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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: October 12, 1937, 9 a.m.

NO.: 1427

FROM COCHRAN.

This morning I got back from Basel where on Sunday and Monday the BIS directors held their first meeting since in July.

The Governors in a confidential session discussed the successor for Quesnay as general manager, but they reached no decision. It appears that if the selection is a Frenchman, Auboin is the most likely choice since none of those heretofore mentioned seems acceptable (those mentioned were Lacour-Gayet, Rueff and Bizot). Several directors have a strong desire to avoid establishing the precedent that a BIS resident officer must be succeeded by one from the same country, and they believe that there are too many managers on the BIS staff and would like to take advantage of any separations from the staff of managers to reduce the number. These directors also insist that when an outside replacement is necessary the best man available, irrespective of nationality, should be given the job. Some of the directors also expressed the opinion that the scale of salaries should be reduced.

The

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The main point in the technical field which the Governors discussed was whether gold coins should be sold to private banks by the central banks. The principal champion of the theory that hoarding should not be aided by such practice was Norman. The main defender was Trip, who said, however, that if

END SECTION ONE.

WILSON.

E A: LWW

RECEIVED
OCT 10 1935
FEDERAL RESERVE BANK
WASHINGTON, D. C.

PARAPHRASE OF SECTION TWO OF TELEGRAM No. 1427 of OCTOBER 12, 1937, from Paris.

gold transactions were limited to intra-central bank operations he would stop his present practice. Now that gold is so plentiful he has sympathy with people of the Far East and others in countries of weak currencies who seek gold as an investment and store for wealth. Trip is of the opinion that as long as the British maintain a free gold market where gold bars can be purchased by large hoarders or by dealers who cut them up or trade for coins, the smaller central banks should not have to refrain from giving coins to small hoarders. Trip commented on a British press remark about profit to the Dutch Central Bank from such transactions by saying that Great Britain's annual dividend was twelve compared with his dividend of only four and a half. Inadvertently Azzolini of the Bank of Italy disclosed his interest in selling underweight gold coins at a premium. Coins had also been sold at a profit by Bachmann.

Governor Norman I found to be pessimistic. He spoke of the extent to which the American stock market had been driven down by public speeches. Bonnet's recent maneuvering within the French Government had made a bad impression in London, he said. Norman does not see that anything can be done through international financial assistance to France. As for the British banking credit to the French railways, he

he said that no negotiations had been opened toward the extension of this credit which matures in November and December of this year. In France's own interest Norman thinks that this credit should be extended, and he hoped they would use some of the funds now being obtained from Switzerland for this purpose. Norman believes that the franc will go lower after a short respite even if the status quo in French politics and in the Government should be continued after the cantonal elections. He does not think that sufficient confidence will be inspired by the present regime to repatriate a large amount of capital. He thinks the balance of trade is so unfavorable against France and the paper balancing of the 1938 budget so questionable that there is bound to be a weakening of the franc. Governor Norman had no report from the conversations in Washington other than that which appeared in the press. Personally he said he was not hopeful of any agreement between British and American officials for exchange of data with respect to capital holdings on the British market and on the American.

I had a conversation with Cobbold, who is in charge of the foreign business of the Bank of England. He said that London banks would not give out information regarding
 American

American holdings unless they were required to do so by law, and he was confident that legislation in this direction would not be favored by the present British Government. In his opinion, the French, always incompetent in obtaining tax information from their own people and in collecting the taxes therefrom, would not carry out satisfactorily an international undertaking on this line.

The Swiss National Bank head, Bachmann, confirmed the press report that the National Bank of Switzerland is accepting gold bars from other central banks only. I reported some time ago that Bachmann was encouraging the Swiss banks to operate directly on the London market rather than through the central bank when they wanted to sell gold. The influx of foreign funds is worrying Bachmann, who is now working towards an agreement with private Swiss banks with the view to checking it. The suggestion has been made that the Swiss banks should not pay any interest on foreign deposits, that they should take in no new deposits from abroad, and that even charges should be levied for taking care of foreign deposits already in the country. Some of these suggestions are objected to by the bankers, especially where old customers are concerned. As yet, Bachmann and his assistant Pfenniger admitted, hot money has resulted in no great harm to them but for two reasons they

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they fear for the future. These reasons are - the world price for gold might be lowered and the Swiss would therefore suffer a loss, and second, there might be a sudden withdrawal of foreign funds with a consequent exodus of Swiss capital, which would lead to a weakening of their own currency. /^{Recently} France had been the source of the principal gain in foreign funds, Bachmann said, although there had been some flight from Belgium and also a disposition on the part of Swiss holders to sell American securities and repatriate the proceeds from such sales.

According to Bachmann, the Swiss Bank has not been selling dollars in London for the purpose of purchasing gold. Now and then he has varied his price so that he could choose between acquiring gold or foreign exchange. It appeared from the figures which he showed me that he is trying to maintain a proportion of about 5 to 2 between the gold and foreign exchange holdings of his bank as almost all of the foreign exchange of the bank is in dollars, and practically all of the stabilization fund is in dollars also; none of the latter is in gold any longer. At the present time Bachmann is studying the advisability of seeking approval of the Federal Council to allow a slightly greater freedom of movement in the Swiss franc. He would not need legislation for this since there is no idea of permitting it to go as wide as the legal limits, i.e.,

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below 25 or above 35 percent devaluation as compared with the old Swiss franc. It is Bachmann's opinion that he would be less obliged to accept foreign currency and gold if he had this greater freedom as the Dutch Central Bank enjoys
END SECTIONS TWO TO FIVE, INCLUSIVE.

WILSON.

EA: LWW

PARAPHRASE OF SECTION SIX OF TELEGRAM NO.
1427 of October 12, 1937, from Paris

On this point Bachmann consulted Trip, who strongly advised Bachmann not to make any change. The belief was also expressed by Rooth that Bachmann would only complicate his own situation if he made a change now in an effort to avoid taking gold and foreign exchange. In a discussion of the efforts of Switzerland to check the influx of hot money and to drive out of Switzerland that already there, Trip insisted that such action might react very seriously on the monetary systems of the countries to which it would go if it did not go to Switzerland; he said he is aware that his country would probably be the next most popular haven for the capital.

I asked Trip for his opinion on reciprocal arrangements for information on taxes. He said he knew the Dutch had mentioned this question to our authorities, but he said that the official most interested in this matter, Sissingedamste, was no longer in the Ministry of Finance. If a whole series of international reciprocal arrangements could be negotiated simultaneously, Trip said there would be certain advantages provided all parties thereto were in a position to carry out their obligations efficiently and scrupulously, but he said neither of these conditions is evident. It is his belief that flight is the one protection

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tection left for capital in this day of avaricious dictators and free spending democracies, and he does not think this should be withdrawn. In his mind the remedy would be for the countries to put their own houses in order and live with their neighbors in peace. In strict confidence he told me that the Dutch Government recently negotiated a treaty with Germany which would give the German Government the privilege of indicating to Dutch officials German subjects in the Netherlands who were, according to decision of the German Government, delinquent in their taxes, and of asking the Dutch to execute the decisions of the German Government. The Dutch bankers and officials of the stock exchange, Trip said, had realized the significance of such an arrangement apparently more than had the officials who did the negotiating; they (the bankers and stock exchange officials) had been bringing pressure to bear upon the Government to prevent having the measure submitted to the Dutch Parliament, since they believe that it would give Germany facilities to request the Dutch to execute decisions which would force German refugees in the Netherlands to flee the country.

I was told by Bachmann that late yesterday he expected to receive a decision from the Swiss Government permitting
the

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the conclusion of the loan to the French railways in the amount of 100 million Swiss francs (with option for an additional 100 million) to the French railways for a period of 2 years at 4 percent, which is being made by a syndicate of Swiss banks headed by the Credit Suisse and the Swiss Bank Corporation. Confidentially, Bachmann said, the negotiations had been rather long because of the conditions attached to the loan; the French had been asked to concede to Switzerland certain quota benefits. Secondly, a double taxation agreement between the two countries was involved, and thirdly, an arrangement was sought by the French fiscal authorities whereunder the Swiss authorities would reveal information regarding holdings in Switzerland of French capital. The first two points were included satisfactorily as the agreement approached conclusion yesterday evening. The third however had been definitely refused by the Swiss. From other sources I have ~~learned that~~ received positive information that the Swiss bankers who are taking part in the loan refused to go further with it unless the French request for tax information were declined by the Swiss Government.

Bachmann told me that with regard to the above loan, there was no requirement for gold to be deposited in
Switzerland

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Switzerland as security. The Bank of France was giving an undertaking to provide the foreign exchange for both the interest and capital repayment of the loan as might be required and the undertaking of the Bank of France was being guaranteed by the French Ministry of Finance.

The Swedish Central Bank Governor, Rooth, ~~whom the bankers~~ confirmed the report of Norman that negotiations had not been opened for renewal of the original London credit in which his bankers had participated. It was Rooth's thought that the Swiss might take over a part of the credit, and the Dutch might also do so. I asked Trip whether the Netherlands Bank would permit Dutch banks to do this, and he replied that he had a legitimate excuse for not taking part. They had not been completely successful in the Dutch East Indies conversion loan with the result that on October 18, 200,000,000 florins cash must be paid to holders who did not take part in the conversion. In addition the Dutch Central Government has a conversion operation of over 1,000,000,000 florins which within the next few weeks it wants to take care of. Therefore there is no chance for a costly French credit to come on the Dutch market and disturb it.

According to Rooth conditions in Sweden are good, and in the present circumstances there is no likelihood of
appreciating

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appreciating the crown. On this point Swedish economists now agree with him. Should there be an important rise in world prices, they would reopen the question.

I was informed by the Governor of the National Bank of Belgium, Franck, that appointees in the Belgian Government are retired at 67 with a possible two year extension. Governor Franck is 69 now and before the end of the year he will be 70, and by that time will have to leave his position. It had always been his hope that his successor would be Paul van Zeeland, but he said now it is absolutely uncertain as to what the future of Paul van Zeeland will be. He is in the south of France just now for a rest, presumably, but actually he is writing his report on international economics.

It is the opinion of many of Paul Van Zeeland's old friends in the BIS that he has hurt his career tremendously by getting involved in the international inquiry when neither the British nor the French would give him their sincere support. Thus his efforts were doomed to fail because he got his King to issue such an ill-advised letter and because he was a party to arrangements with the Central Bank to his own pecuniary profit.

Governor Franck told me that France was not in a position to compete with Belgium and that the depreciating franc in no way threatens the belga. Franck's optimism on
this

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this point was not shared by Rooth and some of the other observers.

I had a long talk with Schacht, who spoke as if he would soon resign from the Ministry of Economics and within a few months would leave the Reichsbank. ~~It~~ I said that I did not understand how he might be disposed to give up the Ministry ~~which~~ since I had thought he had taken it provisionally and I was sure that it must be a tremendous burden to carry the two tasks, even for a person of his capacity for hard work. In answer he said that I should not conclude that it is especially overpowering to occupy two posts when the example is given to the world of one German Minister - he would not mention any names - filled a dozen posts having to do with aviation, opera, hunting, the four-year plan, and so on. Schacht himself was in good health and spirits, but I got the impression he was tired of his long fight. He frankly told me that in the circumstances he felt he had accomplished a lot but that there were too many disappointments, particularly in the international political field. In his opinion world peace could best be aided by first improving relations between Great Britain and his country. He does not think that the bold program of the Italians will precipitate any war, but he was not so sure that the
British

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British, when they are better prepared, would not welcome a war. It is his belief that France is most desirous of peace. He believes that public criticism by officials of one country of the government or people of another is one of the most serious hindrances to international peace. Such criticism, he said, usually stiffened the opposition in the second country and only caused it to follow the policies already started in a more determined fashion.

As for general conditions, Schacht said that disappointment is in store for those who still await an economic collapse. He said that he had not been able to take advantage of the opportunities now afforded in foreign trade for sending Germany's normal heavy industrial equipment abroad to anything like the degree which would have been possible if there had not been continuation of armaments. However, as a result of the drop in prices of raw materials which Germany must import, he was looking forward to some new improvement in his export trade. Some of my other friends, including Rooth, talked with Schacht and said they thought he would leave the Ministry soon and would threaten also to quit the Reichsbank. However, they still doubted whether Hitler would have sufficient confidence in his party's financial talent to risk a replacement of Schacht in the Reichsbank.

The Japanese directors, Kanoye and Igita, patriotically
tried

tried to defend the Far Eastern policy of Japan, but they were visibly not happy. None of those with whom I talked thought that the United States would go to war to stop Japanese aggression in China. Neither did any of my contacts think that public speeches would stop Japanese aggression. To boycott or quarantine Japan does not appeal as an effective measure to those central bankers who still remember that economic sanctions against Italy failed to prevent the conquest of Ethiopia. [In this connection, you may recall that shortly after sanctions were imposed I visited Italy and reported that many Japanese were there studying the Italian methods for achieving economic self-sufficiency.] There seemed to be a general impression that Japan would now be spurred on to hasten her exploits in China, and that if well-advised, they would negotiate an early agreement with China whereby they would not try to get Shanghai but would instead acquire certain territory, including Peiping.

Much interest centered around the situation in France. According to the returns from the cantonal elections received by yesterday evening, it is likely French politics would remain as at present. The observers saw that an immediate improvement in the franc was reflected thereby. There is general agreement by most of these observers that
 the

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the franc has gone as low as is required by the present economic situation of France. However, most of them were unwilling to express the slightest confidence in the currency's long-term outlook. It is still felt that it is not possible to bring about real financial recovery under a government so conspicuously influenced by the Extreme Left, and that a firm and durable foundation has not yet been reached even though the franc may now and then show temporary improvement.

The Governor of the Bank of France, Fournier, and his assistant Boisanger, tried to convince their BIS colleagues that if they could now stop the flight of capital from France at this level the currency could be held even if there might be considerable delay in actual repatriation of ^{French} capital. My friends are not convinced that currency difficulties for France are ended, however. They appreciate the need of cheaper capital for reviving French industry, and are familiar with the difficulties which high cost of production presents to industry, as well as the problems which are now arising from the high cost of living to the middle class and labor. The weakness of the financial and credit situation is brought out by the fact that France is obliged to borrow abroad and can get only such comparatively small amounts as given by the Swis.

As to the world outlook, most of my contacts were not so blue as Governor Norman. In their opinion there has

recently been improvement in the European political situation in spite of annoying tactics followed by Italy with respect to Spain. My friends are not convinced that economic facts warrant the drop in world prices for commodities and securities, and once certain present psychological obstacles are overcome, they believe there will be a pick-up. By no means do they think we are entering a second crisis before we have thoroughly come out of the one just experienced.

Beyen will not be able to visit the United States late in October as originally planned because of the question of rearrangement of the managerial staff of the BIS. After the next meeting of the BIS (November 8) it still may be possible for him to get away. Beyen would plan to be back in Basel for the December 13 meeting.

END MESSAGE.

WILSON.

EA: LWW

October 12, 1937.
9:58 a.m.

H.M.Jr: Hello

Operator: Hello.

H.M.Jr: Yes

Operator: Mr. Baillie. Go ahead.

H.M.Jr:
Earle

Baillie: Good morning, Henry.

H.M.Jr: How are you?

B: I'm fine, sir, how are you?

H.M.Jr: Very well.

B: Now, Henry, the two things that I wanted to say to you are these. When we talked over the week end, I told you that I thought there were certain times -

H.M.Jr: Could you talk a little louder and a little slower.

B: Yes. When I talked to you last Friday, I told you that in three or four days I felt that there was a certain stability coming into parts of the market, and there were indications of that last week.

H.M.Jr: Yes.

B: But that all vanished yesterday.

H.M.Jr: Yes

B: And yesterday with a type of sort of relentless selling, all day long which you couldn't see the end of -

H.M.Jr: No

B: And it sucked in.

H.M.Jr: It what?

B: Sucked in.

H.M.Jr: Sucked in.

B: Yes. Amsterdam wasn't - and Paris

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H.M.Jr: Yes.

B: In other words the weakness yesterday had spread a great deal more than just a good margin and it was showing not only in the period market, that I mentioned, but it was also showing in all the commodity markets, and I think you have to say that there's a broad inflationary movement going on -

H.M.Jr: A what

B: A broad inflationary movement, which at the moment doesn't seem to be in control, I mean its nearer out of control as I view the market yesterday than I have seen for several years. Therefore, I'm more concerned about it than I've been. Well, really ever since - ever since you and I have talked together -

H.M.Jr: Yes

B: I'm more - there's more of a question in my mind, it's less clear to me where the stopping point on the thing is.

H.M.Jr: Yes

B: It's against that background - it seems to me that - assumed tremendous importance and it assumed great importance as I saw it from your point of view as the boys that paid the money.

H.M.Jr: The boys, what.

B: As the boys who have to pay the money. In other words, the Secretary of the Treasury, got a question of revenue in your hands. You're the one that is responsible for it, and this deflationary movement has now reached the point and it goes on where taxes are going to be very seriously affected, and this whole movement is, in a sense, man made. In other words it doesn't arrive out of excesses in the business situation as the state of 1929 arose. It's the lack of confidence bordering almost on disorder, or you could use the word panic, if you wanted to, but that would be putting it a little strongly. It isn't quite that, it's sort of utter discouragement.

H.M.Jr: Yes

B: Now, if this that you're speaking of adds to that, then I think the markets are going to be hit very, very badly.

H.M.Jr: Yes

B: And that's what's disturbing. It isn't so much what is said, that I think is it is the first thing that should be said. In other words if that showed a realization of a portion of the business community the difficulties they're facing and this seems to be against that sort of thing, but rather for it, then I think we should be very hopeful.

H.M.Jr: Yes

B: But it will be very harmful, on the other hand.

H.M.Jr: Yes.

It shows atagonism, for it shows a desire to bear down on any changes at this moment, I mean it's like taking a man very sick with a high fever, -

H.M.Jr: Yes

B: And trying to tell him that it's going to be good for him to put a new roof on his house, something of that kind.

H.M.Jr: Yes

B: I mean, it's just -

H.M.Jr: Yes

B: Do you get my point?

H.M.Jr: Oh, I'm listening, but it's got to be a one-way conversation.

B: Of course it has.

H.M.Jr: No, I'm perfectly willing to listen, but I - I'm not -

B: I understand.

H.M.Jr: I'm not going to make any comment, if you don't mind.

B: Of course not, I didn't expect you to. Ordinarily I don't think that this thing makes much difference, one way or the other, but the state of mind of the business communities, as shown yesterday, makes any statement I think really very important, and I thought that I wouldn't say that, because after all you have a chance of doing something about it, and rightly.

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H.M.Jr: Yes

B: Now, on the other thing is this, that, you said to me on Friday that you had a feeling that the state of mind of the underwriting community in New York was one of the important factors here -

H.M.Jr: Yes

B: I think it is an important factor,

H.M.Jr: Yes

B: But it is a very, very much broader than that. It didn't embrace the whole community.

H.M.Jr: Yes

B: And if you want to get down to the fundamentals, some time, I'd love to chat about that with you, but I mean that isn't for a busy morning.

H.M.Jr: Yes

B: And I've really made it a point, that I've had in mind to make. Now when I come down next weekend, I'd like to have dinner with you on Wednesday -

H.M.Jr: Yes

B: If you've got some time on Wednesday afternoon at the office, that I could drop in and talk to you perhaps, or I could walk home with you.

H.M.Jr: Yes

B: Before your no business rule applies -

H.M.Jr: Yes

B: talk afterwards, I'd like to do it.

H.M.Jr: Well, I'll make a note of it and I'll keep it in mind and we will find the time.

B: O.K., old fellow, in the meantime

H.M.Jr: All right

B: Take care of yourself.

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H.M.Jr: I will
B: Goodbye
H.M.Jr: Goodbye.

October 12, 1937.
10:46 a.m.

H.M.Jr: Why is he in a jam.

Wayne Taylor: Well, he had made all the plans and in addition to that, why it doesn't fit. The banks which have the out are the ones that happen to have the cash that they can pay them off, see, and he'd like very much to have a chance to talk it over.

H.M.Jr: Can't today, talk it over Thursday.

T: Well.

H.M.Jr: I can see him 10 o'clock Thursday. That's the first time I have a chance.

T: That's -

H.M.Jr: 11 o'clock Thursday.

T: 11 o'clock. Well, if Carl has to go out on that day - that's the 15th, you see.

H.M.Jr: Well, now, listen, the bigger organizations of Mr. Myer's are postponed

T: Well, what I think we could do is to take his twenty, and then peddle it out, -

H.M.Jr: All right, then, supposing things go bad.

T: Well, take this chance.

H.M.Jr: I'm not going to do it. To hell with Bill Myers. I won't do it. Well I'll let it adjust itself.

T: Well -

H.M.Jr: I'll see him. Good God - I mean, here's Consolidated gas at eighty million dollars, and Morgan Stanley, who's got brains keep themselves clean and Henry Morgenthau, Jr., is going to do the same for the Treasury and Mr. Bill Myers can adjust himself to me, and if necessary I'll see him at four o'clock and I will not do it. I won't do it.

T: Yes. But you will see him at four.

H.M.Jr: I'll see him at four, but you might just as well let him know he can change his call, he can readjust himself

and everything else. He can turn himself inside out. I am not going to load my shelves with a lot of Farm Credit bonds.

T: O. K.

H.M.Jr: I won't do it, and you bring him in at four o'clock and I'll tell him so.

All right.

H.M.Jr: But he better find out some way to handle it, but I am not going to take his stuff and I won't let him sell it.

T: Right.

H.M.Jr: If necessary we'll postpone the whole cast. I'll postpone his whole cast.

T: O. K.

H.M.Jr: I mean - I never forget Bill Myers, when his stuff got stuck here, and they couldn't sell a hundred million, they only sold eighty five, Henry Morgenthau Jr., - it was his failure, and I'm not going to have any failure in a wholly owned Government corporation this time, - not as long as I'm Secretary. Say, are you with me?

T: I think we could do the twenty if we had to.

H.M.Jr: Well, listen fellow, you work it out, but not out of my pocket.

T: All right.

H.M.Jr: All right.

T: I'll have him be there at four.

H.M.Jr: O.K. Goodbye.

October 12, 1937.
3:50 p.m.

H.M.Jr: Hello

Operator: Mr. Magill. Go ahead.

M: Hello.

H.M.Jr: Ros, I got your message from Mrs. Klotz.

M: Yes.

H.M.Jr: Fine. Now the President suggested that Henry Wallace, and the Treasury, myself, get together on what his program is. And I - I - So I said to Henry Wallace, "We're ready any time you are".

M: Yes.

H.M.Jr: But frankly I said to the Cabinet and to Wallace - I said, "You're the biggest problem we've got."

M: Good for you.

H.M.Jr: And the Cabinet. I said, "Now Henry, when will you be able to discuss how you are going to finance this cotton program," so he said, "Well, I suppose we'll have to be ready before Wednesday, when the President said he wanted to see it." So he said, "I'll have to get busy and call my men together and begin to work on it." Well, that's gospel truth. He's got to call his men together now, and he being the principal person to urge the President to call a special session, which is going out tonight - tonight Henry Wallace calls his people together to discuss how to finance and what the program is to be.

M: Isn't that amazing, really.

H.M.Jr: Well anybody else, they'd keep their coat, their pants and their undershirt on.

M: Well, don 't you think the best thing to do is to - I am just wondering if I could slip the word to Kent, and Tarleau - in some kind of very informal manner - it looks to me like the boys better be getting their information together on that processing tax.

H.M.Jr: But - well, it may not be that.

M: It may not be that.

- 2 -

H.M.Jr: But, they can work on it, but it may not be that.

M: Yes, but still I think they had better get themselves together, because - I don't like to start work Tuesday night, to be ready for the next Wednesday, no matter what Secretary Wallace does.

H.M.Jr: My own guess tonight is that the best guess would be a processing tax.

M: Yes. Well, I think they had better be getting their stuff together.

H.M.Jr: All right, Professor.

M: Thank you very much, sir. I think I may go home now.

H.M.Jr: I'd stay home tomorrow.

M: All right, sir, I will.

H.M.Jr: Thank you.

October 12, 1937.
4:19 p.m.

H.M.Jr: Hello

Operator: Jones. - Go ahead.

H.M.Jr: Hello, Jesse.

Jones: Hello

H.M.Jr: Henry talking.

J: How are you?

H.M.Jr: I'm not very good, Jesse.

J: Kind a low today, are you?

H.M.Jr: Well, Bell has just been telling me what you're talking about Henry Wallace and yourself on commodity credit.

J: Yes

H.M.Jr: And I don't see how anybody - even a wizard could make any estimates on financing if you shift the picture all the time like that.

J: Yes

H.M.Jr: We can't run the Treasury - we can't run the Government like that.

J: Well you've got the say -

H.M.Jr: Well, I mean - Wallace sat in at Cabinet for two hours, and God damn it, he never said a word about it.

J: He didn't, eh.

H.M.Jr: And the President said - not a single word. Now I don't think that's playing ball.

J: Well, I - he was up here last week about the corn loan.

H.M.Jr: Yes

J: And talking about - fifty cent loan. Well, there's a billion - there's two and a half - two billion, six hundred million bushels this year estimated and that's more than a billion above last year, so that I talked down there and I gave Dan the best guess I could give him.

- 2 -

H.M.Jr: Well, now we've just gone all through this thing, we made our estimates from now until the 15th of December and no one has said a word, I've been with the President, I was with him practically all day yesterday. We talked about agriculture, we talked about agricultural financing at Cabinet and Wallace never said a word.

J: Well, now, on this - on the corn I said to Bell that loan would probably be announced in November, if one is made at all, and the money, wouldn't a great deal go out before the 15th of December, but it will all go out by about February or March.

H.M.Jr: Yes, but that comes directly in the budget, -

J: I know it does.

H.M.Jr: Now listen, Jesse, -

J: Yes

H.M.Jr: You - I - you and I have got some financial sense,

J: That's right.

H.M.Jr: Now, let's stick together on this -

J: I'm with you one hundred per cent.

H.M.Jr: Now, I'm going up tonight with the President, and dedicate a Post Office, at Poughkeepsie - first one I've ever done. I'll be back here tomorrow night.

J: Well wait a minute.

H.M.Jr: Yes

J: What's Jim going to say about that?

H.M.Jr: Jim who?

J: Jim Farley.

H.M.Jr: Well, this happens to be in Dutchess County. He's dedicated five hundred, four -

J: Let you dedicate one, is he?

H.M.Jr: Four hundred and ninety nine he dedicated, but he's going to let the Present and me dedicate one.

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J: All right. Fine.

H.M.Jr: But now, listen, we've got to keep our feet on the ground because if the Treasury doesn't we're going to have some trouble. Well, now, Henry Wallace, sat there - he had all the time in the world, the President wasn't rushed -

J: Uh-huh.

H.M.Jr: He asked him about agriculture, agricultural financing, and he never said a single word.

J: Uh-huh.

H.M.Jr: Now we just haven't got the money, Jesse.

J: Well -

H.M.Jr: And I'm just through - Dan and I giving the President the figures, the budget summation is out Tuesday morning and there's nothing in it, and I'm not going to put it in.

J: You mean there's nothing in it - the one that's coming out.

H.M.Jr: The one that's coming out Tuesday morning.

J: Uh-huh.

H.M.Jr: Now your people are in touch with Bell all the time, we didn't have anything like this.

J: No.

H.M.Jr: Now, it's not my budget, it's the President's budget.

J: Certainly, certainly.

H.M.Jr: And we don't want to make a joke out of him.

J: No.

J: Well, I'm going home tonight, and I'll be gone about a week. When I get back I'll call you.

H.M.Jr: Fair enough, and in the meantime we agree nothing happens.

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J: Absolutely.

H.M.Jr: What.

J: Absolutely.

H.M.Jr: O. K.

J: Goodbye.

H.M.Jr: Thank you.

October 12, 1937. 31
4:32 p.m.

R. Doughton: Hello

H.M.Jr: Hello, Bob.

D: All right, Henry, how are you?

H.M.Jr: Oh, top of the world.

D: What's you now?

H.M.Jr: Nothing.

D: Well you know, I thought our conversation in Congress was very fine today.

H.M.Jr: One of the best we've ever had, Bob.

D: I felt very comfortable. Well, say, you know I mentioned to you over there at the White House or somewhere, -

H.M.Jr: Yes

D: About those three investigators.

H.M.Jr: I've taken care of that, and I'll tell you what has happened.

D: Uh-huh.

H.M.Jr: That request did not go across my desk but it came from your Senator down there.

D: Yes.

H.M.Jr: But you needn't worry about it, that's not going to get anywhere.

D: Well I thought it would be awful if it did, you know, with the situation.

H.M.Jr: I've taken -

D:

H.M.Jr: Listen -

- 2 -

- D: I had them reappointed, reappointed and reappointed until you all finally told me you wouldn't do it anymore. You did that time but with the understanding that it couldn't be done anymore. The President wouldn't issue an executive order establish a precedent like this.
- H.M.Jr: Don't worry, it isn't going to happen. If I did it for anybody in the State of North Carolina, there's only one fellow I'd do it for and that's Robert Doughton.
- D: Well, that's awful fine, but if it's to be done right now, you know, the other crowd will get credit for it.
- H.M.Jr: Well, it ain't going to be done.
- D: But, if later on, you can do it, why of course that's another thing. I didn't aim to worry you about it, you were so nice about it, I didn't want you to do something that was unreasonable, I don't make demands like that, I went just as far as they could for those boys, and you know.
- H.M.Jr: Well, if I ever do anything illegal, I'll do it for you.
- D: Well, thank you a thousand times, but just let it sail along then. You said the request had come from the White House.
- H.M.Jr: Yes, I think it came from Senator Bailey.
- D: From who?
- H.M.Jr: Bailey.
- D: Reynolds.
- H.M.Jr: Reynolds, I mean.
- D: Yes, Reynolds, - but that wouldn't be the White House.
- H.M.Jr: Well, it went directly to the White House, it didn't go through the Treasury.
- D: Went from the White House.
- H.M.Jr: I haven't traced it down yet.

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D: How's that?

H.M.Jr: I have not yet been able to trace it down, but it was from Reynolds - it came from Reynolds, that's all I know.

D: By George, you know if they get bumped over and I hadn't then they would have made a mighty man out of him and I'd be belittled and discredited.

H.M.Jr: Well, it never went through the Treasury.

D: If they had come to me about it but the dirtiest piece of damned business ever was undertaken.

H.M.Jr: Well

D: I was doing everything I could and they kept you and kept you and kept you as long as I could.

H.M.Jr: Well, don't

D: Then they go and try to get it done over my head, and didn't know anything about it and then have them get credit for it, they never even confided in me, know.

H.M.Jr: Well, don't you worry, -

D: Well, I'm not going to worry, but I just wanted you to understand the situation.

H.M.Jr: I understand, I don't - I can't do it - if I could do it, you'd be the only fellow I'd do it for.

D: Well, that's wonderful, that's fine. If you could do it, of course, if you could do it for me I'd be delighted.

H.M.Jr: Well, I don't think I can. I am afraid it's a little illegal.

D: Well, I understood that and I didn't aim to ask you to do something that was unreasonable.

H.M.Jr: Oh -

D: You are always so kind to do anything and the President and everybody else, you know, that I don't want to spoil my influence by trying to get something done that's unreasonable, at all.

H.M.Jr: Absolutely.

D: But, of course, I don't want anybody to know that I've called about.

H.M.Jr: Oh.

D: Well, it just stand like it was, is it?

H.M.Jr: Absolutely.

D: Well, thank you so much.

H.M.Jr: Take care of yourself.

D: You the same, maybe I'll see you again before I leave. If I don't, I'll call you up.

H.M.Jr: I hope so.

D: Thank you very very much.

H.M.Jr: Goodbye.

October 12, 1937.
4:35 p.m.

Rentschler: How are you by this time?

H.M.Jr: Where are my what?

R: I say, how are you by this time?

H.M.Jr: Oh, I'm riding high, wide and handsome.

R: That's good. I missed you the other day because we didn't get away from the State Department till about two o'clock and then when we got back they said you were going to be tied up all afternoon.

H.M.Jr: Yes, well Miss Chauncey gave me your card.

R: Yes, then when I called you up on Monday they said you were locked up again, so I thought they had put you in without reprieve.

H.M.Jr: No, they said a very handsome man had called on me.

R: That's very good. Well you tell Miss Chauncey that's all right.

H.M.Jr: All right.

R: On this Japanese thing, I think what happened is that those boys have out our shipment -

H.M.Jr: Uh-huh.

R: Very materially - that was coming to us.

H.M.Jr: I see.

R: And I rather imagine that what's happened is that if we stiffened our account in order to try to find out where this thing was going in the last six months -

H.M.Jr: Yes

R: They probably have found other ways to do it - either cash or some other facility -

H.M.Jr: Uh-huh.

R: And I rather imagine it was cash.

H.M.Jr: Well, I haven't gotten the figures yet, but we got the wires out.

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R: Well, I think that there's a good deal more coming in, than we had any reason to believe ten days ago.

H.M.Jr: I think so.

R: And as to going out, I think the easiest - the best way to check that - if there is any accurate way of getting it - would be on the profits that they have been issuing for exchange.

H.M.Jr: No, we've got a better way than that. We control the Ports.

R: Yes, well of course you could get it there both in and out.

H.M.Jr: Well, we are.

R: In a way that's much superior to what we're getting.

H.M.Jr: That's right.

R: Yes. Of course you've got the figure on this exchange situation.

H.M.Jr: Yes.

R: Which looks like there's again some attention over in Europe.

H.M.Jr: Well, we're keeping in close touch with it.

R: Yes, well you know all that I know about that.

H.M.Jr: Yes, well, we're

R: Yes, yes. Well, that's all right.

H.M.Jr: All right.

R: Nothing else you know.

H.M.Jr: Not a thing. Take care of yourself. Goodbye.

R: Goodbye. Good luck.

CA

Gray

PARIS

Dated Oct. 12, 1937

Recd 6:20 p.m.

Secretary of State,

Washington.

1431, October 12, 6 p.m.

FROM COCHRAN

French control was able this forenoon to acquire important amounts of sterling and dollars. Market contact estimates control's sterling gains for yesterday at 8,000,000 pounds and this forenoon 4,000,000 pounds. One Paris American bank purchased \$2,000,000 for control yesterday and \$4,800,000 this forenoon. Another American bank has the order this afternoon but does not appear very active. Market has also slackened in sale of sterling this afternoon and low rate of 148.20 had moved back to 148.35 by 3:30 p.m. with control even giving a little sterling to steady the movement. Likewise improved forward franc rates were not held at their best. Rentes up; French shares hesitant; internationals bad. Italians reply, rumors of difficulties of important international banking house and of one Amsterdam bank acutely contributed to weakness of internationals. Part of London's weakness comes from sale of sterling for francs. Most observers feel France needs 150 franc rate and expect little strengthening beyond this level, some even thinking rate has already been permitted

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CA --2--1431 from Paris Oct 12

to improve too much. Still too early to see how deep or long-enduring present improved sentiment may be. General impression is that purchase of francs to date has been for covering important speculative transactions and for immediate and postponed business requirements. No genuine return of capital yet evident.

WILSON

SMS NPL

October 12, 1937

Conference held in the office of the Secretary on Tuesday morning, October 12th, from 11:00 to 11:30 A. M.

Present: The Secretary
The Under Secretary
Mr. Doughton, Chairman of the Ways and Means Committee
Mr. Fred Vinson, Chairman of the Ways and Means Subcommittee
on Internal Revenue Taxation
Mr. Thomas Tarleau, Legal Assistant to the Under Secretary

The conference started by Mr. Vinson and Mr. Doughton asking the Secretary what his plans were with respect to the tax program. The Secretary said that there were several things he thought should be done at this time and were being worked on by the Department. First of all, there was the matter of the elimination of certain of the nuisance taxes and the question of which of these taxes were to be eliminated and where the loss of revenue due to the elimination was to be made up. The Secretary suggested that the most feasible way to do this was to list the excise taxes in the order of their undesirability and then to eliminate those that were agreed upon by the House Committee and by the Treasury as the most undesirable. Mr. Doughton stated that he thought that on the grounds of equity alone all the excise taxes should be abolished and that the only method of determining which ones should be abolished was by determining the difficulties and expense of collection. He said that he had been informed by persons in the plug tobacco industry that the excise taxes on plug tobacco were practically ruining the business. Mr. Magill stated that he thought there were other criteria that might be used besides difficulty of collection and expense of collection, and the Secretary and Mr. Vinson agreed. The Secretary also

stated that the question of corporate taxation ought to be looked into and that the Treasury was preparing charts showing the effect on different sized corporations of Federal taxes; the effect being expressed in percentages of the different types of taxes to net and gross income.

Mr. Vinson stated that he thought this work would be very helpful and suggested that the smaller corporations be included in the charts.

Mr. Doughton asked the Secretary whether the plans were merely for a readjustment of the present total tax load or whether the Treasury would suggest increased total taxes. In answer the Secretary stated that he wished to make it perfectly clear to the Congressmen that it was his opinion that the most important job before them was to balance the budget within the fiscal year 1938-39. Mr. Vinson said that the feeling on the Hill was that the budget should be balanced at the earliest practical moment, and Mr. Doughton agreed that that was the feeling, but added that there were many groups that would press for their own particular appropriations. The Congressmen agreed with the Secretary that balancing the budget was important and would have to be accomplished as quickly as possible. Mr. Doughton asked the Secretary what his personal views were on the question of increased taxes. The Secretary stated that he could not say at the moment and he did not see how any human being could state at this time whether or not increased taxes would have to be voted by the second session of the 75th Congress. He pointed out that the whole problem of increased taxation is bound up with the activities of the Appropriations Committee, the Ways and Means Committee, and the Bureau of the Budget. He said that he was willing to do everything

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possible to cooperate and to try to see to it that the Committees and the Treasury could work in close cooperation. Some discussion ensued between the Secretary and Mr. Vinson as to whether the budget estimates had ever been exceeded by congressional action. The Secretary stated that the Congress went \$240,000,000 over during the last session and he said he was so informed by Mr. Bell. Mr. Vinson, on the other hand, said that he was told by the clerk of the Appropriations Committee that Congress had not gone over the estimates. The Secretary said that he did not think that it would be advisable at this time to make a statement that there would be no increased taxes, because he did not believe that we could definitely commit ourselves to such a statement until the adjournment sine die of the 75th Congress. Mr. Doughton stated that he thought a statement that there would be no increased taxes would be exceedingly helpful in the present state and condition of the nation's business. Mr. Vinson agreed that it would be a good thing to make a statement if it were feasible, but added that since it did not appear possible at this time to make such a statement, the matter would have to wait until at least the President's budget estimates would be released on next Tuesday. Mr. Doughton again said the principal thing was not to increase taxes but to pare expenses and that a statement would be a fine thing. The Secretary told Mr. Doughton that if he (Mr. Doughton) does decide to make a statement that he hopes that Mr. Doughton will indicate that it was his purely personal view that taxes should not be increased, if in any way possible. Mr. Doughton stated that at all times his statements were purely statements of his

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personal views and were not binding either upon fellow members of his Committee or upon the Administration. The Secretary reiterated that we ought not to make a statement about not increasing taxes unless we could back up the statement by our actions as we had already been accused of making statements that could not be supported.

The Secretary, Mr. Doughton, and Mr. Vinson at 11:30 left for the White House.

Notes taken by
Thomas N. Tarleau



October 12, 1937

Doughton, Vinson and myself called on the President shortly after 11:30 this morning. The President told them in confidence he was going to have a special session; turned to me and said, I don't know what the Treasury has in mind. He said, How soon will you be ready? I said, In about two or three weeks. He said, Fine!

Then he said that Doughton, Vinson, Magill and Morgenthau will sit down with the President and go over the whole program. We will decide on what we can definitely get through and then on that kind of legislation which we would like to get through but which we may have difficulty with.

Doughton reminded him that his Committee always got through whatever they set out to.

The President then told them that the figures he now had on hand showed that after allowing for \$600,000,000 debt retirement for the year 1938-1939, we were \$275,000,000 in the red. He said: We have to wipe that out. Turning to me he said: Henry suggests that I should be rough with Congress and tell them what I want this year, rather than say that if you pass additional legislation over and above my estimates I will ask for increased taxes. And Doughton and Vinson both said, in the same breath, We want you to be rough. We want you to do it and if you will simply indicate to us what you want, we will carry it out.

And the President talked about roads and said that he was going to ask the special session to relieve him of the obligation of voting \$170,000,000 for the coming year for roads and \$216,000,000 for the year after next. He said \$80,000,000 a year for roads is plenty. Vinson said "We only used to appropriate \$75,000,000 a year."

To sum up, without going into many of the details, the President told them with a real 'burr' in his voice that he expected to balance the Budget; that he wanted enough money to balance the Budget; that he expected to keep expenditures down so that he could balance the Budget, and that if any Committee passes an appropriation over and above his estimates he would immediately serve notice on

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that Committee that they must find the additional revenue.

Both Doughton and Vinson were delighted with the President's attitude and he could not help but feel that their response should encourage him that if he would only point the way, Congress will follow. But they have been hungry for him to indicate that he really wants to balance the Budget.

From my standpoint, the interview was 100% perfect.

Doughton stayed behind to talk politics. I went outside to talk to Vinson and Vinson said he would call the Committee on either the 2nd or 4th of November and start hearings. He now saw his way clear and could go ahead and work out the details with Magill.

Vinson said, "Gee! You had me scared over at your office. You didn't tell me how good the picture looks for next year," and I said, I could not; that's the President's business. He said it was just a question of raising a few extra hundred million dollars next year to balance the Budget and, he said, You just watch us boys do it!

GROUP MEETING

October 12, 1937
9:30 a.m.

Present: Mr. Taylor
Mr. Bell
Mr. Gibbons
Mr. McReynolds
Mr. Haas
Miss Roche
Mr. Gaston
Mr. Oliphant

H.M.Jr: Listen, Steve, there's no use giving me this stuff. I'll let George read it.

Gibbons: I talked to George about it.

H.M.Jr: Somebody in this town has got to keep his feet on the ground, and getting isolated cases of hard luck stories just doesn't help me. I spent two hours yesterday with, I suppose, as intelligent a group as you can get together in the United States, figuring the revenue and business, and everything else. That's the combined effort of everybody we can get, and we do it here in a very cold-blooded, scientific manner. We had Professor Crum of the American Statistical Society, Professor of Statistics at Harvard - a whole group - and we do this thing in a vacuum, and do this thing just as intelligently as possible. Now, as a matter of fact, Haas's organization is on record; they have forecast this thing

Gibbons: I talked to George about it yesterday morning.

H.M.Jr: And I just - if you don't mind, the personal individual cases - it just upsets you.

Now, I was at the White House for dinner last night - this is all very confidential - and McIntyre comes in after he'd been with Max Gardner for two hours, and Max Gardner is very - tells him this story of how he lays off 250 men, and he tells it all around. Now, that all is taken into account in this very, very complicated piece of machinery which we have here, which goes into - we have a Federal Reserve index, Bureau of Labor Statistics index, wholesale prices, cost of living, factory payroll, index of factory payrolls, stock prices - and out of that whole thing they have developed a technique in the Treasury over years.

-2-

- Gibbons: I know. I just wanted to pass it along.
- H.M.Jr: And it doesn't do me one iota of good, and it only upsets me. Now, somebody around this town has got to keep his feet on the ground.
- Gibbons: I talked to George on it yesterday morning. I thought you might like to see the thing anyhow.
- H.M.Jr: (On phone) Hello. Hello, Mrs. Nesbit. I just want to thank you very much for your thoughtfulness last night in giving me chops. - - Well, it was very considerate of you, and I thank you. - - Awfully nice. Thank you.
- I had five chops last night, and young Franklin says, "What's he got to eat? How many, two? What do I get, steak? O.K., well give me those other three chops too."
- Where's Magill today. Is he sick?
- Oliphant: I wouldn't be surprised.
- H.M.Jr: (On phone) Hello, Bob, how are you? (Has conversation with Representative Doughton)
- Gaston: Bob seems to be feeling good.
- Roche: Do you think you could possibly persuade him while he's here that he doesn't want his daughter to have a career setting up Coal Commission headquarters?
- H.M.Jr: Doesn't want what?
- Roche: Doesn't want his daughter to have a career setting up offices in the field. She can't even type, and she's in charge of the Statistical Division.
- (To reporter) Don't take that down, what's the matter with you?
- H.M.Jr: (Laughing) Listen, you've let yourself into this. I'm glad to know there's something I can give him now and please him.

(To Gibbons) That's so. I just want to explain. I mean no one can understand

Gibbons: I know, I appreciate it.

H.M.Jr: We're the financial center here, and these personal troubles - a fellow just has to isolate himself, or I'll be just as nutty as these people in New York.

Gibbons: Sure.

H.M.Jr: I'll be just as nutty as they are.

Gibbons: They've all just got the jitters, that's all.

H.M.Jr: And to show you - I mean I don't want to get the way they are.

Gibbons: As I told you, I first talked to George about the thing, and I thought.....

H.M.Jr: Well, Wayne loves to hear it; I mean he just thrives on it - and so does George.

Mac?

McR: Oliphant can tell you the situation with respect to that Bullitt case. I think Bullitt just worked - as I understand it, they're going ahead with these appraisals at the various ports of entry; have to pay the tax in some of them and in some of them they won't. That's about the situation.

H.M.Jr: Can you give me something in writing? Do you (Oliphant) want to see Bullitt before he leaves?

Oliphant: Be glad to.

McR: I think the thing to do is for Bullitt to come over and talk about it, so he can understand what the situation is. I think he'll be satisfied.

H.M.Jr: Well, he's in town.

Oliphant: One of the toughest legal problems I have ever had. I think over the week-end I worked out a theory.

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H.M.Jr: Would you send for Bullitt today? Do it this morning, because he's sailing tomorrow.

Oliphant: All right.

Gibbons: That's on that Customs tax. That's going to tie things up, if you go through with it abroad, you know. Bad enough now.

McR: Worked out a way that they won't have to make a foreign inquiry on more than a very small percentage of the cases. And that will break the dam on it. I think Bullitt will be satisfied. It will get by with the French.

H.M.Jr: What else?

Aren't you (Gaston) going up to the house at ten?

Gaston: At ten, yes. Thought I'd leave here in five minutes.

H.M.Jr: All right. Anything else?

Oliphant: I gave you a memorandum on those agencies in which Government capital is invested, and the last one suggested various inquiries to be made as to each. What I have in mind this morning is that if the large amounts of money which conceivably could be brought into the Treasury are to be obtained, it might involve our being assured that the reorganization bill is empowered to make the necessary changes. Do you want that pursued any further?

H.M.Jr: You mean to put the reorganization bill down as it is written and look at this thing?

Oliphant: And see if you can get this....

H.M.Jr: I think that would be fine.

Oliphant: Would you mind my talking that over with Dan today?

H.M.Jr: I don't mind if he doesn't.

Bell: I'd like to go over it.

H.M.Jr: Just as long as - well, Danny will have to divide up his time. He's got a job to do between now and Monday.

Oliphant: That's all right.

H.M.Jr: But I mean, yes, talk to Danny. And after all, the bill was more or less written in Mac's office, between the three of you. I think that's a good point, but you know my idea on this thing, why I'm holding back on it - I mean that's my second line of defense.

Oliphant: That's right.

H.M.Jr: But I think you're quite right.

Oliphant: You want to be equipped, armed with the necessary legislation.

H.M.Jr: Absolutely, absolutely. What else?

Oliphant: I think that's all.

H.M.Jr: Herbert?

Gaston: I don't believe I have anything.

H.M.Jr: You might find out from McIntyre whether he or one of his many assistants wants to take up copies of my speech with him, or how they would suggest handling it. Somebody up there might want a copy.

Gaston: Yes, we'll have a few copies made anyway.

H.M.Jr: whether I'll carry it or whether McIntyre will give it to Kannee. He's going up.

Oliphant: What's that, a week from tomorrow?

H.M.Jr: Tomorrow. Dedication of Poughkeepsie Post Office. I'm just going to be gone for a day.

Oliphant: Be back Thursday?

H.M.Jr: Be back tomorrow night. Be back in time for supper. Just one meal away - breakfast.

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Roche: I sent a memorandum in to you yesterday that I was leaving - going home for a couple days, be back the last of the week; fly back, be back Friday or Saturday. And then next week there are some very interesting health matters that I would like to talk over with you at your convenience.

H.M.Jr: Give me a day's notice.

Roche: Yes.

H.M.Jr: You and Wayne are getting to be real fliers. How far do you (Taylor) commute?

Taylor: Los Angeles.

Roche: Twice as far. I feel hurt.

H.M.Jr: George, have you, or somebody in your office, got those figures on net Government spending for nine months?

Haas: Yes, I have them on my desk.

H.M.Jr: Doesn't do me any good.

Haas: I know. The reason I didn't send them in last night is, there's quite a difference between ours and some that are made over in the Federal Reserve, and I want to call Currie and talk to him a bit myself.

H.M.Jr: When will you have them? Give you another 24 hours.

Haas: Yes.

H.M.Jr: Well, they won't do me any good; I mean I either want them today.....

Haas: I think they're all right, now. But I want to satisfy myself.

H.M.Jr: Could I have them for lunch?

Haas: Sure. Either have them for lunch or I'll tell you what our staff did is O.K.

H.M.Jr: What?

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Haas: I'll have a meeting right after this.

H.M.Jr: Come in about five minutes to one and let me know, one way or the other, will you?

Haas: Five minutes to one.

H.M.Jr: And my speech?

Haas: Today and tomorrow we're going to work on that.

Gaston: Excuse me. (Leaves)

H.M.Jr: Yes.

What?

Haas: Today and tomorrow. I've done a little on it already, but I thought I'd have all today and tomorrow.

H.M.Jr: Did you remember most of that stuff?

Haas: I think I did. I went back home after that. But this will take a little time up. But I think I can get a draft of it anyway. You want it by Thursday morning. What will take time out is this net spending.

H.M.Jr: Skip it, then.

Haas: Huh?

H.M.Jr: Skip it.

Haas: Well, I'd like to have you have them if you need them. I think I can do them.

H.M.Jr: Well, I wouldn't - if it's going to take any time I'd just skip it.

Haas: It's important, isn't it, that you have them?

H.M.Jr: Moderately.

Haas: I'll get it.

H.M.Jr: (To Gibbons) Your friend Waesche called me up yesterday. He wanted to know whether I wanted to meet Stefansson.

Gibbons: Came in and talked to me.

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H.M.Jr: I said, "What for?" He said, "About sending some Coast Guard men up there to look for the fliers."

I said I didn't want to get in on it and that if they want to send somebody up to help them, that's up to you (Gibbons).

Gibbons: I think it would be good from a scientific standpoint for the Coast Guard.

McR: Wouldn't cost anything much.

Gibbons: Wouldn't cost anything, and they'd find out something.

H.M.Jr: It's all right; I just didn't want to take the time.

What else do you know?

Gibbons: Nothing else, only I'd like when you catch up on this thing over in Paris, the French

H.M.Jr: You don't know about it?

Gibbons: All I know about it was that Wait just mentioned it to me, and it's difficult - they're so far behind in these foreign investigations, they'll never catch up.

H.M.Jr: Well, it's up to McReynolds to keep you informed. Mac!

McR: Yes.

H.M.Jr: It's up to McReynolds to keep you informed.

Gibbons: It's a sad administrative feature of the Bureau of Customs; they're so far behind in the work.

H.M.Jr: Of course, normally, Steve, if you had a Commissioner over there that you could talk to, Mr. Oliphant and the rest of us wouldn't be fussing with this thing.

Gibbons: I understand that.

H.M.Jr: There's about a half dozen people over here doing Commissioner Moyle's work, and I'm getting fed up

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on it. And one of these days when I see the President I'm just going to hand him a piece of paper and say he should just ask him for his resignation. There is no more reason why Oliphant and Mac and I should be doing Moyle's work - and that's what it amounts to. The normal thing would be to say to Bullitt, "Sure, I'll have Moyle come over and see you," but that wouldn't get Bullitt anywhere.

Gibbons: No, you can't hand him anything. That's just - that makes it terribly difficult.

H.M.Jr: Wait's coming in this morning, 10:45. Did you get notice on that?

Gibbons: No.

H.M.Jr: All right. 10:45.

Gibbons: O.K.

H.M.Jr: Wayne?

Taylor: There's been a whole collection of messages that have been coming over here from the White House, from the Committee of the Nation.

H.M.Jr: Yes.

Taylor: And all sorts of things.

H.M.Jr: They don't cheer you up?

Taylor: Yes, they're dandy, but am I supposed to do anything about them?

(Hearty laughter)

Bell: Just read them.

H.M.Jr: Don't you have a log fire at home? Don't you have to start it?

Taylor: Well, that's all I wanted to know.

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H.M.Jr: All right. What do you start your fires with at home?

Taylor: They say "For acknowledgment and action." I can provide the action, all right.

McR: "Acknowledgment and consideration."

Bell: Did they add "if necessary"?

Taylor: No.

H.M.Jr: Well, I'll leave it to your usual good judgment. What else?

Taylor: That's the only thing that's disturbing me particularly this morning.

Oliphant: We'll all cooperate and arrange for Senator Owens to see him.

Taylor: Yes, I'm getting his business now too.

H.M.Jr: Have they switched that account to you?

Taylor: Oh yes.

H.M.Jr: You've got quite a lot of customers, haven't you?

Taylor: Yes, sir.

McR: Wayne's got another one now. Cuba wants some more currency printed.

H.M.Jr: Who?

McR: Cuba. And the Bureau of Engraving would like to get out of it; and of course the private concerns have made a big howl about our printing before. But it's between Wayne and the State Department now whether we have it to do.

H.M.Jr: That's a good place to leave it. All right.
Daniel?

Bell: I've got this Farm Credit financing I'd like to talk to you about.

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H.M.Jr: Why don't you and Wayne stay right now?
Mac?

Bell: And I might tell you that Mulligan over in the R.F.C. is trying to give us those figures by tomorrow morning. At first he said Friday morning, but he said he'd try to get them tomorrow morning.

H.M.Jr: Well, remember, if anybody bucks or backs up, I'm here. I mean - we understand each other.

Bell: Yes. That's going to take somewhere in the neighborhood of 40 pages of typing.

H.M.Jr: Good. Swell.

Bell: You don't think that's too much to get out.

Taylor: 40 what?

Bell: 40 pages of typewriting.

H.M.Jr: If it was a hundred and forty, I'd still say, "Good."

Bell: Would you?

H.M.Jr: Oh yes. I won't believe that those two lists will be given out until I see them in the newspapers.

Bell: Are we supposed to go back to the President with this statement?

H.M.Jr: Well, what I would do is, I would send him up a proof and say that if you don't hear by such and such a time, we take it for granted it's all right, or would he please send you a telegraph release. I guess that would be the more courteous.

Bell: I think so. Probably get it out Thursday.

H.M.Jr: "Please send out a telegraphic release."

Bell: I think he's approved of what we've given him, but, talking about the list, that's something else, and he ought to really see it.

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H.M.Jr: I'd send it up there and ask for telegraphic approval. .

Bell: All right.

H.M.Jr: And I would send a message to McIntyre that it will be up there. I think I'd call up McIntyre and say it's on the way - printer and all that is - it's in a hurry, etc. But I think that's too great a responsibility not to get a telegraphic release.

Bell: I do too.

H.M.Jr: What?

Bell: I do too.

H.M.Jr: Anything else?

Bell: No.

H.M.Jr: Well - and I had a most interesting day yesterday. The President's agreed to give out this budget summation, and after the people get it they'll know what situation the fiscal affairs of the nation are in, and as they are; they'll get the unvarnished truth. I always say that truth is better than ignorance. It's not going to be a very pretty picture, but they ought to have it and they'll get it.

All right.

October 12, 1937.

Just as Cabinet broke up to-day, Wallace said something which I think is tremendously significant. He said, "Mr. President, as we are now approaching a balanced budget don't you think that you ought to call some of us together and see if we can't think up some suggestions to encourage private business enterprise so that they can go ahead and take up the slack which would be left due to the government ceasing spending."

* * * * *

When I saw the President last night one of the things he said was that the function of the government is to move forward. That is his reason for calling an extra session of Congress.

Address of Henry Morgenthau, Jr., Secretary of the Treasury,
at the laying of the cornerstone of the new
Post Office at Poughkeepsie, N.Y.,
Wednesday, October 13, 1937,
For Release Upon Delivery.

My friends of Poughkeepsie and Dutchess County:

I am here to speak to you today at the laying of the cornerstone of the new Poughkeepsie Post Office because of a double interest in its construction. One interest I have in it is the fact that I am head of the Department of the United States Government which has the duty of building Federal buildings, but I followed the development of the plans for this particular building with more than usual attention because of the fact that I am also a resident of Dutchess County and, like all of the rest of you, keenly interested in its history and its traditions, as well as its present welfare.

It is our custom in the Treasury Department to design public buildings not only with a view to their suitability and their harmony with other structures in the neighborhood, but also to consult the wishes of residents who are interested in the architectural development of their communities.

In the design and general planning of the building which is under construction here, the City of Poughkeepsie and Dutchess County have been more than ordinarily favored. From the very beginning of the work of designing this building we have had the benefit of the work and the ideas of a citizen of Dutchess County who was intensely interested in making it a building in which we could all take pride and at the same time in perpetuating in it historical associations and architectural precedents that go back to the days whose anniversaries we are celebrating. The citizen who has taken this

- 2 -

extraordinary interest in this building is the man whom you all know as the most eminent citizen of Dutchess County and the most eminent citizen of the United States - Franklin Delano Roosevelt, the President of the United States.

The original designs prepared by the Procurement Division of the Treasury Department were, I believe, creditable and would have made a worthy building, but not I think either so creditable or so worthy a building as the one which we are now engaged in constructing. The President disapproved those early designs and himself produced a happier idea. Under his instructions search was made of old volumes and records and a photograph was obtained of Poughkeepsie's fourth Court House, the one that was built in 1809 and stood until 1903 at Main and Market Streets. That harmonious old structure of 1809, with its arched upper windows, its bell tower and its beautiful old native field stone walls, has been the basis of the design of the building now being reared.

In arriving at the final plan unusual care was taken with all details. As the work progressed the President made suggestions for modification and the architects of the building agree that each one of his suggestions was an improvement. An instance of the attention to detail is the fact that several large panels of stonework were constructed here on the site in order to determine the type of stonework which would best carry out the idea of the building. A model of the new building was made to give a more definite idea of what the new structure would look like in its setting.

An interesting link with the past will be the bell, which will hang in the cupola of the new building, placed there after a very careful study of the early methods of handling large bells and operating them.

- 3 -

Not only did your first citizen devote much time to the structural details of the building but he also gave thought to its interior decoration. It is planned that the interior of the building be embellished with five mural paintings and it was the President himself who suggested the subject matter to be incorporated in them. These murals will constitute a pictorial history of Poughkeepsie and Dutchess County, beginning with a scene showing Indians at the mouth of Apokeepsing Creek and early Dutch traders landing from a sloop about 1640. Other paintings proposed will be related to periods about 1740, 1788, 1840, 1860 and finally a view of Poughkeepsie in 1937, from across the river, showing both the railway and the highway bridges.

The Treasury Department has invited a distinguished artist, Mr. Gerald Foster of Westfield, New Jersey, to submit designs for three of these murals, most of which, of course, will involve a great deal of historical research. For others of the murals a limited regional competition may be held. For the purpose of judging the designs submitted in this competition Professor Oliver S. Tonks, Director of the Art Department of Vassar College, has consented to serve as Chairman of the Committee, which will include also Mr. Eric Kebbon, architect of the building, Mr. Eugene Savage, the well-known painter of Woodstock, New York, and Mr. Olin Dows, of Rhinebeck, a painter of distinction.

Many of you, I think, have seen the model of the building as it will look when finished. I have heard nothing but praise from those who have inspected it and I would like you to know that credit for its beauty and its historical fitness belongs to your neighbor, who is soon to speak to you, Franklin Delano Roosevelt of Hyde Park.

- 4 -

Like another great President who fought for democracy in a world that was ready to proclaim democracy a failure, President Roosevelt has found time to work for beauty, simplicity and dignity in architecture. And just as many old public buildings, including those at the University of Virginia, mark the sane and wholesome influence of the ideas of Thomas Jefferson, so this structure will always recall the interest of Franklin Roosevelt in American architecture and in that sense will be a monument to him.

—c00—

10-13-37

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250th Anniversary

67 67



1687

1937



VAN KLEECK HOMESTEAD 1702 • 1835

POUGHKEEPSIE, N.Y.

Van Kleeck Homestead

THE picture on the cover of this program is a reproduction of a drawing by Benson J. Lossing of the first house erected in what is now the City of Poughkeepsie. This house was built by Baltus Barentszen Van Kleeck in 1702 and was located on what is now Mill Street between Vassar and Washington Streets and remained standing until 1835. Over the doorway on the rough-hewn stone lintel was rudely carved "1702 BVK TVK," the date of the erection of the house and the initials of the builder and his wife Tryntje. This lintel is all that remains of Poughkeepsie's first substantial house. It is now in the possession of his great, great, great, great, great grandson who also bears the name Baltus.

Two Hundred and Fifty Years

Commemorating
the Two Hundred and Fiftieth
Anniversary of the Founding of the
City of Poughkeepsie
New York



{ First House Built in 1689 }
{ Chartered as a Village 1799 }
{ Incorporated as a City 1854 }



FRANKLIN D. ROOSEVELT
President of the United States

MAYOR AND OFFICERS OF THE EXECUTIVE COMMITTEE



WILLIAM H. SCHRAUTH
General Chairman



FRANK L. GARDNER
Executive Chairman



GEORGE V. L. SPRATT
Mayor



WILLIAM W. MUMMA, III
Treasurer



WILLIAM B. DUGGAN
Secretary

HOW THE CITY OF POUGHKEEPSIE WAS FOUNDED

By MRS. HELEN WILKINSON REYNOLDS

ONCE upon a time (as all good stories used to begin) the land on which the City of Poughkeepsie stands was covered by a thick forest. In the forest rose water courses



MRS. HELEN WILKINSON REYNOLDS

that flowed down grade, westward, and emptied into the river. The largest of those streams had a long course and finally reached the river by a series of cascades that followed successively winding turns (near the present railroad station), the mouth of the stream being near the (present) property of the Central Hudson Gas and Electric Corporation.

In the woods and along the streams were a few Indians. The area in which they lived they called *wapan achki* (east land) and they, themselves, were called *wapani* (men of the east land). They were quiet and peaceable Indians, few in number, and no warfare between them and Europeans marred the early

chapters of the story of Poughkeepsie.

Through the forest on the site of the City of Poughkeepsie there ran a path, north and south, later referred to as the Indian trail. It was the route followed by the Indians on Manhattan Island and the Indians in the vicinity of (the present) Albany when they communicated with each other and it followed, approximately, the general course that the state highway of today follows between New York and Albany.

As the Indian trail reached the site of the City of Poughkeepsie, coming north from Manhattan, it ran along (the present) Market Street until it reached (the present) Main Street. There it departed from a straight line and wound down hill, over (the present) Main and Washington and Mill and North Bridge Streets, until it came to the large stream above referred to. At the spot where, now, North Bridge reaches that stream, the banks of the stream were low and a fording place was created. From that low place the natives went on to the high ground on which rests now the east end of the Poughkeepsie Bridge.

Late in the seventeenth century two white men who were living in Albany bought from the Indian owners of it a large tract of land, part of which the City of Poughkeepsie now occupies. One of the two men was Robert Sanders, an Englishman who was widely known as an interpreter between Indians and Europeans, and the other was Myndert Harmense Van Den Bogaerdt, a Dutchman, whose name translated into English means: Myndert, son of Harmen Of-the-Orchard, and of

whom it was purchased by Myndert Harmense. These two partners reported to the Governor of New York their purchase of land from the Indians and received from the Governor legal confirmation of their title. The document issued by the Governor was called a patent and has since then been known as the Sanders and Harmense Patent and as the Minisnick Patent.

It was the purpose of Robert Sanders and Myndert Harmense in buying this land to sell from out the tract homestead farms to settlers and the first step they took toward getting their property opened and occupied was to enter into an agreement with two other men at Albany, by which agreement (in the form of a lease) it was arranged that the latter should move down from Albany, should each take up forty-eight acres of land as tenants for ten years and should each build a house, cultivate crops and keep livestock. The lease describes in detail the manner in which the houses of the settlers were to be built. The walls were to be of stone, taken from the ground at the site. The wood trim was to be brought by sloop from Albany, which village was then doing a large export business in lumber (boards, planks, shingles, etc.) and masons and boat carriers were to be employed.

The two men who thus agreed to settle as tenants on the lands of Sanders and Harmense were Baltus Barents Van Kleeck and Hendrick Jans Ostrom (both names variously spelled in the original records) and the land that they were to take up was described in the lease as "lying in the Long Reach" and "called Minisnigh and Pochkeepsin."

To explain the place names mentioned by the lease it should be noted that "Long Reach" was a Dutchman's name for the narrow sailing channel in the river

Poughkeepsie. There is a straight channel in the river for a distance of about ten miles, midway in which Poughkeepsie is situated, and when Henry Hudson sailed up the river in the Half Moon in 1609 the mate of the Half Moon, Robert Juett of London, mentioned that course in his log as "the Long Reach." Subsequently Dutch mariners referred to it in the equivalent Dutch words: "de Lange Rak" and so in early documents a great many different spellings of the name are found, partly English, partly Dutch. "Minisnigh," the second name mentioned in the lease, is believed to have been applied to the high ground northeast of (the present) Arlington, along the road to Pleasant Valley, and it may have meant: "place-where-the-stones-are-gathered." The third name cited by the lease was "Pochkeepsin." It will be considered here later, as it involves a story all its own.

The lease, signed by Robert Sanders and Myndert Harmense as owners (lessors) and by Baltus Barents Van Kleeck and Hendrick Jans Ostrom as tenants (lessees), was dated at Albany, June 9, 1687, and it provides the occasion for the celebration in 1937 of Poughkeepsie's two hundred and fiftieth anniversary. It is also rightly to be considered the two-hundred and fiftieth anniversary of the beginning of the settlement of Dutchess County. Before 1687 a transient hunter or squatter of European ancestry may occasionally have explored the woods that covered the area which is now Dutchess County. But 1687 is the earliest date now known for the establishment by white men of permanent legal residence within the boundaries of the county. Following 1687, Peter Pieterse Lassen is known to have been living in 1688 in a house near the river at the mouth of Jan Casper's

Poughkeepsie

*"Lawyer's Row"
site of present Post Office*



Market Street in 1860



*Poughkeepsie Military Institute
site of present Warburg School*



*Old Dutchess County Court House
site of present Court House*

ent) Washington Street. Between Washington and (the present) Catharine Streets it was bounded on the south by (the present) Main Street and, on the north, by a line that was about equivalent to the rear of the (present) house lots on the north side of Mill. The "Dwars" or Cross Lot was bounded (loosely speaking) by the courses which today are followed by certain streets, namely: Catharine and Academy on the west; Cherry and Smith on the east; Cottage on the north and Church on the south.

The deed of 1697 stated that the four lots which were conveyed by it were "now or lately in the possession and occupation of Mijnardt Harmens, Balthazar Barnes, Hendrick Ostrom and Symon Schoute," which statement reveals that land which, before 1697, had been leased to Hendrick Ostrom (one of the two original settlers of 1687) formed a part of the large tract that was purchased outright by Baltus Barents Van Kleeck. Unfortunately, nothing has ever been found to show where Ostrom's house stood. Hendrick Ostrom was not young in 1687 as indicated by the fact that he married in 1652, thirty-five years before coming to Poughkeepsie, and he may not have lived long after his arrival, for the hardships in the lives of the pioneers were many and great. He had one son, only,—Jan Hendricks Ostrom—who also came to Poughkeepsie very early. Jan Ostrom leased for a time land south of (the present) Main Street. Later he bought a farm on the north side of Main, between the modern Imis Avenue and Pershing Avenue. That farm ultimately became the Glebe of the Church of England in Dutchess County and the Glebe House, built in 1767, is now the property of the City of Poughkeepsie.

Soon after Baltus Van Kleeck and Hendrick Ostrom established themselves on the site of the City of Poughkeepsie, Myndert Harmense, one of the two patentees of the Sanders and Harmense Patent, also arrived from Albany as a permanent resident. He built his house on land that now lies in the angle formed by the northeast corner of Mill and North Bridge Streets and on the Val Kill he put up a saw-mill. The saw-mill stood beside the rushing, roaring fall of water which today is bounded by North Water Street on the west and by the tracks of the Hudson River Railroad on the east.

Myndert Harmense and Baltus Van Kleeck were near neighbors, their houses being placed but a stone's throw apart on opposite sides of the Indian trail and in their two households were children. Among the children were two boys, Johannes Van Kleeck (born 1680) and Myndert Van Den Bogaerd (born 1682). Like all boys, Johannes and Myndert enjoyed wandering in the woods and they early explored the forest that surrounded their homes. Soon they were familiar with the Indian trail. Following that trail as it ran along the course of (the present) Market Street, South Avenue and the State Road, they finally reached a spot about a mile and three-quarters south of where the Court House now stands and there the spirit of boyish adventure had its reward. On high sloping ground they found a spring, surrounded by cat-tail reeds. Out of the spring issued a small stream,—a stream that is still running and which, rising on the east side of the (present) state road, flows across the Poughkeepsie Rural Cemetery and enters the river at Mine Point. Around that spring the two little Dutch boys found Indians camping. The Indians had cut the cat-tail reeds, plaited the reeds into mats, hung the mats over

Kill; in 1700 Hendrick Kip built a house at Kipsbergen (now Rhinecliff); and between 1708 and 1713 five or six farms were laid out along the Fishkill. The first residents of the county all lived close to the river, however, for convenience in travel. The closely grown forests in the interior of the county were not penetrated by white men for the creation of settled homes until during the first quarter of the eighteenth century.

In 1687 there was no continuous road from Albany south to Poughkeepsie. The Indian trail threaded the forest on the east side of the river, but the river itself, was the route of travel and transportation for the white man. Signing the lease for their new homes on the 9th of June, 1687, Baltus Barents Van Kleeck and Hendrick Jans Ostrom must soon after have sailed down from Albany by sloop to build their houses during warm weather.

Arriving in the Long Reach in a bow-shaped cove where there was a beach, mentioned in the lease as "the strand", they deposited on the strand the lumber brought down from Albany for the wood trim of the houses to be built. About 1850 the bow-shaped cove was filled in so that the curved shoreline was made straight and the location is now occupied by the lumber yard of the C. N. Arnold Company. Going ashore on that little beach Van Kleeck and Ostrom found, close at hand, the stream with the beautiful cascade above referred to. The Indians called that series of waterfalls: *Pondanickrien*, which meant "the crooked place" or "place of many turnings," but the Dutch settlers spoke of the stream as a whole as the "Val Kill," Dutch words for "fall" and "stream." "Val" was pronounced as if spelled in English "foll," the v sounding like f and the word rhyming with

"doll." The name "Fallkill" is the result, being half English and half Dutch.

To investigate the neighborhood, the natural thing for the new arrivals to do was to follow the course of the stream inland and, in doing that, they came soon to the fording place on the Indian trail, above described. There before them lay the trail, in the midst of otherwise unbroken forest. Leaving the stream and following the trail along (the present) North Bridge Street and then turning up (the present) Mill Street hill, Baltus Barents Van Kleeck selected a spot on which to erect his house between (the present) Vassar and Washington Streets. The house was placed, approximately, where now is number 226 Mill Street, and it remained standing until 1835, throughout which period of one-hundred and forty-eight years it was owned by members of the Van Kleeck family.

The lease of 1687 specified that Van Kleeck and Ostrom were each to take up forty-eight acres of land. Apparently Baltus Van Kleeck occupied a comparatively small tract, such as that, for ten years, at the end of which time he bought on June 3, 1697, a very large amount of land from Sanders and Harmense, the original deed for which is now on deposit in the Adriance Memorial Library. The deed conveyed to "Balthazar Van Cleake of Long Rock in the County of Dutches" four lots of land,—three water-lots (that is to say, three lots fronting on the river) and a fourth, which was called the "Dwars" or Cross-Lot because it lay across the east end of the water-lots. The water-lots extended along the shore of the river from (approximately) the present Church Street to the vicinity of the Vassar brewery-site. As a whole, the tract made up of the three water-lots was irregular in shape as it ran inland, narrowing back to (the pres-

Old



Old Poughkeepsie Hotel

Poughkeepsie River Front in 1840



Court House and Liberty Pole 1840



*Brookh Institute
later became Putnam Hall*

in order to illustrate the manner in which many of the streets of Poughkeepsie can be traced to the boundaries of the farms that were laid out by the first settlers.

Jacobus Van Den Boguerdt, who lived on the site of the Nelson House, was apparently a man of public spirit. For one thing he opened his house to entertain transient paying guests (to which fact can be traced the beginnings of a hotel on this site) but, what was more than that, he made two gifts to the community which have influenced the course of events in Poughkeepsie and in Dutchess County. One gift was a lot of ground on which to erect a church for the Dutch Reformed congregation and the lot (on the

southeast corner of Market and Main Streets) is still owned by the congregation. The other gift was a lot on which to build a Court House for Dutchess County and the lot is still occupied for the purpose for which it was given. The erection of the Court House made Poughkeepsie the seat of county government, occasioned the building of roads over which the county-seat could be reached and made Poughkeepsie a center for county business and commerce.

Thus out of small beginnings in the midst of a forest have developed the city and county of today, whose two-hundred and fifty years of growth and prosperity are being given appreciative recognition in 1937.

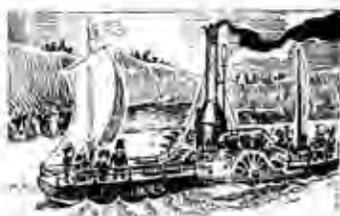
Helena Wilkinson Reynolds



Mansion Square Female Academy



Kuttman Business College



branches and thus made "lodges" or shelters for themselves.

The boys called this spot *Rust Plaetz*, Dutch words (pronounced *Roost Plawts*) meaning Resting Place, because the natives rested or camped there. But the Indians, themselves, spoke of it in three words of their own, words well known to modern students of Indian language. *appuqui* pronounced *oo-poo-kee* and meaning "lodge covering," (the name of the cat-tail reed); *ipis* (little water); *ing* (meaning place); a free translation of which word is: "The Reed-covered Lodge by the Little Water Place."

As a matter of fact that spring was about half way between New York and Albany on the Indian trail and it served as a camping place for Indian runners and for local hunters. It was so well known locally that its name was applied to the general vicinity surrounding it. But when Dutchmen and Englishmen, who arrived as settlers, wrote the name they spelled it phonetically and each man heard it differently so it appears in the early documents in a great many combinations of letters. It crept into the lease given in 1687 to Van Kleeck and Ostrom as "Pochkeepsin" but the form most often given it was "Apokeepsing" (which comes rather close to the sound of *appuqui-ipis-ing*). Out of Apokeepsing came Poughkeepsing and out of Poughkeepsing came Poughkeepsie.

The Indians' camping place became by and by a boundary mark between the two properties held by white settlers and in later years a boundary dispute arose. In 1742, in connection with that dispute, Johannes Van Kleeck, aged sixty-two years, and Myndert Van Den Bogaerdt, aged sixty, made a sworn statement that they had known the place fifty years previously, which deposition (on record in the

Court House at Poughkeepsie) establishes that in 1692 they, as children, twelve and ten years old, were familiar with the *Rust Plaetz*.

Thus Poughkeepsie derives its name from a place in the woods, associated with the Indians, which place two little Dutch boys frequented in the seventeenth century.

Myndert Van Den Bogaerdt, who played with Johannes Van Kleeck as a boy, had a brother—Jacobus Van Den Bogaerdt. When Jacobus was grown his father, Myndert Harmense, one of the patentees of the Sanders and Harmense Patent, presented Jacobus with a large tract of land for him to develop as his homestead farm. The tract lay south of (the present) Main Street; bordered on the river south of (the present) Church Street; and ran eastward from the river to (the present) Academy and Cherry Streets. On the site of the Nelson House of today Jacobus Van Den Bogaerdt built a house. On the north his land abutted the land of Baltus Van Kleeck and so it happened that a lane was gradually trodden between the two properties along the line of what is now Main Street between Market and Academy. The lane widened somewhat ultimately but it never became ample. Main Street is not today wide enough for comfort between Market and Academy.

If the observer will look carefully in 1937 he will see that Main Street broadens out east of Academy Street. The reason for that is that from Academy to Cherry it had its beginnings as a crosscut or footpath through the woods over Baltus Van Kleeck's *Dwars* or Cross Lot. It grew along the line of least resistance, as all forest footpaths do, and it makes several turns between Academy and Cherry, which show how it wandered and widened at will.

The story of how Main Street came into existence out of original conditions is told here



ADRIANCE MEMORIAL LIBRARY

The Adriance Memorial Library, as its contribution to the celebration of the 250th anniversary of the founding of Poughkeepsie, has placed on exhibit in the main lobby some of the old and rare items from the local history collection. The exhibit contains the original deed, given in 1697 by Robert and Elsie Sanders to Balthazar Van Kleeck, which covered a large portion of the land in the northwest part of the present city. Included also in the exhibit is a map of the city made in 1790, showing the portion of the village in the neighborhood of Main and Market Streets, and a map made in 1796 of the locality in the section of Mill and Washington Streets, which shows the location of the house of Myndert Harmense, one of the patentees of the land before it was sold to Robert Sanders.

The local history collection has been gathered during the last ten years and is growing rapidly. Here can be found the oldest as well as the latest newspapers published in Poughkeepsie. *The Country Journal and The Poughkeepsie Advertiser*, published by Nicholas Power in 1785, was only a small sheet and printed once a week, but it must have seemed a wonderful thing to the people of that day to have a local newspaper giving them the news of their very young country

and an opportunity for advertising their real estate, cattle, slaves, produce and merchandise. The collection also contains books by local authors, books printed in Poughkeepsie, reports of the county supervisors and of the various boards of the city government, reports of organizations and institutions of the city and county and a file of city directories, from the first published in 1843 to the latest edition of 1937.

There is also a file of Farmers' Almanacs, printed in the city, from the first published in 1785 to the Doty and Humphrey Drug Company almanac of 1937. The old maps of the locality are especially interesting. The Post Road and the various creeks which ran down to the river are the identifying landmarks on some. But it would be a difficult thing today to find the creek which started from a spring in the rear of the present Adriance Memorial Library building and ran down the hill and across Jefferson Street to join the creek which came from across Eastman Park and down into the river at Pine Street.

For the old inhabitants who knew and remember older days and for the young who wish to know about the history of their surroundings the local history collection has been started.



AIRIAL VIEW OF G. S. ...



ALL THIS TODAY

Regraded Unclassified



*New Gymnasium at
World War Memorial Playground
Lincoln Center*

PROGRAM

SUNDAY, OCTOBER 10TH

Religious Commemoration Services in all City Churches

MONDAY, OCTOBER 11TH — 3 P. M.

WORLD WAR MEMORIAL PLAYGROUND DEDICATION

In Conjunction with 250th Anniversary Celebration,
City of Poughkeepsie

Music	- - - - -	Rieser's Band
Invocation	- - - - -	Dr. J. Addison Jones
	Pastor Reformed Dutch Church of Poughkeepsie	
Address	- - - - -	Alexander C. Dow
Music	- - - - -	Rieser's Band
Dedication	- - - - -	Rev. Thomas J. Dunne
	Pastor St. Stanislaus R. C. Church, Pleasant Valley	
Unveiling World War Memorial	- - - - -	Mrs. Edward J. Wolff
	Gold Star Mother	
Raising of Colors	- - - - -	Boy and Girl Scouts
	Edward Howard, Irving Trip, Jeanette Ferris, Janet Cahill	
To the Colors	- - - - -	Bugler
Patriotic Songs	- - - - -	High School Students
Address	- - - - -	Hon. Albert S. Callan
	Past Commander, Department of New York, American Legion	
Benediction	- - - - -	Rev. Abraham Haselkorn
	Rabbi Temple Beth-El	
National Anthem	- - - - -	Rieser's Band

Open House and Public Inspection of Lincoln Center and New
Gymnasium following ceremonies.

*Governor George Clinton House
now the headquarters of
Mahwahawesigh Chapter D.A.R.*



PROGRAM

TUESDAY, OCTOBER 12TH — MORNING

An historic pilgrimage to those points most intimately connected with Poughkeepsie's birth.

Pilgrims will find their pleasure and understanding of this pilgrimage greatly enhanced if they will first read the story of the settlement of Poughkeepsie by Miss Helen Wilkinson Reynolds which appears on page 7 of this program. Miss Reynolds, the author of this account and other historical works, will give a brief explanation at each of the stopping places on the pilgrimage.

- 9:45 a.m. Pilgrims will assemble with automobiles on Market street where it borders Eastman Park.
- 10:00 a.m. Motor Caravan moves under police escort to dock at mouth of Fallkill Creek.
- 10:20 a.m. At the mouth of the Fallkill — short talk.
- 10:40 a.m. Pilgrimage moves under escort to site of Van Kleeck house.
- 10:50 a.m. At site of Van Kleeck house — short talk.
- 11:00 a.m. Under escort moves to "Uppuqui-Ipis-Ing" (Indian name from which Poughkeepsie was derived) on South Road Van Benschoten Estate.
- 11:20 a.m. At "Uppuqui-Ipis-Ing" — short talk.
- 11:40 a.m. Pilgrimage concluded.



Dudley Memorial Shelter on College Hill

PROGRAM

TUESDAY, OCTOBER 12TH — COLLEGE HILL — 3 P. M.

PRESENTATION AND ACCEPTANCE

OF

DUDLEY MEMORIAL SHELTER

"Festival March" from "Tannhauser" - - - - -	<i>Wagner</i>
Hymn—"Jerusalem the Golden" - - - - -	<i>Le Jeune</i>
Sung by Miss Clara L. Hey	
Prayer - - - - -	Rev. C. Victor Brown
Pastor, First Congregational Church	
Presentation - - - - -	Harry C. Barker
Acceptance - - - - -	Mayor George V. L. Spratt
Band—"It Is Ordained" - - - - -	<i>Mendelssohn</i>
Hymn—"The Sands of Time Are Sinking" - - - - -	<i>Rimbault</i>
Miss Hey	

BAND PROGRAM

Overture—"Stabat Mater" - - - - -	<i>Rossini</i>
"Song to the Evening Star" from "Tannhauser" - - - - -	<i>Wagner</i>
"The Beautiful Blue Danube" - - - - -	<i>Strauss</i>
"My Heart at Thy Sweet Voice" - - - - -	<i>Saint-Saens</i>
Miss Hey	
"Allegro" from "Olav Trygvason" - - - - -	<i>Grieg</i>
"The Pilgrims Chorus" from "Tannhauser" - - - - -	<i>Wagner</i>
"Menuet in G" - - - - -	<i>Beethoven</i>
a. "In the Arbor" } from "Anthony and Cleopatra" -	<i>Gruenewald</i>
b. "Anthony's Victory" }	
The National Anthem	

*The Library
at Vassar College*



PROGRAM OF
PARTICIPATION BY VASSAR COLLEGE
in the 250th Anniversary of the Settlement of Poughkeepsie
TUESDAY, OCTOBER 12TH — 2:30 TO 6:00 P. M.

OPEN HOUSE BY VASSAR COLLEGE

Reception at Taylor Hall Gate—Guides and maps of the campus furnished.

Visits to Shakespeare Garden, the Circle, the Library (central hall only), the Students' Building, the Helen Kenyon Hall of Physical Education, and athletic grounds, the Chapel.

2:30 - 4:30—at Helen Kenyon Hall—Dance class, swimming.

At the Circle—archery, ring tennis.

At the tennis courts north of Josselyn House—tennis matches.

On the golf course—golf matches.

4:40—Mass meeting in Students' Building.

“The Ratification of the Constitution of the United States by the Legislature of the State of New York in Convention.”

Debate presenting the main issues of the historic struggle in the convention.

Historical material prepared by Mary Clabaugh, '38;
Speeches by members of the Debate Council.

“Some Reflections on the Early History of Poughkeepsie”—address by Professor James F. Baldwin, of the Department of History.

NOTE—The public is asked to remember that Vassar College is in session throughout the afternoon, and to be considerate.



Picture of model of new Poughkeepsie Post Office

PROGRAM
OF
POST OFFICE CORNERSTONE CEREMONIES
WEDNESDAY, OCTOBER 13TH

"The National Anthem"

Invocation - - - Very Rev. Stephen P. Connelly, V.F., P.R.

Introductory Remarks - - - - - Postmaster Charles I. Lavery
Chairman of Post Office Cornerstone Committee

Address - - - - - Dr. Henry Noble MacCracken
President of Vassar College
Chairman for the Ceremonies

Address - - - - - Hon. George V. L. Spratt
Mayor of the City of Poughkeepsie

Address - - - - - Hon. Henry Morgenthau, Jr.
Secretary of the Treasury of the United States

Address and Placing of Cornerstone, His Excellency Franklin D. Roosevelt
President of the United States

Benediction - - - - - Rev. Fred W. Stacey

"America"

GALA CELEBRATION PARADE — 2:00 P. M.

MARDI GRAS PARADE — 8:00 P. M.

The Governor George Clinton House at 549 Main Street will be open by the citizens of the celebration. On Tuesday afternoon between 4 and 6 o'clock 100 citizens of American Revolution will be in costume at open house.

The Clinton House—250 1/2 Main Street will be open each day of the celebration. Members of the Junior League will be in attendance.

The Clinton Community Center of the Y. W. C. A. at 69 Catherine Street will be open on Monday, Tuesday and Wednesday. Light refreshment will be served on Wednesday.

end of the first decade of the nineteenth century, Dutchess ranked first among the counties of the State in wheat production, supplying one-third of all of the flour produced in the State. In 1813 there were 14 grist mills in Poughkeepsie alone.

Grain production declined after the Civil War owing to the keen competition by the West by means of reduced freight rates via the Erie Canal. However, Poughkeepsie was adaptable to changing conditions and Industry began to flourish, with the manufacture of agricultural implements leading the way. Specialized agriculture still was important in the County.

Poughkeepsie was noted for its private schools in the early part of the nineteenth century. Famous institutions like The Poughkeepsie Collegiate School, Riverview Military Academy, Poughkeepsie Female Academy, and Eastman College brought national renown. Then they gave way to the excellent public schools system that sprang up. However, Poughkeepsie still has Vassar College, the leading women's college in the entire nation. Vassar College was founded in 1861 by Matthew Vassar, a man who made his fortune in Poughkeepsie as a brewer, and who willingly gave most of it away that others might have

a more formal education than himself. In that era, college education for women was considered radical and unsound. Today, women owe their enlightenment, in large measure, to Matthew Vassar. From a student body of three hundred girls its first year, Vassar College has an annual enrollment of twelve hundred students. Fulfilling the highest aims of education—learning, liberalism and tolerance—Vassar College is recognized as a world leader.

Today Poughkeepsie has fifty-eight miles of streets over an area of 4.78 square miles. Its 40,288 inhabitants have at their disposal fifty-seven million dollars in the commercial and savings banks of the City. Tied to the New England states by means of the Poughkeepsie Bridge, a link in a great railway system, and the Mid-Hudson Bridge, a vehicular bridge, Poughkeepsie offers manufacturing, building and service trades as the first opportunities for its wage earners. Over seventy-five important, nationally-known articles are manufactured and produced in Poughkeepsie. Rich in legend and romance, abounding in natural resources and economic opportunity, Poughkeepsie continues to grow as the intellectual and industrial center for Dutchess County's 110,000 inhabitants.



P rogressive and thriving 1
 O rderly and peaceful
 U rban and upright,
 G iving comfort to all
 H abitants and travelers. 9
 K eeping the beacon of
 E ndeavor always shining; thus
 E xemplifying for all to practice
 P aramount principles of 3
 S imple enduring truth.
 I nspired and imbued by
 E ducation and tolerance. 7
 F. L. Haldridge.



Mid-Hudson Bridge, Poughkeepsie, N. Y.

POUGHKEEPSIE'S TWO HUNDRED FIFTY YEARS

By NATHANIEL RUBIN

By the time the last full-blooded Algonquin Indian inhabitant had departed from the vicinity of Poughkeepsie for the West in the last part of the eighteenth century, evicted by the forces of white civilization, Dutchess County had become a successful, thriving community. As one of the twelve original divisions in the Colony of New York, Dutchess County was organized by the First Colonial Assembly. In 1714 the first census was taken. Then Poughkeepsie numbered 170 persons, of whom 15 were slaves. In those days flour and lumber were the staple articles that made Poughkeepsie and Dutchess County flourish.

In 1717 Poughkeepsie was named the County Seat, and ever since has continued to be the axis about which the wheels of Dutchess County progress have revolved. Back in those days about two-thirds of the inhabitants of Dutchess County were opposed to the high taxes, tributes and quit rents exacted from them and they became staunch Revolutionists. Farmer Prendergrast of Pawling led a group of these brave, independent farmers in riot against the Tories in 1766, and while they were suppressed, their spirits arose again in 1777 and 10,000 Americans voluntarily came out of Dutchess County to halt the British invasion. The Hudson Valley as a strategic connecting link with the New England states seceded with military preparedness, but there was little warfare here.

Several of the first American frigates were built at Poughkeepsie, only to be burned on October 12, 1777, before ever seeing service, in order to prevent the British from using them, because the famous river-chain at Fort Montgomery had been broken by the enemy.

The drama of a new nation, the United States of America, was localized in Poughkeepsie. The important event was the ratification in Poughkeepsie of the Constitution of these United States on July 26th, 1788, by the State of New York. Great national figures like Alexander Hamilton, John Jay, Governor George Clinton and Robert Livingston waged fiery debates on the issue of whether New York was to remain a separate sovereignty or was to join hands with the other colonies to form the United States of America. It was the votes of the three Dutchess County delegates who changed their decision at the last moment that provided the margin of victory for the ratification of the Constitution of the United States by the State of New York, for the vote in favor of the ratification was thirty to twenty-seven. Ever since that enlightened and far-sighted vote by Dutchess County citizens, Poughkeepsie has continued to stand for Americanism, progressive growth and equality and liberty for all.

After the Revolution, the commerce of Poughkeepsie grew by means of river traffic. Lumber and crops were the leaders. By the

POST OFFICE CORNER STONE COMMITTEE

HON. CHAS. I. LAVERY, *Chairman*

W. McGinn Smith	LaVerne M. Bull
Stephen K. Bock	Hon. John E. Mack
Hon. Frederic H. Bontecou	D. James Crank
Hon. Edward A. Conger	Wm. H. Schrauth
Hon. John B. Grubb	Dr. Henry Noble MacCracken
Paul A. Kleiser	Charles T. Brose
Hon. George Overacker	Dr. Garrett H. Price
Hon. James Townsend	

DUDLEY MEMORIAL SHELTER COMMITTEE

FRANK MYERS, *Chairman*

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John P. Adriance	Morris Rosen
Hon. Alexander Caven	George Shaler
Hon. Emerson D. Fite	Michael F. Basil
Walter J. Travis	Joseph Samuels
Hon. Daniel J. Gleason	G. Roger Forman
Charles Kitchner	Walter B. Winne
L. R. LeBlanc	Herrman A. Schatz
Henry T. Lumb	J. Stuart Bates
Allen McCormac	

WORLD WAR MEMORIAL PLAYGROUND COMMITTEE

DR. JAMES T. HARRINGTON, *Chairman*

Hon. J. Gordon Flannery	Homer W. Guernsey
George J. Lumb	Chester Satz
Hon. Joseph Morchauer	E. W. Van Deventer
Charles S. Mitchell	Mark Lauder
Samuel A. Moore	C. Fred Close
Hon. John R. Schwartz	Charles L. McLure
Richard Williams	Holmes Smith
Allen J. Weisman	John A. Flynn
Charles F. DiMarzio	Maj. Gen. B. Waterman
Samuel P. Coughlan	Barnard D. Van Kleeck

HISTORICAL COMMITTEE

DR. J. WILSON POWDER, *Chairman*

Helen Wilkinson Reynolds	Baltus B. Van Kleeck
Prof. James F. Baldwin	T. V. K. Swift
Edmund Platt	Frank V. Mylod
W. Willis Reice	

PUBLICITY COMMITTEE

ERNEST L. OWEN, *Chairman*

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William B. Duggan	Artemus G. Papatrot
Samuel Levine	Silas P. Hinkley
Henry J. Kelly	Ralph T. Waterman
Herman Bloom	

RELIGIOUS EXERCISES COMMITTEE

REV. HAROLD B. KERSCHNER, *Chairman*

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Rev. Alexander G. Cummins	Rev. A. E. May
Rev. Stephen P. Connolly	Rabbi A. Haseikorn
Rev. John H. Frenssen	Rabbi Moses Nusbaum
Rev. J. Lewis Hartsack	Rabbi Jerome Unger
Rev. Thomas J. Jenkins	Rev. Wilbur W. Kamp
Rev. Christian B. Jensen	

PARADE COMMITTEE

COL. WILLIAM L. BURNETT, *Chairman*

Major Robert W. Andrews	Louis P. Crauer
Chief Chris W. Noll	Frank W. Winch
Walter C. Forse	Frank B. Sayer
Elliott B. Colson	Charles H. Bahret
William H. Frank	Hon. Dwight Sedgwick
Gregory Gilman	Albert H. Kaiser
Thomas N. Gjobye	Hon. George P. Leadbitter
Capt. John W. Haubennestel	Dr. Raymond S. Byrne
Thomas J. Whalen	Gustave Klein
Major George B. Waterman	Louis Katz
Major Reuben M. Rosen	G. Russell Lozier
Joseph Buzon	

PROGRAM COMMITTEE

JESSE D. WETZEL, *Chairman*

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Silas Frazier	Nathaniel H. Rubin
Nigel H. Diamond	Carl R. Leo
Floyd L. Holdridge	Lester A. Lewis
Charles S. Tanner	

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JOSEPH P. DAVIS, *Chairman*

George J. Becker	Hon. Paul J. Miller
Pelton Cannon	Carl Silber
A. Russell Heston	John B. Vandewater
Frederick N. Morgan	Samuel Pressman



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WILLIAM H. SCHRAUTH - - - *General Chairman*
 W. W. MALONEY 3rd - - - - - *Treasurer*
 WILLIAM B. DUGGAN - - - - - *Secretary*

Executive Committee

FRANK L. GARDNER, *Chairman*

ERNEST R. ACKER	FRANK MYERS
JAMES S. BIXBY	PHILIP S. POTTER
HON. CHARLES J. CORBALLY	W. DEGARMO SMITH
THEODORE H. MILLER	PETER H. TROY
BALTUS B. VAN KLEECK	

It will be noted that Dutchess County as well as Poughkeepsie is represented on this list as befitting the anniversary celebration of our county seat.

WOMEN'S ACTIVITIES COMMITTEE

MRS. ALEXANDER G. CUMMINS, *Chairman*

Ann Brady	Edith Pearce
Mary C. Cole	Margaret Ryan
Mary Corliss	Mrs. A. A. Schoonmaker
Mrs. William H. Carroll	Mrs. Harry J. Selfridge
Mrs. Vivian Downing	Mrs. W. A. Saltford
Mrs. B. A. Easton	Mrs. Fred Anderson
Mrs. Julia Hammill	Ida Benedict
Mrs. Leon L. Jamieson	Mrs. Mary T. Shea
Mrs. John B. Miller	Grace C. Thompson
Mrs. George L. Nickerson	Mrs. Lucy Morgan

ITALIAN-AMERICAN PARTICIPATION

VINCENT DI GENNARO, *Chairman*

Rev. Joseph M. Perricone	Genaro Velletri
Dr. Arnold W. Ciccone	Louis Fasciotti
Barolo Barone	Benjamin Leone
Anthony Spinelli	Joseph Scarlata
John Arborio	

MERCHANTS COMMITTEE

CHARLES WALTERS, *Chairman*

OLD HOME WEEK COMMITTEE

HENRY A. GLAWITTER, *Chairman*

Gerald Reich	T. A. Straw
A. Allendorph Schoonmaker	Louise T. Whitney
Hon. Frederic A. Smith	Carl Wieble
Donald Tongue	Franklyn J. Poucher
Edwin K. Dusenbury	Cornelius W. Garrison
Harold S. Mills	Nicholas W. Gerdes
Raymond J. Connelly	William S. DuBois
Theron A. Cummings	Frank Riley
Joseph S. Babiarz	Stephen P. Becker
Dr. H. L. Baker	

COUNTY COOPERATIVE COMMITTEE

RAY F. DALZELL, *Chairman*

Eric V. Andrews	William J. McCarroll
James A. Benson	James McKeown
Sidney S. Beuham	Joseph B. McEnroe
Miles Cross	James D. MacPhee
John B. Creswell	Frank L. Minor
Paul DeGross	Harry Pottenburgh
Stanislaus J. Dean	Oliver L. Rider
Egbert T. Green	William T. Storm
John W. Hedges	Leonard J. Supple
Hon. Irving J. Justus	Edward R. Scofield
Delmar J. Lasher	Elmer Van Wagner
Joseph V. Lyons	Harold S. Wright

SCHOOL ACTIVITIES COMMITTEE

(Pageantry and Athletics)

HON. WARD C. MOON, *Chairman*

Franklin C. Butts	Carl E. Lewis
Victor H. Davis	William A. Rea
Fox D. Holden	Edmund H. Bartlett
Joseph C. Kaag	Lynne Keley
Harold I. Long	Samuel J. Kalloch

CONSTRUCTION COMMITTEE

EDGAR B. BAKER, *Chairman*

Hon. George D. Campbell	Raymond W. Burns
John A. Eighmie	Chalmer Strain
Rocco Santopadre	Harlan C. Harden

PARADE ORDERS—Continued

TWO HUNDRED FIFTIETH ANNIVERSARY CELEBRATION PARADE COMMITTEE 20 MAPLE STREET POUGHKEEPSIE, NEW YORK

S. O. No. 2:

In accordance with the provisions of G. O. No. 1, the Detachment of the 16th Infantry, U.S.A., Second Corps Area, Governor's Island, consisting of Headquarters Band, three Officers and seventy-five enlisted men, have been detailed for duty in connection with the exercises for the Two Hundred Fiftieth Anniversary Celebration, and will arrive by motor convoy at the southerly City Line, at 9 A. M., Wednesday, October 13, 1937.

A Detail consisting of two Officers will meet the convoy at 9 A. M., at the City Line, and will escort them up South Avenue, to Franklin Street, to Lincoln Avenue, to the northwest corner of Riverview Field, where the motor trucks will be quartered for the day. On arrival at Riverview Field, the Detachment will take formation and march from that point to Pine Street, to Market Street, to the State Armory, which will be their Headquarters.

The Detachment will be assigned as the Escort to His Excellency, Franklin D. Roosevelt, President of the United States, in connection with the laying of the cornerstone of the U. S. Post Office Building, Poughkeepsie, N. Y., and the President will also review the parade to be held in the afternoon of this date.

The formation of the Escort to the President will assemble at 10:15 A. M., in Market Street, opposite the State Armory, and will move at 10:20 A. M. up Market Street, to Mill Street, to Washington Street, to the City Line, where the column will halt and take formation for the return march.

Upon the arrival of the President and his Staff, the Escort will assemble in the following formation:

Staff Officers

Headquarters Band, 16th Infantry, U.S.A.

Detachment of 16th Infantry

Officers of the R.O.A., U.S.A., will form a Special Guard of Honor immediately in the rear of the Infantry Detachment.

The Escort will move promptly at 10:40 A. M., marching down Washington Street, to Mansion Street, to the site of the U. S. Post Office, where the band and Escort will form line to the left, facing the Presidential Stand.

Battery C, 156th Field Artillery, N.Y.N.G. will be in position immediately in the rear of the Post Office site at 10 A. M., and when the column escorting the President of the United States arrives at the corner of Washington and Mansion Streets, the Battery will fire the Presidential Salute as the column moves to its position in front of the Post Office site.

Immediately after the ceremonies are concluded, the President will enter his automobile for the return trip to Hyde Park.

The Escort will then take its original formation and march to the State Armory and dismiss.

The enlisted personnel of the Detachment of the 16th Infantry will be served a lunch at the Germania Singing Society Building, just east of the State Armory, at 12:30 P. M.

The Commissioned Officers of the Detail will be the guests of the Committee at a luncheon to be served at the Nelson House at 12:30 P. M.

Immediately after luncheon, the formation of the afternoon parade will take place at 1:20 P. M., and the Detachment from the 16th Infantry and the units of the 156th Field Artillery, N.Y.N.G. will march from the State Armory to their position in the column on Mill Street, right resting at New Market Street.

By order,

COL. W. L. BURNETT,

Marshal.

Official,

MAJOR R. W. ANDREWS,

Adjutant General.



A section of the Campus at Vassar College

PARADE ORDERS—Continued

The **LINE OF MARCH** will be down Mill Street, to North Clover Street, to Main Street, to Market Street, to Montgomery Street, to South Clinton Street, to Church Street, to junction of Main Street, down Main Street, to a point just east of Market Street, where the column will halt while the Mayor and other City Officials take their position in the reviewing stand on New Market Street, for the review. As soon as they are in position, the column will march down Main Street to New Market Street, passing in review at the reviewing stand which will be located on the west side of New Market Street, about 200 feet north of Main Street. The parade will then continue north on New Market Street to the junction of Mansion Street, where the various organizations will march east and west on Mansion Street, and dismiss.

His Excellency, President Franklin D. Roosevelt and Staff will take position in the reviewing stand not later than 3 P. M., and will be joined there by the City Officials for the review, which will take place immediately after the arrival of the head of the column at Market Street.

A distance of 200 feet will be maintained between Divisions and an interval of 50 feet between individual organizations.

The Detachment consisting of the Headquarters Band and the Detail from the 16th Infantry, U.S.A., will make their headquarters at the State Armory, and will march from that point to a point of formation with the units of the 156th Field Artillery, N.Y.N.G.

The Detachment of sailors from the U.S.S. Dunlap will disembark at the Hudson River Day Line Dock, and will be met at that point with a Detail of one Commissioned Officer, who will escort them to their position in the column on Mill Street.

All organizations not assigned to a Headquarters will report promptly to the Commanding Officer of their respective Division at the point of formation at 1:15 P. M.

Immediately upon arrival at the point of formation, each Organization Commander will report that organization as being in position to the Division Commander.

The guide will be right during the entire parade until the column reaches the corner of Market and Main Streets, when the guide will be changed left while passing in review.

Immediately after the Marshal and Staff have passed the reviewing stand they will change direction to the left, halt at the reviewing stand, face about, and remain in position to review the parade.

As soon as the Detachment of the 16th Infantry with their band have reached the junction of Mansion and New Market Streets, they will proceed down Mansion Street to Washington Street, to Union Street, to Market Street, to Montgomery Street, to Riverview Field, where the conveyal trucks will be waiting to return them to their Headquarters.

As soon as the Detachment of sailors from the U.S.S. Dunlap have reached the junction of New Market and Mansion Streets, they will change direction to the left on Mansion Street, to Washington Street, to Mill Street, to North Clover Street, to Main Street, to the Hudson River Day Line Dock, from which point they will return to their homes.

DETAILS:

Col. O. Thiede, Lieut. Col. A. Huddelson, Jr., Major T. D. Maber, Capt. H. A. McLaughlin, Capt. C. Forbush, Capt. F. H. Dudley, Lieut. H. Swann, Lieut. H. May, Lieut. A. A. Schoonmaker and Chaplain A. Guinan are hereby detailed as Aides on the Staff of the Marshal.

Major H. Daniels and Capt. C. E. Niles are hereby detailed as Aides on the Staff of the Commander of the First Division.

Lieut. D. D. Smith and Lieut. E. M. Landis are hereby detailed as Aides to the Commander of the Second Division.

Lieut. W. A. Nye, Lieut. S. A. Moore, Jr. and Lieut. M. Fody are hereby detailed as Aides to the Commander of the Fourth Division.

Capt. W. O. Prinsep, Lieut. W. H. Clinton, and Lieut. O. J. Spahn, Jr. are hereby detailed as Aides to the Commander of the Fifth Division.

Lieut. R. H. Hutchings, Jr. is hereby detailed as an Aide to the Commander of the Seventh Division.

Mr. G. Arnold and Mr. M. Cleveland will report as Mounted Aides to the Marshal.

BANDS AND DRUM CORPS

Prof. W. J. Kiear will report with his band to Chief Engineer C. W. Noll, Commander of the Third Division.

M. Arnold will report with the Mid-Hudson Band to Capt. C. S. Cline, Commander of the Fifth Division.

The Young America Fife, Drum and Bugle Corps will report to the Captain of Young America Hose Company No. 6. Lafayette Post, American Legion Drum Corps will report to the Commander of the Second Division.

The Rhinebeck Band will report to the Commanding Officer of Tri-Po-Bed Grotto, in Section B of the Fourth Division.

The Salvation Army Band will report to the Commanding Officer of the Fourth Division.

The Beacon City Band will report to the Commanding Officer of the Fifth Division.

The Commanding Officer of the Dutchess County Chapter Reserve Officers' Association will assign a Detail of one Commissioned Officer to escort the Detachment of the 16th Infantry from the point of dismissal to Riverview Field, the headquarters of their motor convey.

A Detail of one Commissioned Officer will also be assigned to escort the Detachment of the sailors from the U.S.S. Dunlap, after their dismissal from the parade to their headquarters on the vessel at the Hudson River Day Line Dock.

By order,

COL. W. L. BURNETT,

Marshal

Official,

MAJOR R. W. ANDREWS,
Adjutant General.

PARADE ORDERS—Continued

FIFTH DIVISION

Captain C. S. Cline, Commanding
 Mid-Hudson Band
 M. Arnold, Leader

Vassar Brothers Hospital Alumnae Association
 Mabel Andrews Edith Lindberg
 (in charge)

St. Francis Hospital Alumnae Association
 L. F. Eckert, in charge
 American Red Cross Unit
 L. H. Thatcher, Chairman

Hudson River State Hospital Nurses' Alumni Association
 Ann M. Peters, President

Hudson River State Hospital Nurses' Training School
 Gladys Russell, Director
 Beacon City Band
 M. Usifer, Leader

Court Irenita No. 69, Catholic Daughters of America
 Senior and Junior Courts
 Margaret A. Tynan, Director

Patriotic Order of Americans, Camp No. 11
 C. Lintel, Commanding

Hudson Valley Lodge No. 526, Ladies' Auxiliary to
 Brotherhood of Railroad Trainmen
 E. Callahan, President

Betsy Ross Council No. 45, Sons and Daughters of America

SIXTH DIVISION

SECTION A

W. C. Forse, Commanding
 Boy Scouts Drum Corps

Boy Scouts of America, Dutchess County Council
 One Troop of Girl Scouts
 M. M. Dow, Leader

SECTION B

Franklin A. Butts, Commanding
 High School Band

Pupils of the High School and Grade Schools
 of the City of Poughkeepsie

Pupils of the Parochial Schools

SEVENTH DIVISION

FLOATS

Lieut. R. F. Knox, Commanding

Hollandia Society
 Float 1:
 "Hollandia"

Pomona Grange
 Float 2:
 "Peace Through Friendship"

Alice Cary Risley Tent No. 73
 Float 3:
 "Daughters of Union Veterans of the Civil War"

Vassar Brothers Hospital
 Float 4:
 "Fifty Years of Service to the Sick and Injured"

St. Francis Hospital
 Float 5:
 "St. Francis our Inspiration"

W. E. Bock
 Float 6:
 Floral Float

Exchange Club of Poughkeepsie
 Float 7:
 Exchange Club

Lions Club of Poughkeepsie
 Float 8:
 "Aid to Better Vision"

Women's Relief Corps, Ladies of the G.A.R.
 Float 9:
 "The Grand Army of the Republic"

Pleasant Valley Grange No. 838
 Float 10:
 "A Model Grange"

Sunshine Council
 Float 11:
 "Sunshine Council, Daughters of America"

Apokeepsing Tribe No. 438, Improved Order of Red Men
 Float 12:
 "Apokeepsing Tribe of Red Men"

Hudson Valley Lodge No. 526, Ladies' Auxiliary
 to Brotherhood of Railroad Trainmen
 Float 13

Catholic Center
 Float 14:
 Children's Float

The Girl Scouts, Inc.
 Float 15:
 "The Girl Scouts"

Excelsior Rebekah Lodge No. 7, I.O.O.F.
 Float 16:
 "Excelsior Rebekah"

Pride of the Hudson Lodge No. 467
 Queen of the Hudson Temple No. 293

Improved, Benevolent & Protective Order of Elks of the World
 Float 17

Upton Lake Grange
 Float 18

Shepherds of Bethlehem
 Float 19

Decorated Automobiles
 Women's City and County Club

PARADE ORDERS

HEADQUARTERS

TWO HUNDRED FIFTIETH ANNIVERSARY CELEBRATION PARADE COMMITTEE

30 MAPLE STREET

POUGHKEEPSIE, NEW YORK

G. O. No. 1

The following appointments to the Staff of the Marshal and orders for the Two Hundred Fiftieth Anniversary Celebration Parade are hereby published.

Major R. W. Andrews, Adjutant General

Captain J. W. Haubennestel, Assistant Adjutant General

DIVISION COMMANDERS

Major E. C. Schroeder, U.S.A. (Retd.)

Major J. B. Marian

Captain C. L. McLure

Chief Engineer C. W. Noll

Captain C. S. Cline

Lieutenant R. F. Knox

Scout Executive W. C. Forse

AIDES-DE-CAMP

Col. O. Thiede

Lieut. Col. A. Huddleson, Jr.

Major H. Daniels

Major T. D. Mahar

Capt. A. S. Brundage

Capt. H. A. McLaughlin

Capt. C. Forbush

Capt. C. E. Niles

Capt. W. O. Printup

Capt. F. H. Dudley

Lieut. H. Swann

Lieut. H. May, M.D.

Chaplain W. Guinan

Lieut. E. M. Landis

Lieut. W. A. Nyce

Lieut. S. A. Moore, Jr.

Lieut. M. Fody

Lieut. W. H. Clinton

Lieut. O. J. Spahn, Jr.

Lieut. A. A. Schoonmaker

Lieut. R. H. Hutchings, Jr.

Lieut. C. H. Halpin

Lieut. D. D. Smith

Line will be formed on Mill Street, right resting on Washington Street, facing west, on Wednesday, October 13, 1937, at 1:30 P.M.

Major E. C. Schroeder will command the First Division.
Captain C. L. McLure will command the Second Division.
Chief Engineer C. W. Noll will command the Third Division.

Major J. B. Marian will command the Fourth Division.
Captain C. S. Cline will command the Fifth Division.
Scout Executive W. C. Forse will command the Sixth Division.

Lieut. R. F. Knox will command the Seventh Division.
The First Division will form on Mill Street, right resting on New Market Street, facing west.

The Second Division will form on Mill Street, right resting on Crannell Street, facing west.

The Third Division will form on Mill Street, approximately at the junction of Clinton Square, facing west on Mill Street.

The Fourth Division will form on North Hamilton Street, right resting on Mill Street, facing south.

The Fifth Division will form on Catharine Street, right resting on Mill Street, facing south.

The Sixth Division will form on Cataract Square, extending to DeLafield Street, with the right of the Division resting at North Clover Street.

The Seventh (Float) Division will form on New Market Street, facing south, with the right resting on Mill Street. The Column will march at exactly 2 P. M. in the following order:

MARSHAL W. L. BURNETT AND STAFF

Mayor G. V. L. Spratt Mr. P. A. Rieser

Hon. C. J. Corbally Mr. R. F. Jones

Mr. L. Crippen Commander B. Merritt

THE COMMON COUNCIL

(in automobiles)

Mr. J. P. Davis, Alderman-at-Large, Commanding

Aldermen:

H. Adams

B. Baker

G. Becker

H. Corey

H. Edson

J. Haggerty

E. Hatfield

R. Heaton

Aldermen:

J. Hogan

C. Kirchner

W. Knox

B. McCoy

A. Murray

F. Theyson

C. Silber

J. Walsh

The Executive Committee,

Two Hundred Fiftieth Anniversary Celebration
F. L. Gardner, Chairman

THE BOARD OF POLICE COMMISSIONERS

Mr. P. Potter Dr. R. W. Andrews Mr. S. Moore, Jr.

MEMBERS OF THE CITY BOARDS AND INVITED GUESTS

(in automobiles)

FIRST DIVISION

Major E. C. Schroeder, Commanding
City Colors

Headquarters Band, 16th Infantry, U.S.A.
W. O. William White, Leader

Detachment 16th Infantry, U.S.A.
Captain Edward J. O'Neill, Commanding

Detachment of Sailors, U.S.S. Dunlap
Commander E. C. Schrader, Commanding

First Battalion, 156th Field Artillery, N.Y.N.G.
Major R. M. Rosen, Commanding

Battalion Headquarters and Combat Train
Lieut. E. Studing, Commanding

Battery A, 156th Field Artillery, N.Y.N.G.
Lieut. J. Clayton, Commanding

Battery B, 156th Field Artillery, N.Y.N.G.
Captain W. H. Young, Commanding



Poughkeepsie High School

IN



Amrita Club

AND AROUND



Taylor Gate—Vassar College

POUGHKEEPSIE



*The Cedarcliff Club House
and swimming pool at the Y. M. C. A.*



Y. M. C. A.



The attached memorandum was prepared by Mr. O'Donnell of the Division of Research and Statistics.

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INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE October 13, 1937

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Reduction in the Budget estimate for fiscal year 1938, as a result of the conference held on October 11, 1937.

In accordance with the conclusions reached in our revenue estimating conference on October 11, 1937, we have reduced the revenue estimates by \$124 millions; \$74 millions were deducted from the income tax and \$50 millions were deducted from the other items.

There follows a list of the items adjusted, the amounts of the reductions, and the reasons for the reductions.

(millions of dollars)

Current individual income taxes \$ 69
Back income taxes 5

The recession in security prices has exceeded our estimates of August, so that the net capital gains reported by individuals will fall short of our August estimates. Also reported dividend distributions by corporations may fall short of the August estimates, further reducing individual sources of income. Back income tax collections through August have fallen somewhat short of estimates.

Estate taxes

15

Since under the present law estates may be valued either at time of death or one year later, the current recession in security prices in excess of our anticipations may result in a lower valuation on certain estates than we had anticipated. The estate tax estimate was therefore reduced in the interest of conservatism.

Stamp taxes on security issues

3

The fact that the security price recession has exceeded our August expectations necessitates a slight reduction in this estimate.

(millions of dollars)

Distilled spirits (domestic) 15
Collections to date have been running under our estimates.

Fermented malt liquors 2
While collections to date are measuring up to the August estimates, a moderate reduction in the estimate was allocated to this item in the interest of conservatism.

Gasoline 5
Collections to date are under our August estimates. Although we believe that this difference may be due to seasonal factors, a reduction in the total places the estimate on the safe side.

Tires and tubes 2
Automobiles (passenger) 3
The best opinions as to the outlook for the automobile industry are slightly more conservative than our forecast in August. We have, therefore, allocated a moderate reduction in the revenue estimates to the items "Tires and tubes" and "Automobiles (passenger)".

Customs 5
In view of the unusual situation which prevailed last year in connection with the imports of foodstuffs, we felt that it would be on the conservative side to allocate \$5 millions of our reduced revenue estimates to the customs' item.

Confidential

Comparison of October Budget Message estimated fiscal year 1938 revenue receipts with fiscal year 1938 estimates contained in the Budget Message and April Work Relief Message 1/

Summary Table

General and special accounts (On the basis of the daily Treasury statement, unrevised)	Budget message January 1937	Work relief message April 1937	Budget message October 1938	Increase or decrease October over January	Percent increase or decrease October over January	Increase or decrease October over April	Percent increase or decrease October over April
1. Internal revenues:							
(1) Income tax	\$1,365,900,000	\$2,965,900,000	\$2,791,500,000	\$-573,800,000	-19.1	\$-163,800,000	-5.5
(2) Miscellaneous internal revenues:							
Capital-stock tax	142,000,000	142,000,000	142,000,000	-	-	-	-
Estate tax	464,100,000	358,200,000	376,800,000	- 87,300,000	-18.8	18,600,000	5.2
Gift tax	75,000,000	25,000,000	29,800,000	- 45,800,000	-66.4	20,000	.8
Alcoholic beverage taxes	643,700,000	643,700,000	639,570,000	- 4,130,000	- .6	- 4,130,000	-.6
Tobacco taxes	569,347,000	569,300,000	548,105,000	- 21,242,000	- 3.7	- 21,195,000	- 3.7
Stamp taxes	81,075,000	83,100,000	70,810,000	- 12,265,000	-14.6	- 12,290,000	-14.6
Manufacturers' excise taxes	428,510,000	448,500,000	453,500,000	5,000,000	1.1	5,070,000	1.1
Sundry taxes	82,600,000	82,600,000	130,270,000	47,670,000	57.7	47,670,000	57.7
Total miscellaneous internal revenue taxes	2,505,332,000	2,352,400,000	2,326,775,000	-122,057,000	-4.9	33,975,000	1.4
(3) Other internal revenue							
Taxes upon carriers and their employees	-	150,200,000	158,200,000	158,200,000	-	8,000,000	5.3
Social Security taxes	774,800,000	774,800,000	605,595,000	-169,265,000	-21.8	-169,265,000	-21.8
Tax on unjust enrichment	-	10,000,000	5,000,000	- 5,000,000	-	- 5,000,000	-50.0
Total other internal revenue taxes	774,800,000	935,000,000	768,795,000	- 6,085,000	-.8	-166,265,000	-17.8
Total internal revenue taxes	6,648,432,000	6,242,700,000	5,945,510,000	-701,922,000	-10.6	-255,120,000	-4.7
2. Customs	453,000,000	453,000,000	433,900,000	30,900,000	6.7	30,900,000	6.7
3. Miscellaneous revenues and receipts	187,000,000	200,000,000	2/ 210,000,000	28,000,000	15.4	10,000,000	5.0
Total receipts, general and special accounts	7,293,432,000	6,905,700,000	6,650,410,000	-643,022,000	-9.8	-255,220,000	-3.7

Treasury Department, Division of Research and Statistics.

1/ Collections for credit to trust funds are not included.
 2/ This estimate is carried forward from 1937 actual collections. The final estimate of these items will be made in the Bureau of the Budget.

Comparison of October Budget Message estimated fiscal year 1938 revenue receipts with fiscal year 1937 receipts contained in the Budget Message and April War Relief Message 1/

11 Detailed Table

General and special accounts (On the basis of the daily Treasury statement, unrevoked)	Budget Message January 1937	Work relief message April 1937	Budget Message October 1938	Increase or decrease October over January	Percent increase or decrease Oct-1 over Jan-1	Increase or De- crease August over April	Percent increase or decrease August over April
Internal revenues:							
(1) Income taxes:							
Corporation, current 1/	\$1,295,300,000	\$1,288,100,000	\$1,172,000,000	\$ -83,300,000	-6.4	\$-116,100,000	-9.0
Individual, current	1,479,000,000	1,417,800,000	1,320,000,000	-99,800,000	-6.7	-97,300,000	-6.9
Estate taxes	228,000,000	228,000,000	270,000,000	42,000,000	18.4	42,000,000	18.4
Excise-profits tax	5,000,000	25,000,000	29,500,000	4,500,000	90.0	4,500,000	90.0
Total income taxes	<u>3,007,300,000</u>	<u>2,958,900,000</u>	<u>2,791,500,000</u>	<u>-215,800,000</u>	<u>-7.3</u>	<u>-191,900,000</u>	<u>-6.5</u>
(2) Miscellaneous internal revenues:							
Capital-stock tax							
Estate tax	142,000,000	142,000,000	142,000,000				
Gift tax	464,100,000	398,200,000	376,800,000	-87,300,000	-18.8	18,600,000	4.7
Total	606,100,000	540,200,000	518,800,000	-87,300,000	-14.4	18,600,000	3.4
Alcoholic beverage taxes:							
Distilled spirits (imported) (excise tax)	34,000,000	37,400,000	37,400,000	3,400,000	9.7		
Distilled spirits (domestic) (excise tax) 1/	267,000,000	279,700,000	279,700,000	12,700,000	4.7		
Fermented malt liquors (beer) 1/	310,000,000	304,700,000	304,700,000	-5,300,000	-1.7		
Wines (domestic and imported) (excise tax) 1/	6,100,000	7,180,000	7,180,000	1,080,000	17.7		
Rectification tax	11,200,000	12,540,000	12,540,000	1,340,000	11.9		
Rectifiers, liquor dealers, and manufacturers of stills (special taxes)	7,500,000						
Container stamps (Liquor Taring Act, 1934)	11,200,000		7,640,000	140,000	1.3		
Floor taxes (Liquor Taring Act, 1934)	4,100,000		12,000,000	800,000	19.5		
Brewers: Retail and wholesale dealers (special taxes)	2,600,000		4,000,000	1,400,000	53.8		
All other	2,600,000		4,000,000	1,400,000	53.8		
Total alcoholic beverage taxes	<u>643,700,000</u>	<u>647,700,000</u>	<u>637,570,000</u>	<u>-6,200,000</u>	<u>-1.0</u>	<u>-4,130,000</u>	<u>-.6</u>
Tobacco taxes:							
Cigars (large) 1/	13,200,000		12,300,000	-900,000	-6.8		
Cigarettes (small) 1/	492,000,000		474,000,000	-18,000,000	-3.7		
Snuff	7,000,000		6,710,000	-290,000	-4.1		
Tobacco (chewing and smoking)	55,800,000		53,820,000	-1,980,000	-3.5		
Cigarette paper and tubes	1,200,000		1,110,000	-90,000	-7.5		
All other	147,000		185,000	38,000	25.9		
Total tobacco taxes	<u>569,347,000</u>	<u>569,900,000</u>	<u>548,105,000</u>	<u>-21,242,000</u>	<u>-3.7</u>	<u>-21,195,000</u>	<u>-3.7</u>
Stamp taxes:							
Issues of securities, bond transfers, and bonds of convenience	37,000,000		31,000,000	-6,000,000	-16.2		
Stock transfers	30,400,000		32,300,000	1,900,000	6.3		
Sales of produce (future delivery)	3,000,000		3,300,000	300,000	10.0		
Silver-bullion sales or transfers	175,000		10,000	-165,000	-94.3		
Playing cards	4,200,000		4,200,000				
Total stamp taxes	<u>75,175,000</u>	<u>67,100,000</u>	<u>70,810,000</u>	<u>-4,365,000</u>	<u>-5.8</u>	<u>-13,390,000</u>	<u>-17.8</u>
Manufacturers' excise taxes:							
Lubricating oils	33,300,000		31,900,000	-1,400,000	-4.2		
Brewer's malt, malt, etc.	300,000		300,000				
Matchboxes	7,300,000		7,150,000	-150,000	-2.1		
Gasoline	304,000,000		297,800,000	-6,200,000	-2.0		
Electrical energy	36,400,000		36,100,000	-300,000	-.8		
Tires and inner tubes	37,000,000		39,350,000	2,350,000	6.4		
Tire preparations, etc.	15,900,000		17,500,000	1,600,000	10.1		
Articles made of fur	7,000,000		6,330,000	-670,000	-9.6		
Jewelry, etc.							
Automobiles, trucks	8,100,000		9,320,000	1,220,000	15.1		
Passenger automobiles and motorcycles	58,200,000		60,500,000	2,300,000	4.0		
Parts or accessories for automobiles	9,300,000		9,300,000				
Radio sets, phonograph records, etc.	7,200,000		6,800,000	-400,000	-5.6		
Mechanical refrigerators	11,140,000		9,800,000	-1,340,000	-11.7		
Sporting goods, cameras and lenses	8,050,000		7,800,000	-250,000	-3.1		
Firearms, shells and cartridges	3,300,000		3,340,000	40,000	1.2		
Gaming tax	960,000		960,000				
Total manufacturers' excise taxes	<u>448,510,000</u>	<u>448,900,000</u>	<u>435,530,000</u>	<u>-12,980,000</u>	<u>-2.9</u>	<u>5,000,000</u>	<u>1.1</u>
Sundry taxes:							
Telegrams, telegraph, radio and cable facilities, leased wires, etc.	25,400,000		25,000,000	-400,000	-1.6		
Transmission of oil by pipe line	11,000,000		11,360,000	360,000	3.3		
Leases of safe deposit boxes	2,000,000		2,150,000	150,000	7.5		
Amusements for theaters, concerts, cabarets, etc.	30,830,000		29,400,000	-1,430,000	-4.6		
Club dues and initiation fees	7,400,000		6,440,000	-960,000	-13.0		
Glassware, etc., including special taxes	2,500,000		2,650,000	150,000	6.0		
Onions and other vegetable oils processed 1/	11,200,000		10,230,000	-970,000	-8.7		
Processing tax on crude petroleum	1,000,000		920,000	-80,000	-8.0		
Bismuths coal tax			1,800,000	1,800,000			
Sugar Act of 1937			46,200,000	46,200,000			
All other, including repealed taxes	1,000,000		800,000	-200,000	-20.0		
Total sundry taxes	<u>120,000,000</u>	<u>122,200,000</u>	<u>130,270,000</u>	<u>10,270,000</u>	<u>8.5</u>	<u>71,670,000</u>	<u>57.2</u>
Total miscellaneous internal revenues taxes	<u>2,827,315,000</u>	<u>2,827,000,000</u>	<u>2,787,275,000</u>	<u>-40,040,000</u>	<u>-1.4</u>	<u>-116,230,000</u>	<u>-4.1</u>
Total internal revenue exclusive of processing taxes, railroad employees retirement taxes, Social Security taxes, and tax on unjust enrichment	<u>5,834,615,000</u>	<u>5,785,900,000</u>	<u>5,578,775,000</u>	<u>-256,840,000</u>	<u>-4.4</u>	<u>-125,325,000</u>	<u>-2.2</u>
(3) Other internal revenues:							
Taxes upon carriers and their employees							
Social Security taxes (Public No. 271, Aug. 14, 1935)		150,000,000	158,280,000	158,280,000		8,000,000	5.3
Employment tax (Title VIII)							
Tax on employers of 8 or more (Title IX)	621,800,000		529,000,000	-92,800,000	-14.9		
Total Social Security taxes	151,000,000	774,000,000	787,280,000	13,280,000	1.7	119,280,000	15.5
Tax on unjust enrichment	774,000,000	10,000,000	5,000,000	-769,000,000	-99.4	-4,000,000	-.5
Total other internal revenue taxes	<u>1,425,800,000</u>	<u>784,000,000</u>	<u>792,280,000</u>	<u>8,280,000</u>	<u>1.0</u>	<u>115,280,000</u>	<u>8.1</u>
Total internal revenue taxes	<u>5,834,615,000</u>	<u>6,569,900,000</u>	<u>6,371,055,000</u>	<u>-198,845,000</u>	<u>-3.0</u>	<u>-110,045,000</u>	<u>-1.7</u>
2. Duties	<u>463,000,000</u>	<u>463,000,000</u>	<u>463,000,000</u>	<u>0</u>	<u>0.0</u>	<u>30,000,000</u>	<u>6.5</u>
3. Miscellaneous revenues and receipts	<u>182,000,000</u>	<u>200,000,000</u>	<u>270,000,000</u>	<u>70,000,000</u>	<u>38.5</u>	<u>10,000,000</u>	<u>5.5</u>
Total receipts general and special accounts	<u>7,062,415,000</u>	<u>7,252,900,000</u>	<u>7,104,330,000</u>	<u>-148,570,000</u>	<u>-2.0</u>	<u>-105,045,000</u>	<u>-1.5</u>

Treasury Department, Division of Research and Statistics.

1/ Collections for credit to trust funds are not included.
2/ This estimate is carried forward from 1937 actual collections. The final estimate of these items will be made in the course of the Budget.

October Budget Message estimates fiscal year 1938 revenue receipts and very preliminary estimates of fiscal year 1939 revenue receipts

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General and special accounts	Actual 1937	Estimated 1938	Increased or decreased 1938 over 1937	Percent increase or decrease 1938 over 1937	Estimated 1939	Increased or decreased 1939 over 1938	Percent increase or decrease 1939 over 1938	Increased or decreased 1939 over 1937	Percent increase or decrease 1939 over 1937
Internal revenues:									
(1) Income taxes	\$ 2,157,526,281.33	\$ 2,791,500,000	\$ 633,973,018.67	29.4	\$ 3,150,000,000	\$ 368,700,000	11.2	\$ 1,002,673,018.67	46.5
(2) Miscellaneous internal revenues:									
Capital-stock tax	177,499,245.53	142,000,000	4,500,754.47	3.3	401,300,000	3,000,000	2.1	7,500,754.47	5.5
State tax	291,635,983.21	376,500,000	95,164,016.79	33.0	26,300,000	1,000,000	3.8	120,164,016.79	42.7
Salt tax	23,311,783.26	25,200,000	1,888,216.74	8.1	26,300,000	1,000,000	3.8	2,888,216.74	12.4
Alcoholic beverage taxes	533,831,352.97	639,570,000	105,738,647.03	19.8	670,700,000	31,130,000	4.6	76,928,647.03	13.0
Tobacco taxes	551,322,580.30	548,105,000	-3,217,580.30	-0.6	562,990,000	14,885,000	2.7	11,067,419.68	2.0
Stamp taxes	69,913,336.11	70,810,000	896,663.89	1.3	81,410,000	10,600,000	13.0	11,496,663.89	16.4
Manufacturers' excise taxes	450,581,984.74	453,520,000	2,938,015.26	0.7	470,520,000	17,000,000	3.6	20,238,015.26	4.5
Miscellaneous taxes	79,432,728.77	130,270,000	50,837,271.23	64.0	150,230,000	20,000,000	13.3	70,797,271.23	26.7
Total miscellaneous internal revenue taxes (collection basis)	2,188,735,064.91	2,386,275,000	197,539,935.09	9.0	2,515,810,000	129,535,000	5.1	327,074,935.09	14.9
Adjustment to daily Treasury statement basis (unrevised)	- 7,517,268.87	-	+ 7,517,268.87	-	-	-	-	+ 7,517,268.87	-
Total miscellaneous internal revenue taxes	2,181,217,796.04	2,386,275,000	205,057,143.96	9.4	2,515,810,000	129,535,000	5.1	334,592,203.96	15.3
(3) Processing taxes (Agriculture Adjustment Administration)	2,501.14	-	-2,501.14	-100.0	-	-	-	-2,501.14	-100.0
(4) Other internal revenues:									
Taxes upon carriers and their employees	286,503.55	158,200,000	157,913,096.45	55,040.6	124,800,000	-73,400,000	-71.1	124,513,096.45	47,989.9
Social Security taxes	265,458,404.23	605,535,000	340,076,595.77	128.1	632,401,000	26,866,000	4.4	366,942,595.77	136.2
Tax on unjust enrichment	5,073,351.02	5,000,000	-73,351.02	-1.5	10,000,000	5,000,000	50.0	7,226,648.98	44.7
Total other internal revenue taxes (collection basis)	271,818,658.86	768,735,000	496,916,341.14	182.8	767,201,000	-1,534,000	-0.2	435,302,341.14	157.2
Adjustment to daily Treasury statement basis (unrevised)	-13,435,834.88	-	+13,435,834.88	-	-	-	-	+13,435,834.88	-
Total other internal revenue taxes	258,382,823.98	768,735,000	510,342,236.02	197.5	767,201,000	-1,534,000	-0.2	448,738,176.02	173.6
Total internal revenue taxes	4,557,140,102.49	5,345,510,000	788,369,897.51	17.3	6,443,211,000	1,097,701,000	17.0	1,886,070,897.51	41.4
Duties	485,355,528.30	483,500,000	-1,855,528.30	-0.4	519,500,000	35,000,000	7.2	33,144,471.70	6.8
Miscellaneous revenues and receipts	210,343,535.48	210,000,000	-343,535.48	-0.2	210,000,000	-	-	-343,535.48	-0.2
Total receipts, general and special accounts	5,252,840,236.87	6,050,010,000	797,169,763.13	15.3	7,172,711,000	1,122,701,000	15.7	1,920,070,763.13	36.5

Treasury Department, Division of Research and Statistics.

1/ Collections for credit to trust funds are not included.
 2/ This estimate is carried forward from 1937 actual collections. The final estimate of these items will be made in the Bureau of the Budget.

Mr. Luskhead

OFFICE CORRESPONDENCE

DATE October 13, 1937.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION

FROM: L. H. Knake

WITH BANK OF ENGLAND.

I called Mr. Hawker at 10:25 today and told him that we had just dispatched a cable renewing our selling order for gold. Hawker thought they had been very lucky yesterday and Monday to be able to sell so much for us. Today, he thought, he would probably sell a few more millions. The movement back into the franc had continued and Cariguel, he thought, had taken a good deal of foreign exchange today. An interesting development in the situation was that a great number of foreign notes were turned in to Cariguel, which might indicate some sort of repatriation. Of the \$12,000,000 to \$20,000,000 gained by Cariguel since Saturday, possibly one-fourth had been in the form of such foreign notes.

I discussed gold operations in London and asked whether, in his opinion, purchases in the London market had been made for private account or for that of official funds. Hawker replied that practically all the gold sold at fixing had gone into private hoards and did not represent official buying. As far as our order was concerned, he had been able to "marry" a substantial part of it against central bank orders which they had been getting on an ever increasing scale since the Tripartite Agreement was signed, and which originated not only in Europe but also in other parts of the world. A small part of our order he had been able to sell in the market but "the great majority of our gold had gone into official hands." Of the \$12,000,000 done for us yesterday, practically nothing had been sold in the market but had gone to six or seven different quarters, "practically all official hands."

I inquired about the forward market and its volume and Hawker

FD-203 (FORM 1-37)

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 13, 1957.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH

FROM: L. W. Knobe

BANK OF ENGLAND.

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replied that the Bank of England discouraged forward dealings in gold and that the market operated along these lines only in cover of some legitimate trade operation. The volume of forward dealings, he thought, continued very small.

LWK:KMC

RECEIVED
OCT 15 1957
FEDERAL RESERVE BANK
OF NEW YORK

October 14, 1937.
9:35 a.m.

HMJr: Hello.

Operator: Secretary Wallace.

HMJr: Who?

O: Go ahead.

HMJr: Hello, Henry.

Secretary
Wallace: Good morning.

HMJr: How are you?

W: Fine.

HMJr: Henry, if it's agreeable to you, I'd like to invite Bill Myers to come here this afternoon at three, to help me.

W: I see.

HMJr: Have you any objections?

W: I think Bill is fine.

HMJr: Thank you. All right, we'll be ready. Goodbye.

October 13, 1937.
12:54 p.m.

Cochran: Hello

Taylor: Hello, Cochran.

C: Hello, Taylor, how are you?

T: Fine, how are you?

C: All right, thank you.

T: We got interested in what looked like a rather impressive movement, and wondered if you had any light to throw on it. The figures that we have are that in the last three days- your side of the water has gained between twelve and twenty million pounds, all of it going direct.

C: Yes

T: Also that there has been considerable turning in of foreign currency in the form of bank notes.

C: Yes

T: Which would indicate something more than short coverings, - how does that check with you.

C: I didn't get that -

T: I say, how does that check with your information?

C: You haven't received a wire yet from me today?

T: Yes, we got a wire from you. but the Secretary was interested in any impressions that you might have, other than that about how real it might be - whether this was all, let's say, the Government funds. No, we haven't got one from you today, we have one October 12th.

C: Eleven o'clock today in which I told you that the control had gained a net total on Monday and Saturday of one billion, eight hundred and twenty five million francs.

T: Yes

C: Exchange.

- 2 -

T: Yes

C: And that made the total in the fund last night, six billion, four hundred million francs of gold at foreign exchange.

T: That's the total in the fund.

C: Last night.

T: Yes.

C: And this morning at eleven o'clock, when I was there, they had taken in one million, seven hundred thousand pounds.

T: Ah - ha

C: Before noon. Up until eleven o'clock. This afternoon it slowed down some, so for today they probably gained, just my rough guess, between two and three million pounds. Now, as to what the stocks are doing. Yesterday I said that it was mostly speculative coverings and the selling of foreign accounts for immediate needs, where they needed francs at once. Well, today, while I was out with my friend - can you hear

T: Yes

C: When I was with my friend today they got two orders from - one was from you know, the big dealers here in notes and coins - they wanted large amounts of French francs to pay over the counter to people who were turning in sterling and other foreign currency.

T: Yes

C: And at noon I went to the National City and talked to them there and found the same thing going on. There were rather important line ups of people turning in currency, sterling for French franc notes, and they told me that their bank deposits had increased fairly well the last three days, including today. On the other hand there was a little feeling this afternoon that this wave of purchasing francs was letting up. They figure today will certainly not be anything like as important as yesterday, and there's been some fairly big deals but still no important intimation of flight capital yet.

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- T: The underlying situation is still as it was.
- C: Still as was, but still normal, more than it has been. I mean the election cheered them up quite a bit, but not because there was any change, there was practically no change but because the Communists, in spite of the very heavy expenditures of money in their campaign only gained one seat on this first election.
- T: Yes -
- C: I mean the fact that it did not go further to the left was the runoff, see. Now on next Sunday, they have the better - I mean the Communists may gain some, sort of three parties constituting the popular front has agreement, as you know for the two lower Candidates to drop out in favor of the one that did the best last Sunday, so it may be that the last will show up a little better there. A good impression has been created already.
- T: I got it.
- C: But there's not going to be any - much more strengthening in the . Arrangements made between 145 and 150 - something like that.
- T:
- C: I don't think they'll strengthen much more, they just want to get in all the foreign exchange they can and the market and the money situation is much easier already.
- T: It is much easier.
- C: Yes. money, you couldn't lend it today, it was so free so if they can keep that up, why they will really accomplish something, but I don't look for to start them. That would take a long while, and people who have actually been frightened holding their money back, in my mind, until after Parliament has convened which is November 16th, and see how things go then, so their foreign trade is still in such jeopardy you know.
- T: Uh-huh.

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- C: And having to borrow from Switzerland this little amount hasn't made a very good impression, we're bound to have some trouble with complaints about high cost of living, labor and so on, so it isn't going to be smooth sailing yet.
- T: No, it's quite a nice turn in direction, though.
- C: Oh no - no question about it. I found my friends down at the bank - they're happier than they have been for a year. I sent you that one telegram this morning and I sent you another at five o'clock, just a while ago, giving you the later part of the day.
- T: Right. Why, just a minute.
- C: When I gave you
- T: Right
- C: Brings us right up to date.
- T: Just a minute. I was just wondering if anybody had any questions on that additional and they haven't. Thanks very much. Hello.
- C: May I ask one question.
- T: Yes, you bet.
- C: I don't know whether you have any plans for me or not, have you.
- T: He doesn't - he doesn't know anything definite yet, Butterworth sails today, and he'll be back, - oh - give him the proper course - by the middle of next week, you see.
- C: Yes.
- T: And a little later why he may have some plans for you, but at the minute, not.
- C: Well, I mean I just wanted to make one suggestion. I'll leave it, of course, in your hands, whether I can or not, but if you do want me to come this fall or still this year I think it would be a little better before Parliament convenes.
- T: Yes, I agree with you.

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- C: I mean that now they're going to have a period of no French stock.
- T: Well, nothing much happens until they start having their party meetings, does it?
- C: Well, they have a party meeting on the 28th, of the Radical Socialists.
- T: Yes
- C: But since they came out pretty well, and have made their point, I don't look for them to do anything very dangerous.
- T: No, I wouldn't think so. So that the real thing is when Parliament convenes.
- C: And when Parliament convenes, which is the 16th of November, and - if you wanted me to come home, I could come on the 20th, there are several good ships then.
- T: Yes, well we'll have that in mind.
- C: 16th or 18th - but I mean, I leave that entirely to you. The only thing, if you do want me to come this year, I think honestly that would be the best.
- T: Well, I agree with you.
- C: If - if you don't want me to come, I - just as you say.
- T: All right, fine.
- C: All right.
- T: We'll let you know. Thank you.
- C: Have you seen the Ambassador?
- T: No, I didn't see him. I was out of town, I just got back myself so that I missed him when he was here.
- C: Yes. Well, you got my long one on the BIS.
- T: Yes, - yes I did.

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C: Well, I told you everything I knew in that.

T: Yes, - extremely interesting.

C: All right then, I'll wait until I hear from you. Yes.

T: Right.

C: I'm sending you a few messages yet tonight.

T: Good. Goodbye.

C: Thank you. Goodbye.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: October 13, 1937, 11 a.m.

NO.: 1433 RUSH

FROM COCHRAN.

On Monday and Tuesday the French control gained a net total of 1,825,000,000 francs of foreign exchange. Last night the stabilization fund contained in gold and foreign exchange 8,400,000,000 francs. The control had taken in one million seven hundred thousand pounds of sterling up to eleven o'clock this morning.

There was a turn in the market yesterday afternoon, and the control in order to steady the rate had to yield over three hundred thousand pounds in London and Paris. The (omission) is not as rapid this morning as yesterday forenoon, but it has been possible to move the rate somewhat in the franc's favor. The French plan for the present to keep the franc between 145 and 150, gaining as much foreign exchange as they can, and thus making francs available to the market at the same time. There is considerable conversion of sterling banknotes into francs this morning, with traders such as Jordain taking large amounts of notes from the Bank of France in order to supply counter customers' requests.

I visited at the Bank of France and found my friends more optimistic than they have been at any time since the coming into power of the Popular Front Government. It is

not

- 2 -

not expected that the present speed of influx of foreign exchange will continue, but they feel that the ~~the~~ defeat of the Communists on Sunday despite the latter's vigorous campaign is of considerable help to the general outlook. My friends feel that it is still much too early to make any specific forecasts on the outcome.

WILSON.

EA:LWW

RECEIVED
FEB 21 1951
COMMUNICATIONS SECTION
U.S. DEPARTMENT OF STATE
WASHINGTON, D.C.

RE

GRAY

Paris

Dated October 13, 1937

Rec'd 4:43 p. m.

Secretary of State
Washington.

1436, October 13, 4 p. m.

FROM COCHRAN.

Market observer reports that while French control apparently did well acquiring sterling this morning, dealing has been much less active than yesterday and the franc has this afternoon lost quite a bit of this morning's gain, with the control again obliged, as yesterday afternoon, to give some pounds to steady the movement. Paris American bank which had control's order to purchase dollars today seemed to be doing little business. French rentes better; day to day money almost unlendable and international atmosphere better although rumors in regard to Amsterdam bargaining continue to circulate. Some observers think present wave of franc purchasing is receding and may stop after next Sunday's run-off elections when extreme Left candidates are quite sure to make more gains if Popular Front arrangement is faithfully carried

out

RB -2- No. 1436, October 13, 4 p. m. from Paris

out which requires that the one of their three candidates who did best on the first ballot (but not enough to win) will be given the support of the other two on the second ballot.

WILSON

SMS

NPL

FEDERAL RESERVE BANK
OF NEW YORK

Mr. Johnson

OFFICE CORRESPONDENCE

DATE October 14, 1937.

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CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH

L. W. Knoke

BANK OF FRANCE.

I called Mr. Cariguel at 10:25 today. I referred to his cable of this morning advising us of the receipt of rather substantial dollar payments for his account and expressed my pleasure at his having evidently succeeded in adding to his foreign exchange holdings. Cariguel replied that since the beginning of the week he had done very well, having regained, since last Saturday, about 2 1/2 billion francs worth of foreign currencies. He expressed the thought that this movement, even though at the moment it seemed to have stopped, was more than short covering and added that he was absolutely sure that it was the beginning of some repatriation of funds which might well last, provided the second ballot next Sunday did not reverse the trend of the first one. The chances were, he added, that even though it might be not quite as good as the first one, nevertheless, on the whole, it would be good.

I inquired whether he was satisfied with the way we had been handling his daily orders, explaining that we had put our selling rate rather high, feeling that the market should reach for francs rather than make purchases too easy, thus running the risk of retarding or stopping the upward movement. Cariguel replied that he was entirely satisfied.

LWK:KMC

October 14, 1937.
9:36 a.m.

HMJr: Hello

Operator: Governor Myers - Go ahead.

HMJr: Hello

W.
Myers Hello, Henry.

HMJr: William - Mr. Wallace is coming over here at three o'clock to lay his agricultural problems in my lap - I almost said our lap, it's not quite that fat - and I asked him if he had any objections to your being here, and with an enthusiastic answer, which could have been cut with an ice pick, he said yes. - Hello

M: Yes

HMJr: So if you'd please be here at three.

M: If he has an objection.

HMJr: What - hello.

M: Yes, you said you asked him if he had any objection, and he said yes.

HMJr: Well, he said no.

M: (laughs)

HMJr: And if you'd be here to help me, if you don't mind.

M: All right.

HMJr: I'd like if you could start in on this thing now and sit through with me to help me out on this thing.

M: I'll do my best.

HMJr: O.K., because - you know the picture -

M: Yes, we've just got to do this, and that is - somehow prevent people over there from blaming Farm Credit for what I do. See what I mean.

HMJr: Well, this is much better. I'll say this much for Henry, I've had a lot of talks with him and Henry never goes around behind your back and talks to newspaper men or gossip columnists.

- 2 -

M: Yes

HMJr: He doesn't do that.

M: Yes.

HMJr: And it's much better to have it out here, and -

M: Well, I agree.

HMJr: And I wasn't - besides getting the benefit of your advice, it's most important that if the President has no processing tax and no subsidy, then it's most important that Farm Credit be prepared to carry a good share of the loans. And anyway, how can I talk about agriculture without Farm Credit sitting in.

M: Well, it ought to be, Henry, it's proper - and I'll be delighted to be there.

HMJr: Yes, and - well, that's that. All right, Bill.

M: How are you feeling?

HMJr: Oh, I'm fine.

M: Good

HMJr: Fine.

M: I see you got your wishes - a special session.

HMJr: Oh yes. - Well -

M: It can't be helped.

HMJr: He made up for it on the budget.

M: Did he?

HMJr: Yes.

M: I'm going to tell Danny Bell - now's the time to do a little sharp trading on some other corners.

HMJr: Well, we're serving notice on commodity credit, that if they want any money - if you as a director will serve notice now they've got to either go to the markets or the banks - no more money out of the Treasury.

M: I see. Well, I hope they don't go to the market, just where we have a debenture issue.

- 3 -

HMJr: Well, you're a Director, ain't you?

M: Yes, but what does that amount to, when Henry Wallace and -

HMJr: Well, I'm sending all the directors of commodity credit a formal letter serving notice on them.

M: Yes. All right.

HMJr: If commodity credit is going to take a fifty to a hundred million dollar loss, I want the public to know it.

M: Yes.

HMJr: And not have it covered up out of funds which are paid back to them from other loans.

M: Yes.

HMJr: It's got to stand out - stand on its own feet.

M: Yes.

HMJr: I'm very, very much in earnest on it.

M: I think you're right.

HMJr: And then if they want to - if they take fifty to a hundred million dollar loss, let them go to Congress and take it up, it's just another form of subsidy. I'm not going to have any interest.

M: Yes. O.K. Henry, I'll be there. Three o'clock today.

HMJr: Right.

GROUP MEETING

October 14, 1937
9:30 a.m.

Present: Mr. Taylor
Mr. Magill
Mr. Gaston
Mr. Lochhead
Mr. Haas
Mr. McReynolds
Mr. Oliphant
Mr. Riefler
Dr. Viner

H.M.Jr: "here are the professors?

Lochhead: I haven't seen them this morning.

H.M.Jr: What, no professors?

Taylor: We had one here yesterday.

Gaston: Riefler was here yesterday.

H.M.Jr: (To Kieley) Where are my professors?

Kieley: I've got to work on that.

H.M.Jr: All right.

Magill: These professors are kept men, instead of independent spirits.

H.M.Jr: George, take that chart back. When you have the next month, bring it up to me. Keep it up-to-date.

Why do you give me this, Ros? I mean is this anything different?

Magill: I told you I'd give you one with percentages on the bottom. You have one that's the same; it's identical, except it hasn't this.

(Oliphant comes in)

H.M.Jr: Hello, Herman.

Oliphant: Good morning.

H.M.Jr: How are you?

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Oliphant: Fine.

H.M.Jr: You don't look it. What?

Oliphant: Fine.

H.M.Jr: I want some advice. I don't know just how to handle this thing. Wallace is coming over here at three o'clock this afternoon to talk about his problems. I know I want Taylor. I was going to ask my professors whether they wanted to come. I don't think we'd better bring Viner and Riefler in on this. It isn't particularly their field, is it?

Taylor: Wait till we see how it goes.

H.M.Jr: Yes.

George, you know something about agriculture?

Haas: I used to.

H.M.Jr: Yes, you better sit in.

Now, what I thought I'd do, unless you people thought it was tactless - I'd call up Wallace and ask him if it was agreeable to have Bill Myers here. This is a question of agriculture and finance. Bill is living with this thing every single minute; we're not. What do you fellows say?

Gaston: I think it's a good idea. I think he ought to get used to the idea.

H.M.Jr: In other words, I'll have Bill as my adviser on agriculture. Do you think it's tactless?

Gaston: No, I don't.

H.M.Jr: (On phone) Secretary Wallace, and if he's not there, Mr. Appleby, please.

Taylor: Bill will be back this morning, won't he?

Gaston: He's back, yes; I came down with him.

H.M.Jr: Well, I just felt - then this brings up this Commodity Credit.

-3-

- Taylor: Ties in there with your ever-normal granary, whatever it may be.
- H.M.Jr: This whole business - Bill is living with it; we're so terribly short-handed. To make a study of agriculture - it's something you've got to have the feel of. Bill has the farm organizations and his friends and all that. And he's got the - and he's got - he knows our problems; I don't want to say he's got the Treasury viewpoint, but at least he knows what the problems are.
- Gaston: I think it's a good precedent to set.
- H.M.Jr: You see, Wallace is coming up with a couple fellows.
- Haas: Isn't Bill a Director of that Commodity Credit?
- H.M.Jr: Now, Talley is down as President. Now, is Talley around?
- Taylor: No, Talley is really out of circulation.
- H.M.Jr: When I write a letter to Commodity Credit, to whom do I write it, and where is that letter?
- Taylor: Dan had it.
- H.M.Jr: (On phone) Hello. (Conversation with Wallace follows:

October 14, 1937.
9:35 a.m.

H.M.Jr: Hello.

Operator: Secretary Wallace.

H.M.Jr: Who?

O: Go ahead.

H.M.Jr: Hello, Henry.

Secretary
Wallace: Good morning.

H.M.Jr: How are you?

W: Fine.

H.M.Jr: Henry, if it's agreeable to you, I'd like to invite
Bill Myers to come here this afternoon at three, to
help me.

W: I see.

H.M.Jr: Have you any objections?

W: I think Bill is fine.

H.M.Jr: Thank you. All right, we'll be ready. Goodbye.

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H.M.Jr: Most enthusiastic - uh uh!

(Viner and Riefler come in)

I just talked to Henry Wallace. He's coming over at three to put his problems in my lap, and I was asking the crowd, my professors being late for class - and we're not like Woodrow Wilson; we start on time - and I called up Henry Wallace to ask him if he had any objections to Bill Myers sitting here, and I said you could have cut his answer with an ice pick. But they all think it's good to have Bill Myers sit in. I mean this whole agricultural problem - Wallace just doesn't know where he's going. I mean we're talking here in the room. He hasn't got the foggiest notion. And the President has laid down rules which Wallace says he can't live up to; that the President, as he said in his speech, wants to let up on subsidies, he doesn't want Bill to have a processing tax - I mean Wallace. Wallace says to the President, "We'll take up a new one and it won't cost the Treasury anything." So Wallace is

(On phone) Hello. (Conversation with Governor Myers follows:)

October 14, 1937.
9:36 a.m.

H.M.Jr: Hello

Operator: Governor Myers - Go ahead.

H.M.Jr: Hello

W.
Myers: Hello, Henry.

H.M.Jr: William - Mr. Wallace is coming over here at three o'clock to lay his agricultural problems in my lap - I almost said our lap, it's not quite that fat - and I asked him if he had any objections to your being here, and with an enthusiastic answer, which could have been cut with an ice pick, he said yes. - Hello

M: Yes

H.M.Jr: So if you'd please be here at three.

M: If he has an objection.

H.M.Jr: What - hello.

M: Yes, you said you asked him if he had any objection, and he said yes.

H.M.Jr: Well, he said no,

M: (laughs)

H.M.Jr: And if you'd be here to help me, if you don't mind.

M: All right.

H.M.Jr: I'd like if you could start in on this thing now and sit through with me to help me out on this thing.

M: I'll do my best.

H.M.Jr: O.K., because - you know the picture -

M: Yes, we've just got to do this, and that is - somehow prevent people over there from blaming Farm Credit for what I do. See what I mean.

H.M.Jr: Well, this is much better. I'll say this much for Henry, I've had a lot of talks with him and Henry never goes around behind your back and talks to newspaper men or gossip columnists.

- 2 -

M: Yes

H.M.Jr: He doesn't do that.

M: Yes

H.M.Jr: And it's much better to have it out here, and -

M: Well, I agree.

H.M.Jr: And I wasn't - besides getting the benefit of your advice, it's most important that if the President has no processing tax and no subsidy, then it's most important that Farm Credit be prepared to carry a good share of the loans. And anyway, how can I talk about agriculture without Farm Credit sitting in.

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H.M.Jr: Fine.

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M: I think you're right.

H.M.Jr: And then if they want to - if they take fifty to a hundred million dollar loss, let them go to Congress and take it up, it's just another form of subsidy. I'm not going to have any interest.

M: Yes. O.K. Henry, I'll be there. Three o'clock today.

H.M.Jr: Right.

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H.M.Jr: Now, one other - so I get my day fixed up - Georgie, where are you on your speech?

Haas: Well, we've got a - we call it a preliminary draft.

H.M.Jr: Well, hang on to it. All right.

Haas: It should be underscored "preliminary" too.

H.M.Jr: All right. Now, if you - one - two - three gentlemen (Riefler, Viner, and Taylor) are free for lunch - three and two, five of you. I'll just confirm

(On phone) Ask Mrs. Klotz whether she had any confirmation on Mr. Douglas coming here for lunch. S.E.C. - - He is coming. One o'clock. - - All right, tell Dowling there will be five of us for lunch. Tell Mrs. Klotz.

Douglas - just philosophical. Nothing to do with taxes, so - I mean no "hot" money. I want him to talk, want to give him a chance to talk, - listen. So that's that.

Now, the other thing is - you haven't had a chance to go to school with Archie, Jake. You (Riefler) have. I think if you take some time this morning, and then I thought at 11 o'clock if George would come in and read what he's written - do you fellows want to hear it? For November 10?

Riefler: (Nods yes)

H.M.Jr: Are you (Viner) interested?

Viner: I'd much rather read it myself.

H.M.Jr: Why not save time? George, you come in, and Herbert, at 11 o'clock, see? What?

Haas: All right.

H.M.Jr: Let's hold it up for a while. Let me see what it looks like before we put it in circulation. How's that?

Haas: O.K.

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H.M.Jr: Who's working with you on it?

Haas: Larry. I asked White to think about it somewhat, so that - I think we'll need a fresh mind in here, several fresh minds, because I have run out of fresh ideas. It's good in places; other places it's a little soft.

H.M.Jr: Well, you and Larry be in here at 11, and Herbert, see? I'm just trying to plan my day.

Now, McReynolds?

McR: I have nothing.

H.M.Jr: What?

McR: I have nothing that needs to be taken up. I had a report from Graves last thing last night.

H.M.Jr: Pardon me?

McR: He's working very hard and very feverishly on that problem down there. Passed some milestones. Said he was going to go back to the field last night, to talk to some of the Revenue boys, toward elimination of some of the routine here.

H.M.Jr: You're talking about the

McR: Processing tax.

H.M.Jr: Processing tax?

McR: I don't mean processing tax. I mean Social Security tax.

The other boys are working steadily on the income tax. He's had to devote most of his time to the Social Security stuff so far. Hopes to get out of the woods on that this week.

H.M.Jr: Anything - well, you know I'm ready - I mean any time you (Magill) and Graves and McReynolds want to see me.

Magill: Well, I don't think there is anything to see you about this week probably.

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- McR: Nothing. There is no stoppage. We may get down to the point where we've got to make the boys do something instead of talk about it. But I'm not certain that they won't come through without any pressure.
- Viner: May I ask a question, Internal Revenue question?
- McR: Why not?
- Viner: There's a hearing today on the Ochs estate in Internal Revenue - a very nice little valuation problem. Does any economist sit in on those valuation problems?
- Magill: No.
- Viner: They've got an economist on their side, and he's a good one. It's a ticklish question. I'd say in all those valuation cases of an unusual sort there ought to be an economist in Internal Revenue who specializes in it and learns the stuff.
- Magill: Who's the estate?
- Viner: Ochs - New York Times. It's a privately held security and you have to value it, and it's a legal question, but it is also very much of an economic question.
- Magill: Whom do they have?
- Viner: They've got David Friday, and he's an expert on valuation. You see, I met Friday on the train. He was on the way here going to this case. He said, "What economist am I going to face?"
- H.M.Jr: When you go out, why don't you drop in and have a talk with Magill on it?
- Viner: Well, that's all I have to say.
- H.M.Jr: But you have said this before.
- Viner: I haven't thought.....
- H.M.Jr: You have said this before, that you should on valuation

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matters - you brought that whole question up before, just what you are saying now, and nothing has happened. You brought that up over a year ago. What was the one? Well, anyway - do you (Magill) recognize the University of Chicago under these circumstances?

- Viner: Bring a man in especially on it for your side.
- Magill: We went all over that situation back in 1933 and 1934, and I think you are quite right.
- H.M.Jr: Look, take him into your room and take him apart, will you? I think he's right, because he's said this thing now for some time. I remember when Earl Bailie was here he used to talk about valuation.
- Magill: That's right. That's in 1933.
- H.M.Jr: And it wasn't satisfactory then. He used to worry about it.
- Magill: Well, there is a very long story there, the substance of which is, what is the basis for valuation anyway? Earl's theory as to how securities should be valued and Jake's would differ very greatly from the theories which these men would think should be applied in the Bureau.
- H.M.Jr: Well, you take him out afterward, will you?
- Magill: Sure.
- H.M.Jr: Anything else?
- Viner: (Nods no)
- Oliphant: I might say the hearing stage is not a critical stage of it. Our boys go to work on it after the hearing.
- H.M.Jr: Let him talk to both of you.
- Magill: But you may lose out too.
- H.M.Jr: One, two, three, four professors today. Pretty good. You four professors get together and talk about it.

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Magill: Isn't George counted a professor?

H.M.Jr: A kind of a one.

Haas: Depends on the circumstances.

H.M.Jr: But Jake, will you spend - from my standpoint and the Treasury standpoint, the most important thing you can do is see these tremendous big sweeps which are taking place. If you have a few minutes, we'll talk about it.

Riefler: (Nods nothing)

Taylor: (Nods nothing)

H.M.Jr: Who's got that Commodity Credit letter?

Taylor: Dan was to write it. He said he'd have it ready.

H.M.Jr: Look that up, will you (McReynolds) - letter from Jesse Jones and me on Commodity Credit.

McR: Yes.

Taylor: I still want to argue on it before you sign it.

H.M.Jr: All right, you'll get a chance.
George?

Haas: I've got the - some information, best we could get, on that automobile question.

H.M.Jr: Well, the steel thing today - release - they give just when these people are going to start working.

Haas: Uh-huh.

H.M.Jr: I wonder if you'd get those steel releases - "The Iron Age." They give it - just when Ford is going to start, and the whole business.

Haas: I haven't checked it with what we got. I didn't see that. That's this morning's paper.

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H.M.Jr: Yes. And if you don't mind, the one that you gave me on the weekly business figures - that wasn't a good memorandum.

Haas: It was too long.

H.M.Jr: And it said - now, General Electric and Westinghouse, so much, but Westinghouse is a month old; General Electric we get weekly. And then they give me two figures for the month previous, not giving me the most recent General Electric.

Haas: The General Electric was one of the wires we didn't get an answer on.

H.M.Jr: It wasn't a good memorandum. It was so hasty.

Haas: That's right. Did it Saturday afternoon; thought I could use it Sunday.

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

Haas: The bottom of the first paragraph is the date, the 23d.

H.M.Jr: This checks with this Iron Age release. I'll read it more carefully. What else?

Haas: That's all I've got.

H.M.Jr: All right.

Haas: Now, on the draft of your speech - oh, we're going to....

H.M.Jr: We'll read it first, see how far along we are. Let's do it first.

Haas: Yes, yes.

H.M.Jr: Now, you're not going to fall down on me this week on those Japanese imports and exports, beginning Monday?

Haas: Oh, Harry's talked to me about it and he's driving ahead. I think he'll have it.

H.M.Jr: Tell him I was disappointed I didn't get it this week.

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Haas: All right, sir.

H.M.Jr: Herbert?

Gaston: Conference at 10:30, I suppose.

Sorry I wasn't in when you called last night. But I was glad to hear the thing went well.

H.M.Jr: Just called up to tell you. The President got up, had nothing written down, and he said, "Mr. Morgenthau says that I am - gives me credit for being the architect of this building." He says, "After it is finished, if you people like it, why, I was the architect. If you don't like it, I had nothing to do with it."

McR: The paper had it pretty thoroughly - one of its columns.

H.M.Jr: He's definitely announcing Tuesday the winding up of Public Works and R.F.C., publishing the list of approved projects. If you're not on that list, you can't get a loan. And if any cancellation comes in, we get the money. You can't ask for anything more than that.

I did tell him that I expected things to get steadily worse until January. He said that checked with his talking to the fellow at the corner store and his automobile dealer, etc. He said, "That just checks with my own private opinion."

Haas: I hope we're both wrong.

H.M.Jr: And incidentally, the very confidential preliminary for September on Federal Reserve (index) is 112. You had them down for 113, so you're not very far off. But Goldenweiser says 112 for September, which isn't so bad. .

Haas: No, no.

H.M.Jr: What?

Haas: No, no. Just about running in line with his conversation the other day.

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- H.M.Jr: Yes. So I feel very much bucked up. Now the main thing, as far as I'm concerned, is to keep my health. If I keep my health, I'm all right.
- Gaston: Agriculture is still the soft spot in this '39 budget picture. If the President would agree to 250 as an annual program for agriculture, and get down to that.....
- H.M.Jr: I looked Henry Wallace in the eye and - in Cabinet, and said, "Henry, you're the biggest problem Treasury's got." The worst problem - "You're the worst problem the Treasury's got."
- Of course, these figures - the President knows them and Wallace knows them and the Federal Reserve knows them. The deficit on the calendar basis for '37 is only so far, for nine months, out of pocket - I mean if the cash is in this drawer and the spending is in this drawer - nothing to do with the budget - we are out of pocket 288 million dollars for nine months, on a nine months' basis. And on the fiscal year basis for '37 we are out of pocket two billion, 350 million, and the estimate for '38 is about 600 million.
- Haas: Net deficit spending.
- Riefler: That's on a budget basis or cash?
- H.M.Jr: No, cash basis. And I say the fact that we're going ahead above last year, notwithstanding that this - that is very encouraging.
- What else, Herbert?
- Gaston: I haven't anything more.
- H.M.Jr: Mr. Oliphant?
- Oliphant: Has that Commodity Credit plan been checked through to see if it is legally feasible?
- Taylor: That's one of the things I've got on my mind, Herman.
- H.M.Jr: Well, will you do that for me?
- Oliphant: If I can get a copy of it.

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H.M.Jr: Well, my administrative assistant - his name is McReynolds - and if you (McR) will send a letter in to Mr. Oliphant and if I can have an answer at this time tomorrow morning - it isn't rushing you too much, what?

Oliphant: Yes, we started to work on it yesterday.

H.M.Jr: Didn't I call you up on that?

Oliphant: That's on the merger.

H.M.Jr: Oh. I tried to get you last night to talk about this thing, but you were out; but I called you just on that line, just what I'm trying to do with Commodity Credit: go in the open market or the banks. Jesse thinks they've got two sources, the open market or the banks.

Oliphant: I'll just check it to be sure.

H.M.Jr: They did something like that on cotton this year.

Taylor: They've already done it twice, using both methods.

H.M.Jr: Are you familiar with it?

Taylor: I think so.

H.M.Jr: Why don't you and Herman get together and give me an answer by tomorrow morning?

Taylor: That's what I'd like to do, Herman.

H.M.Jr: Will you definitely?

Taylor: It opens up a whole field about the authority of the Treasury. I don't want you to get out on a limb and say people can't do things, you see, or shouldn't do things, when they've got authority from Congress to do it.

H.M.Jr: I wasn't going to work it that way. I was simply - the way I wanted to do it - "My dear Jesse: Confirming my conversation with you over the telephone of yesterday, before Commodity Credit makes any more commitments or borrows any more money through the R.F.C. and the

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Treasury, I'd like a chance to talk the thing over with you and Henry Wallace." Now, that's the kind of letter I want to write, see? Now, I don't need a legal opinion on that.

Oliphant: Oh no.

Taylor: Oh no.

H.M.Jr: You (reporter) look up the telephone conversation that I had with Mr. Jones two nights ago just on that, and I want to write a letter confirming it. And he's - Jesse said he's going away and he had no intention of doing anything until he got back. I just want a letter confirming. Then I thought I'd send a copy of my letter to Jones to each of the Directors of Commodity Credit - say "My dear Professor Myers: I am sending you a copy of my letter - I am sending - I am addressing you as a Director in Commodity Credit and sending you a copy of my letter to Mr. Jones in order to keep you informed of the Treasury's attitude."

Now, no one could object to that.

Oliphant: No, not that. It's not as far along as that, of course.

H.M.Jr: I told Jesse and he said, "I'm going away for a week and while I'm gone nothing will happen." I mean they've got to do it, see?

Oliphant: Well, this is

H.M.Jr: It was corn that brought the thing to a head.

Oliphant: Cover cotton and corn and everything.

H.M.Jr: Everything.

Oliphant: That's the phase of it I'd like to

H.M.Jr: When you come in You (reporter) get right out that letter, see, as I gave it, to Mr. Jones, and give a copy to Mr. Taylor and Mr. Oliphant; then give me a copy of my conversation with Mr. Jones over the telephone.

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- Oliphant: Is there something, some other letter that Danny had?
- Taylor: Dan's writing a letter to Jesse covering this conversation and saying no more loans, no more advances from the Treasury, and so on. That's the part that I'm a little worried about, I think for the same reason that you (Oliphant) are.
- Oliphant: I'm not worried about it, but.....
- Taylor: I think we want to have a damn good look at that before we put anything down on paper about it.
- H.M.Jr: I may get licked on this stopping Public Works and R.F.C. I mean we're putting it down and sending it up to the President for his confirmation. He agreed to it verbally twice, but until it's in the papers I'm a little uneasy about it. It's to be released Monday night, but when I see it in the papers I'll believe it. Not that he'll back up, but that either Ickes or Jones will get - but Jones is out of town and Ickes - unless he's lying, and I don't think he's that kind, he wants to balance the budget.
- What else?
- Oliphant: That's all.
- H.M.Jr: It's an interesting thing to go back again and - as we are beginning to do this thing, that the President reacts, "Don't let's prime the pump, don't let's start a new agency, don't let's do this; let's get at this thing, but let private industry do it." I mean the thing that I was fearful of - Eccles or Wallace should get him to do something quickly, see? All right?
- Oliphant: (Nods yes)
- Magill: Some time ago the President made some inquiry with respect to the exempt status of the Chemical Foundation, and that's been looked into, and the Bureau has come to the conclusion, after doing a lot of reading of the Chemical Foundation books, which apparently they didn't want to do at all....
- H.M.Jr: Who didn't want to do?

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- Magill: The Bureau. They finally got around to reading these books after considerable pressure. They now come to the conclusion that these books, or one of them in particular, published by one George Peek, whom you may have heard of, is clearly propaganda upon subjects not appropriate to the purposes of the Foundation, and having analyzed this situation as to these books, they conclude that the Foundation is not entitled to exemption as a scientific and educational organization, and accordingly wish to revoke the Bureau ruling of February 28, 1930, to the effect that it is.
- Viner: That isn't the worst of their publications. The American Political Economy series of pamphlets are much worse than Peek's book.
- Magill: What's that, "America Self-contained"?
- Viner: American Political Economy - red, white, and blue. "The Deserted Village" or "America Strikes Back." It's the American Tariff League under another guise.
- Haas: Who's writing it, Crowther?
- Viner: They have a few people that write for them - Samuel Crowther - and it's stolen money, too, that they're operating on.
- Taylor: What's the name of the one of George Peek's?
- Magill: "Why Quit Our Own?"
- Taylor: That's a book - that was a book for sale.
- Gaston: Why couldn't the Steel Institute or the Association of Bedding Manufacturers get exemption on the same basis?
- Magill: What they apparently did was to pay \$22,500 in connection with this book, "Why Quit Our Own?"
- H.M.Jr: If you don't mind, I'd like to take a little time to go over this with you myself, if I may.
- Magill: I think we should.

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H.M.Jr: And while today is booked pretty solid....

Magill: I don't know that you have to do it today.

H.M.Jr: I'll put you down tomorrow for 10:15 and give you an hour tomorrow.

Magill: All right.

The other is a matter of information that I think the group may be interested in. Herb Gaston came to me the other day with the proposition from Mr. Eaton, I believe, of the Waley-Eaton Service, that the reason why the security market was going to the dogs was not on account of the capital gains tax or on account of the S.E.C., but on account of the loophole bill which we put through last summer; that domestic and foreign personal holding companies were - quote - liquidating - end quote - and that was the reason for the market decline.

Well, we have gone into that very carefully from the legal point of view. While unquestionably these corporations are liquidating, they are not, I feel quite sure, selling securities on the market, because it would be very much to their legal disadvantage to do so, and I think it is practically incredible that that is happening.

H.M.Jr: Well, as I told the President yesterday - I said, "Any fellow that tries to keep his eye on Roosevelt and the stock market at the same time gets cross-eyed." And you just can't do it.

And - well, just to show you - now, this isn't hearsay. This I know. I'm not going to mention any names. Tuesday night a very prominent, respectable banker called up and asked whether I could talk to him Wednesday morning. I said if he'd call me at ten o'clock I could. He gives me this talk that I mustn't do anything in the speech to hurt Roosevelt, and the country is just on the brink of disaster - very quietly, very forcefully - "and for Heaven's sake say nothing in this speech that will in any way hurt business" and so on.

Last night I talked to Mr. Hull and he said, "I just

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thought you'd like to know that on Tuesday night" - he mentioned the name of a very prominent banker, and these two people happen to be great personal friends - Hull said he called up, a friend of his, and word for word told Mr. Hull the same thing that this fellow told me who called me Tuesday night, and gave - but word for word about the President's speech. I mean it's

And I want to say to you gentlemen that I'm not particularly worried, I don't think we are on the verge of a collapse inside of this country or outside. I think - you people can check it - I think particularly what's going on in the international monetary field from our standpoint is most encouraging. There aren't three or four, half a dozen men in the United States who know what's going on: the fact that we've kept our external dollar absolutely stable notwithstanding these tremendous shifts of funds; we've been able to keep - the bond market of its own accord has kept steady. I don't see anything comparable to the situation that we have ever had before. I think the controls we've got are working, have stood up under terrific strain. And I think that business will continue to go down - it may not turn - continue to go down at least until January, maybe longer, and.... But I think the thing has got to be watched very, very closely.

I think these people are - first, that they've lost a lot of money, which always hurts, and which warps their judgment; and then, I think they just don't want the Government to go ahead with its reform measures. Now - and they'll do anything that they can to stop Roosevelt from going ahead with his reforms. Now, he's made up his mind he's going to go ahead with the wages and hours, going to go ahead with crop control; and I've come to the - my own conclusion, that I don't think either of them are very radical. Looking over two or three years, I think we've got to have them; we've got to have a minimum number of hours we work - I mean a maximum - I mean a level on the number of maximum hours we work, and I think we've got to have a bottom as to the number of dollars we pay a person per week. Now, that's all he has in mind. And these fellows are just doing everything they can - come pretty near to a sitdown strike. But I think there's nothing we can

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do about it but let it burn itself out like a forest fire.

Now, that's the way I feel. But I want you fellows to look at our own picture. And I could talk for hours, but that's my own best judgment.

And I want to say this for Haas's division. They started in advising me of this thing last June; they have been running up danger signals since last June. And they've been very, very accurate and very, very close. And as far as I know, they are the only organization that has been right on this thing. I think they've done a swell job. But he's been saying this thing since last June.

And I again say I think the most important thing is for all of us to keep our health and not let these individual cases and individuals Listen, I'll listen to anybody. I mean you people may completely disagree with me, and that's what I asked you to come down for. And if you do, I'll listen. But we do it quietly and calmly and try to back it up with facts, and not all of this emotional stuff. After all, I hope you and Jake aren't

Oliphant: In a big way.

H.W.Jr: In a big way. And it makes - after all, if a fellow shrinks from ten million dollars to five million dollars, it hurts a great deal more than if you shrink from a hundred thousand to fifty thousand. I don't know what the percentages are, but it hurts much more.

I've done a lot of talking, but I wanted you people at least to know how I was feeling. Little tired, but I'm all right. Roosevelt's all right too. He's got his feet on the ground. He's absolutely all right. I've lived with that man now day in and day out for the last week, and I come out reassured. That's my reaction. I mean I've been with him - now, Monday I was with him from 9:15 to quarter of 10; I was with him 1:15 to a quarter of four; spent the whole evening with him; I spent all of Tuesday night and yesterday with him. And the man couldn't have been more natural, more frank. Now, I come out reassured; that's the way I feel. And everybody you talk to - the one person

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they're worrying about is Roosevelt, and I come out reassured. So - but whatever we have said is extra, extra confidential.

Oliphant: Well, we've sat here long enough and taken enough of this stuff in our face to know that the people that are trying to block his reforms - they wouldn't be satisfied with anything short of just turning the whole thing back to them and letting them do as they please with it. Really good and satisfied.

H.M.Jr: You can't satisfy them.

Oliphant: Can't satisfy them. Just have to operate and disregard them.

Taylor: I don't entirely agree with that. I don't think it's as simple as that. I think that at the minute what they have in their minds is that they just don't like Mr. Roosevelt to be - as the person who does it.

Oliphant: Well, satisfy them on the thing - here's my point: satisfy them on the thing that they're worried about for the minute, and they'll back right back to the next thing, and you'll find they're just as keen about that. And we've had that over and over again.

Viner: Lots of them are worried particularly about their profit prospects, and everything else is in terms of that. That's what they're worried about. If you could fix up their profit prospects - they'd lick Roosevelt's toes if he'd produce the profits for them. That's what they want, and that's what they must get. That's the point. Whatever Roosevelt does he must do consistent with their getting profits.

Oliphant: Well, he fixes up their profits, and the next thing they'd howl about is that you don't let them manipulate other people's profits.

Viner: I don't care about their howls. You either want to - them to put their money to work, or want to take their money away from them and put it to work yourselves. Those are the two alternatives.

H.M.Jr: Well, just think of what I've given you. What more do you want?

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- Taylor: We were just arguing with Herman, that was all, because there's a - there's a peculiar difference there.
- H.M.Jr: No, but Jake says either let the Government put the money to work or else let private enterprise go to work. And Roosevelt's come through this recent thing and what's his reaction? Is it "Should I call together Ickes and Hopkins and Wallace and say that we've got to spend some more money?" No, that is not his reaction. His reaction is "I'm going to call together the biggest contractors in America, a number of labor unions, and I'm going to sit down and talk to them: how can they go to work and build houses over two or three years." Now, what more do you want?
- Viner: Oh, I didn't say.... I may want something more, but I'm not talking about it now.
- H.M.Jr: And don't you think that he doesn't get telephone calls and telegrams from very important people, and the telegrams are just about as hysterical as they can be. Now, he's getting it all the time, and he's under that pressure. And don't overlook his speech and what he said about Government subsidy.
- Viner: What I am afraid of is that because the hostility to him is genuine, why, he won't pay any attention to what they say. Now, even a hostile man may be telling you the truth. I remember once, if I may say so, when I heard him reading a letter from a New York banker, a long letter, one of the ablest letters I ever read, and there were two sentences in it in which the venom showed through that the man was hostile to him, but the rest of it was very temperate. And the President picked out those two sentences - "What can you do with a man like that?"
- H.M.Jr: Well, I think I've got.... Come back and you fellows can have a chance; you can have a chance at me today or tomorrow. I don't think the situation justifies using the word "critical."
- Viner: Oh, I think the basic situation is just about where it was last spring. The same problem was there last spring, in a lesser way. I don't think that the stock

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market itself is all-important, but that from the point of view of full recovery the problem has existed since 1934.

H.M.Jr: True, true.

Viner: I don't see any sudden change. On the whole I think the situation is a little better than it was in 1934, from that angle.

H.M.Jr: Well, we'll have another chance.

October 14, 1937.
10:57 a.m.

H.M.Jr: Hello

Cochran: Hello

H.M.Jr: Hello, Cochran

C: Yes, Mr. Morgenthau

H.M.Jr: Did they give you a cable from me the other day?

C: I had it this morning, yes.

H.M.Jr: All right. Now, that's number one.

~~C:~~ Yes.

H.M.Jr: I'd like you to go just as high as you can in the French Government -

C: Yes

H.M.Jr: To find out what they know about this man.

C: I see

H.M.Jr: See

C: Yes

H.M.Jr: And then put it in a letter in a diplomatic pouch and send it to me.

C: Of course, the man's a citizen.

H.M.Jr: What

C: The man's a citizen.

H.M.Jr: I know.

C: Yes

H.M.Jr: But what he's doing over there?

C: He's been living down there for some time, you see.

H.M.Jr: I know. Be careful, but -

- 2 -

C: I'll get everything I can, and put it in -

H.M.Jr: I'm getting everything on this side, but we want everything that they can - and who are his friends.

C: I see.

H.M.Jr: Who did he associate with.

C: Yes

H.M.Jr: Has he any interests - financial interests over there.
- Hello

C: Yes

H.M.Jr: I mean I want - I mean I lay great stress on this - it isn't only for myself that I'm asking, you understand.

C: Oh surely.

H.M.Jr: And it's quite a compliment to you that they want you to get it.

C: All right, sir. Fine, I'll get busy.

H.M.Jr: Do you see what I mean.

C: Yes.

H.M.Jr: And -

C: sailing one of these days.

H.M.Jr: What's that -

C: Whose friend is sailing one of these days.

H.M.Jr: Well, you know who I mean.

C: Yes

H.M.Jr: And I want to know just as much as you can get, and as fast as possible.

C: All right.

H.M.Jr: See - Get it just as fast - I lay great stress on it.

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C: All right. Fine, but you want it by mail.

H.M.Jr: By mail.

C: Yes.

H.M.Jr: To me.

C: Fine. I'll put it in a letter - messenger -

H.M.Jr: And as I say, - well, I'll leave it to you.

C: All right. I'll get busy on it this evening surely.

H.M.Jr: Yes. Now, what do you know otherwise?

C: Beg pardon.

H.M.Jr: What do you know about the French situation?

C: Well, it changed very badly this afternoon.

H.M.Jr: Oh really.

C: Yes, this morning, I sent you a wire at eleven.

H.M.Jr: Yes.

C: Saying that yesterday they gained six hundred and ninety two billion francs.

H.M.Jr: Yes

C: On exchange.

H.M.Jr: Yes

C: And this morning they - it opened rather strong, they improved their rates, see

H.M.Jr: Yes

C: And got in a fair amount of sterling, one Paris bank bought six hundred and fifty million dollars for them, but at two thirty this afternoon there was a complete reversal and they let it - swept away - and at three thirty they weremaking a strong descent at 147-1/8 to a 1/4 but they were getting a lot of sterling.

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H.M.Jr: Well, what happened.

C: Well one thing, the bank's statement which came out at noon -

H.M.Jr: Yes

C: Killed an asset of nine hundred and twenty million francs for the state.

H.M.Jr: Yes

C: That is for the week ending the 7th of October.

H.M.Jr: Yes

C: And then the company would think that they've brought this rate back too - too quickly.

H.M.Jr: I see.

C: And that threat the franc much more than is really justified.

H.M.Jr: Uh-huh.

C: And even yesterday afternoon the speculations on this - the first thing the sale of forward francs had increased, so that today the discount is considerably wider on the forward franc.

H.M.Jr: Uh-huh. I wish you'd be thinking over the possibility of - when you come over - of inviting Professor Rist to come over with you.

C: Yes

H.M.Jr: And whether he still has the confidence of the Government and whether he would be as good a man to bring over to inform me of the economic conditions, as you could think of.

C: I see.

H.M.Jr: We'd pay all of his expenses and everything else.

C: Yes.

H.M.Jr: Think about it, will you?

C: All right. I'm going to see him the next day or two, because he's been away until just this week.

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H.M.Jr: But I'd only want to invite him if it was agreeable to Bonnett.

C: Yes

H.M.Jr: Yes

C: I don't know how close he has been to Bonnett lately, because after he gave out that statement of his in July -

H.M.Jr: Yes

C: Just before he resigned, - in June rather - then he was not at all with the Socialists and the Government.

H.M.Jr: Well, I'd like somebody to come over who is with the Government.

C: I see.

H.M.Jr: And be thinking that over, you might even go and see Bonnett.

C: All right.

H.M.Jr: Will you do that.

C: Surely I can do it.

H.M.Jr: All right.

C: Have you any idea - I talked to Taylor yesterday, and -

H.M.Jr: No. I'll watch things.

C: Well, I mentioned to Taylor the possibility of coming before Parliament reconvened.

H.M.Jr: Yes. Well, you'd better - I want this thing to settle down one way or the other. - Hello

C: Yes

H.M.Jr: Just as soon as it settles down, why, I want you to come, but as long as there's these tremendous rumors of funds each day, I want you there.

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C: Surely.

H.M.Jr: But just as soon as the thing settles down, why then I'd come at once. See.

C: Well, my opinion is that it is not going to settle very definitely one way or the other. They are going to have nervous days like today, for some time, but I think we'll have a really nervous period after Parliament reconvenes.

H.M.Jr: Well, I don't want you to leave Paris as long as conditions are the way they are now.

C: Fine, fine.

H.M.Jr: But the minute - but the minute they settle down, and it looks as though they'd be quiet for a couple of weeks, then I'd like you to get on the first boat and come over. In the meantime if there's anybody that Mr. Bonnet has real confidence in, and who would be agreeable to me, I'd like some Frenchman to come over here.

C: Well, whenever I do then.

H.M.Jr: No, I might even let him come sooner.

C: I see

H.M.Jr: I might let him come right away.

C: Yes

H.M.Jr: But he'd have to be agreeable to me, I don't want any third rate politician coming over.

C: If we leave it very wide open, they'd send the man who used to be Prime Minister, over.

H.M.Jr: Oh, I see. Well - well, I'd have to ask the President about that. What I've got in mind is somebody who is as good as Sir Frederick Phillips, you see. - Hello

Operator: Hello

H.M.Jr: I'm cut off

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Operator: Oh, I'm sorry. I'll get it right back.

H.M.Jr: Hello

C: Hello

H.M.Jr: Yes

C: While we were cut off I was thinking over that thing of who might possibly come for these people.

H.M.Jr: Yes

C: Ah - just at present it's a little

H.M.Jr: Who

C: ... matter

H.M.Jr: What's that?

C: I say, just at present it's a pretty - it's a matter on which you'd have to be pretty cautious.

H.M.Jr: Well, I'll leave that to you.

C: But, I think that this man is not finished his maneuvering yet.

H.M.Jr: Well, what I started to say, when we were cut off.

C: Yes.

H.M.Jr: I'd like a man as good as Sir Frederick Phillips.

C: There isn't any.

H.M.Jr: Well, that's the sort of thing I have in mind.

C: The man whom you mentioned, but he is not in the Government now, is the only one here comparable.

H.M.Jr: Well

C: The opposite number to Phillips, is just a lawyer who's never been in before, who wouldn't make the right impression at all.

H.M.Jr: Well, I have great confidence in Rist.

C: Yes

H.M.Jr: And what you might say is this, you might first talk to Reis, see, find out whether he would like to come -

C: Yes

H.M.Jr: Then you might say to Mr. Bonnett, would he have any objections if I invited Professor Rist to come over here for a month. You see.

C: Yes

H.M.Jr: And work it that way.

C: All right.

H.M.Jr: See - but I leave it entirely in your hands.

C: Well, I'll talk first with him.

H.M.Jr: Right.

C: With Rist.

H.M.Jr: That's right.

C: And see how he feels about it, and then I'll go ahead with Bonnett, if conditions are favorable.

H.M.Jr: I might - I might even arrange with Rist to give a lecture or two when he came over, so it wouldn't look too obvious you see.

C: Yes

H.M.Jr: I could get him invited to some university to give a couple of lectures.

C: Yes. Could you get him on that - program that you're on for the 11th of November. He's an honorary member of the Academy.

H.M.Jr: No, that is on U.S. Government spending.

C: I see.

H.M.Jr: See

C: Yes

H.M.Jr: But there's plenty other things which I could arrange for.

C: Yes, yes.

H.M.Jr: See

C: Yes.

H.M.Jr: It would be very easy, I could get him - I could get him, oh - I could arrange with some other important university to have him.

C: Yes.

H.M.Jr: See

C: Well, you'd get a better picture of things from him than you could from any of them.

H.M.Jr: But I wouldn't want to invite him to come over if it was not agreeable to Bonnett.

C: No, no.

H.M.Jr: See.

C: Yes.

H.M.Jr: Well I'll leave it entirely in your hands.

C: But I'll get started on it so I can tell you in the next day or two, anyway.

H.M.Jr: Thank you.

C: Thank you very much.

H.M.Jr: Goodbye.

C: All right, Goodbye.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: October 14, 1937, 11 a.m.

NO.: 1441 RUSH

FROM COCHRAN.

On Wednesday the French control gained 692 million francs of foreign exchange. The movement was still continuing satisfactorily at 11 o'clock today.

WILSON.

23, m. m.

EA:LWW

63912078
TELETYPE
PRINTING UNIT
OCT 14 1937
U.S. DEPARTMENT OF STATE

LMS

GRAY

Paris

Dated October 14, 1937

Rec'd 3:08 p. m.

Secretary of State,
Washington.

1442, October 14, 5 p. m.

FROM COCHRAN.

Franc opened this morning at 147.01 to the pound and strengthened to 146.90 with control acquiring considerable sterling. One Paris American bank acting for the control purchased this forenoon \$650,000,000 around 29.61.

At 2:30 this afternoon tide turned sharply against franc and control let rates slip to 147-1/8 and 1/4 where at 3:30 p. m. it was giving sterling heavily to hold that level.

Political reasons now make it difficult for the control to let franc weaken very far before next Sunday's run-off elections. Considerable criticism in both London and Paris of control's action this week in letting franc strengthen to such an extent as it did. On the other hand some observers think it should have gone to around 135 with result that bear positions would have been more extensively

LMS 2-No. 1442, October 14, 5 p. m., from Paris.

tensively liquidated than now when franc is expected to be held between comparatively narrow limits of 145 to 150. Speculation on forward franc began to increase yesterday evening and future discounts widened this afternoon.

Part of franc's current reaction comes from Bank of France statement released this noon for October 7 which showed new advance of 920 million francs to the state. Coverage 50.65 versus 50.91. While no new concentrated drive on the franc is expected now with political situation less threatening and stabilization fund possessing increased gold and foreign exchange supplies an intermittently adverse tendency may conceivably develop.

WILSON

CSB

THE WHITE HOUSE
WASHINGTON

C O P Y

October 14, 1937.

MEMORANDUM FOR

THE SECRETARY OF AGRICULTURE

The enclosed is of great interest. During the next two or three weeks I think it is very important for you and the farm organizations to keep in touch with the Treasury in order that we may avoid a program which would unbalance the budget.

As I said in Cabinet, if we adopt a farm bill for "balanced abundance" it must balance itself financially. I do not know whether the processing tax method is the right one or the only one. That is why I think you and the Treasury should keep in close touch.

F. D. R.

Ribbon copies of the attached memo of 10/14/37 were sent to the President and the Secretary of State with letters of transmittal of 10/15/37 signed by the Secretary.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
October 14, 1937.

TO Secretary Morgenthau
 FROM Mr. Haas
 Subject: Current U. S. trade with Japan.

1. For the first week of October, 1937:

U. S. exports to Japan	\$ 1,727,000
U. S. imports from Japan	3,328,000

(Past weekly export figures are not available. Monthly table of U. S. exports to Japan is appended.)

Export declarations received during the first week in the month are apt to be lighter than during the remainder of the month. Therefore, no conclusions can as yet be definitely drawn from the low figures for exports.

2. The leading items of export during the first week of October were as follows:

Sulphite (wood pulp used for rayon manufacture)	\$ 445,000
Pig iron	197,000
Steel sheet bars and plates	644,000
Diesel oil	123,000
Steel scrap	65,000
Molybdenum concentrate	64,000
Lumber	23,000
Machinery	26,000
1 Truck chassis	4,000
Miscellaneous	<u>136,000</u>
Total	\$ 1,727,000

There were no exports of cotton to Japan.

Secretary Morgenthau - 2 -

3. Leading items of import were:

Raw silk	\$ 2,040,000
Perilla oil	178,000
Cotton manufactures	124,000
Rayon manufactures	123,000
Silk manufactures	73,000
Sardine meal	60,000
Fish, canned tuna, crabmeat, etc.	60,000
China and porcelain	63,000
Lily bulbs	53,000
Woolen manufactures	44,000
Earthenware	38,000
Vegetable food products	35,000
Pyrethrum flowers	34,000
Camphor	21,000
Novelties, toys, jewelry, etc.	167,000
All other	<u>215,000</u>
Total	\$ 3,328,000

United States - Trade with Japan - Monthly - January 1936 to date

(In thousands of dollars)

	1936		1937	
	Total exports	General imports	Total exports	General imports
January	19,022	15,384	22,364	17,683
February	13,339	14,539	24,745	18,382
March	16,401	12,670	29,971	17,660
April	16,250	13,141	26,928	20,423
May	14,403	12,053	36,177	18,244
June	13,627	11,088	25,194	18,637
July	11,995	12,187	26,509	16,482
August	10,764	16,948	24,644	16,297
Total - 8 Months	115,801	108,010	216,532	143,808
September	21,328	16,017		
October	26,663	15,930		
November	24,100	15,340		
December	16,433	16,427		
Total - Year 1936	204,325	171,724		

Ribbon copy of this memo sent to the President 10/14/37
 " " " " " " " " Secy. of State, Hull 10/14/37

RE GENERAL BUSINESS SITUATION

October 15, 1937
9:30 a.m.

Present: Mr. Taylor
Mr. Magill
Mrs Klotz
Mr. Oliphant
Mr. Gaston
Mr. Viner
Mr. Riefler

H.M.Jr: Riefler asked for a chance to talk to some of us on world conditions. I told him I'd give him the best hour of the day that I had, so I've rearranged my whole day to adjust myself to him, thought it was sufficiently important. Don't know whether Mr. Viner is going to chime in or not, but the morning is theirs. So we'll start off with Professor Riefler and if he overlooks any bad news, Dr. Viner will supply it.

Riefler: Bad introduction.

H.M.Jr: What?

Riefler: That's a bad introduction.

H.M.Jr: All right. So you can't ask for anything more. You can talk just as long as your heart wishes to and your brain can supply the information, and you will not be interrupted, unless it is by Dr. Viner.

Riefler: Well, it's about this business situation, and I had been taking the position that if we did have a recession it would be normal and moderate, something like 1924. The way the stock market went to pieces upset me a little and I've been buzzing around New York quite a bit, and they have a terribly panicky feeling up there. I have tried and tried to make out what is real in the situation as against what is just emotional irritation, and have come out with a couple of points that do seem to me to be worthy of consideration and have made me feel the situation may be somewhat more critical than I thought.

On the first. On the proposition of a normal recession, I had regarded the period last spring as one in which a great deal of over-buying was done in a wide variety of lines, and some expansion of inventories resulting, and

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the recession in operation while the inventories were worked off. I think that's happened - I mean that's happened before; that isn't awfully important.

Next, the automobile industry has sold about 5,200,000 cars in the last year, and the annual average that you expect under conditions of prosperity is about 4,600,000. So that means that there will probably be fewer cars made and sold this next year, particularly in view of the fact that they are increasing prices and are offering new models that aren't particularly changed.

Both of those seem to me to indicate a recession over - oh, between five and ten percent in the production index of the Federal Reserve Board, if not more.

H.M.Jr: How much?

Riefler: Between five and ten percent, something in that order of magnitude.

Now, in trying to see what there was to this panicky feeling and if there was anything more to it than that, I have just come to two points, and those are the ones I want to bring to your attention.

(1) The railroad situation has apparently turned very radically for the worse. You had a picture, beginning about a year and a half, two years ago, of the railroads getting in materially better shape. Their volume of traffic was growing, especially if the capital goods industries got working. They were able to build up a net, undertake larger maintenance programs, and begin to order some more equipment.

H.M.Jr: (On phone) Hello?

Excuse me.

(On phone) Hello. (Has conversation with Bell)

Riefler: Well, the railroads were beginning to do their ordinary maintenance and order new equipment, keeping whole industries going. Now, this year they have had a series of

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cost increases. First, they had higher prices for materials, particularly coal, which hit them pretty heavily; and then they have had the two wage increases, which together have gone into their net very materially. I haven't yet seen an analysis myself of next year's position. Apparently now one is up on my desk. I asked Sachs to send it to me; but Sachs, who hit the railroad situation pretty well in '32, who did know that field, tells me that if you assume a decrease of five percent in industrial production, the effect of that decrease on railroad gross would create a situation in which, even after they cut maintenance to the bone, the aggregate rail deficit would be worse than that of 1932. And I can hardly believe it's possible, but that's what he says the study shows.

In any case, you will have a very bad situation in the railroad market. His index of secondary rail bonds, which was 90 early in the summer, has gone down to 60, and he forecasts it will go down to 30.

Now, that means - (1) - a sick - I mean takes the railroad business out as a sustaining factor to business activity. It also means some real problems in the banks and insurance companies which have those railroad bonds, and I think that it is - I mean that's one of the situations I want to bring to your attention.

The other one relates to the market for equity capital. All the way through New York, after you sift out.....

H.M.Jr: How do you define equity capital?

Riefler: Common stock capital, the equity under the bonds. All through New York, after you sift out the charges and the counter-charges and all the rest of it, there's one thing that seemed to me to stand out, that I got pretty straight from the people in the bond houses. And that was that, first, they haven't been able to sell equity capital on new enterprises. Money is extremely cheap for longer-term triple-A bonds and bank credits pretty available, but they just don't have the money - market for equity capital.

Well, this is just the period in the business recovery

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when we need that, need it very badly. And on top of that longer trend that they haven't been able to get a good market for equity capital, they now, of course, are in a terrific state of shock on the failure of the Canada Dry, the Bethlehem, and the Pure Oil issues.

H.M.Jr: Canada Dry?

Riefler: Canada Dry came out earlier in the summer.

H.M.Jr: I didn't know that.

Riefler: On that one they didn't lose so much money. Issue went very sour, but the stockholders actually took 90 percent of the rights.

Viner: I can't believe that. Selling at $14\frac{1}{2}$, underwritten at 17; selling at $14\frac{1}{2}$ the day they were supposed to subscribe. Why should anybody subscribe at 17?

Riefler: They said they were able to get out of it without serious losses.

It seems to me that the failure of those three issues constitutes a fact that you've got to reckon with. They are, all three of them, issues of a - they're not triple-A risks, but they certainly were pretty moderate risks. I mean we need a capital market which can take much riskier stuff than that and float it.

And here the issue houses have seriously impaired their position, have gotten into a seriously impaired position, on the basis of three pretty moderate issues, and what they can say, that "you can be perfectly sure we won't undertake anything as risky as that" - it strikes me as perfectly true in view of their experience.

H.M.Jr: Now, do you want to tell this crowd of what we got out of Douglas yesterday, and then we go from there?

Riefler: Which is the end of my story. I'm at the end of my story. Those are the two things that have come out to me as kernels.

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H.M.Jr: But do you want to tell them - I mean if you've finished your story.

Riefler: Yes.

H.M.Jr: Well then, let's tell them how Douglas feels.

Riefler: Well, we had luncheon with Douglas yesterday, and Douglas opened up by saying that he was terribly concerned about this same point of equity capital, particularly for smaller concerns; that he had been looking over their statistics on the success of registrations, small registrations. They send out a questionnaire from six months to a year after the smaller issues are registered, and find out just what percentage of them were actually sold - what percentage raised the money and what percentage were left unsold. And those figures run around 10 percent sold and 90 percent unsold.

H.M.Jr: Darndest figure I ever heard.

Viner: It's roughly five million, didn't he say?

Riefler: Yes, it's small stuff. The meaning of it isn't quite as bad as that. Quite a bit of it is investment trust which people organized and registered and didn't sell later; didn't mean they were actually providing capital for anything; going into an investment trust business which never got started. Some of it is mining stock, which always had a high mortality. But even after you discount that, and if you would guess that the real meaning of the figures was around 50 percent unsold, it still is an extremely startling thing. But the smaller issues have not been successful in any sense for ever since the S.E.C. has begun getting figures on them, since 1933.

Well, we discussed that problem. Douglas was inclined to think that the Government might have to go, through the R.F.C., into buying up unsold issues and underwriting them. Seemed to me not very apropos.

H.M.Jr: That's the only thing he said that frightened me. But as he said, he was thinking out loud. He was

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terribly frank, wasn't he?

Riefler: Very good.

Oliphant: Three months ago he told me.....

H.M.Jr: Pardon me?

Oliphant: He told me and Rummel and a group like that three months ago the same thing, the necessity of the Government having to go in.

H.M.Jr: The underwriting?

Oliphant: Yes.

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

Taylor: Well, I thought he meant that too.

H.M.Jr: Of course, I don't think that is the solution.

Oliphant: I don't either.

H.M.Jr: But out of this came

Riefler: It's a very important point.

H.M.Jr: But that isn't the way to solve it.

Taylor: No, no.

Riefler: I think the whole conversation is what you want. The next thing, we led from that into the investment trust, and from that what we developed was that the investment trust is a very good theoretical device for meeting just that situation. Up in the Street they report that they are not - the smaller company may show a very much better earning record than the large blue chips, but the investment trusts are not buying them because they are not liquid, or because it is against their policy to have too large a participation in any one company. We felt that there was a real problem that the Treasury and S.E.C. ought to look into, in trying to lay down the lines by which

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the investment trusts could be used as a device for mobilizing equity capital from the small investors as well as the large and putting it into these very well run and profitable smaller concerns that now are begging for a market.

I had one illustration on the same point that I got in New York. They were talking about a company that wanted capital at two and a half times earnings. Very good company, making this explosion device for oil wells - explodes it. They've got a patent on it, monopoly on the process. Contracts are running well ahead. Managed admirably. They're trying to raise additional capital at two and a half times earnings and can't get it because it's not the sort of marketable liquid proposition that will go. That sort of thing should be looked into.

Then the big news of the meeting came up. Douglas said that what concerned him most was the way the utility business was simply staying in a frozen state; that they had gotten into a fight with the S.E.C. over the Holding Company Act and they had thrown it in the courts; that both sides had more or less taken the attitude that they would wait until the courts decided on the constitutionality of the Act, but before they did anything - looked to him as if it might be a grand legal battle with lots of fun, last for ten years, but in the meantime he was getting quite worried about it. The utilities were not - with their status unclear, were not going ahead with new expansion, except when they could issue bonds, and that that meant that to the extent they went ahead with it, they were getting more and more into an impaired capital position, a very, very heavy bonded indebtedness; that there just was no equity capital market for the utilities, and just couldn't be any until this thing got settled.

He thought the S.E.C. offered an excellent argument to take the lead in setting it up; that under the law, I think, it is their job to really reorganize the utility business on a very sound economic basis, to eliminate the super financial structure, to get the operations consolidated, get a good management and a financial structure on the basis of the physical operation. In other words, it was a progressive

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program looking forward toward strong utilities. And he wanted to see whether the S.E.C. couldn't go out and contact the real leaders of the industry - not the bankers and lawyers, but the operating personnel who were aware of the impairment of plant equipment, the need for clearing their status, the need to go ahead and do business and settle this thing; have them come in, make an advance to them, in response to which they would come in and register under the Holding Company Act; and the S.E.C. would clear its decks and put through its reorganization plans for them extremely rapidly, and get that business on its feet.

Well, we discussed that. We were all very interested in the suggestion, discussed it at length.

H.M. Jr:

Well, the point that - out of this thing is this, and this was the reason - I want to think out loud for a minute or two. I think that there is no question but what this thing has got to be watched very, very closely. There are a lot of - oh, little things, which may or may not be at fault. You can read Mr. Winthrop Aldrich this morning and tell me later on whether he - I'd like to know whether his suggestions are fair or not. But I mean - don't misunderstand me - I mean I can do just so many things and be effective only along - I mean you've got to limit how many - what do you call the thing, when you shoot at a target? - well, how many targets you're going to shoot at. I mean if you scatter your fire too much, you're not going to hit anything.

Now, out of this talk, with you people coming down here, the one thing that I was impressed with in all of these things - now, I've told you people that the President is making a move on the housing thing. And is this public utility thing And I thought what I would do is, if I see the President - I most likely will - was to try to get him to sit down with Douglas and talk this thing over. If he'd have me there, I'd like to be there, because I've listened to this off and on for two years now. Various people have tried it, and it always gets back to the question, will the President

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put his mind to it? And the answer is, on this thing, I don't think he has. And he's got an awful lot of people that are fooling with this public utility thing. But, as I told Douglas yesterday, if he could get this thing predigested and get a plan so that the President can assimilate it; then have the President say, "Well, of course you've got to see Morgan of the TVA, and you've got to see....."

Viner: The holding company

H.M.Jr: Pardon me?

Viner: The holding company aspect.

H.M.Jr: No, I was thinking of this fellow handling the agricultural extension of this thing.

Haas: Rural Electrification.

H.M.Jr: That fellow.

Oliphant: Cooke.

H.M.Jr: Matthews suggested Cooke. Well, any way - and if the President says, "I agree that something could be done there" - the thing, particular thing, that interested me was that Douglas said, "You don't need any legislation. Purely within the hands of the Administration." And he said he feels that the responsibility....

Viner: That is, on the holding company side.

H.M.Jr: ...is placed on him, and that they have not done what Congress directed them to do. But he says he can see, and he is encouraged on account of certain people coming to see him who are the responsible heads of the operating companies, and he thinks we ought to just brush the lawyers and the bankers aside, because their attitude is, "Let's fight this thing until one or the other dies from exhaustion."

And I just wonder if you people don't think, if I would concentrate on that with the President, that is as useful a thing as I can do now. Now, I'm open to - I'm more than willing.....

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Riefler: I think it is, if and when.....

H.M.Jr: Well, you've got nothing to lose, Win.

Riefler: Well, I mean just the point that it always has frittered out. Everybody that's tried to tackle it has in the end come to.....

H.M.Jr: You know my policy, my motto - "Nothing venture, nothing gained." But I want to know whether you people say, "No, you're frittering away your time on that." Viner says, "Let's us stick to your gold, or this, or that."

I mean I'm asking, do you people think this is important enough that I should try and concentrate on it, or am I, by doing that, giving up something which is more important? And that's what I want to know.

Viner: I think myself that the railroad problem is more important. You may think that you can't do anything about it, but I'd like to try and get your finger into both of them.

Taylor: Well, I - I've got a comment I'd like to make right along those lines, Jake, because I don't think we're going to be able to duck the railroad situation; that that's gotten a new lease on life which it wasn't entitled to. I've felt for a long time that that was going to be in the Government's lap - if it isn't tomorrow, it's going to be the day after that. All right: you can't afford to have two of them in your laps at the same time - the railroads and the utilities; and I don't think you can duck the railroad thing. I don't think there is any possible way of doing it. That's going to be yours. It's got to be financed, it's got to be reorganized, and so on.

Well, if you have both of them in your laps, which you will have if this utility thing isn't straightened out, why, there's no government in the world that can finance both of them. It just means you're going to change the form of your government, and I don't think we're ready to do that.

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- H.M.Jr: Well, I don't get your conclusion, Wayne.
- Taylor: In other words, you've got to meet the utility situation because you know you're going to have the other one.
- H.M.Jr: Your conclusion is I should go after it?
- Taylor: Absolutely, because - but I would emphasize it on account of the fact you've got the railroad thing and you're bound to get it. Now, can you afford to have both of those come on? And it will be on the Treasury at the same time, approximately the same time.
- Viner: Is it your point that if these things go on as they are now, we are going to create a second railroad situation out of the utilities, and therefore we should work on the utilities?
- Taylor: As you know you're going to get the other one.
- Viner: And if you have - the other one is so hopeless
- H.M.Jr: I've never felt so.
- Taylor: I'm sorry, I can't agree with you.
- H.M.Jr: I asked a couple years ago. The President - he couldn't get at it. He wasn't ready. It all gets down to a situation - is he ready? - is he ready to sit down on the public utilities, see? Very easy to find out.
- Oliphant: As a background.....
- H.M.Jr: Very easy to find out.
- Oliphant: In the background, is he ready to resolve the fight that is on between Morgan and Lillienthal, and hence the division of all his advisers in terms of that fight?
- Viner: That's one phase. There are two phases; that's the TVA phase. I think you're right.
- Oliphant: But that works over into the holding company aspect in public utilities. The President's advisers on the

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whole utility field are divided into two armed camps, flying at each other's throats, and Morgan on the point of resigning and denouncing the Administration.

H.M.Jr: Can you define what the two camps are?

Oliphant: Well, it is like trying to define what the World War was about.

Viner: I think the lines there are fairly clear.

H.M.Jr: I don't know what they are.

Viner: I think I know pretty generally, and I think I know now both of them are thinking. I think that Morgan wants a strong private utility set-up in the country which is profitable; that Lillienthal wants most of all a governmental - he wants the TVA as a regional planning agency.

Oliphant: And yardstick.

Viner: What's that?

Oliphant: And yardstick.

Viner: And he wants - what he calls it - a yardstick. And he wants a governmental instrument of direct pressure on the private utility companies. I say "yardstick" is a very bad term. He doesn't want a yardstick; he wants a

Oliphant: Big stick.

Viner: ... big stick. And I'd say that Lillienthal's method leads to Government operation and ownership of utilities as the ultimate outcome; and that Morgan is trying to compromise - I suppose strengthen, as compared to the past, the Government's instruments of pressure and regulation, but still leave the utilities as successfully operating private ventures.

H.M.Jr: Of course, the wildest man in the whole crowd is this fellow Carmichael. That's his name, isn't it? (Evidently John M. Carmody) In this Rural

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Electrification. Is that his name, Carmichael?

Oliphant: Carmichael?

Taylor: That sounds right.

H.M.Jr: Well, I - but you people haven't asked the question..... Let's admit - let's admit for the sake of argument that this thing has to be watched very, very closely. Now, as I say, in this question of what the future function of an investment trust is, I told Douglas to get in touch with you fellows - Magill - and of course there are certain facts, features in it, and that's one of - oh, I could mention two dozen others which would fall in that category - I mean our own responsibility on business here. But my own feeling is that it's worth while sounding the President out and seeing whether he wants to get in on it himself.

But out of all the stuff this week, the most encouraging thing I've had - the possibility - is Douglas's attitude on this thing, and what he thinks he can do and what he'd like to do. But I'm asking, do you think I should get in on it? That's what I'm asking you people.

Haas: I can say a word on that.

H.M.Jr: Go ahead.

Haas: I don't think there is anything from the Treasury standpoint that is more important than the general business situation. All the success - all your other policies break down, even those policies you started way back in '33, if we get into a rather serious business recession.

Viner: I made that speech yesterday.

Haas: I didn't hear you, but I'm glad to be

H.M.Jr: Well, George, does that make you change your mind, because Viner made it yesterday?

Viner: I'm giving you an out, George, in a hurry.

Haas: I may get thrown out, but I

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- H.M.Jr: I mean the fact that Viner made it yesterday - do you want to withdraw your speech?
- Magill: It's just lucky for you, George, that Jake spoke first; otherwise he would have taken a contrary position.
- H.M.Jr: Go ahead, George.
- Viner: I gave him an out today; he could do the same.
- Haas: That's the gist of it. I could expand on it.
- H.M.Jr: What about this particular thing, public utilities?
- Haas: I think that there are three things - I mean basically. One is the holding company - you've already stated the steps. The other is the utilities. And the other is the railroads. And the capital market, fourth. I don't think there is anything more important than that, because all the other Treasury policies rest on this fundamental basis: that you are not going to have a business recession.
- H.M.Jr: That you are?
- Haas: That you are not. In other words, your whole fiscal policy, deficit policy - practically all the policies - original gold policy.
- Viner: If I get George straight, what he is telling you is that they are all your babies. That's what I think. You can't make a selection of this one and disregard that one. They're all your babies.
- H.M.Jr: And, if Mrs. Klotz doesn't mind my saying it, you can go to hell.
- Viner: I probably am going in any case, with or without assistance.
- (Hearty laughter)
- Taylor: Well, George, by a process of
- H.M.Jr: No, I don't agree with you. I mean that isn't fair, I don't think - I mean the way this Government is set up.

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- Oliphant: Why not put it this way.....
- H.M.Jr: Seriously, I don't - I know that's your attitude and you've been more right than I have - I'll say that - on the responsibilities.
- Viner: I think if you don't get in early you'll get in late, when it will be harder to get in, and when it will be harder to do anything. Put it this way - I want to make myself clear - I don't mean necessarily as the administrative head of the Treasury, but as a member of the Cabinet; it is in those terms that I am thinking. And they are all Cabinet business, and you are a member of the Cabinet. It is in that sense.
- Taylor: Doesn't it become definitely Treasury business if you are required to finance the result?
- Viner: All right, as long as you're on my side, I don't care what argument you use.
- Taylor: I mean here are a lot of babies that are in process of being born, and there are not so many doorsteps, and I can see where they are coming in terms of having to finance them. I mean this thing that Douglas was talking about yesterday is perfectly typical. They look all around the place and they decide that the Government ought to go in the underwriting business.
- H.M.Jr: The point that I was kidding with Jake about is this. I mean it all gets back to mental and physical limitations, that's the thing, and that's why I say, should I do this thing?
- Riefler: You do have to select.
- H.M.Jr: Pardon me?
- Riefler: You do have to select.
- H.M.Jr: I've done this thing now for five years, and it gets down to the physical limitations to what a person - what I personally can do. I can't do any more what I used to do, Jake. I can't make these fights. I can lay down certain things, but I can't do the thing that I used to do.

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(On phone) Miss Chauncey, please.

I can't do it any more.

(On phone) Miss Chauncey, somewhere or other there's a copy of my letter of October 5th to the President. I'd like to have it please. My October 5th letter.

I mean that's why I keep saying to you people - I mean it's very nice to say, "It's your responsibility," and this, and that, but in Washington H.M.Jr. - I can do just so much, I can't do it all. And I don't think - I mean that's all I mean by saying it isn't fair - just simply, "Well, this is your baby." You can say this has been Jesse Jones' baby for three years, four years, five years. What have we got an Interstate Commerce Commission for? And

Taylor: Don't you get

Oliphant: My point is - the point of it is, Viner's statement is accurate if he had just changed one word - "They're all the President's babies." And they're your babies to the extent that the Treasury is involved in them, and no further. Now, take the railroads, for instance. There is an example. There is a problem, I'd say more accurately, vital to the Secretary's interests, not his responsibility.

H.M.Jr: I know what Jake - Jake has got my interest at heart as well as anybody.

Viner: I don't mean you should take over the railroads or the railroad problem.

H.M.Jr: It's a possibility. I mean you go into the thing, and when I once get started, I do a thorough job, if I say so myself. Now, it's just a question, should we get into it? The President may say right off the bat, "No." I don't think he will. But should I inject myself into this? Because Douglas can't do it. Hell, Douglas hasn't even seen the President, and as he said, "I've been there ten days and I'm still turning around trying to find a place to lie down."

I mean you've got to - here Wallace comes over here -

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New York Times - I didn't give that to New York Times - they have a story, what did we call a special session for when we don't even know what the agricultural program is. I didn't give them that story. "Farm Bill Views Divided as Measure Still Far from Completion, Though it is Extra Session's First Purpose." That's the headline.

Klotz: They're right.

H.M.Jr: Yes.

Oliphant: I'd like to make a suggestion.

H.M.Jr: Just a minute. Now, we've got to handle this agriculture thing. There's no if, and, or but, about it. We can't let that thing go, because that is a very, very important decision. Go ahead, Herman.

Oliphant: Now, the Treasury has certain well-known fields where it appropriately operates: deals with taxation, deals with bonds and all that sort of thing. May I just take the five babies that we're talking about - is it five, George?

Hans: Four.

Oliphant: I agree with your analysis. And then ask your staff to come back and tell you - now, what phases of each one of those does the Treasury properly belong in and could you deal with? Now, take, for instance, railroads. Now, there are tax phases of the railroad problem in which we ought to interest ourselves. If so, that is our legitimate interest. But to think in terms of it all being our responsibility seems to me - it not - it is not merely a question of your health and your strength; it is a question of the proper functions of the Department.

H.M.Jr: Well, it is a personal relationship between the President and myself which enters into the thing.

Viner: That's what I have in mind. What things shall you speak to him about or bring to his attention?

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H.M.Jr: It just so happens that right now he seems to want my advice more than usual. I mean he seems to be in that particular phase just now. Now, you put down public utilities, railroads....

Taylor: Capital market.

Viner: Housing, capital market.

H.M.Jr: Housing and capital market.

(H.M.Jr writes down different items)

Taylor: Well, can't you acquire by elimination right here the two which you think would have the greatest possibilities, in order not to scatter your shot, in order not to - I agree with what Herman said, but I think there are only two of them that really do present immediate possibilities.

Oliphant: All of them have important Treasury aspects.

Taylor: I would pick two out of the four.

Riefler: What would your two be?

Taylor: I would pick the utilities and the capital market. Those are the ones that aren't so sick that there can't something be done about them.

H.M.Jr: Well, let's just put it in this way, for the moment, for this morning. I'm going to ask Magill, after you see Douglas, to come back and say on the taxation what you believe are the phases of taxation that you and Douglas believe are holding back the capital markets, see? Now, does that - that's a reasonable request, isn't it?

Magill: Oh sure.

H.M.Jr: Now, that takes care of our angle of it. And then, at the same time, ask Douglas if he'd tell you what phases of the capital market which are outside of the Treasury in his opinion should be changed to get the thing started. Because, while it's not on the agenda, we have a Congress coming here in a month; in other

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words, I'm thinking in terms of new legislation. Is there any legislation which is necessary at once to assist in the opening of a capital market? See? First our own tax thing - what's the matter over there? And on that thing - this is a horseback opinion; you may all jump on me - my own opinion is that I'd take everything that has to do with the stock market which is in the Federal Reserve and take it out of there and put it over with S.E.C. Am I wrong?

Riefler: I'm not sure, but you may be right. I mean I'm - at first I thought....

H.M.Jr: I mean just let me explain that to you. And as I said, horseback. This responsibility is too divided around this town. Now, I'd much rather - I don't want to, we can't give up our taxing rights; but certainly this question of the responsibility of the stock market should be in one place.

Riefler: I think so.

H.M.Jr: What? And we know that the Federal Reserve are too slow.

Riefler: Well, I think the regulations are awfully cumbersome.

H.M.Jr: And it would be much better to place them all in one place; and let them be wrong, but at least have the responsibility.

Oliphant: Well, at the President's request I worked for six months with that crowd over at the S.E.C. in an attempt to amend the Securities Act. I know those men intimately. Douglas is a former student of mine, and I know - I knew Landis; I've known him for years. My impression is that that group over there are going around and trying to find that the different problems they haven't solved are in some of the other organizations and are not facing them immediately, so far as their own organization is concerned. And I think

H.M.Jr: Well, I have no doubt that you'd be right, but I just don't feel personally that at this stage I want to get into that.

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- Oliphant: By the same token, I don't think that the rest of us ought to be getting high blood pressure over conditions that they have brought about.
- H.M.Jr: True, and that is why when Mr. Ransom asked me to sit in with the Federal Reserve and S.E.C. on Monday on this question of stock market, I refused. I refused to sit in on it, because I'm sick and tired of having the Federal Reserve use me as a stalking horse to get them to do things that they should do themselves. That goes for S.E.C. But that has nothing to do, Herman, with this suggestion I am making to Magill on capital markets.
- ~~Oliphant~~ We ought to clean up your part of it.
- H.M.Jr: Our part of it.
- Gaston: Don't you think as a preliminary there ought to be a very short report to go to the President, listing what you think are the principal difficulties in the situation now, and then perhaps with a couple of supporting memoranda on the public utility and the railroad thing, just to present the administrative problems that are general Administration problems, as they are seen by our observation?
- H.M.Jr: Now - no, if you don't mind, Herbert, that isn't the way to tackle this thing. I mean I wouldn't write him a letter unless I could say to him, "Now, public utilities - this is what is the matter, this is what I recommend." Now, I don't know enough about it. I want to talk to him, you see. He's getting too many of these general statements. You don't mind my coming right back at you - I mean you come at me again. But that at this time isn't the way to handle the President on this thing. He'd come right back - "O.K., Henry, now what's the matter with it? You sit down and tell me." Well, I just don't know. I mean he's getting too many general statements.
- But I will see him and I'm simply going to talk to him very quietly and simply say to him - give him this list and get him to put his own mind on this public utilities. Nobody can do the public utility thing for him. My God, he started in '28 talking about waffle

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irons - boys used to say that that was the emblem of his campaign - the waffle iron. I sent him one for Thanksgiving as a present, as a joke - an electric waffle iron. And he had me sit down with the public utility people in New York and we worked out the so-called Adirondack plan of \$24 per mile for rural lines. So this thing goes way, way back. He's got to clear his own thinking. Which all practically gets down to, does he want the public utilities to develop and make some money, or does he want the Government to do it? Now, it's as simple as that. He had Herman Oliphant develop this little private - this Government agency,

Oliphant: Rural Electrification.

H.M.Jr:to finance the electricity boys. Now, do we want to push that or have him do what he said in the housing thing - "I'm sick and tired of having the Government monkey with this thing, and I want to help private contractors to go ahead and help with housing." Now, which does he want to do? It isn't very difficult. But all the memoranda in the world from me wouldn't - he's got to face this thing in his own room and decide which way he's going to go.

Gaston: At least he has to be told what you think are the

H.M.Jr: What?

Gaston: At least, don't you think, he has to be told what are the principal things.

H.M.Jr: Oh yes, I'm willing to go up with this list.

Gaston: And they all go outside of the Treasury, every one of them.

H.M.Jr: That's why I don't want to write about it. I'm impressed - I mean I'm impressed with the seriousness of this thing. It's no cinch. I don't know that I can get to first base on it, but I'm willing to try, if you people think I should. You all think that public utilities is the thing to talk about.

Taylor: And the capital market. They go together, because you've got to loosen up that situation so that it will - so things are going to carry themselves. Your tendency is the other way.

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- Riefler: What you are saying, as I see it, is this: that if you get a market for equity capital - you've got a declining business situation which isn't very favorable in any case; some decline, slight or large - that the utilities are in a better position to take advantage of it quickly than anybody else.
- Taylor: Yes, because they are not so sick. That's the reason.
- H.M.Jr: I've got this thing. I think Riefler's - plus the talk with Douglas yesterday - I think that the thing is not for me to get bogged down into too many administrative details, but just sit down with the President and have a heart-to-heart talk with him on utilities, and which way is he, Franklin Roosevelt, going? Now, if he's decided that he doesn't want these public utilities to go any further, then the Government better make up its mind to get it in a great big way, which he is not prepared - but if he's going to let private fellows do it, let them get it. But the job's got to be done. He's got all the facts, huh?
- Oliphant: Well, I think it takes you immediately into the whole Lillienthal-Morgan scrap. If you want to get into it
- H.S.Jr: I'm not going to get into it, Herman. He can make up his mind just as quickly - nobody helped him make up his mind on this housing. He wants it done with private capital. But he's sick and tired of these condemnation proceedings, high cost of land, and all the legal entanglements - Greenbelt - high cost per family.
- Mr. Mahoney certainly told LaGuardia in New York. He says the only thing that LaGuardia has done is - Mrs. Astor sold him the land at 50 percent of the value, PWA tore the buildings down and did the excavation; they ended up by buildings which cost \$11,000 per family. And he says that's the only thing that LaGuardia has done since he's been there. He said everything else has been done by the Federal Government. Which is true. I mean Williamsburg and the one up at Harlem - all Federal projects, entirely. And LaGuardia hasn't got any more to do with it than anybody else.

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Well, I feel all right. I think it's a good meeting. I'll do what I can.

Jake, I think it would be good if you'd come back again next Thursday and Friday. How are you fixed?

Viner: Well, I could come back for Friday and Monday, stay over the week-end. That's easier for me.

H.M.Jr: Well, supposing you give me a call about Tuesday, huh?

Viner: (Nods yes)

H.M.Jr: Let's see how it is then, huh? Let's see how we get along. Then I will have seen the President. I'll be back here Tuesday. Supposing you call me. What?

Viner: (Nods yes)

H.M.Jr: All right.

What do you think of that letter (October 5th, to the President)?

Viner: It scares me.

H.M.Jr: Why?

Viner: It leaves so little leeway; everything is so sewed up on the expenditure side.

H.M.Jr: True, but why not face it?

Viner: Oh, I say, sure, it's good.

H.M.Jr: But aren't those figures surprising?

Viner: They are to me.

H.M.Jr: They're frightening.

Viner: In other words, you get yourself tied up ahead without realizing it, and

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- H.M.Jr: Sure. It took two weeks to write that letter.
- Magill: You've got serious tax questions on three out of four of your major questions there, and I hope that on November 4 or thereabouts, the President will really go into those.
- H.M.Jr: He will. He said he's ready any time we are. Any time we're ready, he's ready.
- Everybody else has seen this? You (Taylor) haven't seen this.
- Taylor: No, I haven't seen this.
- H.M.Jr: You were away. (Hands Oct. 5th letter to Taylor)
- No, and that's all the more reason, in this talk that I want to give - I want to get in, when they talk about balancing the budget - "What are we up against before we start to balance it?" We're up against that. And that's why it is so important, before they vote another dollar, to take a look at it and to untangle some of these, and I think that's the principal contribution I can make on it.
- Magill: Yes, what's gone behind, that's right.
- H.M.Jr: But give them in detail some of this stuff, what we are up against, and the help that we need from the country is to untangle that stuff, and I think that if I paint that picture very, very frankly, give them the facts before we start even to talk of balancing the budget - "Gentlemen, this is what the situation is." See? "Now, this is what the situation is. Now, let me tell you the various things which are on the books. And we need all the help we can get to get ourselves out of this situation." Now that, to me, is the message which I could give on the eve of Congress. I don't see anything more important that I could do.
- Incidentally, that young man is here. I forgot his name.
- Haas: Lucius Wilmerding.

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Riefler: That's it.

H.M.Jr: Yes, and Riefler thinks he's one of the ablest people on writing around here, and I told McReynolds to have him go in and see you, George.

Haas: Mac called me about it.

H.M.Jr: He thinks he's very able.

Haas: You wanted to use him on that other job we had to do in November - housing. That's what he's been working on. But we can

H.M.Jr: Well, we're going to cut him loose and put him on this.

Riefler: Well, I just saw that one example, but I was impressed with it. I think you might try to develop him, personally.

H.M.Jr: Mac thinks he's very able.

Riefler: I would try developing him on that line.

Haas: O.K., we'll try him out.

H.M.Jr: Huh?

Haas: Try him out.

H.M.Jr: Because - well
Herman, when are you going to have something about Commodity Credit?

Oliphant: About any time you're ready to talk - and Wayne.

H.M.Jr: I can let it go until next week. I'll let that slide until next week.
Now, I won't see you again (to Riefler). Would you call me up Tuesday and find out where we stand?

Riefler: I'm probably coming down next week.

H.M.Jr: Fine, fine.

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Riefler: They're having a dedication of the Federal Reserve Board Building and I thought I'd like to see the old crowd....

H.M.Jr: Oh, of course, fine.

Riefler:get dedicated.

H.M.Jr: Fine.

October 15, 1937.
9:37 a.m.

D. Bell: Hello

H.M.Jr: Morning - Hello Dan.

B: I just wondered how you were going to be fixed this morning.

H.M.Jr: Well, how much time do you want.

B: Well, I'd like you to look over this summation again. I made quite material changes in it. I wanted to go up to the White House - Hyde Park this afternoon on that four o'clock plane.

H.M.Jr: How about eleven thirty.

B: That'll be fine, if that suits you.

H.M.Jr: Yes.

B: All right.

H.M.Jr: Now wait a minute. I want you to have for me Tuesday the information - we want to write the President a letter - I don't know whether it was you or not, but letting him know what the situation is in regards to expenditures for agriculture for this fiscal year.

B: Yes

H.M.Jr: See what's on the books -

B: Yes

H.M.Jr: Including Bill Myers' forty million, including Section 32, Customs money, everything.

B: All right.

H.M.Jr: And what the obligations are for the next fiscal year, even though the money hasn't been voted.

B: Yes.

H.M.Jr: In other words, I may want to write him a letter like the other one, but just devoted to agriculture alone.

B: Yes

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H.M.Jr: See

B: Yes, we can do that.

H.M.Jr: Now, I'd like to have that Tuesday because - get hold of George Haas, made notes yesterday - get him to tell you what happened here in regard to Henry Wallace.

B: Uh-huh.

H.M.Jr: See.

B: Did you have a conference with him?

H.M.Jr: Yes. For an hour and a half, - George kept the minutes.

B: I see

H.M.Jr: And get him to tell you his attitude and how he's thinking.

B: All right.

H.M.Jr: It's most important because everybody else is a blank wall except Wallace.

B: Yes

H.M.Jr: And we may have to write another letter, just on agriculture.

B: All right. I'll send you that

H.M.Jr: Fine. I'll see you at eleven thirty.

RE CURTAILMENT OF PWA AND RFC

October 15, 1937
11:30 a.m.

Present: Mr. Taylor
Mr. Gaston
Mr. Bell
Mr. Lawton

H.M.Jr: I'm waiting for Mr. Bell. Let me make you a little speech, see. You (Taylor) say to me in one breath that the most important thing to do now is to let the business world know, do we want them to go ahead and make some money. See?

Taylor: Uh-huh.

H.M.Jr: Come in, gentlemen. (Bell and Lawton come in)

Now, I say to you that I was never more firmly convinced that the best message that the business world can get is that R.F.C. and Public Works are through. Now, you can't do it half-way.

Taylor: No, I differentiate between the two.

H.M.Jr: Well, I just can't understand you.

Taylor: And I've got

H.M.Jr: Because I - Wayne and I have got a little argument on. I'm trying to convince him.

Taylor: I think there's quite a difference between subsidy grants, etc., and the availability of credit.

H.M.Jr: What's that mean?

Taylor: Just what it says.

H.M.Jr: All right, now listen. And so what'

Taylor: I think you should cut down at the present time every subsidy that it is possible to cut down, but I don't think you can afford to cut down the availability of

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credit at this particular time.

H.M.Jr: We're not - let them go to the legitimate source, which is private business.

Taylor: But the legitimate source isn't functioning. In other words, all this stuff about the capital market that you have heard ties right into that situation.

H.M.Jr: Now listen, Wayne, where - you and I have got the same objective, but, if you don't mind my saying it, I don't think you're right. Now, I gave you this week - but I want you - while I'm talking forcefully on it, there's nothing personal. I've heard these different people say it, and I think they're right - a bank, an investment house - "We can't compete in making a loan with Uncle Sam." Now, there's no use of arguing. If we want to loan ten million dollars and we know Jesse Jones is there, we can't compete, and we're not going to.

Now, what I say is this, and I've done it before: that if this thing is stopped and then Mr. Riefler comes in to say to me, "I know of a small company that wants financing on a basis of two and a half times its earnings," then I can say to him, "All right, give me the name of the company and I'll get them the money, and I'll get it from private sources"; but I can't do it as long as the private sources say to me, "Well, Mr. Morgenthau, we can't compete with the R.F.C."

Now, if I'm wrong - certainly it couldn't be any worse than it is now, because we've got a complete freezing of credit. If I'm wrong, I can always say I'm wrong, and create a new kind of an organization to take care of a special situation and get the funds to do that special job; but not have them take Bell's money and my money which has come in, and which we are on record that we want to retire the public debt with, and use it for some purpose that it was never supplied for.

Taylor: Well....

H.M.Jr: Now, to use a case in point. This is why I feel so strongly on this subject. And it's just the same,

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because it's no different when you're talking with Mr. Doughton, and when it boils all down, he's more interested in those three Alcohol Tax fellows than he is in the tax program. I had fifty different commemorative coins that fifty different states wanted last year. You couldn't get a bill through, and I single-handedly said to each one of these Senators and Congressmen in fifty communications, "Gentlemen, it's the Administration program - no more commemorative coins." And each one looked - "Does that go for so and so? Does that go for this fellow?"

"No more."

"You're sure what's-his-name can't go around to the White House?"

I said, "No more commemorative coins for anybody."

They wouldn't vote the bill through. And the President never had a kick, and we went through with no bill, and I stopped all commemorative coins. But if I had slipped once, made one commemorative coin, I'd have been out.

Now, what I say is that when these lists are published and Mr. Jones and Mr. Ickes can tell every Senator and every Congressman, "If you're not on the list, terribly sorry, gentlemen, you're out," that stops that, and that puts that money in there. And then we have a situation which we've been working for now for three years: to force these things into liquidation. And I say it's got nothing to do with the capital markets.

Taylor: Well, that is the place that we don't agree.

H.M.Jr: You can't, Wayne, just as long as there is a loophole - Dan and I have just burnt our hearts out on this thing; we get sick of it. And Harold Ickes has said to me, "I'm sick and tired of being the whipping boy and having them told I won't give it, and then having them go around and say they can't get it." Now, this is an accumulation of three years. I mean that.

Taylor: Well, I think it is terribly important to make the differentiation that I am talking about. One is a direct grant, which is an out-of-pocket expense,

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isn't it?

H.M.Jr:

Yes.

Taylor:

And the other is the availability of credit.

Bell:

Are you including in that latter the Commodity Credit?

Taylor:

Well, it's in that whole group, Dan.

Bell:

Part of that is a grant, too, you know.

Taylor:

You mean

Bell:

It's a loss; just as well be a grant in the first instance, so

Taylor:

Let's construct it like this. Dan can check me on this. I mean I'm describing it in my own terms.

Bell:

Go ahead, sure.

Taylor:

You've got at a given period, you see - you say you've got no indebtedness. I'm just talking theoretically.

H.M.Jr:

Who?

Taylor:

This is a government with no indebtedness, with income and outgo just balanced. Lovely situation. And then you get a tough period - war, whatever it may be - you see, and you have to borrow in order to be able to finance it. Then you - let's say you have your regular revenue; regular revenues and regular expenditures before that happened were five apiece, see? In balance. Now you've got another situation, with this indebtedness, which has been spent. Now, it hasn't created any new useful thing at all. So that you have unusual expenditures on one side, carrying charges, you see, of an additional one; and you raise additional revenue of an additional one over here. Those aren't recoverable assets at all, are they? That's just gone; it's been shot up in powder.

Then you have another situation, where you have made what you think are productive investments.

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H.M.Jr: Go ahead.

Taylor: That goes over in another box, doesn't it? Put it over here (drawing diagram on paper). At one time you have spent, let's say, ten billion dollars as an investment in a recoverable asset, and in order to do that you have created an indebtedness over here of ten billion dollars.

H.M.Jr: Yes.

Taylor: But you expect to get that back, don't you?

H.M.Jr: I'm listening to you.

Taylor: As long as those two work out satisfactorily and you are able to keep that revenue at six, see - combination of the two - and you've got this one which is working down, because that's your carrying and your reduction charge on that - now, that's all right, isn't it?

H.M.Jr: I don't know; I want to wait until it comes to the end.

Taylor: Well, I'm leading you to this point, that - remember Jesse when he said he could balance the budget in a given year by selling his assets; you wouldn't have a balanced budget at all, would you?

H.M.Jr: No.

Taylor: By the same token, if you speed up this recovery here, which is out of this ten, you haven't got any more a balanced budget by doing that than if you've done what Jesse is talking about.

H.M.Jr: But that isn't my objective.

Taylor: Well ...

H.M.Jr: But that isn't my sole objective. Emphasis: that is not my sole objective. That isn't what I'm

Taylor: We're coming to that.

H.M.Jr: But that isn't our sole objective at all.

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Taylor: Then you've got a situation where you've had this amount of credit available pumped into the system. Let's say that in those recoverable assets happen to be approximately, let's say, for any length of time, four, on which is based a credit structure of, let's say, five times that; in other words, that's twenty, isn't it? Now, from 1929, for example, to 1936, you have had a reduction in private credit available of a very large amount, haven't you?

H.M.Jr: From when to when?

Taylor: 1929 to 1936.

H.M.Jr: No, the credit's there, but they won't loan it.

Taylor: Well, it's been a great reduction in credit outstanding.

H.M.Jr: But don't forget that each week now for - I don't know, for a year - the amount of commercial loans is steadily increasing.

Taylor: Yes, that's all right.

H.M.Jr: And the money is there.

Taylor: But it isn't going into this productive group here.

H.M.Jr: True, but you see, Wayne - I mean I don't know how much - I can't ask - it's awful hard to take the time. I mean in Washington you've always got to first think - you've got your economic, scientific way to approach it; then you've got your individuals. Now, we're dealing in this case with a man by the name of Jones and a man by the name of Ickes, who are much more important as individuals - they count much more than the economics of the thing.

But I wouldn't be doing this if I wasn't so firmly convinced that this is one of the most constructive moves in the right direction. Now, the answer is, following your plan, they're not getting the money - business - notwithstanding that they've got all of these credit agencies here; they're not getting it; so let's stay just the way we are and do nothing and

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leave Mr. Ickes and Mr. Jones go; and business still isn't getting financed the way it should.

Taylor: Uh-huh.

H.A.Jr: Now, I say just as long as they are there and just as long as they are in competition with private capital, that private capital feels they are licked and they won't compete. Now, that's the whole thing.

And this thing is moving so beautifully - I don't know whether I've had a chance to tell you. And this is very confidential. As we tighten up now, this gets to the guts of the whole thing. You'll have to take my word for it, Wayne, even though you say, "Well, Henry, I don't agree with you." But you'll have to take my word for it, if you don't mind, and let me go ahead.

The great thing that I feel we did when we tightened up this thing - on a cash drawer basis, for the first nine months of the fiscal year we're only out 288 million dollars. Now, the thing I was afraid of was that the people in Washington would go to the President and say, "This is terrible; they've got to start doing this thing again by the government." But that's not been the reaction, and that's why I'm so encouraged. His reaction is, as this thing is tightened up, that we must do everything we can to encourage private enterprise to do this job. And he's told me - I don't know whether I've seen you (Bell) or not - that one of the things he wants to do is housing, and he doesn't want the government to do it; he wants private contractors to do it. He's going to call private contractors and labor unions into a very quiet secret meeting and see how he can help them to do the job with private capital.

In other words, as the shoe begins to pinch, with a balanced budget, as the United States Government cuts down expenditures, which way does the President look to start this thing going again? He looks to see how he can help private business do it. Now, if we weaken on this front, then immediately the whole thing we have been working for, the whole philosophy, which is your philosophy, falls by the wayside, because again

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we've got government in competition in the lending business, and the people who own money will not lend in competition with their own government.

Now, I say I'm on the right track. I say this, that we did our job; it was most important to have these agencies. I say they have ended their usefulness. Now, if there are special situations which arise, like the railroad situation, then I say we should have courage enough and intelligence enough to go to Congress and say, "Here's a plan which needs financing. We want a railroad administration - financing agency to handle it." But do it on a special basis, and not take Bell's money and my money to do these things for purposes that that money was never meant for.

And I say we've got to make this shoe pinch and pinch hard, and we may have two or three months of bad times; but if the President of the United States, who is the only fellow who can decide this as the shoe pinches, already is leaning toward private business, I say for business it is the most encouraging thing that's happened since I've been here. But, by God, Wayne, you've got to make it pinch. And this thing is going to make it pinch like hell, and it's a beautifully done document (proposed section of budget message dealing with discontinuance of PWA and RFC).

And if there is one single loophole - just like my commemorative coins; if there is one single loophole, I've got to produce 50 commemorative coins. But as long as I said, "No," to everybody, I got away with it. And just as long as there is a loophole that a Senator or Congressman can go around and either borrow money or get money given to his community, we're sunk. And this thing has closed every single loophole. And when they are closed, then business no longer has got a single possible excuse to say, "We won't lend." And then is the time - I've never since I've been here made a speech pounding business for not lending, but when this thing is closed and they don't lend, then I'm willing to hit and hit hard, where it belongs.

Now, you came back from the West and said the one thing you felt was more important than anything else was to show business - the community in this country - are we going to continue on a private profit business

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system, or are we going for Socialism? Here's my answer, and I should think that you'd take it so quickly. Here's my answer, and I say that I honestly and firmly believe that once the President signs that thing - it may come temporarily as a shock, but once business gets the significance - and that's why I wanted Herbert here, to get my philosophy - I think it's the most encouraging thing that's happened in three years.

You (Bell) certainly check with me, don't you?

Bell: I certainly do.

H.M.Jr: And I just don't see, Wayne - just as ~~long~~ as you are weak, just as long as I am weak, I'm uncertain of my ground, this whole thing - why, hell, if I left any loopholes in this thing, I'd say to Dan, "Please don't send it."

Now listen, old man, do you mind if I go ahead, because I never, never felt that I was more right than I am now. Now, if I'm wrong - I'm shooting the works, and if I'm wrong - I'm doing what I always have done since I've been Secretary; I'm willing to stick my neck out, and if I'm wrong - I'm always willing to risk my job if I think I'm right, because I think it's worth risking, and I'm perfectly willing to risk my job for this document. I mean that's how strong - I'm willing to bet my job as Secretary of the Treasury that I'm right on this document. Now, I can't do anything more than that. .

Taylor: No.

H.M.Jr: That's how important I think it is. Wayne, you've got to either go through - either go through with this thing, tighten our belts, and say, "By Jesus, we're going to sweat this thing through because we think we're right, and we'll just force these fellows to lend," or, "We'll continue the middle of the road," and that's just where you don't want us, because how the hell does business know whether government is going to do it or private business?

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- Taylor: I don't think that this particular thing changes the odds. In other words, competition with private business in the lending field isn't the important thing.
- H.M.Jr: Well, if you don't mind, I'm going to go ahead with it.
- Taylor: Well, you wouldn't want me to be around here if I didn't tell you I thought there was a difference between the two.
- H.M.Jr: That's what you're here for.
- Taylor: That's what I'm here for.
- H.M.Jr: And you don't mind if, after listening to you, I differ with you.
- Taylor: Not a bit. I would like to emphasize the difference between grants, which is the stuff you shoot out the window, like you do in a war, and the availability of credit. And at this present juncture I question very seriously whether we can take away the availability of credit - I think it will be considered deflationary - until you have fixed up the capital market, private capital.
- Bell: Of course, Wayne, on the economic system they both arrive at the same point; they're both improving property.
- Taylor: Yes, but in terms of your picture.....
- H.M.Jr: And my answer, if I may have the last word, is that just as long as we have the system the way it is, we'll never fix up the capital markets and we'll never make private credit available. Just as long as the thing is neither black nor white, and just as long as there is this looseness between the Government and private industry, private lending, I believe we can't break this jam. And the only way we can break it is to do something, and this is it.
- Taylor: Well, I completely agree with you, but I don't think that you have fixed up what is wrong with the private market.

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H.M. Jr: No.

Taylor: And therefore, I think you have to do that at the same time you withdraw the other one.

H.M. Jr: There are two big pools here, and we've got to irrigate this field. Now, we're irrigating it mostly with Government water.

Taylor: Uh-huh.

H.M. Jr: But the other water is there - unlimited amount of water in the other pool. Now, all I am saying is, I want to shut the gate to the Government water and try to open up the gate to the other. I don't say - and what I say is that we can't draw on the private irrigation water until we shut off the Government water. Because the fellows who own the private water won't rent out that water; they won't rent it out until the Government indicates to them that they aren't going to irrigate that any more with free water.

Now, that's the whole thing. And then, when this other thing comes, then we've got a job to do, and I'm willing to take my share of the responsibility. And if the President over the week-end, when I was with him, had indicated to me - and I took damn good care to find out - that with this thing tightening up, he was going to lean back and go back to start in priming the pump, I'd say, "No, we can't afford to take that chance." But leaning the way he does, I say, "Yes." And the answer was what he sketched to me, now he wants to handle the housing thing. Then I said, "I'm all right; I'm not taking a very great risk."

For the President to say to me - and were you there, Dan, when he talked about how shocked he was that the irrigation ditches out West were being cleaned out - he said, "Why, my God, the county should do that. Why is the Federal Government doing it?"

I said, "You know, the City of New York - most of the PWA money goes to the maintenance of the city government."

"No, really?" he said.

Take a chance with me, will you?

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Taylor: Never worry about doing that.

H.M.Jr: All right.

Taylor: I mean you've got my differentiation between the stuff you shoot out the window and don't get back, and the availability of credit. That's the one comment I want to make.

H.M.Jr: O.K. Now, what's the next move?

Bell: I wanted to read this document, if you've got time.

H.M.Jr: Yes, very much. You mean the whole works?

Bell: Uh-huh. I mean just the summation part.

Taylor: (To H.M.Jr) You're good.

H.M.Jr: I don't know. (As Taylor starts to leave) Stay here, let's hear it.

Do you (Lawton) know Mr. Taylor?

Bell: Mr. Lawton, Mr. Taylor.

Want me to read it?

H.M.Jr: You're with me on this thing, aren't you?

Bell: Yes, I think it's time to close up these governmental agencies established as emergencies. Time to stop them and let somebody else outside take it. Wayne talks about getting them back, and I think that's all right, that's beautiful theory. But we talk about the same way on loans on public works; we got them back, and we're going to give them away again. That's what we're going to do with R.F.C. We did that on the relief end with R.F.C., gave 750 million dollars worth which originally was a loan and is now cancelled, and we don't see any of it.

Taylor: You do know what we're - I'm talking about.

Bell: Sure, but I think the times has come to dry up Government credit, unless we're going into another tailspin. And that seems to be something Congress ought to deal

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with anew.

Now, I took out all the comment on 1937, because it made it a little too long, and you commented rather fully on that in your July 1 statement. (Begins reading of proposed budget summation; rest of meeting not taken)

GROUP MEETING

October 15, 1937
2:00 p.m.

Present: Mr. Magill
Mr. Taylor
Mr. Oliphant
Mr. Gibbons
Mr. Haas
Mr. Upham
Mr. McReynolds
Mr. Graves
Mr. Gaston
Dr. Viner

H.M.Jr: Mac, have you got that memorandum on that - on that woman?

McR: I don't think it would do you any good to call

H.M.Jr: Well, I'll talk about it afterwards.

McR: All right.

H.M.Jr: You stay a minute.
Harold, how you getting along?

Graves: Mr. McReynolds asked me this morning to have for you at this time a brief memorandum of what I am doing. I think I ought to give a copy to Mr. Magill too (hands Magill copy). I haven't had a chance to show it to him.

H.M.Jr: Well, I don't think I'll read it now, but I'll take it with me over the week-end.

Graves: Yes, sir.

H.M.Jr: I wonder if there is anything special - just stay for this meeting - anything special.

Graves: Nothing other than what is covered.

H.M.Jr: Getting all the cooperation you need?

Graves: Fine, excellent.

H.M.Jr: Who do you use anyway?

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Graves: Well, I have been, as I say in that memorandum, working mainly on Social Security, and am using the regular people of the organization down there who work on that subject matter.

H.M.Jr: Well, I'll look at that, and if there is anything special I'll go over it. I won't take the time now.

(To Upham) I gather that George M. Cohan play was the hit of the A.B.A. at Boston.

Upham: Is that what you got from my dramatic criticism?

H.M.Jr: Yes, that must be quite a play.

Upham: It is. Very good.

H.M.Jr: What?

Upham: Very good. Little rough, but

H.M.Jr: What? On who?

Upham: Well, on the President principally.

H.M.Jr: How's the fellow who takes me off?

Upham: Well, he's really the star of the show, I think, aside from Cohan.

H.M.Jr: I see. And it's funny, though, isn't it?

Upham: Yes, yes, I laughed tremendously.

H.M.Jr: Is it a parody any more than a Gridiron show?

Upham: I've never been to a Gridiron, but I think probably not as much.

H.M.Jr: I'm crazy to see it.

Upham: Pretty rough on Frances Perkins. And - oh, they get in two - one or two digs at you.

H.M.Jr: About the biggest deficit, huh?

Viner: Since Alexander Hamilton?

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Upham: They didn't say that.

H.M.Jr: Well, they might.

Upham: You come home from the movies and explain to the President at Cabinet meeting how Harpo Marx....

H.M.Jr: What's that?

Upham: You show the President how Harpo Marx looked in the movies, and he has to call you down.

H.M.Jr: How the President looked in the movies, or how Harpo Marx looked?

Upham: How Harpo Marx looked.

H.M.Jr: Stay behind; there's one question I want to ask you in private.

Jake?

Viner: Who, me?

H.M.Jr: Anything?

Viner: No, sir.

H.M.Jr: All right. I'll hear from you Wednesday morning - I mean by mail.

Viner: Or sooner.

H.M.Jr: Or sooner.

Gibbons: (Nods nothing)

H.M.Jr: Has Mac turned over that young fellow to you (Haas)?

Haas: He's working.

H.M.Jr: Is he working? Where is he?

Haas: I don't know where he is. I gave him a job.

H.M.Jr: What's his name?

McR: Lucius Wilmerding.

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H.M.Jr: (On phone) If Mr. Lucius Wilmerding is around somewhere, have him come up to Kieley's office; I want to talk to him.

I just thought I'd like to say something to him.

Haas: I've got this history of the meeting (with Secretary Wallace, October 14) - rather long - for your diary. (Hands to Secretary)

H.M.Jr: Wayne?

Taylor: I'd like to see you a half minute before you go.

H.M.Jr: All right. Well, it will have to be in this process; each fellow takes his turn. But you can come up and whisper in my ear.

You and Herman going to have something more for me Tuesday morning on Commodity Credit?

Taylor: Hope so.

H.M.Jr: How are you (Oliphant)?

Oliphant: Fine.

H.M.Jr: You look wonderful.

Oliphant: I feel fine. I was about to say I was a little discouraged at Tom Smith having arranged that program up there in Boston; made it unanimously anti-New Deal, which doesn't sound like Tom Smith; but he arranged the program and everything.

H.M.Jr: Cy Upham arranged that program.

Oliphant: Cy Upham and Tom Smith together arranged that program.

Upham: I arranged it, and I got scolded for it.

H.M.Jr: Somebody said in the newspapers that the A.B.A. was pretty smart, they brought a lot of fellows there to talk against the New Deal.

Oliphant: Well, Tom arranged the program.

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H.M.Jr: Did he?

Oliphant: Started off with his brother-in-law.

H.M.Jr: Yes. Well, talking about bankers as a class and not as individuals, they never seem to learn anything. I guess they never will.

(Period of joke-telling ensues)

(Gaston comes in)

H.M.Jr: You just missed a good time, Herbert.

Magill: What's your best banker story, Herbert?

H.M.Jr: Herman, that takes care of you?

Oliphant: Yes. One or two matters connected with Procurement that I think I can handle with Mac; he can take it up with you if necessary.

Magill: Shall I mention in here those charts that the Statistical Division is getting up?

H.M.Jr: Yes.

Magill: We're getting some

H.M.Jr: Tell it to them just the way you told it to me.

Magill: We're getting some quite elaborate information with respect to the operation of the undistributed profits tax and the other corporation taxes, as reflected by the 1936 corporation returns, the last returns to be filed. We now have a tabulation on 170,000 corporations grouped by industries, showing what their total net income was and what the different taxes were, and the percentage of net income taken by the Federal taxes. The next table which we will have will be a further breakdown of that information by income classes for each of the different industrial groups, showing more detailed information as to what their capital and surplus is, and what the various deductions were, and what the taxes were. And then finally we're going to have a still more

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elaborate study of the 184, I think it is, corporations which George Haas uses as guinea pigs for his purposes, to show how it affected them individually.

- H.M.Jr: Well, I think the significant thing, at least to me as a layman, is that for the first time we are going to really know what this surplus tax is, we're going to stop guessing like everybody else; we're going to be able to tell them whatever the story is. Everybody's been measuring these taxes in terms of what they do to him or his business. For the first time in the history of this country, we're really going to have something that we know. Now, whatever the story is, we'll tell them, but at least we're going to know and stop guessing, and I think
- Gibbons: Will you have that ready for Congress by the time they
- Magill: Oh yes, we'll have that ready this month.
- H.M.Jr: Mac, will you see that one of your pupils will be here tomorrow assigned?
- McR: Yes, sir.
- H.M.Jr: Make sure there is one here. This one isn't going to be here. I'm not going to be here.
- Magill: I think I'll be here, because I'm going to see Douglas tomorrow noon.
- Oliphant: Do you want us ready on the Commodity Credit Monday or Tuesday?
- H.M.Jr: Tuesday. I won't be here Monday.
- Oliphant: All right.
- H.M.Jr: I'll be with the President tomorrow and Monday. All right, we've got
- McR: Are you going to be with him when the release goes up there for him to sign?
- H.M.Jr: (Nods yes emphatically)

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Oliphant: Two and two make four.

Taylor: He just might be there.

H.M.Jr: You ought to see Dan smile. This budget summation is going up to the President tonight and there's three pages in it that he "aint" seen yet, and he "aint" seen nothing until he sees those three pages.

Dan says, "Are you going to be up there when that gets through?"

"Yes, Dan."

"Well, I'll make you a bet the President talks all around it."

"Well, I don't know. All I will ask is to give you 'Yes' or 'No' by five o'clock tomorrow."

Yes, I'll be there.

McR: Swell.

H.M.Jr: Swell for who?

McR: Swell for the chance of getting it signed.

H.M.Jr: Well, believe me, if he signs that, I consider it the most constructive step financially that's happened around this town almost since I've been here.

MEMORANDUM OF THE DAY'S ACTIVITIES

October 15, 1937

To: The Secretary

From: Mr. Magill

1. Chemical Foundation

I have transmitted this case to the General Counsel for an opinion. He will put it through the regular channels but I think we will have an answer comparatively soon.

2. Revision of income tax forms

The committee has completed its work upon the fiduciary form filed by trustees and, as a result of a series of conferences with representatives of the trust companies, has succeeded in eliminating one of the two forms now required without apparent loss in the administration of the tax. The new form itself will be something of an improvement over the old.

3. Tax revision program

I spent two hours with Viner this afternoon going over the major recommendations which we are considering. We are closely in agreement on the major points and in complete agreement upon the changes to be made in the undistributed profits tax.

I am now commencing to receive sections of the draft report embodying a statement of our recommendations and the reasons therefor. I hope that we can have it in shape for your final approval about the end of next week.

RM

Secretary:

N. M. J. —

I believe that this brief summary will be of interest to you.

I would eliminate Spain and Turkey from the countries which Pierson mentions.

W. H.
From: MR. TAYLOR

EXPORT-IMPORT BANK OF WASHINGTON
WASHINGTON

OFFICE OF THE PRESIDENT

CABLE ADDRESS
"EXIMBANK"

October 15, 1937

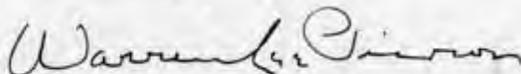
Dear Mr. Taylor:

I enclose for your confidential information as a member of the Advisory Committee of the Export-Import Bank of Washington, the following:

- a. Statement outlining the type of activities in which I believe the Bank can benefit American foreign trade.
- b. Statement of Condition of the Bank as of October 15, 1937.
- c. Statement of Earnings and Expenses of the Bank for the period from July 1, 1937 to October 15, 1937.

I am glad to report that on October 7, 1937, dividends which had accumulated upon the Bank's Preferred stock from the date of its creation, February 12, 1934, to January 1, 1937 - amounting to \$1,056,164.38 - were paid out of earnings.

Sincerely yours,



President

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

MEMORANDUM

To: Members of the Advisory Committee
Export-Import Bank of Washington

There are three general fields of activity in which the Export-Import Bank can benefit American foreign trade:

1. By financing the export of agricultural surpluses, particularly cotton, cotton seed meal and certain types of tobacco.

The tremendous 1937 cotton crop requires that every reasonable effort be made to maintain traditional markets and to develop new ones.

During the last several years many markets once largely dependent upon American cotton have been turning to foreign growths because of their lower price. Today American cotton is the cheapest cotton in the world. An opportunity exists, therefore, to reestablish old markets.

Unsettled political conditions make it impractical for cotton shippers to extend the six/nine months' credits sought by certain cotton consuming countries. The same situation prevents them from obtaining war risk and confiscation insurance. The maintenance of markets, even in the face of these difficulties, is desirable.

It is recommended that the Export-Import Bank extend its present activities in connection with cotton; and make its facilities available for financing cotton seed meal, tobacco and other agricultural exports.

2. By financing sale of heavy machinery and railway equipment in South and Central American countries and Turkey.

Medium term credits for this type of business, including the risk of exchange, are provided by other industrial countries without or with but limited recourse to the exporters. Germany, through various currency devices and barter arrangements, and long term credits, and Great Britain, through insuring credit and exchange risks, are seriously encroaching upon our trade in all parts of the world.

Our manufacturers are dependent upon substantial foreign outlets.

It is recommended that the Export-Import Bank participate with American exporters in financing selected business, without recourse, to the extent of 50%/60% of the delivered price of the goods sold.

3. By discounting securities issued by foreign governments in settlement of blocked dollar balances.

This activity is of minor importance and in accordance with established policy should be handled only with recourse to the firm presenting the paper for discount. Applications of this type are expected from exporters having funds frozen in Nicaragua and Spain.

The Export-Import Bank represents this Government's efforts to enable Americans doing business abroad to meet new conditions and to place them upon a more nearly equal basis with their foreign competitors. With conservative direction it can carry out the purposes for which it was created without risk of serious loss to the Government.

Unless some special situation arises (such as extension of facilities to trade with the Soviet Union) I estimate that the operations of the Bank during the balance of the fiscal year can be conducted with its present capital plus the proceeds of the RFC commitment to purchase \$25 million additional preferred stock.

ELP

October 15, 1937

EXPORT-IMPORT BANK OF WASHINGTON
STATEMENT OF CONDITION AS OF OCTOBER 15, 1937*

<u>Assets</u>		<u>Liabilities</u>	
Cash in Treasury	\$128,342.39	Discount collected but not earned	\$ 130,345.08
Cash Items in Transit	19,722.73	Assignments, Claims	2.00
Special Deposits	<u>14,544.51</u>	Acceptances (by other banks)-contra	420,636.64
<u>Total Cash</u>	\$ 162,619.63	Preferred Stock	\$20,000,000.00
Advances to other agencies	5,000,000.00	Common Stock	1,000,000.00
Loans	14,756,525.91	Reserves	100,534.69
Notes Discounted (Banco do Brasil)	1,425,870.00	Profit - June 30, 1937	960,320.40**
Assignments, Claims	2.00	Profit - Fiscal Year 1938	<u>264,759.62**</u>
Acceptances (by other banks)-contra	420,636.64		\$22,325,614.71
Interest earned but not due	43,220.00	Less: Preferred Dividends Paid to January 1, 1937	<u>1,056,164.38</u>
Other assets	<u>11,559.87</u>	<u>Total Capital</u>	<u>\$21,269,450.33**</u>
<u>Total Assets</u>	<u>\$21,820,434.05</u>	<u>Total Liabilities</u>	<u>\$21,820,434.05**</u>

(*) Not included above - Commitments not accepted.

(**) Does not give consideration to cumulative dividends on preferred stock from January 1, 1937 to October 15, 1937.

EXPORT-IMPORT BANK OF WASHINGTONSTATEMENT OF EARNINGS LESS EXPENSES FOR THE PERIOD JULY 1, 1937 to OCTOBER 15, 1937Income

Earned - Interest	\$ 202,024.67
Earned - Service Charges	6,394.44
Earned - Sale of Silver	538.45
Earned - Interest on Demand Deposits with R.F.C.	<u>70,791.78</u>

Total Income

\$ 279,749.34

ExpensesOperating Expenses

Salaries	\$ 12,424.79
Supplies	127.55
Telegraph	22.95
Telephone	208.84
Travel	966.09
Printing	8.38
Advertising	7.22
Rent	918.33
Insurance	92.15
Depreciation Reserve on Furniture and Fixtures	136.16
Special and Miscellaneous	<u>77.26</u>

Total Operating Expenses

\$ 14,989.72

Total Expenses

\$ 14,989.72

Profit - For the period July 1, 1937
to October 15, 1937.

\$ 264,759.62*

(*) Does not give consideration to cumulative dividends
on Preferred Stock.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE

October 15, 1937.

TO Secretary Morgenthau

FROM Mr. Haas *MH*

Meeting in Secretary Morgenthau's office, 3 P. M.,
October 14, 1937.

Present: Secretary Morgenthau, Secretary Wallace,
Mr. Tapp, Governor Myers, Mr. Taylor, Mr. Haas.

Secretary Wallace opened the discussion by saying he was going to outline an agricultural program which he thought was the most economically sound and politically feasible. He pointed out that this year was rather unusual. We have a cotton crop of over 17 million bales, 890 million bushels of wheat, 2,500 million bushels of corn. He said that the sore spots in agricultural situations have been for the most part related to these basic commodities. The agricultural situation, he said, has not really been sound since the War when our foreign markets were reduced. The program of this Administration, he said, was to meet the situation by cutting down domestic supply until reciprocal trade agreements or something else opened up the foreign markets again. He said he was convinced at the outset that the Soil Conservation program could not adequately cope with the whole agricultural problem, and that the severe droughts we have had in a large measure covered up the program's deficiency. The objective of this agricultural program, he said, should be to secure a proper share of the national income for agriculture. He pointed out that in earlier years before the War agriculture received about "one-half as much as the other folks received". This year, he said, the farmers' share was about 45% which is pretty good (like the decade of the '20's).

In the new program, Secretary Wallace stated, they were talking in terms of parity of income rather than price parity.

Secretary Wallace said there were two schools of thought with regard to future programs for agriculture — one school is the Farm Bureau and the other might be called the Marvin Jones school. The Farm Bureau school thought, as expressed by Earl Smith, would call for less government money, commodity loans, high control, ever-normal granary, and high penalty taxes. Jones is inclined toward loans at a low rate, and that plan covers only cotton and wheat with adjustment payments in addition to Soil Conservation payments. Secretary Wallace said he thought Jones reflected the opinion of the Grange and

the Cooperative Council, and also his own opinion. Governor Myers said he thought the plan was largely Jones' own opinion. Secretary Wallace continued, pointing out that the plan included no penalty tax but benefit payments were to be used as bait. He said he told Jones that he thought a compromise could be worked out between his bill and the Farm Bureau Federation bill. Secretary Wallace said he liked Jones' approach the best.

Secretary Wallace then proceeded to outline a plan which he had worked out but one which he indicated had not been checked with Tolley. This plan would include the normal warehousing of cotton and what he called tariff equalization tax -- not a processing tax. The tax would be 3¢ per lb. on cotton, 20¢ per bushel on wheat, and 1¢ per lb. on rice. \$190 million would be required for wheat and cotton adjustment payments.

Secretary Morgenthau then explained to Secretary Wallace that on last Tuesday (October 12, 1937) Bell had told him that \$250 million were contemplated being used as corn loans, and that Bell had received his information from Jesse Jones. Secretary Morgenthau indicated that he had just finished working on the budget message and that \$250 million would materially change the budgetary situation. Secretary Morgenthau then went on and said that he had addressed a letter to the Directors of the Commodity Credit Corporation, stating that he would like to discuss the corn loans before any action was taken, and that this letter was written some days ago, and that when Secretary Wallace received it he did not want him to feel that he had drafted this letter as a result of today's meeting.

Secretary Wallace said he did not realize that the corn loans would in any way enter into the budget picture. Secretary Morgenthau explained that Mr. Bell, Budget Director, is the one who brought the information to him last Tuesday night. Mr. Taylor explained that the extent to which it would affect the budget would be contingent upon the amount of the loans the banks would take. Secretary Morgenthau said he could not run the Treasury unless he knew somewhat in advance what the cash outlay requirements were going to be. Secretary Wallace pointed out that he thought Secretary Morgenthau realized that there would be a corn loan, but would be glad to work out some mechanism for keeping him better informed. Secretary Morgenthau pointed out that it was very embarrassing for him because he had just issued a statement that Treasury would need no more money until December, and he was not at all aware of this corn loan requirement. Mr. Taylor again pointed out that there would not be any drain on the Treasury unless the banks would not take the loan. Secretary Morgenthau said he had the answer to the Commodity Credit Corporation situation, namely, to put the Corporation on its own and let the Corporation borrow in the market the funds it requires and go to Congress for any deficiency incurred.

Secretary Wallace pointed out that the farm groups wanted high loans and felt that Congress would push for high loans. Secretary Wallace said he favored a cotton loan of about 50% of parity, somewhat less than 9¢.

Secretary Wallace said he did not think the corn problem could be handled through a tariff equalization tax or any other kind of tax because the tax placed on meat would be passed back to the farmer, and then in other quarters it would be said that the tax was passed on to the consumer, so there would be difficulty at both ends of the line. He pointed out that the high prices of meat now did not worry him, that in three months' time meat prices would be down very substantially and the farmers would be complaining rather than the consumers. This, he said, was true because of the present corn crop and the heavy feed of cattle which will result in increased marketings in about 30 days.

Secretary Morgenthau asked Secretary Wallace if he meant this \$190 million was to be in addition to the \$500 million he asked for Soil Conservation. Secretary Wallace indicated that that was in addition, but pointed out that out of the \$500 million authorized in 1938 probably only \$430 million would be spent. In the fiscal year 1939 the budget figure is \$440 million to which the \$190 million would also have to be added. Secretary Morgenthau said to Secretary Wallace that he thought Secretary Wallace told him that he could control agriculture for \$300 million. Secretary Wallace said it could not be done, and that if he had told him that he had made a mistake. Secretary Morgenthau said that even for the amounts which are being expended they have not succeeded in getting any crop control. Secretary Wallace pointed out that it was to the Secretary's interest to keep up agricultural income if he wanted to balance the budget. Mr. Tapp pointed out that a situation like the present cotton situation is outside any control program, because the large crop was largely the result of an exceptionally large yield per acre.

Secretary Morgenthau said he was going to handle the situation by asking the President how much money in total the Government receipts should be and how much money in total he wanted to spend, and that the President could divide it up into X million dollars for Agriculture, etc. Secretary Wallace pointed out to Secretary Morgenthau that they both had a common interest in agriculture because of the relationship of agriculture to the general economic situation and its relationship to the program of the New Deal and the Democratic party. Secretary Wallace said he did not know of any alternative. Of course, he said, there is an alternative in using a general sales tax, but he thought that was politically out of the question. Governor Myers said the agricultural expenditure should come out of the general revenues.

Secretary Morgenthau -4-

Secretary Wallace said there were two strong forces at play at the present time. There was one group that wanted to balance the budget and there was another strong group which because of low prices would drive Congress toward more spending.

Secretary Morgenthau asked Secretary Wallace why he could not deduct \$190 million from the \$440 million. Secretary Wallace went into a long explanation, pointing out changes which have taken place in corn production. Now through modern and efficient feeding practices, farmers are able to produce the same livestock products with less feed, and this requires a shift of land out of corn cultivation, and to accomplish the necessary shift in land use compulsion or bait is required. The \$440 million is the necessary bait. The less money used for bait the less effective the program will be. Secretary Morgenthau pointed out that cotton and wheat were in the Soil Conservation program. Secretary Wallace said that the bait was not enough so it did not work. Next year, he said, we must cut cotton acreage from 34 million acres to 28 million acres. Secretary Morgenthau pointed out that they might take out the Soil Conservation Practices section and asked how much money that would save. Mr. Tapp said about \$80 to \$90 million would be saved, but pointed out that it would completely cut off the whole Dairy regions. Secretary Morgenthau said that he did not have any answer to Secretary Wallace's particular problem, that he was just going to look at the two totals for the government as a whole, the revenue and the out-go.

Secretary Wallace said that the Jones and Fano Bureau bills put the Commodity Credit Corporation in the Department of Agriculture with \$100 million capital. Governor Myers said he thought that was where it belonged, as it was a part of their control program. Governor Myers also pointed out that the \$40 million interest subsidy of F.C.A. could be used for crop control and that he did not think it wise to pass out the interest subsidy, that he thought an over-all figure for expenditure on agriculture as a whole should be worked out. Get this total, he said, and then work out the best way to use it.

Secretary Morgenthau told Secretary Wallace that he was facing a very difficult period in agriculture. In 1933 Secretary Morgenthau stated "Everybody was with you". Now, he said, agricultural expenditures will stick out like a sore thumb, as Agriculture will be the only agency remaining on the so-called emergency basis. Hopkins and others are cutting down. Secretary Morgenthau indicated that Secretary Wallace should have plenty of time to work out his program.

Secretary Wallace said it just occurred to him where Secretary Morgenthau got the \$300 million figure as a required expenditure to accomplish control in agriculture. He said he thought it must be the Soil Conservation program minus the cost

Secretary Morgenthau -5-

of the Conservation Practices section, which Secretary Wallace thought he had estimated roughly at \$300 million.

Secretary Wallace said he wanted to talk some more about his corn loan. He said that we have a large corn crop and he thought the loan should be above the market for those cooperating. He said that the corn crop varies greatly, and through its relationship to livestock production and dairy farming probably is the most important single factor producing the ups and downs in agricultural prosperity. The usual carry-over of about 150 million bushels of corn, he said, was too small, and what was needed was about 500 million bushels carry-over. Secretary Wallace outlined a plan which would store under seal all the corn above a calculated market requirement. Loans would be made upon the stored corn. This loan program would be applied only in what he called the corn limit counties, which is the area generally known as a corn belt. He also said that the non-cooperative farmers could borrow on "sealed" corn which was above a certain production quota. This corn of non-cooperating farmers could be released either by a reduction in acreage next year by the farmer or when the quotas were called off.

The meeting ended following a discussion of a future meeting with the President where Secretary Wallace would discuss the agricultural program. In response to a question from Secretary Morgenthau, Secretary Wallace said he would like to have Secretary Morgenthau present. Secretary Morgenthau said he thought this would be preferable also, as he thought it would save the President's time as well as their own. Secretary Morgenthau indicated that the President at this meeting could decide just what he wanted to spend in total, and also what part of this should be spent for agriculture. Then Secretary Morgenthau said "We will both know where we stand". Secretary Wallace said that was true but expressed some skepticism as to how well any decided position could be maintained in view of the pressure which he thought was bound to come.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: October 15, 1937, noon

NO.: 1446

RUSH FROM COCHRAN

Yesterday the French control lost 30 million francs foreign exchange on balance. There was an increase in the pressure on the franc this forenoon, the best seller being London. The rate is being held by the control - being 147.45 at 11:45 a.m. - but in order to hold it much sterling has had to be given up.

WILSON.

\$900,000

EA:LWW

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: October 15, 1937, 5 p.m.

NO.: 1449

FROM COCHRAN.

This morning I had a call from Professor Rist who returned to Paris/a few days ago after a long stay in mountain home. It is Rist's idea that the cantonal elections will be quite helpful in removing fear of Extremist elements in the Government. The necessity for a safely balanced budget was stressed by Rist before France can effect genuine and lasting improvement in the currency. He believes that Bonnet has done rather well as Minister of Finance. However, it makes one wonder whether, in view of Bonnet's colossal ambition and his belief that he could more easily and more thoroughly carry out his ideas if he had more authority in his own hands, he may not yet be bold enough to pull some of his Cabinet associates toward a government more of the Center; such a government in Rist's opinion, has little chance of success in the near future because of the Chamber's definitely Popular Front character.

This evening I called on Minister of Finance Bonnet. Bonnet admitted that yesterday evening and today a reaction in the franc had taken place, but this does not discourage him. Things are now moving in the right direction, he

believes,

- 2 -

believes, and he does not think the general trend toward recovery will be stopped by intermittent difficulties.

Bonnet discussed the reassembling of the Chamber in November, but he made no predictions about it.

The declining American security market was of particular interest to Bonnet.

The French control did not have complete figures for today's heavy operations at six p.m. This afternoon the loss of foreign exchange was only half of what was lost this morning.

WILSON.

EA: LW^W

Paris

Dated October 15, 1937

Rec'd 5:03 p.m.

Secretary of State,
Washington.

1448, October 15, 4 p.m.

FROM COCHRAN.

During forenoon French control intervened successively through Dreyfus, Credit Lyonnais, Bank of France and Lazard, giving sterling to hold rates at 147.45. This afternoon the pressure lightened somewhat and for a while rates was pushed back, Lazard, to 147.28. At 3:30 p.m., it had returned to 38 with market demand for sterling continuing. When forward discount widened to six francs for three months against sterling, intervention was effected through Societe Generale and rates reduced to 4 7/8. Atmosphere is therefore not good but this afternoon's let-up in the pressure indicates that there is not yet a sustained downward drive against the present rates. Sunday's run-off election is awaited with interest. Rentes down. Day to day money plentifully offered.

French foreign trade for first nine months of 1937 totaled about 47 billion francs. Imports totaled about 30 billion francs for approximately 43 million tons and exports about 17 billion francs for approximately 23 million tons. Unfavorable trade balance is therefore 13,233,000,000 francs. Imports during September

amounted

-2-

JR #1448, October 15, 4 p.m., from Paris.

amounted to about 3,486,000,000 francs and exports to 2,074,000,000 francs. Unfavorable trade balance for the month is therefore approximately 1,411,000,000 francs.

WILSON

RGC:EDA

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: October 18, 1937, 6 p.m.

NO.: 1463

FROM COCHRAN.

I was informed at 6:00 p.m. that the French control today gained a fair amount of foreign exchange on balance.

Market was seller of sterling this afternoon at 147.25 to 146.80. Afternoon rate moved back 147 and control had to yield small amount of sterling. Between 5:00 o'clock and 6:00 o'clock the control was again buying sterling. Market was thin and dealings small, operators waiting further indication of market sentiment. Yesterday's election results were as satisfactory as expected.

An official of the Bank of France thinks the lack of greater recovery on the market today was due to worry over the Italian situation.

According to my Bourse contact the market is not yet as it should be.

The representative of the Bank of Italy says that the elections have removed fear of a big swing to the Left, but no one has been convincingly victorious.

It is the opinion of the Financial Counsellor of
the

- 2 -

the British Embassy expects a few weeks of comparative calm until the latter half of November, when Parliament will get under way. In view of the election results, he does not expect any important political changes; he said that time is needed for the present Government to work out a program of action.

WILSON.

EA:LWW

RECEIVED

OCT 12 1950

TREASURY DEPARTMENT
WASHINGTON, D. C. 20540
U. S. GOVERNMENT PRINTING OFFICE

The attached was handed to HM, Jr, at Hyde Park, on
October 18, 1937.

THE WHITE HOUSE
WASHINGTON

C O P Y

October 14, 1937.

MEMORANDUM FOR

THE SECRETARY OF AGRICULTURE

The enclosed is of great interest. During the next two or three weeks I think it is very important for you and the farm organizations to keep in touch with the Treasury in order that we may avoid a program which would unbalance the budget.

As I said in Cabinet, if we adopt a farm bill for "balanced abundance" it must balance itself financially. I do not know whether the processing tax method is the right one or the only one. That is why I think you and the Treasury should keep in close touch.

F. D. R.

October 19, 1937
9:25 a.m.

H.M.Jr: Hello

Operator: Dr. Burgess. Go ahead.

Burgess: Hello,

H.M.Jr: Good morning, Randolph. How are you?

B: Good morning, Henry.

H.M.Jr: Randolph, on this bond market, this morning.

B: Yes

H.M.Jr: We have in orders there for two and a quarter million.

B: Yes

H.M.Jr: What do you people propose to do in the bond market, today?

B: Well, I don't know what'll be necessary. We're always prepared, you know.

H.M.Jr: Well, how much? Dollar for dollar with us.

B: Well, I think so.

H.M.Jr: Well, I'd like to get a firm yes.

B: Yes. Why yes, we'll go dollar for dollar for that. I can do that without asking anybody, of course.

H.M.Jr: All right. Well, I'm good for five million today.

B: I see.

H.M.Jr: How about you.

B: All right.

H.M.Jr: Five million.

B: Yes

H.M.Jr: All right, and I'll leave it to you. What I want is to keep it just under the market and keep an orderly market.

B: Yes.

- 2 -

H.M.Jr: I mean I want an orderly market. That's what I like.

B: Yes. I think that's fine.

H.M.Jr: O.K.

B: Yes.

H.M.Jr: Because I feel that it's the only thing that has stood firm and I think it's tremendously important that we keep the Government bond market steady.

B: Yes.

H.M.Jr: I don't think you can over-emphasize that.

B: Oh I agree with you Henry. I think that's important.

H.M.Jr: And I'd like to keep it steady now. There's a couple of fellows have a little jitters, why let them take advantage of the situation.

B: Yes.

H.M.Jr: What?

B: That's right. The market is behaving astonishingly well, I think.

H.M.Jr: I know, but they might -

B: Well, it was a little soft last night.

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

B: Yes.

H.M.Jr: See.

B: Yes. Exactly.

H.M.Jr: And I think - you've got ten million dollars to use with the way history for the last two, three weeks - that ought to be plenty.

B: I think so.

H.M.Jr: If it's not, let me know.

- 3 -

B: All right.

H.M.Jr: Please. Anything else?

B: No, nothing except the general situation of course. You know just as much about that as I do.

H.M.Jr: Uh-huh. Well, after you've got the feel of the bond market, will you call me up?

B: All right.

H.M.Jr: Thanks.

B: Yes.

GROUP MEETING

October 19, 1937
9:30 a.m.

Present: Mr. Magill
Mr. Taylor
Mr. Oliphant
Mr. Gaston
Mr. Lochhead
Mr. Haas
Mr. McReynolds
Mr. Upham
Mr. Bell
Miss Roche

H.M.Jr: (To Magill) We're fixed all right for next week.

Magill: Yes.

H.M.Jr: Tell you more about it afterwards. But that's all right.

Magill: Good.

H.M.Jr: What?

Magill: We're driving hard.

H.M.Jr: Well, if you're not, that's all right. No one's going to rush you. That's the message. Take your time, and no one's going to push you. Choose your own time.

Magill: All right.

H.M.Jr: What?

Magill: Fine.

H.M.Jr: If it isn't then, it can be next week afterwards; if it isn't then, it can be the week afterwards.

Magill: Sounds incredible.

H.M.Jr: Have to talk to you for an hour. But that's the message. You got something?

Magill: Well, I have this. I had a call from Senator Harrison's secretary yesterday afternoon, Miss Blanton, saying that the Senator was down at Gulfport and wished to give out some kind of a

-2-

statement with respect to revenue revision, and he wanted a letter from me as to how things were progressing. As you can see, that presents a certain amount of difficulty of various sorts. Miss Blanton said jocularly that she had rather wanted to send him a message to the effect that he ought to give out his spring or fall statement that taxes would not be increased; but that the Senator wanted something more than that.

H.M.Jr: Can't give him anything. Perfectly ridiculous. Can't give him anything. I'll tell you why afterwards.

(Bell comes in)

We can't do it. I mean let him read the budget summation. There isn't anything more than that.

Magill: At my suggestion, Herb Gaston prepared a letter here which really says just what's been in the papers. Isn't that about right, Herbert?

Gaston: Just about that, yes.

Magill: Which I think we could send him.

H.M.Jr: All right with me. But I certainly wouldn't send him anything beyond this fiscal year.

Magill: Well, what this says is that we have been engaged in a big study of the undistributed profits taxes and excise taxes and the administrative provisions, and Mr. Vinson's committee is going to meet in a couple weeks and we're going to present all this stuff to him.

H.M.Jr: Well, I'll leave it to you.

Magill: All right.

(Miss Roche comes in)

Taylor: Here's a letter in here from Commodity Credit which was written after the receipt of your letter, which I believe Dan - you found that, did you, Dan - which refers to supposedly smaller commitments which were

-3-

made prior to the receipt of that letter. And Jesse called up from Texas yesterday and among other things wanted to talk about that.

H.M.Jr: What time did he call?

Taylor: He called first about 11 o'clock, I would say, and then he called again later in the day, around five o'clock.

H.M.Jr: Have you heard?

Taylor: No.

H.M.Jr: Both the President and Miss LeHand - both.

Taylor: He hadn't at that time.

H.M.Jr: Both. Did it before four o'clock.

Bell: To the President?

H.M.Jr: I spoke to the President in the morning, then asked Miss LeHand to remind him, and then asked to call him before four o'clock. Can't do any more than that.

Bell: I don't know whether he did or not.

Taylor: I don't know either.

H.M.Jr: But I want to tell both of you that I told him to get it before noon, then went downstairs and spoke to Miss LeHand; I said, "Please remind the President to do this before four o'clock." Just wanted to let you fellows know I kept faith with you.

Taylor: I knew you had.

H.M.Jr: O.K.

Bell: That letter that has come over - the commitments I don't think amount to much except possibility of one commitment of three million dollars to the date-growers; the others are \$250,000 and \$100,000.

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H.M.Jr: By whom?

Bell: Commodity Credit.

H.M.Jr: Well now, who's going to watch and see that they don't make any commitments beyond the Bell list?

Bell: Well, as I understood it, you had written a letter and asked them to consult you before any more commitments are made.

Taylor: That only applies to Commodity Credit.

H.M.Jr: What about those two lists that you gave out last night? What about commitments on those?

Bell: well, I shall watch PWA, but I can't watch RFC.

H.M.Jr: Well, I'm a director of RFC.

Bell: Wayne sits on those meetings, don't you?

H.M.Jr: Well, who gets those minutes?

Bell: You get them.

H.M.Jr: Mac, who signs those minutes?

McR: I don't think anybody does.

Taylor: I've been to one meeting, which was well over a year ago, and that was when they didn't have a quorum and it was necessary to have somebody in there for that.

H.M.Jr: Well, do two things, Mac. From now on I'd like to see the minutes again, see?

McR: RFC minutes, yes, sir.

H.M.Jr: I used to have to sign them. And ask them - in the thing it says the Secretary or the Under Secretary should attend - ask them if it would be agreeable to have Mr. Taylor attend, because Mr. Magill doesn't want to. Right?

Magill: Quite.

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H.M.Jr: Will you take care of that, Mac?

McR: Yes, sir.

H.M.Jr: I wouldn't bother - what you tell me about Commodity Credit doesn't bother me, but what I'm thinking of is cotton and corn loans.

Bell: I'll try and have something on that this morning, but it will be a little difficult, with the market fluctuating, to get a month-by-month estimate of expenditure.

H.M.Jr: Anything else?

Bell: Nothing.

H.M.Jr: Herman?

Oliphant: Well, I just wanted to point out that the commitment in fact for the corn loan will be

H.M.Jr: What?

Oliphant: ...that the commitment in fact for the corn loan will be made long in advance of its appearing in the formal minutes of the RFC.

H.M.Jr: No, because Mr. Wallace was over here and we served notice on him.

Taylor: Well, my impression is entirely according to Herman's, that that commitment in fact has been made some time ago.

H.M.Jr: Well, that's all right, but we certainly told Wallace in no uncertain language, didn't we? Those were good minutes you wrote, George.

Taylor: I don't think there is any doubt in the corn belt as to whether that corn loan is going to be made, and I think that's true of the RFC and I think it's true of Agriculture. I'm not so sure about any other places where it might be in doubt.

H.M.Jr: Well, as long as we are on Agriculture, and strictly in confidence in this room, I'll read you what the

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President wrote on October 14 to the Secretary of Agriculture: "The enclosed is of great interest. During the next two or three weeks I think it is very important for you and the farm organizations to keep in touch with the Treasury, in order that we may avoid a program that would unbalance the budget. As I said in Cabinet, if we adopt the farm bill for balanced abundance, it must balance itself financially. I do not know whether the processing tax method is the right one or the only one. That is why I think you and the Treasury should keep in close touch." What? Pretty good.

Bell: It's o.k.

H.M.Jr: All right. Gradually sewing up the ends.

Anything else?

Well, who's coming to me about Commodity Credit?

Taylor: Probably be three of us; that'll be Dan and Herman and myself.

H.M.Jr: Well

Bell: I'm getting some dope together now; be ready around half past twelve or one, I hope.

H.M.Jr: I think Wallace is coming at four, and if he is, you'll get a notice; I'd like you to sit in.

Bell: All right.

H.M.Jr: Lot of money.

Herman?

Oliphant: Here's 25 million.

H.M.Jr: What?

Oliphant: I say here's 25 million.

H.M.Jr: Where?

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Oliphant: The story in this paper that

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

Oliphant: That's a story in this paper that General Ashburn proposes to sell the Inland Waterways assets, etc., to private interests. We have 25 million capital in that. To whom should I turn that over?

H.M.Jr: Mr. Bell.

Bell: Yes, I'd be glad to have it. I don't think there's 25 million in assets.

Oliphant: We have capital of 25 million; that's on your list.

H.M.Jr: What else?

Oliphant: That's all.

H.M.Jr: Got any company?

Oliphant: I've been over the railroads and I'm going over the utilities now.

H.M.Jr: Let me know?

Oliphant: Yes, tomorrow.

H.M.Jr: That's all right.

Oliphant: One big railroad - one little railroad.

H.M.Jr: Any utility companies?

Oliphant: I haven't been over those yet.

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

Oliphant: No.

H.M.Jr: Herbert?

Gaston: The St. Louis Post-Dispatch has been running some editorials....

H.M.Jr: The who?

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Gaston: The St. Louis Post-Dispatch has been running some editorials about this Jefferson Memorial out on the Mississippi and saying that if completed it will involve a lot more expenditure than has been authorized, and suggesting very forcefully that the whole project ought to be abandoned. Maybe you'd like to take that up with somebody. Little bagatelle that may be 25 to 50 million dollars.

H.M.Jr: Mr. Bell, in his capacity as Director of the Budget, can look at anything from five cents up. Won't you, Dan?

Bell: Right, yes, sir. There is a commitment on the part of the Government of \$22,500,000 in that, and there is now a law suit on, I understand. WPA has cleared the site, but there are two factions in St. Louis fighting over it. As long as we can keep them fighting, the 22½ million will stay in the Treasury.

Taylor: What if they agree on 50, Dan?

Bell: It will be too late then; all of it will be spent.

Gaston: You're not planning any press conference, are you, today?

H.M.Jr: No. Anything else?

Gaston: No.

H.M.Jr: I saw Mr. Straus yesterday; he had lunch with me. I told him, Mac, that you were available to help him on this set-up. I told him that we'd be glad to check any of his personnel the way we do our own.

McR: I was delighted that Straus got the job.

H.M.Jr: So if he calls up and wants any help, will you help him?

McR: Certainly.

H.M.Jr: Please.

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- McR: Yes, sir.
- H.M.Jr: He said it isn't going to cost us any more money this year.
- Bell: There's none in the budget.
- H.M.Jr: You've got a million dollars, haven't you, for administrative expenses?
- Bell: A million dollars for administration.
- H.M.Jr: What about that thing that Kennedy said, that he could get the money from either the Treasury or the RFC?
- Bell: Well, apparently the President was a little mixed up on it.
- H.M.Jr: Hun?
- Bell: Little mixed up on it, because what Kennedy had in mind was a \$1,200,000 loan from the RFC to the Dollar Steamship Line to run the line to Canada - I mean to China - and that's a commercial loan, comes under the restrictions. Not a Federal loan at all - I mean it isn't a Federal allocation.
- H.M.Jr: Well, now is he going to get that?
- Bell: By having Jesse loan directly to the Dollar Steamship Line, just the same as he loans to any other organization.
- H.M.Jr: But now that Jesse isn't going to make any other loans
- Bell: Have to go to Congress.
- H.M.Jr: What?
- Bell: Have to go to Congress.
- H.M.Jr: Did you speak to Kennedy?
- Bell: Yes. He didn't seem to be worried about it. He says, "We'll find some way to meet the problem." He wanted

-10-

to know if he could divert - said that "we'll consider that our application was filed prior to the publication of this list." Well, I don't know when it was filed, but it isn't in the list.

H.M.Jr: You watch that list. It's your Bible from now on. I'll tell you something about it afterwards. Got to watch it like a hawk. That's the first time they tried to break it, and you saw who tried to break it, even before it was out. I don't mean Kennedy either.

George?

Haas: I have nothing this morning.

H.M.Jr: When are you and what's-his-name going to be ready on my talk?

Haas: We're ready any time. We haven't done a whole lot since.....

Lochhead: Seltzer.

H.M.Jr: No, no, that young fellow.

Magill: Wilmerding.

H.M.Jr: Wilmerding.

Haas: Oh, I don't - I told him to have something on Tuesday, but talking to - Larry was talking to him yesterday, and he said you told him he had two weeks to look at it. But Seltzer told him he'd better have something this morning.

H.M.Jr: Ten o'clock tomorrow morning.

Haas: All right.

H.M.Jr: That's on you, and do you want Seltzer in?

Haas: I think so, yes.

H.M.Jr: And Wilmerding, and Herbert. Ten o'clock.

Gaston: You asked us to have something by today. I did some rewriting on the thing.

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H.M.Jr: Well, take it all and - are you terribly busy tomorrow morning, Bell? What you got on?

Bell: I have one appointment, with the Secretary of State.

H.M.Jr: What time?

Bell: Eleven o'clock.

H.M.Jr: Could you sit in a bit with us at ten o'clock?

Bell: Delighted.

H.M.Jr: What?

Bell: Be glad to.

H.M.Jr: Anything else?

Haas: I have nothing else.

Gibbons: (Nods nothing)

H.M.Jr: All right.
Dan?

Bell: I have nothing.

H.M.Jr: Do you want Eddie Bartelt - you stay in with us tomorrow morning a little while yourself and you can tell me who I can go to when I want some help. I want you to get the feel of the thing yourself. It's November 10th, New York.

Bell: All right. I have some loose ends that

H.M.Jr: Yes.

Bell:I'm picking up.

H.M.Jr: And Eddie Bartelt has some.

Bell: I mean I promised you some things; don't know whether you forgot them, but just haven't had time. Got a

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letter on Agriculture today - got drafts - but just haven't had time to give it to you.

H.M.Jr: Well, I'd like an hour tomorrow if you could spare it.

Bell: All right.

H.M.Jr: Archie?

Lochhead: Nothing.

H.M.Jr: Miss Roche?

Roche: Nothing, sir. See you some time this week.

H.M.Jr: Cy?

Upham: (Nods nothing)

McR: Graves had a letter ready for Social Security Board telling of that - giving the

H.M.Jr: Pardon me?

McR: ...giving them the tabulation for the costs on the collection of the Social Security taxes, with the idea of putting some field men to work. Now, the conclusion in that - we're sending over the letter; it will be in to Roswell for signature within an hour; Graves prepared it - telling them that with the money we have, with the budget we have, if we collect on a quarterly basis, quarterly return, we can do the job; if we continue to collect on the monthly basis, which is the one they have laid down, it will take four million dollars a year more. Just facing facts, that's all. Of course, from a Treasury standpoint, from the standpoint of collection of taxes, the quarterly return seems adequate. From the standpoint of the fly-by-nighter getting away with something, the Social Security Board objects to the spreading of the time to the quarterly basis. But the facts are there; that is, the program is there and it's pretty concretely laid down, and I thought the only fair thing we could do was merely to tell the Board that if we have to collect on a monthly

-13-

basis, it will take more money to do it, because you've just got to send people around and it's going to take a lot of them to do it. If we can be relieved of the office work of - having only a third of the office work - we can do it with what we've got.

- Magill: What pressure is on them to agree that the four million ought not to be spent?
- McR: The pressure will be before Dan Bell.
- Bell: Take a lot of pressure, too, to spend more money.
- Magill: What I mean is, in the end, do we want the monthly returns and you take it out of the Internal Revenue appropriation as best you get it?
- McR: No, we haven't got the money in the Internal Revenue appropriation to devote to it.
- Oliphant: What loss of interest is involved in quarterly collections as opposed to monthly collection?
- McR: Well, you get a considerable sum of money. If that wouldn't be paid in every month, only be paid quarterly, you'd have 30- and 60-day lpses.
- Bell: After the first year, you get practically the same amount of money in every year.
- Oliphant: That's a lot of dough.
- McR: We'll do it on a quarterly basis and get more money than we are getting on the monthly basis without the field work, because there is a tremendous number of those that are not being paid.
- Bell: While you're on Social Security, I notice in the paper that there's going to be a conference here on November 5th of that council regarding a change in the Social Security Act with respect to the old age reserve. Is the Treasury represented on that in any way?
- H.M.Jr: Who's going to the meeting?

-14-

Magill: I don't think so.

Haas: Oh no, that's an appointed committee.

Bell: Appointed committee to pass on....

Haas: Vandenberg last year

H.M.Jr: Appointed by who?

Magill: Senator Harrison and Mr. Altmeyer in conjunction, there being no member of the Ways and Means Committee on it.

H.M.Jr: ~~What~~ What we had, at the request of the President, is a very secret committee which really boils down to Altmeyer and ourselves. He was in here while you were away, see, and left a report. Did you see it?

Bell: No, I didn't.

H.M.Jr: Well, you've got it, Haas. Will you show it to Bell?

Haas: Yes, sir.

H.M.Jr: And George was to get some people and work with Altmeyer on this thing. Did you ever get your people?

Haas: No, but we're working on it.

H.M.Jr: What?

Haas: We haven't got the people, but we will have some.

H.M.Jr: And Altmeyer was going away for a month on a speaking tour and when he got back we would sit down and talk it over. And when he got back, naturally you (Bell) would sit in on it.

Bell: I'm interested in that reserve.

H.M.Jr: The President asked us to do it and do it very quietly, and the purpose was to get ready and answer Vandenberg. Vandenberg was going to go out and try to get more money for these people. Try to be ready to answer him anyway.

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McR: I think you'd be very much interested in their trying to break down the reserve. What they're trying to do is spend it as fast as you get it.

Haas: Yes, he said that.

H.M.Jr: All right, everybody? You all right, Mac?

McR: Yes.

October 19, 1937.
10:16 a.m.

R.Burgess: Things have been fairly quiet so far.

H.M.Jr: Yes.

B: There was a little selling of the longer bonds, there weren't enough bids in there, so we had a fellow putting in bids. We bought about two hundred thousand.

H.M.Jr: Oh you sport.

B: But there doesn't seem to be much pressure on it.

H.M.Jr: Uh-huh

B: Mostly dealer operations, so far.

H.M.Jr: Uh-huh.

B: The notes are quiet.

H.M.Jr: Yes.

B: The quotations, I think when we get a full list of them will be a little bit off from the after market, of course it will be some off from the closing last night, - bonds may be five or six thirty seconds off from the official closing.

H.M.Jr: Yes.

B: And the notes two or three thirty seconds.

H.M.Jr: Yes.

B: But they are less than that off from the after market.

H.M.Jr: I see.

B: The stock market seems to be behaving reasonably well, it's off one or two points, the big blocks traded in.

H.M.Jr: The big what?

B: The big blocks have been moving. Steel is down to 58-79 but it's rather better than I think people had expected.

H.M.Jr: I see.

- 2 -

B: There was no question about whether they could operate a market this morning.

H.M.Jr: Oh really.

B: Oh I had several pointers. There were some did more selling orders than buying, that they weren't sure they could make a margin on some of their stocks.

H.M.Jr: I see. Well, if anything happens that's interesting, give me a ring today, will you?

B: O.K. One of the things interesting, they didn't find restrictions off the Central New York Power.

H.M.Jr: Yes.

B: This morning, and they dropped to ninety three and three quarters.

H.M.Jr: Uh-huh.

B: They were sold at ninety nine.

H.M.Jr: I see.

B: That's a little surprising, and the Bethlehems are quoted this morning at ninety one - eighty one and a half.

H.M.Jr: Eighty one and a half.

B: Yes.

H.M.Jr: How much is that off?

B: Well they were originally offered at par and they were offered ninety five and a half, and then they distributed the bonds to the Syndicate, and they'd been offering them at whatever they could get for them.

H.M.Jr: I see.

B: So that's - the Syndicate paid 98.

H.M.Jr: And what are they selling at today.

B: Eighty one and a half. Some of those boys are taking an awful licking.

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H.M.Jr: Is that up from yesterday or not?

B: No, that's down. It was eighty three yesterday - eighty three and a half.

H.M.Jr: I see. Uh-huh. Anything else.

B: No, nothing special.

H.M.Jr: All right.

B: Very good. I'll call you again if there's any change.

H.M.Jr: Thank you.

October 19, 1937.
10:56 a.m.

Burgess: Good morning, Henry.

H.M.Jr: Yes.

B: Well, this isn't very sweet, you've been observing I suppose.

H.M.Jr: Very sweet.

B: Is not very sweet, no.

H.M.Jr: Well, I haven't seen anything since you talked to me.

B: Yes. Well the stocks are very weak.

H.M.Jr: They are.

B: Steel's off 4-7/8s, motors is off 4, Chrysler is off 7, nickel's off 2, A T & T is off 9 points.

H.M.Jr: Fine, then that's the lot.

B: So that - that's pretty nervous in their big box going there with very little buying apparently, and that got everybody money upset of course.

H.M.Jr: Yes.

B: Now the Government's are off, I would say, a quarter to a half a point, the long bond.

H.M.Jr: Uh-huh.

B: We've been buying here and there, we've got three fellows working for us.

H.M.Jr: How much are they off?

B: As much as half a point, the long Government.

H.M.Jr: I see

B: That's from last night's official close, that's a quarter of a point from the after market.

H.M.Jr: Yes.

- 2 -

B: Something like that. But we are working at it, of course it's not terribly heavy selling, it's a good deal dealers.

H.M.Jr: I see

B: Trying to liquidate their possessions.

H.M.Jr: Uh-huh.

B: We're nipping along here and there, trying to keep an orderly market.

H.M.Jr: I see. Well, I think that's about all we can do.

B: I think that's all we can do. The whole thing is centered elsewhere, it isn't centered in our market and there's no general selling of Governments.

H.M.Jr: Well, we just don't want any of the backwash.

B: I think that's right, yes.

H.M.Jr: Well -

B: We're going ahead with it, doing the best we can.

H.M.Jr: I'll keep in touch with you.

B: All right, Henry.

H.M.Jr: Thank you.

October 19, 1937.
2:38 p.m.

H.M.Jr: Hello
Chester
Davis: Hello

H.M.Jr: Chester Davis

D: Yes

H.M.Jr: Henry Morgenthau

D: Yes, hello Henry, how are you?

H.M.Jr: Fine. Did you call me?

D: Oh, well I tell you, my secretary is out and I didn't intend to disturb you but here's what it was. I just wanted to leave this message with your secretary.

H.M.Jr: Yes

D: Mr. H. J. Whigham whom I have known pretty well for a couple of years had phoned here and asked me to pass the word on to you that he's not a bad sort of a fellow. He has come down here and I think he is going to be doing some editorial feature work for Cissy Patterson's paper and for other things.

H.M.Jr: Oh.

D: He wrote the book that was circulated in the latter part of the campaign last year comparing England's attempts to beat the depression with ours. He's been a pro-new dealer and he's really quite a heavy fellow.

H.M.Jr: Uh-huh.

D: Whigham has a brother who's on the Board of the Bank of England.

H.M.Jr: Uh-huh.

D: He's a man of wide experience, a wealthy man I guess in his own right.

H.M.Jr: Uh-huh.

D: Who follows his journalistic work more to keep his hands in, Henry, than he does to do anything else.

- 2 -

H.M.Jr: I see.

D: And I just wanted to give him a favorable introduction, but I certainly didn't want to bother you personally and I'm sorry you took the trouble to call back.

H.M.Jr: That's O.K.

D: I hope you'll find Whigham all right.

H.M.Jr: Thank you.

D: All right, thank you.

H.M.Jr: All right. Goodbye.

October 19, 1937

Steve Early called me at 10:30 this morning and said that the White House had received 40 telegrams from all over the country urging the President to close the stock market and I told him that I thought it would be a major mistake to close the stock market. He is sending these telegrams over for me to see.

October 19, 1937

The President called me at 1:15. He talked to me about the stock market. He said that the most significant thing was "you did not telephone me" and he said, "The only reason I am telephoning you is to find out how the market is." He said, "The White House has the jitters", to which I replied, "What do you mean by the 'White House'?" He said, "Early and Jimmie" and he also added, "I was quite rude to them."

I told him that I had checked up on business -- on the retail business and on business connected with the housing industry -- and it is as good or better than it has ever been. I told him that business connected with the railroads was bad; that U. S. Steel was bad; that the independent steel companies were not as bad as U. S. Steel; that foreigners bought yesterday; that there was no indication of money leaving this country.

I said that Walter Lippmann compares our situation to the French and points out that the French Government had to slow up their reform. The President said that there is no comparison between the French and ourselves.

I said to the President, If you ask me, I would not know what to recommend other than the things we talked about yesterday, which he should do in an orderly manner. (HM, Jr will dictate his conversation with the President.)

I also told the President that I said to Elinor, this morning, that it seems strange that the people who are closest to the President do not seem to know which way he is going, and I also said to the President, If you don't mind my saying so, I think that you and I should not be disturbed as we must keep our feet on the ground.

Ribbon copy of the attached memo of
10/19/37 sent to President and to Secretary
of State.

Letters of transmittal dated 10/19/37,
signed by the Secretary.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE October 19, 1937

TO Secretary Morgenthau

FROM Mr. Haas *HA*

Subject: Current U. S. trade with Japan.

1. United States exports to Japan

	<u>October 1937</u>	<u>October 1936</u>	<u>August 1937</u>
1st Week	\$1,727,000	For whole	For whole
2nd Week	5,746,000	month	month
Both weeks	\$7,473,000	\$26,663,000	\$24,644,000

2. United States imports from Japan

	<u>October 1937</u>	<u>October 1936</u>	<u>August 1937</u>
1st Week	\$3,328,000	For whole	For whole
2nd Week	3,984,000	month	month
Both weeks	\$7,312,000	\$15,930,000	\$16,297,000

(We cannot obtain September trade figures with Japan from the Department of Commerce until the end of this month.)

3. Cotton exports to Japan

1st Week	nil
2nd Week	\$192,000

4. Scrap steel exports to Japan

1st Week	\$ 65,000
2nd Week	354,000

5. Raw silk imports from Japan

1st Week	\$2,040,000
2nd Week	2,087,000

(Average monthly import from Japan in 1936 was \$8 million.)

6. Exports of iron and steel semi-manufactured goods (exclusive of scrap).

Last year the monthly average exports to Japan was less than one-quarter million dollars. In the first two weeks of this month \$3½ million left for Japan.

Secretary Morgenthau - 2

7. The following items show great decrease in exports to Japan compared with October of last year.

	<u>1st Two weeks October 1937</u>	<u>Month of October 1936</u>
Cotton, unmanufactured	\$192,262	\$16,876,000
Finished iron and steel manufactures	1,000	1,440,000
Vehicles, parts and accessories	149,000	\$92,000
Wood, unmanufactured	78,000	420,000
Tobacco	5,000	384,000

The fact that the exportation of semi-manufactured iron and steel goods increased sharply over last year while the exports of finished manufactured iron and steel (consisting of hundreds of finished items made of iron and steel, wire, boilers, hardware, etc.) dropped sharply suggests what we would expect, namely, that Japan is concentrating on the production of war materials and has reached capacity in the production of iron and steel, ingots plates, etc.

8. Imports from Japan are approximately the same as last year in makeup and value.

The one item that shows a sharp increase is perilla oil (used as a substitute for linseed oil in paints and varnishes). Last October imports were nil. The first two weeks of this month imports totalled \$272,000.

9. Exports to Manchuria and North China.

This area is, of course, under the control of Japan and, therefore, the fact that half of the \$731,000 of U. S. exports to that area consisted of steel sheets and plates and practically all the remainder of copper and trucks suggests that our exports to those areas constitutes virtually exports for the use of Japanese military forces.

Ribbon copy of this memo sent to the President 10/19/37
 " " " " " " " Secretary Hull 10/19/37

October 19, 1937.
2:46 p.m.

H.M.Jr: Hello

Cochran: Hello, Mr. Secretary.

H.M.Jr: Hello, Cochran

C: Yes, sir.

H.M.Jr: I got your cable today and I could read between the lines what you were getting at, you see.

C: Yes

H.M.Jr: That you had seen the two men I had asked you to see.

C: Yes.

H.M.Jr: Now, is this one man, would he consider coming over here?

C: I have gotten in touch with him and he'll call me, next Thursday.

H.M.Jr: What's that.

C: I say, he'll call me on Thursday.

H.M.Jr: Yes.

C: And Friday morning I had the Professor come at seven.

H.M.Jr: Yes

C: He was very much interested.

H.M.Jr: Yes

C: He preferred that the invitation come first -

H.M.Jr: Yes

C: On your

H.M.Jr: Come how

C: From the Minister

H.M.Jr: Did the invitation come what

C: Preferably by the Minister.

- 2 -

H.M.Jr: Oh, I see

C: And so I went to see the Minister that afternoon.

H.M.Jr: Yes

C: Without mentioning that I had first seen the Professor.

H.M.Jr: Yes

C: And the Minister
that he should have

H.M.Jr: He thought what

C: The fact that I visit with you. on having the

H.M.Jr: Yes

C: Was an excellent one.

H.M.Jr: Bonnett liked it.

C: Yes he said that he was very glad that you had put it
up to him.

H.M.Jr: Yes

C: And then discussed whether it would be better to have
some one directly in the Ministry or some one such as
the Professor -

H.M.Jr: Yes

C: Go over

H.M.Jr: Yes

C: And his feeling then Dr. is. Considering
several things.

H.M.Jr: Yes

C: That it might be better to have the Professor.

H.M.Jr: Yes

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C: So he said that the Professor would be his first choice.
H.M.Jr: Would be his first choice.
C: Second choice, a man named Bouduin
H.M.Jr: Bouduin
C: He was one of the members of that committee. You know.
H.M.Jr: Oh, yes.
C: And he is now a banker here, but it's one of the State banks, the bank of Indo-China.
H.M.Jr: Uh-huh.
C: And he's very close to the Minister. And the Minister told me that he would take it up with the Professor.
H.M.Jr: Yes.
C: That he'd have to think over, over the week end.
H.M.Jr: Yes
C: I told him Friday. And they see me at four o'clock, I was talking to the Professor....
H.M.Jr: Yes
C: And he said that he had not yet heard from the Minister.
H.M.Jr: Well, let's leave it -
C: in there. Had a Cabinet meeting and so on.
H.M.Jr: Well, when you do hear, you phone me.
C: Yes, when I hear anything.
H.M.Jr: Yes, you telephone me.
C: All right.
H.M.Jr: See.

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C: But I haven't suggested yet...

H.M.Jr: I wouldn't, I'd wait a couple of days and see what happens.

C: All right.

H.M.Jr: Now, today is Tuesday.

C: If they choose a Government man they would choose Roueff

H.M.Jr: Roueff

C: Yes

H.M.Jr: No, I don't want anybody but the Professor.

C: That was my feeling, that it would be so much better if you could get him.

H.M.Jr: That's right.

C: So I pulled for him strongly, I told him that you knew him and had absolute confidence in him, and so on, and so on.

H.M.Jr: Now, I fixed it up with the Institute for Advanced Learning at Princeton.

C: Yes

H.M.Jr: Professor Riefler

C: Yes

H.M.Jr: And I may be able to get them to invite him.

C: Be able to get what -

H.M.Jr: They will invite him to give several lectures at Princeton.

C: Yes

H.M.Jr: You might tell him that, you see.

C: Yes, I pointed out here, annual visit and make some lectures.

H.M.Jr: Yes

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- C: When he would incidentally be called down in Washington, just as the other man did when he was on leave in our neighboring country.
- H.M.Jr: Yes, but Riefler said they'd be delighted to have him give some lectures at Princeton.
- C: Yes. I took Riefler over to see him, you know, and they got on very well.
- H.M.Jr: Now you know the Professor's son is here in New York now.
- C: No - yes I know.
- H.M.Jr: Yes.
- C: When the Professor spoke to me this morning, he said that he would have to be in from the 4th until the 6th of November.
- H.M.Jr: What's that.
- C: had appointments
- H.M.Jr: I see, well he could come right after that.
- C: And I told him it would be better to go in November and have everything over long before Christmas.
- H.M.Jr: Yes. Now let me ask you this. - Hello
- C: And so it's best he should be ready to go shortly after those dates, I'm sure.
- H.M.Jr: That's right.
- C: the 12th.
- H.M.Jr: Let me ask you this. Monday and Tuesday how much did the French fund gain.
- C: On yesterday they gained one hundred sixty five million francs.
- H.M.Jr: One hundred and sixty five million francs on Monday.

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C: One hundred eighty-five francs.

H.M.Jr: How much?

C: One eighty five.

H.M.Jr: One eighty five, yes.

C: on Monday, on Tuesday three million eight hundred thousand pounds.

H.M.Jr: Three million eight hundred thousand pounds.

C: Yes, I haven't converted that, that's the way they gave it to me.

H.M.Jr: I see.

C: That was in both sterling and dollars.

H.M.Jr: Uh-huh.

C: Two American banks operated for them today.

H.M.Jr: Yes.

C: Run about one million dollars.

H.M.Jr: Uh-huh.

C: And so they were very well pleased tonight when I talked with them.

H.M.Jr: Good.

C: This is one of the best days, Friday was very bad.

H.M.Jr: Uh-huh.

C: Today just about offsets Friday.

H.M.Jr: Well you couldn't send me a cable giving me what the net gain is since Monday a week ago.

C: All right.

H.M.Jr: Give me a cable, giving me how much the net gain is, so we can just check it, you see.

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C: Up to tonight, the market was checked about nine billion francs.

H.M.Jr: Well, that's good enough. That gives me nine million francs.

C: called me a while ago.

H.M.Jr: Nine billion.

C: Yes

H.M.Jr: That's tonight. Well that's all right - Now let me ask Archie, he's sitting here-

C: All right

H.M.Jr: Well, just to make sure give me what the net gain is anyway in the last ten days.

C: All right, sir.

H.M.Jr: Give me that figure besides, give it to me in dollars, will you.

C: Silver

H.M.Jr: Dollars

C: from Swiss banker you know, of silver, and Swiss francs.

H.M.Jr: Yes -Hello

C: Hello

H.M.Jr: What did you say -

C: They say they are getting a loan of two hundred million Swiss francs from the Swiss you know.

H.M.Jr: Did they-did that go through.

C: That's gone through, yes.

H.M.Jr: Well, I'd be -

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C: It's not here yet.

H.M.Jr: Well, I'd be interested to know what the terms of the loan were.

C: The terms of the loan I put in my telegram.

H.M.Jr: Well, did you.

C: What.

H.M.Jr: All right

C:

H.M.Jr: Uh-huh.

C: So that will give them another billion four hundred million approximately.

H.M.Jr: I didn't - what are they getting.

C: The two hundred million Swiss francs.

H.M.Jr: Yes

C: Which would be approximately one billion four hundred million French francs.

H.M.Jr: I see

C: That will come through the stabilization fund.

H.M.Jr: Uh-huh.

C: So they'll be indebted to three.

H.M.Jr: I see

C: Hold them for a while.

H.M.Jr: Good. All right.

C: There's just one question. I have not mentioned this visit to any one in my organization yet.

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H.M.Jr: No, but when I get ready it will come - the invitation will go through the State Department formally.

C: I see. So keep it quiet for the present.

H.M.Jr: That's right.

C: All right.

H.M.Jr: That's right. O.K.

C: My chief comes back tomorrow night.

H.M.Jr: All right. I get you.

C: All right, sir.

H.M.Jr: Thank you. Goodbye.

LMS

GRAY

Paris

Dated October 19, 1937

Rec'd 4:37 p. m.

Secretary of State,
Washington.

1471, October 19, 5 p. m.

FROM COCHRAN.

French control was apparently successful all day in acquiring sterling at from 146.50 to 44. Forward franc also more bid and discount lower. One Paris American bank today purchased \$1,400,000 for the control and another approximately \$1,000,000. Rentes lower. Internationals quite weak and sentiment especially bad after New York opened today with heavy decline.

I have talked with several Paris American bankers who stress the worry caused in European circles by the New York stock market collapse. While there is not yet much French capital being repatriated directly from New York to France, the American situation is certainly one of the factors aiding in franc recovery. The usual rumors in regard to possible changes in American monetary policy are recurring. Swiss continuing to (*) American securities and disposing of dollars against sterling or gold in London.

Considering

LMS 2-No. 1471, October 19, 5 p. m., from Paris.

Considering labor, investment and budgetary situation in United States, one financial writer on this side remarks that America is no less in need of "pause" in social legislation and governmental restrictions than France.

(END OF SECTION ONE.)

WILSON

SMS

(*) Apparent omission.

PARAPHRASE OF SECTION TWO OF TELEGRAM NO. 1471 OF
October 19, 1937, from Paris

I was informed by my market contact that today a French control official asked him whether the fund would do better to purchase gold from the Federal Reserve rather than from the equalization fund of Great Britain.

I am told by the representative of the Bank of Italy in Paris that Maria Theresa silver thalers are being busily coined by mints in France, England, and Belgium. The Italian Government fixed the rate of exchange for the thaler at one for twelve lire when the lira was made the official currency of Ethiopia. The silver content of the thaler is worth only five lire. According to my friend, this difference in value is the reason for the activity of the firm of Samuel Montagu in the coinage operations mentioned above. The thalers are shipped to Egypt, Kenya, etc., and smuggled into Ethiopia where they are sold at a profit; the lire notes obtained therefor are brought to Paris and are being sold here at a rate which makes it difficult to peg. It seems that legal action to stop coinage is impossible because the thaler is now only "token" money.

END MESSAGE.

WILSON.

EA:LWW

FEDERAL RESERVE BANK
OF NEW YORK*Mr. Lockhead* 246

OFFICE CORRESPONDENCE

DATE October 19, 1927.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITHFROM: L. W. KnakeBANK OF ENGLAND.

Mr. Bolton called me at 11:25 today. He was very much interested in our stock market whose weakness ^{he said} was quite incomprehensible to everybody in Europe where the yields of American shares were now considered fantastic. I replied that what he had just told me seemed to be borne out by the fact that our preliminary figures for yesterday's trading showed rather a substantial excess of purchases over sales of our securities by foreigners. Bolton wondered how business could long stand up to this crash of prices in New York, which was already being felt in commodity markets in Europe where selling orders had been arriving from America. He could not understand, he said, why no pools in support of prices were being formed. I replied that as far as I was aware pools were not permitted under recent security regulations. To him, he said, it all looked like a pretty bad mess. Bolton asked whether the break in the stock market was expected to lead to trouble in New York or to bankruptcies. I replied that I knew of no such rumors although there had been some very vague talk about some international firm. The only name I had heard in that connection had been that of Sassoon in London. Bolton replied there was nothing new in that; that as a matter of fact Sassoon had been talked about ever since the trouble began in Shanghai. No difficulties were expected in London next settlement day, October 21, although one or two very small individual stock exchange houses might possibly get into trouble. It was the investor who was losing money in England at the moment, and not the speculator, he continued.

In Paris, things were a little better; the franc seemed to have a little more stability and was standing up on its own feet to a certain

FEDERAL RESERVE BANK
OF NEW YORK

247

OFFICE CORRESPONDENCE

DATE October 19, 1927.

TO: CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH

FROM: L. W. Knake

BANK OF ENGLAND.

- 2 -

extent. With falling world prices, of course, and the franc very much depreciated, the Frenchman might in the future find himself in a pretty strong position. The recent Cantonal elections had strengthened the stable elements of the Popular Front. True, the communists had gained but that gain had been insignificant compared to what the country seemed to have expected or feared. If business should deteriorate in America, in which case England would probably follow, the franc might well have a greater chance of pulling through eventually.

Cariguel must have had a fairly good day today, gaining probably a couple of million pounds.

Bolton then referred to our gold sales in London with which, he thought, they had been getting on quite well, adding that it looked to him as though he might be able to get rid of a lot more. I replied that we might want to sell everything except possibly \$10,000,000 or so and asked what he thought would happen to the gold price in London once we were out of the market as sellers. That was a question, he replied, which was rather disturbing to them. If holders of dollars continued to turn them into gold and found gold less freely available, they would probably throw their dollars on the market, with the inevitable result that the premium on gold in London would rise. I agreed with him that, in that case, the gold price might quite conceivably go up to our export point of about \$34.20. It seemed to me altogether likely, however, that liquidation of dollar holdings by foreigners was apt to be hesitant until political conditions in Europe had improved. That, Bolton thought, was

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 19, 1937.

TO CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH

FROM L. W. Knack

BANK OF ENGLAND.

- 3 -

quite unlikely for the time being, the real problem in Europe being the relations between Italy and England which were not getting any better. But if that problem were eliminated, the dollar might well turn weaker.

LWK:KMC

RECEIVED
OCT 20 1937
FEDERAL RESERVE BANK
OF NEW YORK

October 19, 1937

To: The Secretary

From: Mr. Magill

Conference with Messrs. Corcoran and Cohen

Mr. Corcoran asked for a conference in order to present three tax recommendations. First, they would like to have a provision inserted in the income tax law making stock dividends taxable as income. They believe that in this way a good many objections to the undistributed profits tax could be eliminated since corporations could obtain a credit for a taxable distribution by declaring a stock dividend and retaining their earnings. A like provision was held unconstitutional by the Supreme Court in Eisner v. Macomber, but they think the Supreme Court is in a frame of mind at present to reverse itself on this point. I pointed out a number of difficulties and did not commit myself on the proposition. I think the better opinion is that it is unsound for corporations to use stock dividends as a regular form of distribution, as the North American Company and the Electric Bond and Share did prior to the depression. Messrs. Corcoran and Cohen tacitly conceded this point and that the proposed provision would therefore encourage undesirable corporate practice.

Second, they would like to have tax-exempt income taken into account in determining the rate of tax applicable to taxable income. I told them we had this proposition under consideration. Finally, they would like to see a straight-forward provision to the effect that all interest on future issues of state and Federal obligations is subject to the income tax.

RM

of this memo filed under Corcoran - offic. file.