sale of sterling and the purchase of dollars. This had given a fair measure of stability to the market but he had to quit because in order to get the necessary sterling to cover his sales, he had to give up gold in London at a price fixed at a discount from New York parity. Now he was trying to offset the loss he had to take on gold by asking a higher price for his sterling.

Cariguel seemed to think that rather than let the London gold price drop below the New York parity, which represented a new feature in the international money market, the British might have contributed to

FEDERAL RESERVE BANK
OF NEW YORK

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OFFICE CORRESPONDENCE

DATE April 20, 1937.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH
BANK OF FRANCE.

FROM L. W. Knobe

- 2 -

greater stability by increasing their gold purchases on the London market. (Cariguel probably did not know that that was precisely what the British had done on three days last week.)

RECEIVED
APR 21 1937
TREASURY DEPARTMENT
DIRECTOR'S OFFICE
FEDERAL RESERVE BANK OF NEW YORK

LWK:KNC

April 20, 1937.
10:30 a.m.

Operator: Go ahead.

H.M.Jr: Hello.

Frank
Altschul: Henry, how are you?

H.M.Jr: I'm pretty well.

A: Henry, I'm going to be in Washington tomorrow.....

H.M.Jr: Yes.

A:and I didn't know whether you were pressed or not or whether you care at all to talk to anybody so distinctly in the other political camp but there are a few things about this situation I'd be very glad to talk over with you.

H.M.Jr: Well you're a citizen of the United States, aren't you?

A: What?

H.M.Jr: You're a citizen.

A: (Laughs) I haven't moved abroad yet.

H.M.Jr: And a taxpayer.

A: And a taxpayer - quite right.

H.M.Jr: Well on that basis I think you qualify.

A: Right - I'm eligible then.

H.M.Jr: You qualify.

A: O.K. Well now Henry I'm going to be down there on rather - I'm coming down only about - I only get there about two in the afternoon and I'm leaving on the midnight train.

H.M.Jr: Oh.

A: Ah - if around 5 o'clock or something like that would be convenient.....

H.M.Jr: Well here's the trouble. At 5 o'clock we're having at the house 60 people on the - the work relief projects.....

A: Yes.

H.M.Jr:and that will last from 5 to 6:30.

A: Oh dear.

H.M.Jr: So it's - ah

A: I wonder when - when would be a good time for you so I could see if I could fit it in.

H.M.Jr: Well you picked a bad day; you're only coming down at that time?

A: I'm only coming down at that time.

H.M.Jr: You couldn't get here in the forenoon?

A: I - I couldn't do it, Henry, I'm going down with a lot of other people.

H.M.Jr: Oh, well let me just think -

A: If they were my own friends I'd gladly take the midnight tonight but I can't do it.

H.M.Jr: No, well it's - you see that's - I've got the afternoon and then at the house these people come at a quarter of five and they stay until about 6:30.

A: Yes.

H.M.Jr: Ah - tell you what.....

A: How about - how about late in the evening. Very late before I take the midnight.

H.M.Jr: Yes, well that's not so good - I mean I'm

A: That's not so good for you.

H.M.Jr: I'm not worth much at that time.

A: What?

H.M.Jr: I'm not worth much.

A: I see.

H.M.Jr: Ah.

A: You're pretty tired by that time, aren't you.

H. M.Jr: Pardon me?

A: I suppose you're pretty tired by that time.

H.M.Jr: That's the trouble.

H.M.Jr: Ah - Frank - let me think it over - I doubt if I can work it out as long as you're coming down.....

A: Well I'll tell you, Henry - what I'd like.....

H.M.Jr: I'd like to see you.

A: As a matter of fact I've been reading an awful lot of stuff in the paper about gold.....

H.M.Jr: Yes.

A:which I've simply got to know something about and I had a few ideas on that subject which I just wanted to talk out to you in case of any - that's all.

H.M.Jr: Well I - there would be and I mean if you came at a time that I could work it in. If we can't do it now I hope to be up in the country for a week beginning the first of May and maybe you could come up and see us there.

A: Yes, that's quite possible - I'd like to. Or maybe I can chat with you on the telephone sometime.

H.M.Jr: But - ah - you picked an almost impossible time Frank.

A: Well I'm awfully sorry about that, Henry. Before then - how would you - before 5 o'clock - if I could just slip away - if I could slip away right from the train, let's say and - and - and get in - ah before I go about my other business.

- 4 -

H.M.Jr: Well if you could come to the house at four.

A: At your house?

H.M.Jr: Yes.

A: Oh you'll be out at your house.

H.M.Jr: Yes.

A: Are you going to be there anyway?

H.M.Jr: Well I'll be there at four o'clock.

A: You'll be there anyway?

H.M.Jr: Yes.

A: I mean you wouldn't be going there especially to see me there?

H.M.Jr: No, I'm going home.

A: Oh, you're going home at four. Henry, will you give me your telephone number and your address and then I'll let you know as soon as I get to Washington and see what my schedule is.

H.M.Jr: Yes.

A: I'll either come there if I can or if I can't I'll find a moment to telephone you about it.

H.M.Jr: No, you - you better tell me now.

A: What?

H.M.Jr: Whether you can or can't because if you - you see my schedule here is awful tight. Now if you want to come at four now - say so.

A: Well I'll tell you what I'll have to do. I'll have to find out what engagements have been made for me there and call you back in about - in about 15 minutes.

H.M.Jr: All right, now I'll tell you what you do. My - my house is 2201 R.

A: 2201 R?

H.M.Jr: R Street.

A: That's not the old house?

H.M.Jr: No and if you can come - ah - just - if you'd have your Secretary call Mrs. Klotz - K-l-o-t-z.

A: I'll do that - I'll find out - and then perhaps some engagements have been made for me and I couldn't change either.

H.M.Jr: No, I'm going to - frankly, what I'd do is - I'd go home Wednesday, have lunch with Elinor and then I go to bed.....

A: Oh I see.

H.M.Jr: I do that once a week.

A: (Laughs) I see.

H.M.Jr: So - ah - ah - so I'd be available at four and these people come at quarter to five. Now that's what I do.

A: First-class. Well I will call up and find out whether I can do that and I'll let your Secretary know.

H.M.Jr: Thank you very much.

A: Thank you.

JR

PLAIN

London

Dated April 20, 1937

Rec'd 2:35 p.m.

Secretary of State,
Washington.

Rush. 232, April 20, 7 p.m.

FOR TREASURY FROM BUTTERWORTH.

In his budget speech at the House of Commons this afternoon the Chancellor of the Exchequer particularly stressed that British armament expenditure dominated all other considerations and would continue to do so for some years to come; at the same time he expressed confidence in the nation's ability to carry through its arms program without weakening its finances and its credit. In the course of his speech Chamberlain indicated that the fighting services would spend during the current financial year besides the "ordinary expenditure" of 198 million pounds (an increase of 10 million pounds over last year) 80 million pounds which would be borrowed under the provisions of the recent defence loans act (my 58, February 11, 6 p.m.). He implied that the program was moving faster than had been expected and in this connection

referred

-2-

#232, April 20, 7 p.m., from London.

referred to the "ever quickening approach to the goal of safety".

To meet increased expenditure the income tax is to be raised by three pence bringing it to five shillings in the pound and a new "national defense contribution" tax is to be levied. This tax which is a form of excess profits tax is to be levied on the growth (repeat growth) of business profits and is expected to yield only two million pounds during the current year but between 20 and 25 million pounds next year. The House of Commons did not seem to receive this announcement favorably but it may prove to be a politically astute step in a year of labor unrest.

Chamberlain scrupulously avoided making any comment on monetary policy and from his estimates the only immediate conclusions to be drawn are that he expects trade recovery to continue unabated and that he does not expect a decided rise in short term (repeat short term) rates of interest. In passing he mentioned that the "equalization account still shows a profit" and in comparing interest charges 1931 with those prevailing today he also spoke of "the American debt".

It is widely believed that Chamberlain will assume the Prime Ministership shortly after the coronation and that Sir John Simon will succeed him as Chancellor of the Exchequer.

BINGHAM

LMS

GRAY

Paris

Dated April 20, 1937

Rec'd 2:33 p. m.

Secretary of State,
Washington.

503, April 20, 5 p. m.

FROM COCHRAN.

French control, unable to hold peg at yesterday's rate of 110.05 francs to the pound, let rate slip to 110.45 and then to 110.525 at which last level control is still yielding considerable quantities of sterling. Dollar rose (and?) as a result of New York action last evening of French control has today been selling at 22.45 some of the dollars acquired at 22.37. Understand French control is confused in its policies by tendency of price of gold to weaken in London where control converts the dollars which it acquires and by fluctuations in dollar sterling cross rate. Press attributes dollar weakness to gold arbitrage dealings, repatriation of European capital fearing "hot money" penalties and tourist demand for sterling. At 5 o'clock this evening Paris bankers are told by London that unconfirmed rumor there has it that President Roosevelt will place import tax on gold.

French rentes declined from 70 centimes to 1.25
francs.

LMS 2-No. 503, April 20, 5 p. m., from Paris.

francs. Initial official quotation of $4\frac{1}{2}\%$ 1937 national defense bonds today was 95.1. The market was at once a heavy seller but official intervention seeking to bring the rate toward the issue price of 98 succeeded only in reaching 95.75 after absorbing according to market gossip some (?) francs. French stock market bad on general sentiment and particularly on London decline in metals.

(END SECTION ONE)

BULLITT

HPD

JR

GRAY

Paris

Dated April 20, 1937

Rec'd 2:55 p.m.

Secretary of State,
Washington.

503, April 20, 5 p.m. (SECTION TWO).

Value of imports into France during March decreased by 454,000,000 francs compared with the preceding month but showed an increase of 1,271,000,000 francs over corresponding period 1936. Exports during March increased by 142,000,000 francs compared with preceding month and by 592 million over corresponding month 1936. Deficit of the commercial balance for March is 1390 million francs compared with deficit of 1986 million for preceding month and 711 million for March 1936. Deficit of the commercial balance for the first three months of 1937 is 4,922 million francs compared with deficit of 2,345 million for the corresponding period of 1936.

In an editorial on Chamberlain's last budget FINANCIAL-TIMES London today concludes:

"The importance of this particular budget thus dwindles in comparison with the vastness of the rearmament scheme, of the cost of which it provides only a small
fraction

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JR #503, April 20, 5 p.m.(SECTION TWO).

fraction. In present circumstances rearmament is agreed to be imperative but there is no reason why the circumstances should not be changed and there are indeed signs that they are changing. An excellent basis for international cooperation in the economic sphere exists in the tripartite agreement and the western democracies, if their words are sincere, are all in favor of freer trade. Dr. Schacht has let it be known that Germany is of the same opinion. Never in the last six years has there been such favorable atmosphere and if this opportunity is missed it may not recur. During his period of office Mr. Chamberlain has built up a monetary machine of unrivaled efficiency, the full potentialities of which have yet to be discovered. There is now a chance to prove its value in facilitating an international commercial agreement to supplement and extend the existing tripartite agreement". (END MESSAGE)

BULLITT

CSB

PARAPHRASE OF TELEGRAM RECEIVED

260

FROM: American Embassy, Tokyo, Japan

DATE: April 20, 1937, 4 p.m.

NO.: 114

FOR THE SECRETARY OF THE TREASURY.

Reference is made to telegram No. 67 of March 3, 6 p.m., from the Embassy.

The Vice Governor of the Bank of Japan, Tsu Shima, has confidentially informed the Embassy's Commercial Attaché that the Japanese Government has decided to begin again to ship gold to the United States, and that in the near future they will ship 15,000 kilograms. On April 21 the first shipment, amounting to 4,500 kilograms, will leave Kobe, and at the end of this month or early next month the second and third shipments will be made.

GREW.

EA:LWW

RECEIVED
APR 20 1937
TREASURY DEPARTMENT
OFFICE OF THE SECRETARY
OF THE TREASURY

April 20, 1937

9:30 Group Meeting.

Present:

H. S. Klotz
 Mr. Magill
 Mr. Oliphant
 Mr. Taylor
 Mr. Upham
 Mr. Haas
 Mr. Lochhead
 Mr. Bell
 Mr. McReynolds

HM, Jr: I would like this to last 15 minutes, if possible.

Good morning (to Mr. Bell). Did you have supper last night?

Mr. Bell: Sure. Nine o'clock. The family couldn't even find me.

Mr. McReynolds: The President did not leave the ball park until a quarter of six.

HM, Jr: We didn't leave the White House until 8:16. Damn good message. People tried to kill it in the press this morning.

Mr. Bell: It is too bad so much of it got out.

We have a brief in the office from the Social Security Board on this case, I think, in Boston and they are putting in a lot of fiscal operations which they have asked us to go over. I think we ought to work with somebody in your shop and they are anxious to get it this week.

Mr. Oliphant: That's to use before the Supreme Court?

Mr. Bell: Yes.

Mr. Oliphant: Presumably to be argued there the first of May.

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Mr. Bell: I suppose so.

Mr. Oliphant: Shall I send somebody up to your shop?

Mr. Bell: I asked Wilcox to give Opper a copy sometime ago and I presume he has.

Mr. Haas: I have nothing. This morning I heard what happened yesterday. I am fixing that thing up.

HM,Jr: Who was that man they sent in here?

Mr. Haas: Mr. Banyas. Some people call tables and drawings charts and they thought you wanted the man who makes the drawing. He's an excellent chart man, but he doesn't know anything about tables.

HM,Jr: But Miss Michener was not here.

Mr. Haas: Miss Michener was away, attending a funeral.

HM,Jr: Who do you want me to go to when ^{you} are out of the office?

Mr. Haas: Miss Michener, ordinarily. She would have been able to handle it. I had forgotten she was out or otherwise I would have stayed myself.

HM,Jr: Because Miss La Come was not very helpful.

Mr. Haas: She did the best she could. But there is a fundamental situation there which I am fixing up and which I will talk to you about sometime.

HM,Jr: You see, I had to have it and they gave me the wrong stuff.

Mr. Haas: Too bad!

Mr. Lochhead: They let the franc slip out a little more today. The rates run from 110.05 to 108.45. They are not primed to hold it when there is any real pressure.

HM,Jr: That last cable from Butterworth. That didn't get general distribution, did it?

Mr. Taylor: The one with the question? No.

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HM, Jr: How many copies got out?

Mr. Lochhead: It would go to Mr. Oliphant, Mr. Taylor and myself. Nothing would go across the street. You (Mr. Taylor) didn't let that go across to the Federal Reserve.

HM, Jr: You had better send that back.

Mr. Lochhead: I will check up and see that all the copies are back.

HM, Jr: That did not go to New York or the Federal Reserve Board?

Mr. Lochhead: No.

HM, Jr.: Mr. Eccles is coming over with some of his men, about seven strong, for lunch. The reason I am doing it is there have been some hard words and I thought, after all, it would be just as good a time to sit down (haven't got very much business) and break bread with them, and we have been pounding them pretty hard. I don't want them to feel I am sore and unfortunately Eccles uses me to tell them how sore I am instead of telling them how sore he is and they have this idea that I am pretty sore, so I have to keep telling them all the time that if I want to criticize I can. So I think it is just as well to have them here.

Mr. Gibbons: I had lunch yesterday (and took Anslinger along) with the United States District Attorney from Los Angeles, who is very critical of the Brandt case and I thought it might develop into another Igoe situation. I tried to get Harold Graves to go along, but he could not go. He was supposed to be in Chicago yesterday, but he will be on the Pacific Coast -- he and Tom Gorman -- in two weeks and I will have them go in and talk this thing out.

HM, Jr: The grapevine tells me you have a report lying on your desk about a fellow named "Woof, Woof" (Joe Wolfe) from Minnesota.

Mr. Gibbons: I have been waiting to get Guy Helvering over. You know it's very serious.

HM, Jr: I know. Jim Farley -- I love his attitude.....

Mr. Gibbons: Jim said you had agreed to appoint him if he did not sell more than a certain number of post offices!

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HM, Jr.: Jim said, That Guy Helvering is an ingenious fellow. He sits down and writes me a letter "How should I go about investigating whether or not a fellow did or did not sell post offices?"

Mr. Gibbons: Helvering has a letter in the files to Farley.

Mr. McReynolds: He's under -- I don't think he sold more than nine!

Mr. Gibbons: I told the Vice President, the other day, about a collector down in Texas that had taken some liquor and used it for his personal use and he sat there and laughed and said, "Gibbons, that's the funniest thing I ever heard. You know who put him in? The father of the 18th Amendment!" Shephard.

HM, Jr.: I will say this for Jim Farley: I have been here over 3½ years and not once ^{where} there has been any question of a man's record has he ever tried in any way to influence me to take that man.

Mr. Gibbons: Harry Daring has done a swell job. He has had a doctor on his payroll since the war and he has had a physical examination made of all the guards and inspectors and 80% have everything from erysipelas, to arthritis and heart trouble, and the Civil Service says unless they drop dead on the spot you can't get rid of them. So Ballenger is trying to bear down on Civil Service and just about 80% are

Mr. McReynolds: Of course, what they said was you could not retire them on disability.

Mr. Taylor: I got a letter that was forwarded from the White House from Senator Thomas on the new Thomas bill with a request that a letter be prepared for the President's signature. Any suggestions?

HM, Jr.: Now that Mr. Oliphant has crowned you "Silver Expert", I crown you "Paper Money Expert".

Mr. Oliphant: Is that what the new Thomas Bill is about?

Mr. Taylor: It's new monetary authority.

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HM, Jr.: I personally don't know how you gentlemen feel, but I need a breathing spell for the rest of the week. How about you, Dan?

Mr. Bell: Check! Beginning after lunch today.

HM, Jr.: Take your time on everything. After all, you can't go through what we have been through for ten days and expect to hit anything new very hard.

Mr. Taylor: We don't have to be much more than polite.

HM, Jr.: Incidentally, I outlined to Eccles this morning what was in this Budget thing and he was entirely satisfied.

Mr. Oliphant: Nothing.

Mr. Magill: On this Social Security decision, I had lunch with Mr. Helvering yesterday and he said he got called up by Mr. Hooey who said that one of the big corporations in the Second District had said that on account of the Boston decision they were not going to make any returns or pay taxes. So I asked Helvering to get up a letter to his collectors, which you might want to make into a press release, to the general effect that we had had general decisions holding this tax constitutional as well as the thing up in Boston making it unconstitutional, and returns would have to be filed and tax paid or penalties would have to be enforced. It will be over sometime this morning. Need to go over it carefully here before we give anything out.

HM, Jr.: Let the General Counsel go over it.

Mr. Oliphant: I will get in touch with Bob Jackson and Stanley Reed.

Mr. Magill: I said something in my memorandum, last night, about the foreign tax law. As to publication of that material, Parker said the Joint Committee would be quite willing to write a letter and ask us to assemble the material to be transmitted to him and they would publish it for the information of Congress and Mac thought that was the best way to handle it.

Mr. McReynolds: That will keep us from having to pay for it.

HM, Jr.: It does not mean anything to me, so anything you

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fellows think will be all right with me.

Mr. Magill: Let Doughton write us a letter.

HM, Jr: If it does not cost any money, Dan and I are for it. By the time we begin cutting all you fellows 15¢ by the first of July -- was that the last figure?

Mr. Bell: That was the last suggestion.

Mr. Magill: The other thing: what happened on the Smith letter?

HM, Jr: The Attorney General, sitting next to me at Cabinet, said he would like to have a conference on it and if we could not agree, it was time enough to do what we suggested. So I suggest you and Herman call him up and say you are ready to come over to see him on that matter following his suggestion to me at Cabinet.

Mr. Magill: The two of us to see him?

HM, Jr: The two of you. And then he said, if we can't agree then he is perfectly willing to do what we suggested, but he thinks he should have a conference first.

Mr. Oliphant: Did he want a conference with you?

HM, Jr: No, not particularly. He would like to know what our reasons are for our position, which I think is reasonable, and he said 'We would like to give you the reasons for our position. If after conference we can't agree then I will take your suggestion and go over to see the President.' That's perfectly reasonable.

Mr. Oliphant: Fine!

HM, Jr: What else?

Mr. Magill: That's all.

oOo-oOo

April 20, 1937.
4:25 p.m.

H.M.Jr: Hello

O: Hello - Dr. Buck said that he had another engagement this evening but if you would like to see him he'd prefer being with you.

H.M.Jr: No - tell him he'll get another chance tomorrow.

O: (Laughs) All right then I'll tell him.

H.M.Jr: Tell him - just tell him though I tried to get him for supper last night and last - I phoned and I couldn't get him and last Sunday I tried to get him for lunch.

O: I see.

H.M.Jr: But I'll try my best to see him tomorrow.

O: All right then I'll tell him.

H.M.Jr: Now I'm going for a little drive and - ah - I'll be back about quarter past five because I've got to go to the White House at quarter six, you see?

O: Oh, all right.

H.M.Jr: And - ah - but you don't have to stay.

O: I don't mind staying at all if you'd like me to.

H.M.Jr: Well - ah - supposing you stay till I get back,.....

O: All right.

H.M.Jr:if you don't mind.

O: All right.

H.M.Jr: And - ah - and - ah - I'll be back in about an hour but I've got to get some fresh air.

O: All right.

H.M.Jr: Thank you.

O: You're welcome.

April 21st, 1937

At 7 o'clock last night the President called and he said, "Henry, we have to do something about this Farm Tenancy Bill. I have another one of my brainstorms. The Speaker is very much upset and I want you to see if you can't find the money. The whole thing hinges on the purchasing of 50 million dollars worth of land. Couldn't we work it out in a manner similar to FHA, namely, guarantee the purchase price of the farms without putting up any money." He told me to get in touch with Myers and Marvin Jones.

I had just begun to feel that I could have a week or so to recover from the effort put into the Budget when this comes along. Of course, I can see why the President is troubled. He wants to keep the good-will of the Speaker and, I guess he is pretty much committed for a program for tenant farmers as he had a Commission study the problem and bring him a report.

I asked the President how long I had to work on this and he said a couple of days. I said, "Which is more important this or housing?" and he said, "Both are equally important".

I suppose it is up to me to do everything I can as long as my strength holds out to find ways for the President to fulfill his promises as long as he can do so and stay within the budget - but it certainly is tough on me physically.

I called up the Speaker and he sounded very low and when I told him that I was going to try and find the money for him he said, "God bless you".

I called up Bell at 7:45 this morning and told him about my conversation with the President and that we must try and find the money. Bell thought we could find it in the 500 million dollars for Soil Conservation. I then called Oliphant, remembering that he had with him the former Solicitor for Agriculture, and told him to examine the present Agricultural Bill to see whether we could tap those funds for the Farm Tenancy Bill.

I think it is tremendously important to get this money out of existing appropriations to demonstrate once and for all that the President really meant what he said in his Budget Message yesterday.

For weeks in advance of the Budget and Relief Message the President and I had discussions back and forth. The President always took the position that he would not commit himself to a

definite sum for relief for 12 months. He always would say, "How can I tell what the conditions will be six months hence." For weeks he would not accept the fact that our revenue was off. He always belittled my estimate. He did not want to face the realities. I telephone him at Warm Springs when he was there in March and told him that our revenues were off between 500 million dollars and 600 million dollars, and a day or two afterwards he told the newspapermen that the budget would be balanced "from the laymen's point of view". He refused to be worried about the bond market. He kept telling me that my bonds were too high and I kept driving home all the time the necessity for really balancing the budget.

When I learned that Hopkins was going to be away during the week that we would be working on the Budget and Relief Message it took the greatest self-control on my part not to say something to Hopkins to keep him here but I finally decided that it could not be an accident that he was leaving and gradually felt that it would be all to the good to have him out of the way. Hopkins waited to attend the Grid Iron Dinner on Saturday night, the 10th, and left the next morning. Whether the President was back of it I do not suppose I will ever know but I suspect that he was.

Monday at lunch on the 12th I discussed the Budget and Relief with the President and that night I sent him an outline of my suggestions. The next meeting we had with him was at 2 o'clock Thursday, the 15th - Bell and Aubrey Williams being present. The President had Hopkins' suggestions, his own and Bell's. After Aubrey Williams left we got down to the Budget Message. Bell and I had been thinking in terms of two messages - a Relief Message and a Budget Message. The President then told us that he only wanted one message and it must not be over 2,000 words. He then argued with me for putting in the figure of a billion and a half instead of one billion dollars to last until March 1st as stated in Bell's document. The President's arguments for the billion and a half were that he thought it was a much more honest way to approach it and he kept arguing for it and, to my great surprise, I learned for the first time that he was talking about a billion and a half for the full 12 months with no qualifications.

I told him that I wanted to think it over. The reason for my wanting to think it over was that I was so surprised to find that the President was ready to commit himself for a billion and a half for 12 months. On thinking it over, I decided that the intelligent thing to do was to accept his proposition provided that he did not try to qualify the billion and a half by saying that perhaps he would have to ask for more. As a matter of fact, from that day on until the Message was finished he stuck to the billion and a half as an outside figure for 12 months and I decided to go along with him.

We met with the President again Friday noon at the White House and Bell had another document ready for the President. Nothing much happened at the Friday meeting. I took Bell's message home with me Friday night as I had been too tired both Thursday and Friday to really get down and think but Saturday morning I woke up at 6:15, my sub-conscious mind having worked on this over and over and over, and I came to two conclusions. In the first place, that the budget part of the message was weak and not convincing. On page 4 I wrote in in pencil my suggestions for strengthening the message. The second conclusion I came to was that the relief part of the message was dishwater; that the President had a number of times sent messages to Congress on relief and it would be much more effective if he would simply ask for the billion and a half and give no apologies or excuses.

I met with Bell at my office at 11 a.m. Saturday and, for the first time, I showed the message to Herbert Gaston and showed both Bell and Gaston my corrections on page 4. Bell liked them and he agreed that the message was weak. I think that his brain was so tired that he had not realized how weak it was.

Gaston took my thoughts and improved the English and his corrections are on slips over my pencil corrections. The interesting facts are that I alone put the punch into the message as my own handwriting shows, and that the President took them without changing a single word. We had page 4 retyped before we went to the White House and when Bell, Williams and I sat there and the President accepted these changes, it left me absolutely breathless and I decided that the smart thing to do was to say nothing because if I opened my mouth he might find some reason to argue and change his mind.

When the President came to the part of the message headed, "Relief" I said, "Please wait a minute. I am now going to suggest that you stop here and discard the rest of your message. I got this idea at 6:15 this morning." I had hardly had the words out of my mouth when the President flashed at me "I got the idea in bed last night at 1:15." I laughed and said, "Well, Mr. President, it took us just five hours for the thought transference to work".

This experience has happened often before. When I have an unusually good suggestion to make to the President he immediately tells me that he had thought of it before and that is a signal to me that he likes my suggestion but does not want to give me credit for it - and I am always more interested in getting my ideas over than I am in getting credit.

Aubrey Williams then started to sputter and argued about keeping in the relief message and he showed his hand when he said, "But, Mr. President, you must say something about relief being a permanent institution" and I said, in no uncertain terms, "That is just what you do not want to say, Mr. President." Of course, the thought that Aubrey Williams voiced is the underlying philosophy of the whole relief organization that it should be permanent.

The only suggestion that the President made on Saturday was the reference to armaments and that was included and Bell returned the Message to him Saturday night.

Joan and I had lunch with him on Saturday but the conversation was general.

Bell and I lunched with him on Monday wondering who had gotten to the President over the week-end on the relief end of the message and what changes the President might have made in his message. We went through lunch and you would not have thought that a Relief Message existed, and just before we got up to go the President said, "I have not looked at the Message since Saturday and I do not see any reason why I should. I will have the leaders in and go over the Message and see how they like it". You could have knocked Bell and me over with a feather. We were so surprised that the President had not changed the message and accepted the suggestions which I had made on Saturday.

about 6 o'clock Monday night we met with the President. Those present were: Robinson, Rayburn, Bell, Jimmy Burns, the Speaker, Pat Harrison, Taylor of Colorado, Doughton, the Vice President and I. In looking around the room I found that Congressman Taylor of Colorado was the only Democratic leader present who did not come from South of the Mason-Dixon line. Every other man there was a southerner - and then some people wonder why they do not do something about slum clearance in the cities.

The President read his Message to the crowd and the whole argument centered on the billion and a half. Most of the men there wanted the President to ask for one billion and then say that he would review the situation again early next year. Senator Jimmy Byrnes pressed the President pretty hard and I thought, for a moment, that the President was going to lose his temper - but he didn't. I came to his defense on the billion and a half and in doing so made the statement that the Hopkins' organization was the only emergency agency that had cut down expenditures and that we should look for savings in some of the other agencies; Whereupon the Vice-President spilled everything that I had told him in confidence about Wallace's soil conservation plan and even told them in detail my story about how Hoose collected \$10. an acre on six acres of corn because due to a wet spring the corn had not come up.

I thought the President might be annoyed with me for having talked so freely to the Vice-President but if he was he didn't show it.

When the meeting broke up Senator Byrnes said to me, "Since when have you gone on Harry Hopkins' relief roll".

The meeting was unsatisfactory in this sense, that as various members of Congress raised the question as to what was to happen to their pet bill the President would not give them a clean-cut answer.

The man who made the best statement during the whole session was Senator Robinson. I got the feeling that he really wanted to save money and was not particularly interested in some pet appropriation. During the discussion, Senator Byrnes asked the President if he would like to have him introduce a bill authorizing him to cut 10% of the appropriations after the first of July and giving him the additional discretionary power to switch these 10% savings from one department to another.

In conclusion, I want to say that the President gave me in his Message everything that I asked for and I told him that I was entirely satisfied. It was a long hard trying fight but certainly at some time during the weeks that I argued with him he must have come to the conclusion that if he wants his Administration to go forward with his reform program he must have a sound financial foundation or his whole program will completely fail.

MEETING RE FARM TENANCY BILL

April 21, 1937
10:00 A.M.

Present: Mr. Bell
Mr. Oliphant
Mr. Wenchel
Mr. Taylor
Mr. Myers (Farm Credit)

Mr. Jump -
Mr. White - (Agriculture)
Mr. Tapp -

H.M.Jr: The President called me last night and said - what I say here is extra confidential - he found himself embarrassed with the Speaker, because I guess he more or less had this commission to study this question of farm tenancy, and then told them Monday night no money, no new legislation, unless it was within the budget. He said to me, "Henry, I want you to find it; get me out of this hole."

I talked to Bell this morning and we looked at this 500 million conservation thing, and Bell says that, working on the basis of - what, 60- or 72? -

Bell: - 72 percent of the total number of farmers accepting the plan.

H.M.Jr: ...people that sign, then the question comes up, is this a legal obligation, although the bill hasn't yet passed Congress? And if 72 percent of the farmers should sign, it would cost 500 million, because it is a blank check in this sense: if that many sign...

Bell: Well, they'd either go to Congress and get that much money or they would reduce pro rata the 500 million. And I understand there is a provision in the plan that goes out that they will reduce the amount given to each farmer by enough to come within the limit of 500 million.

H.M.Jr: Well, I just want to give a sketch. Now, I went ahead. I couldn't - the President has this "pat" - I haven't. There are three different items that go into this farm tenancy bill, aren't there? I think there are three titles to it.

Bell: Have you got it, Wenchel?

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Oliphant: Yes, he's got it.

Wenchel: The first is the loans for the purpose of purchasing; the second on rehabilitation loans, which include authority to make loans for the purchase of livestock. And that adjustment - there is 75 million....

H.M.Jr: Let's take Title One.

Wenchel: Title One is 50 million.

Bell: That's the land.

Wenchel: That's the land purchase.

Bell: That's the farm tenancy. That's where they buy the land, sell it to the farmer, and put him on it.

Wenchel: Well, he can buy it.

Bell: They loan him the money to buy the land.

H.M.Jr: That's Title One.

Oliphant: 50 million.

H.M.Jr: Now, Title Two.

Wenchel: That's the rehabilitation.

Bell: Same as Resettlement - loan a man a thousand dollars to buy a horse, plow, seed, cow, etc.

H.M.Jr: Resettlement, yes.

Wenchel: That's not to exceed 75 million.

H.M.Jr: (Writing) Not to exceed 75 million.

Wenchel: And the authorization runs to 1942 in both cases.

H.M.Jr: And Title Three?

Wenchel: Title Three is the sub-marginal land.

Bell: It ought to be eliminated altogether.

H.M.Jr: That's 50 million, isn't it?

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- Wenchel: No, that's 10 and 20 - 10 for the first year, 20 thereafter for three fiscal years.
- H.M.Jr: 10 for the first year and how much thereafter?
- Wenchel: 20 million for three fiscal years. That's to '41.
- H.M.Jr: Well now, the purchase of land - that's the purchase of the land for the tenants. Is that right?
- Wenchel: That's right.
- H.M.Jr: Now, Bell, I'd like to follow with you on this thing in the same way as on the housing thing, the way you and I followed on the seed loans. If you remember, you and I went up - not this year, last year - on the seed loans, remember? And we kept saying - Joe Robinson kept pounding and Marvin Jones wanted to get in an argument with me, remember, as to whether seed loans were good, and I said I didn't give a God damn whether they were good or bad, but I was just interested in where the money was coming from.
- That's just the position I'm going to take now. I'm not going to say whether I want - whether Title One is good or bad. All I want to do is, with your help, see if we can find this money within the budget.
- Bell: That's right.
- H.M.Jr: And I'm not going to get into the argument; it's a long report and everything else. If you remember, we went two years ago with Robinson and Marvin Jones and they couldn't budge us as long as I kept saying I'm only interested in the money. Don't you think that's a wise thing?
- Bell: Well, that certainly is safe ground to stick to. But I think we can say that we can find so much money and set these three things up in priority. I don't think sub-marginal land will come within that.
- H.M.Jr: Well now, as we get into it - I mean you don't have to take the same position as I do, because you've held hearings on this thing. I haven't held hearings on this. The President - all he said to me is, "Can you find a way to finance this?" He hasn't asked me

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whether this is good or bad. But you've had a chance to hold hearings.

Bell: No, I haven't had hearings on it. I've had hearings on the AAA.

H.M.Jr: Well, let me - the rehabilitation - let's start with Title Two. Is that the 600,000 people that they took over?

Bell: No.

H.M.Jr: Now, where are they going to get the money from to take care of that?

Bell: That will have to come out of the billion and a half as a relief matter.

H.M.Jr: Now, as we go into this, inasmuch as I'm pressed so hard, do you think it would be well to have Wallace and his finance man sit right in from the beginning and go along with us?

Bell: No, I wouldn't at this first conference, until we work something out.

Wenchel: I might say this, Mr. Secretary. There is authority under Title Two for the President to allocate money from the relief appropriation.

Bell: That's right.

H.M.Jr: Of course, he's worrying about Title One. That's what he's worrying about.

Oliphant: Yes, that's 50 million.

H.M.Jr: That's what he was worried about last night. Now, the suggestion that he made - he called it a "brainstorm" - was that we handle that in the manner that we handled FHA; that we simply guarantee the money with a guarantee fund. I mean he didn't have it thought out, but he said, "Can't you handle it like FHA? FHA never put up any money. They simply guaranteed the banks who did the financing for FHA to buy a home."

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Oliphant: I think the difficulty there is that these loans will be notoriously bad loans as commercial credit risks. That is, the period of the loan - what is it?

Wenchel: Not to exceed 30.

H.M.Jr: Well, the way I look at it, the challenge is this. Bell and I assisted the President in writing that budget message and - now, the budget message is not even dry before he calls me up and says, "Henry, for God's sake help me. If I stick to this thing, I've got the Speaker on my neck." Now, I think we've got to be ingenious enough, but all through the thing Bell and I withstood the pressure to adjust our tax figures to make them look pretty. We didn't do it, and I don't want to do it at this stage in order to please everybody. I mean you've got to get my background on it. Not do something so that everybody will say, "Well..." - like what's-his-name was at the house for dinner with the Mexicans last night - McNary, he says, "Oh yes, it's a nice message, but does the President mean it?"

So I think this is a chance for us - if we can get a pattern here and get the President to say to Wallace and the rest of them, "Not one dollar unless it comes out of the existing appropriations," and then sets that precedent, then they know that he means this.

And Sam Rayburn kept saying, whispering to me all the time, "Let's get down - what are you going to do with all this legislation? Does the President want it or doesn't he?" Now if the first time - if he goes overboard 24 or 48 hours later, why, we're sunk.

Now, I - there is this 48-state plan. I mean I've got to talk a little bit; I want to get it out of my system. And of all the boondoggling I have ever seen since I've been in the Administration, the plan to spend the money for the so-called soil conservation takes the prize. Harry Hopkins is a thrifty Scotchman compared to the method used in here. The only thing they don't pay you to do is to plant wood violets among the trees in the conservation. They pay you for everything else. Somehow or other they overlooked - they didn't pay you five dollars an acre to plant violets among the trees, but they do everything else; they do everything else. And of all the prize

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boondoggling I ever saw - God, they must have burned the midnight oil to find methods and means to spend the 500 million. But they haven't got it yet.

Bell: They had a hard time.

Oliphant: Haven't got the 500 million.

Wenchel: Well, they didn't spend the 400 million last year.

H.M.Jr: But they're spending it now. I mean it's going out.

Now, what I wanted to know - as I say, it's going to take me a little time to get this out of my system - is it too late from a legal standpoint to change so that if the President wanted to say, "No, the right for every farmer in the United States to sign up on this program is not a moral obligation, it hasn't yet passed Congress, and I can change the rules," - now, is it too late? That's the first question I want to know from you lawyers.

Oliphant: Well, the crucial people are out and we haven't been able to get hold of the crucial documents. My general opinion is that, so far as the legal obligation, there is no legal obligation. You see, the Butler case held it was unconstitutional....

H.M.Jr: What was that?

Oliphant: When they held the AAA invalid, one of the things they said was that it was unconstitutional for you to tie these farmers up in contracts. Now, at most, this is a proposal by Wallace that "if you do so and so, I'll pay you the money," so that until he's done so and so, until he's actually put up the two-strand barbed-wire fence, you can call it off. Now, that's the legal obligation.

H.M.Jr: But can Wallace say it's a moral obligation?

Bell: Well, can't he go a little farther than that? Can't he say that "even though I did promise you 15 cents a rod for putting up two strands of wire, now that you have done it I'm going to reduce that 15 cents to 10 cents"?

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Oliphant: No, not after he put up the wire....

Bell: Well, there must be a provision in that somewhere to reduce that obligation of 500 million.

Oliphant: ...but this is a '38 program and they haven't yet begun to put up the wire.

Bell: You see, the difficulty with this program is that your programs are laid out on a calendar year basis, while your appropriations are made on a fiscal year basis, so that...

Oliphant: We're not appropriating for calendar year '38.

Bell:we're appropriating for the calendar year '37, appropriating for the fiscal year '38. That money for the calendar year '37 won't be spent for the fiscal year '37, which is almost passed.

Oliphant: And your point is it will be spent for acts which the farmers have done in calendar '37.

Bell: Yes

Taylor: What have they got left in that second 32?

Wenchel: Unless that is extended, that expires.

Bell: Appropriations Committee picked up a hundred million of it.

H.M.Jr: Dan and I don't want to tackle that, because we figure we only allow them two or three....

Bell: That's their own program - 33 million.

H.M.Jr: So we figure - Dan and I discussed that.

Wenchel: They only spent 18 million.

Oliphant: Do you want to take just a minute and concentrate on that Title One? That's the harder thing - to make this land available for these tenants. Now, let's consider the possibility of getting two places from that. You've got something like 70 million dollars worth of land owned by the Federal land banks - fore-closed farms, all over the United States; and you own

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the stock in the Federal land banks. You can take over those farms and give the Federal land banks their stock. That would all be within the budget, I assume.

Bell: Well, that would be - that would be reducing our ownership in the Federal land banks.

Oliphant: I just throw that out as a possibility. There's a lot of land there.

H.M.Jr: Well, when I was - even when I was in Farm Credit... They're not the right kind of farms. Bill can answer that. He's on his way over. You see, this thing - I'd like to do this thing in a cleancut way, in this sense - and that's what everybody is asking - this five hundred million dollars for the so-called soil conservation; now, they come along not only with this, but are going to come on with a whole business. Now, there's five hundred million dollars here of which I believe at least half is being thrown away - two-thirds of it. Now, the President sends this message - I keep coming back - and if Wallace, who is down for a billion one hundred million dollars, wants something else, he should take it out of that billion and one.

(Myers comes in)

Bill, what we're trying to do is for the President - specifically said you should sit in on this thing - is to find some way on this so-called land tenant thing - to find some way of financing this thing within the budget. And we've gotten just this far and we're - as I say, we're fortunate, Wenchel's with us, with his agricultural background.

Myers: You're fortunate two ways.

H.M.Jr: And we've got another old AAA'er here in Taylor.

Myers: I thought Taylor was Commodity Credit.

H.M.Jr: The thing I'm going to keep pecking away at is, first, I am firmly convinced that the place to look for this hundred million is the five hundred million for so-called soil conservation. Now, the question they want to answer is, have they a legal contract with these boys? They don't know; they think not. Then the question,

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have we got a moral one?

- Myers: May I say just one word on that? I have checked into the releases, and they all have a qualifying clause which limits the amount that they are required to distribute to the amount of the appropriation. Isn't that.....
- Bell: Yes, that's right. I haven't read it, but Tolley told me that was in there.
- Myers: That's correct. So that they are not committed to distribute - although the five hundred million is authorized, they are not required to distribute more than is provided in the appropriation by Congress.
- H.M.Jr: Now, the bill calls for around 498 million dollars - roughly five hundred - doesn't it?
- Bell: Five hundred million appropriated.
- H.M.Jr: Well, supposing the President said, "Well, I'm only going to give you 400 million."
- Myers: I'm not a lawyer, but I think they're in the clear.
- H.M.Jr: Well, that's the whole thing.
- Oliphant: Why do you limit yourself to the five hundred million Wallace is taking for soil conservation? Why not all the money - that billion one?
- Bell: 980 million is the Agriculture bill. But you've got 270 some odd million dollars for good roads which has been apportioned to the states, and under the law it is an obligation of the United States Government when it is apportioned.
- H.M.Jr: What's the rest of it? What goes into the rest of it?
- Bell: About 125 or -40 million dollars just to run the Agriculture Department annually.
- H.M.Jr: How much?
- Bell: About 125, -30 million dollars, just to run the Agriculture Department. Five hundred million dollars for this program. 25 or 30 million dollars for this dairy program, I think, under the Jones-Connally Act.

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I don't know what the rest of it is.

Oliphant: But there's no other large item there.

Bell: No.

Oliphant: Well, how about the ever-normal granaries?

H.M.Jr: That hasn't come up yet, but that would have to come out of this too.

Myers: There's a hundred million in the crop loan - I mean the crop insurance - capital of a hundred million provided.

Oliphant: Is that in this present appropriation bill?

Taylor: No.

Myers: It's in the crop insurance bill.

Bell: There isn't any requirement, however, that we have to spend that hundred million the first year. We can make it five million capital stock for the first year - crop insurance.

H.M.Jr: But Dan, as I understand it, the bill which is now pending for contracts - I mean the soil conservation - for the contracts for the calendar '37....

Bell: Yes, sir...

H.M.Jr: ...of course, the fellow that's going ahead with his spring crops, it's pretty late - but what about fall wheat, winter wheat?

Bell: That can probably be controlled some. I don't know just how much of the money that involves.

H.M.Jr: Well, supposing - I mean supposing I said to the Speaker, "Now, Mr. Speaker, you've got 500 million dollars before you, and the place to get the money is there." I mean supposing I just put it that way.

But I want - I mean I don't want to have him go and then have Wallace come around tearing his hair and saying, "My word, the President's word" - all this

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stuff. And he's told me that already; I've been working on him, but I didn't know this was coming. I've been working on him. He says he's got a moral obligation. Now, what's the answer?

Bell: The answer is that the President in his message made a moral obligation to all the people in the country, not just part of them.

H.M.Jr: He did what?

Bell: He's got an obligation to all the people of this country and not just part of them - in his message yesterday.

H.M.Jr: Well, Herman, how long will it take you to give me a legal opinion that, pending the Act passing Congress, there is no legal contract?

Oliphant: The problem is to get the facts. I think somewhere along the line you're going to have to talk the thing over frankly with Tolley, who knows more than anybody else about this, and I think the sooner somebody sits down with Tolley....

H.M.Jr: Well, supposing I call up Wallace and tell him what we're doing.

(Reading from sheet) Cash Treasury withdrawals for fiscal year ending June 30, etc.: for Department proper, 81 million; soil conservation, 36 million; roads, 375 million; AAA, including crop insurance, 490 million; Resettlement, 235 million; other emergency funds, 60 million; total, 1 billion, 277 million.

Bell: That's an expenditure.

Oliphant: To answer your question specifically - for instance, I could sit down in a room with Tolley and White; I could have an answer before noon.

H.M.Jr: I know Tolley, but who's White?

Oliphant: White is the Solicitor of the Department.

H.M.Jr: Let me call up Wallace and tell him what I'm trying to do.

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Oliphant: Tell him we'd like to talk to Tolley and White.

H.M.Jr: Yes. Who's his finance man?

Wenchel: Jump.

H.M.Jr: How do you spell it?

Wenchel: J - u - m - p.

Oliphant: But for this purpose, for an answer to your question, the finance man wouldn't be as useful as Tolley and White, because what we want are the facts.

Bell: No, Jump only knows the general picture.

H.M.Jr: Well, before I do that, you can get very quickly what's in the bill - I mean what that 900 million dollars is.

Wenchel: Here it is.

H.M.Jr: Have you got it all listed?

Bell: I forgot to mention it also includes Bill's organization - Governor Myers.

H.M.Jr: The 900?

Myers: That's only 10 million, complete authorization.

H.M.Jr: (On phone) Secretary Wallace, please.

Dan, can you see any other place we can get it except the five hundred million? Isn't it really.... Of course, the way to really do it would be to put it up to Wallace and let him answer where he's going to get the money, rather than me. I mean if it was put up squarely to him....

Taylor: Then he can say, "Isn't there some other place you can get it except out of Agriculture?"

Bell: Well, the President ought to say to the Secretary of Agriculture that "you're going to get so much money in 1938. Now, two things have got to happen. First, we've got to impound on July 1 about ten percent of that money to balance this budget. Now, if you want

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to spend a hundred million on farm tenancy, then you find it some place within your organization. And we'll give you so much out of the relief bill for Resettlement. That's the total of your money in 1938, and that's all you get."

Oliphant: I'd state it with a discussion on the basis that the President wants to spend so many millions on farm tenancy, not if Wallace does, because that's what the President has put up to us.

Bell: But I'd give a limit of funds to the Department of Agriculture and say, "Now, where can we get this additional money?"

H.M.Jr: Yes, but if I could have on my desk just the items and the dollars in that bill, all on one sheet - somebody in your office pick it out. What?

Bell: Yes, sir.

H.M.Jr: (On phone) Hello? What? - - Well, it's very important. Get him. It's important.

Dan, you can take somebody and just....

Bell: I'll get it.

Wenchel: There's only three items in the conservation: 340 million to carry out Section 717 of Soil Conservation, domestic allotment; there's 110 million of Section 32 funds; and not to exceed 50 million of the unexpended balance of the hundred million dollars.

Bell: But that's all the soil conservation.

Wenchel: It's only three items - makes it up.

H.M.Jr: Can you give them to me?

Oliphant: Three items make up the five hundred million.

H.M.Jr: But what makes up the 900 and some odd million?

Wenchel: Well, that's Forest Service, Biological Survey, Meat Inspection....

H.M.Jr: Well, I'd like to look at all of them - I mean if I

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had them listed. I mean there may be something in there for land purchase. Well, why are you spending five million for the Forest Service for buying land if you need 50 million for the farm tenants, which is more important?

Bell: There's a little money for purchasing land for the Forest Service, but it isn't anything like that.

H.M.Jr: I think I'd just - could you just phone somebody to get that?

Bell: Are you going to meet here very long?

H.M.Jr: How long you got?

Bell: I've got a conference at 10 o'clock. People are waiting for me.

H.M.Jr: I wanted to decide what - Wallace is with Roper, see? - see, the President says he wants an answer tomorrow, and I don't want to work tonight.

Oliphant: Yes, I'd think we ought to go over all those items.

H.M.Jr: I'd like somebody to just take that bill and run it through and give me the items.

Bell: That won't take very long.

Oliphant: Then you'd want also these other items that they have in mind, the other agricultural bills such as the ever-normal granary.

H.M.Jr: (On phone) Hello (Conversation with Secretary Wallace follows:)

April 21, 1937.
10:28 a.m.

H.M.Jr: Hello

Operator: Secretary Wallace is in a meeting with
Secretary Roper.....

H.M.Jr: Well it's.....

O:in Secretary Roper's office.

H.M.Jr: What?

O: In Secretary Roper's office.

H.M.Jr: Well it's very important - get him.

O: All right.

H.M.Jr: It's important.

O: Right.

* * * * *

10:30 a.m.

H.M.Jr: Hello.

Operator: Secretary Wallace.

H.M.Jr: Thank you

O: Go ahead.

H.M.Jr: Hello

Wallace: Hello

H.M.Jr: Hello - Henry?

W: Yes Henry.

H.M.Jr: How are you?

W: Fine.

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- H.M.Jr: Henry, the President called me at 7 o'clock last night and asked me to see whether we could find any money within the budget for this farm-tenancy thing and we're meeting here now and, of course, it's a tough job.
- W: Well (laughs) pretty - (laughs) yes, it seems to be pretty tough.
- H.M.Jr: Now - ah - as I understand it he's held up the bill; he's only giving me until tomorrow morning. Now we need help - in the first place it's your responsibility and all I'm going to do is look at it from the standpoint of the budget.
- W: Yes.
- H.M.Jr: Now - ah.....
- W: Marvin Jones called up yesterday to say that - ah - at a conference the preceding evening the indication was that they only wanted to spend 10 million dollars on the farm tenancy this next year.
- H.M.Jr: Yes, well - but - ah - the President - I mean the thing has to come out of existing appropriations so it gets down to the - monies fund pending and allocated to Agriculture and.....
- W: I don't - I don't - I don't - I just don't think - ah - I think if we haven't got the money I think we better go along without any - without a tenancy bill.
- H.M.Jr: Yes, but the President told me to find the money. He wants the tenancy bill; he'll give me till tomorrow morning to find it.
- W: I don't know there might be something in roads. I.....
- H.M.Jr: Well who - who could you send over here because I've just - I've cancelled all my engagements and I'm right - we're trying to do this thing and.....
- W: Well I tell you - I could send - I could send Jump over - Jump knows the general - ah - I suspect the thing to do would be to send Jump and Baldwin.

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H.M.Jr: Well what - what we'd like to have is Tully and White.

W: Tully and who?

H.M.Jr: White - your Solicitor.

W: Well all right, we can - I doubt if I can send Tully right over - right now.

H.M.Jr: Well how about White?

W: ^{can} I/send White over all right.

H.M.Jr: All right.

W: I'm - my hunch is I think I'd better send Jump and White.

H.M.Jr: Jump and White?

W: Yes, Jump, White and Baldwin.

H.M.Jr: Fine.

W: I think those are the three to send.

H.M.Jr: Fine. I don't think Baldwin will help any.

WP You mean it's a question of finding the money someplace else?

H.M.Jr: It's a question of finding the money within - ah - money allocated or pending legislation for Agriculture.

W: Ah-ha. That's for this fiscal year of '38?

H.M.Jr: Yes, but I mean if you want Baldwin it's all right - let him come - I mean - the point is I'm doing this - I wish to Heaven's I didn't have to do it because I - frankly (laughs) I thought when I was through with the Budget Message we were through. Now the President calls up and says he wants us to do this.

W: My hunch is, Henry, that - that we'd best bring this thing up again tomorrow afternoon.

H.M.Jr: What's tomorrow afternoon?

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- W: Well at our meeting at 2 o'clock tomorrow afternoon.
- H.M.Jr: Oh, have we got one?
- W: You got a meeting with the Pres - this meeting with the President tomorrow afternoon like we had last week, you remember?
- H.M.Jr: Oh, I didn't know it was scheduled.
- W: How's that?
- H.M.Jr: I didn't know it was on.
- W: I think - I think the thing to do would be to bring this up again and get fresh instructions because I don't think you can get - ah - send Jump over and you can get a survey of possibilities but I just don't think anything can be done that's practical.
- H.M.Jr: Well I'm going at it with an entirely open mind and the President says very emphatic that we should find the money and the only place I can look for it is within the agricultural appropriation.
- W: Well, of course, I shall make a very strong presentation to the President that you can't find enough money to do the job.....
- H.M.Jr: Well.....
- W: ...and - and I'm sure that that's the case, Henry,.....
- H.M.Jr: Well then.....
- W:and - and I - I think the thing to do probably is to take it up - you see we're supposed to make this agricultural presentation tomorrow afternoon before the President and I - I think the thing had just better be lumped in with that.
- H.M.Jr: Yes but in the meantime will you give me the technical assistance that.....
- W: Yes by all means.

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H.M.Jr: So I can carry out the President's instructions to me.

W: Yes.

H.M.Jr: See? So - ah.....

W: I'll - I'll ask that White and Jump be sent over - ah - Jump can take a look around.

H.M.Jr: And come right to my office.

W: Yes, all right, Henry.

H.M.Jr: Thank you very much.

W: Goodbye.

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- H.M.Jr: Now, just take it easy. Now, let's just plan this thing a minute. When White comes over, I just - I'd like to listen to the thing, when you fellows argue. After all, what's at stake? The President made the most forceful message on finances that he's made since he's been here, barring none. Now, I haven't got anything more important than finding a way to assist him to make good on it. That's the way I look at it. Huh, Dan?
- Bell: Yes
- Myers: May I ask a question off the record?
- H.M.Jr: Yes.
- Myers: Do you know whether the President would consider a reduction of soil conservation payments by an amount sufficient for this?
- H.M.Jr: I don't know.
- Myers: I think that's the first question.
- H.M.Jr: I haven't put it up to him. But he gives me this job. And this isn't nearly as difficult as the Railroad Retirement.
- Myers: You've got 500 millions cushion if you want to use it.
- Bell: I think the answer to your question is that that is the...
- Myers: ...crucial test.
- Bell: I'll say that is our first attack. We'll submit that to the President first. I'll say that here's a possibility we can get 50 million dollars of this money.
- H.M.Jr: Yes, but back of that I want my groundwork, my homework, so that Wallace can't make a statement that it can't be done, and that's what I want these gentlemen for. I mean there's no use my going into a meeting and have Wallace say, "It can't be done; I've got a moral and legal obligation," and give all

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those reasons why. I want, if I can, to make it possible that I can go to the President and say, "If you want to, you can take it out of the five hundred million, but the decision if you want to is yours." But be so firmly backed up by advice of counsel that I can stand up - "If you want to, Mr. President, you can." See? "Or you can take it out of this or you can take it out of that." But I want to be - I can't even be 99 percent right. I want to be a hundred percent right that I can take a list and say, "Mr. President, here's a billion, one hundred million dollars voted for Agriculture. You can legally take money out of the following funds. Now, which funds do you want to do it?" But I don't want Wallace to give me the talk - "Legally, morally, I can't do it."

- Olyphant: Approaching the problem for ourselves, why not make the problem as easy as we can by putting it this way? First, what is the minimum required for the farm tenancy program - or what would you say? Well, suppose we said 50 million. Now, let's not think of it beginning all at any one place; but if you can pick up five million here and 13 million there, and 7 million this place, so that the whole of the cost doesn't fall on your five hundred million...
- H.M.Jr: The first thing I need is a list of agricultural appropriations passed and pending. You (Bell) can use my phone.
- Taylor: Well, has the principle been established that this has to come out of total Agriculture appropriations?
- H.M.Jr: Well, I'm studying the principle and hoping the President will back me up.
- Taylor: Well, that's the point.
- H.M.Jr: Well, I made a statement the other night in front of the people that the pie is seven billion, and if a fellow wants to take a piece out of it, he's got to put a piece in. Now, the test of the eating - the proof is, is he going to back me up? But I didn't want to go up against Wallace and have him sweep me aside with a general statement that I can't answer. But from my standpoint, I told the President

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that he's getting a dollar out of every seven, and the President said, "That's too much; I didn't realize it. That's too much." Now, Wallace comes along with a program of a billion and 94 this year, a billion, 277 next year, and the year after that a billion, 176.

I said, "He's getting more of the Government's revenue than he's entitled to, and if he wants any more he should cut down before he takes it out of the taxes. And everybody wants it out of relief, and I say you can't cut relief any more. The members of the American Farm Bureau - now, they're just as much the economic royalists in their field as - relatively speaking, I mean, relative to their welfare."

And you know what Jimmy Byrnes said to me? He said, "Since when, Henry, have you gone on Hopkins' payroll?" I considered that the best compliment I could have. "Since when have you gone on Harry Hopkins' payroll?"

Oliphant: He put on a performance yesterday.

Myers: Henry, may I raise another question while we're waiting?

H.M.Jr: Yes, I've got the whole morning. I've cancelled everything, see?

Myers: More important, or just as important, from the standpoint of the budget, is the interest rate on these loans, because a low interest rate such as is now in the bill, of three percent, will be an argument for reducing the rate on six billion dollars of farm and home mortgages, and those subsidies would cost more than you are proposing to lend.

H.M.Jr: Well now, may I say something to you before you.... Two years ago Danny Bell and I went on the Hill and faced the music - I don't remember whether you were with us - against the seed loans. And Marvin Jones and Joe Robinson wanted to try their best to argue, were seed loans good or bad? I said I didn't give a God damn, all I was interested in was the money. Now, I think my ground - safest ground is not to get

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into the merits of farm tenancy, but just where is the money going to come from. I mean I'm fearful, because in two hours you can't educate me as to the needs of farm tenants, how many there are, and the land and all that. And if I get in an argument with Marvin Jones or the Speaker on interest rates, or how long the land - or should they buy the land or shouldn't they, I'm sunk; I don't know this subject and I haven't got time to learn it. Now, if I'm wrong you tell me.

But I went through this thing - I'm taking the same attitude on the housing thing. What size rooms, how many stories, should they clear slums, should they build the building outside the city, should they build it in the slums - as soon as I get into an argument with one of these experts, I'm sunk.

Myers: I agree with you, except that I think the rate of interest and the amount you loan...

H.M.Jr: That's your particular hobby and you sit here and you look after your own interest.

Myers:are just as important to the budget one as the other, because every low rate loan you make....

H.M.Jr: All right, Bill, you sit right alongside of me and keep singing that, just as I told Dan he can keep singing his song. But I'm going to stick to my question of where can the President find the money legally if he wants to do it.

Myers: You propose to loan 50 million dollars, or whatever it is, at three percent, and there is an immediate demand to have a comparable rate on your Home Owners Loan loans and our loans, and one percent on six billion dollars costs more than you are loaning. That indirect effect is going to hit your budget.

Bell: You mean this three percent in this Act?

Myers: Yes

Oliphant: Well, could we, when these people come over here, Mr. Secretary, take up the items in the appropriation bill and then take up the five hundred million last? That is, go right down the items of the appropriation and say, "Now, what could we pick up over here? What

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really could we find?" And then take up the five hundred million last.

H.M.Jr:

Yes.

Now, I want to ask you a question. In a meeting like this, would Marvin Jones be helpful or harmful? Would his attitude be helpful or harmful?

Bell:

He's against this land-buying program, isn't he?

Myers:

I think he'd be helpful. He's not a bit enthusiastic about the tenant thing, and he's insistent on saying that if you do this for the underprivileged, your shiftless, you've got to do something comparable with those that are paying their own way.

Oliphant:

Mr. Secretary, as I understand it, what we are here for is to carry out a request of the President. The President requests, "Tell me, if you can, if we can find this money for this thing." And maybe we ought to go back to him and argue that we shouldn't do it, but what we are here now for is to carry out his request. So Jones would just confuse it, wouldn't he, Bill - I mean on that particular job.

H.M.Jr:

I guess so.

Wenchel:

In other words, if you wanted a reason why you shouldn't do it, Jones would be a good man.

H.M.Jr:

I guess we'll let the President handle Jones.

The answer is "Where to find the money?" and I just want to look for it in Agriculture, and try to establish that principle. Huh? I may not be successful.

Wenchel:

Well, there's only one place that you can really look in Agriculture - a few places. One is soil conservation - 23 million dollar appropriation. Some in roads possibly. Only three places you can look in Agriculture. Of course, I'm just talking.

H.M.Jr:

Well, I want to ask Bell a question. Where you going to get the money to take care of these people that they're giving \$20 a month to, these relief cases? There are 600,000, something like that, relief cases. What? Where's he going to take care of these relief

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cases? Is that going to come out - in other words, how much is going to come out of the billion and a half for farmers? See, Wallace - I've been trying to tell him this for two weeks now.

Oliphant: It's just like the railroad thing.

H.M.Jr: The railroad what?

Oliphant: The railroad thing - Railroad Retirement; the background of the farm organization, the background of the labor organization.

Bell: Here is the Committee report. These are small. Secretary's office - administration. Here's your extension service. This is the stuff that we grant to the states; probably couldn't touch it. - -

Oliphant: Which one is that, Dan, the last one you mentioned?

Bell: Have you got the report? I'm on page 24. Forest Service. For protection of watersheds and navigable streams, three million dollars. I say "might" take a million of that. They've increased the budget, so we might have a hard time taking some. This is Entomology and Plant Quarantine, and all these different investigations. Here's your Bureau of Biological Survey. Here's your Bureau of Roads, 167 million.

Oliphant: Is all of that tied up, Dan?

Bell: Huh?

Oliphant: Is all of that tied up?

Bell: Yes, I think that's pretty well apportioned.

H.M.Jr: I thought we had this question of allocating in advance on road money.

Wenchel: I thought you might get something out of roads.

Taylor: That's what Wallace said, that you might get something out of roads.

Wenchel: Couldn't get a big amount. Might get somewhere between two and five million.

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H.M.Jr: How much?

Wenchel: Two and five.

H.M.Jr: Oh, if you could tap it at all, you could tap it for fifty million.

Wenchel: Oh no, no.

Bell: Now, here's your conservation program, see - 440. And forest roads they cut three million.

H.M.Jr: But conservation is 440?

Bell: See, that's really five hundred, because they've got a hundred million dollars in there of Section 32 money; then in the budget there are certain provisions that take 50 out of that and then 10 million out of that. So you've got really 500 million. That's the whole bill.

H.M.Jr: Then it really gets down to the 440.

Bell: But there's five hundred million dollars there.

Oliphant: I'd like to look at that roads thing. That's nothing but public works, and your policy with reference to public works is going to gradually decrease it as recovery progresses. That's a very ambitious program. Look at that percentage increase on public roads. The percentage increase is very high. It's being raised from 60 million last year to 167 million.

H.M.Jr: What about that?

Oliphant: That's an increase of almost 300 percent in there, and it's public works.

H.M.Jr: But the President in his message said that they've got the billion dollars for roads in the last three years; mentioned that specifically in his message.

Oliphant: Now, if there is any reason so far as Ickes' shop is concerned to taper off public works, that thing is just a glaring...

Bell: Well, you see what's happened, Herman - they had a

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program laid out for three years, '36, '37 and '38, of 238 million dollars a year. Now, they didn't apportion those funds until January 1, 1937 - 1936, I mean, so they were slow in starting. We appropriated 60 million dollars for '37 just to start that program. Now, this year the program is in full swing - I mean next year. So that you have to appropriate gradually more money. Therefore, we had to put in the budget enough to carry that program forward, and we reduced that considerably over what the Department of Agriculture asked for.

- Myers: Do you want me to try to find a little in crop insurance, or do you want that - to keep that as an ace in the hole? We aren't going to loan 50 million.
- Bell: That won't do us any good, because I've taken advantage of that promise of 20 million in my budget expenditures.
- Myers: In other words, say nothing about it.
- H.M.Jr: We've already used it.
- Bell: Yes, I've anticipated that you would spend 30 million out of the 50.
- Myers: Well, it may run over that. We've loaned 21 already.
- Wenchel: How much out of your Section 32 funds?
- Bell: End of this year?
- Wenchel: No, end of next year.
- Bell: This year they only spent 18, but now they talk about spending 30 odd millions.
- H.M.Jr: But they won't spend 30 odd millions?
- Bell: Next year they ought to have over a hundred million dollars left, but your Appropriations Committee has picked up a hundred million from the two years.
- Wenchel: So you don't have anything left.
- Bell: Well, there will be some left, but I don't want to use that either. That isn't in the budget and - I

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mean we've cut that expenditure program down to rock bottom.

Myers: Do you want to shake the cards out of your sleeves? Not in public - I mean just....

Bell: No. We've taken advantage of every possible saving in this budget picture.

H.M.Jr: I don't know, but I think we're going to go round and round and round and you come right back to taking it out of this (soil conservation).

Oliphant: How about making the farm tenancy bill begin operating next year instead of this year?

H.M.Jr: Well, Herman...

Bell: Hold expenditures down.

Oliphant: Well, of course, that goes back to the President's terms of reference.

H.M.Jr: If we can help him establish the principle that if anybody is going to come along with an appropriation, he takes it out of existing appropriations or provides the revenue - I don't think we'll get a better front to fight on than this.

Oliphant: On this particular case.

H.M.Jr: And if we can crack this for him, so that..... Now, there's two alternatives: either take it out of existing appropriations or provide the revenue. I mean right at the beginning he puts the pistol to my head and says, "Solve this for me." See? Now, we can - postponing it or some other thing doesn't answer that problem. Now, we can do it for this, then we can do it for the Wagner bill, we can do it for the education bill; we've set the principle. See? That's why I want....

Oliphant: Yes, I think that would go back to the terms of reference.

H.M.Jr: Let me read this out loud. "Title One, authorization of Secretary of Agriculture to make loans for the acquisition of farms in such amounts as may be certified..... (reporter instructed not to record)"

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Now, I just want to get this thing straight for one minute, before I read any further. Rehabilitation is doing, (1) - Resettlement, they are building houses, right?

Bell: Uh-huh.

H.M.Jr: (Writing) Building houses. Now, is that - when that money is gone, are they going to get any new money for that?

Bell: Well, this takes the place of that. If they don't get this, they expect to come in on the relief bill.

H.M.Jr: I mean are they going to get any more?

Bell: Are you speaking of satellite cities?

H.M.Jr: I'm speaking of satellite cities; I'm talking about "Greenbelts"

Bell: There is a provision in this bill that directs the Secretary of Agriculture to close out those projects, not start any new ones.

H.M.Jr: Put it this way: construction program.

Bell: That's your satellite cities.

H.M.Jr: Well, isn't that everything?

Bell: Buy a man a farm and build him a house and a barn.

H.M.Jr: What about that?

Bell: Well, that's part of this Resettlement program and farm tenancy, as I understand.

Myers: They are doing some farm tenancy. They are buying tracts and setting people on them.

H.M.Jr: But construction program of satellite cities....

Bell: That will be out after they complete this present program.

H.M.Jr: Through, finished, huh?

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Bell: No, they're not finished.

H.M.Jr: But to be finished, to be completed. What? Now, there's no new money for that - what? - provided?

Bell: Well, they may have to get a little to complete some of these projects.

Wenchel: But the authorization is 75 million.

Bell: No, not what the Secretary is talking about. He's talking about the satellite cities, like Greenbelt.

H.M.Jr: Now, Resettlement, (2) Feeding relief - farm relief cases.

Myers: What they call grants.

H.M.Jr: Relief cases, grants. What about that item after July 1?

Bell: Not in this picture.

H.M.Jr: Where they going to get that money?

Bell: If there is any of that, it will have to come out of the billion and a half as a relief matter.

H.M.Jr: That's where Hopkins is going to hit the ceiling, and it'll hurt us, huh? Come out of one and a half billion. Right? There is no provision....

Bell: No provision in this bill for direct relief.

H.M.Jr: All right. I'm just going to go back - what Tugwell used to do. He had satellite cities, direct relief, and he had resettlement.

Myers: Well, it's been farm tenancy.

Bell: Rural rehabilitation.

Myers: Two things. They've been rehabilitating tenants, what they call their standard cases. They made a man a loan to set him up; then they supervised him.

H.M.Jr: What do they call that?

Myers: Standard rehabilitation.

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- H.M.Jr: Standard rehabilitation.
- Incidentally, he told me to get hold of Alexander too, but I don't think I will for the time being.
- Standard rehabilitation. Now, what's going to happen...
- Myers: That's the 75 million a year for two years.
- H.M.Jr: And that's - in what Title is that?
- Wenschel: Two.
- H.M.Jr: New bill, Title Two, 75 million. I want to get the two things together. 75 million - that's the standard rehabilitation.
- Now, what else did that - what did that do? Bought a fellow a farm?
- Myers: No, ordinarily they took either tenants or farmers and bought them a cow or mule or machinery and seed - whatever they needed.
- H.M.Jr: Lend them the money?
- Myers: Yes. And sometimes it was the farm owner that was swamped, and they'd lend whether it's a tenant or an owner.
- H.M.Jr: Seed, machinery, animals?
- Myers: Yes.
- H.M.Jr: What else did they do?
- Myers: Another thing is this farm tenant thing. That is, they bought land to be leased or sold to tenants who wished to become owners. That's the same thing as Title One, but it's already under way - I don't know how many different projects.
- Bell: Is that the case where they buy a large tract of land, four or five hundred thousand acres, and then divide it up into 20-acre, 30-acre tracts?

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- Myers: Well, they're not as small as that. You're thinking of the subsistence stuff that was started in Interior. These were supposed to be farms. We sold them 60,000 acres in one county in Alabama. That was started by the old state corporation; they're carrying on. They build buildings on some of those.
- H.M.Jr: Now, what I get down to - now, the old Tugwell program of satellite cities is wound up, is that right? No new money?
- Bell: As I understand it, yes.
- Wenchel: That's Section 4 of this new bill.
- H.M.Jr: Taking care of relief cases not provided for at all. If they get anything for that, they've got to get it out of relief. And then what's left of the old Resettlement organization is taken care of in these new....
- Myers: Land purchase - sub-marginal land purchase you haven't got down, and that's taken care of in Title Three of this bill.
- Bell: That's right.
- H.M.Jr: Hadn't come to Section Three. Sub-marginal land purchase under new Title Three.
- Myers: Now the last question. What happens to this vast overhead organization of Resettlement?
- Myers: I think they intend to keep at least a large part - or at least a part of this supervision to look after their past and future loans.
- Bell: I think the administration of the whole farm tenancy bill will fall in under Alexander, the administrative staff of Resettlement. I think it's making Resettlement a permanent organization.
- Myers: And terrific overhead expense.
- H.M.Jr: Shouldn't we first have somebody take a look at the funds allocated to Resettlement and see if there is anything there? I mean is there anything in the old Resettlement funds?

(Messrs. Jump, Tapp, and
White come in)

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H.M.Jr: Gentlemen, what we are trying to do here is this. The President called me and asked me to see if there was any place within existing appropriations where we could find the money necessary to carry out the farm tenancy bill. Now, I'm approaching it purely from that angle. I'm uninterested in anything other than to carry out his wishes; and in order to do that, as I told Secretary Wallace, we need your help.

Now, Mr. Wallace immediately raised the question as to whether you should or shouldn't do it. As I told him, that's - I'm not going to attempt to answer that. I'm simply an appointee of the President's; I've got my instructions. I want to carry them out. I want to turn everything inside out to find out whether we can, then give it to him, and then he can decide whether he wants it or not. But I want the help and the information that you men have got to assist me to comply with definite orders of the President. Now, the way we're approaching this thing is this.

We've been going - we've got your bill. I'll say this: in looking for this money, naturally we're looking for it to see whether it is there in Agriculture. I mean I'm not trying to see whether it is in the War Department or the Navy Department. We're looking to see whether it's in Agriculture, and we've just gotten this far. I've got to post myself. What funds could the President, if he so decided, legally reallocate within the existing appropriations or appropriations pending? And we've just gotten to the point: are there any funds left allocated to Resettlement which could be used? That's the first one, and we were just at that point when you people walked in.

Jump: Well, I hate to start off with a pessimistic note. Of course, that's the way these conferences all start. I have that difficulty myself right now. I'm talking to 25 bureaus trying to scrape up some money with this last call of the President, and they all start off with a pessimistic note. But Dan, have you looked at the Agriculture bill since they reported it?

Bell: Just have the report now.

Jump: If this conference had been held 24 hours earlier, we could have told an entirely different story on the Section 32 money. But the Congress has reduced the

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President's estimates for the AAA for next year by a hundred million dollars, taking that hundred million out of the anticipated unobligated balances of this Customs receipt fund for next year - this year and next year, and that will make a material difference in the outlook for any unexpended balances of any size within the confines of the whole Agriculture budget.

H.M.Jr: Well, that's what you (Bell) have told me.

Bell: Yes, that's right.

Jump: That changed the whole picture.

H.M.Jr: But the picture also, if I may say, is changed since yesterday. The President's message - what it amounts to, to all of us here, is that if you want to do something new, you have two alternatives: either you've got to do less of something or else provide additional revenue. Now, we're taking it from the angle: what can Agriculture do less if they want to do more?

Jump: That, of course, focuses, I think we might all agree, on the extent to which the AAA program - financially the AAA program could be reconsidered. I don't think of anything else in the Agriculture budget that is susceptible of much change now. Do you (Bell)?

Bell: We've been talking about roads. We don't know.

Jump: Well, we'd have to change the law.

Bell: Well, I think you would have on AAA to change the law.

Jump: Both of them would require changing the law.

H.M.Jr: May I interrupt?

Jump: Certainly.

H.M.Jr: This is your - I mean you're steeped with this, your problem. I'm not. When you talk of AAA, do you mean what is technically called soil conservation?

Jump: Yes, sir.

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- Tapp: Well, you mean more than that. You mean the full program.
- Jump: Yes, of which soil conservation is the bulk and probably the one you're principally concerned with.
- Bell: It's the five hundred million dollars.
- Jump: Five hundred million dollar program.
- Oliphant: What's the situation on the roads?
- Jump: Well, the situation on the roads is that all of the money allocated in the budget is pursuant to existing authorizations of law, and in so far as the fiscal year 1938 is concerned, the Secretary was required by law to apportion that money to the states prior to January 1 last.
- Oliphant: Is it covered by contracts already let?
- Jump: No, no, and that law doesn't require contracts. It regards the apportionment as an obligation.
- Oliphant: So if the obligation on apportionment were repealed, then all of it would be removed, and other than that, there would be no obligation.
- Jump: I don't know how that would be.
- Bell: Of course, the good roads through the states require matching by the states.
- Oliphant: Well, until the matching has taken place, we're free to change our law. That is, until the contract has been let or until the matching has taken place, we'd be free to change the obligation.
- Jump: Now, the contract doesn't have any relation to this. It is approval of the allocation and the apportionment. The states will let the contracts and then bill us to reimburse them for money they have paid to the contractors. So that our relationship is not contracts, but simply the approval of projects by the Secretary.
- Oliphant: Then it boils down that the money is unobligated except in so far as the states have taken action toward matching funds in relation to the prospect

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of allocation.

Jump: What do you (Wenchel) think about that?

Wenchel: That's pretty safe.

Oliphant: To what extent is that true of the 167 million?

Jump: It's true of the whole Federal aid program. It's all on the same basis, except for the forest roads and trails.

H.M.Jr: Now, do I understand this - I've been over this and over it - that the 167 million we're talking about now will be spent by the states not this year, but next year?

Jump: That's right.

H.M.Jr: And we find ourselves in the place that we are now providing the money for the calendar year of '38.

Bell: No, fiscal year '38.

H.M.Jr: But it's the states' calendar year. They won't spend this until next summer.

Jump: Well, it's conceivable that we might use some of this money to pay the states before July. We frequently do it. We don't have to.

H.M.Jr: But as it works out - well, you (Bell) remember you and I had it out with the President two years ago and we tried to do away with this idea of permitting the Federal Government to put up money one year in advance. He said, "I'm sunk one year in advance, and there's no other provision like it in the budget."

Jump: Yes, he made a strong effort to change it two years ago, and after he explored it I think he concluded there was nothing could be done as long as the executive kept approving these authorizing or enabling acts. You see, the usual thing is to give each Congress one crack at Federal aid, and each Congress passes one bill that covers a two-year period; and that's when the die is cast on the road business.

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- H.M.Jr: But he did go through it. Isn't my memory correct?
- Jump: Oh yes. He had innumerable conferences on it himself; had the Chief of the Bureau of Roads over, and Mr. Bell and I went over, explored the whole thing thoroughly.
- H.M.Jr: The only way to do it really would be to skip a year.
- Jump: Well, he did skip a year.
- Bell: No, we tried that, but they took it out.
- Jump: But he did skip a year, notwithstanding that, by using emergency funds.
- Bell: Oh, that's right. In '33 and '34 there was no road program and we took roads money out of the emergency program.
- Jump: What you did was skip the substantive law. We just passed over passing the substantive act; but you're never able to skip a year where the Congress passed a law and the President signed it.
- Bell: The money we are providing in next year's budget is supposed to just take care of the cash outlay from the Treasury and it doesn't yet take up all of the authorizations that have been approved by the Secretary of Agriculture.
- Jump: For example, there's 50 million dollars for grade crossings. The budget that you fixed - I think it has five million. That's how close we cut them - just to pay the cash bills that will be presented according to the lowest estimates we can take. And the reason we cooperated so strenuously with Bell was for this same situation; we urgently needed money for other parts of the Agriculture budget.
- Oliphant: Then how fast this goes along depends on whether or not these allocations continue to be approved?
- Jump: You see, these apportionments have already been made. Every state got its apportionment and received notice prior to January 1 last of what it could do through the fiscal year '38.

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- Oliphant: And do they keep up with it?
- Jump: On matching? Oh yes.
- Oliphant: It's all been matched?
- Jump: I can't say as to that.
- Bell: You see, these allocations or apportionments are made prior to the first of January in order that the legislatures, meeting in January, can take care of that - their part of it; and the reason for the two-year program in roads is to meet the biennial sessions of the legislatures.
- Wenchel: For instance, New York may have had a million dollars allocated to it and it may never match more than half of that, see, in which event there would be a half million left in the Treasury.
- H.M.Jr: Have they ever failed to match it?
- Jump: In very, very rare instances - most rare.
- H.M.Jr: Well, I don't say it shouldn't be, but having sort of listened to this thing two years ago and knowing the political backing that this thing has, it would be an awful hard nut to crack this.
- Jump: I think it is a useless attempt.
- H.M.Jr: I mean where I've got 24 hours to do the job in - the President wants an answer tomorrow morning - it comes back that the only place to look for this thing is in the five hundred million soil conservation, and that's why I have asked you people and I want your help. Is this, pending a passage of the Soil Conservation Act by Congress - is it a contract? Now, that's what we want to know. Is it a contract?
- White: Well, we regard it as such and Congress appropriated money in 1936 to pay the moral obligation under the old AAA - the contracts with the producers. The offer had been made by the Secretary and had been accepted.
- Bell: Those were contracts, but these under the new program are not contracts.

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- White: Not contracts, but the Secretary has made an offer and those offers have been accepted. The compliance has started in; people are using fertilizers, etc...
- H.M.Jr: But supposing...
- White: ...converting acreages to cotton, etc.
- H.M.Jr: But supposing Congress, instead of passing five hundred million, passed four hundred million. Then what?
- White: I'd say what would happen would be - we've got a - is it a 7 or 10 percent clause on those offers?
- Jump: 10 percent.
- White: We'd have to exercise that 10 percent clause, cut all payments 10 percent pro rata immediately. Then when we ran out of money, we'd simply have to tell Congress that we have certain offers here made and we haven't the money to pay for them.
- Bell: I was afraid of that.
- H.M.Jr: Just show me where that is. There's one set (Soil Conservation release). Where's your "out"?
- Taylor: 10 percent would be 50 million.
- H.M.Jr: Where's the "out" on that?
- White: The 10 percent.
- H.M.Jr: I mean supposing Congress appropriated 250 million.
- Jump: That would determine the amount of money to be obligated.
- H.M.Jr: What I want to know, gentlemen, is this. We've been all through this thing and we've come back to this item. I want to be able, with your help, to say to the President, "Legally and morally, you can or cannot do so and so about this soil conservation."
- Jump: Well, legally he can make it anything he wants. Whatever the amount appropriated is will determine the

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amount that can be allocated.

White: Increase or decrease 10 percent. We can't anticipate - I mean exactly how much will be required for this, and we give that leeway.

Bell: I thought it was even broader than that.

White: No.

Bell: Well, if all the farmers in the country accepted your plans, 10 percent wouldn't be enough to take care of it. I understood there was 72 percent you figure on accepting. Now, if all of them accept, it would cost you 25 percent more. There would be about 600 million dollars; 10 percent wouldn't take care of it.

H.M.Jr: Well, let me ask you this. Have you shot out to the country the stuff on the winter wheat for next fall?

White: Not winter wheat.

H.M.Jr: How far have you gone?

White: Well, that covers every state, every section of the country, but...

H.M.Jr: I mean have you gone beyond....

White: Haven't gone beyond this calendar year.

H.M.Jr: Have you gone beyond - on corn, have you gone beyond - I mean the crops that go around next fall - winter wheat and rye.

Bell: In other words, has your 1937 calendar year program been completed?

H.M.Jr: This stuff that you shot out - this covers the stuff that's going to be planted this spring?

White: Well, it covers the whole calendar year. Now, your winter wheat - there you have a combination base. That is, all grains are combined - your corn and wheat and oats and barley; you have a combination of

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all of them, and your soil conservation is tied into all of them, not into just one. On cotton, we do have a special program. But in the winter wheat territory and corn territory, we have a combination base consisting of all crops added together.

H.M.Jr: What I am trying to get at is how far are we committed on this soil conservation thing - I mean how far into this calendar year?

White: Well, this five hundred million is for this calendar year and these offers cover this calendar year. The only thing is 10 percent over and under.

H.M.Jr: Well, the fellow who's planted wheat or rye - are you committed to him? Is there anything in here...

White: Well, he makes his plans for the full year.

Bell: Rotation is probably in there. He planted corn this spring, Mr. Secretary, on a plot of ground that he intended to plant wheat on in the fall. He's committed that way, you mean.

White: Yes.

H.M.Jr: Let me get some state here. Vermont wouldn't help any.

Bell: Iowa.

H.M.Jr: What?

Bell: Iowa is a corn and wheat state.

Myers: Kansas would be winter wheat.

Jump: Aren't you going to have 75 million in the emergency act for this?

Bell: I'm not so sure.

Jump: That would have some effect on this problem.

Bell: Might. Whatever Resettlement carries over might have some effect on it.

Jump: We're holding down so tight - can't carry much of it.

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- Bell: They're not going to spend all their money, though.
- H.M.Jr: Well, I'm still coming back - supposing - what I want to be able to say to the President is how much of this five hundred million can he cut legally if he wants to. That's the question I want answered. If it's five hundred million, how much can he cut legally?
- Jump: Well now, the legal aspect is that there is not the slightest legal obligation at all.
- Tapp: The releases specifically state that the offers are dependent upon the making of appropriations by Congress, so that if Congress wanted to make an appropriation of 300 million or 200 million, of course, there would be nothing to prevent it.
- H.M.Jr: Does it say that in this?
- Tapp: Yes, sir.
- H.M.Jr: Does it say that?
- Jump: It says in there to the effect that it is contingent upon appropriations to be hereafter made. I have read it from a press release. I'm not familiar with that other.
- H.M.Jr: Well, the part that's bothering the President in this bill is this 50 million for purchase of land for tenants. Now, under Title Three, sub-marginal land - have you spent all your money for land on Resettlement and reforestation?
- Jump: Except for mere dregs. Down to mere dregs. Forestry is on an annual program now of about two and a half or three million dollars of regular money; and everything else is cleaned up except this flow of that small measure of regular money, which is small compared to the 10 and 20 million that they had during the early days of the emergency program.
- H.M.Jr: What about CCC land?
- Jump: Well, that - we have no money to buy land under the CCC Act. That's the 30 million that we had. What

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about that, Dan?

Bell: No money in the CCC Act to buy land.

Jump: We turned back to Mr. King here, Mr. Bell's - he's taken a fine-tooth comb every two weeks and just combed through the last dregs that he could get to put through the emergency bill on that.

H.M.Jr: Then it gets down to how much the President and Congress want to take out of this five hundred million.

Jump: It seems to me to very simply come down to that point.

Oliphant: This announcement says: "The payments and rates given here are contingent upon the Congress making available for 1937 the full amount of money authorized in Soil Conservation and Domestic Allotment Act."

H.M.Jr: What have you got?

Oliphant: Happens to be the New York one.

White: What page is that on?

Oliphant: The first page.

Tapp: I think you'll find that same statement in every bulletin.

Jump: Couldn't be any other way.

Bell: You start out without a dollar.

Jump: Because this appropriation for '38 is what we call a '37 program.

White: (Handing New York release to Secretary) Right at the bottom of the page. Then on page 8 you have that 10 percent.

H.M.Jr: Well, there's the whole thing, isn't it?

Oliphant: Then page 8.

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- H.M.Jr: Well, let me put the shoe on the other foot. Supposing that the President said to Agriculture: "All right, now I've just - the ink isn't dry on my budget and if Agriculture wants anything more over and above what's in the budget, it's up to you to find the money." Then what?
- Jump: That would present a very serious question to the Secretary and he would have to, I'd say, appraise all of his various children and make his choice.
- H.M.Jr: Now, he says there's a meeting tomorrow at two o'clock where he's going to do this. That's what we're trying to do, but you people know what's in your own department ten times better....
- Jump: If we hadn't this cut of a hundred million yesterday, taking a hundred million from Section 32, we'd be in a different position.
- Bell: Well, that won't affect us any. We're talking about expenditures. You put in a very small sum for expenditure.
- Jump: Just administration.
- H.M.Jr: Well, in the family, all we're thinking of - outside of that, is there any place you can look, outside of this five hundred million - pick up a million or two hundred fifty thousand?
- Jump: Well, we might on this year's. Nobody can estimate. You explored that with Tolley about two weeks ago. Nobody is in a position to say how much money will be saved from this year's programs. We just can't say until we finish paying this program.
- H.M.Jr: Dan has most likely used that already once. Like Bill Myers says, "I'm not going to use all the money I've got for crop insurance." Dan has already taken what he thinks he'll save. Dan has already taken that.
- Jump: I think that's the case practically all along the line.
- Bell: You've got to take some of this money that's already in the budget as an expenditure, not necessarily as

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an appropriation. Here in this statement for the Agricultural Adjustment program we've got 524 million dollars in the 1938 budget. That includes all those AAA programs - diseased cattle, etc. Now, you've got to take a hundred million out of that.

H.M.Jr: Well, what I'm going to ask you is - the rest of the day, if you'd be thinking about this thing.

Jump: We'll be glad to do that.

H.M.Jr: And then, if you've got any ideas, would you let Bell know?

Jump: Yes, sir. If I had any ideas, I'd let you know right now. But I think it's a very simple and elementary thing that we're dealing with. It represents a matter of choice.

H.M.Jr: And it gets right down to this.

Jump: That's the only thing I know. There may be dribblets here and there on unexpended balances, but they wouldn't affect the cash picture. We're talking here about real money and this is just....

Wenchel: How about 23 million soil conservation?

Jump: You mean the regular appropriation?

Wenchel: Yes

Jump: It will be largely expended. If not, he's already reflected it in his cash withdrawals; so you're again doing what I was doing, talking about figures for appropriations. But he (Bell) has been scraping that stuff so closely; you see, on these items they go over them twice a week on the cash business, so that he's discounted everything of that kind. There will be an unexpended balance, but it's already in cash withdrawals.

Bell: What you've got to do is go over the list of appropriation items in this pending bill and see where you can divert some of the money.

Jump: That's what the Secretary would have to do if the job

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were put up to him as a matter that would have to be done. That's the only way I know to do it.

Bell: For instance, under forests you have two and a half million dollars.

Jump: Cut out a million dollars in the budget there.

Bell: Fulmer Act. Protection of navigable watersheds and streams. You might take half of that, but it's difficult to take half of that when the Committee has seen fit to increase the appropriation.

Jump: How would we take that? You mean get Congress...

Bell: The question would be whether Congress wants it done bad enough to forego these other objectives.

H.M.Jr: Now, I want you gentlemen to understand that we're not for or against anything.

Jump: We understand that. It's just a fiscal function.

H.M.Jr: Purely.

Bell: If they passed this bill and limited the amount to be spent the first year, and gave the Secretary of Agriculture the authority to transfer the funds from any other appropriation under his administration, - that wouldn't quite meet your problem, however.

Jump: I doubt very much if Congress would do that, because Congress would be failing to protect its own objectives.

Bell: Well, you'd have another problem too; you've got a moral commitment under this 500 million dollars.

Jump: How would Congress know that we wouldn't close up a lot of Weather Bureau stations in order to operate a tenancy program?

Bell: I think what you've got to do in order to protect the Secretary of Agriculture under this moral commitment thing is for Congress to fail to appropriate a hundred million dollars of that program, if that's the

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way you want to get him out. You see, you've got a provision in your offer that says it is dependent upon Congress appropriating. Now, the Congress appropriates 400 million instead of 500 million.

Jump: You mean....

Wenchel: Mr. Secretary, why do you take a hundred million? There's no combination of figures that makes that sum.

H.M.Jr: Well, Dan likes to talk in terms of a hundred million. He can't bother around his shop with anything less than a hundred million dollars.

Bell: Well, I'm thinking of two things.

H.M.Jr: You're thinking of ever-normal granaries.

Bell: I'm thinking of probably 50 million dollars for this farm tenancy; and then you'll probably get a letter on July 1 that you'll have to save 10 percent of your money appropriated.

H.M.Jr: Of course, I don't know - Mr. Hopkins is out of town - I don't know whether you fellows are going to take care of those poor people that you're giving \$20 a month to. What have you got, about 250,000 or 300,000 families?

Jump: Yes, but Mr. Hopkins also is supposed to have - we're trying to get the facts on that right now. He's supposed to have 200,000 farmers - farm families as represented by farmers - on his relief rolls; and we're trying to find out where they are, just what they consist of.

H.M.Jr: Over and above yours?

Jump: Yes, according to the information we have from him. We're working diligently trying to find out, see, what those farmers are and where they are.

H.M.Jr: News to me. You mean out of the little over two million that he's supposed to be giving work relief to - that he also has 200,000....

Jump: ...that, occupationally classified, 200,000 of those were farmers.

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- H.M.Jr: May I ask the source of that information?
- Jump: Well, I get it from the people in Resettlement Administration who have been working with the Works Progress on the division of these various groups.
- H.M.Jr: We don't have anything like that.
- Bell: I understood Resettlement was taking over in January all the farmers that Harry Hopkins had on his rolls, about 200,000.
- Jump: No, they took over about 200,000 but yesterday the Resettlement Administration told me they still had 200,000 occupationally classified as farmers.
- H.M.Jr: Well now, does that go back to the time when Resettlement said they wouldn't take them over until they could examine them? That was that bottleneck. Remember that time when they wanted to transfer them and Resettlement wanted to have a social worker go out and see as to their needs?
- Bell: That's right. That was their December and January program. But that doesn't help the budget any, transferring it from Harry Hopkins to Resettlement.
- H.M.Jr: Well, I'm awfully glad to have had you people. You seem to know - realize what this problem is as well as we do.
- Jump: I'm afraid we haven't helped you, though.
- H.M.Jr: Yes, you have, because it all simplifies down to this one item. From what you say, I doubt if you will find anything else, but at least we know.
- Jump: Well, with all sincerity, I don't know of anything in this budget, and I don't think that Congress does. If it had, it would have made further reductions below the budget.
- H.M.Jr: Have you ever seen that (handing sheet to Jump)? Mr. Wallace gave me that. Just take a look at it.
- Jump: I haven't seen this, but I'm familiar with the figures.

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H.M.Jr: But you know about it. Well, that looks terrible to me, from a fiscal standpoint.

Jump: Yes, it must look pretty bad.

Bell: A billion and a quarter is a lot of money.

H.M.Jr: You boys are getting about one dollar out of every six.

Jump: That's right, about one sixth. The only thing that I didn't have anything to do with is the projection of this...

H.M.Jr: But about one sixth is right.

Jump: We say between a sixth and a seventh.

H.M.Jr: Well, thank you very much.

Jump: I'm sorry we weren't able to suggest something more. I'm sorry we couldn't help you more.

(White, Jump, and Tapp leave)

H.M.Jr: Let's walk up on the Hill and see if the Speaker will see us - tell him what the situation is.

Wenchel: The Secretary of Agriculture can't say now that he has this moral obligation, because it isn't up to him. That's one thing you wanted to clean up.

Bell: If the Secretary of Agriculture will tell Mr. Jump, "You see what can be done with this and find something," he'll do it.

H.M.Jr: But do we want to go up and see the Speaker or do we want to see the President first.

Bell: I should think we might want to clear it with the President.

Olipphant: I'd like to add this. I'd be very much surprised, considering the political power of the farm organizations, if you run into nearly as much political opposition in connection with the road thing as you will with this.

H.M.Jr: Oh, more, more. That road thing is the tightest

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bunch you ever saw.

Oliphant: They don't have the votes that the farmers do.

H.M.Jr: It goes right down to my town. Oh, you're wrong. They have a Highway Commission organization, and that is an organization. Why, it makes the farmers look like a bunch of "pinks." Because it gets right down across - when I got a muddy road, I want that road scraper, and I get my Federal money, and every single fellow on that road - they've got an organization; I think it's the most powerful organization.

Wenchel: That's absolutely right.

H.M.Jr: Am I right about the road crowd?

Myers: I don't think there's any doubt about that.

Wenchel: If it were not for that, there's no reason in the world why they should be getting such appropriations. With the states getting the amount of money they get from the sale of gasoline tax - they are getting more from the gasoline tax than they originally got in Federal appropriations; still, they go on.

Bell: I think we probably could delay the road program a little by getting old MacDonald down and the President telling him, "When these state projects come in, you just hold them up for a few weeks before you approve them" - and therefore they can't let the contracts. Slow them up that much.

Oliphant: Now, I want to point this out. It is true this clause appears in here, but Congress is likely to take the position that the making of this full appropriation is a moral obligation on them.

H.M.Jr: Well, it's just a question. But the President has told them if they pass any bills - you know what he told them - it's either within the appropriations or find the revenue. Now, here you come along with this, that and the other, and - "O.K., boys."

Oliphant: I'm merely pointing out what Wallace will say to you tomorrow.

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- H.M.Jr: What will he say?
- Oliphant: He'll point out this clause. "That may free me of moral obligation, but the moral obligation is still on Congress to make that appropriation." You'll have to be prepared to meet that argument, won't you?
- Wenchel: Yes.
- H.M.Jr: What Wallace is going over to do tomorrow and the next day - he's going to face this thing that he can't continue to get one sixth of the Federal revenue - for what proportion of the population?
- Myers: 30 percent.
- Taylor: On a population basis, why, that's a fair cut.
- Myers: Of course, that doesn't take into account all the other things.
- Bell: The farmer gets the benefit of all the other expenditures plus one sixth for his sole benefit.
- Taylor: Well, maybe there just isn't going to be any farm tenancy program.
- H.M.Jr: Well, that's all right. Wallace said over the telephone, "Well, there won't be any farm tenants bill."
- Wenchel: If Wallace says to Jump, "You find me a hundred million," Jump will find it.
- H.M.Jr: Say, Jump is a good fellow.
- Bell: One of the best in the Government service. Came in as a messenger.
- H.M.Jr: Really? He looks and acts....
- Wenchel: Used to be a messenger. Been there 30 years.
- Bell: 40, I think.

April 21, 1937.

CONFERENCE AT THE WHITE HOUSE, MONDAY APRIL 19,
AT 6 P. M.

Those present besides the President were Vice President Garner, Secretary Morgenthau, Speaker Bankhead, Senator Robinson, Senator Harrison, Senator Byrnes, Congressman Rayburn, Congressman Doughton, Congressman Taylor and Mr. Bell.

The President started the conference by saying that he had two problems to discuss with this group (1) was the relief problem for the fiscal year 1938 and (2) the matter of revenue now coming into the Treasury below expectations.

He said that he had given a great deal of consideration to the question of relief for the coming year. He had dictated a twelve page message to Congress on the subject but after discussing the matter at some length he had come to the conclusion that there was nothing new to be said on this question and about the best thing to be done would be to confine the proposed message entirely to the Budget situation with a recommendation that \$1,500,000,000 be appropriated for relief for the fiscal year 1938. He said that we had reduced the relief rolls from 3,400,000 about a year ago to 2,200,000 at the present time which indicates that there is a substantial reduction in the number of people which the Government is now taking care of as compared with last year. And, of course, there are from 300,000 to 400,000 unemployed employables which could very well be taken over by the Government but which he had refused to do.

The President said that he would like to read his proposed message and discuss with the group its various phases and the difficulties concerning our fiscal situation. He then read the message.

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Senator Robinson then made rather a lengthy statement regarding the fiscal picture as he saw it. He said that he thought the time had come to take drastic action to reduce Government expenditures and to make every effort to prevent Congress passing bills which will increase these expenditures. He mentioned several bills pending in Congress which if allowed to pass would substantially increase the annual outgo of the Federal Government.

He said he recognized that some of these bills are meritorious, some would set dangerous precedents, but he quite agreed with the President's message and it should be strictly adhered to.

Vice President Garner then spoke up and asked the direct question as to whether the President would like to have Congress help him in this program of economy. The President said that he would, of course, like very much to have Congress join in it. Vice President Garner then said that on the way to the White House he and Senator Byrnes had been discussing the matter of the appropriation bills now pending in Congress and that Senator Byrnes made the suggestion, which he thought was a good one, that Congress continue until it passes all of the appropriation bills required for the fiscal year 1938 and then pass a joint resolution authorizing the President to withhold from expenditure say 10% of each appropriation made in the annual supply bills with a proviso that he may transfer from one Bureau to another or from one Department to another to take care of those cases where it is not practical to reduce. Senator Byrnes, the Secretary of the Treasury and Mr. Bell agreed that this was an excellent suggestion and the President then said he thought it would be helpful.

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The Vice President then said that he would be also in favor of reducing the \$1,500,000,000 to \$1,000,000,000 with a provision in the appropriation act to the effect that the President can not spend more than \$118,000,000 a month during the fiscal year 1938. He would also be willing to go so far as to authorize the President to make no allocation of relief funds to any State until that State had proven that it could not contribute at least 50% of the funds required to carry on the relief program for that State during the next fiscal year.

The President did not believe that the provision to limit the amount to \$118,000,000 a month and that the provision to require the States to make a showing why they should not contribute 50% of the funds required for relief purposes were practicable. \$118,000,000 a month would not be enough in some months and particularly the winter months; the 50% contribution provision would require large administrative forces and would probably cause a great deal of friction.

Speaker Bankhead then said that he would like to talk rather plainly and frankly about a few matters. He said that he hoped that it was all in the family and that he could speak frankly without embarrassing anyone as one or two of the matters that he wanted to refer to ~~in which~~ he was personally interested. He said there were several bills pending in Congress which had been introduced as a result of reports sent to Congress by the President containing specific recommendations on matters covered by these pending bills. He referred particularly to the Wagner Housing Bill, Farm Tenancy Bill, (in which he is interested), Crop Insurance Bill, and one or

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two other bills covering matters of this nature. He did not think that the President ought to use the strong language in the message that he had, asking Congress not to pass any legislation which would throw additional burdens upon the Treasury and then come along himself with some particular bill in which he was interested and ask for additional funds with which to carry out its provisions. There did not seem to be any question about the soundness of the Speaker's contention. Several times during the conference the Speaker and Mr. Rayburn both referred back to this question but the President would not commit himself on any of these matters. Apparently he wanted his Budget message to speak for itself in this respect.

The Vice President then made quite a statement with respect to Agriculture. He said it was his understanding that we would probably spend during the fiscal year 1938 \$1,100,000,000 for Agriculture alone. He didn't see any reason why that figure should not be materially reduced. He had heard about some of the plans of the Agriculture Department to spend the \$500,000,000 authorized under the Soil Conservation and Domestic Allotment Act, such as paying a farmer so much an acre for (1) applying fertilizer, (2) rotating crops, (3) fencing his fields, etc., etc., which he thought was a waste of money and so far as the Government was concerned a large percentage of the cases were unnecessary because a farmer who had any sense would do these very things without any contribution from the Government, and probably had done them all his life.

Senator Byrnes then argued for the reduction of the \$1,500,000,000. He did not think that Congress would appropriate this sum. He hoped that the President would be willing to reduce it to \$1,000,000,000

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and if he did not feel that he could go this far, reduce it then to \$1,200,000,000 which would be \$100,000,000 a month for the relief program which he considered ample. He spoke of conditions in his own State and said that he knew very well that the mayors of all of the cities in his State were asking for projects, not to take care of the work relief program, but for the purpose of securing reelection on the basis of the amount of Federal money he had been able to obtain for his community. He, of course, for political reasons could not name the mayors or the localities but he was quite satisfied not only in South Carolina, his State, but all over this country Federal funds are being used where it is not absolutely necessary to take care of the relief problem.

Senators Harrison and Robinson then got into a discussion about Senator Harrison's educational bill now pending in the Senate which authorizes an appropriation of \$100,000,000 for the first year ultimately rising to \$300,000,000 a year. Senator Harrison indicated quite definitely that this bill would pass the Senate. He thought it was necessary, that there were many communities which had no educational facilities whatever and probably would not have any until the Federal Government came to their rescue. It might be argued that \$100,000,000 to start this program is too large and he was willing to reduce the amount to come within the Budget figures in order to get it started. Mr. Bell said that this bill, if passed, would constitute a very dangerous precedent and will commit the United States Government to a permanent program of contributing to the States every year large sums of money for educational purposes.

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If we establish precedents of this character, we might as well give up all hope of ever balancing the Federal Budget. Congressman Rayburn spoke up and said that he was quite certain that no one could muster enough votes in the House to pass this bill.

The discussion then turned to reduction in expenditures of the various Departments. The President said, of course, that a substantial amount is going to the national defense, which he considered at this time to be very essential. He would like very much to see the funds spent for this purpose materially reduced but when all the world is arming to the teeth he did not see how it could safely be done. He called attention to that paragraph in his message which referred to world conditions and to the fact that if other governments continue to spend such large proportions of their budgets for armament that they are facing bankruptcy. He emphasized that it was particularly important, therefore, that we should balance our income with our outgo.

The conference broke up at 8:15 p. m. *SWB*

Note: Since the above conference took place the President has asked the Secretary of the Treasury and Acting Director of the Bureau of the Budget, to consider ways and means of financing on a small scale the provisions of the Farm Tenancy Bill and the Wagner Housing Bill now pending in Congress. Some conferences have taken place on the first of these two bills, and we have come to the conclusion that about the only place any substantial amount of money can be gotten, which will not disturb the Budget expenditure estimates, is out of the \$500,000,000 to be appropriated to carry out the provisions of

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the Soil Conservation and Domestic Allotment Act. Further conferences are to be held on this subject. Conferences will probably be started soon on the Wagner Housing Bill, with a view to getting funds probably out of the revolving fund of the Public Works Administration.

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MEMORANDUM

That the Secretary telephoned Mr. Oliphant at 8:35 this morning, asking him, with Wenchel, to work on finding a hundred million dollars for Farm Tenancy within the Budget, with particular reference to getting it from the five hundred million dollars now in the Agriculture Appropriation Bill for the 1939 Soil Conservation Program.

April 21, 1937

April 21st, 1937

Bell and I saw the President. I handed him a copy of Bulletin No. 102 - New York entitled, "Twenty Ways to Conserve Soil and Qualify for Payments in New York". I underlined for him on page 1 and 2 the statement which said, "The payments and the rates given here are contingent upon Congress making available for 1937 the full amount of money authorized in the Soil Conservation and Domestic Allotment Act".

I also showed him page 8 which points out the fact that these payments can be increased or decreased by 10%. The President's reaction was that it was perfectly agreeable to him to get 15 to 25 million dollars out of the 500 million dollar fund for Soil Conservation for Title 1 of the Farm Tenancy Bill. The 75 million dollars necessary for Title No. 2 should come out of the billion and a half.

We suggested that Title No. 1 should be given to FCA. This was entirely agreeable to the President. I also suggested that Title No. 2 be given to FCA. The President said, "If Wallace fights too hard on this do not insist too much".

I felt more than pleased with the President's attitude, namely, that new money for new legislation must come out of existing appropriations or pending appropriations. He suggested that Bell and I get together with Wallace Thursday morning.

On returning to the office I called Wallace and asked if he could come over at 9 o'clock. He said he had another appointment. He wanted me to tell him over the 'phone where I expected to get the money for his new agricultural legislation. I told him I could not do it over the 'phone. He then got sarcastic and said, "Well I suppose I will have to be a good sport and economize because you didn't get enough money from your taxes." So I said, "You don't have to be a good sport about that any more than I do with the 150 million dollar windfall tax which completely fell down".

I said, "Let us understand each other. Where to get the money for new agricultural legislation is now in your lap". He didn't like that at all. He said, "There is to be a meeting Thursday afternoon at which time he would present his story. I didn't like his attitude at all. Then I suggested that he send his man Jump over to see Bell this morning and that Bell would tell him what the President had in mind.

For four years Wallace had all the money that he needed to experiment with and now that we are calling a halt I am afraid he is going to take it very badly. It will be interesting to watch what methods he will use to cut the ground out from under my feet.

**UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION**

1937 AGRICULTURAL CONSERVATION PROGRAM - - - - - NORTHEAST REGION

**20 WAYS TO CONSERVE SOIL AND
QUALIFY FOR PAYMENTS IN NEW YORK**

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TO NEW YORK FARMERS:

By doing one or more of the 20 things listed above you can qualify for payment under the 1937 agricultural conservation program. The payments will cover part of the out-of-pocket cost of using the practices. This leaflet gives the rates of payment for each practice and tells just what to do to be eligible for a payment. The payments and the rates given here are contingent upon Congress making

available for 1937 the full amount of money authorized in the Soil Conservation and Domestic Allotment Act. If you are particularly interested in any one practice you can find it quickly by turning to the page number listed on page 1 opposite the name of the practice.

A top limit will be established for the total amount that may be earned by adopting soil-building practices on any one farm. "The Soil-Building Allowance" (p. 2) tells how to figure out what that allowance will be for your farm. "Applying for Payment" (p. 8) and "Other Points Affecting Payment" (p. 8) also contain information you will need. Terms such as "cropland" and "open noncrop pasture" have definite meanings in this program. These and other terms are defined on page 10.

After you find out just how the program will help you carry out your plans for good farming, you will need to discuss those plans with your county agent or committeeman, to make sure that what you intend to do can be approved as good farming for your particular land.

Probably there is nothing unfamiliar in the list of soil-building practices. All of them are suited to conditions in New York and have been encouraged by the State extension service. Many successful farmers have been using them for years. Liming, for instance, is needed for sweetening acid soils. The soil on many farms in the State needs either phosphoric acid, or potash, or nitrogen, or combinations of the three to supply the proper plant food. Turning under green-manure crops enriches the soil.

The national agricultural conservation program aims at conserving and improving national farm resources. The program for New York carries out the principles of the national program through the use of practices especially suited to New York farms. The practices for the State were recommended by New York county and State committees and approved by the United States Secretary of Agriculture.

THE SOIL-BUILDING ALLOWANCE

New York farmers who properly carry out one or more approved soil-building practices will be eligible for payments within the limits of their soil-building allowances.

The soil-building allowance is the total amount which may be earned by adopting soil-building practices on a farm. A farmer may earn part or all of his allowance, depending on the approved practices he uses. But he cannot earn more than his allowance, no matter how many practices he uses.

The allowance described here does not apply to farms eligible for payments for diverting land from the production of tobacco to soil-conserving crops. Northeast Region Bulletin 101-A—New York tells how the program will work for tobacco farms.

For all other farms, the items listed below will be counted in determining the soil-building allowance. Every farm not eligible for diversion payments will have an allowance of at least \$20, even if the items do not add up to that amount.

- \$1 for each acre of cropland
- \$1 additional for each acre of cropland in commercial orchards cultivated on the farm on January 1, 1937

\$1 additional for each acre of cropland on which *only one* crop of commercial vegetables was grown in 1936

\$2 additional for each acre of cropland on which *two or more* crops of commercial vegetables were grown on the same acreage in 1936

35 cents for each acre of fenced noncrop open pasture land in excess of one-half of the number of acres of cropland on the farm.

SOIL-BUILDING PRACTICES

A New York farmer may choose and carry out any one or more of the 20 approved soil-building practices which will help to improve his farm.

If a practice calls for the use of particular materials, such as limestone, a farmer may qualify for payment by using equivalent amounts of other material suitable for the purpose.

SEEDING SOIL-CONSERVING CROPS AND FERTILIZING THEM

Practices no. 1 to no. 7 all require material such as seed, lime, or fertilizer. The name of each of the seven practices and the rate of payment are given just below. Those rates will apply if the materials are used in specified amounts and in ways that definitely conserve soil. Instructions for using the materials follow the list of the seven practices.

Practice No. 1.—RATE OF PAYMENT: In Area A, \$3 per ton (2,000 pounds); in Area B, \$4 per ton (2,000 pounds).

Using pulverized limestone.

Area A includes all the State except Long Island and Staten Island; Area B includes Long Island and Staten Island.

Pulverized limestone is limestone which will analyze at least 80 percent carbonates, 90 percent of which will pass through a 20-mesh sieve and 50 percent of which will pass through a 100-mesh sieve.

The equivalent of 2,000 pounds of pulverized limestone is either: (1) 2,000 pounds of ground limestone or marl which will analyze at least 80 percent carbonates, 90 percent of which will pass through a 20-mesh sieve, and from which none of the fine material has been removed; or (2) 1,500 pounds of hydrated lime; or (3) 1,000 pounds of ground burned lime, or (4) other approved material.

Practice No. 2.—RATE OF PAYMENT, 80 cents per 100 pounds.

Using 20 percent superphosphate.

When superphosphate is used in connection with a seeding made with small grains or peas as a nurse crop which is harvested for grain or peas for canning, payment will be made only on the quantity of 20 percent superphosphate which is in excess of 100 pounds per acre.

Practice No. 3.—RATE OF PAYMENT, \$1.80 per 100 pounds.

Using 60 percent muriate of potash.

Practice No. 4.—RATE OF PAYMENT, \$1 per acre.

Seeding wild white clover seed having a certificate of origin approved by the county committee upon recommendations of the New York State College of Agriculture, Extension Service.

Practice No. 5.—RATE OF PAYMENT, \$3 per acre.

Seeding Cornell Pasture Mixture.

Practice No. 6.—RATE OF PAYMENT, \$2 per acre.

Seeding hardy northern-grown domestic or Canadian red clover seed or any alsike clover seed. (Whenever clover seed is mentioned in this leaflet, such seed is meant.)

Practice No. 7.—RATE OF PAYMENT, \$3 per acre.

Seeding hardy northern-grown domestic or Canadian alfalfa seed. (Whenever alfalfa seed is mentioned in this leaflet, such seed is meant.)

HOW TO EARN PAYMENTS FOR PRACTICES NO. 1 TO NO. 7

In order to qualify for payments for adopting one or more of these seven practices, it is necessary to follow the methods listed here:

Improving and establishing pastures.—Applying not less than the following quantities of the following materials or their equivalents, per acre, on pasture land, or in preparation for seeding land to wild white clover or Cornell Pasture Mixture, and seeding the land to wild white clover or Cornell Pasture Mixture:

- Applying 400 to 600 pounds of 20 percent superphosphate per acre; or
- Seeding not less than 1 pound of wild white clover seed per acre, and applying to the same land 400 to 600 pounds of 20 percent superphosphate per acre; or
- Seeding not less than 25 pounds of Cornell Pasture Mixture per acre, after a new seedbed has been prepared by harrowing or plowing; and applying to the same land 400 to 600 pounds of 20 percent superphosphate per acre; or
- Applying to the same land 2,000 to 4,000 pounds of pulverized limestone per acre and 400 to 600 pounds of 20 percent superphosphate per acre; or
- Applying to the same land 2,000 to 4,000 pounds of pulverized limestone per acre and 400 to 600 pounds of 20 percent superphosphate per acre, and seeding on the same land at least 1 pound of wild white clover seed per acre; or
- Applying to the same land 2,000 to 4,000 pounds of pulverized limestone and 400 to 600 pounds of 20 percent superphosphate, and seeding on the same land at least 25 pounds of Cornell Pasture Mixture per acre when a new seedbed has been prepared by harrowing or plowing.

Improving established hay lands.—Applying not less than 400 to 600 pounds of 20 percent superphosphate or its equivalent, per acre, to established hay land.

Establishing new seedings of grasses and legumes.—Seeding either legumes or grass and legume mixtures containing at least 40 percent by weight of legume seeds on land prepared at or before the time of seeding by the application of at least the following amounts per acre of the following materials or their equivalents. Seedings can be made either without a nurse crop or with a nurse crop of oats, barley, peas, wheat, rye, or a mixture of any of these. Payment will be made on the basis of lime and fertilizer (not seed) used.

- 300 to 600 pounds of 20 percent superphosphate per acre; or
- 300 to 600 pounds of 20 percent superphosphate per acre and 50 to 200 pounds of 60 percent muriate of potash per acre; or
- 2,000 to 4,000 pounds of pulverized limestone and 300 to 600 pounds of 20 percent superphosphate per acre; or
- 2,000 to 4,000 pounds of pulverized limestone, 300 to 600 pounds of 20 percent superphosphate, and 50 to 200 pounds of 60 percent muriate of potash per acre.

When seedings are made with required amounts of the legumes listed below, payments for seed (listed under practices no. 6 and no. 7), in addition to payments for preparing the land (listed under practices nos. 1, 2, and 3), will be made:

(1) Red clover seed or alsike clover seed, or mixtures of one or both of these alfalfa or with timothy or other grasses. When red clover or alsike clover or a mixture of these is seeded without grasses or alfalfa, at least 8 pounds of clover seed per acre shall be used. When red clover or alsike clover or alfalfa is used in a mixture with timothy or other grasses, at least 5 pounds per acre of the mixture shall be clover or alfalfa seed, as described above, and at least 14 pounds of the mixture per acre shall be used. The timothy or other grasses may have been seeded in the fall of 1936. If alfalfa is used it shall be considered an equivalent of red clover seed and payment will be made at the rate specified under practice no. 6.

(2) Alfalfa seed or mixtures containing alfalfa, using at least 12 pounds of alfalfa seed per acre.

Liming cropland.—Applying 2,000 to 4,000 pounds of pulverized limestone or its equivalent, per acre, to cropland in preparation for a legume seeding.

Applying superphosphate in preparation for seeding legumes.—Applying, between July 15, 1937, and October 31, 1937, from 300 to 600 pounds of 20 percent superphosphate or its equivalent, per acre, to cropland if the county committee determines that such application is made in preparation for seeding the cropland to legumes or to a grass and legume mixture in the spring of 1938. In all cases payment will be made only on the amount of 20 percent superphosphate which is in excess of 160 pounds per acre.

Fertilizing green-manure crops.—Applying 300 to 600 pounds of 20 percent superphosphate per acre to any of the crops specified in practices no. 8 or no. 9 below; or

Applying 2,000 to 4,000 pounds of pulverized limestone or its equivalent, per acre, to any of the crops specified in practices no. 8 or no. 9 below; or

Applying to the same land 2,000 to 4,000 pounds of pulverized limestone and 300 to 600 pounds of 20 percent superphosphate per acre to any of the crops specified in practices no. 8 or no. 9.

Applying superphosphate in farm manure.—Incorporating 20 percent superphosphate or its equivalent into animal or poultry manure and applying such manure to pastures or hay land, or to land in preparation for the establishment of new seedings of legumes or of grasses and legumes, so that the superphosphate will be applied in quantities within the limits already specified.

GROWING SMALL GRAINS AND ANNUAL GRASSES AS GREEN-MANURE AND COVER CROPS**Practice No. 8.—RATE OF PAYMENT, \$1.50 per acre.**

Plowing or disking under small grains, or annual grasses, or mixtures of one or more of these with one or more legumes, after all have attained at least 2 months' or 12 inches' growth.

GROWING LEGUMES AS GREEN-MANURE AND COVER CROPS**Practice No. 9.—RATE OF PAYMENT, \$2.50 per acre.**

Plowing or disking under biennial or perennial legumes from which no crop has been harvested and for which no seeding payment will be or has been made under this or any previous program, and which have attained at least 2 months' or 12 inches' growth; or annual legumes which have attained such growth.

On Long Island, on land normally used for commercial potato production, pearl millet, Japanese millet, or Sudan grass which is sown between May 15 and August 15 and plowed under after attaining at least 30 inches growth, and which replaces a commercial vegetable crop may be substituted for the biennial or perennial legumes in practice no. 9.

OTHER POINTS ABOUT USING GREEN-MANURE PRACTICES

When green-manure crops are turned under on land used in most years for the production of commercial vegetables, so that at least one crop of commercial vegetables is replaced, the rates of payment for practices no. 8 and no. 9 will be doubled.

When annual grains are clipped green and left on land used in most years for the production of commercial vegetables, and no crop is removed from the land in 1937, the following substitute practice may be used: If the clipped grains are followed by legume crops specified in practice no. 9, and the legumes are left on the land for the remainder of the 1937 growing season, it will not be necessary to turn them under, and leaving the legumes on the land takes the place of turning them under. The provision for doubled rates still will apply.

Leaving the entire crop on the land during the winter may be substituted for the plowing or disking under in practices no. 8 or no. 9, if the crop is one that is normally winter-killed.

Practices no. 8 and no. 9, and the provisions for fertilizing green-manure crops (p. 5) apply to commercial orchards as well as to other cropland.

MULCHING ORCHARDS

Practice No. 10.—RATE OF PAYMENT, \$2 per ton on not more than 5 tons per acre.

Applying to land used for commercial orchards not less than 3 tons of air-dried mulching material or its equivalent, per acre, in addition to leaving in the orchard all material produced therein during 1937 from grass, legume, green-manure, or cover crops.

REMOVING UNPRODUCTIVE ORCHARD TREES AND MAINTAINING LEGUMES

Practice No. 11.—RATE OF PAYMENT, \$10 per acre.

Removing all trees from unproductive orchard land if biennial or perennial legumes, or mixtures of any of these with one or more grasses are grown on the land so cleared, and if the normal acreage of other such crops on the farm is not reduced. If it is more practical, an equal increase of such crops on other land may be substituted instead of seeding the legumes on the cleared land. This practice applies only to farms in commercial fruit areas.

REMOVING UNPRODUCTIVE VINES AND MAINTAINING LEGUMES

Practice No. 12.—RATE OF PAYMENT, \$5 per acre.

Establishing, on a farm in a commercial vineyard area, an acreage of biennial or perennial legumes or mixtures of any of these with one or more grasses, on unproductive vineyard land from which all vines have been removed in 1937.

USING NITROGEN ON SOD OR COVER CROPS IN ORCHARDS AND VINEYARDS

Practice No. 13.—RATE OF PAYMENT, \$1 per acre.

Applying not less than 200 pounds of 16 percent nitrate of soda or its equivalent, per acre, over the entire acreage of any orchard or vineyard interplanted to sod or cover crops, and leaving such interplanted sod or cover crops in their entirety on the land.

IMPROVING WOODLANDS

Practice No. 14.—RATE OF PAYMENT, \$3 per acre on an area of not more than 4 acres.

Improving the stand of forest trees by cutting weed trees or thinning other trees, to develop at least 100 potential timber trees of desirable species, well distributed, over each acre of woodland. Before adopting this practice operators shall obtain approval of the county committee, based upon the recommendations of the New York State College of Agriculture Extension Service.

BUILDING 2-STRAND WOODLAND PASTURE FENCES

Practice No. 15.—RATE OF PAYMENT, 15 cents per rod of fence.

Constructing fence of not less than two strands of barbed wire with posts or other suitable supports not more than 1 rod apart, to exclude livestock from farm woodlands previously used for pasture.

BUILDING 3-STRAND WOODLAND PASTURE FENCES

Practice No. 16.—RATE OF PAYMENT, 20 cents per rod of fence.

Constructing fence of not less than three strands of barbed wire or of woven wire, at least 24 inches high, with not less than one strand of barbed wire, with posts or other suitable supports not more than 1 rod apart, to exclude livestock from farm woodlands previously used for pasture.

PLANTING FOREST TREES

Practice No. 17.—RATE OF PAYMENT, \$10 per acre.

Planting nursery-grown forest trees or lifted wild stock at the rate of not less than 1,000 trees per acre on open farm land. When white pine plantings are made, currant and gooseberry bushes within 1,000 feet of the planting site must be removed.

The following varieties of forest trees are recommended for planting: White cedar, balsam fir, European larch, Japanese larch, black locust, red pine, Scotch pine, white pine, Norway spruce, white spruce.

Other varieties may be planted if the county committee, following the advice of the New York State College of Agriculture Extension Service, approves the selection.

STRIP-CROPPING

Practice No. 18.—RATE OF PAYMENT, \$2 per acre of sod strips.

Establishing and maintaining contour strips of sod on fields devoted to intertilled crops. This practice shall be carried out according to plans approved in advance by the county committee and based upon the recommendation of the Soil Conservation Service and the New York State College of Agriculture Extension Service.

PLANTING SHRUB WINDBREAKS

Practice No. 19.—RATE OF PAYMENT, \$1 per acre of land protected.

Planting approved shrubs not more than 1 foot apart in parallel rows not more than 250 feet apart on muck or sandy soils. Before performing this practice, operators shall obtain the approval of the county committee, based upon the advice of the New York State College of Agriculture Extension Service.

PLANTING GRAIN WINDBREAKS

Practice No. 20.—RATE OF PAYMENT, 25 cents per acre of land protected.

Planting grain or grain mixtures in parallel strips not more than 30 feet apart at right angles to the direction of the prevailing winds, on muck or sandy soils, with each strip consisting of two or more rows of small grain or small grain mixtures not more than 1 foot apart, with the grain permitted to grow until the interplanted crops have attained at least eight weeks' growth.

Payments will be made for a combination of practices no. 19 and no. 20 on the same land when prior approval through the county committee has been obtained.

APPLYING FOR PAYMENTS

To be eligible to participate in the 1937 agricultural conservation program, a farmer must make out all necessary forms and supply the other necessary information. Forms and information shall be filed with the county committee within time limits established by the State committee with the approval of the Director of the Northeast Division of the Agricultural Adjustment Administration.

Payments will be made only upon application on the proper form filed with the county committee within the time fixed by the Secretary of Agriculture, supported by any necessary information regarding farming operations.

An application for payment may be made by any producer who is entitled to receive all or a share of the crops, or the proceeds of the crops, produced on the farm in 1937, or any producer who incurs all or any part of the expense of soil-building practices carried out on the farm.

OTHER PROVISIONS AFFECTING PAYMENTS

RATES OF PAYMENT.—The rates listed in this leaflet may be increased or decreased by not more than 10 percent, depending on how many farmers take part in the program.

TIME LIMIT.—Payments under the 1937 program will be made only for practices carried out before December 1, 1937.

APPROVAL REQUIRED.—Payment will be made only if a practice is in line with generally accepted standards of good farming. For that reason, every farmer who plans to carry out a soil-building practice should first consult with his county committee, to make

sure that the practice is suitable to his farm and that the methods and materials he plans to use are up to approved standards.

NO DUPLICATION OF PAYMENT.—No payment will be made for a practice carried out on any acreage if labor, seed, or other material used in carrying out the practice is furnished free or paid for by a State or Federal agency.

INCREASE IN ACREAGE OF SOIL-DEPLETING CROPS.—The Secretary of Agriculture reserves the right to make deductions from payments otherwise earned, if in 1937 a farm has an acreage of general soil-depleting crops larger than the farm's normal acreage of such crops. The deduction will be \$10.50 for each acre by which the 1937 acreage of general soil-depleting crops exceeds the general soil-depleting base acreage which can be established for the farm. Farms with not more than 20 acres of general soil-depleting crops in 1937 would be exempt from deductions. If the Secretary finds it necessary to make such deductions in 1937, he will issue the necessary regulations for establishment of bases.

ASSOCIATION EXPENSES.—In computing payments, deductions will be made for county agricultural conservation committee expenses.

1937 OPERATIONS MUST BE CONSISTENT WITH PROGRAM.—Payments may be withheld if any rotation, cropping, or other practice which tends to defeat the purpose of the program is adopted in 1937. No payment will be made for any practice unless it is generally considered good farming practice for the locality.

OTHER GOVERNMENT PROGRAMS.—On any farm where a program is carried out in cooperation with the Soil Conservation Service or the Resettlement Administration, payment will be made only for carrying out such soil-building practices as are approved for the farm by the county committee prior to performance, in accordance with special instructions issued by the Secretary of Agriculture.

DIVISION OF PAYMENTS.—On farms where two or more producers are concerned, the soil-building payment shall be divided among them in proportion to each producer's share of the total expense of carrying out the soil-building practices, according to the facts found by the county committee.

MEMBERSHIP IN ASSOCIATION

Any person having an interest in the crops or proceeds of crops produced on any farm in his county in 1937 shall become a member of the County Agricultural Conservation Association whenever any form or information required in connection with the 1937 program is submitted for the farm in which he is interested; or whenever in 1937 he attends a meeting called for the purpose of electing committeemen. Any person shall cease to be a member of the association if in 1937 he does not file an application for payment within the time specified by the Secretary of Agriculture.

Each county association shall designate a group of persons to assist in the administration of the 1937 program in the county. That group will be known as the County Agricultural Conservation Committee, or county committee.

DEFINITIONS

CROPLAND is farm land which is tillable and on which at least one crop other than wild hay was harvested or planted for harvest between January 1, 1930, and January 1, 1937, and any other farm land devoted on January 1, 1937, to fruit orchards, vineyards, or cultivated bush fruits other than those abandoned.

COMMERCIAL ORCHARDS means fruit trees, cultivated nut trees, vineyards, or cultivated bush fruits on the farm on January 1, 1937, from which the principal part of the production is normally sold, including also the acreage of young non-bearing orchards from which the principal part of the production will be sold in 1937 or later.

COMMERCIAL VEGETABLES means vegetable or truck crops (including among others potatoes, sweetpotatoes, melons, cantaloups, and strawberries, but excluding sweet corn for canning and peas for canning) from which the principal part of the production was sold off the farm in 1936.

OPEN NONCROP PASTURE means fenced noncrop pasture land on which the predominant growth is forage suitable for dairy animals, and on which the number or grouping of any trees or shrubs is such that the land could not fairly be considered as woodland. Each 5 acres of such land must be capable of supporting at least one cow or one horse or the equivalent in smaller animals, during the normal pasture season. Five sheep, five goats, two calves, or two colts are considered the equivalents of one cow or one horse.

EMBASSY OF THE UNITED STATES OF AMERICA

Office of the Treasury Attache

Customs

2 Avenue Gabriel
Paris, France.

April 21, 1937.

MEMORANDUM FOR THE SECRETARY:

Subject: Narcotic smuggling - Europe.

Since writing my last memorandum to you, I have talked with Ambassador Bullitt. He expressed himself as very much interested in our efforts to combat narcotic smuggling and very desirous of helping us. He also wanted to know what we were doing, how we were working, etc. He was so much interested that he kept the next caller waiting about twenty minutes until we had finished. At the conclusion of the conversation, I brought Scharff in and introduced him to the Ambassador. Among other things, the Ambassador said that when an occasion arose where he might be of further help, to let him know. Such an occasion has arisen and I have suggested to the Ambassador wherein he may again help, as per attached copy of my communication to him, which is self-explanatory. We have been getting such good service out of the French police, principally due to Commissaire Albayes, that we are glad to seize an opportunity to line him up for the future. He has responded promptly to every request we have made to him to cover our suspects. The other evening, when I went down to the train to take a look at Mr. Kessler (whom Nicholson had passed on to us from Shanghai, and whom one of our men had personally escorted through from Stolpce on the Russo-Polish frontier), I found Albayes was so interested that he had gone ahead up the railroad about a hundred miles to ride in with Kessler personally. I hope this type of cooperation continues. We will do what we can to assure it.

Our narcotic unit of the Supervising Treasury Attache's office is gradually getting settled down in its present phase of expanded activity due to the inclusion of the three new agents (five including Delagrave and Paternite, who came over from the valuation side of the force). We have spread our activities out considerably during the past few weeks, and are now covering four ports specifically and six in combination. The set-up to-day is:

	<u>Port</u>	<u>Covered by--</u>
Specifically	(Havre- - - - -)	Beers (Delagrave assisting temporarily)
	(Hamburg- - - - -)	Stuhldreher
	(Cherbourg- - - - -)	Violett
	(Marseilles - - - - -)	Vashon
In combination	(Antwerp) - - - - -	Dyar
	(Rotterdam) - - - - -	
	(Genoa) - - - - -	Paternitie
	(Triest) - - - - -	
	(Piraeus (Athens)) - - - - -	Christides (so far has worked Piraeus only but will work Istanbul in conjunction)
	(Istanbul) - - - - -	

Scharff is directing from Paris. Bruwer is being used wherever we need a man quickly. At present he is in Rotterdam working on a special angle. (We have just found out that a lot of raw opium is moving through Rotterdam.) We took Violett out of middle Europe temporarily (pending Mr. Wait's decision regarding moving him to a seaport permanently), sent him to Havre for a few days to observe how Beers works with informers, and now have him at Cherbourg.

It appears to me that we should use our men all possible at the bottle-necks, namely, the seaports, if we are going to accomplish much against the phase of narcotics in which we are interested, namely, smuggling to the United States. If we attempt to work too far behind the lines, inland, the situation becomes entangled with narcotic smuggling from one European country to another, and the picture is liable to be confused. Also, our force is too limited to spread out inland and leave ports unguarded. Of course, Paris, being the narcotic capital, is in a special class.

We have been experimenting in a number of directions with regard to informers. We have gotten some fairly productive ones, but I feel we can do better, and we are searching accordingly. We are going through a necessary period of spade work in this respect, but we are progressing, as I notice that some informers we have lined up recently are better than the earlier crop. I hope that before long we will have a good-sized staff of live informers. We find it is easy to get informers who will feed you general information; the hard part is to get the kind who will lay it on the line as to specific consignments of narcotics, moving now, by what carrier and when, to the United States.

Mr. Wait is still up in Germany taking the cure. He will be back the end of the month. I am keeping my eye on things for him here while he is away.

Best regards, Sir,

Respectfully,

THOMPSON.

EMBASSY OF THE UNITED STATES OF AMERICA

Office of the Treasury Attache

Customs

2 Avenue Gabriel
Paris, France.

April 21, 1937.

MEMORANDUM FOR THE AMBASSADOR:

From: Comaander Thompson.

Subject: Narcotics.

As a result of your conversation with Monsieur Blum before you went to the United States, our Treasury Office has been getting much better action from the French Sureté. This has been noticeable during the past month, and is due, to a great measure, it is felt, to the cooperative spirit shown by Monsieur Albayez, Commissaire de Police, who is specially charged with the suppression of international narcotic traffic, working under Monsieur Mondanel, Contrôleur Général des Services de Police Criminelle, in charge of all criminal investigative activities in France.

An opportunity has presented itself to do something to show our appreciation of the work of Monsieur Albayez, and at the same time to line him up for continued cooperation. The situation is this: Directly under Monsieur Mondanel are two subordinates of equal rank, Monsieur Albayez and one other. This latter subordinate has recently been transferred to another division, leaving his position vacant. A new appointee has been designated to take his place. This new appointee is a man known to be very strict as regards regulations. Monsieur Albayez feels that due to this, his informal dealings with us may be hampered. Therefore, he, Albayez, is in need of a "send-off" from us, showing that his dealings with us have been so satisfactory that they should be allowed to continue. Also, an expression of appreciation of Monsieur Albayez' work at this time will tend to start him off well in competition with his new colleague. Accordingly, it would seem a good move at this point if a letter could be sent to Monsieur Blum, expressing appreciation of the work done by Monsieur Mondanel and his subordinate, Mr. Albayez, approximately as follows:

"L'Ambassadeur a l'honneur d'attirer l'attention de
M. le Président du Conseil sur l'active et efficace

-2-

collaboration supportée depuis quelques mois par l'Office Central des Stupéfiants sous la haute direction de M. Mondanel, Contrôleur Général des Services de Police Criminelle, assisté de son subordonné Mr. Albayez, Commissaire de Police, spécialisé dans la répression du Trafic International.

"L'Ambassadeur serait reconnaissant à M. le Président de bien vouloir porter ce témoignage de satisfaction à la connaissance de M. le Contrôleur Général et de Mr. Albayez."

The reason for making M. Mondanel prominent in our letter of appreciation is that M. Albayez does not wish it to appear that he is trying to glorify himself in any way or to bring out unnecessarily the fact that he, by dealing directly and informally with our office, is cutting red tape.

Because the new man mentioned above is expected to report for duty immediately, it would be very desirable if the letter mentioned above could be sent as soon as practicable.

Respectfully,

B. M. Thompson
Special Assistant to the Secretary of
the Treasury.

April 21, 1937

Excerpt from Mr. Magill's memorandum to the Secretary dated April 21, 1937, entitled, "Memorandum of the Day's Activities":

4. Railroad Retirement Legislation

The Ways and Means Committee began its consideration of the legislation, devoting the morning to a hearing, at which Mr. George Harrison testified. The hearing will be resumed tomorrow, at which time Mr. Kent will probably present the actuaries' letter and a statement of the Treasury's views.

(Initialed) R.M.

FEDERAL RESERVE BANK
OF NEW YORK

W *Lockhead* 340

OFFICE CORRESPONDENCE

DATE April 21, 1937.

CONFIDENTIAL FILES

SUBJECT TELEPHONE CONVERSATION WITH

L. W. Knobe

BANK OF ENGLAND.

Mr. Bolton called me at 9:47 today. After telling him that we had just sold a small amount of sterling at 4.92 5/4 I asked whether he could explain the strength of sterling. He thought an explanation was difficult although the fact that the francs were having a very bad time again probably had to do with it. The weakness of the franc, he thought, was entirely connected with the political and the labor situation in France. There was a bad tempered situation developing there, what with increased wages, trade unions, strikes, 40-hour work weeks, etc. He then referred to the scare in the London market yesterday afternoon caused by rumors from Washington that a gold import tax was contemplated, regarding which he had cabled me last night. These rumors had had the effect to bring out more gold. They had been doing their bit, he said, to help France straighten up its affairs in the last two or three days and had bought something like £10,000,000 of gold the last two and a half days. This information, Bolton begged me not to pass on to anybody. I asked whether this amount included Russian gold. He thought that was quite possible although it could not be identified as such because the Russians were melting their gold in London. Some of it, he continued, as a matter of fact quite a large amount, came from France; the rest from the market and other sources. The business was done by them very quietly after fixing and included also purchases for forward delivery for two and three months ahead from India. It had all helped to put things right. Nevertheless they were not normal by a long run yet. They had had no direct negotiations with the Russians.

OFFICE CORRESPONDENCE

DATE April 21, 1937.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITHL. W. KnokeBANK OF ENGLAND.

- 2 -

I told him I had tried my best to find out who had spread this talk about import tax, etc. One thing, I said, I was sure of and that was that the Treasury knew nothing about the plan.

Bolton wondered to what extent the strength of sterling could be attributed to stock market liquidation in New York by British investors. I replied that all information available to us was to the effect that, at least for the time being, this liquidation was very real and that the supply of sterling which had previously come from stock houses here in connection with European buying orders for our securities had now been replaced by a very definite demand for sterling by the same quarters in connection with the sale of securities. Bolton replied that in London they were also suffering from liquidation of all sorts of commitments, and there might be a certain amount of difficulty in getting over tomorrow's settlement. He did not think the markets would easily recover from the shock they had received these last few weeks. As far as gold was concerned, the best they had been able to do had been to keep the discount from New York parity at a few pence per ounce. If the pressure should get any worse and the margin between the London and New York gold price widen, they might find it necessary to sell a few dollars and try in that way to get the London price nearer to parity. There were two possibilities for them, as he saw it, to attain this goal: either to push the London gold price up by means of heavy purchases or else to push the sterling-dollar rate up by means of sales of dollars. So far they had been buying gold in very large quantities, but that might not settle the problem. I inquired

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 21, 1937.TO CONFIDENTIAL FILESSUBJECT: TELEPHONE CONVERSATION WITHFROM L. W. KnobeBANK OF ENGLAND.

- 3 -

what the present gold price was and he quoted from 140s 11 $\frac{1}{2}$ d to 141s 1d compared with this morning's fixing of 141s 1 $\frac{1}{2}$ d. On a dollar basis, he said, gold was changing hands in the market at about \$34.74 1/2. That indicated that, on the whole, things were really getting better but that it was necessary for them to be on the lookout all the time.

RECEIVED
APR 22 1937
TREASURY DEPARTMENT
DIVISION OF MONETARY AFFAIRS
WASHINGTON, D. C.

LWK:KMC

April 21, 1937.
10:28 a.m.

H.M.Jr: Hello
 Operator: Secretary Wallace is in a meeting with
 Secretary Roper.....
 H.M.Jr: Well it's.....
 O: in Secretary Roper's office.
 H.M.Jr: What?
 O: In Secretary Roper's office.
 H.M.Jr: Well it's very important - get him.
 O: All right.
 H.M.Jr: It's important.
 O: Right.

* * * * *

10:30 a.m.

H.M.Jr: Hello.
 Operator: Secretary Wallace.
 H.M.Jr: Thank you.
 O: Go ahead.
 H.M.Jr: Hello
 Wallace: Hello
 H.M.Jr: Hello - Henry?
 W: Yes Henry.
 H.M.Jr: How are you?
 W: Fine.

- 2 -

- H.M.Jr: Henry, the President called me at 7 o'clock last night and asked me to see whether we could find any money within the budget for this farm-tenancy thing and we're meeting here now and, of course, it's a tough job.
- W: Well (laughs) pretty - (laughs) yes, it seems to be pretty tough.
- H.M.Jr: Now - ah - as I understand it he's held up the bill; he's only giving me until tomorrow morning. Now we need help - in the first place it's your responsibility and all I'm going to do is look at it from the standpoint of the budget.
- W: Yes.
- H.M.Jr: Now - ah....
- W: Marvin Jones called up yesterday to say that - ah - at a conference the preceding evening the indication was that they only wanted to spend 10 million dollars on the farm tenancy this next year.
- H.M.Jr: Yes, well - but - ah - the President - I mean the thing has to come out of existing appropriations so it gets down to the - monies fund pending and allocated to Agriculture and....
- W: I don't - I don't - I don't - I just don't think - ah - I think if we haven't got the money I think we better go along without any - without a tenancy bill.
- H.M.Jr: Yes, but the President told me to find the money. He wants the tenancy bill; he'll give me till tomorrow morning to find it.
- W: I don't know there might be something in roads. I....
- H.M.Jr: Well who - who could you send over here because I've just - I've cancelled all my engagements and I'm right - we're trying to do this thing and.....
- W: Well I tell you - I could send - I could send Jump over. Jump knows the general - ah - I suspect the thing to do would be to send Jump and Baldwin.

- 3 -

H.M.Jr: Well what - what we'd like to have is Tolley and White.

W: Tolley and who?

H.M.Jr: White - your Solicitor.

W: Well all right, we can - I doubt if I can send Tolley right over - right now.

H.M.Jr: Well, how about White?

W: I can send White over all right.

H.M.Jr: All right.

W: I'm - my hunch is I think I'd better send Jump and White.

H.M.Jr: Jump and White?

W: Yes, Jump, White and Baldwin.

H.M.Jr: Fine.

W: I think those are the three to send.

H.M.Jr: Fine. I don't think Baldwin will help any.

W: You mean it's a question of finding the money someplace else?

H.M.Jr: It's a question of finding the money within - ah - money allocated or pending legislation for Agriculture.

W: Ah-ha. That's for this fiscal year of '38?

H.M.Jr: Yes, but I mean if you want Baldwin it's all right - let him come - I mean - the point is I'm doing this - I wish to Heavens I didn't have to do it because I - frankly (laughs) I thought when I was through with the Budget Message we were through. Now the President calls up and says he wants us to do this.

W: My hunch is, Henry, that - that we'd best bring this thing up again tomorrow afternoon.

H.M.Jr: What's tomorrow afternoon?

- 4 -

W: Well at our meeting at 2 o'clock tomorrow afternoon.

H.M.Jr: Oh, have we got one?

W: You got a meeting with the Pres - this meeting with the President tomorrow afternoon like we had last week, you remember?

H.M.Jr: Oh, I didn't know it was scheduled.

W: How's that?

H.M.Jr: I didn't know it was on.

W: I think - I think the thing to do would be to bring this up again and get fresh instructions because I don't think you can get - ah - send Jump over and you can get a survey of possibilities but I just don't think anything can be done that's practical.

H.M.Jr: Well I'm going at it with an entirely open mind and the President says very emphatic that we should find the money and the only place I can look for it is within the agricultural appropriation.

W: Well, of course, I shall make a very strong presentation to the President that you can't find enough money to do the job.....

H.M.Jr: Well.....

W:and - and I'm sure that that's the case, Henry,....

H.M.Jr: Well then.....

W:and - and I - I think the thing to do probably is to take it up - you see we're supposed to make this agricultural presentation tomorrow afternoon before the President and I - I think the thing had just better be lumped in with that.

H.M.Jr: Yes but in the meantime will you give me the technical assistance that.....

W: Yes by all means.

- 5 -

H.M.Jr: So I can carry out the President's instructions to me.

W: Yes.

H.M.Jr: See? So - ah.....

W: I'll - I'll ask that White and Jump be sent over - ah - Jump can take a look around.

H.M.Jr: And come right to my office.

W: Yes, all right, Henry.

H.M.Jr: Thank you very much.

W: Goodbye.

April 21, 1937.
11:56 a.m.

Operator: Operator.

H.M.Jr: Dr. Viner.

O: Yes sir. - Go ahead.

H.M.Jr: Hello

Hello

H.M.Jr: Jake?

Viner: Yes.

H.M.Jr: When you coming to Washington?

V: Saturday morning.

H.M.Jr: When?

V: Friday morning?

H.M.Jr: Oh.

V: Is that all right?

H.M.Jr: Yes. How long will you be here?

V: Ah - Friday and Saturday.

H.M.Jr: All right, it's - it's on - I think we'll have some stuff, particularly these foreign balances.

V: Ah-ha.

H.M.Jr: Some of these figures - they just don't make sense - there's a - there's a missing link somewhere.

V: I see.

H.M.Jr: I mean - ah - and you remember you originally set up this voluntary information?

V: Yes.

H.M.Jr: Of the banks?

V: Yes.

- 2 -

H.M.Jr: I don't know whether it's the banks abroad have done something with their balances - American Banks - either in dollars or sterling but there's a missing link and.....

V: Well that ought to be explored.

H.M.Jr: And we're trying to explore it and - ah - they did not - they've not been getting all the information and there's definitely a missing link and there's a new current that this thing is taking, you see?

V: Yes.

H.M.Jr: And they can't give me the explanation; then when I press them for the figures - ah - Lochhead and White find well they haven't been getting all the figures.

V: Ah-ha.

H.M.Jr: And I'm very anxious to have you take a look at it.

V: All right. Is Friday morning all right?

H.M.Jr: Yes, I'll be here all day Friday. I won't be here Saturday but it - it's a question of looking over the material.....

V: Yes.

H.M.Jr:and - ah - but that's the particular thing I have in mind.

V: Are you - how did you like the President's message?

H.M.Jr: How did I like it?

V: Yes.

H.M.Jr: I was more than pleased.

V: Well I thought the words were fine.

H.M.Jr: Yes.

V: The deeds were just fair.

H.M.Jr: The deeds?

- 3 -

- V: The deeds.
- H.M.Jr: Well the deeds are yet to be done.
- V: What's that?
- H.M.Jr: The deeds are yet to be done.
- V: Yes but - yes, but I meant even the 1500 million figures.
- H.M.Jr: Well that's - it's much better to tell them that than to do what some of them wanted - a billion now and then indicate there'd be another half a billion.
- V: Ah-ha.
- H.M.Jr: What we've done is to give them the worst.
- V: Yes, well after that - but, of course, the words were fine - there was - that's the first time I think that he's really spoken strongly on the question of the importance of getting the budget in order except - ah - at the very start when he was on his economy - ah -.....
- H.M.Jr: Well it's - it's further than that - it's the first time he's ever come out for a balanced budget since he's President.
- V: Well, no, do you remember when he first came in.
- H.M.Jr: Oh in '33.
- V: Yes.
- H.M.Jr: But not since then.
- V: Yes, that's what I said since the very beginning.
- H.M.Jr: No but I mean since '33.
- V: That's - that's why the words are fine.
- H.M.Jr: Well he means it.
- V: If you can hold him to it everything will be all right.

- 5 -

V: That's right. Well I'll see you Friday morning then.

H.M.Jr: O.K.

V: All right.

H.M.Jr: Goodbye.

V: Goodbye.

- H.M.Jr: Well I've been doing - this morning we've been trying to find the money for the farm tenancy.
- V: Yes.
- H.M.Jr: And what it - we hope it looks like - either they find the money or there's going to be no bill.
- V: Ah-ha.
- H.M.Jr: And we've got a showdown right now this minute; he called me at 7 o'clock last night.....
- V: Yes.
- H.M.Jr:and - ah - we'll either win or lose right on this farm tenancy.
- V: Well fight hard.
- H.M.Jr: What?
- V: Fight hard.
- H.M.Jr: Well I've been fighting since seven last night and I started in at seven this morning.....
- V: Yes, well that's fine.
- H.M.Jr: but there - there's the question, "Is it words or does he mean it?"
- V: That's right and - ah - if you - he'll set the pattern right out on the very first pledge.
- H.M.Jr: Well that's what we're going right now; we served notice on Wallace.
- V: Well that's fine.
- H.M.Jr: Wallace's answer was, "Well if they're not going to give me any new money I don't want the bill".
- V: Ah-ha. Well that's fine because - ah - otherwise it will just lead to more language.
- H.M.Jr: Well he don't need any language; there's plenty of language; what they need is to carry out the language.

LMS

GRAY

London

Dated April 21, 1937

Rec'd 2:35 p. m.

Secretary of State,
Washington.

255, April 21, 7 p. m.

FOR TREASURY FROM BUTTERWORTH.

The national defense contribution tax has overshadowed all other aspects of yesterday's budget speech and it has received a better press from the opposition newspapers than from those that support the Government. The TIMES defends it as a "sound doctrine that those who profit by the Government's increased expenditure on defense should bear a special share in providing the means to pay for it" while the MORNING POST states it is "too soon to ascertain in detail the merits of this tax" and the DAILY MAIL predicts "this very important addition to our fiscal machinery will be studied with anxious interest by the business community". On the other hand the liberal MANCHESTER GUARDIAN takes the view that "the tax has much in principle to commend it and it may well act as a check on profiteering in a time^{of} rising prices and as a kind of economic brake on the boom" and the labor DAILY TELEGRAPH characterizes it as "socially equitable and economically sound at a time when a speculative boom

boom

LMS 2-No. 235, April 21, 7 p. m., from London.

boom resulting from rising profits is one of the dangers most to be guarded against".

The stock exchange which did not anticipate the imposition of any such tax was weak today. The city while admitting the political merits of the tax is critical of it as a precedent in the event of a labor government obtaining power and is inclined to believe that it will fall too heavily on the durable goods industries and shipping which until recently were depressed.

BINCHAM

RR:CSB

RB

GRAY

Paris

Dated April 21, 1937

Rec'd 2:55 p. m.

Secretary of State
Washington.

506, April 21, 5 p. m. (SECTION ONE)
FROM COCERAN.

French market nervous and depressed over national outlook, considering publication of March trade figures, present and prospective labor troubles, increased cost of production and of living due to social legislation. Spot franc declined further against all leading exchanges and forward discount widened. Renten and shares both bad. Newly quoted national defense bonds went as low as 94.50 in today's trading.

Statement of Netherlands Bank as of April 20th showed gold gain 25 million florins presumably due to transfer from stabilization fund which had acquired it through foreign exchange, particularly dollars.

French financial press gives much space to outlook for world economic conference but is skeptical over Van Zeeland's chances of arriving anywhere especially since Schacht's remarks at Munich are interpreted as offsetting

RB

-2-#506, April 21, 5 p. m. from
Paris (SECTION ONE)

offsetting to a considerable degree his more progressive and liberal views proclaimed at Brussels. Frere is in Paris seeing officials concerned with commerce, tariffs and finance.

American budget message given considerable publicity but comments are so far limited principally to reproduction American cables that Wall Street was well impressed.

End section one.

BULLITT

RR

CSB

PARAPHRASE OF SECTION TWO OF NO. 506 of
April 21, 1937, from Paris.

I am told by Guaranty trader that his bank alone took 100,000 pounds today from the French control, and 350,000 were taken by one other bank. Therefore it is the opinion of observers that the sterling losses of the fund yesterday and again today have been at least one million pounds. The French Government, according to market gossip, is again sounding out the possibility of obtaining a credit on the Dutch market. The story is that they have been discouraged by a reply that the lowest interest rate that would be considered would be 8 percent.

I am inclined to believe from my conversation with President Trip of the Netherlands bank at Basel ten days ago that in the present circumstances any Dutch banking credit to France will be frowned upon by the Netherlands Bank.

Should there be a continuation of the tendency of these two days, the French financial situation will deteriorate even more rapidly than I suggested in my telegram of April 17, No. 491.

END MESSAGE.

BULLITT.

EA:LWW

April 22, 1937

9:30 Group Meeting.

Present:

Mrs. Klotz
Mr. Magill
Mr. Oliphant
Mr. Gibbons
Mr. Haas
Mr. Lochhead
Mr. Upham
Mr. McReynolds

HM, Jr: Mac, how much are you going to save in the United States Treasury and have for the "kitty" the first of May?

Mr. McReynolds: I thought we were going to get a good deal -- about \$11,000,000, the last figure.

HM, Jr: That isn't -- that wouldn't last Wallace one day!

Mr. McReynolds: The trouble is we got some savings, but we have some offsets against it.

HM, Jr: The unfortunate thing is, I find Danny Bell has scraped the barrel. Every time you make a suggestion -- Bill Myers sat here and he said, I think I have \$20,000,000 for you, and Dan said, Where? Bill said, We will save on the Seed Loan, and Danny said, I knew that; I took that \$20,000,000; that's in the President's statement.

Mr. McReynolds: I think, as a matter of fact, everything we have, Dan has in there.

HM, Jr: This man Jump, he's the best man I have seen in the Government service in a long time -- outside of the Treasury.

Mr. McReynolds: Jump is one of the boys I worked with for many years.

-2-

HM, Jr.: He said, Dan has those figures. He goes over my figures every two weeks.

Mr. McReynolds: He's reliable. He's a second cousin or something of Henry Wallace.

HM, Jr.: That didn't keep him from giving us the low-down. Maybe he's like some of my first cousins! Well, keep digging.

Mr. McReynolds: It's in Dan's own shop that spoiled our savings.

HM, Jr.: Remember you are working for your grandchildren who have to bear this debt!

Dan is working on it. We had a swell reception yesterday at the White House. The President just sat back and I would say was even more forceful in his attitude yesterday than he had been in preparing the message. If anybody is going to get any money they just have to get it out of existing appropriations, and as a result of the stuff that happened yesterday, Wallace sat back, at his press conference, and said, No new farm legislation on account of the economy program and the farm tenants had lived this way for years and will have to live that way for a couple more years. That's his attitude although he knows that we know that he has the money to do it. And the other crack he made was, "I guess I have to be a good sport because the Treasury misfigured on its taxes." I said, "You don't have to be any better sport than I was when you said we could get \$150,000,000 out of the windfall and got nothing."

(At this point, Joe Kennedy called HM, Jr over the White House phone and the following is the Secretary's side of the conversation:

"Hello, Admiral. Do you dance the hornpipe every morning or every evening before you go to bed?"

"Well, I have been working for an hour while you have been doing your hornpipe dance.

"Riding Red Wing?"

"That's why I gave him back.

"Well, Joe, the battle is on now and it's some battle and

-3-

"some of these boys are great little cooperators and when it hits their principal hobby, good night!

"Well, the way I feel is I don't think anybody who is interested in the welfare of this country could ask for a better statement than the President gave them. I mean, he told it to them! And now it's up to all of us to make it as easy as possible for him to live within it.

"Well, sometime when you have time, let me know and I will talk to you about it. Under the circumstances I can't do it in 2 minutes. I think it's all right, when you know all the background and the whole story.

"Well, there is an awful lot going on and I don't think the day-to-day is as important. I think the trend in the Government's is good and, after all, we have had ten days going up every day and sometime when you have a chance

"I don't know.

"Swell. I appreciate your calling me. Goodbye."

HM, Jr: Kennedy. He was riding my horse and he stumbled. I said, "That's why I gave him back." He stumbled with me a couple of times. When you are riding alone in the country a couple of miles out, it's no fun to have your horse stumble.

Mr. Oliphant: Is Wallace trying to build a backfire -- by what he said to the newspapers.

HM, Jr: As you know, I never talk to newspaper men and I am not going to at this stage, but it's going to be a fight and of course Wallace has had his own way for four years now and the fact that he gets one dollar out of every six that we spend is a thing that has never come to light before. And as I told Miss Le Hand yesterday, I said compared to Wallace, Harry Hopkins is a Scotchman or an Armenian. I mean, he's so thrifty. And no boondoggling that Hopkins ever did compared to what's in this program. No boondoggling that they ever thought of compares to this! I mean, the stuff they do in New York State is just unbelievable. As I said this morning, they pay me for everything except planting violets in the woods and they overlooked that.

Mr. Oliphant: Has the President seen this?

-4-

HM, Jr.: He has it on his desk and he had never seen it before and his immediate reaction was, "What do I get for the 18,000 trees I planted this year?" I said, "You get \$10.00 an acre." He said, "WHAT!" This is the program we worked on and we thought people should pay to get their trees and now they turn around and the Government pays them. I wouldn't believe it when they told me. One fellow out in Arizona, his father sent him out there and bought him 15,000 acres and the boy was back East and he came in and showed everybody a check -- he's getting \$4500 for fencing his ranch out there. That is soil conservation. I said to the President yesterday, "Mr. President, would you tell me how I can practice strip farming in New York State so I can collect?" He says, "We don't do that on the farm." (Much, much laughter.) I am not joking. And I went in and talked to Miss Le Hand. "Strip croppings," that's what they call it. Number 7. (Much laughter). We had better get back to business!

Well, anyway, I sent it all over to Eccles; knowing that Eccles and Elliott Thurston never talk to newspaper men I knew there would be no leaks on this!

Mr. Lockhead: I have some figures on foreign deposits by weeks for a year.

HM, Jr.: Stay behind after this meeting.

Mr. Upham: I heard a good bit of this Agriculture talk in the Northwest and I didn't know whether you had got on to this.

Mr. Haas: Nothing.

HM, Jr.: I walked down with Harry White this morning. I am seeing Mr. Oumansky at 11:30 and I wanted to pump myself full.

Mr. Gibbons: The Budget cut \$500,000 off Customs and I talked to you about charging people coming across the border. Mac and those fellows say I am goofy. I could get about \$5,000,000 that would go into the general jack-pot. But there is some sort of legislation against it, so that's out.

HM, Jr.: If you want some money for some more guards, go and look at your Customs Bureau personnel in Washington.

-5-

That's the place to do your cutting. You can cut 25% and you will get just as much work done. Then put it on the fellows out in the field. That's the place to do your saving. It's been four years and nobody has done a thing in the Bureau in Washington. No cut, no reorganization in the Customs Bureau here and that's the place to do it and if you need money for your fellows on the docks, that's the place to get it. You won't get an increase, but there would be no objection to taking it from there and putting it in the field. Take a look at the Bureau. Soon.

Mr. Gibbons: Yes.

Mr. Gaston: Nothing.

Mr. Oliphant: Instead of sending letters to the Speaker and Joe Robinson about the Federal Trade Commission, Hester suggested he just discuss the matter informally and get counsel and advice from Ashurst who is Chairman of the Committee.

HM, Jr: What is this?

Mr. Oliphant: Federal Trade Commission and the liquor cases. And it may be worked out that way, so it will die a natural death.

Mr. Magill: Who do you want to attend the conference this afternoon on international tax evasion?

HM, Jr: Where is the conference being held? Who's coming?

Mr. Magill: That's what I want to know. Oliphant and myself, I take it.

HM, Jr: I tell you what I would like you to do. Would you mind calling Mrs. Klotz at 11 o'clock because by that time we will know. Wallace is pressing very hard for a conference to be at 2 o'clock at the White House.

Mr. Magill: You could put this thing over if you want to.

HM, Jr: I have you down for two conferences -- one at 3 and one at 4.

Mr. Magill: We have this treaty with France for prevention

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of double taxation of businesses

HM, Jr: Why not say definitely at 4 o'clock. You fellows do whatever you want.

Mr. Magill: You have one with me at 4 on tax exemption, which is much more important.

HM, Jr: Is the General Counsel in on that?

Mr. Magill: He ought to be. Doughton is coming in. We decided to have a conference on what we would do on the State salary business.

HM, Jr: Is the foreign thing important?

Mr. Magill: Not as important as tax exemptions.

HM, Jr: Well, just say 4. Do you mind?

Mr. Magill: Not at all. Mr. Doughton is coming at 4.

HM, Jr: Well, that's definite.

Mr. Magill: Who else would you like there?

HM, Jr: You two fellows decide.

Mr. Magill: I think it would be better, if you don't have anybody else.

HM, Jr: I would have Parker, wouldn't you?

Mr. Magill: I think that would be a good idea.

Mr. Oliphant: If that does not ruffle Harrison.

HM, Jr: You two fellows decide.

Anybody got any after-thoughts? I want to say I am feeling swell. Nobody -- just as I told Joe Kennedy -- nobody could ask for more than the Treasury is getting from the President now, and the fights and what they are going to try to do with me is nobody's business, because I have seen Wallace's machine go to work and it's some machine! But we have had other machines work against us and we will just see what happens. That's all.

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Mr. Gibbons: You get the whole rural community working against you.

HM, Jr: Oh, yes. It will be interesting, but it will be dirty.

Mr. Oliphant: Better let Moe Anenburg go over to next week?

HM, Jr: Yes, I think so. I have it in my mind.

But this thing -- it's all going our way and as long as I know we are on the right track, I'm all right. But you fellows keep your ears open.

oOo-oOo

April 22, 1937.
10:20 a.m.

H.M.Jr: Hello

Operator: Mr. Helvering.

H.M.Jr: Hello

O: Go ahead.

Helvering: Hello.

H.M.Jr: Hello - Guy?

H: Yes.

H.M.Jr: Good morning.

H: How are you?

H.M.Jr: I'm pretty well. How are you?

H: Good.

H.M.Jr: Guy, they brought this question of beer leakage and rebates to my attention. You know we had it up about a year and a half ago?

H: Yes.

H.M.Jr: And I haven't looked at it in a year and a half. Supposing you take another look at it yourself, will you?

H: I don't - do you mean the.....

H.M.Jr: Oh they want an allowance for a leakage on a beer barrel.

H: Oh that - ah - yes.

H.M.Jr: I don't know whether it's good, bad or indifferent but I haven't looked at it in a year and a half and they want me to look at it again. Supposing you take a look at it and then talk to me about it, will you?

H: Yes I'll do that.

- 2 -

H.M.Jr: I don't know whether it's good, bad or indifferent.
I - I haven't looked at it in over a year and a half.

H: Well there's some justification in it. The only
thing I've been afraid of all the time is a good
deal of abuse we might be subjected to.

H.M.Jr: Oh, well just take a look at it.

H: Yes.

H.M.Jr: And - and when you have the facts let me know.

H: All right,

H.M.Jr: Thanks Guy.

H: You bet.

April 22, 1937.
11:20 a.m.

H.M.Jr: Hello

Operator: Governor Harrison.

H.M.Jr: Hello

Harrison: Hello Henry?

H.M.Jr: Yes.

H: How are you sir.

H.M.Jr: I'm pretty well. George - ah - did you fellows - what's the dealers' position on the - on the shorter notes and the nine months' notes?

H: Well wait a minute - I'll get ahold of that and find out exactly. The report that I got this morning was....

H.M.Jr: Yes.

H:that they were pretty well getting word of both of them now.....

H.M.Jr: Yes.

H:and that the nine months - we - we took up a big block of the nine months with them but left them with about seven million I think it was.

H.M.Jr: You don't know what the situation is.

H: And on the seven million they've been disposing of them gradually; sold some up in Hartford yesterday.

H.M.Jr: Ah-ha but you don't know how it stood.....

H: Well I'm going to get it for you (aside to someone in his office: "Give me the dealers' inventory, will you?") Ah - and I talked to some of the dealers this morning and they said that the market was still very thin but with this difference, that there were two or three blocks - ah - bonds that were overhanging that were - had been over the market for a long while but they - the owners were waiting for a price.

H.M.Jr: Yes.

- 2 -

- H: And they were getting impatient now and were forcing them out regardless of the price.
- H.M.Jr: I see.
- H: So I told Sproul this morning to go in and clean up those blocks some way or another.
- H.M.Jr: Because they're off about 10/32d's to-day.
- H: Yes and he's - he's in the process of doing that now. I think he's - there's one - they said the aggregate of the blocks were about ten millions of dollars. He's already got four and a half or five million of them I think.
- H.M.Jr: Ah-ha.
- H: So - ah - (aside: Here we are - let's see these dealers here) Now according to last night - ah - the - ah - only bills - and I haven't got them split up into the short and the long - but the only bills that the dealers had were 2-1/2 million in one dealer's portfolio, two hundred thousand in another and then 17 million in the Discount Corporation but they always have 14 million.....
- H.M.Jr: I see.
- H:ah - that's a fixed investment for collateral.
- H.M.Jr: Ah-ha.
- H: So that really means about four to five million of bills still in the dealers' hands.
- H.M.Jr: Well that's not bad.
- H: And that isn't bad at all.
- H.M.Jr: No.
- H: Of course, we cleaned up - ah - a of those for them.
- H.M.Jr: Yes.

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- H: And they are gradually - they - they - the bill market is better.
- H.M.Jr: Good.
- H: And they are much more content about that.
- H.M.Jr: Good.
- H: As I say, they sold a block of those nine months' bills in Hartford. Now whether that was an insurance company I don't know but I presume it was.
- H.M.Jr: I suppose so.
- H: So there's not so much concerned about that.
- H.M.Jr: All right George.
- H: Now the other thing is the market here and - ah - ah - most of them felt it was a ticklish thing how to handle it to-day.....
- H.M.Jr: Yes.
- H:but I didn't want to wait much longer so we're going in now.
- H.M.Jr: Good, I like that.
- H: And, as I say, we've gotten four and a half million but what we're doing - there's a demand for the September notes.....
- H.M.Jr: I see.
- H:of which we have some 97 million.....
- H.M.Jr: Yes.
- H:and we're letting some of those out; we're buying up the bonds that were - ah - that are overhanging and it isn't a question of necessarily making a swap at all - we're doing both things independently of the matter of the other.
- H.M.Jr: I see. All right, George.

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H: All right, well I'll call you back later on and let you know.

H.M.Jr: Thank you. Goodbye.

April 22, 1937 -- 11:30 a.m.

Present:

Mr. Oumansky
Mr. Taylor
Mr. Lochhead
Dr. Feis

Mr. Oumansky: I bring you rather constructive answers.

HM, Jr.: Fine! In this world we like to have them. They are rare.

Mr. Oumansky: They certainly are. Well, I communicated with the Government, as I promised you.

HM, Jr.: Excuse me. I asked Dr. Feis to be here and he is a little late, so he may walk in any time.

Mr. Oumansky: And they agreed that an exchange of information, as suggested by you, involving the establishment of a steady, permanent contact, in the question of gold movements, would be useful and opportune.

HM, Jr.: Good afternoon, Dr. Feis. Always glad to have you join us, sooner or later!

Mr. Oumansky: I can repeat for Dr. Feis.

Dr. Feis: Oh, no. Please do not.

Mr. Oumansky: That our Government considered the Secretary's suggestion (that you know about) opportune and useful, to establish a contact along the lines of contacts you have with the Bank of England.

The figures you quoted, Mr. Secretary, last time, were not correct. We sold to the Chase National Bank the sum of \$48,000,000 and the information about the intention to sell \$440,000,000 more is not correct.

HM, Jr.: Is not correct?

Mr. Oumansky: No, it is not correct. The State Bank of USSR would prefer to do, as you suggested, to deal directly

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with the Federal Reserve Bank. So would the Commissariat of Finances. They had -- and I do not know the history of the question -- but they say that if they did not have the direct contact with Federal Reserve, it's not their fault.

HM, Jr.: If I may interrupt, that must go back, then, prior to the time that I have been in the Treasury.

Mr. Oumansky: Yes.

HM, Jr.: Because I have been here since November, 1933, and at no time since I have been here has that question been up.

Mr. Oumansky: Well, let's consider that past, because it was before re-establishment of normal relations between the United States and our Government.

HM, Jr.: It's like the English people. They talk about the London Economic Conference. That was prior to the Morgenthau era in the Treasury, so whether it was good or bad -- see. But since I have been here, as far as I know, that question has never been up. I think that's right, isn't it?

Mr. Oumansky: I don't remember any instance which could, but of course the question of our gold movements has a long, long history and a long record in the years, as you remember, before the establishment of relations. But this is pre-historic, and of no real interest at this moment.

HM, Jr.: No.

Mr. Oumansky: Your fundamental idea in the talk we had about the Soviet Union, as one of the main gold producers, being interested in a stable gold market is absolutely shared in Moscow.

HM, Jr.: That's important.

Mr. Oumansky: Yes. I emphasized this idea because I felt that you considered this very important. We have no interest, I am told, to do any harm to the functioning of the Tripartite Agreement and we are prepared to do our part for a good functioning of the Agreement.

Now, the Soviet State Bank has already decided to appoint, as suggested by you, a permanent representative in the United States.

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HM, Jr: Grand!

Mr. Oumansky: To establish and to maintain necessary contacts.

HM, Jr: I think that's very important.

Mr. Oumansky: And then, and at the last, they would prefer to deal directly with the Federal Reserve Bank in selling gold and perhaps use London and the Bank of England -- to make deposits through the Bank of England.

HM, Jr: I don't quite understand that.

Mr. Oumansky: The last one that not necessarily the gold must physically go across the ocean.

HM, Jr: You mean earmarking?

Mr. Oumansky: It can be earmarked. Exactly. Can earmark be done through the Bank of London?

Mr. Lochhead: I presume you are referring to the fact that your gold, when it is ready for sale, is in the London market; in other words, you ship to London and would like to sell in London for delivery to some Central Bank in London.

Mr. Oumansky: Yes. This point is not quite clear to me, myself, but the Russian expression that I received would correspond to the earmarking. We can clear this point.

Mr. Lochhead: That would be a detail.

Mr. Oumansky: That's what I have to tell you.

HM, Jr: I would say that your message that you bring to me is very satisfactory. I think it's very encouraging. I can assure you that if your Government wishes to do business directly with the Federal Reserve that they will welcome it. I don't know just how they do as between Central Banks -- who asks who -- but I can assure you that if the Russian State Bank would inquire of the Federal Reserve of New York if they will act as depository, that the answer will be yes and the only thing that I would like to ask you is; as to the selling and handling, would you want to wait until the representative comes here or will your Government want to begin immediately to deal directly?

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Mr. Oumansky: As far as I can see -- of course, I would have to inquire to clear this point -- but from the spirit of the message I received I can make a conclusion that they would prefer to deal, not waiting for the arrival of a Government representative of the State Bank. Through London perhaps?

Mr. Lochhead: Better work direct.

HM, Jr.: Pending that, if they would send the messages to you, we could assist you and give you whatever technical information is necessary so that you would have the technical information that is necessary to assist you to work it out, just the way it goes now -- for instance, again using the example again of a country that is not in the Tripartite Agreement, last week -- how, for instance, do the Japanese do it? Do they use their Finance Mission or their Embassy here?

Mr. Taylor: They communicate to us through this Finance Mission.

Mr. Lochhead: Financial Attache in New York.

Mr. Oumansky: Financial Attache in New York. I see.

HM, Jr.: But they use their Finance Mission rather than their Embassy.

Mr. Taylor: Yes.

HM, Jr.: For instance, when that gold transfer was coming up, did they call directly here?

Mr. Taylor: They wrote you a note.

HM, Jr.: They wrote a note.

Mr. Taylor: For your confidential information.

HM, Jr.: A note that there are so many millions of dollars of gold coming, but you see, before they did that or arrived at that method, they worked out all the details. Now, Mr. Lochhead has all of that. I don't know whether you want to sit down with him or whether you have someone else at the Embassy and we can tell you, if you don't mind, what we think you ought to know (you not being in Finance). We

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would be veter glad to furnish you with that information, you see, so that you could have the same pattern that we have followed and you could tell us that this does or does not fit your situation.

Mr. Oumansky: I see.

HM, Jr.: I don't know how many countries we do business with now who are not in the Tripartite Agreement and we worked out a very careful pattern which we would be glad to furnish you and you could forward to your Government.

Mr. Oumansky: I see.

HM, Jr.: I want to make sure I have not spoken too fast and I want to ask Chairman Eccles if the statement I made to you is correct. I made a flat statement and I want to be 1,000% sure that I am right.

Mr. Oumansky: It would be, of course, (since we have so far no representative here) it would be probably opportune to know a scheme to contact, which you would suggest, so that our State Bank would know what the procedure should be.

HM, Jr.: We can give you the scheme as we use it in buying gold from other countries.

Mr. Oumansky: As confidential as necessary.

Mr. Taylor: I think you simply give the same list of things that we gave to the Japanese when they were in here -- a series of documents, all of which have a bearing on this.

HM, Jr.: How long would it take you to prepare one?

Mr. Taylor: It might be ten minutes.

HM, Jr.: I wondered whether you wanted to do it now or come back?

Mr. Oumansky: I would be glad to come back, if necessary.

Mr. Lochhead: It might be well for him to come back.

At this point, the Secretary spoke to Chairman Eccles on the telephone and the following is a record of their conversation:

April 22, 1937.
11:45 a.m.

H.M.Jr: Hello

Operator: Chairman Eccles - go ahead.

H.M.Jr: Hello

Eccles: Hello

H.M.Jr: Marriner.

E: Yes.

H.M.Jr: Good morning.

E: How are you this morning?

H.M.Jr: I'm fine. Ah - Marriner am I correct in saying that if the Russian State Bank approached us and asked that we buy and sell gold with them just the way we do with any other - ah - ah Central Bank that - that we'll be pleased to have relations with them?

E: Well I - I would - I don't know - ah - ah - ah - of course, the question of buying and selling gold is a matter that we haven't handled here and the only thing.....

H.M.Jr: No.

E:that the Board has to do.....

H.M.Jr: Yes.

E:is to approve the action of New York wherever a loan is made by the bank.....

H.M.Jr: Yes.

E:to any foreign Central Bank.

H.M.Jr: Yes but this isn't a matter of a loan.

E: No.

H.M.Jr: Just handling it the way you do for anybody else.

E: Well -

- H.M. Jr: I took it up with Harrison two weeks ago.....
- E: Yes.
- H.M.Jr:and I told him this is something that we wanted to do.
- E: Yes.
- H.M.Jr: Well now - ah - let's put it another way - have they the right to refuse if the Treasury asks them to?
- E: Well he - ah - what he would have to do - any relationship that the New York bank establishes with a foreign Central Bank.....
- H.M.Jr: Yes.
- E:must be approved by the Board.
- H.M.Jr: Yes.
- E: Now that matter has never been put up at all to the Board and I see no reason why the Board would not permit the New York bank to establish a relationship - ah - ah - there the same as they would any other Central Bank. Now that's a matter that has not come up for consideration at all and it would seem to me that if you asked Harrison to do that he should have put the matter up here for consideration and, so far as I know, it has never come up.
- H.M.Jr: Well I understood - he told me a couple of weeks ago that he had.
- E: Well it's never come up at all to my knowledge - never come up to the Board.
- H.M.Jr: I want the Russian State Bank - before they ask - I want to be in a position to tell them that if they do ask the answer will be yes.
- E: Yes, well alright we can - we'll - we'll - we'll check the thing and find out just what the situation is. If there's anything in the law at all that would - ah - that would prohibit it.....

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- H.M.Jr: Well I - I want them - to be able to say to them unequivocally that if you ask - ah - that they want to establish relations that the answer will be yes. I mean I don't want them to be put in a position.....
- E: Well we can - there's no reason we can - we - there's no reason why that can't be done.
- H.M.Jr: Well now.....
- E: In other words we can have a hypothetical question and we - we can answer the hypothetical question before the actual - the
- H.M.Jr: Can you let me know tomorrow morning?
- E: Yes.
- H.M.Jr: Yes.
- E: I don't imagine it's a matter which should take very much checking into.
- H.M.Jr: All right.
- E: Well now - let me get - ah - in order words you want the Treasury to be able for the New York Bank to carry on transactions of gold sales and purchases with Russia - the same - in the same manner that they would any other Central Banks.
- H.M.Jr: Well, yes, we'll - we'll use - the most recent one we accomplished was Japan - practically the same - exactly the same as we have established with Japan.
- E: Yes - yes. Well then all right I'll.....
- H.M.Jr: But I would like an answer possibly to-day - ah - don't you think - have you got a Board Meeting to-day?
- E: I was just in a meeting now.
- H.M.Jr: Why don't you - do you suppose you could get it through for me to-day?

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- E: Well I - it's a matter that I would - the Legal Division likely - would want to check into, you see?
- H.M.Jr: All right, well let's say by noon tomorrow.
- E: Ah - I could maybe get it through later this afternoon but certainly by - we can have a meeting in the morning and we can get the thing cleared in the morning.
- H.M.Jr: All right.
- E: What we will do is merely say that if the New York bank requests.....
- H.M.Jr: Yes.
- E:that this - this would be our answer, that is, I see no reason why we can't - I see no reason why we can't do that - say to you that if New York makes this request.....
- H.M.Jr: All right.
- E:then, of course, it's up to New York to make the request.
- H.M.Jr: O.K. I'll - I'll have them ask it.
- E: This - ah - this - ah - interpretation of the budget makes me so damn mad I could - some of these fellows that I could just shoot them, doesn't it you?
- H.M.Jr: Yes it does.
- E: It - ah - it - it's - it doesn't make any difference what's done - ah.....
- H.M.Jr: They don't - they don't want to believe it.
- E: Well it's the damn politics in the thing. Hell - they - they - they - ah - they don't - ah - no they don't want to believe it - they - they - they're just sorry by gosh that something may be done that's constructive and will help the administration.....
- H.M.Jr: Yes.

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E:and - ah - now you take this morning there's -
they - they - I was talking to George about the market....

H.M.Jr: Yes. Listen old man can I call you back a little later.

E: Yes, all right.

H.M.Jr: Thank you.

E: Goodbye.

HM, Jr: I had thought -- and I am glad I checked -- I thought I asked New York to ask the Board here and they have the right to say no, but he said if they are asked the question there is no reason they should not say yes, but I want to be 1,000% sure and I will call Harrison in New York that we are putting up the question, but by noon tomorrow Mr. Taylor will let you know. I am 99% sure, but I don't want your Government to be put in the position ...

Mr. Oumansky: It would be more regrettable after the talk we had a week ago.

HM, Jr: Oh, yes. They must do it. I took it for granted because Harrison told me he would ask and I was

Mr. Taylor: That's a formality.

HM, Jr: It must be.

Mr. Lochhead: They have to go from there to the Board.

HM, Jr: What ground have they to say no?

Mr. Taylor: Under their by-laws and constitution they have certain rights.

HM, Jr: Let me worry about it. This Government is like every other Government -- we have plenty of red tape, but I will go through the thing and I am 99% sure that the answer is yes. I thought it was, but I just wanted to make sure.

Mr. Oumansky: He was afraid it was a loan?

HM, Jr: No. He said something about thing they come in on is if a foreign Government wants to borrow.

Mr. Oumansky: Yes.

HM, Jr: But that's all. What I think -- if you would come in by noon tomorrow and see Mr. Taylor, by that time I will have the answer. He will collect all those things and I am very much pleased.

Mr. Oumansky: So am I.

HM, Jr: Herbert?

Dr. Feis: Nothing to contribute. I am sure the Secre-

tary will be pleased too.

Mr. Lockheed: One question I wanted to ask. He mentioned about \$48,000,000 sold to this country, but the other figures we had reported in London were not correct although you do say that you will probably be interested in selling more gold. Was any information given as to what would be the amount?

Mr. Oumansky: No. I imagine that if the contacts are established, mutual information will be arranged, at least approximately, and in a reasonable time probably it will be known.

HM, Jr.: In view of our conversation of a week or ten days ago, I think it's moving as fast as anyone could expect.

Mr. Oumansky: Yes. I think reaction in one week was a short time in inter-governmental relations.

HM, Jr.: Oh, yes. And, as I say, if you don't mind coming back tomorrow.

Mr. Oumansky: Yes. I will give you (Taylor) my telephone number so you can get in touch with me any time you are prepared and have the information, or if you want to make it definite?

Mr. Taylor: Yes; noon tomorrow.

Mr. Oumansky: Tomorrow is Friday? That's all right. Fine!

HM, Jr.: When is the Ambassador coming back?

Mr. Oumansky: He is back. He wanted me to bring this note because I started it -- not to repeat everything we already discussed.

HM, Jr.: And don't hesitate, on this technical question, make them explain it.

Mr. Oumansky: On the contrary, I will ask you to make me a short course in gold movements and then present me with a certificate that I graduated from your school.

oOo-o

The following informal discussion took place after Mr. Oumansky's departure:

HM,Jr: Sit down a moment, Herbert.

Mr. Lochhead: I think New York has always fought shy of that account. It's different from Japan. For Japan we did nothing but buy gold in the Treasury after it came in. In this case we want to have an account opened on the Federal's books which brings up a different point.

Mr. Taylor: Japan had one.

Mr. Lochhead: I don't think they had one. If they did, the account was never active.

HM,Jr: What they want to do is open an account.

Mr. Lochhead: Yes, and secondly, sell gold in London before it comes here.

HM,Jr: That I don't have to tell George. What I want to tell him -- and I thought I cleared it all -- is if the Russian State Bank wants to open an account with the Federal Reserve Bank of New York, they want to know before they ask will the answer be yes.

Mr. Taylor: That's right. And the Federal Reserve will welcome it for various reasons. George Harrison will expect to have Russian gold in that Bank to the top story.

HM,Jr: He told me it would be a great political mistake and I said, "Do you know, George, we recognized Russia?".

(At this point, HM,Jr. talked on the phone to George Harrison in New York and the following is a record of their conversation. See page following this.)

April 22, 1937.
11:56 a.m.

H.M.Jr: Hello

Operator: Governor Harrison.

H.M.Jr: Hello

Harrison: Oh hello Henry.

H.M.Jr: Hello George.

H: Yes sir.

H.M.Jr: If you remember a couple of weeks ago I told you I was talking with the Russians about having their State Bank do business with us directly?

H: Yes.

H.M.Jr: And I thought I understood you to say that you'd take it up with the Board here in Washington.

H: No I - I mentioned it informally with Eccles.

H.M.Jr: Yes, well -

H: I didn't take it up - ah - officially.

H.M.Jr: Well I just spoke to Marriner about it and he didn't seem to remember anything about it.

H: Well he.....

H.M.Jr: Said he never heard of it.

H: Well not only that but he's certainly crazy.

H. M.Jr: Well -

H: He - he was the one that was so upset about possible political implications - you remember when I called you back and told you.

H.M.Jr: Yes, well I just got through talking to him and he acted as though it was something he'd never heard about before.

- 2 -

- H: Well now I don't understand it.
- H.M.Jr: Well - ah - anyway....
- H: I think I not only did that but I think I made a memorandum of it.
- H.M.Jr: Well I know I did and - ah - ah - it made me sort of (laughs) feel stupid because I said - I'll tell you exactly why - ah - we met with the Russians about ten days ago.....
- H: Yes.
- H.M.Jr:and I gave them to understand.....
- H: Yes.
- H.M.Jr:that if they wanted to open an account - their State Bank with our Fiscal Agent that it would be welcome, see? Now - ah.....
- H: I don't know - I - ah - I don't know that I said that.
- H.M.Jr: You didn't give me any assurances. I didn't tell it to you formally but if you remember - ah - there's a record of Knoke talking that day with the English and he - in his record - he talked to the English how they'd feel about doing business with them directly.....
- H: Yes.
- H.M.Jr:and the English said they thought it would be a good idea. I got that memo from Knoke.
- H: Yes.
- H.M.Jr: But what I'm asking you now officially, see?
- H: Yes.
- H.M.Jr: That I would like them to put the question to you that if the Russian State Bank asks can they open an account with the Federal Reserve and looking forward to buying and selling gold I want to be able to tell them whether or not it will be welcome, see?
- H: Yes.

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- H.M.Jr: And I told that to Marriner and Marriner acted as though he'd never heard from it.
- H: Ah-ha.
- H.M.Jr: Now what I'd like to do is - because - ah - ah - I told Marriner that if there was any way possible I'd like to have an answer by noon tomorrow.
- H: Ah-ha.
- H.M.Jr: Now I - i - I'd like to ask the same courtesy of you, see?
- H: Yes, well I've got a meeting with the Directors to-day and I can bring it up. Of course, there is another way we could do it perfectly well as far as they're concerned. I mean on this - if what you want is a gold transaction - I mean as your Fiscal Agent we - I - I - I'm thinking out loud now - as your Fiscal Agent I think we could handle gold transactions for them anyway.
- H.M.Jr: Yes - no.
- H: If you request us to do it as Fiscal Agent.
- H.M.Jr: No but I/^{very}definitely in the State Department and the Treasury are together.
- H: Yes.
- H.M.Jr: We very definitely would like to have them open an account.
- H: All right.
- H.M.Jr: I mean that's - that's official and I - I mean the State Department and the Treasury would very much like to have the Russian State Bank open an account.
- H: I see.
- H.M.Jr: And if it's at all possible I'd like to have an answer by noon tomorrow.

- H: Well I think it's possible so far as we're concerned - I don't know about the Board in Washington.
- H.M.Jr: Well I spoke to Marriner - I'm sorry that - I hate these three-corner mixups but - ah - I told Marriner that there must be some misunderstanding because you had told me that you had informally mentioned it to him.
- H: (Laughs) Well I'm sure I didn't dream it. I can't understand where the slip is.
- H.M.Jr: Well that's on his.....
- H: I told you immediately after the conversation.
- H.M.Jr: Well now I couched it in a language - I mean shall I put it - you know what I'm - what I want - what I'd like to have.
- H: Yes, surely.
- H.M.Jr: What?
- H: Yes.
- H.M.Jr: I mean....
- H: You want to know whether if they ask us - ah - opening - the privilege of opening an account with us whether we would look upon it favorably.
- H.M.Jr: That's right.
- H: Yes.
- H.M.Jr: And on the other question - the gold question would - would follow in it's place but the more important one is the account.
- H: Yes, all right, Henry.
- H.M.Jr: And I told Marriner that I was very anxious to have the answer by noon tomorrow.
- H: Ah-ha. (Laughs)
- H.M.Jr: What?

H: First-rate. (Laughs)

H.M.Jr: Now just a matter to post me on the law - you pass a resolution first and then put it up to the Board - is that the way it works?

H: Yes but you see, of course, we'd never yet acted on it in a case where we haven't got the request.

H.M.Jr: I know but this - on account of the past history we'd like to put up.....

H: But I'm - I'm just saying - you're asking what the procedure is.....

H.M.Jr: No but I mean.....

H: Normally when we get a request our Directors vote to open an account with them and to appoint them as our correspondents abroad.....

H.M.Jr: Yes.

H: We have to do it both ways.

H.M.Jr: I see. Well -

H: It doesn't mean we have to do any business over there but we have to appoint them.

H.M.Jr: I see.

H: And - and we do both of those things subject to the approval of the Board of Governors.

H.M.Jr: Well in view of the situation - and which I'm carrying on here it would help the Administration if we could say to them it will or will not be welcome if you ask.

H: Ah-ha.

H.M.Jr: See?

H: All right, first rate.

H.M.Jr: And - ah - don't let's emphasize - ah - this is purely personal - the fact that - I don't want another three corner misunderstanding, you know.

H: Yes.

- 6 -

H.M.Jr: I mean - in perfectly good faith I called up Marriner and said, "You know all about this thing" and then he acted as though he hadn't heard about it.

H: There wasn't at that time awfully much to know about it. I just told him.....

H.M.Jr: No, it must have slipped his memory George.

H: Yes - yes.

H.M.Jr: The fact - and then sometime between now and noon tomorrow you call me.

H: All right.

H.M.Jr: Thank you.

H: Say Henry.

H.M.Jr: Yes.

H: One more thing -

H.M.Jr: Please.

H:off the record - ah - after my conversation with you - ah - Tuesday afternoon.....

H.M.Jr: Yes.

H:I called back.....,

H.M.Jr: Called back what?

H:and said that I - it had been a long time since I'd seen.....

H.M.Jr: Oh yes.

H:and that I'd like to have the privilege of paying a call on him that afternoon or the next morning.....

H.M.Jr: Yes.

H:if it was agreeable.

H.M.Jr: Yes.

- 7 -

H: Mac wasn't there but his Secretary was and I waited till the next morning.....

H.M.Jr: Yes.

H:and that 's yesterday morning.....

H.M.Jr: Yes.

H:and then Mac called me back at noon and said he had such a busy day he couldn't work me in so I just want to let you know I did it.

H.M.Jr: O.K.

H: I asked him to tell the President that I had tried to see him and that I would get in touch with him before I came down the next time.

H.M.Jr: Fine.

H: Good.

H.M.Jr: Allright.

H: Allright.

H.M.Jr: Thank you.

HM, Jr: Well, in view of this, I don't think there is any question, but it would leave me in a very embarrassing position. I thought it was all cleared.

Dr. Feis: Certainly they can't turn down a request on political grounds.

Mr. Lochhead: They still have it in the back of their minds that they would not take Russian gold bars when the Federal Reserve was buying gold.

HM, Jr: When was that?

Mr. Lochhead: That was after they broke up, back in the 20's and they used to take their bars to Sweden to be re-fined and put the Swedish mark on them and the Federal would not deal with Russian bars.

Dr. Feis: Was this subsequent to recognition?

Mr. Lochhead: No; before.

Dr. Feis: That was conformable with Government policy.

Mr. Lochhead: Their whole relationship dates back there.

Dr. Feis: With how many Central Banks does the Federal Reserve have accounts?

Mr. Lochhead: About 33.

HM, Jr: These boys had better take it and like it.

Mr. Lochhead: May I ask this: how far this is intended to go? Of course, they are not joining the Tripartite Agreement?

HM, Jr: No.

Mr. Lochhead: As far as selling gold, of course there is nothing to stop them from bringing it in now and selling it under rules and regulations. Probably what they are going to ask is to buy gold in London. That's the convenient place for them to sell it and that's where the trouble is in selling it over there.

HM, Jr: Why should we buy gold in London?

Mr. Lochhead: You might say, do you buy it from the British under the Tripartite Agreement.

HM, Jr: I will have to do a little thinking. But please notice that he said not only did they have no objections to the Tripartite, but they were in sympathy with it.

Dr. Feis: Wished to support it. The only remark that occurred to me to have you make was, Of course if your Government could find opportunity to keep our Embassy informed that would be a useful, reciprocal arrangement, but I think that had best wait until they have their man over here and actual interchange has started.

oOo-oOo

April 22, 1937.
11:45 a. m.

H.M.Jr: Hello.

Operator: Chairman Eccles - go ahead.

H.M.Jr: Hello.

Marriner
Eccles: Hello.

H.M.Jr: Marriner.

E: Yes.

H.M.Jr: Good morning.

E: How are you this morning?

H.M.Jr: I'm fine. Ah - Marriner am I correct in saying that if the Russian State Bank approached us and asked that we buy and sell gold with them just the way we do with any other - ah - ah Central Bank that - that we'll be pleased to have relations with them?

E: Well I - I would - I don't know - ah - ah - ah - of course, the question of buying and selling gold is a matter that we haven't handled here and the only thing

H.M.Jr: No.

E: that the Board has to do

H.M.Jr: Yes.

E: is to approve the action of New York wherever a loan is made by the bank

H.M.Jr: Yes.

E: to any foreign Central Bank.

H.M.Jr: Yes but this isn't a matter of a loan.

E: No.

H.M.Jr: Just handling it the way you do for anybody else.

E: Well -

- 2 -

- H.M.Jr: I took it up with Harrison two weeks ago.....
- E: Yes.
- H.M.Jr: and I told him this is something that we wanted to do.
- E: Yes.
- H.M.Jr: Well now - ah - let's put it another way - have they the right to refuse if the Treasury asks them to?
- E: Well he - ah - what he would have to do - any relationship that the New York bank establishes with a foreign Central Bank
- H.M.Jr: Yes.
- E: must be approved by the Board.
- H.M.Jr: Yes.
- E: Now that matter has never been put up at all to the Board and I see no reason why the Board would not permit the New York bank to establish a relationship - ah - ah - there the same as they would any other Central Bank. Now that's a matter that has not come up for consideration at all and it would seem to me that if you asked Harrison to do that he should have put the matter up here for consideration and, so far as I know, it has never come up.
- H.M.Jr: Well I understood - he told me a couple of weeks ago that he had. .
- E: Well it's never come up at all to my knowledge - never come up to the Board.
- H.M.Jr: I want the Russian State Bank - before they ask - I want to be in a position to tell them that if they do ask the answer will be yes.
- E: Yes, well all right, we can - we'll - we'll - we'll check the thing and find out just what the situation is. If there's anything in the law at all that would - ah - that would prohibit it

- H.M.Jr: Well I - I want them - to be able to say to them unequivocally that if you ask - ah - that they want to establish relations that the answer will be yes. I mean I don't want them to be put in a position
- E: Well we can - there's no reason we can - we - there's no reason why that can't be done.
- H.M.Jr: Well now
- E: In other words we can have a hypothetical question and we - we can answer the hypothetical question before the actual - the
- H.M.Jr: Can you let me know tomorrow morning?
- E: Yes.
- H.M.Jr: Yes.
- E: I don't imagine it's a matter which should take very much checking in to.
- H.M.Jr: All right.
- E: Well now - let me get - ah - in other words you want the Treasury to be able for the New York Bank to carry on transactions of gold sales and purchases with Russia - the same - in the same manner that they would any other Central Banks.
- H.M.Jr: Well, yes, we'll - we'll use - the most recent one we accomplished was Japan - practically the same - exactly the same as we have established with Japan.
- E: Yes - yes. Well then all right I'll
- H.M.Jr: But I would like an answer possibly today - ah - don't you think - have you got a Board meeting today?
- E: I was just in a meeting now.
- H.M.Jr: Why don't you - do you suppose you could get it through for me today?

- E: Well I - it's a matter that I would - the Legal Division likely - would want to check into, you see?
- H.M.Jr: All right, well let's say by noon tomorrow.
- E: Ah - I could maybe get it through later this afternoon but certainly by - we can have a meeting in the morning and we can get the thing cleared in the morning.
- H.M.Jr: All right.
- E: What we will do is merely say that if the New York bank requests
- H.M.Jr: Yes.
- E: that this - this would be our answer, that is, I see no reason why we can't - I see no reason why we can't do that - say to you that if New York makes this request
- H.M.Jr: All right.
- E: then, of course, it's up to New York to make the request.
- H.M.Jr: O. K. I'll - I'll have them ask it.
- E: This - ah - this - ah - interpretation of the budget makes me so damn mad I could - some of these fellows that I could just shoot them, doesn't it you?
- H.M.Jr: Yes it does.
- E: It - ah - it - it's - it doesn't make any difference what's done - ah
- H.M.Jr: They don't - they don't want to believe it.
- E: Well it's the damn politics in the thing. Hell - they - they - they - ah - they don't - ah - no they don't want to believe it - they - they - they're just sorry by gosh that something may be done that's constructive and will help the administration....
- H.M.Jr: Yes.

- 5 -

E: and - ah - now you take this morning there's - they - they - I was talking to George about the market

H.M.Jr: Yes. Listen, old man, can I call you back a little later.

E: Yes, all right.

H.M.Jr: Thank you.

E: Goodbye.

File - Russian
for USSR 398

4-22-37

Confidential message to Secretary Morgenthau from Mr. Harrison in response to an inquiry which he made this morning.

MESSAGE.

It is not our practice nor our policy to seek the opening of any Central Bank account with this Bank. Such accounts are opened only after request by the Bank involved and only after appropriate investigation of its condition and general set-up. However, in response to the inquiry of the Secretary of the Treasury whether he might inform Russian officials tomorrow that the Federal Reserve Bank of New York would open an account for the "X" Bank if asked to do so by that Bank my directors have today authorized me to say that, if approved by the Board of Governors of the Federal Reserve System, they would open such an account if requested provided that information will be made available to us indicating that the "X" Bank performs ^{in general} the functions of a Central Bank, that a recent statement of its condition will be supplied to us and that the opening of the account can be arranged on the same general terms and conditions as those upon which we have opened accounts for other Central Banks.

x added as result of
telephone conversation.
"Not in any way a commitment." u.s.

USSR

Accounts the New York Federal Reserve Bank has on its books:

Austrian National Bank
National Bank of Belgium
National Bank of Bulgaria
Czechoslovak National Bank
Bank of Danzig
National Bank of Denmark
Bank of Finland
Reichsbank
Bank of Greece
Netherlands Bank
Hungarian National Bank
Bank of Italy
Bank of Latvia
Bank of Lithuania
Norges Bank
Bank Polski
Bank of Portugal
Bank of England
Bank of France
National Bank of Roumania
Sveriges Riksbank (Sweden)
Bank of International Settlements
Swiss National Bank
National Bank of Kingdom of Yugoslavia

South African Reserve Bank

Bank of Canada

Bank of Mexico

Central Reserve Bank of El Salvador

Central Bank of Guatemala

National Bank of Nicaragua

Central Bank of Argentine Republic

Central Bank of Bolivia

Central Bank of Chile

Bank of the Republic of Colombia

Central Bank of Ecuador

Central Reserve Bank of Peru

Bank of the Republic Oriental del Uruguay

Central Bank of China

Commonwealth Bank of Australia

All one way accounts except England and France

Deposit account with Bank of International Settlements

MEMORANDUM

401

April 22, 1937

To: Secretary Morgenthau
From: Dr. Burgess

Treasury bond market was heavy and lower at the opening this morning, and prices sagged further until around 11:30 in quiet trading on the board. Market gradually improved thereafter, quotations moving up generally 1/32 to 7/32 from the lows. At the close the long Treasury bonds showed declines from yesterday of from 1/32 to 7/32; intermediate issues were generally unchanged to 4/32 off, and the three shortest maturities were 1/32 to 4/32 better. Guaranteed obligations improved with Treasury bonds, the F. F. M. C. bonds closing unchanged to 1/4 down from yesterday and the H. O. L. C.'s closing 1/32 to 6/32 down. Government bond transactions on the board totaled about \$1,800,000. Note market was quiet and moderately lower. The list closed better than its lows, generally unchanged to 2/32 off from yesterday.

Domestic bonds were dull and slightly easier. Both high and second grade bonds were generally small fractions off from yesterday.

Foreign bonds were moderately active and price changes were mixed. Canadian and Japanese bonds showed small fractional losses; German bonds and a number of Latin-American issues were fractionally higher. Argentine 4-1/4s were rather weak during the day but closed only fractionally off. It is reported that the new \$35,000,000 Argentine Republic 4% Conversion Loan Bonds, due 1972 offered this morning at 89-1/2 did not go very well.

No purchases for Treasury today.

April 22, 1937.
11:56 a. m.

H.M.Jr: Hello.

Operator: Governor Harrison.

H.M.Jr: Hello.

George
Harrison: Oh, hello, Henry.

H.M.Jr: Hello George.

H: Yes sir.

H.M.Jr: If you remember a couple of weeks ago I told you I was talking with the Russians about having their State Bank do business with us directly?

H: Yes.

H.M.Jr: And I thought I understood you to say that you'd take it up with the Board here in Washington.

H: No I - I mentioned it informally with Eccles.

H.M.Jr: Yes, well -

H: I didn't take it up - ah - officially.

H.M.Jr: Well I just spoke to Marriner about it and he didn't seem to remember anything about it.

H: Well he

H.M.Jr: Said he never heard of it.

H: Well not only that but he's certainly crazy.

H.M.Jr: Well -

H: He - he was the one that was so upset about possible political implications - you remember when I called you back and told you.

H.M.Jr: Yes, well I just got through talking to him and he acted as though it was something he'd never heard about before.

- 2 -

H: Well now I don't understand it.

H.M.Jr: Well - ah - anyway

H: I think I not only did that but I think I made a memorandum of it.

H.M.Jr: Well I know I did and - ah - ah - it made me sort of (laughs) feel stupid because I said - I'll tell you exactly why - ah - we met with the Russians about ten days ago

H: Yes.

H.M.Jr: and I gave them to understand

H: Yes.

H.M.Jr: that if they wanted to open an account - their State Bank with our Fiscal Agent that it would be welcome, see? Now - ah

H: I don't know - I - ah - I don't know that I said that.

H.M.Jr: You didn't give me any assurances. I didn't tell it to you formally but if you remember - ah - there's a record of Knoke talking that day with the English and he - in his record - he talked to the English how they'd feel about doing business with them directly.....

H: Yes.

H.M.Jr: and the English said they thought it would be a good idea. I got that memo from Knoke.

H: Yes.

H.M.Jr: But what I'm asking you now, officially, see?

H: Yes.

H.M.Jr: That I would like them to put the question to you that if the Russian State Bank asks can they open an account with the Federal Reserve and looking forward to buying and selling gold I want to be able to tell them whether or not it will be welcome, see?

H: Yes.

H.M.Jr: And I told that to Marriner and Marriner acted as though he'd never heard from it.

H: Ah-ha.

H.M.Jr: Now what I'd like to do is - because - ah - ah - I told Marriner that if there was any way possible I'd like to have an answer by noon tomorrow.

H: Ah-ha.

H.M.Jr: Now I - I - I'd like to ask the same courtesy of you, see?

H: Yes, well I've got a meeting with the Directors today and I can bring it up. Of course, there is another way we could do it perfectly well as far as they're concerned. I mean on this - if what you want is a gold transaction - I mean as your Fiscal Agent we - I - I - I'm thinking out loud now - as your Fiscal Agent I think we could handle gold transactions for them anyway.

H.M.Jr: Yes - no.

H: If you request us to do it as Fiscal Agent.

H.M.Jr: No but I very definitely in the State Department and the Treasury are together.

H: Yes.

H.M.Jr: We very definitely would like to have them open an account.

H: All right.

H.M.Jr: I mean that's - that's official and I - I mean the State Department and the Treasury would very much like to have the Russian State Bank open an account.

H: I see.

H.M.Jr: And if it's at all possible I'd like to have an answer by noon tomorrow.

- 4 -

- H: Well I think it's possible so far as we're concerned - I don't know about the Board in Washington.
- H.M.Jr: Well I spoke to Marriner - I'm sorry that - I hate these three-corner mixups but - ah - I told Marriner that there must be some misunderstanding because you had told me that you had informally mentioned it to him.
- H: (Laughs) Well I'm sure I didn't dream it. I can't understand where the slip is.
- H.M.Jr: Well that's on his
- H: I told you immediately after the conversation.
- H.M.Jr: Well now I couched it in a language - I mean shall I put it - you know what I'm - what I want - what I'd like to have.
- H: Yes, surely.
- H.M.Jr: What?
- H: Yes.
- H.M.Jr: I mean.....
- H: You want to know whether if they ask us - ah - opening - the privilege of opening an account with us whether we would look upon it favorably.
- H.M.Jr: That's right.
- H: Yes.
- H.M.Jr: And on the other question - the gold question would - would follow in it's place but the more important one is the account.
- H: Yes, all right, Henry.
- H.M.Jr: And I told Marriner that I was very anxious to have the answer by noon tomorrow.
- H: Ah-ha. (Laughs)
- H.M.Jr: What?

- 5 -

- H: First-rate. (Laughs)
- H.M.Jr: Now just a matter to post me on the law - you pass a resolution first and then put it up to the Board - is that the way it works?
- H: Yes but you see, of course, we'd never yet acted on it in a case where we haven't got the request.
- H.M.Jr: I know but this - on account of the past history we'd like to put up
- H: But I'm - I'm just saying - you're asking what the procedure is
- H.M.Jr: No but I mean
- H: Normally when we get a request our Directors vote to open an account with them and to appoint them as our correspondents abroad
- H.M.Jr: Yes.
- H: We have to do it both ways.
- H.M.Jr: I see. Well -
- H: It doesn't mean we have to do any business over there but we have to appoint them.
- H.M.Jr: I see.
- H: And - and we do both of those things subject to the approval of the Board of Governors.
- H.M.Jr: Well in view of the situation - and which I'm carrying on here it would help the Administration if we could say to them it will or will not be welcome if you ask.
- H: Ah-ha.
- H.M.Jr: See?
- H: All right, first rate.
- H.M.Jr: And - ah - don't let's emphasize - ah - this is purely personal - the fact that - I don't want another three corner misunderstanding, you know.
- H: Yes.

H.M.Jr: I mean - in perfectly good faith I called up Mar-
riner and said, "You know all about this thing," and
then he acted as though he hadn't heard about it.

H: There wasn't at that time awfully much to know about
it. I just told him.....

H.M.Jr: No, it must have slipped his memory, George.

H: Yes - yes.

H.M.Jr: The fact - and then sometime between now and noon
tomorrow you call me.

H: All right.

H.M.Jr: Thank you.

H: Say Henry.

H.M.Jr: Yes.

H: One more thing -

H.M.Jr: Please.

H: off the record - ah - after my conversation
with you - ah - Tuesday afternoon.....

H.M.Jr: Yes.

H: I called back

H.M.Jr: Called back what?

H: and said that I - it had been a long time
since I'd seen

H.M.Jr: Oh yes.

H: and that I'd like to have the privilege of
paying a call on him that afternoon or the next
morning.....

H.M.Jr: Yes.

H: if it was agreeable.

H.M.Jr: Yes.

- 7 -

H: Mac wasn't there but his Secretary was and I waited till the next morning

H.M.Jr: Yes.

H: and that's yesterday morning

H.M.Jr: Yes.

H: and then Mac called me back at noon and said he had such a busy day he couldn't work me in so I just want to let you know I did it.

H.M.Jr: O. K.

H: I asked him to tell the President that I had tried to see him and that I would get in touch with him before I came down the next time.

H.M.Jr: Fine.

H: Good.

H.M.Jr: All right.

H: All right.

H.M.Jr: Thank you.

RB

GRAY

Paris

Dated April 22, 1937

Rec'd 3 p. m.

Secretary of State

Washington.

510, April 22, 5 p. m.

FROM COCHRAN.

French franc experienced another bad day. Trading this morning was particularly heavy but intervention by French control brought sterling down from 111.35 to 111.05. One broker alone took one million pounds from the bank. Forward franc discount still widening. French rentes fractionally better and four and a half 1937 bonds brought up from 94.50 to 94.90 but strong governmental intervention in all of these securities is suspected.

Bank of France statement as of April 16th showed no change in gold holdings and no new advances to the State. Treasury's deposit account declined by 380,000,000 francs. With circulation and deposits down, coverage was 55.64 versus 54.96.

French general budgetary revenue for March is more favorable than for either of the two preceding months. It exceeds estimates by about 315,000,000 francs due notably to increased receipts from the tax on revenue (TD SECTION OFE)

BULLITT

LMS

GRAY

Paris

Dated April 22, 1937

Rec'd 3:55 p. m.

Secretary of State,
Washington.

510, April 22, 5 p. m. (SECTION TWO)

from securities, from the customs and from the business turnover tax.

The deficit of the ordinary budget for 1937 is approximately 4,800,000,000 francs. Therefore taking account of the increased revenue over estimates for the entire three months of 1937 this deficit has so far been reduced to the extent of about 344,000,000. However, since the approval of the 1937 finance law, the deficit in question has been aggravated by expenditures unprovided for such as the service of the British loan concluded on January 29, the service of the national defense loan issues of March 10 and March 12, the recent law increasing the salaries of Government employees estimated at about 618,000,000 francs, and higher costs of material and services.

Revenue for March 1937 exceeded revenue for March 1936 by about 228,000,000 francs.

Finance Committee of Chamber has decided not to meet before April 27 date of reconvening of Parliament to permit questioning of Minister of Finance on various financial rumors,

LMS 2-No. 510, April 22, 5 p. m., Sec. 2, from Paris.

rumors, disbursements for national defense from proceeds of recent loan, et cetera.

There is some gossip that the Credit National may shortly attempt a loan although the slow response to the recently opened City of Paris issue and the decline in Government securities may discourage such a plan.

BULLITT

SMS

RECEIVED
MAY 13 1961
DEPARTMENT OF STATE
WASHINGTON, D. C.

LMS

PLAIN

London

Dated April 22, 1937

Rec'd 3:10 p. m.

Secretary of State,
Washington.

238, April 22, 7 p. m.

FOR TREASURY FROM BUTTERWORTH.

Questioned in the House of Commons this afternoon whether he would consider endeavoring to effect an arrangement for the payment of the American war debt the Chancellor of the Exchequer replied that "as stated in the note addressed to the United States Government on December 10, 1936 His Majesty's Government would be ready to reopen discussions on the question of a settlement of the British war debt whenever circumstances are such as to warrant the hope that a satisfactory result might be reached; I am not prepared to express an opinion at the present time with regard to methods of settlement".

Reports from Paris reaching London indicate that the French fund has lost heavily recently. Its outgoings today amounting to the equivalent of approximately two million pounds. The recrudescence of nervousness about the French situation referred to in my No. 222, April 16, 7 p. m., is increasing and French correspondents of British banking firms

LMS 2-No. 238, April 22, 7 p. m., from London.

firms are again sending pessimistic predictions. The following views which were expressed in confidence by a French banker may be of interest as indicative of the state of mind. My informant believes that Blum is entirely under the influence if not powerless against the pressure of the revolutionary Left. At the same time the French Treasury will have no more funds by the end of May and he anticipates that by the end of the summer (the financing of the intervening period being carried through by various forms of subterfuge and monetary juggling) a very grave situation will have arisen in France from both a financial and social point of view. My informant believes that there will come a time when there will be a serious risk of disorders in Paris and perhaps in France generally on a scale greater than has yet been witnessed and that between now and the end of the year we may well see francs at 150 to the pound. Then ordinary change in the internal price level of France which would put the franc quite out of line with other currencies such a figure would be a panic rate and therefore could not be maintained. He agreed any such rate would be merely temporary but in his view so was the present rate and eventually francs would be at about 125 to the pound.

Criticism of the national defense contribution tax
continues

LMS 3-No. 238, April 22, 7 p. m., from London.

continues unabated in the City and among conservatives in the House of Commons. As the liberal MANCHESTER GUARDIAN puts it: "Rarely can a Chancellor have brought in a budget that displeases only his own supporters or perhaps one should say whose principal enemies are to be found among his own supporters." When the smoke of controversy drifts away it will probably be found that the incidence of taxation will not be as heavy as is now anticipated on insufficient information and that through amendments when the bill goes into Committee in the House of Commons certain ameliorations will be effected. Phillips recently told me that the Treasury's estimate of Great Britain's industrial income was some 900 million pounds. On that basis a tax which is scheduled to bring in only 2 million pounds this year when it is only partially operative and merely 20 to 25 million pounds next year when it is fully operative cannot be regarded as unduly onerous in the given circumstances.

BINGHAM

HPD

2071038

RECEIVED
APR 23 1941
U.S. DEPARTMENT OF JUSTICE
WASHINGTON, D. C.

April 22, 1937.
4:03 p. m.

H.M.Jr: I got your message you called.
George
Harrison: Oh well, there was just one thing I wanted to talk to you about.

H.M.Jr: Yes.

H: And that was the possibility of getting a little more time because we didn't have any - ah - outline or charter of that institution

H.M.Jr: Yes.

H: nor did we have any statement. We didn't know a darned thing about it and I just hate to go to my Directors on anything on which I'm so unfamiliar as I was about that.

H.M.Jr: Ah-ha.

H: However, I did take it up with them and - ah - it's now - just what they're doing is being written out and I'd like to call you back so there won't be any quibbling about the words.

H.M.Jr: I see.

H: If that's all right with you.

H.M.Jr: Well - ah - Mr. Doughton has just come in and when you get it - will you dictate it to somebody?

H: Yes, that's what I'd rather do. Mr. who has just come in?

H.M.Jr: Ah - I have some people - I can't - and what I would suggest is that when you're ready call up.

H: This is - I'll give you in substance what it is.

H.M.Jr: Yes.

H: But let's don't quibble about words now. That is, the very favorably consider an application for opening an account here if we get one along the same general terms and conditions - ah - as we have had for other institutions.

H.M.Jr: Yes.

- 2 -

H.M.Jr: Yes.

H: Ah - we would prefer a one-way one than a two-way one and probably would make it that and then - but before making any firm commitment as to what we will do we would like to inform ourselves to be sure that the institution is the same general kind and character of institution as we have opened accounts for in the past.

H.M.Jr: Ah - ha.

H: That is, whether it's really a bona-fide Central Bank or not, which we don't know because we don't know anything about it.

H.M.Jr: Yes.

H: And second what - what is generally the character of it's condition which we know nothing about because they haven't issued a statement since 1932.

H.M.Jr: Well let me put it this way. Let me turn you over to Wayne Taylor, see?

H: Yes.

H.M.Jr: How's that. Are you ready to have it dictated to him or not?

H: NO - no I'm not I want to - I want to get it in shape. It's just come out of a meeting.

H.M.Jr: Well when it is supposing you - you dictate it to Wayne Taylor's office and let him carry it.

H: Yes, all right.

H.M.Jr: See?

H: First rate.

H.M.Jr: What?

H: First rate. I'll do that.

H.M.Jr: Thank you.

conference Bob Doughton
Mayall - H.O. - 11th fl.

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Thurs. P.M.

THE PROBLEM OF TAX-EXEMPTION

4-22-37

I. SALARIES OF FEDERAL, STATE AND LOCAL EMPLOYEES

1. Present Situation

There are a total of about 2,400,000 state and local government employees, and about 1,090,000 Federal employees. The average salaries of the former are about \$1,464; and of the latter \$1,688. Since 95 percent of the Federal employees receive less than \$3,000, the increased revenue which could be obtained by eliminating the exemption is not very great; the Federal Government would gain perhaps \$13 millions per year.

2. Solution

To eliminate the exemption would apparently require a constitutional amendment. H.J. Res. 320 introduced by Mr. Cochran has this purpose.

- a. A possible statutory solution is II-h-(3) below.

II. TAX-EXEMPT BONDS

1. Present situation

The Secretary's 1936 Report shows net outstanding issues of \$53,613 millions, wholly or partially exempt from Federal income tax, of which \$16,882 millions are state and local bonds. The loss in income tax revenue from the tax-exempt feature in the Federal bonds is estimated to be much greater than the savings in interest cost, in part because these bonds are now largely sold to individuals and institutions to whom the tax-exempt feature is unimportant. Hence the very wealthy, to whom the feature is highly important, can buy at prices which do not fully reflect the value to them of the tax-exemption. The loss of revenue at present is perhaps \$70 millions. It is estimated that the elimination of the tax exemption would mean that future Federal issues would have to carry about $\frac{1}{2}$ percent additional interest.

2. Alternative Solutions

- a. Constitutional amendment allowing states and Federal Government to tax interest on future issues of bonds.

Comment - This amendment passed the House in 1923; and was endorsed by the Secretary in 1934. The practical difficulty is that the states, particularly the poorer states with heavy debts, have less to gain than they may lose in higher future interest rates.

- b. Statutory changes:

- (1) Require all tax-exempt interest to be included in gross income for the purpose of determining the surtax rates; these rates will then be applied only to the taxable income.

Comment - Recommended by Secretary Glass in 1919. Probably constitutional. Compare National Life Ins. Co. v. U. S., 277 U. S. 508 (1928); Maxwell v. Bugbee, 250 U. S. 525 (1919).

- (2) Substitute an excise tax on corporations, measured by income of all kinds, including tax-exempt income, for the present income tax.

Comment - The statute would clearly be constitutional and interest on outstanding issues as well as future issues could be included.

- (3) Require all tax-exempt income to be included in gross income, with provision for a return to the states of a pro rata part of the taxes attributable to their securities or employees.

Comment - There is some constitutional question here, and there would be some administrative difficulty. If the statute applied to already outstanding issues, breach of faith might be charged.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 22, 1937.

to Secretary Morgenthau
FROM Herman Oliphant

For your information and records

The following are the facts in connection with H.R. 5854, a Bill to amend generally the Federal Trade Commission Act, which is referred to in the annexed article.

This Bill was introduced at the instance of the Federal Trade Commission, and referred to the Committee on Interstate and Foreign Commerce. When the Bill was printed in the Committee, there appeared an amendment therein, a new Section, Section 12(c) which, in substance, excepted distilled spirits, wine and malt beverages from the operation of that part of the original Bill prohibiting false and misleading advertisements.

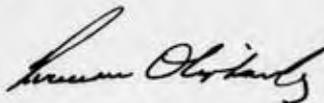
Mr. Kelley, General Counsel of the Federal Trade Commission, informed me that this amendment had been inserted in Committee without their knowledge at the solicitation of Mr. Buck, General Counsel to the Federal Alcohol Administrator, who had requested Congressman Lea, Chairman of the Committee, that the same be included in the Bill.

The Treasury Department had no knowledge of this action. The members of the Federal Trade Commission were greatly disturbed by this action and I informed Mr. Kelley that such action was taken without the knowledge or the sanction of the Treasury Department.

I conferred with Mr. Buck who in turn then consulted with the members of the Federal Trade Commission.

On April 5, I received a communication from Congressman Lea requesting an expression of the views of the Treasury Department on the question as to whether this amendment should be retained in the Bill.

On April 8, I replied to Mr. Lea stating that the Treasury Department, after a conference with the Federal Trade Commission, was of the opinion that the legislation should not except false advertisements of distilled spirits, wines or malt beverages.

A handwritten signature in cursive script, appearing to read "Truman O. Stanley".

Behind the News

Liquor Exempted From Advertising Restrictions in New Trade Commission Bill Joker.

BY PAUL MALLON.

IF DEMOCRATIC TREASURER W. FORBES MORGAN had not recently jumped to the distillers for a reputed \$100,000 per year, there would be no commotion over a hidden liquor joker in the new Federal Trade Commission bill. As it is, there is plenty. Even President Roosevelt is said to have interested himself to avoid an embarrassing predicament.

Sharp legislative eyes spotted an obscure sentence tucked into the middle of the sixteenth page of the new Federal Trade Commission bill. The measure, as a whole, lays down strong restrictions against false or misleading advertising practices for food, drugs, cosmetics or other "devices." Then comes this unexpected restriction: "This section shall not apply to distilled spirits, wine or malt beverages, as such commodities are defined in the Federal Alcohol Administration act."

This safeguarding of the distillers' interests is said authoritatively on the inside not to have originated with Mr. Morgan or any of the other half dozen or so high new orderers who lately have joined the same business group.

The job is being attributed to one of two Congressmen.

Nevertheless, off-the-record discussion at the Capitol has become hot enough to draw from the Treasury an unpublished official protest to Congress against the provision.

This is the first unhappy moment called Mr. Roosevelt by the recent desertions of his political friends to the new and rapidly growing liquor industry. It can hardly be the last.

Shortly after Mr. Morgan had left the Democratic National Committee to go into the big money, one of the able Michigan publicists there, Norman Baxter, also shifted to the Distilled Spirits Institute. About the same time, Mr. Woodruff's minister plenipotentiary in the Cotto Rican government, the capable Len R. Back, folded his high hat and joined Schenley Products Co. Two Treasury employees also have entered this same productive field. Of course, Dr. James M. Moran, long associated with the old Treasury prohibition unit, is drawing \$50,000 annually as head Washington man for the institute.

For these and other reasons, the House Interstate Commerce Committee will probably snip the joker from the bill some time this week.

Note—The official explanation for exempting liquor advertising from Federal Trade Commission supervision is that the Federal Alcohol Administration already has this authority. However, that F. A. A. authority is not as extensive as is proposed for other products under F. T. C. The present Government's regulations do not go much beyond requiring that the age and contents be stated truthfully.

Negotiations have been under way for some days which may be another New Deal left-anger into a large, or semi-large, private business. The negotiators are not the molasses group, which loved Dr. Tugwell, but some one just as good.

Recently the President has been saying that durable goods prices are going too high and that his policies would be switched to buy the soft-durable. (The durables are steel, copper and the heavy goods, while the non-durables are things more closely associated with the average citizen, such as food and clothing.)

It is hard to believe, but the Government has no figures on the relative prices of durables and non-durables, as a whole. That is, Government economists know the prices on all the various products, but have not computed an average for either group.

The best available figures are those of the National Bureau of Economic Research in New York City. Its latest price comparisons show:

(1929 equals 100)	Durable goods	Non-durable goods
1929 average.....	87.9	81.3
1936 average.....	89.4	81.7
1937, January.....	92.1	80.7
February.....	94.3	80.8

This indicates the President is right in his assertion that durable prices are ahead of non-durable, but they are not as far ahead as the average of the years 1929 and 1934.

The Treasury has not yet expressed itself, but it has its objection to the Cochran proposal to levy income taxes on Federal and State employees under a constitutional amendment. From the standpoint of a more equal distribution of taxes, the proposition is appealing, but, from a revenue-raising standpoint, it is unattractive. Federal and State incomes are low.



The coming of London Interoceanic, newly started liner company, has been announced as a change in the President's new proposal. On the surface it was to mean more money which would stimulate new port facilities, but the Board of the National Maritime Council has decided that it merely represents the intention of the court plan.

April 22, 1937.

SI-10022-Y
 SI-10736-Y
 OB:MFS

MEMORANDUM

In re: E. M. Smith,
 E. M. Smith Company.

TABLE OF PERSONS INVOLVED IN THE ABOVE NAMED CASES

- Albert E. Boleky** - Brother-in-law of Joseph Smith, brother of the taxpayer. Operated small jewelry store during years involved in criminal case; averaged gross receipts about \$20.00 a day. During 1929 and 1930 Boleky received in dividends \$18,640.00 of which he returned to E. M. Smith \$18,765.00. For the use of his name Boleky was permitted to retain \$875.00. He has nine children, six being under eighteen during 1929 and 1930.
- James T. Duncan** - Assistant cashier Pacific National Bank in 1928, of which bank E. M. Smith was Chairman of the Board of Directors. Salary \$225.00 per month. Reported salary and dividends from Smith stock during 1929 and 1930. Duncan received in dividends \$18,960.00, returning to Smith \$17,495.00, retaining \$1,467.00. No relation to Smith.
- Kila J. Engblom** - Former bookkeeper for Smith. Received dividends on Smith stock in 1929 and 1930 \$14,740.00, returned to Smith \$14,018.50, retained \$721.50 representing "bonus" and reimbursement Los Angeles County personal property tax upon the Smith stock. During 1929 and 1930 was married to electrical contractor.
- Frank M. Fisher** - Engaged in book and stationery business, a partnership, his portion of profits in 1929 and 1930 being \$1,370.52 and \$1,653.00, respectively. Wife employed in drygoods store at \$75.00 per month. Fisher's sister is wife of Joseph Smith. In 1929 and 1930 Fisher received in dividends \$29,540.00, returning to Smith \$28,256.86, retaining \$1,108.14, part for bonus and part for California personal property tax.

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SI-10012-F
SI-10736-F

- John P. Fisher** - Brother of Frank Fisher and brother-in-law of Joseph Smith. Employed by Smith's Emeco Company at \$170.00 per month. Received dividends in 1929 and 1930 \$23,090.00, returned to Smith \$22,327.50, retained \$762.50. Report shows that the so-called bonus to John Fisher amounted to only \$32.50.
- Francis J. Couker**- Clerk at Emeco Company average salary \$145.00 per month. Second cousin by marriage to Joseph Smith. During 1929 and 1930 received dividends amounting to \$14,940.00, returning to Smith \$14,252.50, retaining \$687.50.
- John F. Couker** - Father of Francis Couker and first cousin by marriage to Joseph Smith. Employed by Emeco Company, \$155.00 per month. Received dividends in 1929 and 1930 of \$15,732.20, returned to Smith \$15,053.50, retained \$678.70.
- A. B. Heilbrun** - Medicine salesman and operated a collection agency doing certain confidential work for Smith. Received in 1929 and 1930 dividends amounting to \$29,450.00, returned to Smith \$27,575.00, retained \$2,075.00.
- L. M. Herzperger** - Long time employee of Smith operations, salary from \$200.00 to \$250.00 a month. His wife is first cousin to E. M. Smith. Dividends during 1929 and 1930 \$26,520.00, returned to Smith \$24,840.00, retained \$1,580.00.
- Robert C. Johnston**- Until September 1929 employed as cashier Pacific National Bank, of which Board of Directors E. M. Smith was chairman. In 1929 and 1930 received \$16,400.00 in dividends, returned to Smith \$16,300, retained \$100.00. No relation to defendant.
- J. S. McDunn** - Secretary of Smith's Emeco Asbestos Company, no relation to Smith. In 1929 and 1930 received dividends amounting to \$12,610.00, returned to Smith \$11,835.00, retained \$775.00.

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SI-10018-F
SI-10736-F

- Frank J. Penders** - Former trust officer Pacific National Bank. Received in 1929 and 1930 dividends amounting to \$15,480.00, returning \$12,706.00, retaining \$2775.00.
- M. P. Sahner** - Cousin to both E. M. and Joseph Smith. Insurance agent, annual income about \$1,800.00, received dividends in 1929 and 1930 amounting to \$17,460.00, returned \$16,350.00, retained \$1,110.00.
- R. L. Sasse, docs'd-** Was employed during period involved by the Emeco Company. Income about \$2,500.00 per year. Received in 1929 and 1930 dividends amounting to \$14,560.00, returned \$13,694.50, retained \$865.50.
- Frank W. Shelton** - Former assistant vice-president Pacific National Bank. Received dividends in 1929 and 1930 amounting to \$18,910.00, entire amount being returned to Smith, nothing retained.
- Howard J. Smelsire-** Cousin to defendant and employed as timekeeper by the Emeco Company at salary of about \$1,800.00. Received in 1929 and 1930 dividends amounting to \$15,160.00, returned \$14,391.30, retained \$768.70.
- B. A. Stewart** - No relation. Formerly assistant cashier Pacific National Bank. Income about \$2,700.00 per year. Received dividends in 1929 and 1930 amounting to \$19,960.00, returned \$18,513.00, retained \$1,447.00.
- Roy C. Mummel** - Employee of Emeco Press Forging Company. Received dividend in 1929 of \$1,360.00, returned \$1,284.00 and retained \$76.00. No relation.
- W. A. DeRidder** - Vice-president Emeco Press Forging Company. Received dividend in 1929 of \$2,516.00, returned \$2,264.00, retained \$252.00. No relation.
- M. L. Russell** - No relation. Watchman or timekeeper for E. M. Smith Company. Income not over \$200.00 a month. Received dividends in 1929 amounting to \$7,612.50, of which he retained a very small amount. Cannot be exactly stated.

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SI-1001E-F

SI-10736-F

- Frank Gruber** - His wife is a cousin to the defendant. Was "given" stock in Smith's Standard Machine Company in 1929 so he was advised when he was told to include in his 1929 return a profit from the sale of the stock of \$33,340. Check that amount was not endorsed by Gruber. Smith reimbursed Gruber for taxes paid in connection with alleged profit of \$33,340.
- Joseph H. Wheeler** - Received dividends in 1929 on which taxes were paid in the amount of \$3,093.97. On date Wheeler paid this tax Smith gave him a check for \$3,150.00.
Deceased
- George B. Smith** - Uncle of E. M. Smith. Was requested by the taxpayer to report as operating profits and profits from sale of assets of the Standard Machine Company \$33,340.00. He did so, paid the tax and was reimbursed by Smith.
- Raymond P. Smith** - Son of George and cousin of E. M. Smith. Also reported income from transactions similar to that of George B. Smith and Joseph H. Wheeler.

TREASURY DEPARTMENT
Office of the Secretary
Secret Service Division

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MEMORANDUM

April 22, 1937

To: Mrs. Klotz

From: Mr. Murphy

We are sending you for your information
a tentative itinerary of the President's trip
to Mississippi and other Southern points.

7. 20

Trip of the President to Biloxi, Gulfport, Miss.,
New Orleans, La., Galveston, College Station,
and Fort Worth, Texas, to Washington, D. C.
April 28-May 13, 1937.

WEDNESDAY, April 28.

Lv. Washington (Southern Ry.)..... 1:00 a.m.
Ar. Atlanta, Ga..... 9:30 p.m. OT. OP
Lv. Atlanta (A. and W. P. R.R.)..... 9:40 p.m.

THURSDAY, April 29.

Ar. Montgomery, Ala..... 2:40 a.m.
Lv. Montgomery (L and N. RR)..... 2:50 a.m. OP
Ar. Biloxi, Miss..... 9:00 a.m.

Visit (7) Thence by motor to
Gulfport (about 18 miles); entrain
for New Orleans.

While party is motoring, train
equipment will be moved to Gulfport.

Lv. Gulfport..... 10:30 a.m.
Ar. New Orleans, La..... 12:30 p.m.

After lunch, the President and his
immediate party go aboard USS POTOMAC.

MONDAY, May 10.

Lv. Galveston, Texas (Southern Pas. R.R.).... 10:00 a.m.
Ar. Houston..... 11:40 a.m. OP
Lv. Houston..... 11:50 a.m.
Ar. College Station..... 2:00 p.m.
Visit A. and M. College.
Lv. College Station..... 3:30 p.m.
Ar. Fort Worth..... 9:00 p.m.

TUESDAY, May 11.

Lv. Fort Worth (M. K. and T. R.R.)..... 6:15 p.m.
and Frisco.

WEDNESDAY, May 12.

Ar. St. Louis, Mo..... 11:35 a.m. OP
Lv. St. Louis (Pennsylvania R.R.)..... 11:45 a.m.

THURSDAY, May 13.

Lv. Washington, D.C..... 10:00 a.m.

Members of the party: