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Wednesday  
March 16, 1938  
9:12 a.m.

Jacob  
Viner: Hello.

HMJr: Hello, Jake.

V: Hello, how are you?

HMJr: I'm pretty well. Jake...

V: Yes.

HMJr: As I understood it, you gave me a choice of coming this week or next.

V: Well yes, except that if it were at all possible that I would like to make it next.

HMJr: That's what I thought.

V: Yes.

HMJr: And that's why I'm calling you up to say make it next.

V: Make it next?

HMJr: I mean, this French thing I don't think will break in the next couple of days.

V: Yes.

HMJr: And it might be - as I understood it you said you could come comfortably next Monday, isn't that right?

V: I can come Monday and Tuesday.

HMJr: Well, I'd do that.

V: Yes.

HMJr: Now, what we did was this. We put a question up to our friend over there, see?

V: Yes.

HMJr: This way - "Would you care to have us put the following thing to you?" Do you see?



-2-

V: Yes.

HMJr: And then we put it to him.

V: Yes.

HMJr: That's - on the subject that we were talking about.

V: Yes, I understand.

HMJr: And he was most appreciative and said he'd keep it in his vest pocket and would not mention it to any of his associates...

V: Yes.

HMJr: It was most useful to have it, but he wasn't quite sure that he wanted to use it at the present time.

V: Yes.

HMJr: But that it<sup>up</sup> was very useful and then the next day he called Fournier in the Bank of France and said, "Well, I've got direct assurances from the Secretary of the Treasury that he is going to stand behind us and it's most reassuring and most helpful. So Fournier said, "What is it?" and Mr. Blum said, "I'm sorry, I can't tell you, but I have a direct communication from Mr. Morgenthau."

V: Uh huh.

HMJr: So, what it did was it was - it put some backbone in him...

V: Yes.

HMJr: And now he can decide if and when he is going to do it.

V: Uh huh.

HMJr: You see?

V: Yes.

HMJr: And I think it was a rather nice way to do it, don't you?

V: Yes, I think so.

HMJr: I mean, he can decide now - in other words he's got to ask us to do this - which it leaves it so that we're not trying to force anything on him...

V: Yes.

HMJr: and he can decide if and when he wants to. But he knows that if he has to resort to that the United States Government will stand behind him.

V: Yes.

HMJr: What?

V: Yes. What I hope is that he won't use it simply to avoid the necessity of coming to an agreement with the center people.

HMJr: Well, that I don't know, but it certainly has given him moral, and God knows he needs it now.

V: He certainly does. Well, they need it, I don't care about him.

HMJr: Well, I mean they need it.

V: Yes.

HMJr: But it worked out very nicely, the President was delighted at the whole idea...

V: Yes.

HMJr: And therefore, until he makes up his mind we sit tight, so there's really no use of discommoding yourself at this time.

V: Tell me, this wasn't told to the other party?

HMJr: It was not.

V: Yes.

HMJr: No, because this was put up purely as a question.

V: Yes.

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HMJr: See?

V: Yes.

HMJr: No, it was not. And, in fact nobody knows it.

V: Yes.

HMJr: No. There's no reason to put it up to them until the time should come.

V: Yes.

HMJr: But - so, I thought I'd tell you that.

V: All right.

HMJr: And - on the price thing..

V: Yes.

HMJr: We're concentrating on cement.

V: That's right, yes.

HMJr: They're not ready yet on the steel - or even structural steel or reenforcing bars - they were going to do that. So the whole thing is being concentrated on cement. So, we'll see - we're having a meeting on that this afternoon.

V: Yes.

HMJr: That seems to be the easiest thing to work with. Any ques...

V: That's under Federal Trade Commission investigation now, of course.

HMJr: Well, they're all sitting in - the Tariff are and everybody's...

V: Yes.

HMJr: ...in agreement. I mean, there's no disagreement.

V: Yes.

HMJr: And it's particularly good because -- the Government itself buys fourteen million barrels.



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V: Yes.

HMJr: And the Federal Aid to State Highways - although we haven't now got the control - they buy another fourteen million.

V: Yes.

HMJr: And - there, the White House is calling. Excuse me. I'll see you Monday.

V: All right, I'll see you Monday.

HMJr: Goodbye.

V: Goodbye.

THE EUROPEAN CRISIS PRECIPITATED BY GERMANY'S ABSORPTION OF  
AUSTRIA MAY HAVE A DIRECT EFFECT UPON THIS COUNTRY'S MONETARY AND CREDIT  
POLICIES. 6

SECRETARY MORGENTHAU ALREADY HARASSED BY INTERNAL FINANCIAL  
PROBLEMS, IS NOW CONFRONED WITH THREE PRESSING PROBLEMS RESULTING  
FROM EUROPEAN DEVELOPMENTS OF THE LAST FIVE DAYS. THESE ARE:

1. THREATENED EXCHANGE CONTROL IN FRANCE--AN ADHERENT TO THE  
TRI-PARTITE MONETARY UNDERSTANDING WITH GREAT BRITAIN AND THE U.S.
2. THE WHOLESALE FLIGHT OF EUROPEAN CAPITAL TO THE U.S.
3. THE POSSIBLE EFFECT OF AUSTRIA'S ANNEXATION UPON THAT COUNTRY'S  
INDEBTEDNESS TO THE U.S.

THE FRENCH SITUATION HAS BEEN THE SUBJECT OF SEVERAL CONFERENCES  
DURING THE LAST 48-HOURS BETWEEN MORGENTHAU AND REPRESENTATIVES OF  
THE PARIS GOVERNMENT. IT IS UNDERSTOOD THAT TREASURY OFFICIALS HOPE  
THAT THE BLUM GOVERNMENT WILL AVOID STEPS THAT MAY UPSET THE TRI-  
PARTITE MONETARY ACCORD.

3/16--R942A

7  
LONDON.--PRIME MINISTER NEVILLE CHAMBERLAIN IS CONSULTING THE BRITISH DOMINIONS PREPARATORY TO MAKING A STATEMENT NEXT WEEK OF GREAT BRITAIN'S FOREIGN POLICY, IT IS REPORTED.

IT IS SAID THAT THE STATEMENT WILL MAKE CLEAR TO THE COUNTRY AND THE WORLD, BRITAIN'S POLICY TOWARD OTHER NATIONS AND SOME PARLIAMENTARY QUARTERS EXPRESS BELIEF THAT IT WILL SPECIFY:

1. THAT BRITAIN CAN NOT IDLY WATCH WHILE OTHER NATIONS ENGAGE IN REPEATED ACTS OF UNPROVOKED AGGRESSION.
2. UNDER WHAT CIRCUMSTANCES BRITAIN WOULD FEEL IT NECESSARY TO INTERVENE IN EUROPEAN AFFAIRS.
3. UNDER WHAT CIRCUMSTANCES BRITAIN MIGHT AID A NATION WHICH WAS THE VICTIM OF AN ATTACK.

THERE IS ACTIVE DISCUSSION IN PARLIAMENTARY QUARTERS OF THE ADVISABILITY OF CREATING A UNITED FRONT ON FOREIGN POLICY.

THE INTERNATIONAL SITUATION WAS THE MAIN TOPIC AT THE REGULAR WEEKLY CABINET MEETING TODAY (6:00 A.M. EST).

3/16--R907A



FEDERAL RESERVE BANK  
OF NEW YORK

DATE March 16, 1938.

OFFICE CORRESPONDENCE

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION

L. W. Knake

WITH BANK OF ENGLAND

I called Mr. Bolton at 10:15 today. There was no real improvement in the situation, he said. The only change in evidence was that interest in Austria had faded and the situation in Spain had taken the place of that in Austria. This no-intervention business in Spain was becoming a farce and the opinion was growing that Mussolini and Hitler were trying with all their might to liquidate the Spanish Republican Government. There had been rumors all day that the French Army Council was in session and was contemplating some measure of assistance to the Spanish Republican Government. But, in spite of that, things on the whole were a little calmer in Paris and people "in the know" were convinced that Blum would resign very shortly and that France would have a national government in power before the end of the week. If and when that happened, and provided a new government would be strong enough to assert itself, the atmosphere in Europe in general would probably change for the better. Meanwhile, he thought we must expect disorderly and fluctuating markets. The London stock exchange today had been weak, with prices dropping in every department due in part to continental selling. The British  $3\frac{1}{2}\%$  War Loan was down to 99  $\frac{5}{8}$  today. (About a week ago it had stood close to 104.) The anxiety had spread to Amsterdam this morning and the guilder had been heavily offered down to below 5220 in our terms. It was his impression that the Dutch were getting ready to come in and support the rate but had not as yet made up their minds as to the rate at which they should act. It was his guess that

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 18, 1938.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION

L. W. Knoks

WITH BANK OF ENGLAND

- 2 -

they would not let the guilder slip below 55 cents. In Switzerland, things were fairly quiet. He had not heard from Budapest or Prague and concluded that there was no new excitement in those two places because, otherwise, they would have called him on the telephone. He had sold a few dollars this afternoon, so far, about a million.

I referred to our cable of last night, renewing our gold order at \$54.77, and explained why we wanted this limit to include cost of brokerage, if any. Bolton seemed grateful for the prompt attention we had given his request of yesterday. Discussing capital movements, he expressed the opinion that, barring another change in conditions in Europe, we must figure on the reversal of the recent capital outflow and expect a renewed inflow instead. That, of course, might not be the case if France should manage to form a strong government.

There was nothing new as regards Russian gold, he said, in addition to the three shipments previously mentioned to me. The last one of these (\$1,000,000), the Russians were now selling piecemeal in London, always giving the Bank a crack at it.

LWK:KMC



Wednesday  
March 16, 1938  
11:48 a.m.

HMJr: All right. Tell the boys to come in.

HMJr: Hello.

T.O.: I have Mr. Cochran.

HMJr: All right.

T.O.: Go ahead.

H. M.  
Cochran: Hello.

HMJr: Hello, Cochran.

C: Hello, Mr. Secretary. Yes.

HMJr: Well, what's new today? Don't tell me that you've sent such and such a cable, tell me what's new.

C: (Laughs) All right.

HMJr: Because a cable isn't news, you might as well send it by letter.

C: Yes. Well, they're still pretty slow?

HMJr: Yes. Well - anything happen?

C: What's that?

HMJr: Anything happening?

C: Ah - nothing very exciting. The Swiss sold some francs this morning but there has been some profit taking from London since.

HMJr: Yes.

C: So on the balance five minutes ago the control had only lost twenty-eight thousand pounds for the day.

HMJr: Well, that's not bad.

C: No, no, not at all bad.

HMJr: Yes.

C: The sentiment has improved a little bit on the belief that Daladier will head a National Union Government before the - by the end of the week.



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HMJr: Now, is Daladier - what's his policy on money?

C: He's sound. Well, I mean, he's conservative, he will be against exchange control.

HMJr: Against it?

C: Yes, he will be against it. On the other hand, since he has been Minister of National Defense he would be strong on conserving the gold resources of the bank.

HMJr: Well, hasn't he been Minister of War under Chautemps?

C: Yes, he's the one.

HMJr: Well, isn't he a pretty strong fellow?

C: Very strong, he's the strongest man in the country in my estimation.

HMJr: Yes. How old a man is he?

C: He's about fifty-two probably.

HMJr: Yes. Just a young fellow?

C: Yes. And if he can head a National Government...

HMJr: Yes.

C: they think it's as good a chance as they would have.

HMJr: Yes. Now listen...

C: - You see, the Extreme Left Communists dislike him very much.

HMJr: Uh huh.

C: So there might be some trouble but I think he could handle it.

HMJr: What do you think about - if you can talk about it - about the Spanish situation?

C: There's been a lot of uneasiness here. That's concerning them more now than Czechoslovakia or Austria.

HMJr: Uh huh.

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C: There was a request for arbitration, you see?

HMJr: Yes.

C: That came from Barcelona.

HMJr: Yes.

C: But the Ambassador of the Country across the Channel...

HMJr: Yes.

C: was consulted and he said, "Don't do anything until you hear from us."

HMJr: I see.

C: That's the latest word we have this afternoon.

HMJr: Uh huh. Well...

C: And tomorrow things won't be any too good here. The market will continue a little nervous, you see?

HMJr: Yes.

C: And there'll be a statement gotten out at noon, you know, the usual one...

HMJr: Yes.

C: which will show one billion even...

HMJr: Yes.

C: taken by the powers.

HMJr: Right.

C: You see. So that doesn't help a lot.

HMJr: Uh huh.

C: The Guaranty has financed six hundred thousand dollars of gold from Belgium...

HMJr: Yes.

C: ...to be shipped on the PENN LAND Saturday.

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HMJr: Yes.

C: And they may bring this up to one billion dollars by that date.

HMJr: Uh huh.

C: There's a cabinet meeting going on at five o'clock this evening.

HMJr: Yes.

C: Then the full Council of Ministers meets in the morning.

HMJr: Yes.

C: And Parliament convenes at three-thirty, when Blum is supposed to go before them with his statement.

HMJr: I see. What statement is that?

C: Well, his Ministerial policy.

HMJr: Oh, I see.

C: I mean, there's a fair possibility that he might not go before them, but most people think that he will...

HMJr: Go before whom?

C: Before Parliament.

HMJr: Oh, before Parliament?

C: Yes. He appears before Parliament tomorrow afternoon at three-thirty.

HMJr: Tomorrow?

C: Yes.

HMJr: Uh huh.

C: And so there's a meeting of his cabinet at five o'clock this evening...

HMJr: I see.



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C: Then a full Council of Ministers...

HMJr: Yes.

C: at which he is to be present - tomorrow morning.

HMJr: I see.

C: Then they go before Parliament at three-thirty tomorrow afternoon to state their policy.

HMJr: I see.

C: But the belief just now is that he might get a vote of confidence...

HMJr: Yes.

C: ...but just on a general statement but even then he would get out by the end of the week making way for Daladier.

HMJr: I see.

C: Herriot is the only other man mentioned.

HMJr: Is this a good time to call you?

C: This is very good, because I have the market news at this time you see.

HMJr: Yes.

C: And I don't leave the office until half-past six. But this is usually a good time.

HMJr: Now, that - those numbers I supplied you with...

C: Yes.

HMJr: Those are only to be used on telephone conversations.

C: All right. I didn't know and I sent that one message...

HMJr: That's all right.

C: But I'll use them just on the telephone.

HMJr: No, we've got a ruse here and that's what they call "number rackets", you know?

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C: Yes. (Laughs)

HMJr: You know what a number racket is?

C: Yes, very well.

HMJr: Well, we only play it on the telephone.

C: Good. All right, I'll try to pick it up then and cover my side of it.

HMJr: All right. All right.

C: Fine.

HMJr: Goodbye.

C: Goodbye. Oh, Mr. Secretary.

HMJr: Yes.

C: Thanks a lot for that cablegram; that helps a lot.

HMJr: Well, I - that went directly to your chief.

C: Yes.

HMJr: And I thought that in view of a certain incident that happened a couple of months ago that this might be helpful.

C: I think I need my stock raised a little bit.

HMJr: What's that?

C: I think my stock needed a little raising.

HMJr: Ah - I don't think it hurt any.

C: No, no.

HMJr: I think it gave your commodity index a little boost.

C: (Laughs) All right. All right. Just so there's no crash later.

HMJr: All right.

C: Good. Well, thanks a lot. I'll send a message yet this evening.

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HMJr: All right.

C: All right.

HMJr: Goodbye.

C: Goodbye.



REB

GRAY

Paris

Dated March 16, 1938

Rec'd 2:44 p. m.

Secretary of State,  
Washington.

415, March 16, 5 p. m.

FROM COCHRAN.

Swiss were early sellers of francs at 163 but control had at 10:30 met this demand with small amount of sterling and had brought rate to 162.50. Since then the market has been quite nervous and jumpy. For a while the control gained some sterling as a result of profit taking from London and brought a little here through Comptoir. As usual, with end of week approaching and crisis not yet solved there is speculation as to some important move such as increasing of supervision of exchange dealings within such limits as may be possible without legislation, it being clearly understood that full exchange control requires parliamentary action. Also gossip that Government is considering revaluation of Bank of France gold stocks from 43 to 27 or 28 milligrams to the franc. While part of

REB

2-#415, From Paris, Mar. 16, 5p.m.

of market and part of press seem under the impression that revaluation can be made at will by the Government and Bank of France, my idea of the situation, which I have not checked with French officials, is as follows:

(END SECTION ONE)

WILSON

SMS

KLP

REB

GRAY

Paris

Dated March 16, 1938

Rec'd 3:11 p. m.

Secretary of State,  
Washington.

415, March 16, 5 p. m. (SECTION TWO)

Monetary law of October 1, 1936, provided that the weight of the franc may not be either less than 43 milligrams nor more than 49 milligrams and that the new gold content of the franc would be fixed later on by a decree taken in Council of Ministers. Law of June 30, 1937, modified above provision to provide that the new gold content of the franc would be fixed later by a decree issued by Council of Ministers. Decree of July 22, 1937, issued under full powers granted to the Chautemps Government on June 30, 1937, approved convention between Government and Bank of France dated July 21, 1937, under which it was agreed that the bank would proceed to revalue its gold reserves upon the basis of 43 milligrams. The full powers under which such a decree could be issued expired on August 31, 1937. Therefore, it seems any further revalorization  
of



REB

2-#415, From Paris, March 16, 5pm

of the gold reserves requires parliamentary authority.  
When and if de jure stabilization should be decreed  
then entire profits of devaluations would become  
available for amortization of public debt only.

WILSON

SAS

MLP

PARAPHRASE OF SECTION THREE, TELEGRAM NO. 415 OF  
MARCH 16, 1938, 5 p.m., from Paris.

Guaranty has financed shipment of \$800,000 of gold from Belgium to New York for PENNLAND sailing Saturday and may bring this figure to \$1,000,000. Guaranty shipped 57 bars yesterday on QUEEN MARY.

Cabinet meeting this evening and Council of Ministers tomorrow morning to protest against ministerial declaration to be made before Chamber tomorrow afternoon at 3:30. Even if Blum should get by Parliament on first appearance market does not expect his Government to last.

I have been told by my official contact that conferences yesterday and today of financial officials have been for the purpose of estimating what funds the government will need. He said that revaluation of gold stocks was not officially considered so far as he knew. By 4:40 this afternoon the control had regained all but 28,000 pounds of the sterling it lost this morning. Tomorrow's statement of the Bank of France will show that the Treasury withdrew 1,000,000,000 francs. In the opinion of bankers, Daladier will be the head of the next government, a national union government.

END MESSAGE.

WILSON.

EA:LWW

REB

TELEGRAM SENT  
GRAY

March 16, 1938

5 p. m.

AMLEGATION

BERN (SWITZERLAND)

B

Department's 3. February 4, 11 a. m.

Treasury would welcome telegraphic reports on Swiss monetary developments and sentiment, particularly information and comment on movements of capital in and out of the country. You need not touch on B.I.S. matters which are covered by Cochran.

Treasury is arranging to pay costs through Disbursing Agent at Paris.

HULL  
(HF)

EAM:JTB

EU

BA



REB

PLAIN

London

Dated March 16, 1938

Rec'd 5:40 p. m.

Secretary of State,  
Washington.

RUSH

222, March 16, 8 p. m.

FOR TREASURY FROM BUTTERNORTH.

One. I had a word with Waley this morning who did not attempt to conceal his concern over recent political developments and throughout our talk he kept referring in pessimistic terms to the course of events in Spain, Austria and China. The British Treasury is not given to this type of talk and I report it for this reason and because today's market movements reflected a similar attitude of mind on the part of the city.

Two. The period of political markets referred to in the final paragraph of my 213, March 14, 8 p.m., went on today with a vengeance. Contrary to yesterday (paragraph 3 my 213, March 15, 2 p.m.) selling today was by no means mainly from the continent although continental selling was heavy. War loan at one time touched 99 3/8 and it closed at 99 5/8 a fall of 3/16 since Friday.  
Likewise

REB

2-#222, From London, Mar. 16, 8p.m.

Likewise such classically stable stocks as Imperial tobacco lost as much as 10 shillings. The extent of declines were caused by what can be fairly described as war scare selling on a basically weak market. The news from Spain following so closely on the Austrian coup has suddenly made the city take stock anew of the international political situation and of its economic and financial implications.

The city sees the situation roughly as follows: at best, an international armament race -- a British armament program with no perceptible limit impinging increasingly on the margin of profit and requiring oppressive taxation and over borrowing in a period of declining economic activity; at worst, the spectre of war with Great Britain for the first time in its history potentially menaced in three areas of the world by totalitarian states with whom the initiative lies and who are prepared to employ force as an instrument of policy, viz. Austria, Spain and China. The demand for dollars was exceedingly heavy and the rate moved to 4.86-1/2. If today's atmosphere holds we can expect a large movement of flight capital. Consequently the demand for gold was tremendous and the British authorities gave

REB

3-#222, From London, Mar. 16, 8p.m.

(9-12?)

gave freely while moving the price up from 139/9-1/2 to 140 shillings. Gold is also going from Belgium to New York on the PENNLAND sailing Sunday. The franc was slightly bid most of the day and moved from a high of 164 5/8 to 160 on recurring rumors that arrangements had been virtually completed for the formation of a broadly based French Government probably with Daladier as premier.

Three. As regards Austria, Waley mentioned that no decision had yet been sent to the British Treasury by the Foreign Office about the legal recognition of the inclusion of Austria in the German Reich but he anticipated that sooner or later it would entail many adjustments, including the Anglo-German payments agreement. He said that their information was that the German military preparations for taking over Austria had been more carefully worked out in advance than the economic and financial arrangements and therefore the German authorities themselves were probably not in a position to discuss such adjustments. Nevertheless he foresaw complications, particularly as regards the Austrian league loans which, he pointed out, had really been made in order to stave off the Anschluss.

Four.



REB

4-#222, From London, Mar. 16, 8p.m.

Four. Waley termed "incredible" the constitution of the present French Government under the given circumstances; Blum had himself referred to it as a shadow -- a description which the British Ambassador in Paris said no one in the world could deny. Waley added that he hoped that it would be speedily replaced by a more broadly-based government and the chances for one seemed good. Waley also referred to the recent rapid depreciation of the franc about which he was somewhat disturbed from a long-range point of view. He said that in his opinion at the present level the franc was probably over-valued and in regarding it as such he did not think he was motivated by "the selfish point of view" of a foreigner. He went on to say he feared that if the franc were further depreciated, a rise in costs would inevitably occur in France which in turn would create further internal controversies and difficulties and also have an adverse effect on such countries as Belgium.

KENNEDY

TFL

March 16, 1938

9:20 am

The following is record of conversation between the President and HM, Jr:

President: What would be the effect of our declining to receive all gold? I wish you would make a study of it for me.

HM, Jr: I will make a study of it for you, but my first bluish is that it does not sound very good to me.

President: But I do want to know what would happen. It may not necessarily affect us much.

HM, Jr: I think it would upset everything terribly in this country. Let us make a study of it anyway. The gold would go to England. All my reactions are against it.

President: I want to see what would happen to England, France and ourselves.

I think Germany will take Czechoslovakia in its stride. I have said so three months ago and I also said at Cabinet a week ago that it is perfectly clear that Hitler has made a deal with Mussolini by which Hitler gets a complete free hand in Central Europe and Mussolini in the Mediterranean. I am sending word over to Freud, who is being held in Vienna and is probably under arrest. He is a friend of Bullitt's and I understand that he is ill and may be under arrest.

HM, Jr: I liked your railroad meeting.

President: I don't think we got very far. I want to get the ideas of I.C.C. That body knows the railroad situation. I want to get a recommendation from them. I also want to get it criticized by Jesse Jones, on the lending part, by Douglas, on the security part, and then send it to Congress and ask them to study it and say this is what these people recommend and it is up to them to do something and let them have the responsibility until next January.

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HM, Jr: I think that problem is big enough and important enough that you create a new post in the Cabinet of Minister of Transportation and get a very capable fellow and not wait until next January.

President: You would not get it through. How can he operate over I.C.C.?

HM, Jr: The I.C.C. made that suggestion at the meeting yesterday. I was just dumbfounded at the vastness of that problem. To think that Congress sits back and keeps talking about the surplus tax and they don't realize the vastness of this railroad situation.

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## GROUP MEETING

March 16, 1938.  
9:30 A. M.

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

H.M.Jr: I think we'd better take up this matter tomorrow. Only two people who knew where I was ..... I was home last night with a very high administration official, and if the people here in the Treasury sat around and belly-ached and criticized, and had their jaw hanging down to here (indicating chest) the way that fellow did, and with no suggestions, I'd be so ashamed of my Department that I couldn't keep my head up. I had to listen an hour and a half - "Nobody's got anything" - and finally I got so mad - I got mad but I don't think I showed it, did I? Mrs. Morgenthau said I didn't.

Magill: No, you didn't show it.

H.M.Jr: I said that as long as there is all this criticism I will say this much, that the only reform that's been accomplished by any Department in this administration the last four years has been the Treasury. He sat there an hour and a half - I'd have liked to get what we could do, and didn't get a suggestion. That hour and a half did more to me than all the day in the Treasury. I heard that everything was wrong - but no suggestion.

Magill: That was absolute zero in social relaxation.

H.M.Jr: I haven't been - I suppose those things are going on, but if that is the way the people close to the President feel, God help the President - that is all I can say.

I swear, working all day long the way I work - I came back - Mrs. Klotz said yesterday she had never seen me so busy. - the President wrestling with this thing, wrestling with the Public Utility thing, with taking care of the able-bodied people who want work, taking them on - and taking them on. We are doing everything we can - fixing up Jesse Jones - it's terrible - I mean, to think that people like that would just sit around and talk the way that he did, and they had not - wasn't a single - no suggestion was there.

Magill: To spend a little money - that was sort of the inference.

H.M.Jr: Yes.

Magill: Couple billion or so.

McReynolds: And we don't know where you were? (Laughter)

Magill: Where were we, Mac?

McReynolds: I say that was a - (inaudible)

Magill: I'll tell you you're wrong before you say it.

H.M.Jr: You think you know?

McReynolds: I was just guessing, from his spending money.

H.M.Jr: Well, any way - I felt like saying, "Well, if I felt the way you do I'd resign - go home," but I didn't.

You (Magill) better go on the Hill.

Magill: Yes.

H.M.Jr: Anything you got?

Magill: Well, I've got a letter here perhaps I should talk to you about. Mr. Gaston framed it, after discussion. The President has a long letter from Congressman McFarlane, and he sent it over here for us to answer, on the tax bill, but the President's views are which I presume Congressman McFarlane wants to put in the record.

H.M.Jr: What do you want me to do about it?

Magill: I expect I'd better speak to you about it. Herbert wrote it out yesterday.

H.M.Jr: You two agree? I've got to rely on you fellows. Have you initialed it?

(Mr. Magill initials the letter.)

My morale is all right if I don't talk to some of these so-called "New Dealers." God help - keep me away from the New Dealers - that's all I can say. (Laughter)

Anything else?

Magill: I talked to Mr. Doughton - he's back now - very much excited about all the publicity.

H.M.Jr: Well, you fellows give me advice and get all that - follow the outlook. I thought tomorrow afternoon - I want to keep this thing moving, and I want you fellows to get together in Mr. Taylor's office and - that is Upham, McReynolds, Bell, Taylor, Haas, and you (Oliphant) on this Fahey thing tomorrow sometime - between now and tomorrow, and I will meet with you fellows at three tomorrow - but before that - (notes on calendar) "Home Owners' Loan" - and for God's sake loosen up with each other - don't send me special memoranda that nobody else has seen.

Oliphant: Well -----

H.M.Jr: Did everybody else see your memo?

Oliphant: That was a chart which Ed (Foley) made yesterday afternoon - on yellow paper, did you (Upham) see it?

H.M.Jr: Loosen up a little bit between now and then. Come in tomorrow afternoon at three and at least say you are together or not together, but let each fellow see what the other fellow's got.

Oliphant: I think it's been discussed so much during the last two years if there is anything everybody's mutually informed on it's that.



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H.M.Jr: At least do it tomorrow afternoon and by that time we'll be ready to see Fahey tomorrow.

Gaston: Didn't you have Banks set tomorrow at three?

Upham: Eleven.

H.M.Jr: Banks at eleven; railroads, twelve - oh gee! (To Mrs. Klotz) On the architects - better postpone that because the meeting lasted two hours yesterday - (inaudible) - and ask Mrs. Morgenthau personally - .....

We've got Jesse Jones at 11:00 - banks - banks at 11:00; railroads at 12:00; Home Owners' Loan at 3:00.

(Over telephone:) Chief Wilson - ten-twenty-five.

Klotz: What about the Cabinet?

H.M.Jr: Prices at 3:00 this afternoon.

Magill: I'd better go.

H.M.Jr: All right. You're not in - you're just on taxes.

Oliphant: I have this --- (Inaudible) -(Hands Secretary memo.)

H.M.Jr: If it's all right, it's all right with me. (Reading) "I am proceeding on the assumption that these special instructions do not apply to new tax cases for subsequent years involving the same individuals covered by the original investigation."

You mean if something turned up since we - what would be subsequent? I don't know what that is.

Oliphant: (Inaudible)

H.M.Jr: Let me know what the "subsequent years" mean. Subsequent to that? All right, put your (Magill's) initials on it. See, I don't know what the words, "subsequent years" mean. Get me, Herman?

Oliphant: Yes.

(Secretary and Mrs. Klotz converse - inaudible to reporter.)

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H.M.Jr: (To Magill) O. K., and don't hesitate to phone me if there is something important.

Magill: There may be today - there wasn't yesterday. They haven't got to deciding anything.

H.M.Jr: Let me ask you a question outside here.

Magill: Excuse me.

H.M.Jr: Excuse me. I just want to satisfy myself.  
(Secretary and Mr. Magill leave the room.)

H.M.Jr: (Returning) Herbert?

Gaston: No, I have nothing.

H.M.Jr: George?

Haas: I have nothing. (Hands Secretary notebook)  
I'm covered with cement.

H.M.Jr: You are covered with cement? You know, that stuff's hard to scrape off.

Haas: I know. We'll have a report for you - the Blaisdell Committee.

H.M.Jr: Take it (the notebook) away George - my twenty-five companies!

Haas: We ran into fourteen companies that are not included in the Federal Trade - cement companies.

H.M.Jr: That were not?

Haas: Yes. I am trying to find out whether they just didn't have money to pay dues or whether they didn't amount to anything. - Quite a few interesting things we'll bring up at three o'clock.

H.M.Jr: Wayne?

Taylor: During this meeting of Jesse's this morning on bank business at eleven, we are going, I think the way that is going to work out is that we will deliver a collection of views rather than what I might describe as a unanimous report.

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H.M.Jr: Incidentally, Jesse had a few minutes to talk to me on that thing, and he has written a report in which he is for the death sentence.

Taylor: Oh, yes, but I don't know whether he's going to be able to deliver that as a unanimous report.

H.M.Jr: All right. He has a letter - you are a little confused - he has a letter in from Crowley in which Crowley is willing to leave that to the Committee.

Taylor: To the Congress.

H.M.Jr: To the Congress - that's right.

What else, Wayne?

Taylor: That's all. I don't think I'll be back at eleven-forty-five.

H.M.Jr: What's at eleven-forty-five?

For your own information, Welles has asked me, when anything is important on that French thing to let him know, which I will do. He just called me up to read a paragraph on Wilson, on the French situation, which doesn't check with what we've got from France.

All right. Now we all understand each other on Home Owners' Loan? You fellows are going to get together by three o'clock tomorrow - at least so every fellow will know where everybody else stands.

Oliphant: Do you want it from the group in the Treasury that is working with you on the bank holding companies - our opinion on the bank ...?

Taylor: That will be after this collection this morning - why, then we'll be able to deliver you something tonight.

Oliphant: Before your meeting.

H.M.Jr: Then why not let's say - because these dates are so crowded, why not say instead of having the nine-thirty, let's devote the nine-thirty to



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bank holding companies, and if that runs over we can talk on the Home Owners' Loan. All right, Wayne?

Taylor: (Nods "Yes.")

Bell: Under this recent bill signed by the President on commodity credit, you are to determine the impairment of capital, if any. I'd like to get started on that right after April first so that I can send an estimate to Congress in the next efficiency bill.

H.M.Jr: Will you do so?

Bell: I assume you'd like to have someone from Farm Credit on that committee.

H.M.Jr: Yes.

Bell: And Agriculture?

H.M.Jr: Yes.

Bell: And that ought to be sufficient.

H.M.Jr: And R. F. C.

Bell: You want R. F. C.?

H.M.Jr: I think so.

Bell: Well, that's all right - a party in interest.

H.M.Jr: Make them feel happy.

What else, Dan?  
Except

Bell: Nothing. / I have an interesting side-light on the reorganization report if you would care to hear it.

H.M.Jr: I'd love it.

Bell: This is a good one. Apparently someone - probably Byrd - asked for a report of the savings the Comptroller General has effected on disallowances in direct settlements. He sent this report up, which was never printed. Byrd gave Byrnes a copy -

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Byrnes turned it over to us to check - to see what made up those disallowances. It ran about three or four million dollars a year up to 1931 - and we can check - and then it suddenly jumped to eighteen million in '32 and fifty-six million in '34. We couldn't find anything to make up those huge disallowances. One of the assistants to Byrnes asked Yates to explain how they got those two large disallowances in those years. Of course their records are not up to date on recent years, so what they did, they went back and found out what the ratio of disallowances was to the previous years, and then applied that ratio to '32 and '34 figures; and in '32 we had five hundred million subscriptions in capital stock of the R. F. C.; one hundred twenty-five million subscriptions of Land Bank stock; and in '34 we had the two billion dollar stabilization fund. The ratio applied to those huge totals would, of course, present huge potential disallowances.

H.M.Jr: Did that come out?

Bell: Well, I think it will in the debate.

Gaston: Better appoint a committee to see that it does.

H.M.Jr: Have a committee over the examiner's head.

Bell: The man responsible for it wouldn't go to the capital and explain it. He sent a clerk down to do it. Mr. Byrnes said, "It really doesn't mean much, does it?"

H.M.Jr: Dan, write me a little memo on that, and I'll send it to the President tonight. Will you get it to Mrs. Klotz personally? I'd like to send it to the President.

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Dan, on this bill business, the present - I mean, we meet ourselves coming around the corner the first ninety days when? When would it be to fifty million?

Bell: The twenty-third.

H.M.Jr: If we did it on the twenty-third, would it - I thought we had another week.

Bell: No - twenty-third - a hundred fifty.

H.M.Jr: Then under my program - are you sure?

Bell: Yes. The one going out today will be the one hundred fifty million.

H.M.Jr: Oh. We meet ourselves coming around today. You're sure of that?

Bell: Yes sir.

H.M.Jr: Well, that's all right, but I told the boys two hundred million of this series will end on the twenty-third.

Bell: That's right.

H.M.Jr: Then we'd decide whether we go any further?

Bell: That's right, yes sir.

H.M.Jr: Then there will be one week at least for the hundred fifty million.

Bell: Yes sir. That was contemplated.

H.M.Jr: I am not going to give any explanation for this statement, but I just think it's worthy of passing the milestone, that Mr. McReynolds, at five o'clock last night, blushed. I am not going to explain it. The only person present was Mr. Bell, but he blushed. He was so worried at a certain letter - Dan said Mac was so excited that he thought he had signed his own resignation - but he did blush. I did think it is important and I want a record of it on the Stenotype. I am not going to explain it, but am I in any way exaggerating? It happened, didn't it?



Bell: (Laughing) Yes.

McReynolds: I have nothing to say.

H.M.Jr: We are not going to add any explanations, but it did happen. I wanted you to know he did blush.

We'll go to the next situation.

Lochhead: Very heavy pressure developing on the Dutch Guilder in Amsterdam, and we are getting quite a few cables from China. I won't bother you on China until I have to.

H.M.Jr: (To Lochhead) Have Harry White in your office. I want to see him.

Bell: By the way, we deposited seventy-four million in gold since January first. Got twenty-six million left on the hundred million.

Upham: There is quite a campaign concentrating on the President which you may know about, for a banker named Elliot for Comptroller of the Currency.

H.M.Jr: Where is he from?

Upham: Georgia.

Bell: He is an old Civil Service man.

H.M.Jr: Any good?

Bell: Well, he has a passion against branch banking. That is about all I know about him. I've heard him at the A. B. A. conventions.

H.M.Jr: What's his position - what is he campaigning for?

Upham: Comptroller of the Currency.

H.M.Jr: You got my message last night? I didn't know I was dining out with Mr. "X" until I got home.

Upham: Yes.

H.M.Jr: I had forgotten about it. Incidentally I see in the paper Trans-America report is out. Will you get a copy of it and you and Folger study it? It is out. It's their annual statement.

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Upham: Yes.

H.M.Jr: It is just out today. Right on the surface it looks phoney.

I - then they take in - allow us forty-three per cent of the profits of the Bank of America.

Upham: We'll get it.

H.M.Jr: Mac?

McReynolds: I still have nothing to say.

H.M.Jr: All right.

March 16, 1938

At 10:45 a.m. Mr. William O. Douglas, Chairman of the Securities and Exchange Commission, was a visitor in Mr. Morgenthau's office. Mr. Upham was present.

Mr. Douglas said that he had had a forty-five minute talk with the President recently while on an automobile ride and that the President had suggested that he talk over his idea with the Secretary of the Treasury.

Mr. Douglas said that while the SEC has nothing to do with capital markets as such, their job does impinge on the capital market and that serving as a sort of lightning rod because the public identifies them with business conditions, they get a considerable amount of correspondence with complaints and suggestions.

Mr. Douglas said he had told the President that as we have been going along for the last few years with consuming power falling off and without any sufficient backlog of capital expenditures, we have reached the place where there is no longer any capital market. While he thinks it is necessary to spend to increase the consumers' purchasing power, he feels very definitely we can never pull



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out of the depression by that method. The key is the opening up of the capital markets and getting a regular flow of funds back into industry. We are very foolish if we sit back and hope and pray that business will "catch" as it has in the past.

The reasons for this are several. One of them is the volume of tax-exempt securities. This constitutes a huge reservoir of money all dammed up. Secondly, the capital gains tax may have had some influence too. That may be a psychological dam, however. Third, the investment bankers' machinery is completely paralyzed. They got stuck on Pure Oil and Bethlehem. They still have 445,000 shares of Pure Oil, only about 7,000 shares having been taken by shareholders. The investment banker is geared up psychologically and capitalwise to having sold yesterday what he commits himself for today. That means considerable capital and eager customers and operating at the crest as things boom along. Things won't boom along until investment banks are operating and they won't operate until things boom along--a vicious circle.

It all boils down to two things. (1) A large reservoir of capital which is not going into industry and won't; and (2) the inadequacy of the investment banking machinery and the psychology of that business.

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There is only \$60 to \$100 million of capital in the investment capital business. This is wholly inadequate. Bank affiliates were properly taken out of the business but have not been replaced. Floyd Carlisle of Consolidated Gas says that his company needs \$50 million of common stock. Their stock is selling around 18 to 20. It pays \$2. They can't afford to offer new stock at 20. But it is movement of the money into industry like that which will pull us out.

Mr. Douglas said that there has been a hell of a lot of talk about lending money to industry. He does not think it can be done that way. The debt structure is in good shape. Considerable refunding has been done. Business needs junior or equity money, not an increase in debt. Lending more money to industry will not pull us out of the slump.

Mr. Morgenthau interrupted to inquire if he meant the proposals for RFC lending and he said he did.

Mr. Douglas said he gave the President a scheme and a memo. The Commission has not approved it and some of the members have not seen it, it not being officially their job, but representing an attempt on the part of the Chairman to help solve present difficulties.

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Mr. Douglas proposed that at least for a limited period of time the Government step in and through regional industrial finance banks for the purpose of cooperating with local investment bankers and underwriters, purchase securities from underwriters, and engage in open market operations.

Mr. Douglas said that many utility stocks are way below their real value. If we are to continue a "capitalistic system under a Democratic form of government," something must be done about this. The industrial bank could buy for investment purposes. This would bring back investor confidence. They could participate in underwriting issues but not distributing or selling to the public. They would perform the function which the investment banking machinery theoretically provides. Mr. Morgenthau said that Jesse Jones has an idea along these lines. He wants to supply capital to business just as he did for the Northern Pacific. He proposes to stand behind underwriters.

Mr. Douglas said that that would take care of a part of it but sometimes there are no underwriters.

Mr. Morgenthau said that Mr. Jones is going up to ask for legislation. He told Mr. Douglas that small businesses are giving the expense of SEC registration as one of the bars



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to financing. He said he has been asking Ben Griswold of Baltimore for a single solvent company that wants money now, but Mr. Griswold has been unable to produce one. Mr. Douglas said that many of them come to the SEC with registration statements for securities that they cannot sell.

Mr. Morgenthau also referred to the complaint about the limited powers of bank investment. Mr. Douglas said the companies should have preferred stock. It is a place for the play of the investment banker's mind, not the commercial banker's mind.

Mr. Morgenthau said that the best way he could operate was to take a specific case and asked Mr. Douglas if he had one. Mr. Douglas said there are several types of situations. He referred again to the \$50 million common stock issue desired by Mr. Carlisle and said that the regional industrial finance bank could help in that situation. He thought the stock of the regional banks could be subscribed by Treasury or RFC and that two or three times this amount could then be raised by the public offering of the securities, probably debentures, of the financial bank. Let national banks invest in these debentures and make use of some of the "productive capital now locked up."

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Mr. Morgenthau said that this type of suggestion did not frighten him.

Mr. Douglas suggested that three of five directors could be named by the Government, the other two being local investment bankers, thus making it a real cooperative venture. He said that one of the basic economic problems is the rebuilding of industrial regions like New England. The investment bankers won't do anything for the reconstruction of that industrial area.

Mr. Morgenthau suggested that Joe Bodell of Providence is already operating in this field. He makes five-year loans to industry. He is a very high-class man and would be helpful in developing this.

Mr. Morgenthau said that Mr. Jones is suggesting the making of loans to municipalities. Mr. Douglas' comment was "Nuts." He agreed with the Secretary, however, that "Oh, they help," but what we need is a direct frontal attack on junior capital. Mr. Morgenthau asked him if he had his proposal in black and white; to which he replied, "Sure." Mr. Morgenthau said he would like to see it and told him that we can move fast. Mr. Douglas said it would require legislation.

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Mr. Morgenthau said that he is now engaged in working on holding companies, the Home Loan Bank Board, the European situation and prices. He said that confidentially we expect to move shortly, first, in the field of cement prices with later attention to other building materials and rackets in the industry.

Mr. Morgenthau said we could take \$100 million gold from the Federal Reserve and use it as capital for the regional banks and "go places." Mr. Douglas said that the political angle comes in on the regional basis and suggested that there would be a good deal of political advantage to a Government bank in the South. He thought the Treasury or the RFC might be the "holding company" for the regional banks.

Mr. Morgenthau said that Jesse Jones would give it good management but that he might be too strict; to which Mr. Douglas replied that he was imbued with the idea of sound loans and the commercial banking system could never do the job. Mr. Morgenthau said that he was tickled to death to have this idea and that he has the money. Debentures would provide another ten times the capital. He said that Preston Delano would make a good man if one were needed. Mr. Douglas said that of course this would raise the cry of state socialism but he wasn't afraid of that. Mr. Morgenthau said that Farm Credit is state socialism in many of its aspects and that he passed that bridge when he came to Washington.



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Mr. Douglas said he was enough of an optimist to believe that we are on the verge of an era of the greatest prosperity this country has ever seen. If we had the railroads to build, wouldn't we be going places. Suppose his men are only 50 per cent right and only half of the railroads have to be rebuilt, won't we go places. We must move into the natural point where capital moves into industry. Mr. Morgenthau asked what he wanted us to do. He said it sounds damned interesting and asked if Mr. Douglas would send over his memorandum. Mr. Douglas said the statute has been all prepared and he can send it over. There has been a good deal of brewing around on this matter--on the Bill by Senator Pepper and Congressman Hill and Senator Voorhis of California. Voorhis wants to see the President for his endorsement so that it will be an Administration measure. It has nothing to do with the SEC officially and they are not looking for anything. Mr. Morgenthau said when he received it he would have Oliphant go over it and suggested to Mr. Douglas to tell Jones about it since Jones moves fast. He thought that he, Jones and Douglas could get together later.

Mr. Douglas said he had also discussed it with Mr. Eccles, at the President's request, and Mr. Eccles thinks there is "something there." Mr. Eccles thought the Federal Reserve might do the job but Mr. Douglas' comment to that was "Nuts."

March 16, 1938

To: The Secretary of the Treasury  
From: Thomas C. Blaisdell, Jr.

The attached report was prepared with the advice and counsel of the sub-committee named by you, i.e., Messrs. McReynolds, Collins, Oliphant, Edwards (F.T.C.), Piquet (Tariff Commission) and Blaisdell. Assistance was also given by Admiral Peebles, Messrs. O'Connell, Curtis (Public Roads) and Haas.

For the final draft and form I alone must assume responsibility.

March 16, 1938.

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REPORT OF THE SUBCOMMITTEE ON CEMENT PRICES

1. RECOMMENDATIONS

1. Centralized purchase. That there be immediately centralized in the hands of the Director of Procurement the maximum amount of purchases of cement, including --

- (a) All cement now being purchased by any Federal agency in the regular course. A list of such agencies and the amounts they purchased is attached.
- (b) All cement which, by change in the present practice of any agency, could be purchased by the Government rather than by the contractor. A list of such agencies and the amounts they purchased is attached.

These two combined would give the Procurement Division a total of 15,730,000 bbls per annum, which constituted about 14 percent of yearly sales. For the rest of the fiscal year the Government has approximately 3,395,000 bbls to purchase.



2. Trade Agreements. The State Department should be asked to reopen the question of further reduction in the tariff on cement under the Belgian Trade Agreement. This would involve the issuance of notice to negotiate the general provisions of the Agreement, and the simultaneous announcement of the reopening of the cement concessions. Although the time involved in negotiation would be considerable, the announcement itself would have value.

3. Anti-trust action. The program of coordinated purchases should be carried out in such a fashion as to preserve all evidence of a new and distinct illegal combination or of any continuance of any practice which may be found to be illegal (as distinct from evidence pertinent to the pending FTC complaint) encountered in the course of carrying out this program, having in mind immediate action by the Department of Justice in the event such combination is so disclosed.

As a corollary to this, all conferences and communications with the cement manufacturers and dealers should be carried on in

such a way as to avoid anything which would be later cited as formal or informal official approval of illegal practices or combinations in the industry.

4. Public Roads. The details of the program in connection with public roads cannot be stated sharply, but follows three possible lines:

- (a) Possible purchases by states under a Federal Government open contract.
- (b) A conference by the Secretary of Agriculture with the state road commissioners explaining the Federal Government program and endeavoring to secure cooperation in its development.
- (c) Legislation would be necessary to enable the Federal Government to purchase cement used in highway construction under grants by the Bureau of Public Roads. As to approved projects, this legislation could authorize the Secretary of the Treasury to negotiate with states an arrangement for them to take cement in lieu of money; and, as to projects

not yet approved, such legislation could authorize the Secretary of Agriculture to make grants of money conditioned upon the Federal Government's supplying the cement. Legislation of the former sort could and should be put in the present Agricultural Appropriation Act pending before the Appropriations Committee of the House.

## II. PROCEDURE

1. Personnel. The Secretary of the Treasury should name one or more men thoroughly familiar with the cement industry, including the organization, banking, and other financial connections of cement concerns, and the marketing of cement. This person to function in the Procurement Division directly under the authority of the Secretary.
2. Competitive Bidding. All purchases should be made in such a manner as to secure bona fide competitive bidding.
3. Collusion. If indications of collusion appear in the original bidding, these bids should be rejected and readvertised.



4. Independent Negotiation. If the bids or other evidences of collusion are still present, negotiations for the letting of independent contracts should be undertaken.
5. Preservation of Evidence. While the preceding steps are being taken the Department of Justice should be in constant consultation with the Treasury Department in order that legal action under the anti-trust laws may be taken if illegal actions are found.
6. Trade Agreements. The announcement of the reopening of the Belgian Agreement should be made as quickly as possible so that the present FTC action, the previously mentioned negotiations, and corollary actions are proceeding at the same time.
7. Public Roads. Further exploration and action in connection with the public roads program should be continued while the other activities are under way.
8. Effective Coordination. All persons participating in the program should be aware of the fundamental objectives involved.
9. Publicity. The amount of publicity and its character will become apparent as the program develops.

### III. OBJECTIVES

1. Cement prices at present are regarded as being "out of line" and hence are a block to business recovery.
2. The fundamental aim of the program is to lower the price of cement for all purchasers, not only the Federal Government.
3. The secondary purpose is to establish conditions in the industry which will bring about competitive conditions.

# C E M E N T

<u>A G E N C Y</u>	<u>1937</u>		<u>Est. Balance Fiscal Year 1938</u>	
	<u>Barrels</u>	<u>Value</u>	<u>Barrels</u>	<u>Value</u>
Veterans Administration	31,147	\$68,523*	5,000	\$11,000*
Department of the Interior	1,250,000	2,750,000*	850,000	1,870,000*
Department of Agriculture	219,541	842,990*	102,670	225,874*
War Department	1,170,663	2,575,458*	421,620	927,564*
Navy Department	97,615**	214,753*	22,865	50,303*
Farm Security Administration	94,000*	206,094**	1,400*	3,000*
D. C. Government	27,170*	59,778	9,090*	20,000*
Works Progress Administration	11,000,000*	24,200,000	1,818,181*	4,000,000*
Tennessee Valley Authority	<u>762,514**</u>	<u>1,372,321**</u>	<u>164,400</u>	<u>292,557</u>
TOTALS	14,652,650	\$31,929,917	3,395,226	\$7,400,298

\* Denotes figure estimated by Procurement Division.

\*\* Denotes calendar year.

In estimating values and quantities price has been figured at \$2.20 per barrel.  
One barrel equals 376 pounds.



# CEMENT CONSUMED IN GOVERNMENT CONSTRUCTION CONTRACTS

DURING YEAR 1937

AGENCY	Total amt. of Construction Contracts	Barrels
Navy Department	\$ 6,654,641	72,004
Veterans Administration	12,829,973	138,820
War Department	32,226,882	348,695
Department of Agriculture	3,500,000	37,870
Department of the Interior	9,962,763	107,797
Procurement Division	<u>34,471,008</u>	<u>373,003</u>
TOTALS	\$99,645,267	1,078,189

## PORTLAND CEMENT

Use in building industries

About one-third of the United States production of Portland cement is used in the building industries, the rest being used largely in paving and in sewerage, water, and power developments. The estimated distribution of the total production in 1936 is shown in the following table, based on analyses of construction figures and other data:

<u>Classification</u>	<u>Percent of total</u>	<u>Barrels</u>
Residential - One and two-family dwellings and housing projects-----	10	11,257,000
Structures - Commercial, industrial, educational, etc., including hotels and apartment houses ----	24	27,016,000
Paving - Highways, streets, runways, etc. -----	23	25,890,000
Bridges -----	4	4,503,000
Railroads -----	2	2,251,000
Sewers and water supply -----	7	7,880,000
Conservation - Waterfront developments, irrigation, drainage, flood control, light and power projects -----	14	15,758,000
Rural -----	9	10,131,000
Miscellaneous - Incinerators, airports, miscellaneous public works, small uses, etc. -----	7	7,880,000
Total -----	100.0	112,566,000

Source: Cement and Concrete Reference Book, 1937 (published by Portland Cement Association, Chicago).

The bulk of the Portland cement is used in concrete, a mixture of cement, sand and gravel or crushed stone, the cement normally constituting by volume only about one-ninth to one-seventh of the total mix. Large quantities of cement are used in the manufacture of many types of concrete products such as blocks, tile, cast stone, and numerous other

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articles. According to the Census Bureau, about \$10,000,000 of all concrete products, which totaled \$43,000,000 in 1935, were classified as "building materials."

The quantity of cement used in residential dwellings varies greatly, depending upon the type of construction. The cost of cement used in a house may vary from a few dollars in those using only a small amount for foundation work, to several hundred dollars in those built of concrete blocks or reinforced concrete.

#### Organization of the domestic industry

The 160 or so Portland cement plants in the United States are located in 35 States and are owned by 89 companies. The accompanying map, Chart 1, based on the year 1929, shows the locations of practically all these plants. There has been relatively little change in manufacturing centers since that year.

In 1936, 149 of these plants produced and shipped cement. Slightly more than one-third of the total output in that year was produced by five large concerns which normally operate about 50 plants throughout the country. It is estimated that the capacity of these five companies accounts for about 38 percent of the total cement capacity of the country. The relative importance of each, as indicated by total plant capacity, is shown below:

Company	Total capacity, barrels
Universal Atlas Cement Company	31,000,000
Lone Star Portland Cement Company	20,000,000
Lehigh Portland Cement Company	22,000,000
Alpha Portland Cement Company	13,000,000
Penn-Dixie Cement Company	12,000,000



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About 20 other companies operate two or more plants; the remaining number, about 60, operate one plant each. According to the Federal Trade Commission, 75 cement manufacturing concerns belong to the Cement Institute, a very active trade association, the policies of which are influenced in considerable degree by the five large companies previously mentioned. About 14 companies, the names of which are given in the Appendix, Table 1, were not among those cited by the Commission in its complaint of unfair price combination, presumably not being members of the Institute.

The cement industry is burdened by high surplus capacity, operating even in the peak year of 1927 at only 76.1 per cent of capacity. It dropped to a low of 23.5 per cent in 1933, and rose to 42.7 per cent in 1936.

The principal raw materials for cement manufacture, obtained from limestone, cement rock, clay, etc., are widely distributed over the country, hence raw material cost is of less importance than fuel (usually coal or natural gas) and transportation cost.

#### Production, imports and exports

The total production of Portland cement in the United States is shown in Chart 2, compared with imports and with production in the six coastal areas, where competition is provided by imported cement.

The relative importance of the various cement producing areas in the United States, based on the year 1936, is shown in the Appendix, Table 2. The coastal districts are segregated from those in the interior, as imported cement competes directly only with plants situated in the six seaboard or coastal areas.

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In the appendix, we show in Table 3 the United States production and shipments of hydraulic cement (practically all Portland) by years from 1926 through 1937. In Table 4 we show the total imports for consumption for these same years, and in Table 5 the total exports. As compared with a domestic production of 116,478,000 barrels in 1937, we imported 1,779,211 barrels, and exported only 200,096 barrels. The imports into continental United States alone were 1,257,852 barrels, about 500,000 barrels in the total being represented by imports into Porto Rico, which showed a large increase in 1937.

Table 6 shows the imports from principal sources in specified years. Belgium is the principal source of our cement imports, supplying 56 per cent of our imports in 1937.

#### Transportation problems

The cost of transportation is sufficiently high in relation to the value of the product that most areas are served by nearby plants. An average railroad revenue of 51 cents per barrel, or about 34 per cent of the average factory value, was shown by ICC studies of revenue received by Class I railroads from cement hauling in 1929 and in 1937. The average haul was found to be 195 miles. Comparisons indicate that in recent years the freight burden has tended to increase, which has been intensified by recent freight rate increases.

In view of the relatively high transportation costs, competition from foreign cement has been limited largely to Boston, New York City, and Florida. The combined importations into these three markets in 1936 and 1937 accounted for 77 per cent of total imports, the remainder being distributed at many ports of entry.

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For many years Boston has been one of the most important, if not the most important, United States market for imported cement. This has been largely because of two factors: (1) metropolitan Boston is a sizeable market for cement, normally accounting for over a million barrels annually, (2) the principal sources of domestic supply, namely, "the Hudson River District of New York State" and the "Lehigh Valley of eastern Pennsylvania, New Jersey, and Maryland", are located at points from which rail hauls to the above market range from 58 to 72 cents per barrel, as compared with ocean rates from Antwerp, Belgium, to the same point of about 50 cents per barrel.

To a considerable extent, the same two factors apply to the situation in New York City. However, this is a much larger market than Boston, normally using over 6,000,000 barrels annually, and is more advantageously located with respect to domestic sources of supply. Imports have never supplied as large a share of the huge consumption in New York City as they have in the case of Boston. A factor of considerable importance in connection with the competition offered by foreign cement at such a large market as New York City is the reluctance on the part of domestic producers to cut prices in that area.

In Florida the competitive situation between domestic and foreign cement has changed greatly since 1934. Imports into that State increased from 10,000 barrels in that year to 351,000 and 298,500 barrels,



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respectively, in 1936 and 1937. These imports supplied about one-fifth of the State's total cement consumption in those 2 years. Before the only cement plant in Florida was established (at Tampa) in 1927, the bulk of that State's requirements of domestic cement was obtained from Georgia and Alabama plants at rail rates ranging from about 60 cents to \$1 per barrel. During the Florida building boom of 1925-26, however, about 2 million barrels of foreign cement (largely from Belgium) entered that State.

#### Prices and pricing policies

Following a price war in the industry in 1931 and 1932, cement prices rose sharply in 1933 and 1934 despite the fact that the industry was operating at an extremely low rate. In Chart 3 the average factory price of cement in bulk is compared with the operating rate and with payrolls in the cement industry. A further comparison is made in Chart 4 with prices of building materials as a group and with the all-commodity index. Cement prices in 1933 and 1934, under the NRA code, rose sharply above both these indexes, and have since held steady around the 1934 high level.

A more detailed picture of cement price trends is shown in Chart 5. The price to dealers in one city (Chicago), as reported by the Engineering News Record, is shown to give an exhibit of changes in quoted prices.

From three-fifths to two-thirds of the domestic Portland cement is normally sold through building supply dealers who handle it along with many other building materials. The remainder is generally sold direct. On the same chart is shown the average United States price F.O.B. mill, as computed by the Bureau of Mines.

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to large consumers such as the United States Government, State Governments, municipalities, and railroads, sometimes at lower prices than those quoted to dealers.

The great bulk of the United States cement is sold on the basis of prices F.O.B. destination. The mill nearest the market generally establishes the price, which is usually met by competing mills less advantageously located. In large cities on the seaboard, the laid-down price of foreign cement has considerable bearing on the local price, but such effects are always of a highly localized nature. High transportation charges prohibit foreign cement from reaching interior markets.

The domestic cement industry, in setting prices, generally has operated on the multiple-basing-point system, there being in the neighborhood of 65 basing points. The five largest companies, operating about 50 plants in the United States and accounting for about 40 percent of the country's total capacity, wield considerable influence on the prices at which cement is sold throughout a large portion of the American market.

#### Price combination

The Federal Trade Commission is now studying price combination among United States cement producers. The Commission's complaint has been issued against the Cement Institute and 75 cement manufacturing member corporations, reported to produce 95 percent or more of all the cement made in the United States. About 14 companies operating roughly the

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same number of plants are not included in this investigation. The complaint alleges violation of the Federal Trade Commission Act and Section 2 of the Clayton Act, as amended by the Robinson-Patman Act.

Reasons for believing prices too high

Our belief that cement prices are too high is based on the following considerations:

1. The rigidity of the price structure, and the fact that prices have not varied in accordance with changes in demand and supply conditions, tends to indicate that prices have been maintained at artificial levels. (See Chart 3)

2. The high level of cement prices at mills since 1932, as compared with the general commodity price level, suggests that prices are too high. (See Chart 4).

3. Known price-making policies of the industry, in which a few large companies wield considerable influence on prices through a trade association, which prices are adhered to by all producers, suggest the maintenance of semi-monopoly price levels.

4. Inefficient marketing policies developed under the basing-point system tend to keep prices unduly high. In attempting to expand sales without reducing prices to consumers, cement companies compete in territories outside their natural boundaries, absorbing the increased freight costs. Under freely competitive conditions the extra freight costs absorbed by the cement companies would go to the benefit of consumers in nearby areas in the form of lower prices.



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5. The Federal Trade Commission's study of the cement industry, which led to complaint of unfair price combination, indicated that prices were being maintained at too high a level. (See Appendix, Exhibit A).

Tariff considerations

Under the Tariff Act of 1930, Portland cement is dutiable at 6 cents per 100 pounds, which rate was reduced to  $4\frac{1}{2}$  cents per 100 pounds on May 1, 1935, under the trade agreement with Belgium. The ad valorem equivalent of this duty averaged 21 per cent in 1936 and 1937.

A lower tariff rate would tend to lower prices at seaboard points, but probably would have little effect in interior markets. Were the duty reduced to 3 cents per 100 pounds, the maximum reduction permitted by law, it would be equivalent to less than one-fourth of the average domestic rail charge (51 cents per barrel) as reported by the Interstate Commerce Commission, which would compare with one-third of the average rail charge under the present rate.

When cement was entered free of duty under the Tariff Acts of 1913 and 1922, relatively little was consumed at markets other than those on or adjacent to the seaboard.

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Profits of cement companies

The net incomes of leading cement companies are shown in the appendix (Exhibit B). A study of the earnings of these companies in relation to cement prices and to the rate of operations in the industry suggests that while the price received for cement is an important factor in earnings, the volume of sales is perhaps of equal importance. Earnings improved sharply in 1936, with no increase in cement prices, as the result of an increase in productive activity to 58 per cent of capacity from 38 per cent in 1935. Activity in 1937 averaged 59 per cent of capacity, suggesting that considerable possibilities exist for further improvement in earnings through increased volume.

## GEOLOGICAL DATA

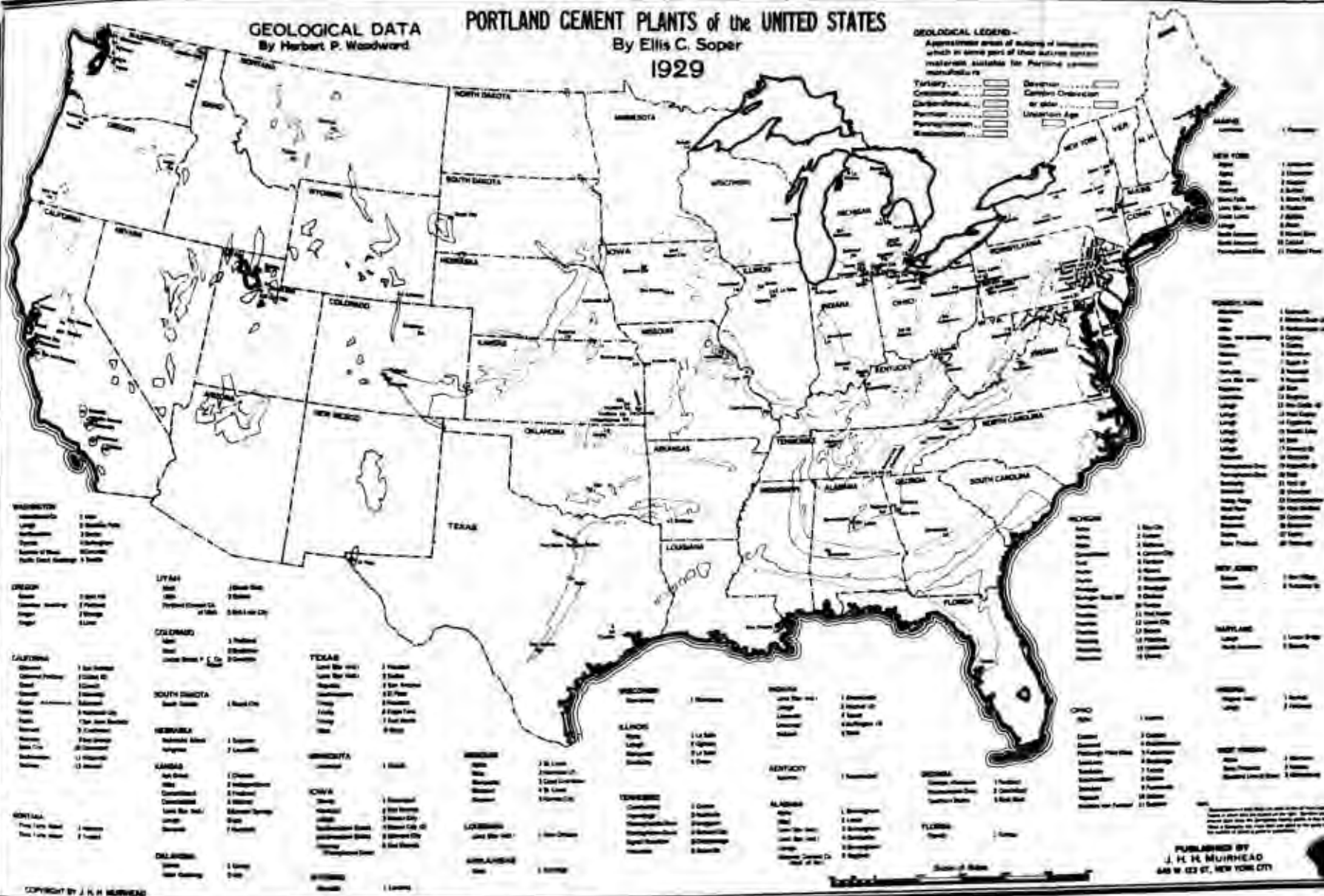
By Herbert P. Woodward

**PORTLAND CEMENT PLANTS of the UNITED STATES**  
By Ellis C. Soper  
1929

**GEOLOGICAL LEGEND -**  
Approximate areas of outcrop of limestone, which in some parts of their outcrop contain materials suitable for Portland cement manufacture.

Tertiary.....	
Quaternary.....	
Carboniferous.....	
Permian.....	
Triassic.....	

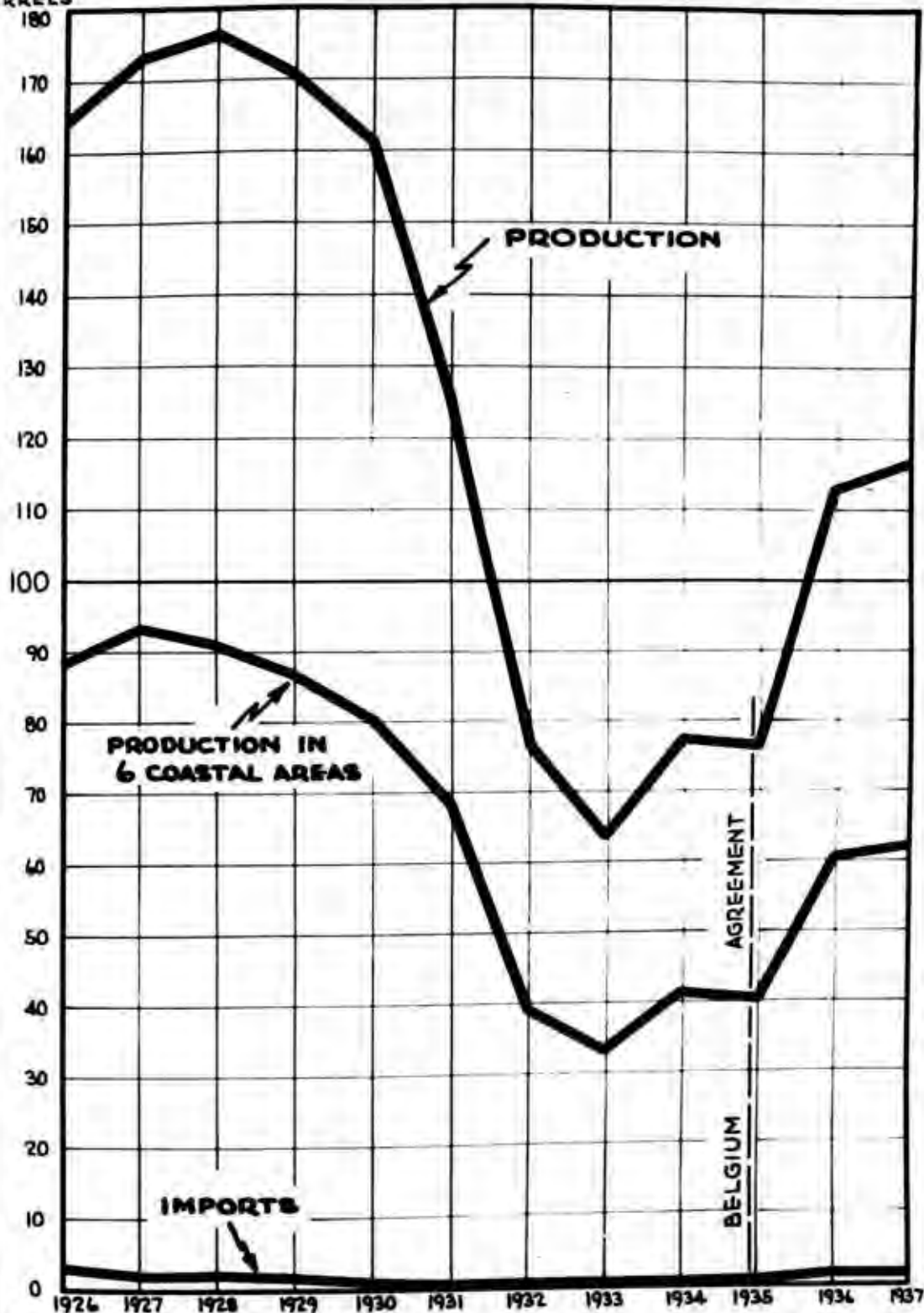
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**PORTLAND CEMENT**  
**U.S. PRODUCTION AND IMPORTS**

MILLION  
BARRELS

# PORTLAND CEMENT

## PRICE TREND AND ACTIVITY OF INDUSTRY

(1926 = 100)  $\swarrow$

$\swarrow$  PAYROLLS 1925-27 AVERAGE = 100

INDEX  
NUMBERS

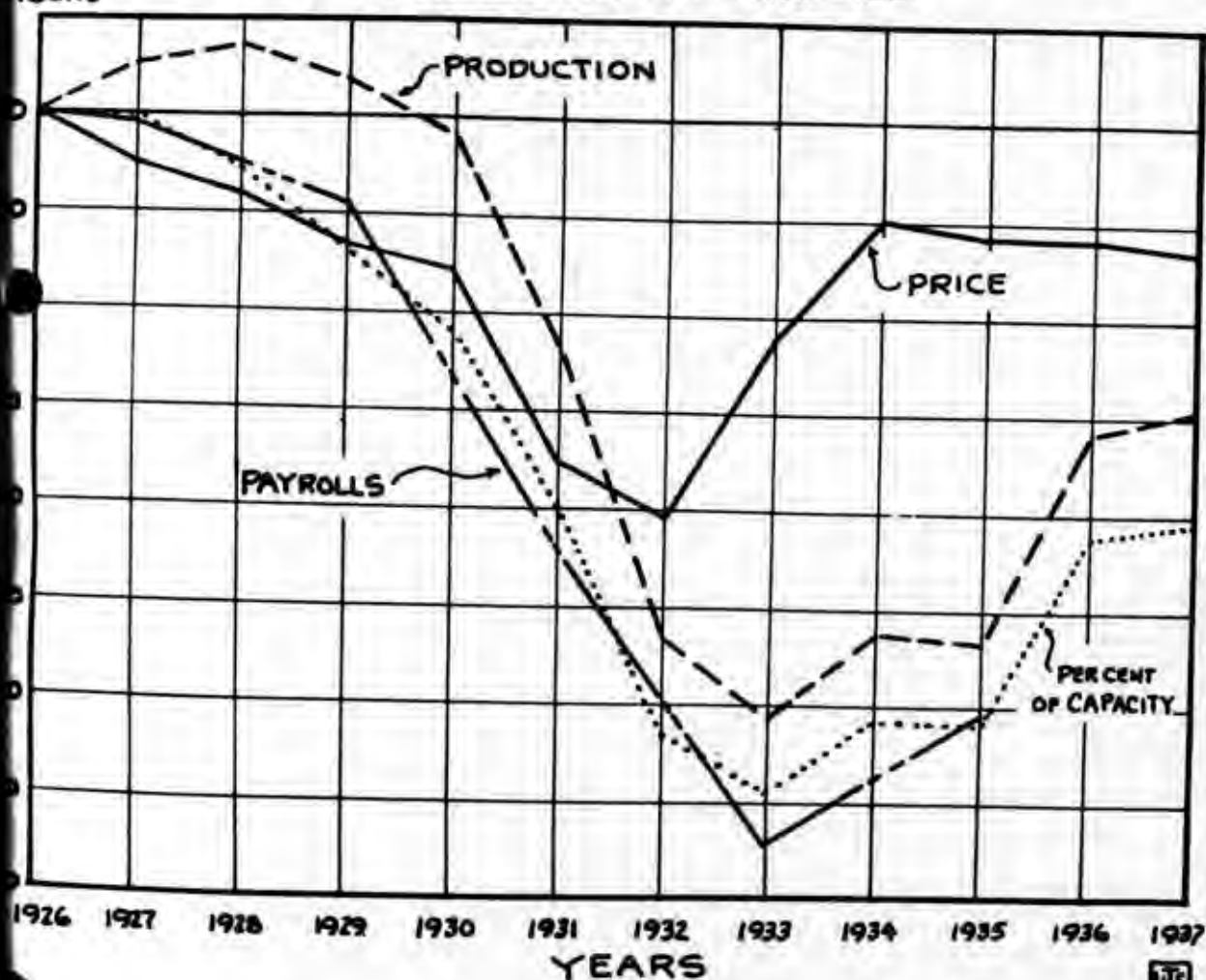


Table 1

Portland cement companies not included in the study of the cement industry now being conducted by the Federal Trade Commission:

American Portland Cement Co., West New York, N. J. (Foreman, Ark.)  
Cowell Portland Cement, Cowell (San Francisco), California.  
Blue Diamond Corporation, Los Angeles, California.  
United States Portland Cement Co., Denver, Colorado.  
Washington-Idaho Lime Products Co., Spokane, Wash.  
Louisville Cement Co., Louisville, Ky.  
Ford Motor Company, Dearborn, Mich.  
Allentown Portland Cement, Catasqua, Pa.  
South Dakota Cement Plant, Rapid City, S. Dakota.  
San Antonio Portland Cement Co., San Antonio, Texas. (Cementville).  
Gulf Portland Cement Co., Houston, Texas.  
Longhorn Portland Cement Co., San Antonio, Texas. (Longhorn).  
Western Portland Cement Co., Salt Lake City, Utah. (Bakers)  
Olympic Portland Cement Co., Seattle, Wash. (Bellingham)  
Standard Lime & Stone Co., Baltimore, Md. (Martinsburg, W. Va.)  
National Portland Cement Co., Philadelphia, Pa. (Broadhead)



Table 2. - Portland cement: United States production, estimated capacity, and percentage of capacities utilized by producing districts in 1936

United States producing areas	: Number : of : active : plants :	: Output	: Estimated : capacity, : rated end : of year 1/ :	: Percentage ratio : of output to : estimated capa- : city end of year
		: <u>Thousand</u> : <u>barrels</u>	: <u>Thousand</u> : <u>barrels</u>	: <u>Percent</u>
<u>Coastal districts</u>				
New York and Maine -----	11	6,111	17,024	35.9
Eastern Pa., N.J., and Md. ---	23	21,360	50,756	42.1
Va., Tenn., Ala., Ga., Fla., and La. -----	17	10,078	25,555	30.0
Texas -----	9	5,840	11,492	34.2
California -----	10	13,379	22,980	35.0
Oregon and Washington -----	9	4,003	7,295	25.7
Total, coastal districts	79	60,791	135,102	45.0
<u>Interior districts</u>				
Ohio, western Pa., and W. Va. :	18	10,641	28,177	26.0
Michigan -----	10	7,673	16,400	26.8
Ind., Ill., Wis., Ky. -----	11	11,795	29,502	27.5
Eastern Mo., Iowa, Minn., and S. Dak. -----	11	10,515	22,867	33.9
W. Mo., Nebr., Kans., Okla., and Ark. -----	12	8,219	17,157	34.3
Colo., Mont., Utah, Wyo., and Idaho -----	8	3,016	6,217	37.6
Total, interior districts	70	51,859	120,402	43.1
Grand total -----	149	112,650	255,504	44.1

1/ As reported by individual producers to the Bureau of Mines.  
Source: U.S. Department of Interior, Bureau of Mines.

Table 3. - Portland cement: United States production and shipments

Year	Number of active plants	Production	Shipments		
			Quantity	Value	Unit value
			Barrels		Per barrel
1926	140	164,530,170	162,187,090	\$277,965,473	\$1.71
1927	153	173,206,513	171,864,728	278,854,647	1.62
1928	156	176,298,846	175,838,332	275,972,945	1.57
1929	163	170,646,036	169,868,322	252,153,789	1.48
1930	163	161,197,228	159,059,334	228,719,756	1.44
1931	160	125,429,071	127,150,534	140,959,906	1.11
1932	160	76,740,945	80,843,187	82,021,723	1.01
1933	152	63,473,189	64,282,756	85,600,717	1.33
1934	150	77,747,765	75,901,279	116,921,084	1.54
1935	150	76,741,570	75,232,917	113,372,182	1.51
1936	149	112,649,782	112,849,979	170,415,302	1.51
1937	1/	2/116,478,000	2/114,010,000	2/169,807,000	1.49

1/ Not available.

2/ Preliminary.

Source: United States Department of Interior, Bureau of Mines.

Table 4. - Portland and other hydraulic cement: Total United States imports for consumption, including imports into territorial possessions

Year	Quantity	Value	Value : per barrel	Percentage ratio (in quantity) to -	
				Total domestic production	Production of mills in six seaboard districts
	Barrels			Percent	Percent
1926	3,232,494	\$5,128,061	\$1.59	1.96	3.66
1927	2,050,328	2,960,577	1.44	1.18	2.18
1928	2,286,421	3,099,160	1.36	1.30	2.51
1929 <sup>1/</sup>	1,236,203	1,673,411	1.35	1.01	1.98
1930 <sup>2/</sup>	831,927	1,045,091	1.26	.60	1.21
1931	457,233	507,918	1.11	.37	.67
1932	462,496	351,133	.76	.61	1.19
1933	471,949	387,991	.82	.74	1.43
1934	261,884	253,775	.97	.34	.63
1935	616,423	607,760	.99	.80	1.52
1936	1,654,504	1,408,545	.85	1.47	2.72
1937	1,779,211	1,341,344	.75	1.53	2.87

<sup>1/</sup> Does not include imports of cement clinker amounting to 474,095 barrels, valued at \$257,510.

<sup>2/</sup> Ratio based on combined importation of cement and cement clinker.

<sup>3/</sup> Does not include imports of cement clinker amounting to 143,623 barrels, valued at \$90,880.

Source: Compiled from official statistics of the United States Department of Commerce.



Table 5. - Portland and other hydraulic cement:  
United States exports <sup>1/</sup>

Year	Quantity	Value	Value per barrel	Percentage of domestic production
	Barrels			Percent
1926	974,326	\$2,995,833	\$3.07	0.59
1927	816,726	2,796,717	3.42	.47
1928	824,656	2,938,702	3.56	.47
1929	886,172	3,083,911	3.48	.52
1930	755,708	2,454,605	3.25	.47
1931	429,653	1,220,600	2.84	.34
1932	374,581	802,205	2.14	.49
1933	680,302	1,487,707	2.17	1.07
1934	566,171	1,333,381	2.35	.73
1935	416,099	1,012,942	2.43	.54
1936	152,803	271,031	1.77	<sup>2/</sup> .14
1937	200,096	397,615	1.99	<sup>2/</sup> .17

<sup>1/</sup> Exports shown for years 1926-35 consist largely of relatively expensive specialized types of portland cement; for 1936 and 1937 they consist largely of the standard product.

<sup>2/</sup> Percentages not comparable with previous years since figures do not include the preponderant specialized cements.

Source: Foreign Commerce and Navigation of the United States.

Imports are very small compared to either total United States production or to production of the seaboard areas in which they compete. (See chart I).

Table 6. - Portland and other hydraulic cement and cement clinkers:  
Imports into the United States, from principal sources

	1927 <sup>1/</sup>	1929 <sup>1/</sup>	1933 <sup>1/</sup>	1936 <sup>2/</sup>	1937 <sup>2/</sup>
<u>Quantity (barrels) <sup>3/</sup></u>					
Belgium-----	1,487,014	4/1,186,166	154,953	846,172	1,004,290
Denmark-----	238,663	319,679	221,071	328,958	280,140
United Kingdom-----	55,022	178,415	51,225	15,286	6,782
Germany-----	7,623	18,186	15,188	257,048	159,210
Other-----	261,858	25,454	30,113	207,040	328,789
Total -----	2,050,180	1,727,900	472,550	1,654,504	1,779,211
<u>Percent of total quantity:</u>					
Belgium -----	72.5	68.6	32.8	51.2	56.4
Denmark -----	11.6	18.5	46.8	19.9	15.7
United Kingdom -----	2.7	10.3	10.8	.9	.4
Germany -----	.4	1.1	3.2	15.5	9.0
Other -----	12.8	1.5	6.4	12.5	18.5
Total -----	100.0	100.0	100.0	100.0	100.0

<sup>1/</sup> General imports.

<sup>2/</sup> Imports for consumption.

<sup>3/</sup> Quantities reported in tons or pounds converted into barrels at 376 pounds per barrel.

<sup>4/</sup> Includes 474,095 barrels of cement clinker.

For Release in MORNING NEWSPAPERS of Monday, July 5, 1937.

FEDERAL TRADE COMMISSION  
Washington

PRICE COMBINATION AMONG CEMENT  
PRODUCERS ALLEGED IN F. T. C. COMPLAINT

Charging a combination to eliminate price competition, resulting in increased prices for cement, the Federal Trade Commission has issued a complaint against The Cement Institute, an unincorporated association, its officers, and 75 cement manufacturing member corporations, producing 95 per cent or more of all of the cement made in the United States. The complaint alleges violation of the Federal Trade Commission Act and Section 2 of the Clayton Act, as amended by the Robinson-Patman Act.

The complaint charges that the chief means employed for carrying the cement combination into effect is concerted use of the multiple basing point system of quoting prices. Under this system, it is alleged, identical delivered prices are made by every quoting producer entering into the combination, to any given destination in the United States. Instances of identical bids made by many producers to various Federal and State agencies are set forth in the complaint.

The Commission's complaint sets out, in effect, that each producing company knows that, when it refrains from offering competitive prices in the consuming areas where it has a natural advantage and receives its highest actual price, it will receive the same freedom from price competition when the situation is reversed. In this way there is everywhere a reciprocal waiver of natural advantages with no competition in price anywhere.

COOPERATIVE METHODS EMPLOYED

The following cooperative methods, it is alleged, have been used by the producers in support of their combination:

They have refused to sell f.o.b. mill and will sell only at formula delivered prices;

They have employed the Institute's freight rate books for the computation of identical delivered prices regardless of whether the rates contained in the books are officially correct or not;

They have penalized customers where customers use trucks for delivery, but have monopolized for themselves the benefit of cheaper transportation when available by highways and waterways;

They have prohibited diversion of cement in transit;

They have resorted to misleading propaganda as to the competitive character of their practices;



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They have deprived branches of the Federal government buying cement for numerous western projects of part of the benefit of land grant railroad rates;

They have arbitrarily divided customers into classes - those who may buy direct and those who may not;

They have made arbitrary definition of what middlemen shall be regarded as "cement dealers". Others have not been permitted to buy;

They have made uniform terms and discounts;

They have at times used boycott and espionage of dealers to eliminate the competition of foreign cement importers.

The system is also alleged to be one of price discrimination since under it the true or net prices received by each producer, from various customers, are substantially different. Customers nearest the mills are obliged to pay higher net prices than are made by a local mill to distant customers.

As to the public interest in support of the case, the following allegations are made:

The direct and immediate result of the said combination has been and is restraint upon interstate commerce with respect to cement manufactured by any of the producing respondents to be transported beyond the State in which the cement was made. Such confederated action exercises a power which individual action could not exercise or possess, and the necessary tendency and the direct and substantial effect of the combination are injury to the public.

The effect of the respondents' combination upon the public interest has been and now is:

(1) To bring about the disappearance of prices arrived at through the play of competitive forces, and the adoption by concert of organized producers of prices calculated to preserve the more poorly located, equipped, and conducted units at the expense of the buying public;

(2) To lessen the demand for cement and the volume of public and private construction in which cement is used;

(3) Correspondingly to lessen the opportunities for employment, both in the cement industry and in the construction industry;

(4) To raise the cost of public roads and projects and private structures in which cement is used and thereby either to make them less available to the public or to raise the taxes and rents by which the public pays for them;

(5) To encourage the development of excess capacity by the inducement of high prices and of fictitious freight charges obtainable by mills not located at basing points.

## RESPONDENTS NAMED IN THE COMPLAINT

The Cement Institute, an unincorporated association, whose membership comprises practically every producer of cement in the country, divided into Northeastern, Southeastern, Chicago, and Kansas City divisions, each with its office, with freight rate bureaus located at Bethlehem, Pa., and Chicago, is named as a respondent, as are S. W. Storey and G. H. Reiter, president and secretary, respectively, of the Institute.

## Manufacturing companies named as respondents are:

Aetna Portland Cement Company, Detroit; Alpha Portland Cement Company, Easton, Penna.; Arkansas Portland Cement Company, Denver, Colo.; Ash Grove Lime & Portland Cement Company, Kansas City, Mo.; Beaver Portland Cement Company, Portland, Ore.; Bessemer Limestone & Cement Company, Youngstown, Ohio; Calaveras Cement Company, San Francisco; California Portland Cement Company, Los Angeles; Castalia Portland Cement Company, Pittsburgh; Colorado Portland Cement Company, Denver, Colo.; Consolidated Cement Corporation, Chicago; Coplay Cement Manufacturing Company, Coplay, Penna.; Cumberland Portland Cement Company, Cowan, Tenn.; Dewey Portland Cement Company, Kansas City; Diamond Portland Cement Company, Middle Branch, Ohio; Edison Cement Corporation, New York; Federal Portland Cement Company, Inc., Buffalo, N. Y.; Florida Portland Cement Company, Chicago; Georgia Cement & Products Company, Atlanta; Giant Portland Cement Company, Philadelphia; Glens Falls Portland Cement Company, Glens Falls, N. Y.; Great Lakes Portland Cement Corporation, Buffalo, N. Y.; Green Bag Cement Company of West Virginia, Pittsburgh, Penna.; Hawkeye Portland Cement Company, Des Moines, Iowa; Hercules Cement Corporation, Philadelphia;

Hermitage Portland Cement Company, Nashville, Tenn.; Huron Portland Cement Company, Detroit; Idaho Portland Cement Company, Inkom, Idaho; International Cement Corporation, New York; Keystone Portland Cement Company, Philadelphia; Kosmos Portland Cement Company, Louisville, Ky.; Lawrence Portland Cement Company, Siegfried, Penna.; Lehigh Portland Cement Company, Allentown, Penna.; Marquette Cement Manufacturing Company, Chicago; Medusa Portland Cement Company, Cleveland, Ohio; Missouri Portland Cement Company, St. Louis; Monarch Cement Company, Humboldt, Kansas; Monolith Portland Cement Company, Los Angeles; Monolith Portland Midwest Company, Los Angeles; National Cement Company, Birmingham, Ala.; Nazareth Cement Co., Nazareth, Penna.; Nebraska Cement Company, Denver, Colo.; North American Cement Corporation, Albany, N. Y.; Northwestern Portland Cement Company, Seattle, Wash.; Northwestern States Portland Cement Company, Mason City, Iowa; Oklahoma Portland Cement Company, Denver, Colo.; Oregon Portland Cement Company, Portland, Ore.; Pacific Portland Cement Company, San Francisco; Peerless Cement Corporation, Detroit; Pennsylvania-Dixie Cement Corporation, New York; Petoskey Portland Cement Company, Petoskey, Mich.; Pittsburgh Plate Glass Company, Pittsburgh; Portland Cement Company of Utah, Salt Lake City; Riverside Cement Company, Los Angeles;

Santa Cruz Portland Cement Company, San Francisco; Signal Mountain Portland Cement Company, Chicago; Southern States Portland Cement Company, Rockmart, Ga.; Southwestern Portland Cement Company, El Paso, Texas;



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Spokane Portland Cement Company, Spokane, Wash.; Standard Portland Cement Company, Cleveland, Ohio; Superior Cement Corporation, Portsmouth, Ohio; Superior Portland Cement, Inc., Seattle, Wash.; Three Forks Portland Cement Company, Denver, Colo.; Trinity Portland Cement Company, Chicago; Union Portland Cement Company, Denver, Colo.; Universal Atlas Cement Company, Chicago; Valley Forge Cement Company, Catasauqua, Penna.; Volunteer Portland Cement Company, Knoxville, Tenn.; Vulcanite Portland Cement Company, Philadelphia; Wabash Portland Cement Company, Detroit; West Penn Cement Company, Butler, Penna.; Whitehall Cement Manufacturing Company, Philadelphia; Wolverine Portland Cement Company, Goldwater, Mich.; and Yosemite Portland Cement Corporation, Merced, Calif.

All of the foregoing named corporate respondents are producers of cement and members of the Institute. Many of them have mills in more than one locality.

The respondents have been allowed twenty days from date of service of the complaint in which to file answer to the allegations contained therein.

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Attached are tables showing for the years 1929 to 1937 the financial and operating data available in published reports for the following five large cement companies:

Alpha Portland Cement Company, Easton, Pennsylvania  
 Lehigh Portland Cement Company, Allentown, Pennsylvania  
 Lone Star Cement Corporation, 342 Madison Ave., New York, N.Y.  
 Pennsylvania-Dixie Cement Corporation, 60 E. 42nd St., New York, N.Y.  
 Universal Atlas Cement Company, 208 So. LaSalle St., Chicago, Ill.

The last-named company is a subsidiary of the United States Steel Corporation, which controlled 71.72 percent of the voting power on May 2, 1935, according to information available at the Securities and Exchange Commission. No separate financial information for the company is available.

In terms of the size of financial operations, the Lone Star Cement Corporation is the largest of these companies, reporting net sales of \$21 millions in 1937, and net income of \$3.9 millions. In 1936 the company had 10 plants, employed 3,800 people, and had total assets of \$46 millions. The second largest company, the Lehigh Portland Cement Company, reported net sales of \$12 millions in 1937, and net earnings of \$1.3 millions. In 1936 it operated 13 plants, employed 2,900 people, and had total assets of \$36 millions.

No evidence was found, from the information available, that the directors of these five companies were directors of other non-subsidary cement companies. The interlocking directorates were mainly with subsidiaries and with banking and local affiliations.

The table below shows for the four companies for which the data are available, the net sales, the net operating profit, and the net income for the years 1929 to 1937.

Four Large Cement Companies

Year	Net Sales	Net Operating Profit	Net Income
(Millions of dollars)			
1929	68.7	11.4	9.8
1930	62.3	10.6	8.5
1931	44.5	.6	- .7
1932	24.8	- 5.7	- 7.1
1933	24.1	- 1.6	- 3.4
1934	32.5	2.2	.7
1935	33.1	2.1	.6
1936	44.8	7.8	5.7
1937	46.4	7.0	5.6

	1929	1930	1931	1932	1933	1934	1935	1936	1937*
<u>Balance Sheet Data (Thousands of dollars)</u>									
Total assets	32,730	31,684	29,011	26,960	26,197	25,757	21,439	21,457	21,239
Bonded debt	-	-	-	-	-	-	-	-	-
Preferred stock	2,000	2,000	2,000	2,000	2,000	2,500	-	-	-
Common stock	24,135	24,135	18,486	18,486	18,486	18,486	16,760	16,760	16,760
Minority interest	-	-	-	76	66	57	55	-	-
Surplus	4,715	3,896	7,500	5,602	4,761	3,681	3,455	3,603	3,249
Net working capital	9,220	9,396	8,145	7,534	7,550	5,082	5,407	6,840	6,632
<u>Operating Data (Thousands of dollars)</u>									
Net sales	11,369	9,937	6,013	3,858	4,075	4,712	4,971	7,140	6,724
Operating profit	1,733	1,233	- 1,003	- 1,862	- 735	- 367	- 265	879	330
Net income	1,815	1,248	- 779	- 1,764	- 750	- 163	- 180	862	353
Preferred dividends	140	140	140	140	140	163	-	-	-
Common dividends	2,133	1,600	711	171	-	161	645	645	645
<u>Other Financial Data</u>									
Earnings per share - common	\$ 236	\$ 1.56	d. \$ 1.33	d. \$ 2.84	d. \$ 1.35	d. \$ 0.51	d. \$ 0.30	\$ 1.34	\$ 0.55
Preferred - high									
low									
Common - high	36 $\frac{1}{2}$	42 $\frac{1}{2}$	18 $\frac{1}{8}$	10	24	20 $\frac{1}{8}$	22 $\frac{3}{4}$	34 $\frac{1}{2}$	39 $\frac{1}{2}$
low	23	11 $\frac{1}{2}$	7 $\frac{5}{8}$	4 $\frac{1}{2}$	5 $\frac{1}{2}$	11 $\frac{1}{2}$	14	19 $\frac{1}{2}$	8 $\frac{1}{2}$
<u>Other Data</u>									
Number of employees		1,448	1,223	1,081					
Number of plants	10	10	10	10	10	10	9	9	
Annual capacity (Millions of barrels)	13	13	13	13	13	13	13	13	
<u>Number of stockholders</u>									
Preferred									
Common									
<u>Plants:</u> Owns 9 plants, 1 in Cementon, N. Y., 1 in Jamesville, N. Y., 1 in Manheim, W. Va., 1 in La Salle, Ill., 1 in Ironton, Ohio, 1 in Alpha, Mo., 2 in Martin's Creek, Pa., 1 in Birmingham, Ala.									

\* 1937 data for year ending September 30.

Source: Woody's Manual of Investments.

## ALPHA PORTLAND CEMENT COMPANY

Easton, Pennsylvania

Chairman of Board -- G. S. Brown, Easton, Pennsylvania  
President -- F. G. McKelvy, Easton, Pennsylvania  
Vice-President -- F. M. Coogan, Easton, Pennsylvania  
Vice-President -- J. F. Magee, Easton, Pennsylvania  
Secretary -- Robert S. Gerstell, Easton, Pennsylvania  
Treasurer -- J. J. Matthes, Easton, Pennsylvania  
Sales Manager -- J. G. Bragg, Easton, Pennsylvania  
Accountants Certifying Statements -- Haskins & Sells,  
15 Broad Street, New York City  
Directors -- G. S. Brown, Easton, Pennsylvania;  
F. G. McKelvy, Easton, Pennsylvania; F. M. Coogan,  
Easton, Pennsylvania; Robert S. Gerstell, Easton,  
Pennsylvania; C. K. Boettcher, 828-17th Street,  
Denver; Robert Struthers, 20 Pine Street, New York City;  
Louis H. Porter, 60 East 42nd Street, New York City;  
J. M. Lockhart, 1507 Union Bank Building, Pittsburgh;  
J. H. Lockhart, 1507 Union Bank Building, Pittsburgh;  
J. F. Magee, Easton, Pennsylvania.

Source: Poor's Register of Directors, 1938.



Alpha Portland Cement Co., Easton, Pa. - 1938

Brown, G. S. - (Chairman of Board and Director)

First National Bank & Trust Co., Easton, Pa. - Vice-president and Director.

Yale & Towne Manufacturing Co., Stamford, Conn. - Director.

Vendor Slate Co., Easton, Pa. - Director.

General Supply Co., Easton, Pa. - Director.

McKelvy, F. G. - (President and Director) No other connections.

Coogan, F. M. - (Vice-president and Director)

2nd National Bank, Phillipsburg, N. J. - President and Director.

Wages, J. F. - (Vice-president and Director) not listed.

Gerstell, Robert S. - (Secretary and Director)

General Supply Co. - President and Director.

Alpha Supply Co. - President and Director.

Phoenix Gypsum Co. - Vice-president and Director.

Riverwood Beach, Inc. - President and Director.

Easton Trust Co. - Director.

Hotel Easton Co. - Vice-president and Director.

Green Pond County Club, Inc. - President and Director.

Matthes, J. J. - (Treasurer)

Phoenix Gypsum Co., Inc. - President and Director.

Brace, J. G. (Sales Manager) not listed.

Haskins & Sells - Accountants

Boettcher, C. K. - (Director) = President and Director of Boettcher Corp., Denver, Colo.

American Crystal Sugar Co. - Chairman of Board, Chairman of Executive Committee and Director.

Boettcher & Co. - Chairman of Board and Director

Denver Tramway Co. - Director.

Denver & Intermountain Ry. - Chairman of Board and Director.

General Securities Co. - President and Director.

C. Boettcher Investment Co. - President and Director.

Fifteenth St. Investment Co. - President and Director.

New Markham Investment Co. - President and Director.

New Windsor Investment Co. - President and Director.

Big Horn Cattle Co. - President and Director.

Alpha Portland Cement Co., Easton, Pa. - 1938 (continued)

Boettcher, C. E. (continued)

Brown Palace Hotel Co. - President and Director.  
 Dome Investment Co. - Vice-president and Director.  
 Ideal Corp. - President and Director.  
 Ideal Cement Co. - Vice-president, Treasurer and Director.  
 Sixteenth St. Realty Co. - President and Director.  
 Colorado Portland Cement Co. - Vice-president and Director.  
 Nebraska Portland Cement - Vice-president and Director.  
 Union Portland Cement Co. - Vice-president and Director.  
 Three Forks Portland Cement Co. - Vice-president and Director.  
 Oklahoma Portland Cement Co. - Vice-president and Director.  
 United States Portland Cement Co. - Vice-president and Director.  
 Ritz Carlton Investment Co. - Vice-president and Director.  
 Denver Dry Goods Co. - Director.  
 Alpha Portland Cement Co. - Director.  
 Rocky Mountain Motor Co. - Director.  
 Graysonia, Nashville & Ashdown Railroad - Vice-president and Director.  
 Moffat Coal Co. - Director.  
 San Luis Valley Southern Railway - Vice-president and Director.  
 Boettcher Realty Co. - President and Director.  
 Cement Investors Inc. - President and Director.  
 Potash Co. of America - Director.

Struthers, Robert - (Director)

Wood, Struthers & Co. - partner.  
 Hans Rees' Sons, Inc., Asheville, N. C. - Director.  
 Yale & Towne Manufacturing Co. - Director.  
 Alpha Portland Cement Co. - Director.

Porter, Louis H. - (Director)

Porter & Taylor - senior partner.  
 Yale & Towne Manufacturing Co. - General Counsel and Director.  
 Alpha Portland Cement Co. - General Counsel and Director.  
 Hans Rees' Sons, Inc. - General Counsel and Director.  
 Atlantic, Gulf & Pacific Co. - Director.

Lockhart, J. M. - (Director) not listed

Lockhart, J. H. - (Director)

Union Savings Bank - Director.  
 Union Trust Co. - Director.  
 Mellon National Bank - Director.  
 Lockhart Iron & Steel Co. - Vice-president and Director.  
 Pittsburgh Steel Foundry Co. - Director.  
 Alpha Portland Cement Co. - Director.



	1929	1930	1931	1932	1933	1934	1935	1936	1937
<b>Balance Sheet Data (Thousands of dollars)</b>									
Total assets	55,122	53,800	50,946	45,599	42,861	42,777	37,122	36,480	35,878
Bonded debt									
Preferred stock	21,119	20,497	19,759	15,956	15,782	14,885	12,174	9,076	5,675
Common stock	22,517	22,517	22,517	22,517	22,517	22,517	22,517	15,848	19,249
Surplus	8,424	8,360	6,980	5,386	2,617	3,149	466	9,396	9,303
Net working capital	16,963	17,419	14,835	11,365	11,281	12,867	11,516	12,087	12,583
<b>Operating Data (Thousands of dollars)</b>									
Net sales	19,347	16,700	12,292	6,386	6,456	9,492	9,002	12,779	12,401
Operating profit	2,316	1,848	- 262	- 2,318	- 891	577	206	2,201	1,005
Net income	2,737	2,106	79	- 1,998	- 847	849	496	2,161	1,251
Preferred dividends	1,485	1,450	1,404	1,137	557	535	438	334	245
Common dividends	1,124	786	112	-	-	-	-	1,127	1,099
<b>Other Financial Data</b>									
Earnings per share common	\$2.78	\$1.46	d\$2.96	d\$7.09	d\$4.43	d\$0.44	d\$0.82	\$2.91	\$1.33
Preferred - high	110 $\frac{1}{2}$	108 $\frac{1}{2}$	101 $\frac{1}{2}$	75	78	90	107	180	203
Preferred - low	100	98 $\frac{5}{8}$	72	40	34	73 $\frac{5}{8}$	89 $\frac{1}{2}$	94 $\frac{1}{2}$	97
Common - high	65	40	18 $\frac{1}{2}$	11	27	20	17 $\frac{3}{8}$	45 $\frac{1}{2}$	51 $\frac{1}{2}$
Common - low	30	12	5	3 $\frac{5}{8}$	5 $\frac{7}{8}$	11	10 $\frac{5}{8}$	15 $\frac{1}{2}$	14
<b>Other Data</b>									
Number of employees	3,264	3,071	2,533	1,900	2,100	2,400	2,700	2,900	
Number of plants	16	16	16	16	16	16	13	13	
Annual capacity (Millions of barrels)	35	25							
<b>Number of stockholders</b>									
Preferred									
Common									
<b>Plants:</b> Owns 13 plants: Ormrod (2), Fogelsville, New Castle, Pa., Sandt's Eddy, Pa., Mitchell, Ind., Oglesby, Ill., Mason City, Iowa, Iola, Kansas, Meteline Falls, Washington, Union Bridge, Md., Fordwick, Va., Birmingham, Ala.; Owns 50.2 percent interest in Great Lakes Portland Cement Corp., which operates a plant at Buffalo, N. Y.									
Controls the Inland Portland Cement Co., Lehigh Lime Co., Eclipse Lighterage & Transportation Co., and Allen County Supply Co.									

Source: Moody's Manual of Investments.



# LEHIGH PORTLAND CEMENT COMPANY

Allentown, Pennsylvania

President -- Joseph S. Young, Young Building, Allentown, Pennsylvania.  
 Vice-President & General Manager -- R. R. Bear, Young Building, Allentown, Pennsylvania.  
 Vice-President -- B. L. Swett, Young Building, Allentown, Pennsylvania.  
 Vice-President -- B. H. Bader, 111 West Washington Street, Chicago, Illinois.  
 Vice-President -- John C. Bowen, Young Building, Allentown, Pennsylvania.  
 Secretary -- C. C. Long, Young Building, Allentown, Pennsylvania.  
 Sales Managers -- B. L. Swett, (Eastern Sales Manager), Allentown, Pennsylvania; B. H. Bader, (Western Sales Manager), Chicago, Illinois.  
 Accountants Certifying Statements -- Price, Waterhouse & Company, 56 Pine Street, New York City.

## Directors:

Joseph S. Young, Young Building, Allentown, Pennsylvania.  
 R. R. Bear, Young Building, Allentown, Pennsylvania.  
 George E. Mosser, Jr., Commonwealth Building, Allentown, Pennsylvania.  
 B. F. Fackenthal, Jr., Riegelsville, Pennsylvania.  
 Robert A. Young, M. S. Young & Company, Allentown, Pennsylvania.

Lehigh Portland Cement Co. - 1938

Allentown, Pennsylvania

Young, Joseph S. - (President and Director)

Allentown Steam Heating and Power Co., (President and Director)  
Great Lakes Portland Cement Corp., (Director)  
Lehigh Lime Co., (President and Director)  
Eclipse Lighterage and Transportation Co., (President and Director)  
Inland Portland Cement Co., (President and Trustee)  
Pennsylvania Water and Power Co., (Director)

Bear, R. R. - (Vice-President, General Manager and Director)

No other connections

Swett, B. L. - (Vice-President and Sales Manager)

No other connections

Rader, B. H. - (Vice-President and Sales Manager)

No other connections

Bowen, John C. - (Vice-President)

Great Lakes Portland Cement Corp., (Director)  
Eclipse Lighterage and Transportation Co., (Director)

Long, C. C. - (Secretary) - not listed

Price, Waterhouse and Co., Accounts

Mosser, George K., - (Director)

Lehigh Valley Trust Co., (Chairman of Board and Director)  
Lehigh Brick Works, (Partner)  
Lehigh Lime Co., (Director)  
Inland Portland Cement Co., (Trustee)  
Allen County Supply Co., (Director)  
Eclipse Lighterage and Transportation Co., (Director)

Packenthal, B. F. Jr., (Director)

Eclipse Lighterage and Transportation Co., (Director)  
Lehigh Lime Co., (Director)  
Inland Portland Cement Co., (Trustee)  
Easton (Pa.) Trust Co., (Vice-President, Chairman Exec. Comm.  
and Director)

Young, Robert A. - (Director)

M. S. Young and Co., (Partner)  
Lehigh Valley Trust Co., (President and Director)

	1929	1930	1931	1932	1933	1934	1935	1936	1937
<u>Balance Sheet Data (thousands of dollars)</u>									
Total assets	55,625	57,675	54,251	52,413	51,721	51,763	44,695	46,189	
Bonded debt	17,996	17,996	17,996	17,996	17,996	17,730	12,000	428	
Preferred stock	-	-	-	-	-	-	-	-	
Common stock	21,449	21,851	21,885	21,546	21,410	21,410	21,410	32,559	
Surplus	13,802	15,008	12,879	11,128	10,577	10,973	9,610	10,862	
Net working capital	8,210	9,779	8,343	7,457	8,544	11,711	6,853	9,994	
<u>Operating Data (thousands of dollars)</u>									
Net sales	28,370	27,038	20,087	11,109	10,852	13,649	14,085	18,516	21,249
Operating profit	6,200	6,130	2,556	- 197	1,091	2,162	2,437	4,238	5,208
Net income	4,950	4,540	1,358	- 1,436	- 102	667	1,048	2,893	3,914
Common dividends	2,485	2,529	2,357	313	-	157	626	1,947	
<u>Other financial data</u>									
Earnings per share									
common	\$ 7.88	\$ 7.19	\$ 2.16	d\$ 2.29	d\$ 0.16	\$ 1.06	\$ 1.67	\$ 3.02	\$ 4.07
Common - high	102 $\frac{3}{4}$	75-3/8	62 $\frac{1}{2}$	18 $\frac{1}{2}$	40	37 $\frac{1}{2}$	36-7/8	61-7/8	75 $\frac{1}{2}$
low	48	49-1/2	16	3-5/8	6-1/8	18-3/8	22-7/8	35-1/2	32
<u>Other data</u>									
Number of employees								3,800	
Number of plants								10	
Annual Capacity (millions of barrels)								24	
<u>Number of stockholders</u>									
Preferred									
Common									

Plants: Owns 10 cement plants located in New York, Pennsylvania, Kansas, Texas (2), Virginia, Indiana, Louisiana, Alabama (2), and controls through stock ownership four others located in Cuba, Uruguay, Argentina and Brazil. During 1936 domestic plants operated at 38.5 percent of capacity and foreign plants at 72 percent of capacity, an average of 48 percent of capacity.

Source: Moody's Manual of Investments.



## LONE STAR CEMENT CORPORATION

342 Madison Avenue, New York City

President -- Charles L. Hogan, 342 Madison Avenue,  
New York City.  
Vice-President -- Harry C. Koch, 342 Madison Avenue,  
New York City.  
Vice-President -- Ejnar Posselt, 342 Madison Avenue,  
New York City.  
Vice-President -- Thorkild Avnsoe, 342 Madison Avenue,  
New York City.  
Vice-President -- Ragnar A. Hummel, 342 Madison Avenue,  
New York City.  
Vice-President -- John R. Dillon, 25 Broad Street,  
New York City.  
Secretary & Treasurer -- Hans H. Muehlke, 342 Madison Avenue,  
New York City.  
Accountants Certifying Statements -- Loomis, Suffern &  
Fernald, 80 Broad Street, New York City.

## Directors:

Charles L. Hogan, 342 Madison Avenue, New York City.  
Leavenworth P. Sperry, Waterbury, Connecticut.  
Rosser J. Coke, First National Bank, Dallas, Texas.  
Henry J. Wolff, 25 Broadway, New York City.  
Robert G. Stone, 75 Federal Street, Boston, Massachusetts.  
John R. Dillon, 25 Broad Street, New York City.  
Erle V. Daveler, 120 Broadway, New York City.  
Louis H. Carter, 50 Church Street, New York City.  
Irving M. Felt, 25 Broad Street, New York City.

## Lone Star Cement Corporation - 1935

Rogar, Charles L. - President. General Manager and Director.

Manufacturers Trust Company, New York City, Director.  
 Argentine Portland Cement Company, President and Director.  
 Uruguay Portland Cement Company, President and Director.  
 National Portland Cement Company (Brazil), President and Director.  
 Cuban Portland Cement Corp., President.

Eoch, Harry C. - Vice-president.

International Cement Corp., Vice-president.  
 Lone Star Cement Co., New York, Inc., Vice-president and Director.  
 Lone Star Cement Co., Texas, Vice-president.  
 Lone Star Cement Co., Indiana, Inc., Vice-president and Director.  
 Lone Star Cement Corp., Vice-president.  
 Cuban Portland Cement Corp., Vice-president.

Fosselt, Einar - Vice-president.

International Cement Corp., Vice-president.  
 Lone Star Cement Corp., Vice-president.  
 Lone Star Cement Co., New York, Inc., Vice-president.  
 Lone Star Cement Co., Indiana, Inc., Vice-president.  
 Lone Star Cement Co., Texas, Vice-president.

Avnsos, Thorkild - Vice-president

Cuban Portland Cement Corp., Vice-president.

Hummel, Ragnar A. - Vice-president.

Cuban Portland Cement Corp., Vice-president and Director.  
 National Portland Cement Co. (Brazil), Vice-president and Director.  
 Argentine Portland Cement Co., Director.  
 Uruguay Portland Cement Co., Director.

Dillon, John R. - Vice-president and Director.

Hayden, Stone & Co., Partner.  
 Continental-Diamond Fibre Co., Director.  
 Crocker-Wheeler Elec. Mfg. Co., Member Executive Comm. and Director.  
 Lone Star Cement Corp., Vice-president, Chairman Exec. Comm. & Director.  
 National Theatres Corp., Director.  
 Southern Phosphate Corp., Director.  
 Raybestos-Manhattan, Inc., Member Finance Committee & Director.  
 Twentieth Century-Fox Film Corp., Member of Executive Committee, and Director.  
 American Agricultural Chemical Co., Director.  
 Curtiss-Wright Corp., Member Executive Committee and Director.  
 Wright Aeronautical Corp., Director.

Lone Star Cement Corporation - 1938 (Continued)

Muehlke, Hans H. - Secretary and Treasurer.

Cuban Portland Cement Corp., Secretary-Treasurer & Director.

Loomis, Sufferns & Fernald, Accountants.

Sperry, Leavenworth P. - Director.

Scovill Mfg. Co., Treasurer, Comptroller & Director.  
Hamilton Beach Mfg. Co., Vice-president and Director.  
Waterbury Button Co., Director.  
Citizens & Mfrs. National Bank, Director.  
Waterbury Savings Bank, Director.  
A. Schraders Son, Inc., Vice-president and Director.  
Union Hardware Co., Director.  
Lone Star Cement Co., Director.  
American Hardware Co., Director.

Coke, Rosser J. - Director

Coke & Coke, Senior Member.  
Universal Mills, Fort Worth, Texas, Attorney, Vice-president & Director.  
(First National Bank in Dallas, Dallas, Texas, Attorney.  
( Member Trust Committee & Director.  
Dallas Ry. & Terminal Co., Director.  
Lone Star Cement Co., (Texas) Director.  
Automotive General Corp., Attorney, Secretary-Treasurer & Director.  
International Cement Corp., Director.  
Olmsted-Kirk Co., Dallas, Texas, Director.

Wolff, Henry J. - Director - Not listed.

Stone, Robt. G. - Director.

Hayden, Stone & Co., Partner.  
Adams Express Co., Member Board of Managers & Executive Committee.  
American International Corp., Member Executive Committee & Director.  
American Pneumatic Service Co., Director.  
Amoskeag Co., Trustee.  
Arlington Mills, Director.  
Atlantic Gulf & West Indies S.S. Lines, Director.  
Colombian S.S. Co., Director.  
Eastern S.S. Lines, Chairman of Board, - Director.  
International Cement Corp., Director.  
Kennicott Copper Corp., Director.  
Mathieson Alkali Works, Inc., Director.  
Arthur D. Little, Inc., Director.  
Waltham Watch Co., Director.



## Lone Star Cement Corporation - 1938 (Continued)

Davies, Erle V. - Director.

Nevada Consolidated Copper Corp., Vice-president & Director.  
Utah Copper Co., Vice-president, Treasurer, Assistant General  
Manager & Director.  
Bingham & Garfield Railway, Vice-president, Treasurer & Director.  
Nevada Northern Railway, Vice-president & Treasurer.  
Butte & Superior Mining Co., Director.  
Ray & Gila Valley R.R., Treasurer and Director.  
Santa Rita Store Co., President & Director.  
Ray Electric & Telephone Co., First Vice-president & Director.  
Gibson Stores Co., President & Director.  
Gallup American Coal Co., Vice-president, Treasurer & Director.  
Lone Star Cement Corp., Director.

Carter, Louis H. - Director.

American Agric. Chem. Co., President & Director.

Felt, Irving M. - Director.

Adams Express Co., Vice-president.  
Southern Express Co., Vice-president.  
General Realty & Utilities Corp., Director.

Pennsylvania-Dixie Cement Corporation  
60 E 42nd Str , New York City

	1929	1930	1931	1932	1933	1934	1935	1936	1937
<b>Balance Sheet Data (Thousands of dollars)</b>									
Total Assets	31,269	31,621	29,296	27,009	25,426	24,410	23,099	22,745	12,460
Bonded debt	11,564	10,743	10,122	9,655	9,557	9,242	8,634	8,288	7,476
Preferred stock	13,589	13,589	13,099	12,500	12,120	12,120	12,120	12,120	3,030
Common stock	4,000	4,000	4,000	4,000	400	400	400	400	400
Surplus	1,936	2,598	1,552	516	2,839	2,174	1,465	1,261	1,005
Net working capital	5,591	6,119	5,458	4,705	4,118	3,991	3,915	4,567	4,295
<b>Operating Data (Thousands of dollars)</b>									
Net sales	9,611	8,625	6,118	3,477	2,736	4,642	5,025	6,392	5,977
Operating profit	1,101	1,361	- 730	- 1,276	- 1,008	- 160	- 325	435	502
Net income <sup>1/</sup>	332	587	-1,359	- 1,866	- 1,675	- 692	- 797	- 250	28
Preferred dividends	712	-	-	-	-	-	-	-	-
Common dividends	-	-	-	-	-	-	-	-	-
<b>Other financial data</b>									
Earnings per share common	d.\$1.55	d.\$0.91	d.\$5.68	d.\$6.85	d.\$6.31	d.\$3.85	d.\$4.11	d.\$2.74	
Preferred - high	94	55 1/2	29	8	32	32	30 1/2	74	76 1/2
low	20 1/8	16	2 1/2	3	4 1/8	12 1/2	18	28 1/2	15
Common - high	27	12	5 1/2	2 1/2	9 1/2	7 1/2	5 1/2	10 1/2	12 1/2
low	3 1/2	2 1/2	1/2	1/2	1/2	2 7/8	3	4 1/2	2 1/2
<b>Other Data</b>									
Number of employees								1,500	
Number of plants								8	
Annual capacity (millions of barrels)								12.2	
<b>Number of stockholders</b>									
Preferred								1,834	
Common								3,808	
Plants:	owns 8 plants - 2 in Navereth, Pa. 1 each in Bath, Pa., Portland Pt., N. Y., Richard City & Kingsport, Tenn. Clinchfield, Ga., and Des Moines, Ia.								
Subsidiaries:	Dixie Sand & Gravel Corp. (Tenn.); Warcom Quarrier Corp. (Va.); Winterset Limestone Co. (Ia.).								

<sup>1/</sup> After Federal income taxes but before surplus adjustments.

Source: Moody's Manual of Investments.

PENNSYLVANIA-DIXIE CEMENT CORPORATION

60 East 42nd Street, New York City

Chairman of Board -- Victor N. Roadstrum, 60 East 42nd Street,  
New York City.

President -- John A. Miller, 60 East 42nd Street, New York City.

Secretary & Treasurer -- George Kilian, 60 East 42nd Street,  
New York City.

Vice-President & Sales Manager -- Walter S. Wing, 60 East 42nd  
Street, New York City.

Vice-President & General Manager -- William H. Klein,  
Nazareth, Pennsylvania.

Accountants Certifying Statements -- Price, Waterhouse & Company,  
56 Pine Street, New York City.

Directors:

Edward P. Alker, 60 East 42nd Street, New York City.

Guy Cary, Shearman & Sterling, 55 Wall Street, New York City.

George Kilian, 60 East 42nd Street, New York City.

William H. Klein, Nazareth, Pennsylvania.

John A. Miller, 60 East 42nd Street, New York City.

Jansen Noyes, Hemphill, Noyes & Company, 15 Broad Street,  
New York City.

T. R. Preston, Hamilton National Bank, Chattanooga,  
Tennessee.

Victor N. Roadstrum, 60 East 42nd Street, New York City.

Stanley A. Russell, Lazard, Freres & Company. Inc.,  
15 Nassau Street, New York City.

Walter S. Wing, 60 East 42nd Street, New York City.

N. Baxter Jackson, Chemical Bank & Trust Company,  
165 Broadway, New York City.



Pennsylvania Dixie Cement Corp. - 1938

Roadstrum, Victor N. - Chairman of Board

Abercrombie & Fitch Co., Member Executive Comm. and Director.  
 Gotham Silk Hosiery Co., Director.  
 Clinchfield Coal Corp., Director.  
 Securities Investing Fund, Inc. New York City, Vice-president and Director.

Miller, John A. - President

Nazareth National Bank, Director.

Killian, George - Secretary and Treasurer.

None

Wing, Walter S. - Vice-president and Sales Manager. - Not listed.

Klein, Wm. H. - Vice-president and General Manager - Not listed.

Price, Waterhouse and Company - Accountants - Not listed.

Directors

Alker, Edward P.

Anderson, Reilly & Company, Partner.  
 Bank of Great Neck, Director.

Cary, Guy

Air Reduction Company, Inc., Director  
 Alabama Great Southern R.R. Co., Director.  
 National City Bank of New York, Director.  
 National City Safe Deposit Co., Director.  
 Southern Railway Co., Director.  
 Virginia and Southwestern Railway Co., Director.

Noyes, Jansen

American Chain and Cable Co., Inc., Director.  
 Doehler Die Casting Co., Director.  
 Fishers Island Corp., Director.  
 White Sewing Machine Corp., Director.  
 Merritt-Chapman & Scott Corp., Director.  
 North American Cement Corp., Director.  
 National Horse Show of America, Inc., Treasurer and Director.  
 Madison Square Garden Corp., Director.

## Pennsylvania Dixie Cement Corp. - 1938 (Continued)

Preston, T. R. -

Hamilton National Associates, Inc., President and Director.  
Nashville, Chattanooga & St. Louis Railway, Director.  
Provident Life & Accident Insurance Co., Director.  
Ross-Meehan Foundries, Director.  
Tennessee Electric Power Co., Director.  
Standard-Cocosa-Thatcher Co., Director.  
C. B. Andrews Co., Director.  
Hamilton National Bank, Knoxville Tennessee, Director.  
U. S. Chamber of Commerce, Director.  
Crown Cotton Mills, Dalton, Georgia, Director.

Russel, Stanley A. -

No other directorships.

Jackson, N. Baxter -

American Water Works & Electric Co., Inc., Director.  
Chemical Safe Deposit Co., Inc.  
North Star Insurance Co., Director.  
General Reinsurance Corp., Director.  
McCrory Stores Corp., Director.  
Gulf, Mobile & Northern R.R., Director.  
Standard Surety & Casualty Co., Director.

## UNIVERSAL ATLAS CEMENT COMPANY

Subsidiary of U. S. Steel formed October 1, 1906 as the Universal Portland Cement Co., name changed to present title after acquisition of Atlas Portland Cement Co., on January 1, 1930. Payment for the acquisition of this company was made in the form of 176,265 common shares of the U. S. Steel Corporation.

According to S. E. C., U. S. Steel controlled 71.72 percent of the voting power on May 2, 1935.

The Universal Atlas Cement Company operates nine plants located as follows:

Hudson, N. Y.	Buffington, Ind.	Independence, Kana.
Northampton, Pa.	Duluth, Minn.	Leads, Ala.
Universal, Pa.	Hannibal, Mo.	Waco, Texas

Annual productive capacity totaled 12,114,000 barrels.

Source: Moody's Manual of Investments.



UNIVERSAL ATLAS CEMENT COMPANY

208 South LaSalle Street, Chicago, Illinois

- President -- Blaine S. Smith, 135 East 42nd Street, New York City.
- Vice-President -- A. C. Cronkrite, 208 South LaSalle Street, Chicago, Illinois.
- Vice-President -- George H. Reiter, 208 South LaSalle Street, Chicago, Illinois.
- Vice-President -- O. H. D. Rohwer, 208 South LaSalle Street, Chicago, Illinois.
- Vice-President -- A. O. Stark, 135 East 42nd Street, New York City.
- Vice-President -- F. L. Stone, 208 South LaSalle Street, Chicago, Illinois.
- Vice-President -- P. C. Van Zandt, 208 South LaSalle Street, Chicago, Illinois.
- Comptroller & Secretary -- O. N. Lindahl, 208 South LaSalle Street, Chicago, Illinois.
- Treasurer -- T. E. O'Connor, 208 South LaSalle Street, Chicago, Illinois.
- Accountants Certifying Statements -- Price, Waterhouse & Company, 56 Pine Street, New York City.

Directors:

- B. F. Affleck, 208 South LaSalle Street, Chicago, Illinois.
- W. A. Irvin, United States Steel Corporation, 71 Broadway, New York City.
- J. H. Kempster, Buffington, Indiana.
- E. E. Knapp, 208 South LaSalle Street, Chicago, Illinois.
- Blaine S. Smith, 135 East 42nd Street, New York City.
- O. N. Lindahl, 208 South LaSalle Street, Chicago, Illinois.
- Edward B. Stettinius, Jr., United States Steel Corporation, 71 Broadway, New York City.

## Universal Atlas Cement Co. - 1938

Smith, Blaine S. - (President)

Atlas Lumnite Cement Co., New York City, President and Director.  
Republic Portland Cement Co., S. A., Havana, Cuba, President and Director.  
Potomac Cement Storage Co., Washington, D. C., President and Director.  
Walworth Co., New York City, Director.

Cronkite, A. C. - (Vice-President) - Not listed.

Reiter, George H. - (Vice-President) - Not listed.

Behwer, O. H. D. - (Vice-President) - Not listed.

Stark, A. O. - (Vice-President) - Not listed.

Stone, F. L. - (Vice-President) - Not listed.

Van Zandt, P. C. - (Vice-President) - Not listed.

Lindahl, O. N. - (Comptroller and Secretary)

Atlas Lumnite Cement Co., Auditor, Secretary, and Director.

O'Connor, T. E. - (Treasurer)

Atlas Lumnite Cement Co., Treasurer

Price, Waterhouse and Co. - (Accountants)

Affleck, B. F. - (Director). Not listed.

Irvin, W. A. - (Director)

American Iron and Steel Inst., Director.  
American Bridge Co., Director.  
American Steel and Wire Co. of N. J., Director.  
Bradley Transportation Co., Director.  
Canadian Steel Corp., Ltd., Director.  
Carnegie-Illinois Steel Corp., Director.  
Chickasaw Shipbuilding and Car Co., Director.  
Chickasaw Land Co., Director.  
Chickasaw Utilities Co., Director.  
Columbia Steel Co., Director.  
Cumberland Coal Co., Director.  
Cyclone Fence Co., Director.  
Fairfield Steel Co., Director.  
Fairfield Utilities Co., Director.  
Federal Steel Co., Director.

Irvin, W. A. - (continued)

H. C. Frick Coke Co., Director.  
 Gary Land Co., Director.  
 Illinois Steel Co., Director.  
 Isthmian Steamship Co., Director.  
 Lake Superior Consolidated Iron Mines, Director.  
 Michigan Limestone and Chemical Co., Director.  
 Minnesota Iron Co., Director.  
 Minnesota Steel Co., Director.  
 Morgan Park Co., Director.  
 National Tube Co., Director.  
 W. J. Steel and Iron Co., Director.  
 Oil Well Supply Co., Director.  
 Pittsburgh Steamship Co., Director.  
 Scully Steel and Iron Co., Director.  
 Seventy-One Broadway Corp., Director.  
 Sharon Coal and Limestone Co., Director.  
 Tennessee Coal, Iron and R. R'd. Co., Director.  
 Trotter Water Co., Director.  
 U. S. Coal and Coke Co., Director.  
 U. S. Steel and Carnegie Pension Fund, Director.  
 U. S. Steel Corp. of Del., Director.  
 U. S. Steel Products Co., Director.  
 Universal Atlas Cement Co., Director.  
 Universal Exploration Co., Director.  
 Virginia Bridge Co., Director.

Kemster, J. H. - (Director). Not listed.

Knapp, K. K. - (Director)

Knapp, Beye, Allen and Cushing, Partner.  
 Carnegie Illinois Steel Corp., Div. Counsel.  
 Gary State Bank, Gen. Counsel and Director.  
 South Chicago Savings Bank, Gen. Counsel and Director.  
 Universal Portland Cement Co., Attorney and Director.  
 Clark Equipment Co., Attorney and Director.  
 Interlake Iron Corp., Gen. Counsel.  
 U. S. Fuel Co., Attorney and Director.

Stettinius, Edward R. - (Director)

National Industrial Conference Board, Member Executive Committee and Director.



T. A. Irvin - (continued)

Bradley Transportation Co., Director.  
 Canadian Steel Corp., Ltd., Director.  
 Carnegie-Illinois Steel Corp., Director.  
 Chickasaw Shipbuilding and Car Co., Director.  
 Chickasaw Land Co., Director.  
 Chickasaw Utilities Co., Director.  
 Columbia Steel Co., Director.  
 Cumberland Coal Co., Director.  
 Cyclone Fence Co., Director.  
 Fairfield Steel Co., Director.  
 Fairfield Utilities Co., Director.  
 Federal Steel Co., Director.  
 H. C. Frick Coke Co., Director.  
 Gary Land Co., Director.  
 Illinois Steel Co., Director.  
 Istamian Steamship Co., Director.  
 Lake Superior Consolidated Iron Mines, Director.  
 Michigan Limestone and Chemical Co., Director.  
 Minnesota Iron Co., Director.  
 Minnesota Steel Co., Director.  
 Morgan Park Co., Director.  
 National Tube Co., Director.  
 New Jersey Steel and Iron Co., Director.  
 Oil Well Supply Co., Director.  
 Pittsburgh Steamship Co., Director.  
 Scully Steel and Iron Co., Director.  
 Seventy-One Broadway Corp., Director.  
 Sharon Coal and Limestone Co., Director.  
 Tennessee Coal, Iron and R. R. Co., Director.  
 Trotter Water Co., Director.  
 United States Coal and Coke Co., Director.  
 United States Steel and Carnegie Pension Fund, Inc., Director.  
 Universal Atlas Cement Co., Director.  
 Universal Exploration Co., Director.  
 United States Steel Products Co., Director.  
 Virginia Bridge Co., Director.

J. E. Kemaster - (Director) - Not listed.

E. E. Knapp

Knapp, Beys, Allen and Cushing, Partner.  
 Carnegie Illinois Steel Corp. Div. Counsel.  
 Gary State Bank, Gen. Counsel and Director.  
 South Chicago Savings Bank, Gen. Counsel and Director.  
 Universal Portland Cement Co., Attorney and Director.  
 Clark Equipment Co., Attorney and Director.  
 Interlake Iron Corp., Gen. Counsel.  
 United States Fuel Co., Attorney and Director.

O. N. Lindahl - (Director)

Atlas Lumnite Cement Co., (Auditor and Director)  
Atlas Gypsum Corp., Auditor.

Edward R. Stettinius, Jr. - (Director)

United States Steel Corp. - Chairman Finance Committee and Director.  
National Industrial Conference Board - Director.  
Essex Terminal Ry. - Director.

Confidential

March 17, 1938

My dear Mr. Jackson:

I attach hereto copy of a report of an Interdepartmental Committee outlining a project for reducing the price of cement as a first step in a program for lowering building costs. You will note that one phase of it envisages the cooperation of the Department of Justice as well as other Departments. Before presenting this plan to the President for formal approval on Monday, March 21, I should appreciate your writing me your reactions to this plan, and, if it meets with your approval, indicating for the information of the President the approval and cooperation of your Department.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Hon. Robert H. Jackson

Acting Attorney General

Washington, D.C.

Attachment (1) The Secretary has the original of the report.  
The Treasury's copy is in Mr. G. C. Haas' office.

HD/tn

Typed 3/17/38

This letter was carried to Mr. Jackson by Mr. Oliphant at  
11:10 A.M., 3/17/38 (Mr. O'Connell also there.)



THE SOLICITOR GENERAL  
WASHINGTON

March 17, 1938

My dear Mr. Secretary:

I have examined the confidential copy of the report of the Interdepartmental Committee project for reducing the price of cement, particularly the third paragraph thereof which relates to cooperation by the Department of Justice.

Personally, I think the plan an excellent one and, while I have not had an opportunity to discuss it with Thurman Arnold, which I will do as soon as he reaches here, I can promise you complete cooperation of the Antitrust Division and of the Department, as outlined in the memorandum.

Sincerely,

*Robert Jackson*  
Acting Attorney General

The Honorable,  
The Secretary of the Treasury  
Washington, D.C.



DEPARTMENT OF STATE  
WASHINGTON

March 18, 1938

STRICTLY CONFIDENTIAL

My dear Mr. Secretary:

I have had laid before me at your request the question of a possible re-opening of the trade agreement with Belgium for the purpose of reducing further the duty on cement, as one element in the program on cement prices which you expect to lay before the President.

I am wholly in accord with the general objectives of this program. It would be technically possible to announce the re-opening of the Belgian agreement with reference to cement in connection with announcement of intention to negotiate general provisions for that agreement. I strongly doubt its feasibility, however, for two reasons, namely, (1) the maximum contribution which could be made by this method to a reduction of domestic cement prices would be negligible, and (2) since such action could not significantly

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

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significantly contribute to your objective, it would not seem to justify the difficulties that almost certainly would be created for the trade agreements program.

In connection with the first of these points, I believe the following brief summary will indicate conclusively to you that further possible tariff action would have only little significance in a few areas in the United States and would be of no significance whatever throughout most of the country.

The duty on portland cement was reduced from 6 cents per one hundred pounds to 4.5 cents per one hundred pounds in the Belgium Trade Agreement, effective May 1, 1935. The maximum duty reduction that could still be made under the Tariff Act of 1930 would be a reduction of 1.5 cents per pound, which would leave a duty equivalent to 14 percent ad valorem. (The present duty is equivalent to 21 percent ad valorem.)

Imports into continental United States, valued at about \$1,000,000 annually in 1936 and 1937, are entered and consumed chiefly at three seaboard points, Boston, New York City, and Florida. Inland penetration of imports is prevented by heavy transportation costs. Imports are equal to less than 2 percent of United States production and less than 3 percent of the production in the Coastal States in which they are partially competitive.

Even with free entry, which could not be obtained ex-

cept



- 3 -

cept by congressional action, there could be no appreciable penetration of imports into interior markets because of the limitation of railway transportation costs.

The maximum possible additional reduction in the rate of duty on cement might increase to a limited extent the competition from imports at certain border points. But such a reduction would not even be as great as the usual railway switching charge in carload lots within metropolitan centers on the seaboard.

To re-open the Belgian Agreement would be inopportune at this time because of negotiations which are now active. Numerous domestic interests have been greatly agitated by opponents of the trade agreements program over possible concessions in the agreements now pending with the United Kingdom, Canada, and Turkey, and I believe that it would be unwise to add to such opposition, unless there is something substantial to be gained thereby. Furthermore, to re-open an agreement already in effect for one commodity would give rise to a whole series of demands that that agreement and other agreements be re-opened with respect to other commodities with a view to increasing rather than decreasing rates of duty. The importance of the United Kingdom and Canada in the trade of this country far outweighs any advantages to be achieved by re-opening the  
Belgian

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Belgian Agreement. In the negotiation of these agreements and in any future negotiations we shall be glad to cooperate in all practicable ways toward attaining the objectives of the President and yourself with respect to prices of building materials.

Sincerely yours,

A handwritten signature in cursive script, reading "Cordell Hull". The signature is written in dark ink and is positioned below the typed name "Cordell Hull".



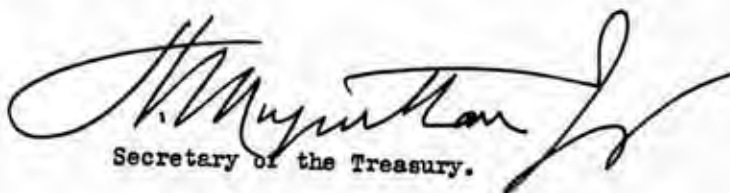
THE SECRETARY OF THE TREASURY  
WASHINGTON

March 21, 1938.

MEMORANDUM TO THE PRESIDENT:

Accompanying this memorandum is a report prepared by a Committee designated by me to investigate and report on the possibilities for an immediate drive on cement.

I concur wholeheartedly in the recommendations of the Committee and, if you also concur, will you please so advise me. A summary of the Committee's recommendations is appended to the report, with a space provided thereon for your approval if you do approve and are willing that we proceed along the lines indicated.

  
Secretary of the Treasury.



SUMMARY OF RECOMMENDATIONS OF COMMITTEE ON CEMENT

1. Cement requirements for all Government agencies to be contracted for by the Procurement Division of the Treasury Department, thus obtaining the benefits inherent in large-scale buying.

2. Increase the amount of cement to which the Federal Government price, as a maximum, applies by requiring successful bidders on contracts for cement for the Federal Government to make the price given to the Government available to any and all people and agencies using cement on, or supplying cement to, projects for which the Government is paying in whole or in part. It will be the duty of the various Departments and agencies of the Government to see that the contractors and other people concerned do not buy cement at a price in excess of that at which it would be obtainable under the Federal Government bid.

3. Grand Jury Investigations by the Department of Justice should facts developed in negotiating cement contracts warrant it (this has been taken up with the Department of Justice and they are in complete accord).

APPROVED: March 21, 1938.

*Franklin D. Roosevelt*

March 25, 1938

Memorandum to the Secretary

Subject: Consolidated Contract Cement

Immediately upon receipt of memorandum of March 21, 1938 with regard to cement, the heads of all government departments and independent establishments were furnished by circular letter with a brief outline of the action to be taken instructing them to make no contracts, to report every purchase of cement, whether made for immediate use or under term contracts which certain of them had in effect.

A conference was then called in the Procurement Division of representatives of the principal departments, such as War, Navy, Interior, Agriculture, Veterans Administration, District of Columbia Government, and Tennessee Valley Authority from whom was ascertained their past procedure together with their probable requirements. From these data a conference was held with the Bureau of Mines and the Bureau of Standards, as a result of which specifications are being prepared and requests for bids will be issued on or about March 30, being advertised for opening on April 15. As these proposals must go to the West Coast and return this is the earliest date that the opening can be held.

The proposals will invite bids on the basis of f.o.b. mills only, in carload lots which it is estimated will amount to approximately 3,000,000 to 5,000,000 barrels and for approximately 500,000 to 750,000 barrels in less than carload lots during a period of four months from date of contract.

The country will be divided into districts as far as practicable to allow for consideration of freight rates.

The proposals will be submitted to all cement companies throughout the United States, about 90 in all, of whom probably 75 are, or were, members of the Cement Institute, the remainder being so-called Independents. The 75 companies now members of the Cement Institute control and operate 150 cement mills in 34 states, and the non-member companies operate 15 mills in 12 states.

The Reclamation Service is sending a representative from Denver to confer with us concerning cement requirements of large projects in the Western Area in which they are interested. Similar action is being taken by T.V.A.

Director of Procurement.

March 26, 1938

My dear Mr. President:

We have today transmitted to the Department of Justice Mr. Oliphant's suggestions for a proposed message on the subject of monopolies. In this draft, a copy of which is enclosed, is included the recommendations of your Interdepartmental Committee on Banking on the subject of bank holding companies.

Faithfully yours,

(Signed) Wayne C. Taylor

Acting Secretary

The President

The White House

HEG:s Typed 3/25/38



MAR 28 1938

Dear Robt

The President's Interdepartmental Committee on Banking agreed on the text of the portion of his proposed message on monopolies dealing with bank holding companies. The Secretary sent this to the President who returned it to him with the direction that the monopoly message be prepared and forwarded to Warm Springs, you to contact the Attorney General.

I enclose herewith a draft of a message all of which is my personal suggestion except the portion dealing with bank holding companies. The part beginning "The establishment and maintenance" on page 7 and ending "served by holding company banks" on page 8 is in the exact words agreed to by the President's Interdepartmental Committee on Banking.

Pursuant to the Secretary's request, a copy of the enclosure has been sent to the President.

Sincerely yours,

(Signed) Herman Oliphant

Hon. Robert H. Jackson  
Acting Attorney General  
Department of Justice  
Washington, D. C.

Enclosure

HO/L Typed 3,28438H

NOTE: This letter was read and approved by Sec'y Morgenthau after the second Staff Meeting on 3/25/38.

DRAFT OF ANTITRUST AND BANK HOLDING COMPANY MESSAGE

In my message of January 3, I said I expected later to address the Congress in a special message on the relationship of government to certain practices of business. I enumerated practices which most people believe should be ended, and pointed out that, when attacks are made on certain wrongful business practices which are scrupulously avoided by all businessmen and bankers intent on the pursuit of good citizenship, there are those who are eager to call this an attack on all business. I said then and I say now that this is wilful deception which will not long deceive.

Our people have set their faces against undue concentration of wealth and economic power since the Government was founded. Washington bitterly inveighed against monopolies. Jefferson feared the encroachments of an industrial organization that would reduce the abundant opportunities of free enterprise. Jackson challenged the ruthless power of the few over the many concentrated in those who controlled and misused the United States Bank. Lincoln held the money power at bay while fighting for the preservation of the Union. Theodore Roosevelt attacked malfeasance of great wealth in all quarters.

Behind Wilson lay a century of struggle to preserve industrial democracy as the only environment in which political democracy could survive, and, with his election, the forces championing the rights of the many as against the few had at last been marshalled for the decisive battle against the autocracy of monopolies which threatens to destroy

that abundance of modest opportunities for the many, and so to destroy the American way of life. But the cataclysm of the World War turned him and the forces he led off the main course. We are now at the end of that detour and can now move forward against those unwarrented concentrations of wealth and economic power which must be reduced to keep open the highroad along which lies the destiny of democracy in America. We have taken up the unfinished work of Andrew Jackson and Woodrow Wilson in the new moral climate which we have in America today.

Undue concentration of wealth and economic power has many phases and manifests itself in many ways. Those to which I would direct your attention today are monopolistic organizations and practices in the fields of industry and banking.

The problem of monopolies and of combinations and other arrangements for fixing prices and otherwise stifling competition should be frankly recognized as but one part of the larger problem of current lawlessness -- the lawlessness of a relative few -- and it should be dealt with as such. Consideration of collateral phases of the general problem should not delay dealing effectively with this central aspect of the growing strangulation of competition.

Such combinations and practices have been condemned for centuries in Anglo-American law and government, and the record of the struggle of public authority against them runs back to the Year Books of the Thirteenth Century. Scattered throughout American history are enactments of legislatures and decisions of courts labeling them unlawful,



and this age-old attitude was embodied in Federal law by the enactment of the Sherman Act almost 50 years ago.

Our historic position on this question is not to be lightly altered. Some today, impatient with immediate difficulties and unmindful of the riches of wisdom to be distilled from our centuries of experience with this problem, speak of regulating monopolies. They would allow those who should compete to fix prices if they did not fix them too high, and would permit this and other restraints on competition if they met some vague standard of reasonableness. To heed such novel counsel and to abandon ancient landmarks for such untried compromises with economic lawlessness would be no part of wisdom. The fight, as old as lawlessness itself, must go on. It must be won. And it can be if we improve our weapons as our experience in their use has taught us they can be improved. Moreover, this more determined fight with better weapons can be undertaken with the support of present wide-spread public disapproval of lawlessness of all kinds in all quarters.

The more effective weapons needed are of two sorts. In some cases, the substantive law condemning a particular monopolistic organization or practice is clear and explicit enough, but the difficulties of investigation, proof and enforcement largely stay the Government's hand. More effective procedures and sanctions are needed. The abundant experience of the Department of Justice and the Federal Trade Commission with these difficulties will afford an ample basis on which

to formulate them. Simplifying the problem of detection and proof, and improving the effectiveness of sanctions to discourage violations and to compel compliance with judgments and decrees merely await legislative resourcefulness guided by experience.

But our major problem in devising more effective weapons to put down unlawful restraints on competition is that of returning to the policies and objectives embodied in the underlying Federal legislation beginning with the Sherman Act, and of erecting upon these general enactments a series of specific provisions which will serve the two-fold purpose of arming the law-enforcement agencies of the Federal Government with a code of substantive law which they can effectively enforce and of explicitly advising the business community what specific types of conduct are prohibited.

The general policies and objectives of our Federal legislation in relation to monopolistic organizations and practices and to other restraints on competition should not be in doubt. They are set forth in most comprehensive terms in the Sherman Act, which sweeps in all contracts and combinations in restraint of trade, and in the Federal Trade Commission Act, which condemns all unfair methods of competition. But our experience with these enactments at the hands of the courts demonstrates that specification, such as was begun in the Clayton Act, is necessary to make these policies and objectives effective.

Accordingly, it is suggested that the Congress do two things. First, that it go through all of the decisions purporting to construe our anti-monopoly legislation which have pared off bit by bit the area of condemned conduct that they were intended to embrace. Each of these decisions should be carefully scrutinized and if, in the light of experience, such narrowing of Federal control seems to have been unwise, then, by specific enactment, that decision should be changed. In the second place, each business organization and practice, which the unreviewed decisions of the Federal Trade Commission have condemned, should be carefully examined, and, if that decision seems sound and wholesome, there should be added to the effectiveness of condemnation by the Federal Trade Commission the potency of explicit statutory condemnation.

This two-fold undertaking can give us immediately a specific code of law covering most of this field. We know now what we want to do about lawlessness therein. Uncertainty is limited to the periphery of this expanding area of condemned conduct. Attempting definitive legislation covering these narrow outer limits would not be warranted at this time. Instead the Federal Trade Commission should be adequately equipped to continue its scrutiny of business conduct and to go forward with the gradual process of identifying novel and additional practices which should be stopped. At a later time, another Congress can incorporate these new prohibitions into detailed and explicit legislation. Thus, step by step, will the law advance as the need arises and as experience guides.



Beyond these threshold problems calling for prompt and specific answers, is the broader task of dealing with those conditions that have accelerated the suppression of competition. The use of otherwise lawful legal forms and of artificial means to throttle competition require attention. From this standpoint, we should reexamine our patent laws and the laws governing the organization and interlocking of corporations. The impact of Federal taxes on the over-elaboration of corporate organizations merits attention. The tariff treatment of articles that are being monopolized needs scrutiny. Strategical control of credit to foster monopolies should not be neglected, and other underlying causes and conditions whose tendencies are to narrow opportunities by destroying small businesses call for consideration.

Turning now from the general problem of the unwarranted extension of economic power over the processes of trade and industry, there has been a development in our banking system that seems to hold elements of very serious danger to our economic life. This development is the extension of bank holding companies.

It is hardly necessary to point out the great economic power that might be wielded by a group which may succeed in acquiring domination over banking resources in any considerable area of the country. That power becomes particularly dangerous when it is exercised from a distance and notably so when effective control is maintained without the responsibilities of complete ownership.

We have seen the multiplied evils which have arisen from the holding company system in the case of public utilities, where a small minority ownership has been able to dominate a far-flung system.

We do not want those evils repeated in the banking field, and we should take steps now to see that they are not. It is not a sufficient assurance against the future to say that no great evil has yet resulted from holding company operations in this field. The possibilities of great harm are inherent in the situation.

Both the Congress and the legislatures of a number of the states have deemed it wise to place limits on branch banking, but adequate limits have not been placed on the holding company system, which accomplishes a similar result without a similar measure of responsibility, and permits, with no greater capital investment, domination of a much broader field.

The establishment and maintenance of a sound banking system which would serve the public interest have been a constant objective of this Administration. In furtherance of this objective Congress should again give consideration to the bank holding company problem, and determine in what manner existing laws, including legislation dealing with these companies enacted during this Administration, should be strengthened.

I recommend that the Congress enact at this session legislation that will effectively control the operation of bank holding companies and prevent holding companies from acquiring control of any more banks,

directly or indirectly, or banks controlled by holding companies from establishing any more branches, and that will make it illegal for a holding company, or any corporation or enterprise in which it is financially interested, to borrow from or sell securities to a bank in which it holds stock.

Believing it to be a sound principle of government, I recommend that this bank legislation make provision for the gradual separation of banks from holding company control or ownership, allowing a reasonable time for this accomplishment, time enough for it to be done in an orderly manner and without causing inconvenience to communities served by holding company banks.

— 0 —

It is in the interest of no group or class of our people, but in the public interest, that I commend to your attention these growing evils of undue concentration of wealth and economic power in industry and banking. While government is irresolute, they grow. Let us, by opposing, end them - and end them now. The determination to do this is but the will to serve the ends of democracy and thus the public welfare.

HO/L  
Typed 3/26/38  
12:45

COPY



THE WHITE HOUSE  
WASHINGTON

Warm Springs, Ga.,  
March 28, 1938.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

That is an amazingly interesting letter written by the cement man in 1934. If you want to arrange a conference with some of the leading cement people, I would be glad to have it.

F. D. R.

THE SECRETARY OF THE TREASURY  
WASHINGTON

March 24, 1938

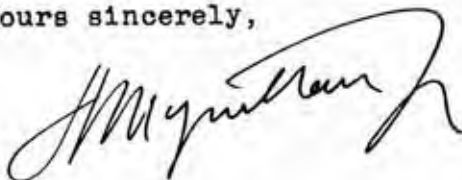
My dear Mr. President:

The inclosed correspondence was given to us from the files of the Federal Trade Commission.

I was particularly interested in this correspondence because it shows that as far back as 1934 you were trying to get the cement industry to give the Federal Government an F. O. B. Mill price.

I hope that this time you will be successful in getting the cement industry to see the light.

Yours sincerely,



The President,

Warm Springs, Georgia.

FROM: MR. O'CONNELL'S OFFICE 124

: Mr. Oliphant

The attached letter, read into the record in the cement case before the Federal Trade Commission, is of interest.

The background, as given to me at the F. T. C., is as follows:

In January, 1934, the N. R. A. Administrator wired the Code Authority to the effect that the President was disturbed about the cement situation and that he saw no reason why the Government should not get F.C.B. mill prices. The reply (written to Mr. Rader, who was the Code Authority as well as one of the 12 Trustees of the Cement Institute) was very uncooperative and led to the attached letter from Mr. Treanor (now dead) who was also one of the 12 Trustees of the Institute and President of the largest cement company on the West coast.

  
J.O'C

Form B-72



THE CODE AUTHORITY  
for the  
PORTLAND CEMENT INDUSTRY  
CHICAGO

RIVERSIDE CEMENT COMPANY  
621 South Hope St.,  
Los Angeles, Calif.

May 17, 1934

Mr. E. H. Rader, Regional Manager,  
The Cement Institute  
Room 748, 111 West Washington St.,  
Chicago, Illinois

Dear Bud:

I have been thinking about your telephone call, from which I get the impression that you sent a pretty unyielding telegram to Murray -- as you say at least that you "did not intend to make any concession before the 'trading' starts."

Now I would have conceded the mill price at once on Federal business and I would have indicated a very open-minded attitude toward the larger question; and this to create the impression, deliberately, that something besides obstruction and short range trading can be had out of the cement industry. I would have taken advantage of this great opportunity to lay a telegram on the President's desk which he would have read. We know he is watching the cement question. I would have tried to strike a new note of co-operation and reasonableness, in contrast with what Ickes and the Federal Trade Commission tell him about us. This could have been the beginning of a real campaign for better public relations. I don't think this chance is yet lost -- that is why I am writing you. The only thing that I think has been lost is a neat opportunity to score our point with the President himself.

As a member of this industry, my fate is to a considerable extent in your hands, so that I have both a right and a duty to let you know my views.

If we were a generally well regarded industry, we might be justified in taking a stiff trading position upon the President's request. However, we are anything but popular, we have a very difficult position to maneuver out of, and we should not gamble unnecessarily, running as we do the risk of a blast from the President's office that may be ruinous.

The f.o.b. mill price on Federal business is of no real importance, is entirely practical to grant, can and I think will be forced out of us -- therefore good trading would have been to give it without any trading.

Now, when it comes to the larger question of mill price on commercial business, much as I would like to think otherwise, I am convinced that we will have to maintain our basing point position and refuse the President's request. It will not be an easy refusal to defend upon economic grounds. It will be almost impossible to persuade an unsympathetic government that we are justified in our refusal. But the least we can do is to prepare the way by an initial showing of open mindedness, which might entitle our later arguments to sympathetic hearing.

Do you think any of the arguments for the basing point system, which we have thus far advanced, will arouse anything but derision in and out of the government? I have read them all recently. Some of them are very clever and ingenious. They amount to this however: that we price this way in order to discourage monopolistic practices and to preserve free competition, etc. This is sheer bunk and hypocrisy. The truth is of course -- and there can be no serious, respectable discussion of our case unless this is acknowledged -- that ours is an industry above all others that cannot stand free competition, that must systematically restrain competition or be ruined. We sell in a buyers' market all the time. The capital cost, as distinguished from the out-of-pocket cost, of producing cement is extraordinarily large. In free competition this capital cost is whittled away and this means loss and ruin.

Now an industry in this fix needs some sympathetic understanding on the part of the government. I think our case can be made out, but it is not going to be done by the route of hard boiled short-range trading. We are either dealing with a very important large question of public relations or we are not. If we are not, we don't have to be so careful of our methods. If we are, then we had better approach the question in a large way; and the first approach is to acquire some good will in governmental quarters. All that we need for our reasonable prosperity is consistence with the President's original plan for NRA.

I haven't seen the telegram you sent. This letter may be unwarranted and is pretty sure to make you sore, but it is based upon your remark about "trading" and upon some general views of industry policy which I heard advanced by some of the very influential men of our industry.

Yours truly,

(Signed) John Tressor.

## SPECIFICATIONS AND PROPOSALS FOR CEMENT

ISSUED MARCH 30, 1938

By The Treasury Department, Procurement Division

Branch of Supply, Washington, D. C.

CEMENT, PORTLAND

For the Period

May 1, 1938, to August 31, 1938.

For use by the executive departments and other establishments of the Government of the United States of America; by the Government of the District of Columbia; by any other governmental activity (except Government commissary stores).

BID OF . . . . .

ADDRESS . . . . .

(To be submitted in duplicate)

OPENING 10 A. M., FRIDAY, APRIL 15, 1938



**STANDARD GOVERNMENT FORM OF BID**  
(SUPPLY CONTRACT)

ORIGINAL | Indicate which  
DUPLICATE | by erasure

To PROCUREMENT DIVISION.

Branch of Supply, 7th & D Sts., S.W.,  
Washington, D. C.

In compliance with your invitation for bids to furnish materials and supplies listed on the accompanying schedule,  
the undersigned,

a corporation organized and existing under the laws of the State of  
a partnership consisting of

an individual trading as

of the city of

, hereby proposes to furnish, within the time specified, the materials and supplies at the prices stated opposite the respective items listed on the schedule, and agrees upon receipt of notice of the acceptance of this bid (by the date beginning the contract period), to execute, if required, the Standard Government Form of Contract (Standard Form No. 32) in accordance with the bid as accepted, and to give bond, if required, with good and sufficient surety or sureties, for the faithful performance of the contract, within 10 days after the prescribed forms are presented for signature.

Discount will be allowed for prompt payment as follows: 10 calendar days ..... percent; 20 calendar days ..... percent; 30 calendar days ..... percent; or as stated in the schedule. (Time will be computed from date of the delivery of the supplies to carrier when final inspection and acceptance are at point of origin, or from date of delivery at destination or port of embarkation when final inspection and acceptance are at those points, or from date correct bill or voucher properly certified by the contractor is received if the latter date is later than the date of delivery.)

The undersigned represents that the prices in this bid are neither directly nor indirectly the result of any agreement with any other bidder.

(Witness to signature)

(Full name of bidder)

IMPORTANT.—State below address to which orders should be forwarded.

(Address)

Note.—See Standard Government Instructions to Bidders and copy of the Standard Government Form of Contract, Bid and Performance Bond, which may be obtained upon application.  
To insure prompt payment, bills should be certified as follows: "I certify that the above bill is correct and just and that payment therefor has not been received."

CONDITIONS

1. Bids are solicited on the basis that acceptance of the offer to furnish any or all of the articles described therein shall constitute a contract between the bidder and the United States Government, which will bind the bidder to furnish and deliver the articles for which his offer is accepted. The placing in the mail of a list of awards, properly addressed to the bidder whose proposal is accepted, shall be considered a sufficient notice of acceptance.
2. Cement will be ordered from time to time in such quantities as may be needed. As it is impossible to determine the precise quantities of different kinds of cement described in the Specifications and Proposals for Supplies that will be required during the contract term, each bidder whose bid is accepted will be obligated to deliver all cement of the kind contracted for, that may be ordered from him during the contract term.
3. There shall be a formal contract, signed by each bidder whose proposal is accepted, and by the contracting officer on behalf of the United States of America and the Government of the District of Columbia, which formal contract is to be considered as additional and further evidence of the agreement made by the acceptance of the proposal. Such formal contract shall be executed and returned by the contractor within 10 days after receipt thereof, and shall be supported by a performance bond to the United States of America on U. S. Standard Form No. 25, or annual performance bond on U. S. Standard Form No. 35, in an amount not to exceed \$10,000, subject to the discretion of the contracting officer and shall be signed by the contractor and a corporate surety, which has been approved by the Secretary of the Treasury, or two or more individual sureties, and be conditioned for the faithful performance of said contract and all of its conditions and provisions. In lieu of sureties on performance bonds, there may be deposited (in accordance with Treasury Department Circular No. 154, dated Feb. 6, 1935) bonds or notes of the United States. ("Bonds or notes of the United States" means any public debt obligation of the United States and any bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States.") Certified check drawn payable to the order of the Treasurer of the United States will be accepted when the bonds of contractors are signed by two individual sureties, in which event the individual sureties will not be required to furnish affidavits of justification as to their financial responsibility.
4. The contractor shall hold and save the Government, its officers, agents, servants, employees, harmless from liability of any nature or kind, including costs and expenses, as to account of any patented or unpatented invention, article, or appliance manufactured or used in the performance of the contract, including their use by the Government.
5. No oral statement of any person shall be allowed in any manner or degree, to modify or otherwise affect the terms of these conditions, the specifications, or the contracts.
6. Successful bidders shall not use awards as a basis for advertising.
7. Proposals, after being prepared and signed in accordance with conditions herein given, shall be placed in the special envelope provided, which shall be properly sealed, marked on the upper left-hand corner with the name and address of the bidder and the class number, and sent by mail, postage prepaid, or delivered personally, to the Treasury Department, Procurement Division, Branch of Supply, Seventh and D Streets, SW., Washington, D. C. As openings commence at 11 a.m., proposals, to receive consideration, must reach the Division not later than that hour on the date of opening. An addressed envelope, which should be used for mailing, is enclosed herewith.
8. Representations and stipulations pursuant to Public Act No. 846, Seventy-fourth Congress:
  - (a) The contractor is the manufacturer of or a regular dealer in the materials, supplies, articles, or equipment to be manufactured or used in the performance of the contract.
  - (b) All persons employed by the contractor in the manufacture or furnishing of the materials, supplies, articles, or equipment used in the performance of the contract will be paid, without subsequent deduction or rebate on any account, not less than the minimum wages as determined by the Secretary of Labor to be the prevailing minimum wages for persons employed on similar work or in the particular or similar industries or groups of industries currently operating in the locality in which the materials, supplies, articles, or equipment are to be manufactured or furnished under the contract; Provided, however, That this stipulation with respect to minimum wages shall apply only to purchases or contracts relating to such industries as have been the subject matter of a determination by the Secretary of Labor.
  - (c) No person employed by the contractor in the manufacture or furnishing of the materials, supplies, articles, or equipment used in the performance of the contract shall be permitted to work in excess of 8 hours in any 1 day or in excess of 40 hours in any 1 week, unless such person is paid such applicable overtime rate as has been set by the Secretary of Labor.
  - (d) No male person under 16 years of age and no female person under 18 years of age and no person shall be employed by the contractor in the manufacture or production or furnishing of any of the materials, supplies, articles, or equipment included in the contract.

(Over)

Regraded Unclassified



(c) No part of the contract will be performed for all any of the materials, supplies, articles, or equipment to be manufactured or furnished under said contract be manufactured or fabricated in any plants, factories, buildings, or surroundings or under working conditions which are insanitary or hazardous or dangerous to the health and safety of employees engaged in the performance of the contract. Compliance with the safety, sanitary, and factory inspection laws of the State in which the work or part thereof is to be performed shall be prima facie evidence of compliance with this subsection.

(d) Any breach or violation of any of the foregoing representations and stipulations shall render the party responsible therefor liable to the United States of America for liquidated damages, in addition to damages for any other breach of the contract, in the sum of \$10 per day for each person under 18 years of age or each female person under 18 years of age, or for each convict laborer knowingly employed in the performance of the contract, and a sum equal to the amount of any deductions, rebates, refunds, or underpayment of wages due to any employee engaged in the performance of the contract; and, in addition, the agency of the United States entering into the contract shall have the right to cancel same and to make open-market purchases of the materials, supplies, articles, or equipment for the completion of the original contract, charging any additional cost to the original contractor. Any sum of money due to the United States as a result of any violation of any of the representations and stipulations of the contract as set forth herein may be withheld from any accounts due on the contract or may be recovered in a suit brought in the name of the United States of America by the Attorney General thereof. All sums withheld or recovered as deductions, rebates, refunds, or underpayments of wages shall be held in a special deposit account and shall be paid, on order of the Secretary of Labor, directly to the employees who have been paid less than minimum rates of pay as set forth in such contracts and in such account such sums were withheld or recovered; Provided, that no claims for such payments shall be entertained unless made within 1 year from the date of actual notice to the contractor of the withholding or recovery of such sums by the United States of America.

(e) The contractor shall post a copy of the stipulations in a prominent and readily accessible place at the site of the contract work and shall keep such employment records as are required in the regulations under the act available for inspection by authorized representatives of the Secretary of Labor.

(f) Successful bidders will be required to furnish on the tenth day of each month a written report of the number of barrels of cement and the amount in dollar value of sales during the preceding month under each item or sub-item number upon which an award is received as a result of this program. The report should be directed to the Treasury Department, Procurement Division, Room of Supply, Washington, D. C.

(g) Unless otherwise specified by the bidder, it is understood and agreed that only such manufactured articles, materials, and supplies as have been mined or produced in the United States, and only such manufactured articles, materials, and supplies as have been manufactured in the United States substantially all from articles, materials, or supplies, mined, produced, or manufactured in the same way by, in the United States shall be delivered pursuant to a contract awarded as a result of this bid.

(h) Prices all herein include any Federal tax heretofore imposed by the Congress which is applicable to the material on this bid. If any sales tax, processing tax, adjustment charge, or other tax or charges are imposed or changed by the Congress after the date set for the opening of this bid, and made applicable directly upon the production, manufacture, or sale of the materials covered by this bid, and are paid by the contractor on the articles or supplies herein covered, then the prices named in this bid will be increased or decreased accordingly, and any amount due the contractor as a result of such change will be charged to the Government and entered on vouchers (or invoices) as separate items.

(i) The right is reserved to the contracting officer to reject any and all bids, to waive technical defects, and to accept or reject any part of any bid, is, in his judgment, the interests of the Government shall require it; also the right to declare any contractor in default if, in his opinion, there has been at any time a failure to perform faithfully any of the contract stipulations, or in case of a willful attempt to impose upon the Government articles inferior to those required by the contract; and any action taken by the contracting officer, in enforcement of this latter stipulation, shall not affect or impair any right or claim of the United States to damages for breach of any of the covenants of the contract by the contractor. It is understood and agreed that when a contractor has been declared in default by the contracting officer, thereafter during the remainder of the contract period the several executive departments and other establishments of the Government of the United States may purchase the articles covered by the contract of the defaulting contractor without furnishing said defaulting contractor orders therefor, and that any amount in cost over the original contract price shall be charged to said defaulting contractor and his sureties.

#### TO BIDS

For the purpose of receiving bids and making awards, the United States has been divided into zones, and zones have been, in many cases, subdivided into sub-zones listed below.

Every bill any submit a bid on each item for the zone in which it is located and for the sub-zone (if any). Awards will be made to the lowest acceptable bidder in the zone and/or sub-zone, or to the district of the contracting officer.

A company having more than one bill in a zone or sub-zone must state the exact location of its railway yard(s), each bill above product is being offered. The requirement that separate monthly offers shall be made applies to each separate bill.

(Continued)

Contract purchases from successful bidders will be made from the contract-holding bill which is so situated that the contract price of the cement plus the transportation to destination will be lower than price plus transportation from any other contract-holding bill. Limits of bid zones, therefore, do not define the areas in which deliveries may be made.

In defining the limits of the zones and sub-zones, use has been made of the terms "east of", "west of", etc. Zone 1-B, for example, includes New York State east of Utica. This means that portion of New York State which is east of a straight line running to north and south through the city of Utica. Similarly, Zone 11-B includes Oklahoma south of Tulsa; i.e., the entire portion of Oklahoma which is south of a straight line running to east and west through the city of Tulsa. In all cases, use of points of the compass has the same effect in defining bid areas.

The zones and sub-zones numbered from 1 to 30-B follow herewith.

#### ZONES AND SUB-ZONES

No.	Territory	Territory
1	A	Maine New Hampshire Massachusetts
	B	Vermont Connecticut Rhode Island New York (east of Utica)
2	A	Western New York (between Utica and Rochester)
	B	Eastern New York (west of Rochester)
3	A	New Jersey
	B	Pennsylvania (Northampton County only)
4	A	Eastern Pennsylvania (east of Altoona except Northampton County)
	B	Western Pennsylvania (west of Altoona)
5	A	Delaware Maryland West Virginia (east of Keyser)
	B	Eastern Virginia (east of Richmond) North Carolina
6	A	Western Virginia (west of Richmond)
	B	Georgia South Carolina
7	A	Florida
	B	Eastern Tennessee (east of Harrison)
8	A	Central Tennessee (west of Harrison, east of Murfreesboro)
	B	West Tennessee (west of Murfreesboro)

(Over)

Regraded Unclassified



- 4 -  
ZONES AND SUB-ZONES

No.		Territory
10	A	Alabama Jefferson County (east of Ensley) only
	B	Alabama - Jefferson County - (west of Ensley) and all other counties
	C	Mississippi Louisiana
11	A	Arkansas
	B	Southern Oklahoma (south of Tulsa)
12	A	Northeastern Texas (north of Austin, east of Abilene)
	B	Northwestern Texas (north of Austin, west of Abilene)
13	A	Southeastern Texas (south of Austin, east of Corpus Christi)
	B	Southwestern Texas (south of Austin, west of Corpus Christi)
14	A	West Virginia (west of Keyser) Southern Ohio (south of Marion, east of Portsmouth)
	B	Southern Ohio (south of Marion, west of Portsmouth)
15	A	Northeastern Ohio (north of Marion, east of Lorain)
	B	Northwestern Ohio (north of Marion, west of Lorain)
16	A	Southeastern Michigan (south of Muskegon, east of Adrian)
	B	Southwestern Michigan (south of Muskegon, west of Adrian)
	C	Northern Michigan (north of Muskegon)

(Continued)

- 5 -  
ZONES AND SUB-ZONES

131

No.		Territory
17	A	Indiana (north of Indianapolis)
	B	Indiana (south of Indianapolis) Kentucky
18	A	Wisconsin
	B	Minnesota
19	A	Illinois Iowa (east of Cedar Rapids)
	B	Missouri (east of Jefferson City)
20	A	Iowa (west of Cedar Rapids)
	B	Nebraska
21	A	Missouri (west of Jefferson City) Kansas (Leavenworth, Johnson, and Wyandotte Counties)
	B	Kansas (Allen, Anderson, Bourbon, & Linn Counties)
	C	Kansas (except Counties named in Zones 21-A & 21-B) Oklahoma (North of Tulsa)
22	A	North Dakota South Dakota
	B	Montana (north of Helena)
	C	Montana (south of Helena)
23	A	Colorado (south of Denver) New Mexico
	B	Colorado (north of Denver) Wyoming
24	A	Idaho (north of Boise)
	B	Idaho (south of Boise)
25	A	Washington (east of Yakima, north of Newport)
	B	Washington (east of Yakima, south of Newport)

(Over)

Regraded Unclassified

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No.		Territory
25	A	Western Washington (west of Yakima, north of Everett)
	B	Southwestern Washington (west of Yakima, south of Everett)
27	A	Northwestern Oregon (west of Pendleton, north of Salem)
	B	Southwestern Oregon (west of Pendleton, south of Salem)
	C	Eastern Oregon (east of Pendleton)
28	A	California (north of Sacramento, except counties in Zone 25-B)
	B	California (Central Coast, Alameda, San Mateo, Santa Cruz Counties)
29	A	California (south of Eugene Field, north of Santa Barbara)
	B	California (south of Santa Barbara)
30	A	Utah (Bozinger, Cacher, Hot, Morgan, & Summit Counties)
	B	Utah (except counties in 30-A) Nevada Arizona

## QUANTITY TO BE ORDERED UNDER CONTRACT

The Procurement Division will not undertake to furnish bidders an estimate of the quantity to be purchased from successful bidders during the 4-month contract period. However, experience of Federal agencies for a comparable period indicates an approximate consumption of 3,000,000 barrels. This contract will be the sole source of supply to Government activities during the contract period for cement of quality covered by specifications herein mentioned, except for requirements covered by existing contracts.

In addition to purchases by Government agencies for their own use under the proposed contract, successful bidders shall furnish cement to any and all people and agencies using cement on, or supplying cement to, projects the construction of which is provided for by contract or otherwise subsequent to date of this contract and which are financed in whole or in part by the Federal Government, at prices not to exceed those stated in the bid.

The effective delivery area to be obtained by the lowest bidder within roads and/or sub-roads will depend entirely on the relationship of low bids of adjoining roads and/or sub-roads. Government agencies will take delivery from those mills whose F.O.B. contract price, plus cost of transportation to destination, is lowest.

(Continued)

In order that a successful bidder may not obligate himself to supply quantities in excess of his capacity, each bidder is instructed to state in his bid the maximum quantity and guaranteed monthly delivery which he will agree to furnish from each mill. The quantity which the bidder agrees to furnish will be considered by the contracting officer in determining whether awards shall be made on the zone or sub-zone basis.

## SAMPLING AND INSPECTION

Sampling, inspections, and testing of cement to be furnished under contracts resulting from this proposal will be made in accordance with Federal Specification SS-C-158.

The ordering office shall have the right to waive inspection required under Federal Specification SS-C-158, and where inspection is waived the purchase order shall so state.

## WAIVER OF INSPECTION

Where inspection is waived the ordering office may call on the contractor for manufacturer's certificate of compliance, certifying that the cement delivered complies with the applicable specification.

## DELIVERY

Cement under Specifications SS-C-191a and SS-C-201 shall be delivered in carrier within 24 hours from time of receipt of purchase order in cases where inspection is waived, and cement under Specifications SS-C-206 and SS-C-211 shall be delivered in carrier within 15 calendar days from time of receipt of purchase order in cases where inspection is waived.

All cement shall be delivered to carriers within 8 hours of time of release by Government Inspector in cases where inspection is required by the purchaser.

The bidders shall be prepared to submit bins for test within 15 calendar days after receipt of purchase order, or at such earlier date as the bidders may have specified in their bids.

The contractor shall prepare the railroad cars or barges in which shipments are to be made in such a manner as to prevent loss, damage, or deterioration in transit and shall be responsible for any such loss, damage, or deterioration due to improper preparation of the railroad cars or barges.

## GENERAL SPECIFICATIONS

Copies of Federal Specifications referred to herein are obtainable upon application to the Procurement Division, Branch of Supply, Washington, D. C.

## DURATION OF PRICES

Bids are requested F.O.B. carrier at bidder's will only and bidders will insert in the spaces provided therefor the location of mills in each zone and sub-zone and the shipping points involved.

## DAMAGE

Payments for rail shipments shall be on the basis of railroad scale weights at point of points nearest the origin of shipment. The weight of damage shall be deducted as a separate item from the railroad net weights in issuing invoices. Payments for total cargo deliveries shall be based on weights determined at the Contractor's plant, checked and certified by the duly designated agent of the ordering office.

## DESCRIPTION OF ITEMS IN SCHEDULE

The bidding schedule is so arranged that bidders may insert prices in each bidding sub-zone opposite item numbers, "1", "2", "3", and "4". Complete description of each of these items follows:

1. Cement: Portland; shall be in accordance with Federal Specification SS-C-191a
2. Cement: Portland, high-early strength; shall be in accordance with Federal Specification SS-C-201.
3. Cement: Portland, moderate heat-of-hydration; shall be in accordance with Federal Specification SS-C-206.
4. Cement: Portland, sulphate-resisting; shall be in accordance with Federal Specification SS-C-211.



BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			1	1							
				2							
				3							
				4							
			1-A	1							
				2							
				3							
				4							
			1-B	1							
				2							
				3							
				4							
			2	1							
				2							
				3							
				4							



## BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			2-A	1							
				2							
				3							
				4							
			2-B	1							
				2							
				3							
				4							
			3	1							
				2							
				3							
				4							
			3-A	1							
				2							
				3							
				4							

BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			3-B	1							
				2							
				3							
				4							
			4	1							
				2							
				3							
				4							
			5	1							
				2							
				3							
				4							
			6	1							
				2							
				3							
				4							

BID<sup>d</sup>. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			7	1							
				2							
				3							
				4							
			7-A	1							
				2							
				3							
				4							
			7-B	1							
				2							
				3							
				4							
			8	1							
				2							
				3							
				4							



BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			8-A	1							
				2							
				3							
				4							
			8-B	1							
				2							
				3							
				4							
			9	1							
				2							
				3							
				4							
			9-A	1							
				2							
				3							
				4							

BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			9-B	1							
				2							
				3							
				4							
			9-C	1							
				2							
				3							
				4							
			10	1							
				2							
				3							
				4							
			10-A	1							
				2							
				3							
				4							

BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			10-B	1							
				2							
				3							
				4							
			10-C	1							
				2							
				3							
				4							
			11	1							
				2							
				3							
				4							
			11-A	1							
				2							
				3							
				4							



BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			11-E	1							
				2							
				3							
				4							
			12	1							
				2							
				3							
				4							
			12-A	1							
				2							
				3							
				4							
			12-E	1							
				2							
				3							
				4							

BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			13	1							
				2							
				3							
				4							
			13-A	1							
				2							
				3							
				4							
			13-B	1							
				2							
				3							
				4							
			14	1							
				2							
				3							
				4							

## BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			14-A	1							
				2							
				3							
				4							
			14-B	1							
				2							
				3							
				4							
			15	1							
				2							
				3							
				4							
			15-A	1							
				2							
				3							
				4							



## BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			15-B	1							
				2							
				3							
				4							
			16	1							
				2							
				3							
				4							
			16-A	1							
				2							
				3							
				4							
			16-B	1							
				2							
				3							
				4							

## BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			16-C	1							
				2							
				3							
				4							
			17	1							
				2							
				3							
				4							
			17-A	1							
				2							
				3							
				4							
			17-B	1							
				2							
				3							
				4							

## BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			18	1							
				2							
				3							
				4							
			18-A	1							
				2							
				3							
				4							
			18-B	1							
				2							
				3							
				4							
			19	1							
				2							
				3							
				4							



BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			19-A	1							
				2							
				3							
				4							
			19-B	1							
				2							
				3							
				4							
			20	1							
				2							
				3							
				4							
			20-A	1							
				2							
				3							
				4							

## BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			20-B	1							
				2							
				3							
				4							
			21	1							
				2							
				3							
				4							
			21-A	1							
				2							
				3							
				4							
			21-B	1							
				2							
				3							
				4							

BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			21-C	1							
				2							
				3							
				4							
			22	1							
				2							
				3							
				4							
			22-A	1							
				2							
				3							
				4							
			22-B	1							
				2							
				3							
				4							



## BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			22-C	1							
				2							
				3							
				4							
			23	1							
				2							
				3							
				4							
			23-A	1							
				2							
				3							
				4							
			23-B	1							
				2							
				3							
				4							

BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			24	1							
				2							
				3							
				4							
			24-A	1							
				2							
				3							
				4							
			24-B	1							
				2							
				3							
				4							
			25	1							
				2							
				3							
				4							

BID F. O. B. MILL											
MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			25-A	1							
				2							
				3							
				4							
			25-B	1							
				2							
				3							
				4							
			26	1							
				2							
				3							
				4							
			26-A	1							
				2							
				3							
				4							



## BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			26-B	1							
				2							
				3							
				4							
			27	1							
				2							
				3							
				4							
			27-A	1							
				2							
				3							
				4							
			27-B	1							
				2							
				3							
				4							

BID F. O. B. MILL											
MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (BbIs.)	GUARANTEED MONTHLY DELIVERY	BID- ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			27-C	1							
				2							
				3							
				4							
			28	1							
				2							
				3							
				4							
			28-A	1							
				2							
				3							
				4							
			28-B	1							
				2							
				3							
				4							

## BID F. O. B. MILL

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MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS		PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS	
					L. C. L.		CARLOAD LOTS	L. C. L.			CARLOAD LOTS
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.		MORE THAN 100 BBLs.
			29	1							
				2							
				3							
				4							
			29-A	1							
				2							
				3							
				4							
			29-B	1							
				2							
				3							
				4							
			30	1							
				2							
				3							
				4							



## BID F. O. B. MILL

MILL LOCATION & RAIL CONNECTION	MAXIMUM QUANTITY BID ON (Bbls.)	GUARANTEED MONTHLY DELIVERY	BID ZONE	ITEM NO.	PRICE PER BBL. IN CLOTH SACKS			PRICE PER BBL. IN PAPER SACKS			PRICE PER BBL. IN BULK CARLOAD LOTS
					L. C. L.		CARLOAD LOTS	L. C. L.		CARLOAD LOTS	
					1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	1 TO 99 BBLs.	100 AND MORE BBLs.	MORE THAN 100 BBLs.	
			30-A	1							
				2							
				3							
				4							
			30-B	1							
				2							
				3							
				4							
				1							
				2							
				3							
				4							
				1							
				2							
				3							
				4							
				1							
				2							
				3							
				4							

Price to be allowed for return of usable cloth sacks \_\_\_\_\_

Address to which sacks may be returned

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Table of discounts, in addition to all other discounts, to be allowed by the contractor for large quantities in excess of 200 barrels:

_____	Bbls.	Item No.	_____	Zone	_____	\$	_____	per bbl.
_____								
_____								
_____								
_____								
_____								
_____								

## TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,  
Thursday, March 31, 1938.

Press Service  
No. 12-84

Secretary Morgenthau announced today that, by direction of the President, additional measures had been adopted to protect legitimate bidders for Government contracts against unfair trade practices and to insure free competition among contractors and suppliers of material for Government construction or other construction for which the Government supplies all or part of the funds.

The measures adopted follow recommendations made by the President's inter-departmental price study group.

Effective April 1, the Procurement Division of the Treasury Department will undertake the purchase of all cement to be used directly by Government departments or agencies. In advertising for bids for cement the Procurement Division will request bidders to agree to enter into an "open contract," under which contractors on Government work and contractors on other work for which the Government supplies all or a part of the funds may purchase cement at the prices quoted to the Government. Bidders for the cement contract or contracts will also be requested to quote on the basis of delivery at the place of manufacture of the cement.

As an initial step in revision of the procedure with respect to construction contracts in which the Government has an interest, the Procurement Division will give effect, beginning April 1, to a new policy in relation to bids for the construction of Government buildings.

In the case of contracts for building construction proposals for which are to be advertised after that date bidders will be asked to certify that there has been no collusion with other bidders or prospective bidders in the preparation of their bids and they will also be asked to present similar assurances with



respect to subcontractors undertaking mechanical work on the building for the general contractor. In the event any evidence of collusion may be indicated, both contractors and subcontractors will be asked to make records available so that the Government may assure itself that no unfair and discriminatory trade practices are being pursued.

--oOo--

M E M O R A N D U M

April 29th, 1938.

To: The Secretary  
From: Mr. McReynolds

4 - An agreement was reached between the Director of Procurement and the General Counsel this morning on the form of an invitation for bids on cement for the State of California. The quantity asked for is 250,000 bbls; the deliveries to be made of specific amounts stated covering the period from June until November. The bids are invited f. o. b. mill - (1) for the entire quantity, or (2) the quantity required in any one month, or (3) units of 5,000 bbls each for delivery in any one month.

There are four separate projects on which this cement will be used and it is unlikely that any bidder will be able to identify the point of delivery for any particular lot.

Wyl

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SPECIFICATIONS AND PROPOSAL FOR CEMENT

ISSUED

By the Treasury Department, Procurement Division

Branch of Supply, Washington, D. C.

April 29, 1938

CEMENT, PORTLAND, MODERATE-HEAT-OF-HARDENING

for

USE BY THE

EXECUTIVE DEPARTMENTS OF THE FEDERAL GOVERNMENT

IN CALIFORNIA

Bid of \_\_\_\_\_

Address \_\_\_\_\_

(To be submitted in duplicate)

To be opened at 10 a.m., May 12, 1938, at the office of the  
Procurement Division, Branch of Supply, 7th and D Streets, SW.,  
Washington, D. C.



**STANDARD GOVERNMENT FORM OF BID**  
**(SUPPLY CONTRACT)**

ORIGINAL } Indicate which  
DUPLICATE } by erasure

To **PROCUREMENT DIVISION.**

Branch of Supply, 7th & D Sts., S.W.,  
Washington, D. C.

In compliance with your invitation for bids to furnish materials and supplies listed on the accompanying schedule,

the undersigned,

a corporation organized and existing under the laws of the State of  
a partnership consisting of

an individual trading as

of the city of \_\_\_\_\_, hereby proposes to furnish, within the time specified, the materials and supplies at the prices stated opposite the respective items listed on the schedule, and agrees upon receipt of notice of the acceptance of this bid (by the date beginning the contract period), to execute, if required, the Standard Government Form of Contract (Standard Form No. 32) in accordance with the bid as accepted, and to give bond, if required, with good and sufficient surety or sureties, for the faithful performance of the contract, within 10 days after the prescribed forms are presented for signature.

Discount will be allowed for prompt payment as follows: 10 calendar days \_\_\_\_\_ percent; 20 calendar days \_\_\_\_\_ percent; 30 calendar days \_\_\_\_\_ percent; or as stated in the schedule. (Time will be computed from date of the delivery of the supplies to carrier when final inspection and acceptance are at point of origin, or from date of delivery at destination or port of embarkation when final inspection and acceptance are at those points, or from date correct bill or voucher properly certified by the contractor is received if the latter date is later than the date of delivery.)

THE UNDERSIGNED REPRESENTS THAT THE PRICES IN THIS BID ARE  
NEITHER DIRECTLY NOR INDIRECTLY THE RESULT OF ANY AGREEMENT  
WITH ANY OTHER BIDDER.

(Witness to signature)

(Full name of bidder)

IMPORTANT.—State below address to which orders should be forwarded.

(Address)

NOTE.—See Standard Government Instructions to Bidders and copy of the Standard Government Form of Contract, Bid and Performance Bond, which may be obtained upon application.  
To insure prompt payment, bills should be certified as follows: "I certify that the above bill is correct and just and that payment therefor has not been received."

INVITATION

Sealed bids, in duplicate, are invited for the purchase of Portland cement, moderate-heat-of-hardening, in paper sacks, for use by executive departments of the Federal Government at such point or points in the State of California as may be hereafter specified. Bids will be opened at 10 a.m., May 12, 1938, by the Procurement Division in Washington, D. C.

Bids will be received and considered for the (a) total amount of 250,000 barrels shown in Schedule No. 1; (b) or for any or all of the quantities shown in Schedule No. 2. Award may be made as the interests of the Government may dictate.

SCHEDULE NO. 1

TOTAL QUANTITY BID																
Article	Quantity	Unit	Unit price	Amount												
Cement in paper sacks, in accordance with Federal Specification SS-C-206, delivery f.o.b. cars at mill location specified below:	250,000	Bbl.														
<p style="text-align: center;">Deliveries to be made as follows:</p> <table style="margin-left: auto; margin-right: auto; border: none;"> <tr> <td style="padding: 2px 10px;">First month</td> <td style="padding: 2px 10px;">40,000 Barrels</td> </tr> <tr> <td style="padding: 2px 10px;">Second month</td> <td style="padding: 2px 10px;">40,000 Barrels</td> </tr> <tr> <td style="padding: 2px 10px;">Third month</td> <td style="padding: 2px 10px;">45,000 Barrels</td> </tr> <tr> <td style="padding: 2px 10px;">Fourth month</td> <td style="padding: 2px 10px;">50,000 Barrels</td> </tr> <tr> <td style="padding: 2px 10px;">Fifth month</td> <td style="padding: 2px 10px;">35,000 Barrels</td> </tr> <tr> <td style="padding: 2px 10px;">Sixth month</td> <td style="padding: 2px 10px;">40,000 Barrels</td> </tr> </table>					First month	40,000 Barrels	Second month	40,000 Barrels	Third month	45,000 Barrels	Fourth month	50,000 Barrels	Fifth month	35,000 Barrels	Sixth month	40,000 Barrels
First month	40,000 Barrels															
Second month	40,000 Barrels															
Third month	45,000 Barrels															
Fourth month	50,000 Barrels															
Fifth month	35,000 Barrels															
Sixth month	40,000 Barrels															
Mill location _____																
Rail connection _____																



SCHEDULE NO. 2

SPECIFIED QUANTITY BID

Item No.	Article	Quantity	Unit	Unit price	Amount
	Cement in paper sacks, in accordance with Federal Specification SS-C-206, delivery f.o.b. cars at mill location specified below:				
1.	For delivery in First month	40,000	Bbl.		
2.	For delivery in Second month	40,000	Bbl.		
3.	For delivery in Third month	45,000	Bbl.		
4.	For delivery in Fourth month	50,000	Bbl.		
5.	For delivery in Fifth month	35,000	Bbl.		
6.	For delivery in Sixth month	40,000	Bbl.		
<p>Mill location _____</p> <p>Rail connection _____</p>					

### GENERAL CONDITIONS

1. Acceptance of bids. Bids are solicited on the basis that acceptance of the offer to furnish any or all of the articles described therein shall constitute a contract between the bidder and the United States Government, which will bind the bidder to furnish and deliver the articles for which his offer is accepted. The placing in the mail of a list of awards, properly addressed to the bidder whose proposal is accepted, shall be considered a sufficient notice of acceptance.
2. Bid guaranty. Guaranty will be required with each bid in an amount not less than ten percent of the total price bid.
3. Execution of contract and performance bond. There shall be a formal contract, signed by each bidder whose proposal is accepted, and by the contracting officer on behalf of the United States of America, which formal contract is to be considered as additional and further evidence of the agreement made by the acceptance of the proposal. Such formal contract shall be executed and returned by the contractor within 10 days after receipt thereof, and shall be supported by a performance bond to the United States of America on U. S. Standard Form No. 25, in an amount not less than 50 percent of the estimated aggregate payments to be made under the contract and shall be signed by the contractor and a corporate surety, which has been approved by the Secretary of the Treasury, or two or more individual sureties, and be conditioned for the faithful performance of said contract and all of its conditions and provisions. In lieu of sureties or performance bonds there may be deposited (in accordance with Treasury Department Circular No. 154, dated Feb. 6, 1935) bonds or notes of the United States. ("Bonds or notes of the United States" means "any public debt obligation of the United States and any bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States.") Certified checks drawn payable to the order of the Treasurer of the United States will be accepted when the bonds of contractors are signed by two individual sureties, in which event the individual sureties will not be required to furnish affidavits of justification as to their financial responsibility.
4. Patents. The contractor shall hold and save the Government, its officers, agents, servants, and employees, harmless from liability of any nature or kind, including cost and expenses, for or on account of any patented or unpatented invention, article, or appliance manufactured or used in the performance of the contract, including their use by the Government.
5. Oral statements. No oral statement of any person shall be allowed in any manner or degree, to modify or otherwise affect the terms of these specifications, or the contracts.



6. Advertising. Successful bidders shall not use awards as a basis for advertising.

7. Proposals. Proposals, after being prepared and signed in accordance with conditions herein given, shall be placed in an envelope which shall be properly sealed, marked on the upper left-hand corner with the name and address of the bidder and the class number, and sent by mail, postage prepaid, or delivered personally, to the Treasury Department, Procurement Division, Branch of Supply, Seventh and D Streets, SW., Washington, D. C. As openings commence at 10 a.m., proposals, to receive consideration, must reach the Division not later than that hour on the date of opening. An addressed envelope, which should be used for mailing, is enclosed herewith.

8. Representations and stipulations pursuant to Public Act No. 846, 74th Congress. It is understood and agreed that this bid is submitted, and any contract awarded thereon in any amount exceeding \$10,000.00 will be performed, subject to the representations and stipulations of Public Act No. 846, 74th Congress, and regulations issued by the Secretary of Labor pursuant thereto, as follows:

(a) The contractor is the manufacturer of or a regular dealer in the materials, supplies, articles, or equipment to be manufactured or used in the performance of the contract.

(b) All persons employed by the contractor in the manufacture or furnishing of the materials, supplies, articles, or equipment used in the performance of the contract will be paid, without subsequent deduction or rebate on any account, not less than the minimum wages as determined by the Secretary of Labor to be the prevailing minimum wages for persons employed on similar work or in the particular or similar industries or groups of industries currently operating in the locality in which the materials, supplies, articles, or equipment are to be manufactured or furnished under the contract: Provided, however, That this stipulation with respect to minimum wages shall apply only to purchases or contracts relating to such industries as have been the subject matter of a determination by the Secretary of Labor.

(c) No person employed by the contractor in the manufacture or furnishing of the materials, supplies, articles, or equipment used in the performance of the contract shall be permitted to work in excess of eight hours in any one day or in excess of 40 hours in any one week, unless such person is paid such applicable overtime rate as has been set by the Secretary of Labor.

(d) No male person under 16 years of age and no female person under 18 years of age and no convict labor will be employed by the contractor in the manufacture or production or furnishing of any of the materials, supplies, articles, or equipment included in the contract.



(e) No part of the contract will be performed nor will any of the materials, supplies, articles, or equipment to be manufactured or furnished under said contract be manufactured or fabricated in any plants, factories, buildings, or surroundings or under working conditions which are insanitary or hazardous or dangerous to the health and safety of employees engaged in the performance of the contract. Compliance with the safety, sanitary, and factory inspection laws of the State in which the work or part thereof is to be performed shall be prima-facie evidence of compliance with this subsection.

(f) Any breach or violation of any of the foregoing representations and stipulations shall render the party responsible therefor liable to the United States of America for liquidated damages, in addition to damages for any other breach of the contract, in the sum of \$10 per day for each male person under 16 years of age or each female person under 16 years of age, or each convict laborer knowingly employed in the performance of the contract, and a sum equal to the amount of any deductions, rebates, refunds, or underpayments of wages due to any employee engaged in the performance of the contract; and, in addition, the agency of the United States entering into the contract shall have the right to cancel same and to make open-market purchases or enter into other contracts for the completion of the original contract, charging any additional cost to the original contractor. Any sums of money due to the United States of America by reason of any violation of any of the representations and stipulations of the contract as set forth herein may be withheld from any amounts due on the contract or may be recovered in a suit brought in the name of the United States of America by the Attorney General thereof. All sums withheld or recovered as deductions, rebates, refunds, or underpayments of wages shall be held in a special deposit account and shall be paid, on order of the Secretary of Labor, directly to the employees who have been paid less than minimum rates of pay as set forth in such contracts and on whose account such sums were withheld or recovered: Provided, That no claims by employees for such payments shall be entertained unless made within one year from the date of actual notice to the contractor of the withholding or recovery of such sums by the United States of America.

(g) The contractor shall post a copy of the stipulations in a prominent and readily accessible place at the site of the contract work and shall keep such employment records as are required in the Regulations under the act available for inspection by authorized representatives of the Secretary of Labor.

9. Delivery reports. Successful bidders will be required to furnish on the tenth day of each month a written report of the number of barrels of cement and the amount in dollar value of sales during the preceding month under each item upon which award is received as a

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result of this proposal. The report should be directed to the Treasury Department, Procurement Division, Branch of Supply, Washington, D. C., and a copy of the report shall be furnished to the ordering officer.

10. Domestic materials. Unless otherwise specified by the bidder, it is understood and agreed that only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States, and only such manufactured articles, materials, and supplies as have been manufactured in the United States substantially all from articles, materials, or supplies, mined, produced, or manufactured, as the case may be, in the United States shall be delivered pursuant to a contract awarded as a result of this bid.

11. Federal tax. Prices bid herein shall include any Federal tax heretofore imposed by the Congress which is applicable to the material on this bid. If any sales tax, processing tax, adjustment charge, or other taxes or charges are imposed or changed by the Congress after the date set for the opening of this bid, and made applicable directly upon the production, manufacture, or sale of the supplies covered by this bid, and are paid by the contractor on the supplies herein contracted for, then the prices named in this bid will be increased or decreased accordingly, and any amount due the contractor as a result of such change will be charged to the Government and entered on vouchers (or invoices) as separate items.

12. Rejection of bid. The right is reserved to the contracting officer to reject any and all bids, and to waive technical defects, and, in his judgment, the interests of the Government shall require it; also the right to declare any contractor in default if, in his opinion, there has been at any time a failure to perform faithfully any of the contract stipulations, or in case of a willful attempt to impose upon the Government articles inferior to those required by the contract; and any action taken by the contracting officer, in pursuance of this latter stipulation, shall not affect or impair any right or claim of the United States to damages for breach of any of the covenants of the contract by the contractor. It is understood and agreed that when a contractor has been declared in default by the contracting officer, thereafter during the remainder of the contract period the several executive departments and other establishments of the Government of the United States may purchase the articles covered by the contract of the defaulting contractor without furnishing said defaulting contractor orders therefor, and that any excess in cost over the original contract price shall be charged to said defaulting contractor and his sureties.



13. Shipment. Material furnished and delivered f.o.b. cars at the shipping point shall be shipped on Government bills of lading. The contractor shall prepare all materials for shipment in such manner as to protect them from damage in transit, and shall be responsible for and make good any and all damage due to improper preparation or loading for shipment.

14. Comparison of bids. Whenever applicable, equalizing elements or factors not specifically mentioned or provided for herein, such as the cost of transportation or of inspection (including salaries, travel, and subsistence expenses), or any other element or factor in addition to that of price which would affect the final cost to the Government, will be taken into consideration in making award of contract.

15. Increase or decrease in quantity. The Government reserves the right to increase or decrease the quantity specified by not to exceed 15 percent.

16. Contracting officer. The term "contracting officer" as used herein shall include his duly appointed successor or his authorized representative.

#### SPECIAL CONDITIONS

17. Deliveries. (a) No bids will be considered unless based on a price delivered f.o.b. cars at the bidder's mill or mills. Deliveries shall be made in carload lots as ordered by the contracting officer.

(b) The contractor will be notified by the contracting officer approximately fifteen (15) calendar days in advance of the date of shipment of the first needs for cement. The contractor will thereupon proceed to manufacture the cement and place it in storage for test and delivery. Thereafter, the contracting officer will, on Wednesday of each week, notify the contractor of the amount to be delivered each calendar day of the following week. The contractor shall accept cancellation of any day's shipment provided such notice of cancellation has been received by telephone, telegraph, or in writing at his mill within twenty-four hours of the normal time of dispatch of rail shipments.

(c) It is estimated that the first delivery of cement will be required on board cars at the shipping point about June 15, 1938, and that deliveries will extend from that date over a period of  $5\frac{1}{2}$  to  $7\frac{1}{2}$  months. The estimated monthly requirements for cement are as given in schedules, but due to uncertainties as to the progress of the construction work, this schedule cannot be guaranteed, and the Government reserves the right to increase or decrease this schedule as may be necessary to meet the requirements of the work. The maximum required rate of delivery will not exceed 3,000 barrels per day.



18. Failure to meet delivery requirements. In the event any bidder to whom contract is awarded fails to begin delivery as directed by ordering officer within the schedules of deliveries made a part of this proposal and/or to meet the guaranteed maximum monthly requirements when requested to do so, the Government reserves the right to secure the deficiency elsewhere and to charge to the contractor the difference in delivered cost to the Government. Whatever sums may be due as difference in delivered cost to the Government may be deducted from payments due to the contractor or may be collected from the contractor or the contractor's surety or sureties.

19. Sampling and inspection. Sampling, inspections, and testing of cement to be furnished under contracts resulting from this proposal will be made in accordance with Federal Specification SS-C-158.

20. Rejection. Cement may be rejected at the discretion of the contracting officer if it fails to meet any of the requirements of the specifications.

21. Federal specifications. Copies of Federal specifications referred to herein are obtainable upon application to the Procurement Division, Branch of Supply, Washington, D. C.

March 16, 1938

Mr. Morgenthau had as guests for luncheon Henry Morgenthau, Sr., Ronald Ransom, Chester Davis, Wayne Taylor and Upham.

Most of the discussion had little to do with monetary and banking matters and the relationship of the Treasury with the Federal Reserve.

There was considerable discussion of the political and military situation in Europe.

Mr. Taylor told the Secretary that the meeting this morning had pretty well reached a conclusion on bank holding companies which would be reported to him tomorrow.

Mr. Morgenthau told the group of the proposal made by Mr. Douglas in his office this morning, and suggested the possibility of withdrawing \$100 million in gold which is now available to the Federal Reserve banks for industrial loans, to be used as capital for the regional industrial credit banks suggested by Mr. Douglas.

During the course of the luncheon Mr. Morgenthau noted that the situation in Government bonds was unsatisfactory, and he and Mr. Ransom, Mr. Davis and Mr. Taylor went upstairs to telephone to Mr. Burgess and consult on measures to be taken.

March 16, 1938

12:55 pm

Present:

Mr. Ransome  
Mr. Davis  
Mr. Taylor

The Secretary spoke on the telephone to the President and told them that he would like to buy Government bonds aggressively.

The following is a transcript of the balance of their conversation:

HM, Jr.: All the nervousness is from London. That's in the stock market.

President: When did they sell. I thought they were buying.

HM, Jr.: Today all the selling comes from England and it just was so important I bothered you, interrupted you, and I wanted to tell you what we are doing.

President: Why do you think it is necessary?

HM, Jr.: Oh, the Government bond market is off about 1/3 to 1/2 a point. We are fearful if it gets worse, it will get into the banks and everything else.

President: Your bond market is higher than it was two months ago.

HM, Jr.: Well, I don't think it is too high.

President: Well, tell the boys I think the Government bond market is too high.

HM, Jr.: We are going to try it just for one day.

President: All right.



-2-

HM,Jr: We have only got one hour.

President: But tell the boys I still think  
your bond market is too high. (Laughing)

HM,Jr: (Also laughing) One of us is wrong.

President: Anything from abroad?

HM,Jr: Nothing. I have nothing, except you  
know Blum has a Cabinet meeting this afternoon and he goes  
before Parliament tomorrow and the franc, incidentally,  
is quite strong. The franc is quite strong.

President: Good!

I got a letter from Joe Kennedy in which he  
says that conditions, industrial conditions in England  
are far worse than he had any knowledge of before he left--  
and I would tell the boys that -- far worse than at home.  
Isn't that interesting? And it is only maintained by  
the rearmament program. Everything else is flat. Very  
interesting.

HM,Jr: Yes. Thank you.

Wednesday  
March 16, 1938  
1:45 p.m.

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HMJr: - Ransom and Davis here and Taylor.

W. R.

Burgess: Good.

HMJr: They were lunching with me and I saw this break in the market...

B: Yes.

HMJr: And we wanted to know first what's the description of it.

B: Well, there isn't very much volume this week. I think a reflection largely of the London situation.

HMJr: Yes.

B: You know the London Market has been quite weak...

HMJr: I don't.

B: And the British War Loan is off under par.

HMJr: Can you talk a little louder, please?

B: The British War Loan was off under par.

HMJr: Yes.

B: But there's not very much offered, there's nothing very heavy; there's been some buying in the market.

HMJr: Uh huh.

B: Now, my feeling has been that there was nothing to do about it at the moment, these things have been very high and some readjustment is probably desirable.

HMJr: Uh huh.

B: I think there is enough buying in the offing so it will come in.

HMJr: Uh huh.

B: Now if it shouldn't I think we need to be ready to see that the market is kept orderly, but I think it might be undesirable to go in yet.

HMJr: Well now, I differ with you, but let me talk with these two gentlemen, and after all, they've got minds of their own.

B: Yes.

HMJr: Do you mind holding on, please.

B: All right.

HMJr: They may even want to talk to you.

(Short pause)

HMJr: Chester Davis asks a question - how much does the break amount to?

B: Oh, it's only three or four or five points - thirty-seconds.

HMJr: It's more than that, I believe.

B: Of course, it's...

HMJr: You're two and a half...

B: you know it's dull, you know there aren't very many sales; it's a fairly quiet market.

HMJr: Yes.

B: There's no great volume of stuff being pushed out.

HMJr: Well, let's just see - well, yes, let's see, they're running - well, our sheet shows from nine to sixteen thirty-seconds off.

B: Well, there'll be some quotes of that sort, yes.

HMJr: Well, these are the ones that Harris gave me - quotes from dealers.

B: Yes. Yes.

HMJr: Well now, just a minute. Mr. Ransom wants to talk to you.

B: Yes

Ronald  
Ransom:

Randolph, it appears to me we've got something of the same problem to deal with in this situation that we had once before, you remember.



B: Well, we've had the same thing a good many times, Ronald.

Ransom: Yes, I know that. But it seems to me that with the advance in the price that we have had over the last few months a too rapid decline is going to set off a great volume of stuff.

B: Yes.

Ransom: And it seems to me that it's got to be eased down, that it can't go down quite as much as it has today. It surprises me very much, because watching it every day I was wholly unprepared for what looks to me like a substantial enough break for the dealer to interpret it to the outlying banks as a rail break.

B: Yes

Ransom: And again we've had the problem that the dealer doesn't care very much which way his customer is dealing if he can stir up sufficient volume.

B: Yes.

Ransom: Now, I know perfectly well from my past experience that the situation like this develops and these dealers get on the wire and they talk to their customers out in the country...

B: Yes.

Ransom: they paint it in a much different picture from what we would see it - talking to you.

B: Yes. Yes.

Ransom: So, I think we've got to be very very careful with that situation and not let it get out of hand. I've been uneasy about it.

B: Yes.

Ransom: There's even...

B: It's very high, you know.

Ransom: Very.

B: But, it doesn't seem to me they have - to be similar to times when it has gone in long plunges; you never can tell about that, though. I don't feel very

-4-

strongly. It's very hard to - Well, I can't tell if it's the way.

Ransom: Well, I think a strong argument is in favor of keeping it from getting out of hand.

B: Yes.

Ransom: That - that's the thing that appeals to me.

B: Yes. Well, that of course, is possible.

Ransom: You didn't - I was quite surprised to see what you did today.

B: Yes. Yes.

Ransom: And I - we really haven't had a chance to discuss it, any of us; it just happened that the four of us were here together.

B: Yes.

Ransom: And I don't even know Mr. Davis' views on the subject. He hasn't had a chance to express them.

B: Yes.

Ransom: He's got the same thought I've got, he doesn't want to see the banks get started selling and I know how damned easy it is to get them started.

B: Yes. Yes. Well, I'm - I think it's a nice question. I was just wondering a good deal about it myself.

Ransom: Yes.

B: And was hesitating because the market had been so high because I thought that - that there was a good deal of buying in the offing that would come in, in fact there was some little evidence - a little - a few minutes ago of some buying coming in, and general reluctance to go into it if you don't have to, but if you people feel the way you do I think we'd better - better do a little something.

Ransom: I think you'd better do something in that situation. I wouldn't hesitate to do something, I'd go out and do it. The events are recurrent to what has happened to us a time or two in the past.

B: Well, we may not be able to prevent it but we can...

Ransom: Well, now my own thought is that when it reaches a certain point there's very little we can do.

B: Yes.

Ransom: But that before it reaches that point there's often a good deal we can do.

B: Yes. I agree with you.

Ransom: I think it's a question of doing it in time.

B: Yes. Yes.

Ransom: All right.

B: All right, sir, do you all feel that way?

Ransom: Yes. Just a minute.

B: All right.

HMJr: Ransom has expressed what I felt although I don't know whether he's going to nod his head. I feel strongly enough about it that I'd say I'd put a floor under that market right now.

B: Yes.

HMJr: You've got - I'd put a floor right under it right now and I wouldn't be mealy mouth about it.

B: Well now, let me get just what you mean, Henry.

HMJr: Well, I'd go in and buy.

B: Yes.

HMJr: I'd stop this thing right where it is, right where it is. I mean, you - the first thing you say is, "Look at the English - the bonds are off three or four points." I mean, I want to try one day to see if we really go in aggressively and try to stop this thing whether we can do it. But today is the day to try it, not tomorrow and not the next day, the first day they hit us.



B: Now, do you want us to buy anything for you or shall we do it all ourselves?

HMJr: I'm willing today to go - Ransom says he doesn't care if we go fifty-fifty with you.

B: Yes.

HMJr: We'll go fifty-fifty with you.

B: Yes.

HMJr: But I want Mr. Ransom to confer - what I'm saying is that - well, Chester Davis says get offers on the market. I say, put a floor right under it and try to stop it right now.

B: Yes.

HMJr: And really be aggressive.

B: Yes.

HMJr: Now I don't know whether Mr. Ransom - no, I don't mean doing it the way we used to do it, I mean really go in and see if we can't stop it the first day they hit us. Ransom says it's worth the try.

B: Yes. Well now, when are we going to start in?

HMJr: What?

B: We'd better start in - the sooner the better.

HMJr: Yes. We'll go fifty-fifty with you, and I don't - I can tell you now, without consulting me, we'll take up to twenty-five million.

B: Yes. Yes.

HMJr: What?

B: All right.

HMJr: But I don't mean the way we did it before - I mean really go in and see if you can't stop this thing right now.

B: Yes. Well, you people - well, these people - those people there are all agreed on that, are they?

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HMJr: Well, I'll let Ransom talk to you himself.

B: Yes.

Ronald  
Ransom: Yes, Chester and I are both in full agreement  
with that.

B: Yes. Yes. All right, sir, we'll go right ahead...

R: And he says that's the time to tackle the problem -  
when you've got it.

B: All right.

R: Mr. Taylor says he agrees to that fully.

B: Yes.

R: All right. Let's see what happens.

B: Yes. All right.

R: All right.

B: Very good.

Wednesday  
March 16, 1938  
2:16 p.m.

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HMJr: Hello, Randolph.

W. R.

Burgess: Yes.

HMJr: I've still got the same people here with me.

B: Yes.

HMJr: What's happened?

B: Well, let me call you back in just a minute, will you Henry?

HMJr: I will.

B: I'll - I'll call you right back.

HMJr: All right.

2:21 p.m.

Burgess: Hello, Henry.

HMJr: Yes.

B: We bought six and a half...

HMJr: Six and a half what?

B: Ah - bonds - millions.

HMJr: Millions?

B: (Laughs) The market is a little steadier, some of the quotes are a thirty-second or two better.

HMJr: Yes.

B: They've not dropped down any further anyway.

HMJr: Well, nobody around here is worried, in fact they've got a little smile on their face.

B: (Laughs) That's good. So have I.

HMJr: Now, for God's sake, Randolph, don't back away from this thing!



B: No, we aren't.  
HMJr: What?  
B: No, we aren't.  
HMJr: I mean, take it like a man now.  
B: Yes. (Laughs)  
HMJr: For today anyway.  
B: Yes.  
HMJr: What?  
B: All right.  
HMJr: I'm serious.  
B: Yes, I know.  
HMJr: Let's try it once really doing it.  
B: Yes.  
HMJr: Now let's see if either of your board members have got an idea.  
B: What's that?  
HMJr: No, they're both very happy and both satisfied and they say - Ransom says, "Stick to it."  
B: All right. (Laughs) Very good.  
HMJr: O. K.

Wednesday  
March 16, 1938  
2:31 p.m.

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T.O.: Operator.  
HMJr: Hello.  
T.O.: I have Ambassador Kennedy.  
HMJr: Thanks.  
T.O.: All right.  
HMJr: Hello. Hello.  
T.O.: Go ahead.  
Joe Kennedy: Hello.  
HMJr: Hello.  
K: Hello, Henry!  
HMJr: How are you?  
K: By God! it's good to hear somebody's voice from that place again!  
HMJr: Well, I thought it was about time I called you up.  
K: (Laughs) Well, you called me up on a great day.  
HMJr: Well, that's why I'm calling you.  
K: Yes.  
HMJr: Because it - everything we've got here looks as though the selling was coming from London.  
K: Well, there isn't any question about that, they're selling the hell out of this market over here.  
HMJr: And I wondered if there was anything other than just the war scare.  
K: Well, it's - it's beginning to be an appreciation that they've got an economic situation that's very much worse than anybody has pretended that it was.  
HMJr: I see.

K: And it's going to get progressively worse.

HMJr: I see.

K: And there isn't anything in the Christ-World that's going to save it.

HMJr: (Laughs) My God, Joe, you're still a...

K: Criminal.

HMJr: You're still <sup>you</sup> -/ haven't learned how to - I mean you haven't still got an English accent, have you?

K: (Laughs) No. (Laughs) No, but you can get yourself another big one for this one to go into.

HMJr: Yes.

K: Because these boys over here don't know what it is to have a good declining stock market for the last eight or ten years.

HMJr: Yes.

K: And they're going to get one here now that's going to make ours look very simple.

HMJr: Yes.

K: Of course that's going to have its effect on ours. And while sterling is going to go down why, the markets aren't going to do anything.

HMJr: Yes.

K: Because they're going - people are going to crash in and buy gold because the hell is scared out of everybody over here.

HMJr: I see.

K: Now that's the condition. I mean, it isn't going - it isn't - don't let anybody tell you that nothing is happening from minute to minute.

HMJr: Look - a little slower, Joe.

K: Don't think that it's anything that happens from minute to minute.



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HMJr: Yes.

K: It's a matter that's economically the unsoundness of the whole economic structure.

HMJr: I see. This is just the war scare?

K: It is not just the war scare. I mean, a war scare is just like anything that hits a declining market.

HMJr: I see.

K: The market is bound to go down whether - if you comb your hair wrong - or you say something cross, Secretary, you can make the market go down if the market's in a weak position.

HMJr: That's right.

K: But if the market isn't in a weak position you can pass all the legislation we did in thirty-five. Well, that's what the conditions are here.

HMJr: I see.

K: The conditions are fundamentally just as they were with us.

HMJr: I see.

K: Their trade is not sufficient to keep them going...

HMJr: Yes.

K: They need a good deal more money than they can possibly get their hands on...

HMJr: Yes.

K: And the individual is taking it a good deal gamier than we are in America, but the conditions are there.

HMJr: I see.

K: And you can make up your mind and your plans, I think, Henry, based on that as a fundamental.

HMJr: Well, that's what I wanted to get, because I can't - I wanted to get it from - as the English say - direct from the horse's mouth.

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K: (Laughs) Well, it doesn't necessarily have to be the mouth.

HMJr: Yes.

K: But definitely I feel that that's there and they can talk to me all they want about the political aspects of everything that's happening, Henry, but that isn't what the trouble is.

HMJr: I see.

K: They can not get this thing going any place in this continent over here unless they get an acceleration of business.

HMJr: I see.

K: And - so - and I would make that as my guess.

HMJr: I see.

K: No matter whether they stop it or - they won't belly-ache nearly as much as we will.

HMJr: No.

K: And they'll take it a damn sight better.

HMJr: Yes.

K: But, nevertheless, that's where it's going to go.

HMJr: Uh huh. - Well, I'm watching it very closely.

K: Well, Henry, we will. I'm having - I'm having the heads of every big bank to my house for dinner.

HMJr: Yes.

K: Just a stag party - the Morgans, the Rothschilds, the McKennas - everybody.

HMJr: Yes.

K: And I'm going to have Butterworth there with me.

HMJr: Good.

K: And - they gave me a dinner when I was here before and we're returning it and they're all coming.

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HMJr: Good.

K: And we'll have a pretty good crowd that night - I don't just exactly - because they're talking pretty frankly now with us.

HMJr: Well, now, when you get something like that - mark it - show it to the Treasury, see?

K: Yes.

HMJr: Because otherwise they may not send it across.

K: On that night?

HMJr: What's that?

K: I'll call you on the telephone right after I finish.

HMJr: That's - that will be fine.

K: Yes. You'll know it. I won't wait to send any message, I'll call you up...

HMJr: Yes.

K: Because you're more concerned about that than they are.

HMJr: Yes. Now, do you want to know how I feel?

K: Yes.

HMJr: Now I feel - I feel pretty well, Joe, in this way, that for about two weeks business has not got any worse..

K: Good.

HMJr: See?

K: Yes.

HMJr: For a couple of weeks it has not got any worse.

K: Yes.

HMJr: And that's all I can say.



K: Well, Henry, I - this is the only thing I'm disturbed - I think you can make your observations from that, I think, fairly accurate, but you've got to remember that this is going to play quite considerable part in the future of that economic situation over there.

HMJr: I know that.

K: Because they - whether they like it or not, everybody that has talked to me - and I had a long talk with Chamberlain...

HMJr: Yes.

K: ..about this particular, and this is the only thing he gave me an argument on it, because I said to him I thought that he was headed just as we were headed so far as the markets go.

HMJr: Yes.

K: And no matter what anybody says or does that is exactly what is going to happen here. They can't build this thing fast enough to - to get enough income to take care of these expenditures that they'll have go through.

HMJr: I see.

K: Whether it's a - don't pay any attention whether there's a fight in France or anything else - those are just contributing factors to an otherwise weak condition.

HMJr: I see.

K: But, as to you, why we'll keep you posted, Henry, but I'd make my plans - I mean I'd be thinking along that line on anything, because I'll gamble anything, just as I did on that situation there, I'll gamble everything I ever saw that that's what's going to happen here. Now, they may change - they may put it up for one day but they'll - but the trend is definitely down unless they get together on some economic basis - to hell with the political.

HMJr: Well, that's what I want.

K: Yes.

HMJr: That's the kind of information I want.

K: Yes.

HMJr: Can I do anything for you?

K: Oh, I'd say hello to Missy if you can transfer me over there.

HMJr: Well, I don't think I can, because you're on my switchboard.

K: Oh, I see.

HMJr: But, wait a minute - wait a minute, let me try it.

K: All right, Henry.

HMJr: I've never done it. Let me try it, you see? Will you stay on?

K: I'll stay right here.

HMJr: All right, just a minute.

T.O.: Hello.

HMJr: Ambassador Kennedy wants to talk to Miss LeHand. Is it possible to put it through to Miss LeHand.

T.O.: Yes, I can put it through.

HMJr: Well, if you can will you do that?

T.O.: Right away. Yes, sir.

K: I'll be in touch with you, Henry.

HMJr: All right. Now just stay on and we'll see.

K: All right.

Wednesday  
March 16, 1938  
2:44 p.m.

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HMJr: Hello.

T.O.: Dr. Burgess. Go ahead.

HMJr: Hello. Hello. Hello.

T.O.: Is Mr. Burgess on there? (Spoken to outside operator)  
Just a minute.  
Secretary Morgenthau is...( " " " " )

Outside  
Operator: Operator, I have Dr. Burgess.  
(Short pause)

HMJr: Hello.

T.O.: Dr. Burgess.  
W. R.  
Burgess: Hello.

HMJr: Yes.

B: Hello, Henry.

HMJr: Yes.

B: Well, I think we've got a floor on this.

HMJr: You do?

B: They're all up two or three thirty-seconds.

HMJr: Uh huh.

B: And we're just buying mostly off the board; we've bought twelve and a half.

HMJr: Are you buying from the dealers?

B: Yes, we're buying outside mostly.

HMJr: Uh huh.

B: But I think we've got the immediate thing cleaned up and there's some other buying come in; there's some of these new ones, the Bank of Manhattan took.

HMJr: Good.



B: And there's some other - and Devine had a block of two and seven-eighths, he's got rid of most of those outside.

HMJr: How many did he sell?

B: Well, he had six that we knew of.

HMJr: Six million?

B: --- Gardner sold about five of them.

HMJr: Very good.

B: But, we've got a floor here.

HMJr: Good.

B: And buying was in the offing so some other came in.

HMJr: Fine.

B: So right now it's O. K.

HMJr: Well, will it - do you think it will take care of itself?

B: Well, I - I'm inclined to think so. But we're right here watching it...

HMJr: Yes.

B: And if it starts to dive again we go in again.

HMJr: That a boy. How much have you bought?

B: Twelve and a half million.

HMJr: Cheap.

B: What's that?

HMJr: That's cheap.

B: I think it was pretty cheap, yes.

HMJr: I mean, if - if we've done the job for twelve and a half or fifteen million dollars I'd say it was cheap.

B: I think so. Now I suppose it may - it may be evident that we've been in, but that's all right at a time like this.

HMJr: I hope it does. I hope they do.

B: I guess you'll have your wish, I don't know. We've...

HMJr: - only hope so. I mean I think that that would at least let them know we've got enough confidence in our own merchandise.

B: Well, I think it's justified at a time like this.

HMJr: Now, who's going to see the press - from the Journal today?

B: Ah - Roelse was going to see them.

HMJr: Well, you'd better see them, hadn't you?

B: All right, I'll go in.

HMJr: Yes. You'd better go in yourself.

B: Yes. All right. I'll see them.

HMJr: Who's Roelse?

B: Yes. Well, I'll go in.

HMJr: Yes. You'd better do it and you'd better handle that yourself, if you don't mind.

B: Yes. All right.

HMJr: All right. I'll call you - I go into a heavy meeting at three...

B: Yes.

HMJr: I'll call you a couple of minutes before.

B: Very good.

HMJr: Thank you.

B: Goodbye.

Wednesday  
March 16, 1938  
3:00 p.m.

153

HMJr: Hello.

T.O.: Dr. Burgess. Go ahead.

HMJr: Hello.

W. R.  
Burgess: Oh, hello, Henry.

HMJr: Well, how does it look now, Randolph?

B: Well, there's not much change. They're - they still remain 1 to three thirty-seconds above their lows and holding that. I think we've got the bottom all right.

HMJr: Yes. Now, Randolph, before you go home tonight would you mind writing me a letter telling me just what you did for the Treasury.

B: All right.

HMJr: And also, for instance, what you know - if you don't mind - what the bond dealers did.

B: All right.

HMJr: I mean, I'd just like to have it as a matter of history.

B: Yes. Yes.

HMJr: But I'd like you to do it tonight before you go home.

B: All right.

HMJr: While it's still fresh in your mind.

B: Very good.

HMJr: And, as I understand from you, <sup>that</sup> as soon as we started buying the other dealers were able to sell.

B: Ah - almost that, yes.

HMJr: Well, of course, you have another hour yet.

B: Yes. That's right.

HMJr: Well, I'm going into a meeting now that'll occupy me at least an hour.



B: Yes.

HMJr: When I am through I'll call you.

B: All right. We'll keep on watching.

HMJr: -But if you would write me a special letter tonight  
I'd appreciate it.

B: Very good. Be glad to.

HMJr: Thank you.

B: Yes. O. K.

RE HOUSING COSTS

March 16, 1938.  
3:00 P. M.

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Present: Mr. Taylor  
Mr. Oliphant  
Mr. Gaston  
Mr. McReynolds  
Mr. Haas  
Mr. Daggit  
Mr. Peoples  
Mr. Barton  
Mr. Collins  
Mr. Lawes (Procurement)  
Mr. O'Connell (Procurement)  
Mr. McDonald  
Mr. Fisher  
Mr. Piquet (Tariff)  
Mr. Bean (Agriculture)  
Mr. Stone (W. P. A.)  
Mr. Loomis  
Mr. Hinrichs  
Mr. Stinebower  
Mr. Currie  
Mr. Edwards  
Mr. Blaisdell  
Mr. Curtiss (Public Roads)

H.M.Jr: Everybody got a chair? Who's going to - George, do we start with Blaisdell?

Haas: Yes sir - please.

Blaisdell: This report of the Committee, Mr. Secretary, completes some of what was given to you at the last meeting. It is focused though on the cement situation. The draft, as I am reading it, is my own handiwork, although the material that is in it is supplied by quite a number of men, whose names I don't think it is necessary to mention - the Committee you named, and others.

H.M.Jr: Has each agency got at least one of these? No.

Blaisdell: These reports have not been circulated to anyone.

H.M.Jr: Not yet? I see. Well, what is your thought - you will or won't?

Blaisdell: I'll read it if you wish me to.

H.M.Jr: I mean about circulating it afterwards.

Blaisdell: I'll follow your wishes.

H.M.Jr: All right, let's hear it.

Blaisdell: After all it is essentially an operating statement.

H.M.Jr: Go ahead.

Blaisdell: "Recommendations....."

H.M.Jr: I think you will have to talk a little louder.

Blaisdell: "1. Centralized purchase. That there be immediately centralized in the hands of the Director of Procurement the maximum amount of purchases of cement, including --

"(a) All cement now being purchased by any Federal agency in the regular course. A list of such agencies and the amounts they purchased is attached.

"(b) All cement which, by change in the present practice of any agency, could be purchased by the Government rather than by the contractor. A list of such agencies and the amounts they purchased is attached.

"These two combined would give the Procurement Division a total of 15,730,000 bbls per annum, which constituted about 14 percent of yearly sales. For the rest of the fiscal year the Government has approximately 3,395,000 bbls to purchase.

"2. Trade Agreements. The State Department should be asked to reopen the question of further reduction in the tariff on cement under the Belgian Trade Agreement. This would involve the issuance of notice to negotiate the general provisions of the Agreement, and the ....."

H.M.Jr: Can everybody hear it? All right, go ahead.



Blaisdell: "..... simultaneous announcement of the reopening of the cement concessions. Although the time involved in negotiation would be considerable, the announcement itself would have value.

"3. Anti-trust action. The program of coordinated purchases should be carried out in such a fashion as to preserve all evidence of a new and distinct illegal combination or of any continuance of any practice which may be found to be illegal (as distinct from evidence pertinent to the pending FTC complaint) encountered in the course of carrying out this program, having in mind immediate action by the Department of Justice in the event such combination is so disclosed.

"As a corollary to this, all conferences and communications with the cement manufacturers and dealers should be carried on in such a way as to avoid anything which would be later cited as formal or informal official approval of illegal practices or combinations in the industry.

"4. Public Roads. The details of the program in connection with public roads cannot be stated sharply, but follows three possible lines:

"(a) Possible purchases by states under a Federal Government open contract.

"(b) A conference by the Secretary of Agriculture with the state road commissioners explaining the Federal Government program and endeavoring to secure cooperation in its development.

"(c) Legislation would be necessary to enable the Federal Government to purchase cement used in highway construction under grants by the Bureau of Public Roads. As to approved projects, this legislation could authorize the Secretary of the Treasury to negotiate with states an arrangement for them to take cement in lieu of money; and, as to projects not yet approved, such legislation could authorize the Secretary of Agriculture to make grants of money conditioned upon the Federal Government's supplying the cement. Legislation of the former sort would and should be put in the present Agricultural Appropriation Act pending before the Appropriations Committee of the House.

## "II. Procedure.

"1. Personnel. The Secretary of the Treasury should name one or more men thoroughly familiar with the cement industry, including the organization, banking, and other financial connections of cement concerns, and the marketing of cement. This person to function in the Procurement Division directly under the authority of the Secretary.

"2. Competitive Bidding. All purchases should be made in such a manner as to secure bona fide competitive bidding.

"3. Collusion. If indications of collusion appear in the original bidding, these bids should be rejected and readvertised.

"4. Independent Negotiation. If tie bids or other evidences of collusion are still present, negotiations for the letting of independent contracts should be undertaken.

"5. Preservation of Evidence. While the preceding steps are being taken the Department of Justice should be in constant consultation with the Treasury Department in order that legal action under the anti-trust laws may be taken if illegal actions are found.

"6. Trade Agreements. The announcement of the reopening of the Belgian Agreement should be made as quickly as possible so that the present FTC action, the previously mentioned negotiations, and corollary actions are proceeding at the same time.

"7. Public Roads. Further exploration and action in connection with the public roads program should be continued while the other activities are under way.

"8. Effective Coordination. All persons participating in the program should be aware of the fundamental objectives involved.

"9. Publicity. The amount of publicity and its character will become apparent as the program develops.



"III. Objectives.

"1. Cement prices at present are regarded as being "out of line" and hence are a block to business recovery.

"2. The fundamental aim of the program is to lower the price of cement for all purchasers, not only the Federal Government.

"3. The secondary purpose is to establish conditions in the industry which will bring about competitive conditions."

Then there are attached, in the document which we have given you, Mr. Secretary - the documents referred to here; also a general statement of the economic situation in the industry, prepared under the Tariff Commission and advised by Mr. Haas. And Mr. Oliphant and Mr. O'Connell have a memo which is not included in this document which has not come to me yet, but which I believe is prepared.

H.H.Jr: Which is O'Connell?

O'Connell: I have the memorandum. Mr. Oliphant hasn't seen it yet.

H.H.Jr: How many copies of this did you have? What did you do with them?

Blaisdell: I have all the copies. You (Haas) have one. We just put that together two minutes of three, and they are assembling now some of the other copies.

H.H.Jr: I just wondered. I wanted to ask General Counsel whether this is a document we want to circulate.

Oliphant: I think you should have all the copies in your own hands, Mr. Secretary.

H.H.Jr: I think it is a little bit like a piece of dynamite.

Haas: I think Captain Collins .....

H.H.Jr: Let me just go back over this thing on the centralized purchasing. Does anybody - let's just



discuss that - who doesn't think that Procurement, irrespective of anything else, should be given the authority to do all their purchasing - all the purchasing of cement for the Government? Let's just discuss that one point first. Who thinks that would be a mistake? Who thinks it would be good?

...

(Everybody.)

Peoples: I think we all do, Mr. Secretary. I think it is the only way to handle it, sir.

H.M.Jr: Well, Admiral, supposing you talk for a moment, seeing it would be your responsibility - I mean, how would you feel about it if you were given that authority?

Peoples: I think it is a perfectly sensible thing to do, sir, to accomplish the purpose in mind. I don't see how it can be accomplished any other way, and in order that all departments of the Government may know - of course, under the terms of 6166 - just merely the O. K. of the President on the bottom of it would carry it through.

H.M.Jr: What is 6166?

Peoples: That is General Order 6166, creating Procurement Division.

H.M.Jr: What would he have to do?

Peoples: Just merely O. K. that report.

H.M.Jr: This report?

Peoples: Yes sir.

H.M.Jr: Doesn't he have to add cement - doesn't he have to add cement to that? I mean, this report is more .....

McReynolds: Nothing in there but cement.

H.M.Jr: I mean, it would be a supplementary order, wouldn't it?

Peoples: No sir. That is sufficient, Mr. Secretary.

McReynolds: The order covers everything.

H.M.Jr: To give you the authority on cement, what would we have to give the President?

Peoples: If he O. K.'s this Committee's report that is ample to O. K. the whole thing.

H.M.Jr: Well, there are a lot of other things - "Trade Agreements " -

McReynolds: Just the first page, centralized purchasing with regard to cement.

Peoples: The only other point involved in there is whether or not the President would want the State Department to proceed with the reopening of the Belgian .....

H.M.Jr: Well, I'll come to that in a minute.

Peoples: Yes, cement agreement - but everything else, as pertains to the question of cement .....

H.M.Jr: Have you got any person particularly familiar with cement?

Peoples: Only fair. There is one man in the Department of Roads that I think is one of the best qualified men on cement that there is in the Government service?

H.M.Jr: Who is that?

Peoples: Heltsie.

Collins: We had him with us about .....

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

Collins: H - e - l - t - s - i - e.

Peoples: Like to get him for a while.

H.M.Jr: That would be possible, wouldn't it?

Peoples: And, Mr. Secretary, while I am speaking, I think it would be well to point out, and it might be well for the Committee to point out in its report under that subject of Public Roads, that their total consumption amounts to about fourteen million barrels per annum, a very big .....

H.M.Jr: Blaisdell told me .....

McReynolds: Curtiss is here from Public Roads.

H.M.Jr: Where is Mr. Curtiss?

Curtiss: Right here, Mr. Secretary.

H.M.Jr: Mr. MacDonald out of town?

Curtiss: He is out of town, yes sir.

H.M.Jr: Well, we'll come to that in a minute.

Is the State Department here?

Stinebower: Yes sir.

H.M.Jr: All right. Well now, on this Trade Agreement thing, where it says as to the possibility of opening up the Trade Agreement with the Belgians, what is the chances on that?

Stinebower: Well, I took that up with Mr. Hawkins, who is the Chief of the Trade Agreement Division, last evening, and he thought it was the only place in which we could get - we could conceivably get a reduction on cement. We have a pending Trade Agreement with the United Kingdom, but they are such a minor supplier it doesn't show much opportunity. If you ask what the prospects are that the Secretary of the State will approve taking on Belgium, before the British Agreement is out of the way - we just couldn't get to him last night when this report was being drawn up, but technically it is completely possible.

H.M.Jr: Well, I mean, do you think within - how long before you could let us know?

Stinebower: Oh, be no trouble, I should assume, in letting you know promptly as to whether it can be done. And second, if it can be done, I suppose the announcement can be issued fairly promptly - the announcement. As to how soon the reduction could be made - that is a longer negotiation.

H.M.Jr: Well, what I am trying to get at is, so if I take this to the President and he says, "Well, what about the Belgian?" I want to be able to say the State Department says, "Yes," or "No." See what I mean?



Stinebower: I can get you that information this afternoon. Couldn't get it yesterday.

H.M.Jr: I don't want him to say, "Well, what does the State Department say?" I want to be able to say they are or are not willing.

Stinebower: Yes sir. We can get you that within the next two or three hours.

H.M.Jr: By tomorrow.

Stinebower: Yes sir.

H.M.Jr: Well, would there be any discussion on that?

Stinebower: I think the Tariff Commission has some comments they'd like to make on that.

Piquet: Mr. Fox is not here, Mr. Secretary - out of town - but he asked me to communicate to you his view in the matter. That is, to reopen the Belgian Agreement now. - he feels it would be quite unrealistic because of the pending United Kingdom negotiations. We are right in the middle of it, and he is very doubtful if the Secretary of State would be willing to hazard the British negotiation for the sake of this one item in the Belgian ..... However, that is his individual opinion.

H.M.Jr: Anybody else on that aspect of the report? While we are on that, did anybody look up whether Mexico makes any cement?

Haas: Yes sir.

H.M.Jr: Do they?

Haas: I got this information, Mr. Secretary. (Going up to Secretary's desk.) Don't really know how much they make but they import from the United States - 1935, seventy-five thousand barrels; 1936, thirty-two thousand barrels, they imported from us. We imported from them, in 1935, five hundred sixty-four; in 1936, four hundred forty-six.

H.M.Jr: What?

Haas: Barrels of cement. So you see, they are an importing country. Over here (indicating) - the imports.

H.M.Jr: What is that, one thousand dollars? Well, that is nothing then.

Haas: Nothing.

H.M.Jr: Mr. MacDonald said Cuba, he thought, made cement.

Taylor: International Cement has a plant down there, isn't that it?

McReynolds: I don't know.

Peoples: Mr. Secretary, with respect to the Belgian Agreement, if the announcement could be made that the United States may reopen negotiations that may help some.

H.M.Jr: Well, we can't bluff on it, Admiral. We either got to or not - I mean, it is too important, but after we get all through this, I am going to ask some of these gentlemen to weigh these various things and how much weight they attach to opening that. You see what I mean? I think we ought to weight these various things and say, "We'll be able to buy through the Roads" - I mean, is very important - "and the Belgian Trade Treaty has so much weight." I think we ought to put so much weight on each of these things, and then see if it is worth while.

Anything else on the Trade Agreement? All right. Now the Anti-trust action. "The program of coordinated purchases should be carried out in such a fashion as to preserve all evidence of a new and distinct illegal combination ....." Who is here from the Department of Justice?

Oliphant: Nobody. They suggested that - didn't think they'd serve a useful purpose by attending this afternoon and asked me to report to them.

H.M.Jr: Well, Herman, are they in sympathy?

Oliphant: Yes.

H.M.Jr: What?

Oliphant: I should say "Yes."

H.M.Jr: They are?



Oliphant: It was discussed at lunch yesterday.

H.M.Jr: I see. Well then, all you can say on that is that they are willing for us to take the leadership, but see "..... as distinct from evidence pertinent to the pending FTC complaint ....."

Oliphant: The point to that, I think, is this, Mr. Secretary. That the proceedings now pending before the Federal Trade Commission against the cement company are going to take a lot of time and involve a re-examination of the whole pricing system all over the country. The idea here would be to forget all about what's happened in the past, as possible violations of the anti-trust laws, exposing these people to grand jury investigation, for example, and then watch in your dealings with them now in this program, for a possible violation.

H.M.Jr: Well, now, I mean just let us - round figures - Procurement asks for a bid, say, for three million barrels. We open them. What is - how many days do you give them, formally, to bid?

Peoples: Oh, how many? Ten days.

H.M.Jr: At the end of ten days we have - all the bids are the same. Then what do we start to do as far as the Department of Justice is concerned?

Oliphant: Well, in the meantime they have been - I am just assuming in the meantime they have been following along with you, the expert in cement who is recommended there has collected a lot of facts with reference to the companies and the present state of the market. and - laid all that material before the Department of Justice as it is.....

H.M.Jr: I'd like to have it a little - but I don't want to be in the same boat I was, on the tire thing. We went ahead and then because Treasury people were smart enough, we got somebody to break it, and the Department of Justice were of no assistance.

Oliphant: Well, I didn't think my instructions from you covered my going over the report of the Committee, which hadn't yet been submitted to you, with the Department of Justice.



H.M.Jr: Well, what I'd like to know, I want a clean-cut answer from the Department of Justice in writing that if we go ahead with this thing and we ask for a bid of three million barrels and they are all tied bids, what are they going to do about it?

Ollivant: Well, I should say that definite answer in writing could not be obtained except on the basis of our submitting to them this report of the Committee after you approve it.

H.M.Jr: Well that - we can do that. Supposing - all right, supposing we submit this report, and then put it up to them, and I don't want them to come back and say they need a half million dollars more; that they haven't got enough lawyers over there. I mean I want to know where the Department of Justice stands before we start. And not find myself in the same boat as on the tire situation - and they didn't want to fight any actions. That's what - of course what I say in this room is in this room - but that's where we were. I mean, I really think they ought to be here because this thing is - I mean, everybody else has got time to come here except the Department of Justice. I don't see why they are not here; I don't know what is more important than this.

Ollivant: I understood your instructions were for me to bring them down to date as to what has happened.

H.M.Jr: Well, I understood they'd be here today, because - I mean, I want to know before I start, are they going to fight at the end of ten days or are they just going to say they can't handle it?

Ollivant: Well, I think the appropriate way to get that answer is to - when you have approved that report to submit that report to them.

H.M.Jr: Well, I mean as far as this report is concerned, it isn't going to help any - I mean, we are going to go on and ask for this bid on three million barrels. We get all tied bids. What is the Department of Justice going to do? It is a good thing for Thurman Arnold to cut his teeth on.

Well, the next thing is anti-trust action. Well that just covers this thing I've been talking about, doesn't it?

Blaisdell: That's right.

H.M.Jr: Now on Public Roads. Should I read it for you? Should I read this thing again and see how much of it you think .....

Curtiss: I've seen copies of that before.

H.M.Jr: How much of that would you people be apt to fight for?

Curtiss: Well, I think the first two proposals could be accomplished without any legislation, and offer the most fruitful source of results.

H.M.Jr: Well, now first is a "Possible purchases by states under a Federal Government open contract."

Curtiss: That would be the establishment - would call for the establishment by the Procurement Division of an open contract where the prices would be made available to contractors bidding on Federal-aid highway work.

H.M.Jr: And you don't need any legislation on that?

Curtiss: I don't think we need any legislation for that. In fact, our regulations covering the most recent emergency highway funds that we had, provided for just such a thing in case the Federal Government did provide such open contracts.

H.M.Jr: Well, they are not doing that now.

Peoples: Mr. Secretary, no sir, we can't do it.

H.M.Jr: You can't do it?

Mr. General Counsel of the Treasury, you want to give a "horse-back opinion"?

Oliphant: No, I don't want to give a "horse-back opinion."

H.M.Jr: All right.

Peoples: They have held already, sir, that in cases - that we are not empowered to sell to communities, municipalities.

Collins: States and counties.

Peoples: States and counties.

H.M.Jr: I remember when Mayor LaGuardia was down .....

Peoples: That's the same thing I had in mind.

H.M.Jr: And we couldn't do it without legislation?

Peoples: That's the same thing.

H.M.Jr: Herman, you'll look into that, won't you?

Curtiss: Mr. Secretary, I intended my remarks to apply to the establishment of an open contract under which a contractor for a state could purchase cement - not to the furnishing of the cement.

McReynolds: That is just what's been held.

Curtiss: That we couldn't do it?

McReynolds: Couldn't make the contract, that is, available to anybody except the Federal Government.

Curtiss: I thought you meant furnish the cement.

McReynolds: We have no authority under the ruling made in the other case, without legislative authority.

Curtiss: I don't think there is anything in our legislation though, that would prevent our operating under such a provision if it were possible to establish such open contracts.

H.M.Jr: Well, I guess the lawyers better explore that.

Curtiss: Exactly.

H.M.Jr: But if it is necessary to get the legislation as to aid, do you think we could get the Secretary of Agriculture to recommend "(a)?"

Curtiss: Yes sir, so far as that is concerned.



H.M.Jr: You'd recommend that to him?

Curtiss: Yes sir.

H.M.Jr: Now (b). "A conference by the Secretary of Agriculture with the state road commissioners explaining the Federal Government program and endeavoring to secure cooperation in its development."

Curtiss: Well, that's a necessary follow-up on number one.

H.M.Jr: Yes. (c). "Legislation would be necessary to enable the Federal Government to purchase cement used in highway construction under grants by the Bureau of Public Roads. As to approved projects, this legislation could authorize the Secretary of the Treasury to negotiate with states an arrangement for them to take cement in lieu of money....."

If you don't mind, I am not very crazy about that. I don't .....

Blaisdell: It is a very difficult practical problem involved there.

H.M.Jr: I - no, I'm not very crazy about that. I still like either a silver certificate or a bar of gold. I don't want cement. I mean, I'm afraid - I lived down the rubber dollar.

(Telephone rings.) Hello; yes. (Phone conversation)

Curtiss: I am glad you said that first, Mr. Secretary, because it rather reflects my personal view, but we haven't had time to give it consideration in the Department, and I don't know what our position would be, but I can visualize tremendous difficulties in attempting to carry out any provision of that kind because the contracts are let by the states and the states pay half the cost of these projects.

H.M.Jr: Well, this is all right. I mean, as a matter of fact, I want to say I think it is an excellent report - delighted with it, and what they do is - he's put everything in here, including the kitchen stove and cement money, and you want - I suppose, put something in so

I'd have the satisfaction of throwing one thing out, and that is the cement money.

As to the next thing, "... such legislation could authorize the Secretary of Agriculture to make grants of money conditioned upon the Federal Government's supplying the cement."

What do you gentlemen think about that? Isn't that a little drastic?

Peoples: Makes it mandatory.

H.M.Jr: What?

Peoples: Makes it mandatory upon the states, sir.

H.M.Jr: Do you think we want to do that?

Peoples: I think so.

H.M.Jr: Do you?

Peoples: At least have the option to do so.

H.M.Jr: Well, now, how do the boys who are on the Hill - I mean, you handle the Hill, you are up there all the time - how about Congressman Jones, so-and-so, is he going to like this? I mean, is he going - I mean is he going to swallow that? It would be nice, but is he going to take it?

Oliphant: If it is cheaper cement he will, because with it you'd have about thirty per cent of total production.

H.M.Jr: I am just raising the question.

Peoples: There may be some little objection from that point of view, sir, because there is a cement .....

H.M.Jr: I just wonder - I don't know.

Peoples: Mr. Secretary, throughout the Hill, there is pressure exerted for us to buy within the state; we are running into it every day - to buy within the state, from state sources, materials required on projects executed within the state, that is perfectly true.



Curtiss: We won't approve any such specification.

H.M.Jr: Huh?

Curtiss: I say we have refused to approve any specifications that restrict competition in that way where Federal money is involved.

Peoples: You have refused?

Collins: So do we.

H.M.Jr: Would you repeat that?

Curtiss: We have refused to approve specifications that would ~~restrict~~ competition to certain local materials.

H.M.Jr: I see.

Curtiss: Or to .....

Peoples: Or certain locality .....

H.M.Jr: I see.

Curtiss: Or to restrict the competition to local contractors. There is an attempt to do that on the part of .....

Peoples: There wouldn't be so much objection, then, Mr. Secretary.

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

Curtiss: I think some of the objections would come - the same objection that would apply to the first part would tie into the second part also.

H.M.Jr: Could it be this way also? I am thinking of a - supposing the local contractor could give a price as good as the Federal price.

Curtiss: Well, I think I would not be in a position to represent on that final thought, but we would feel that it should be made optional, because many times the contractor can get an advantage. Certainly he has been able to get an advantage when there have been state contracts for cement, contracts to buy more cheaply, or some advantage that would influence him.



Peoples: I think the option ought to go in there.

H.M.Jr: Whose option?

Peoples: The Government's option.

H.M.Jr: That would be all right. I am just a little bit fearful of it. It smacks a little bit too much of .....

Peoples: But the Government's option, I think, would make it all right, which would cover .....

Oliphant: Something I am very much interested in. Congress is interested in how much road it gets for its money, isn't it, and the cement item is so large in the .....

H.M.Jr: I don't want to know whether - to make it optional. Then the pressure is put on us to make exceptions. I'd rather have it that we got to go through with it or not. Then we don't have any chance to crawl out of it.

Edwards: Couldn't we make it mandatory unless the local price is as low as the Government price?

H.M.Jr: Same or less.

Peoples: Equal to or less.

H.M.Jr: Equal to or less. That would be the answer. The local price - then there could be no difference.

Gaston: Wouldn't you accomplish the same result by giving the contractor - purchase from the Government at a certain price?

H.M.Jr: He wouldn't have to.

Gaston: He wouldn't do it if he could get it cheaper, but he'd get the benefit of competition, based on that competitive price.

H.M.Jr: No, if you don't mind, I think the suggestion that they have to take the Federal Government cement unless they can buy locally at the same price or less .....

Peoples: Yes sir.

H.M.Jr: That takes care of what I had in mind. Then the Congressman has an answer - "Well, hell, if your bid is lower you can get the business." Huh? That takes care of ...

Peoples: And another thing, Mr. Secretary. Too, the Government price becomes public property all over the United States, and every dealer and every mill knows it, and it will be an incentive to those people to underbid that price after the contract is entered into.

H.M.Jr: Excuse me. If that 4 could be changed a little bit along the line we are talking about and then submitted to the Secretary of Agriculture as soon as possible.

Curtiss: (Nods "Yes.")

H.M.Jr: See, there are several people here from Agriculture. I mean that - I mean I want it so - I don't want to go into a memorandum to the President that any agency is quoted as though - if he asked me, "Is that agency for it?" - I don't want to have it in there unless the answer is "Yes." See? You could get maybe a couple days - get this thing cleared up.

Curtiss: I think so, yes.

McReynolds: When is he back?

Curtiss: Next Friday.

McReynolds: I think he ought to have a chance to get in on this.

Curtiss: Oh yes.

Bean: One question, Mr. Secretary. Does this envision two sets of bids to the Government, or rather a set of bidders who will be bidding to the Government and a set of local bidders who will be available to the states?

H.M.Jr: Only on Public Roads.

Bean: See, one proposal is that the Government seek low bids.

H.M.Jr: Well, as I envisage it, it would be something like this. We ask for a bid on three million barrels, I suppose over a period of what - six months, say?

Peoples: It will be three million barrels, Mr. Secretary - will be up to June 30 - the remainder of the current fiscal year. It will have to be divided up by regions, naturally.

H.M.Jr: Well, and in that, let's say, region one, - you check me if I am right - if I see this picture - region one, the price is a dollar ten cents, and if Public Roads are building any in there, we would furnish them - and I take it you could ask for bids for three million barrels, as a minimum, up to a maximum of so much. You are going - you can ask that way for bids?

Peoples: There can be leeway, yes sir.

H.M.Jr: What?

Peoples: There can be leeway.

H.M.Jr: Just ask for bids of three to ten million barrels.

Peoples: That can be done.

H.M.Jr: Yes.

Peoples: No, closer to the approximate quantity the better, Mr. Secretary.

H.M.Jr: But it could be done?

Peoples: It could be done, yes sir.

H.M.Jr: Then the price in District Number One is a dollar ten; Public Roads are going to build a million dollars worth of roads there, need a hundred thousand barrels of cement, and the price is a dollar ten. If they want to draw on the Federal Government, or if they can get it for a dollar ten from their local merchant, or less, they can buy it locally, but the price for that region would be a dollar ten. Is that right?



Peoples: Exactly.

H.M.Jr: Herman, in this crude way, is that right?

Oliphant: That is exactly the way it is.

H.M.Jr: What?

Oliphant: That is exactly the way it is.

H.M.Jr: Then the Congressman who comes in and kicks because his local merchant can't get the business - say, "Well, if you bid a dollar ten you can get the business. It is up to you to get it." Does that answer your question?

Bean: Well, in part.

H.M.Jr: Huh?

Bean: In part. I'd like to think about that a little - a little problem of possibly having the same bidder involved in the state transaction as involved in setting the price to the Government.

H.M.Jr: Well, I mean you will - you will talk about it with some of these people.

Bean: I'd like to study it.

Curtiss: There is one difficulty involved in that. That would probably require a change in procedure on the part of the states in taking bids for any work that involved cement, in that it is customary to call for bids on so many square yards of concrete pavement, or cubic yards of Class A structural concrete, so they do not actually buy cement - they buy concrete, which is a mixture of several materials, plus the manipulation.

H.M.Jr: Well, if you could get together with Procurement and our lawyers and some of the other people - work that thing out, you see; I don't .....

Curtiss: Some states actually have a cement item.

Peoples: It can be worked out, Mr. Curtiss.

Curtiss: What?

Peoples: It can be worked out.

Curtiss: Oh yes.

H.M.Jr: There, two things have to be done - have to clear with the State Department. Are they willing to open the Belgian Treaty? Is that right? Two - this thing has to be cleared with the Secretary of Agriculture.

Oliphant: And with the Department of Justice.

H.M.Jr: And with the Department of Justice - and I would say that the dead-line on this thing is Monday morning.

Stinebover: May I raise one more question?

H.M.Jr: And then, with that - on this thing I'd have a piece of paper that the President can sign; all he's got to sign is the document amending the order making all Government cement purchases through that - just one sheet of paper.

Peoples: That is sufficient.

H.M.Jr: But I hope to submit this to him Monday, because he goes away Tuesday, so that would be the last day. Now who - who doesn't think we ought to do cement?

Peoples: Well, Mr. Secretary, that opens up a question here we've got which I want you to consider, sir. While the price of cement may seem to be high, and the purpose here is to try to get it - to break the price - to get it lower, if I understood the President's policy aright with regard to laying off - declaring a holiday on business reforms and so forth, in view of the fact that the cement case is in the courts, is it advisable to agitate this question now?

H.M.Jr: Well, in the first place, Admiral, the President didn't say he'd lay off reforms.

Peoples: He didn't, huh?

H.M.Jr: No sir, because I happened to lay before him the statement by Mr. Rayburn where he said just that, and asked the President, "If you don't mind, on account of all the work I am doing, did you say that



to Mr. Rayburn?" He said, "I never even hinted such a thing to Mr. Rayburn." So - I mean - the President has not said that and after all, I've kept the President informed what we are doing - no later than Monday - and he is simply delighted.

People: Well, that is the answer to it then.

E. J. Jr: And the only thing he is regretful about is that this isn't plaster.

People: Mr. Oliphant, have you got any ideas about when the courts may be able to come to a decision in the cement case?

Oliphant: I should say in about ~~three~~ years. I mean that. About three years. The cement case will be concluded in about three years - 1941, I would say.

E. J. Jr: Well, the President said, "Fine. I'll go along with you on cement, but when do I get plaster?" He said, "You haven't got weak-kneed on that?" I said, "No, but the boys need a little bit more time."

I just want to ask one question - either Mr. McDonald or Dr. Fisher. Do you feel, in building, that cement is important in your program?

McDonald: I don't think the price of cement, in residential construction of the smaller houses, makes a great deal of difference. When you get into large structures it may. My only observation on this thing is that we have checked up here and since the Housing Act was signed on February 12, we have had, in round numbers, a hundred million dollars worth of mortgages accepted for appraisal - about sixty to seventy-five per cent of that being new - seventy-five per cent for new construction. Now, if this is handled in such a way that it is going to look as if there is going to be an immediate crusade on building prices, it, no doubt, would throw a wet blanket upon a great deal of building that is in contemplation, and we are very anxious that it be handled in any way that wouldn't do that.

E. J. Jr: Well, that would be easy - we could give it a monopoly flavor.



McDonald: I think cement would be a very good thing to confine it to. I am very happy to think that you decided to select one item rather than scatter your shot over a lot of them.

H.M.Jr: Well, Blaisdell felt that they weren't ready on reenforced steel, so we have postponed that, but there is no question how the President feels, because I've kept him posted, and discussed the thing with him Monday and he is simply delighted with the prospect, and we don't have to make it - I mean if we are doing this for Housing he can make it part of his .....

Taylor: Roads is just where it ties to.

H.M.Jr: All right. We are doing it all for Roads. This is part of a subsidy to the farmer. He is only getting one-sixth of the Government revenue now; it is not enough. We are worrying - think he ought to get one-fourth. Give him a little -

Gaston: Public Roads is the reason why - got roads versus housing construction.

H.M.Jr: Part of the Public Works.

McDonald: You've got my thought, haven't you?

H.M.Jr: Yes. You and I - Dr. Fisher and I talked it over the first day. We don't want the psychology that they have on the automobile thing.

McDonald: That is right, exactly.

H.M.Jr: We can make it as Herbert Gaston says, a part of Public Works. How's that?

McDonald: I - that is fine. I don't want people sitting around waiting for prices to come down.

Fisher: From that point of view cement is a good product to take because it doesn't bulk large in the usual house.

H.M.Jr: Let's just go around, first, before we get on rackets. May I say again I appreciate tremendously everybody that's worked on this thing, because I think it is a beautiful job, and I think, on account of the President going away, if you don't

mind, I think we better meet Monday morning on this thing, about ten-thirty Monday morning.

Blaisdell: (Nods "Yes.")

H.M.Jr: I mean, with a finished job. Do you suppose you can get everything cleared through Agriculture, and, if, for instance, we can't do the Trade Treaty thing, I'd just leave it out, that is all. In other words, don't have anything in here by ten-thirty Monday that I can't go to the President and say, "This Committee is in accord." You see? See? Huh?

Blaisdell: (Nods "Yes.")

H.M.Jr: I don't want to have it .....

Stinebower: Mr. Secretary, would Saturday be too soon?

H.M.Jr: For me? Why? Is somebody going to be away?

Bean: I personally will be away Monday.

H.M.Jr: I've got a Home Owners' Loan job that I promised Mr. Fahey on Saturday, and he's only been waiting two years. I'd like to but I really - I mean I think I ought to take care of Mr. Fahey. Is anybody else going to be away?

McDonald: I may be away.

H.M.Jr: Well .....

McDonald: You will excuse me, can't you? Dr. Fisher will be here.

H.M.Jr: On Monday, you mean?

McDonald: Yes.

H.M.Jr: I think we better make it - Mac (McReynolds) you make a note of it please - ten-thirty Monday, if you don't mind, because I really got - Mr. Fahey is really entitled to it; he's been very patient. Now, are you all clear?

Blaisdell: (Nods "Yes.") Yes sir.

Blaisdell: Just this, Mr. Secretary. Shall I clear with Mr. Curtiss for Public Roads, Mr. Oliphant for Justice, and - has Mr. Stinebower - and Mr. Stinebower for State?

H.M.Jr: Yes. Well, let's put it - does anybody else want to sit in on this before Monday? Well, Mr. Blaisdell's available if anybody wants to sit in with him before - huh?

Blaisdell: (Nods "Yes.")

H.M.Jr: And I think Admiral Peoples ought to see this before Monday.

Peoples: It's a bully good report.

H.M.Jr: He ought to see it Monday.

Blaisdell: I'll be very happy to submit it to anyone.

Peoples: I'll see it through Captain Collins, who is a member of that Committee.

Taylor: Don't forget your order.

H.M.Jr: And you'll have on the front page an order giving Peoples the authority to do this.

Collins: Mr. Secretary, I'd like to interject one thought on it, sir. This three million figure we have used .....

H.M.Jr: What?

Collins: This three million figure for the remainder of this fiscal year - part of that is unquestionably covered by contracts existent now which run for the remainder of the fiscal year. It is the case in Navy; it is the case in T. V. A., and it may be in some of the other departments.

H.M.Jr: Well .....

Peoples: Well, you'll have to use whatever the figure may be.



H.M.Jr: I just used that figure for a figure.

Collins: I thought you were quoting the 3,395 that appears in the report.

H.M.Jr: I just was using it, and I asked the Admiral to check up on how much new business, and stop whatever buying they were doing.

Peoples: That was done.

H.M.Jr: So whatever unfinished - whatever new business is left we will get it - what? But the big business will come from roads.

Where is our racketeer?

Barton: I have a report here, Mr. Secretary.

Peoples: Reynolds is away - quite ill.

H.M.Jr: I'm sorry.

Barton: Would you like a copy, to follow this?

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

McReynolds: Pardon me - excuse me.

H.M.Jr: You don't like to sit in on this?

McReynolds: I don't like rackets. Anyhow I've got some rackets in my own..... (Leaves)

Barton: The Committee .....

H.M.Jr: Can I have one second before you start? I've got a Government Bond market which is also a racket, if you don't mind. Let me take a look at that just a second.

(Secretary leaves room.) (Returns, and talks quietly with Mr. Taylor a minute.)

H.M.Jr: All right, gentlemen.

Barton:

"This report is limited to practices within the building industry which add to the burden of costs and which, if continued and extended, will largely nullify the effects of those steps which have been taken to increase the volume of residential construction.

"Present costs of building are probably lower than in 1926, with retail prices of building materials as a whole about as low as can be expected without reduction in wages. Wages of skilled labor are slightly above the 1926 level, probably 5%; wages of unskilled labor have increased probably 15 to 20% since 1926.

"Caution must be exercised in the use of much of the published data regarding the cost of building. Today the market is highly competitive from the consumer standpoint and published price indexes covering building may not accurately reflect the actual cost to the consumer. Restrictive and collusive practices pervade the entire building industry and are more prevalent in the larger centers of population and are made effective through:

- (1) Distribution practices of producers.
- (2) Practices between producers, contractors, and sub-contractors associations. In many instances, these practices are made effective through arrangements with organized labor groups.
- (3) Restrictions practiced by labor.

"These objectionable practices, some of which are long established, vary from trade customs to the corrupt and criminal "rackets." Some of them may be legal, practically all are difficult to prove, and some can be cured only by drastic punitive measures. Their elimination would, in the opinion of this committee, effect a saving to consumers of between 20% and 30%, possibly even more.

"These practices may be summarized as follows:

"1. Manufacturers Distribution Practices:

"The following are typical practices under this classification.



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"Restricting the trade through concealed discounts and rebates to certain groups of contractors to prevent lower costs which might be gained in competition. This practice prevails widely in plumbing, heating, and other mechanical equipment.

"The activities of manufacturers in securing uneconomic provisions in building codes and other legislation for purposes of increasing the sale of their own equipment and restricting use of other types which may be more economical is one manifestation of the operation of this type of activity.

## "2. Contractors and subcontractors practices.

"General contractors' bids appear to be highly competitive. One of the most vicious and most recent types of practice on the part of subcontractors' associations is the establishment in some places of 'bid depositories.' In order to operate in a territory, a subcontractor must become a member of such a depository."

H.M.Jr: Excuse me. Do you define what a "bid depository" is, because that is a new term to me.

Barton: It is a collection of the bids prepared by subcontractors generally and they are gone over by the association's officers.

Oliphant: Clearing house, isn't it? Sort of a clearing house?

Barton: Clearing house for bids, and usually operates on subcontractors' bids.

Peoples: Where the bids are submitted by the subcontractors, usually prior to, also, the opening of the bids of the general contractors.

H.M.Jr: I see. Go ahead.

Barton: "Bids of subcontractors must be submitted to the depository, where they are examined by officers prior to their submission to the general contractor. Apparently a scale of prices is maintained by the depository and any bidder whose bid does not conform to this scale is penalized by fines and other punitive measures. Organized labor is usually represented in the control of these depositories,



and the penalties exacted of the subcontractor may extend to a refusal to furnish labor on the job.

"In some cases, subcontractors associations operate in open collusion with labor. This collusion may take the form of agreements with labor not to operate or supply any help to subcontractors who are not members of the association or who violate an agreement not to bid on certain jobs in order to maintain a system of rotation.

### "3. Labor Restrictions.

"The third class of restrictive measures revolves around working rules of organized labor, which tend to:

(a) Increase the number of craftsmen required by measures tending to restrict output, and requiring unnecessary helpers and unnecessary foremen and subforemen. Requiring to be done on the site that which might be more economically done in the shop.

(b) Maintain operations that might ordinarily be done in the lower priced labor class in the high-priced labor class.

(c) Require contractors to pay wage rates prevailing at their place of business regardless of the location of the operation especially where contractors doing business in a large city having high wage rates must pay these wage rates in country districts having lower wage rates.

(d) Limit the supply by failure to provide for apprentices and limiting apprentices in both the number and excessive requirements of apprentice training. The excessive fees charged for apprentices.

(e) Unnecessary losses due to jurisdictional disputes.

"There are many other abuses than the ones noted, but these furnish a partial picture of the many reasons for increased costs in the building industry aside from the increase due to materials prices.

"Recommendations:

"Correction of the abuses found throughout the building industry would be a lengthy task. In some cases immediate punitive action may be taken where such punitive action is indicated by illegalities.

"As a point of departure, the committee recommends:

"(1) That the Department of Justice be requested to investigate with a view to prosecution: (a) the distribution methods of the manufacturers of plumbing fixtures and supplies; (b) illegal practices of subcontractors in the plumbing industry, with particular reference to the organization and operation of bid depositories;

"(2) That the machinery be established for negotiating with labor organizations for the waiver of restrictive practices in connection with the construction of low-priced dwelling units. This machinery might well take the form of a national committee with headquarters in Washington and local sub-committees in different regions or areas. The Department of Justice should be represented on such committee.

"(3) That a similar method of action be followed in connection with the practices in other trades."

H.M.Jr: Well, as to your first recommendation - that whole thing resolves itself down to what the Department of Justice is willing to do, and they are not represented here. Does anybody - have they seen this at all?

Barton: No sir.

Peoples: Is it a Department of Justice matter, Mr. Barton, or a Federal Trade Commission matter?

Barton: Some of it would be handled by the Federal Trade Commission, many of the practices, and I think they are doing something along those lines. It is a long drawn out affair, though. You've got to have hearings.

H.M.Jr: Well, what I say, in order to save time-there's a lot of people here.- let's take Number One, and



Mr. Oliphant, if you could contact the Department of Justice and see whether they are interested and if they are would they come over here at ten-thirty Monday morning and meet with us, but I really don't think that until they have seen this there is much use of our discussing it, but if - see? Mr. Thurman Arnold would be the fellow, wouldn't he?

Oliphant: Presumably be confirmed before that time. Been reported out by the full Committee. The full Committee has reported his nomination.

H.M.Jr: If somebody could see them and have a chance to meet with the Committee on Rackets in Building - have a meeting with the Department of Justice between now and Monday, then come back and have another report - but I think, pending that, I really don't want to take up people's time here to discuss it because we may get an answer "We'd be delighted to," or we may get the answer we've gotten before, that, "We haven't got enough personnel to handle that thing."

Oliphant: If you approve that report as something to be submitted to them, I think it would be feasible to have a preliminary meeting with these men, say Saturday, preparatory to their being over here Monday at ten-thirty.

H.M.Jr: Well, I'll put it this way: I'm willing to have them take a look at the report - I mean, I don't want to approve the report - but because there's some things in there I'd like to argue about.

Oliphant: I mean approve for .....

H.M.Jr: I approve it to be shown to the Department of Justice.

Oliphant: (Nods "Yes.")

H.M.Jr: What?

McDonald: I say, we have quite an addition to those that are mentioned there.

H.M.Jr: You have - well, you're on this, aren't you?



Fisher: Yes, I am.

H.M.Jr: Well, you'd meet with them, wouldn't you?

Well, I'd say the next move, unless somebody has some other suggestion, that the so-called "Committee on Rackets in Building" representative meet with a representative of the Department of Justice just as soon as possible and then come in with - then we all meet again on that thing at ten-thirty on Monday. We will have a - we'll clean up the cement thing anyway, and know where we stand, and I, personally, seeing how things have happened before in Washington - I am very much pleased with the progress. I think we are getting somewhere.

McDonald: It is excellent.

H.M.Jr: The thing I am trying to do is to get a formula. Now, if we can do this thing with cement and it works, fine. I hope you people aren't going to forget about steel and steel products.

Blaisdell: We haven't.

H.M.Jr: What?

Blaisdell: We haven't.

H.M.Jr: Has the Tariff Commission come through with their steel report yet?

Piquet: We have worked up a preliminary draft. Report needs some expansion, but you can have it by Monday.

H.M.Jr: We can?

Piquet: Yes sir.

H.M.Jr: Commissioner Stevens will have that. Is that going to be released?

Piquet: Oh, you mean our regular big report.

H.M.Jr: Now I - I mean this - I understand the Tariff Commission report on steel and steel products .....

Piquet: That will be some few weeks.

H.M.Jr: But the one .....

Piquet: Reinforcing bars, I thought you were referring to, which is simply a brief commodity analysis. We can have that.

H.M.Jr: You haven't had that yet?

Piquet: Preliminary draft has been submitted.

H.M.Jr: I think we are getting places. - And in the meantime Mr. McDonald is doing a real business. I think it's all to the good.

McDonald: We've got a hundred million dollars since the twelfth of February.

Blaisdell: How much - total - Mr. McDonald, since the beginning of the year - since the Act went into effect?

McDonald: The Act went into effect the twelfth of February. That was the date it was signed.

Bean: How much in excess of last year's figure is that?

McDonald: I don't know the percentage.

Bean: Thirty million?

McDonald: That would be a fair - about thirty per cent, I was going to say, about - off-hand.

Fisher: No, I don't think we've got - only got two weeks higher than last year.

McDonald: But we've got only that large scale housing stuff under Title One. I think twenty to thirty per cent.

H.M.Jr: How much of the big - large scale thing's gone through now?

McDonald: We have approved ten million dollars worth of them since the twelfth of February, and I think they have even broken ground on about four of those.

H.M.Jr: How many projects, approximately, make up the ten million?

McDonald: How many apartments?

H.M.Jr: How many projects?

McDonald: I should say about ten.



H.M.Jr: Do they average a million dollars apiece?

McDonald: Yes, run from four hundred fifty thousand to two million, so I'd say a million dollars would be a good average.

H.M.Jr: Now are those - is that one man doing a lot of small homes or is it one man doing a big apartment house?

McDonald: Those are what we call "rental projects" - a big apartment house, yes.

Oliphant: I want to ask one question on the racket report, if I might. It seems the major stress there on the program of action is legal action, which is notoriously slow. I wonder what became of the suggestion that a very effective thing would be to have those bids broken down?

H.M.Jr: What bids?

Oliphant: The bids on public buildings - broken down to show up these rackets, which is something that wouldn't be dependent on the delay in the courts; that, I thought, was a larger item we were discussing last week.

H.M.Jr: What about that?

Barton: That was on part of the racket - that was another .....

H.M.Jr: Well, what is happening on that?

Barton: I don't think there's been any discussion - not in our Committee.

H.M.Jr: I mean, weren't you going to do that?

Barton: No. It was discussed here, generally.

Oliphant: I thought the point was that that would show it up - that you broke it down to the subcontracts and it would show up at once where these costs are due to the rackets.

Stone: I think Mr. Reynolds' suggestion on that was that if that were done it would more or less commit the Government to accepting those subcontracts that were included in the bids and would thereby limit the general contractor.



Fisher: That subject wasn't assigned anyone but we did discuss it a little in our Committee, and that was Mr. Reynolds' comment on it, and it didn't seem feasible to require these breakdowns, because he said, "Where are we when we get the breakdowns? The electrical contract - subcontract is too high, but what can you do about it? You can throw it out on that account. If you accept it you've got to have approval on it."

Oliphant: Statement made here in one meeting that it ran up costs as much as a hundred per cent.

H.M.Jr: Yes. He spoke of somebody here in Washington - had an electrical contract - I thought - I was under the impression we were going to have some concrete cases.

Fisher: We have a number of those that we have discussed in Committee. We omitted them here in order to be as brief as possible in our report. There was a case reported in the New York Times on Saturday in New York, of an electrical contractor who was pulling all the men off his jobs - union men - because he says that the practices of the union and the subcontractors in the electrical equipment there are too high, and the practices are causing great waste. He is taking it up with Mr. Dewey and Mr. Green, according to this newspaper report. What's going to happen about it, we don't know.

H.M.Jr: Well, isn't the Department of Justice going to say, "Well, this is very nice, but where is the evidence?"

Fisher: We have a considerable amount of such evidence to present.

H.M.Jr: Have you?

Fisher: Yes, but we haven't any legal evidence. We haven't subpoenaed any witnesses.

H.M.Jr: Couldn't Procurement give legal evidence?

Peoples: Not on subcontractors, Mr. Secretary, no.

McDonald: I think, Mr. Secretary, you'll find that the Better Business Bureaus in many of the big cities have about all the evidence you want.

H.M.Jr: But if I were in the Department of Justice, the first thing I'd say - "Well, what have you got to work on?"

McDonald: They have been accumulating this information for sometime.

H.M.Jr: Couldn't they be contacted?

McDonald: I should think so. They have been trying to fight it for a long time.

H.M.Jr: Why couldn't somebody - whoever is Chairman of this Bureau - why couldn't the Better Business Bureau of New York be contacted?

McDonald: I should think, the proper thing to do.

H.M.Jr: I think we want some evidence; I don't feel we've got it yet.

Fisher: We have - Mr. Reynolds had a considerable file of cases and of reported cases - but of course we didn't have power of going out and subpoenaing people, or discussing it with them, in a legal - to get legal evidence.

H.M.Jr: I think Mr. McDonald has made an excellent suggestion.

Fisher: It may be possible to do that.

Gaston: I think that case, Dr. Fisher, was Penner Electric Company. They sent a telegram to you and I sent a copy over to Mr. Reynolds, and sent the original over to Labor Conciliation Division.

H.M.Jr: Anything else?

Fisher: Well, for the guidance of this Committee, I'd like to ask one other question.

H.M.Jr: Please.

Fisher: We were trying to establish a pattern in connection with the plumbing situation. We had two or three recommendations. One was that the Department of Justice be requested to accumulate evidence; second, the establishment of Committees to negotiate



with local unions; and the third, moving into other types of mechanical equipment as rapidly as we can - as you are proceeding on other cases in connection with cement. Is that general pattern.....

H.M.Jr: Well, to answer very - I just haven't got the feel of this thing yet, and possibly I'll get it Monday after the Department of Justice - I mean, I don't like - I just don't feel this thing yet. Now these gentlemen have given me something, and I feel that we are on the right track, but I don't feel - frankly, no, I can't answer your question, but because I don't think you have given me enough to chew on.

Fisher: Well, Mr. ....

H.M.Jr: I mean, I haven't got enough.

Fisher: Sears Roebuck man contributed this to us.

H.M.Jr: I haven't got enough. You haven't given me enough information - still too much in generalities.

Fisher: Mr. ....

H.M.Jr: Walker.

Fisher: Mr. Walker told us this in Chicago, that the Chicago Building Trades have agreed to remove their restrictions in discussion with Sears Roebuck with respect to the building of houses under five thousand dollars. "Give it to you whatever you like." We are using that as a pattern for this negotiation with building trade unions; but that has to be done locally, so we suggested the setting up of the Committee and local committees.

H.M.Jr: Well, I've got a very excellent plan drawn up for a permanent committee to sit on this thing, which Mr. Walker drew up - a very excellent plan, and I have that, but I still say, Dr. Fisher, that I can't answer your direct question as to what pattern you should follow until you give me a little bit more stuff.

McDonald: Let's do that.

H.M.Jr: All right.



March 16, 3:00 p.m.

March 16, 1938.

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REPORT OF THE SUBCOMMITTEE ON CEMENT PRICES

1. RECOMMENDATIONS

1. Consolidated Purchases. That there be immediately consolidated in the hands of the Director of Procurement the maximum amount of purchases of cement, including --

- (a) All cement now being purchased by any Federal agency in the regular course. A list of such agencies and the amounts they purchased is attached.
- (b) All cement which, by change in the present practice of any agency, could be purchased by the Government rather than by the contractor. A list of such agencies and the amounts they purchased is attached.

These two combined would give the Procurement Division a total of 15,730,000 lbs. per annum, which constituted about 14 percent of yearly sales. For the rest of the fiscal year the Government has approximately 3,325,000 lbs. to purchase.

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2. Trade Agreements. The State Department should be asked to reopen the question of further reduction in the tariff on cement under the Belgian Trade Agreement. This would involve the issuance of notice to negotiate the general provisions of the Agreement, and the simultaneous announcement of the reopening of the cement concessions. Although the time involved in negotiation would be considerable, the announcement itself would have value.
3. Anti-trust action. The program of coordinated purchases should be carried out in such a fashion as to preserve all evidence of a new and distinct illegal combination or of any continuance of any practice which may be found to be illegal (as distinct from evidence pertinent to the pending FTC complaint) encountered in the course of carrying out this program, having in mind immediate action by the Department of Justice in the event such combination is so disclosed.
- As a corollary to this, all conferences and communications with the cement manufacturers and dealers should be carried on in

such a way as to avoid anything which would be later cited as formal or informal official approval of illegal practices or combinations in the industry.

4. Public Roads. The details of the program in connection with public roads cannot be stated sharply, but follows three possible lines:

- (a) Possible purchases by states under a Federal Government open contract.
- (b) A conference by the Secretary of Agriculture with the state road commissioners explaining the Federal Government program and endeavoring to secure cooperation in its development.
- (c) Legislation would be necessary to enable the Federal Government to purchase cement used in highway construction under grants by the Bureau of Public Roads. As to approved projects, this legislation could authorize the Secretary of the Treasury to negotiate with states an arrangement for them to take cement in lieu of money; and, as to projects



not yet approved, such legislation could authorize the Secretary of Agriculture to make grants of money conditioned upon the Federal Government's supplying the cement. Legislation of the former sort could and should be put in the present Agricultural Appropriation Act pending before the Appropriations Committee of the House.

## II. PROCEDURE

1. Personnel. The Secretary of the Treasury should name one or more men thoroughly familiar with the cement industry, including the organization, banking, and other financial connections of cement concerns, and the marketing of cement. This person to function in the Procurement Division directly under the authority of the Secretary.
2. Competitive Bidding. All purchases should be made in such a manner as to secure bona fide competitive bidding.
3. Collusion. If indications of collusion appear in the original bidding, these bids should be rejected and readvertised.

4. Independent Negotiation. If the bids or other evidences of collusion are still present, negotiations for the letting of independent contracts should be undertaken.
5. Preservation of Evidence. While the preceding steps are being taken the Department of Justice should be in constant consultation with the Treasury Department in order that legal action under the anti-trust laws may be taken if illegal actions are found.
6. Trade Agreements. The announcement of the reopening of the Belgian Agreement should be made as quickly as possible so that the present FTC action, the previously mentioned negotiations, and corollary actions are proceeding at the same time.
7. Public Roads. Further exploration and action in connection with the public roads program should be continued while the other activities are under way.
8. Effective Coordination. All persons participating in the program should be aware of the fundamental objectives involved.
9. Publicity. The amount of publicity and its character will become apparent as the program develops.

**III. OBJECTIVES**

1. Cement prices at present are regarded as being "out of line" and hence are a block to business recovery.
2. The fundamental aim of the program is to lower the price of cement for all purchasers, not only the Federal Government.
3. The secondary purpose is to establish conditions in the industry which will bring about competitive conditions.



Report of the Sub-Committee on Collusive Practices in  
the Building Industry.

This report is limited to practices within the building industry which add to the burden of costs and which, if continued and extended, will largely nullify the effects of those steps which have been taken to increase the volume of residential construction.

Present costs of building are probably lower than in 1926, with retail prices of building materials as a whole about as low as can be expected without reduction in wages. Wages of skilled labor are slightly above the 1926 level, probably 5%; wages of unskilled labor have increased probably 15 to 20% since 1926.

Caution must be exercised in the use of much of the published data regarding the cost of building. Today the market is highly competitive from the consumer standpoint and published price indexes covering building may not accurately reflect the actual cost to the consumer. Restrictive and collusive practices pervade the entire building industry and are more prevalent in the larger centers of population and are made effective through:

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These objectionable practices, some of which are long established, vary from trade customs to the corrupt and criminal "rackets." Some of them may be legal, practically all are difficult to prove, and some can be cured only by drastic punitive measures. Their elimination would, in the opinion of this committee, effect a saving to consumers of between 20% and 30%, possibly even more.

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The following are typical practices under this classification

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in competition. This practice prevails widely in plumbing, heating, and other mechanical equipment.

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General contractors' bids appear to be highly competitive. One of the most vicious and most recent types of practice on the part of subcontractors' associations in the establishment in some places of "bid depositories." In order to operate in a territory, a subcontractor must become a member of such a depository.

Bids of subcontractors must be submitted to the depository, where they are examined by officers prior to their submission to the general contractor. Apparently a scale of prices is maintained by the depository and any bidder whose bid does not conform to this scale is penalized by fines and other punitive measures. Organized labor is usually represented in the control of these depositories, and the penalties exacted of the subcontractor may extend to a refusal to furnish labor on the job.

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There are many other abuses than the ones noted, but these furnish a partial picture of the many reasons for increased costs in the building industry aside from the increase due to materials prices.

#### Recommendations:

Correction of the abuses found throughout the building industry would be a lengthy task. In some cases immediate punitive action may be taken where such punitive action is indicated by illegalities.

As a point of departure, the committee recommends:

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(3) That a similar method of action be followed in connection with the practices in other trades.