

DIARY

Book 116

March 21 - March 24, 1938

Alpha Portland Cement Company (Easton, Pennsylvania)  
See Housing: Cement

- B -

Budget

Collections: HMLr instructs Gaston that after this quarter Helvering's figures will not be used -

only Bell's - 3/23/38..... CXVI 250

Business Conditions

See also Housing

Haas memorandum on business situation for week ending 3/19/38..... 184

Loans to Industry: HMLr asks group to study manner in which the gold in Federal Reserve could be used - 3/23/38..... 249

Conference on industrial financing; present: HMLr, Taylor, Oliphant, Bell, Haas, Upham, Foley, and Aarons - 3/23/38..... 276

a) Agenda for meeting concerning Government assistance in industrial financing..... 292,295,297

b) Copy of Reconstruction Finance Corporation letter to all banks, bankers, and insurance companies..... 299

c) Copy of "Industrial Finance Act of 1938" transmitted by Securities and Exchange Commission to Treasury for examination..... 302

d) New draft of above bill..... 306

Luncheon conference; present: HMLr, James Roosevelt, Jones, Douglas, Ransom, Taylor, Bell, Oliphant, Haas, and Upham - 3/23/38..... 307

HMLr consults Wagner at FDR's suggestion - 3/24/38... 384

- C -

Cement

See Housing

- E -

Eccles, Marriner S.

Summary of article in Fortune, April 1937, entitled "Controlling Booms and Depressions"..... 235

Summary of statement of 3/15/37 on credit and monetary policies..... 238

	Book	Page
Federal Housing Administration		
Report on weekly volume of insuring operations through 3/19/38.....	CIVI	254
Financing, Government		
Conference to review situation; present: HMMr, Taylor, Bell, and Haas - 3/23/38.....		256
France		
See Stabilization		

Gold		
Memorandum: "Which countries are gaining and which losing gold?" - 3/21/38.....		139
-HMMr memorandum to FDR stating reasons why Treasury feels gold buying program should not be changed at this time - 3/23/38.....		260

Housing		
Walker (L. R.) memorandum on comprehensive study of construction costs in Cincinnati - 3/21/38.....		164
Report on weekly volume of Federal Housing Administration insuring operations through 3/19/38.....		254
Cement:		
Conference; present: representatives of Treasury, Procurement, Tariff, Works Progress Administration, Federal Reserve, Agriculture, Public Roads, et cetera - 3/21/38.....		1
a) Revised report embodying two modifications read: (1) in view of feeling of Secretary of State regarding opening of Belgian trade agreement, that section has now been deleted; no indication of any action under reciprocal trade agreement program; (2) deletion of certain of the suggestions regarding public roads		
b) Recommendations.....		56
c) Resume of cement industry.....		65
d) Federal Trade Commission complaint (7/5/37).....		98
e) Financial and operating data of five large cement companies, 1929-1937.....		103
Alpha Portland Cement Company.....		104
Lehigh Portland Cement Company.....		109
Lone Star Cement Corporation.....		113
Pennsylvania-Dixie Cement Corporation.....		119
Universal Atlas Cement Company.....		124
f) Legal opinions.....		129



- H - (Continued)

	Book	Page
Housing (Continued)		
Cement (Continued):		
Oliphant memorandum of conference with Wallace (Secretary of Agriculture), Blaisdell, Lubin, McDonald, and Evans - 3/21/38.....	CXVI	140
a) Special group meeting to discuss; present: HMJr, Oliphant, Magill, Gaston, Haas, White, McReynolds, and Upham - 3/21/38.....		144
Order signed by FDR over protest of Wallace:		
a) HMJr tells Jackson - 3/21/38.....		192
b) " " Peoples.....		195
c) " " Blaisdell.....		197
Conference by various departments also attended by Thurman Arnold - 3/24/38.....		336
Report of Committee on certain uneconomic practices within the building industry.....		361

- I -

Industrial Financing  
    See Business Conditions

- L -

Lehigh Portland Cement Company (Allentown, Pennsylvania)  
    See Housing: Cement  
Loans to Industry  
    See Business Conditions  
Lone Star Cement Corporation (342 Madison Avenue - New York City)  
    See Housing: Cement

- M -

Mexico  
    See Silver

- P -

Pennsylvania  
    HMJr confers with Governor Earle and Harzenstein;  
    also present: Oliphant, Wenchel, and Irely - 3/24/38.... 332  
        a) Alleged corruption in Philadelphia about to be  
            investigated  
    HMJr describes conference to Helvering - 3/24/38..... 393  
Pennsylvania-Dixie Cement Corporation (60 East 42nd St. - New York City)  
    See Housing: Cement  
Public Health  
    Parran memorandum concerning conference with FDR and  
    Abel Wolman in regard to stream pollution bill (passed by  
    both Houses but tied up in conference since last year) -  
    3/21/38..... 181



- R -

	Book	Page
Refugees		
Welles tells HMJr it has been decided to include Italy; Papal Legate to be approached in order that Pope may be informed - 3/23/38.....	CXVI	253
Welles transmits copies of two memoranda taken up with FDR and confidential copies of circular telegrams to United States missions in Europe and United States missions in the other American republics, sent in accordance with FDR's instructions - 3/23/38.....		264
Revenue Revision		
Statement of Roswell Magill before Finance Committee of the Senate - 3/22/38.....		365
Roosevelt, James		
Oliphant memorandum stating that a valid commission as Secret Service operative would give right to carry firearms - 3/21/38.....		163

- S -

Silver		
HMJr consults Senator Pittman about renewing agreement to buy silver from Mexico - 3/24/38.....		382,389
Resumé of objectives of Silver Purchase Act as contained in the Act itself, in Congressional debates, and in statements of the Administration - 3/24/38.....		409
Stabilization		
France:		
Exchange market movements resumed - 3/21/38.....		204,314, 315,319
Tripartite Agreement:		
Resumé of statements by Blum and Auriol prior to Tripartite Accord regarding realignment of currencies - 3/21/38.....		199

- T -

Taxation	
See Revenue Revision	
Tripartite Agreement	
See Stabilization	

- U -

Universal Atlas Cement Company (208 South LaSalle Street - Chicago)	
See Housing: Cement	

RE CEMENT PROGRAM

March 21, 1938.  
10:30 A. M.

Present: Mr. Oliphant  
Mr. Gaston  
Mr. McReynolds  
Mr. Haas  
Mr. Daggit  
Mr. Viner  
Mr. Peoples  
Mr. Reynolds  
Mr. Lubin  
Mr. Barton  
Mr. Collins  
Mr. Lawes (Procurement)  
Mr. O'Connell (Procurement)  
Mr. Fisher  
Mr. Piquet (Tariff)  
Mr. Stone (W. P. A.)  
Mr. Loomis  
Mr. Hinrichs  
Mr. Stinebower  
Mr. Currie  
Mr. Edwards  
Mr. Blaisdell  
Mr. MacDonald (Public Roads)

H.M.Jr: All right, Mr. Blaisdell, do you want to go ahead?  
(Speaks privately with Mr. Blaisdell.)

Blaisdell: We have here a report, slightly revised from  
the report of the last time, in that it has taken  
into consideration certain of the clearances which  
were asked for at the last meeting.

H.M.Jr: Excuse me just - George, would you mind going  
out and getting the letter from the Acting  
Attorney General on this price business - must  
have it outside. Will you?

Haas: Yes sir.

Blaisdell: The report involves two modifications, and I'll  
call attention to those modifications, Mr.  
Secretary, rather than reading the complete  
report.

In view of the feeling of the Secretary of State regarding the opening of the Belgian Trade Agreement, that section has been deleted from the report, so that as the report now stands there is no indication of any action under the reciprocal trade agreement program.

The second modification involves deletion of certain of the original suggestions regarding Public Roads, and that modification has shortened the recommendation there, to the following:

"That in negotiation of contracts with suppliers of cement, contracts be so drawn as to permit the purchase of cement by contractors on Public Roads at prices obtained by the Federal Government. This authorization is not intended to tie the hands of a contractor who may be able to purchase at a lower price than that quoted the Government." Mr. MacDonald is here - speak for himself, but it is my understanding that he is in complete agreement with this particular recommendation.

H.M.Jr: He is or is not?

Blaisdell: I don't see Mr. MacDonald.

Viner: Here he is.

Blaisdell: Oh, here he is. Sorry. The rest of the document .....

H.M.Jr: Which part is Mr. MacDonald's?

Blaisdell: He is in agreement with the specific recommendation as regards the Bureau of Public Roads.

H.M.Jr: Which would do what?

Blaisdell: Which would enable us to use an open contract for purchase by contractors on Public Roads financed in part by the state, and financed in part by the Federal Government.

H.M.Jr: Use round figures - price of a dollar a barrel. That price is available to contractors working in states on roads subsidized by the Federal Government.



MacDonald: Yes.

Oliphant: Would you mind reading it again?

Blaisdell: "That in the negotiation of contracts with suppliers of cement, contracts be so drawn as to permit the purchase of cement by contractors on Public Roads at prices obtained by the Federal Government. This authorization is not intended to tie the hands of a contractor who may be able to purchase at a lower price than that quoted the Government."

The rest of the report is essentially as it was, Mr. Secretary, and the document covering it is presented to you there.

H.M.Jr: That whole document?

Blaisdell: You will notice the dissent which is attached, namely, the feeling of the Department of Agriculture that this is not a ripe time for anti-trust actions. And that is attached to the document as we are handing it to you.

H.M.Jr: Well, before we go into that, I'd like to read the letter from Mr. Robert Jackson, Acting Attorney General:

"My dear Mr. Secretary: I have examined the confidential copy of the report of the Inter-departmental 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, I will do so as soon as he reaches here.

"I can promise you complete cooperation of the Anti-Trust Division of the Department as outlined in the memorandum."

Well, the reason Mr. Thurman Arnold can't be here at ten-thirty is because he is being sworn in, but we have the complete backing of the Department.

Now, you say Mr. MacDonald is not in favor of what we outlined? Maybe he'd like to explain.

Blaisdell: I think Mr. MacDonald can speak for himself.

MacDonald: Mr. Secretary, Mr. Blaisdell spoke for it not as a personal matter, although I am in full agreement with the position which I am authorized to state for the Secretary, and the other men that have been called into consultation by him in this matter: That if this procedure leads inevitably to a trust suit, that this is a bad time to institute such a suit. In the large purchases of cement which we have been making indirectly for Public Roads, we find that the price of our concrete paving is now - the average for the years '30 to '37 is about five thousand dollars per mile under the '24 - '29 average, so that we have a distinctly lower price for cement and other materials, apparently. But we do not purchase directly.

We are convinced that we do receive, through the purchase by the contractor of all the materials, lower prices and established market prices. But I think that the position of the Department is somewhat more constructive than one of opposition, Mr. Secretary. We all agree with the desirability of lowering the price of cement, if possible, but even more important is to prevent a price increase with increased volume.

H.M.Jr: I don't get that; I don't get that, Mr. MacDonald.

MacDonald: We have frequently had the experience, as you, as volume of construction has increased of having an advance in the cement prices, and it, I think, is the proper statement of the position of the Department that we should like to see, if possible, a stabilization of price at a level that will not be increased with increased production or with the advancing months. We have had that experience of increased prices during the advancing months of the year.

I think our most constructive suggestion would be that we attempt to work out, with the Government purchasing power behind it - and perhaps even going so far as to establish, for cement and perhaps some of the other commodities, a certain



minimum consumption during the year, and then attempt to work out a plan with labor that would guarantee labor a wage throughout the year - that is, a wage fixed on annual income rather than the month to month basis.

H.M.Jr: Well now, you are getting something entirely different. May I ask you just this question? You, representing Roads in the Department of Agriculture, do you approve or disapprove the move of putting the purchasing of all cement by the United States Government under Procurement?

MacDonald: Not say - well, that wouldn't affect us, Mr. Secretary.

H.M.Jr: It wouldn't?

MacDonald: It would affect the Department of Agriculture, if they buy a lot of cement.

H.M.Jr: I just want to know in order .....

MacDonald: Insofar as .....

H.M.Jr: Where is that order, Mr. Blaisdell - the order that the President should sign in regard to .....

McReynolds: It is on top - isn't it on top there?

Blaisdell: Here it is.

H.M.Jr: Sit down, Mr. MacDonald. Now, do they concur to this?

Blaisdell: Covers the statement as made in the recommendation.

H.M.Jr: And this here?

Blaisdell: That is where they dissent.

H.M.Jr: Well, now, I sign here or I sign here? Mac, (McReynolds) look over my shoulder. Do I sign here and the President here?

McReynolds: You sign the letter of transmittal.

H.M.Jr: I see.



McReynolds: That is prepared so that the President will be the only one to sign that. That is his approval of your recommendation.

H.M.Jr: But where does Peoples get his orders from?

McReynolds: This would be in connection with the report - the approval of the President for the extension - of Peoples extending his direct purchases.

H.M.Jr: George, has anybody here got that four-page letter from Mr. Hull to me, on the question of tariffs?

Stinebower: I have a carbon of it, Mr. Secretary.

H.M.Jr: Who's got the original?

Haas: Want me to go out and see if I can find it?

H.M.Jr: Yes. It is - I tell you, I'll tell Mrs. Klotz. (On telephone.) Tell Mrs. Klotz, on that letter from Mr. Hull, - I don't need it now - but it may be in Mr. Taylor's office. That is where it may be - either Taylor - it's apt to be in Taylor's office, but I don't need it for this meeting.

That's all right. I don't need it now, but I did need this. Well, the point that I want to get from Mr. MacDonald is - let me read this thing out loud. This is what I am sending to the President.

"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."

The Department of Agriculture has no objection to that, have they?

MacDonald: Oh no; no, none whatever.

H.M.Jr: "2. Further expand Government control over cement by including that used on highways, the construction of which is financed in part by the Government through the Bureau of Public Roads of the Department of Agriculture."

I presume they concur and would cooperate in working out the details.

MacDonald: Well, if that means handling the cement through the Procurement Division, that is purchased - I mean the actual purchasing .....

H.M.Jr: Yes.

MacDonald: ..... We have very decided and determined objections to that because it involves .....

McReynolds: But the report doesn't recommend that.

H.M.Jr: What?

McReynolds: The report doesn't recommend that Procurement Division purchase that direct.

MacDonald: That is all right; we concur in taking advantage of Government purchasing for everything into which Government money goes.

H.M.Jr: That's what it says, doesn't it?

McReynolds: The Committee's recommendation now is that you merely make - you put all direct purchases under Procurement so you can get volume purchase prices, and that you make some contracts so that they will be available to your contractors to purchase cement at those low Government prices.

MacDonald: Full concurrence, Mr. Secretary.

McReynolds: So that when your contractors are bidding they are bidding on the price of cement at the Government price. You get the advantage there; I don't see how you folks possibly object.

H.M.Jr: Now the part that you object to is Three, which says: "Grand Jury Investigations by the Department of Justice should facts developed in negotiating cement contracts warrant it."

MacDonald: Mr. Secretary, it seems to go in contrary direction from good Government to take a position of opposition to a statement of that kind. Our statement, I think, is more properly that we are opposed at this time, and without a very grave



effort being made to work out this problem with the industry, to going into a suit of this character.

H.M.Jr: Well, if you don't mind my saying, I don't think Mr. Wallace can be aware of the fact - and I am correct in this statement, that there is such a suit pending already, and it's been under way for how long?

Oliphant: It's being tried now.

MacDonald: That is by the Federal Trade Commission.

Oliphant: I'd just like to be sure I understood it. Let me state it - if in the process of carrying out this program, it comes to our attention that there's been a criminal conspiracy in violation of the criminal statutes of the United States, do I understand you are opposed to prosecuting?

MacDonald: No, certainly not.

Oliphant: Well, that is the proposition on the paper, and nothing more.

MacDonald: The position of the Secretary is that - and he is fully aware of the Federal Trade Commission's suit, that in view of the - I think in view of the statement made by the President that the Administration would seek to hold conversations with the industries in an endeavor to reduce prices that he - to obtain prices - this was made some time ago, you recall - that his position .....

H.M.Jr: Pardon my interrupting you - the President never made such a statement. Excuse me for saying so bluntly, but he never made any such statement.

MacDonald: Well, in one of the - perhaps I don't quote the matter correctly, Mr. Secretary. It certainly isn't an intention not to quote him rightly.

H.M.Jr: I think there is a misunderstanding.



MacDonald: Don't you remember he made the statement some prices were too high and some too low? That was the implication carried, was it not?

H.M.Jr: Well, that statement is just one page, and that can be gotten. I don't know who helped the President prepare that, but Herbert, get that, will you? That one that preceded the one that was prepared by this group.

Gaston: That was in reply about fairness. I'll get the two of them.

Oliphant: May I say, Mr. Secretary, that I have followed all the statements of the President carefully and he has nowhere suggested that he would be ~~willing to participate in compounding a crime.~~ That is what you are dealing <sup>with</sup> here, is a violation of criminal law.

H.M.Jr: Mr. MacDonald, if you don't mind my saying, I think there is a misunderstanding somewhere on the part of the Secretary of Agriculture, because no member of the Cabinet can object that if Procurement - the way I see - I think somebody has made this thing look much more difficult than it is.

Now what this - all that we are doing is this: This group has made a study, and they are trying - over - I don't know what it is - two or three years, that the price of cement has been absolutely fixed - something like that, isn't it?

Blaisdell: It's been very, very stable.

H.M.Jr: I mean, it's an absolutely fixed thing. Now all that we are suggesting to the President is this: That he sign a supplementary Executive Order giving Admiral Peoples, Director of Procurement, the authority to buy all cement which the United States Government buys, plus making that - whatever price he gets - available to any state contractor who is working on a Federal-aid highway. Now, isn't that boiling the whole thing down?

Now if - and if you don't mind my saying so, we don't have to ask anybody's approval. If, in asking for these bids, Admiral Peoples gets all the bids, under the understanding that we have with the Department of Justice, we immediately ask their advice and refer the matter to them, and we don't have to ask anybody's approval. It is just automatic. That is my understanding. No matter how any other department works, that if we get the bids..... And if what we have been doing - we again ask - we usually give the people a second time, as the way we did in the tires. We didn't immediately refer - gave them a second - again asked for a bid, and the second time we got competition. Now if this is handled in the usual way that the Treasury handles it, we would go back to them a second time, and if after the second time they didn't see day-light, why, then in the normal course of events this thing would be a breach of law, and it would be referred to the Department of Justice.

Now we don't need anybody's approval, and I personally - if you don't mind my saying so - I think somebody has advised the Secretary of Agriculture badly, through lack of full information, because I don't think the Secretary of Agriculture wants to put himself in the position that the Procurement Division shouldn't carry out the Federal statutes.

MacDonald: Oh, certainly not, Mr. Secretary.

H.M.Jr: That is all that it is, and therefore, in view of this I have asked Mr. Wallace to see Mr. Oliphant and Mr. Lubin and Mr. Blaisdell at twelve, and I think you better be there.

MacDonald: Yes. Well, I'll be glad to be there.

H.M.Jr: And give him a chance to consider this thing, because I don't - Henry Wallace is a friend of mine of long standing, and I don't want him to put himself in that position, because I am sure, when he once understands - it is just as though we buy automobiles for everybody - don't we, Admiral?

Peoples: Yes, Mr. Secretary.



H.M.Jr: Now we get tie bids for Agriculture. If the Secretary of Agriculture is going to say that after we have asked for bids twice and all the companies say the same price - that that shouldn't be referred to the Department of Justice? I mean, he isn't going .....

MacDonald: I don't think that is his position at all, Mr. Secretary.

H.M.Jr: I'm sure it isn't.

MacDonald: And I must have presented it very badly if that is the impression.

H.M.Jr: No, maybe our people presented it badly to you.

MacDonald: I think the whole point involved is a matter of timing.

H.M.Jr: Well, we have been doing this thing - I don't know how long - since N. R. A. was declared unconstitutional - but the Treasury has been trying to make this fight ever since N. R. A. was declared unconstitutional, and both Admiral Peoples and myself have been very much disturbed that we have been getting all these tie bids, and while this Committee wasn't set up for that, I mean, we were to study the important component parts of building - and the one situation which seems to be the easiest one to tackle first is cement.

Now all we have been trying to do is get all the weapons necessary to convince these cement manufacturers that when they bid on cement for the United States Government that they give us competitive bids, as the law says they should. Now that is all we are trying to do. We want competitive bids, and when the cement industry, as a whole, month after month, puts in exactly the same bids, they are breaking the law. I am no lawyer, but it is just a matter of "horse-sense."

MacDonald: The Department of Agriculture, Mr. Secretary - every member of the Department, is fully in favor of the Government's position in that matter. No question about that.

H.M.Jr: There can't be any other position.

MacDonald: No, there isn't any other position.

H.M.Jr: When you say it is a bad time - if I don't do anything, the Federal Trade Commission - if that is who's got it - going to go right ahead just the same - I mean they are going to go ahead, and I am sure that Mr. Jackson is going to go ahead - he tries the case for them, doesn't he?

Oliphant: No. No, not that. But they are cooperating with him.

H.M.Jr: I mean, who is here from the Federal Trade? You'll go ahead anyway, won't you?

Edwards: We have a case now in progress.

Peoples: It is in the court, Mr. Secretary.

H.M.Jr: So the time thing was settled long ago.

Oliphant: No, it isn't in court.

H.M.Jr: And I say we are not looking for a case. I certainly, sincerely, hope that the cement industry will see the light of day and give us competitive bids - and that is all we want, as I understand it. Isn't that right, Mr. Blaisdell?

Blaisdell: Absolutely.

H.M.Jr: But lacking that we are not certainly going to sit here spineless and say, "Well, that's awfully nice, gentlemen, and you write the ticket, and you continue ....." That's all .....

MacDonald: I think the Secretary's position would be, Mr. Secretary, that he assures himself that a canvassing of the situation will be made before it is projected into the courts. That is the only implication.

H.M.Jr: Excuse me. Will be what?



MacDonald: A very careful consideration will be made before it is projected into the court. I think that is all that he wants.

H.M.Jr: Well, again, I think that that decision has been made by the Federal Trade Commission, and that is water over the dam.

MacDonald: Yes. Well, I think it was on that - is there a difference, Mr. Secretary, in this - of the Federal Trade Commission going ahead with its suit as it should, unquestionably. That is, there mustn't anything appear in this meeting, from the Department of Agriculture - from me personally - that would take any exception. We have helped them all we could on that suit. Is there a difference between that action which will come through the courts and the Administration at this time moving into the situation from another angle?

H.M.Jr: Well, I am not .....

Edwards: May I suggest, Mr. Secretary, that our case is specifically exempted in this report, and the provision, as I read it, in the report, is addressed to a situation in which the cement industry continues with some new conspiracy beyond the things that we are now discussing in our case.

H.M.Jr: If they should .....

Edwards:: In other words, the recommendation would become effective only if the industry were persistently and doggedly to violate the law.

H.M.Jr: Right - and we sincerely hope that they won't.

Edwards: Certainly.

H.M.Jr: But if they do we are not going to sit here and take it on the chin - that is all. I don't want to make a soap-box speech, but I am through - but it doesn't seem to me that one can time - say this is a good time or a bad time to carry out the Federal law, that is all. I just don't see .....

MacDonald: Oh well, I agree with you.

H.M.Jr: Want to say "This is a good time - business is fine, let's be righteous;" but, "Business is bad, and let's withhold being righteous." I mean, I just don't see how that position is tenable, and Henry Wallace, of all people, once it is explained to him, I am sure .....

MacDonald: You have arranged this?

H.M.Jr: I am sure ..... We can't time our righteousness as to good and bad business, and after all, this is - we are doing cement because we want a case which is just as good as possible, and then after we have taken cement I hope these gentlemen are going to take something up like plaster or structural steel.

And again I say, Mr. MacDonald, in all due courtesy, possibly the thing was badly explained to you, see? So there will be a chance once again at twelve o'clock.

MacDonald: Yes. Very well, Mr. Secretary.

H.M.Jr: Mac, have I signed where I should sign?

McReynolds: Yes. That is the only place you requested.

H.M.Jr: Will you take out all the tissues so I can take this, and the memorandum I got from the President - sharp one - because he is having T. V. A. at one thirty.

Oliphant: Blaisdell can telephone you.

H.M.Jr: I don't know, after he gets this, whether Mr. Wallace will sign this thing, see, but I mean I hate to take it over like that, but if he maintains his position .....

Oliphant: Well, suppose we make another copy, and take it over and he can sign it if he wants to.

H.M.Jr: Well, I think I'll hang on to it and if Mr. Wallace changes his mind somebody can phone me. How's that?



Blaisdell: Phone you after the conference, Mr. Secretary.

Reynolds: Mr. Secretary, may I ask a question? Is this sufficiently inclusive to cover contracts other than Roads? In other words, a contractor on a building, would this price be made applicable to him, as well as .....

H.W.Jr: Someone else - a good question - someone else will have to answer.

O'Connell: It was intended, as I understand it, to apply primarily to the Bureau of Public Roads, because that is such a large user of cement, but it is sufficiently broad, I believe, so that it could be made applicable to any contract in which the Government is participating - financing it - such as a W. P. A. job.

Oliphant: Maybe I should take time to say just a word about that, Mr. Secretary. I have signed a formal opinion on it. You recall that in connection with some conversation with Mayor LaGuardia the question was up as to whether or not we could buy generally for the states or municipalities, and we didn't look favorably upon that proposal because that would involve our buying for all sorts of projects in which the Federal Government had no interest.

Now what my opinion says is that we can make open-end contracts available - require the companies - cement companies submitting their bids, to agree that if the bid is accepted they will make the cement available at those prices on all cement used in any project in which the Government is contributing money, so that in those cases where we have an immediate and substantial financial interest, it is competent for us to require that bidders - the bidders to - so I should say, that coming to the question of public buildings, if it is a building toward which we are contributing money, since we are interested in getting the best building possible at the lowest possible price, the same rule would apply.

Viner: You mean automatically.

Blaisdell: May I ask, Mr. Oliphant, is it not the fact that that authority is in the hands of the Secretary at the present minute, and requires no special action?

Oliphant: Yes.

Reynolds: Not at the present time. We could go out and buy cement in the open market and tell the contractor, "We'll furnish cement on the job," but my question was directed to whether any contract entered into by the United States for the purchase of cement, would be made applicable to any contractor on any of our jobs.

Blaisdell: That was my question, Mr. Reynolds. Is it not within the authority of the Secretary at the present time to so draw contracts through the Procurement Division so that that is practicable. Not that it is now so done, but that it can be done under authority now in the hands of the Secretary.

Reynolds: I wouldn't know. I don't know.

Oliphant: (Nods "Yes.")

MacDonald: That was just the question that Oliphant was answering.

Reynolds: Yes, according to him.

H.M.Jr: Well, this is a Treasury matter for our General Counsel. Let him take it under consideration, and you will get a ruling from him.

MacDonald: Do it there because of Roads.

H.M.Jr: Anything else on cement?

Blaisdell: No sir.

H.M.Jr: May I again thank you people for this very excellent report. I think it is a beautiful job and I am very proud to take it over to the President. I would normally ask you people to go with me, but he's allowed me thirty minutes today in which to eat lunch and talk to him, and so it doesn't give me an awful lot of time, but I think if - that if he has any



doubts then we can all of us go over and explain it, but if he hasn't any doubts, why, I think the kindest thing to do today is just to let him sign it, so I'll do that. I got a message to be prompt at one, and he's doing T. V. A. at one-thirty, so I imagine that I won't get very much chance to do any business, if any at all.

Now before we leave cement, is there anything else? I mean, I want to take up rackets next. Does anybody - Dr. Lubin, any question on cement? You are perfectly happy on it?

Lubin: (Nods "Yes.")

H.M.Jr: Anybody besides the Department of Agriculture isn't perfectly satisfied?

Well, I might say I got a most courteous letter from Secretary Hull, and I can understand his difficulties, and I am perfectly satisfied. (To Mr. Stinebower:) Do you know who wrote it? If you wrote it, it is a very good letter - being courteous - entirely satisfactory. Now, you want to be excused?

MacDonald: Oh .....

H.M.Jr: You want to listen to some rackets - buildings? What?

MacDonald: Sure.

Collins: May I be excused from the rackets, sir?

H.M.Jr: All right.

Collins: (Goes out.) Thank you, sir.

Reynolds: Here's a report, Mr. Secretary. It is not exceedingly long.

H.M.Jr: Can you do it - how long will it take you?

Reynolds: I'll read it pretty fast.

H.M.Jr: All right, go ahead. You got a copy of your own?

Reynolds: I have a copy.

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

MacDonald: We have these same things to contend with, Mr. Secretary.

H.M.Jr: What's that, rackets? All right, you can add a couple.

Reynolds: "This report is limited to a discussion of several practices within the building industry which appear to add unnecessarily to the cost of construction and which, if continued and extended, may largely nullify the effects of those steps which have been taken to increase the volume of building, particularly of low cost dwellings.

"The conditions and methods described do not, by their nature, lend themselves readily to investigation by this committee, and consideration has, therefore, been given only to practices which are generally recognized by those familiar with the industry as being objectionable and which, if eliminated, would offer the largest reductions in the cost of building.

"Most of these practices have been established over a period of years and, although the original motive in some instances may have been ethical, the developments in more recent years have been restrictive of competition.

"A summary of the practices considered follows:

"1. Distribution Practices of Manufacturers or Producers

"The distribution of many building products from the manufacturer or producer to the contractor or subcontractor appear to be restricted by the introduction of subsidiary or independent sales agencies which, in turn, control prices and restrict distribution to contractors or subcontractors in the corresponding trade.

"This method may be useful and beneficial for the physical distribution of goods but it affords an opportunity for price fixing and collusive agreements between the manufacturer or producer and



the agency on the one hand and between the agency and the contractor or subcontractor on the other. Such a condition appears to exist to a rather large extent in the mechanical branch of the industry which includes plumbing, heating and electrical equipment.

"2. Building Code Control:

"Manufacturers of building products have exercised a considerable influence in the preparation and revision of municipal building codes. The object has been to limit the permitted products or methods to those produced or controlled by the manufacturers, thus eliminating undesired competition and maintaining prices. In some instances, meritorious products or methods have been barred from approval and use by methods which, if not always corrupt, are at least not in the public interest.

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"The custom of awarding building construction operations to general contractors has become widespread and is generally considered advantageous. There appears to be little evidence of collusive bidding or of restrictive competition among this type of contractor, but the method of operation is not without other serious abuses. In some instances this class of contractor operates as a subcontractor in one or more of the subordinate trades by means of a subsidiary organization and thus may participate in the practices outlined under paragraphs one and four. The general contractor may operate as a 'broker' and thus offer but slight excuse for his employment. He may and frequently does engage in the 'chiseling' of subcontractors' bids and individually or through an association he may attempt to coerce labor with the resulting economic losses to the industry and the consumer.

"4. Subcontractors:

"Many of the objectionable practices found within the building industry are inherent to this class of contractor. In addition to being the largest purchasers of material in the industry, the subcontractors employ the greatest amount of labor.

Operating both in the shop and in the field, the importance of the various branches in this category has increased proportionately with the many advances made in building construction and equipment. The effect has been a general strengthening of the subcontractors' position in the industry and the organization of numerous associations of subcontractors under various titles. These organizations have developed into operating bodies primarily engaged in price fixing and the control of that branch of the industry within the city or region. Organization members are restricted and penalized in bidding by rule and regulation to the end that competition is extremely limited or non-existent; non-members are driven from the field; and labor is used as the most effective means of control.

"Under such conditions, the 'bid depository' has developed from its original purpose as a means to prevent 'chiseling' to a corrupt and collusive method for maintaining a scale of prices and the award of contracts by lot.

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"Labor in the building industry has suffered, for many years, from exploitation by its employers. Subject to seasonal and limited employment, to the hazards incident to its occupation, and to an over supply of skilled and unskilled workers, it endeavored to obtain the strength and security afforded by organization. Only in very recent years has it received recognition and protection through the enactment of appropriate Federal legislation. Prior to this time, organized labor depended upon certain self protective measures which, due to necessity, have developed into many working rules and customs which under present conditions may prove not only economically disadvantageous for the employee but discouraging to an increased building activity.

"Correction of abuses found throughout the building industry does not appear probable by action within the industry. Publicity might not be unbiased and it might create an undesirable delay in starting work. Due to the widespread operations of the industry, the facilities of the Federal Government can be employed to advantage where other methods are not available.



"RECOMMENDATIONS

"For these reasons, the Committee recommends the facilities of the Federal Government be utilized as may be appropriate for the following action:

- (a) Investigation of the distribution practices of manufacturers or producers of building products and especially manufacturers engaged in the mechanical equipment branch.
- (b) Illegal practices involving collusive or restrictive bidding by subcontractors through 'bid depository' or other methods and especially by contractors engaged in the mechanical trades.

"As a point of departure, it is suggested that future contracts for buildings constructed under the control of the Government departments be utilized for the purpose of obtaining evidence of the abuses described under 'a' and 'b' above and, also, under paragraph 3. The methods adopted should be uniform in all departments.

"For the purpose of obtaining local cooperation and interest in low cost housing, it has been suggested that local committees operating under a national committee might be beneficial in dealing with both material and labor problems as they affect this particular type of construction. The Committee, also, recommends this course of action and believe that useful results could be accomplished by local committees in relaxing some of the building code requirements for low cost dwelling.

"There is attached a memorandum suggesting a method by which the use of the Government's purchasing power might be used to advantage in coping with these problems."

"I

"SCOPE OF STUDY

"The problem considered in this memorandum is as to how the purchasing power of the Government may be best utilized in the elimination of collusive practices which exist in the building industry and are particularly engaged in by those who supply building materials. There is excluded from its scope, however, consideration of purchases of materials by the Government, which method falls within the scope of another inquiry. There is also excluded any consideration of the problems arising out of unfair practices believed, in some instances, to be engaged in by organized labor.

II

TYPE OF SITUATION WHICH IT IS BELIEVED EXISTS

"In order to make the problem clear, the following situation is outlined, which it is believed represents a typical case in the mechanical trades, which include plumbing, heating, and electrical work:

- (1) The bids received by the Government from general contractors for the construction of the building are not collusive.
- (2) The bids of the general contractors, however, are compiled from subbids received from a number of contractors in the various building trades.
- (3) The plumbing subcontractors make up their subbids on the basis of material prices furnished by jobbers or local distributors for particular manufacturers. Normally, each subcontractor does his business with a single jobber.
- (4) The jobbers furnish materials for small jobs from stock. On larger projects, they file special orders with manufacturers for shipment directly to the site.
- (5) It is believed that the manufacturers, by collusive agreements among themselves, fix the price at which they sell to jobbers,



and at which the jobbers are permitted to sell to subcontractors. There are also collusive agreements between jobbers and associations of subcontractors restricting sales prices, to whom sales may be made, etc.

(6) A subcontractor frequently cannot purchase directly from a manufacturer.

(7) In some of the large communities there are so-called 'bid depositories.' The plumbing subcontractor-participants file copies of their subbids with this clearing house. The major purpose is to divide the work among the participants. In other words, the members take turns at being low. Those contractors who do not participate are confronted with the difficulty or impossibility of securing materials or labor or both.

### III

#### CONCLUSIONS OF FACT

"(1) The bids received by the Government are not collusive.

"(2) On their face, the bids received directly by general contractors are not collusive.

(3) The bids received directly by general contractors are not in fact collusive except where the systems described in paragraphs (5) and (7) of II are operative.

(4) The bids received by subcontractors from jobbers would probably, in many cases, indicate on their face that they were the result of price-fixing agreements. This would not necessarily be the case, however, as the superior credit of a particular subcontractor might result in certain concessions of price to him over the prices to another subcontractor whose credit standing was not as high. Normally, each subcontractor would have a bid from one jobber alone, the one with whom his dealings have been transacted over a period of time.

(5) It is believed that the existence of price fixing would be established conclusively by a study of the prices paid by the jobber to the manufacturer, of the restrictions on resale price imposed by the manufacturer upon the jobber, and of operations between subcontractor associations and jobbers.

#### IV

#### "POSSIBLE COURSES OF ACTION AND RECOMMENDATIONS WITH RESPECT TO REQUIRING THE FILING OF BIDS WITH THE GOVERNMENT."

H.M.Jr: Just a moment, please. (Reading news clippings.) All right. Thank you.

Reynolds: "The following alternative courses of proceeding may be followed:

"(1) Require all bidders to submit with their bids all bids on the basis of which any work or materials will be furnished on the project."

H.M.Jr: Just a moment. "Require all bidders to submit with their bids all bids ....." What does that mean?

Reynolds: All bids that they receive themselves.

"(2) Require the successful bidder, as a condition of award, to file all such bids with the Government.

"(3) Require the successful bidder, as a condition of award, to file with the Government all such bids which pertain to any of the three mechanical trades."

H.M.Jr: I still don't - are you going to tell me what you are going to do? I don't get it yet - I mean, up to now, I still don't know what you are going to do. I mean, you recommend something, then suggest you eliminate ---

Reynolds: All except three. We take three.

H.M.Jr: So much paper work. You don't want to do it.



Reynolds: "RECOMMENDATION: It is recommended that the procedure outlined in paragraph (3) above be adopted for the following reasons:

"(a) The proposal set forth in paragraph (1) would create an administrative burden of tremendous proportions and, over a period of time, would not add substantially to the information which would be available to the Government as the result of following the alternative course proposed by paragraph (2).

"(b) It is believed that the mechanical trades are those in which the improper practices are the most prevalent; and that concentration on them, rather than an attempt to cover the entire field, would be more likely to give results."

H.M.Jr: Well, you recommend doing one, two, and three?

Reynolds: No, three. Recommend three, and throw out one and two, and give you the reasons we throw out one and two.

H.M.Jr: You are suggesting three. All right, three is suggested. Better read it again.

Reynolds: "Require the successful bidder, as a condition of award, to file with the Government all such bids which pertain to any of the three mechanical trades."

H.M.Jr: That is what you are recommending?

Reynolds: That's right.

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

Reynolds: "POSSIBLE ADDITIONAL COURSES OF PROCEDURE

"The following courses of procedure should be considered as supplemental to that recommended in IV above.

"(1) Submit all information obtained as the result of the filing of bids to the Department of Justice and to the Federal Trade Commission for such action as they may deem appropriate.

"(2) Require each bidder to certify to the Government: (a) that his bid is neither directly nor indirectly the result of any agreement with any other bidder and (b) that he has received a similar certificate from each bidder on the basis of whose bid any work or materials in the mechanical trades will be furnished on the project.

"(3) Provide that the general contractor and each subcontractor, sub-subcontractor and materialman in the mechanical trades, upon request by the Government, will make available for inspection all records in their possession which affected in any way the prices bid.

"(4) Provide that the right of a contractor to proceed may be terminated by the Government, with the usual consequences, in the event that the representation of the contractor is found to be false in fact; and require the general contractor and each subcontractor, sub-subcontractor, and materialman in the mechanical trades to make a similar arrangement for termination of the right to proceed of anyone with whom they have contracted, for work or materials in the mechanical trades, whose representation is found to be false in fact.

"(5) Provide a penalty in the form of liquidated damages in the event that the representation of the contractor or any subcontractor, sub-subcontractor or materialman in the mechanical trades is found to be false in fact.

"(6) Require a representation from each subcontractor in the mechanical trades that he has not filed his bid with any 'bid depository' or other similar group.

"RECOMMENDATION: It is recommended that the courses of procedure suggested in paragraphs (1) to (5), inclusive, be followed. The suggestion contained in paragraph (6) is not recommended as it might appear to be directed against organized labor; the representation suggested in paragraph (2) really covers it, although in a general form; and the desirability of a specific representation could be considered after the results of the recommended program are available."



H.M.Jr: Now wait a minute. You've got ten pages. Tell me what the hell you're talking about, if you can, and if you get it all boiled down, what? Do you think it is practical?

Reynolds: I think it is very practical to require the bidders, as a condition of award, to file with the subcontractor - or file with the Government, rather, a list of the subcontract bids that they are using on the mechanical trades, so we will know definitely the amounts. That is a matter of information. We can check whether that is a fair price or not.

H.M.Jr: You think that will get us somewhere?

Reynolds: That will get us a great deal of information, and secondly, out of these five paragraphs here, the major point of interest is that you can require a statement by the general contractor that he nor the people - nor his subcontractors - have entered into collusive price arrangements in determining their bid. That is on the last page.

H.M.Jr: I see, and on page four and five you recommend all except (6). Is that right.

Reynolds: That's right.

H.M.Jr: And (6) you don't recommend.

Reynolds: On page three we recommend that paragraph (3).

H.M.Jr: Paragraph (3), and on page four, do you recommend .....?

Reynolds: Four. Recommend all except the last paragraph; that is, sixth paragraph on page five.

Now, I think that before a final decision would be made on that, we would want to explore a little bit further. Just the point - how far it's going to take us - but I can see great benefit coming from the requirement, at least that the contractor and subcontractors file an affidavit that this bid was made up without collusive agreement. Anyway it will have a deterrent effect and we know that they do enter into collusive agreements before they file their bids.

H.M.Jr: Well, let me ask you this, Admiral. Supposing we do this in Procurement. Does that mean that the Army engineers are going to do this too, or just Procurement?

Peoples: Committee recommends that it be uniform throughout the Government service.

H.M.Jr: We'll have to submit it to other people.

Peoples: It ought to be done in Procurement any way. We ought to make a beginning there.

H.M.Jr: The whole business - everything as he suggested - accept?

Peoples: Yes sir.

H.M.Jr: What?

Peoples: Yes sir.

H.M.Jr: Are you satisfied?

Peoples: Yes, I am.

H.M.Jr: Has this group had a chance to digest it?

Peoples: No.

Oliphant: This is the work of a sub-committee.

H.M.Jr: What I suggest is this: That the people that have been working with me regularly take this thing - kind of chew this thing over, because I don't know how you feel - it's kind of left me dizzy, and you people are willing to put the time in on it, and we might come back and have another talk. I don't want to go off half-cocked; I'd like to have the benefit of the advice of the people that'd be willing to give the time on it, I mean, so - I mean, first place it is going to get - I am on the spot and I am perfectly willing to use Procurement as the "guinea-pig" but I want to make sure that we are going to get something worth while out of it, see? and I'd like you people to go over it and go into it, if you would. Say, come back eleven o'clock Thursday. That gives you Monday until Thursday. What? But this - for us, I mean, it is a serious step, and I just



- 29 -

want to know. And then possibly, Mac, you and the Admiral might show this to some of the other big contracting agencies in the Government between now and Thursday, and get their criticisms, see? How many other contracting agencies will be willing to go along with us on it? Take Straus - his outfit, for instance - would he agree with a thing like this?

Reynolds: Well, Straus is a financial agent.

H.M.Jr: Is what?

Reynolds: Straus is a financial agent. He is not entering into contracts. About the only agency really affected is Procurement Division. Your proclamation has no plumbing, heating, or electric .....

H.M.Jr: Doesn't Straus' agency review all contracts? But they don't determine them?

Viner: Why wouldn't the previous report have bearing on this? Why couldn't you expand the principle of the previous one for this? Straus uses Federal funds, doesn't he?

Reynolds: Yes sir.

Oliphant: I'd have to look into his legislation to see whether or not he could make the grant conditioned upon .....

H.M.Jr: Well, as I understand, if he thinks the contract is too high he can reject it.

McReynolds: That's correct.

Peoples: Always.

Reynolds: All this report does is first give us some information.

H.M.Jr: But I am thinking - Straus, if he gets under way he is going to have several hundred million dollars worth of buildings, and I just wondered - they are going to be in it much bigger than Procurement.

MacDonald: Mr. Secretary, remember we require that substantially now, under our general authority to regulate or

put out regulations for state contractors.

H.M.Jr: You do?

MacDonald: Yes, we do. That is, where there is a subcontract we require them to file the subcontract along with it.

H.M.Jr: Do you find any racketeering in this thing?

MacDonald: We have not been troubled very much with these same features, because we require contractors to do eighty per cent of all contracts with his own organization. See, we don't deal very much with general contractors.

Reynolds: We require twenty-five.

H.M.Jr: Well, I mean, I think this is a start, but I don't want to say "Yes" or "No" until you gentlemen have gone into this thing further, because I am not so dumb - I realize what I am getting in to, but after all, if you people say, "All right, this is the right thing to do," I am willing to go ahead - in fact, Admiral Peoples, the way I always do, but I just want to make sure, and I'd also like to know how some of the other - whether we are going to do this alone, the way we do all of these things, or whether some of the other agencies .....

Peoples: They will have some job giving reasons why they can't, Mr. Secretary.

H.M.Jr: Well, let's give them a chance, between now and Thursday.

Peoples: Uh huh.

H.M.Jr: What?

Barton: It would be more effective if all of them were working together.

Lubin: What other agencies have the power to let contracts - private contracts? Army, Navy. Any other?

Peoples: Some little in Veterans Administration.



- 31 -

Loomis: We do, yes.

Stone: Covered in this report.

Loomis: There is an element in this, Mr. Secretary, that I think, in the situation - which I think should be canvassed further. The great trouble with our buyers - that is, the home owners who are buying - to recondition their homes or build new homes, is the difficulty they have with jurisdictional disputes which enter after the contract is made, and if there were some means by which those could be discouraged it would affect the price a great deal.

Peoples: As between trade unions?

Loomis: Yes, and they rise out of collusion with materials people as well.

Oliphant: Are those public buildings?

Loomis: No, they are all private.

Reynolds: We have the same thing.

Loomis: But it affects the price as much as a thousand dollars in some cases on a five or six thousand dollar house.

H.M.Jr: Well, that is - well, I would say Reynolds was making progress, but I think he'd want to do a little more.

Reynolds: I haven't been able to spend a great deal of time on it.

H.M.Jr: I know. You've been sick. You feeling all right?

Reynolds: Better.

H.M.Jr: Can you work on this between now and Thursday?

Reynolds: Oh yes, indeed.

H.M.Jr: All right. Well why not - anybody got any bright ideas - I'd get this group together somewhere a

couple times between now and Thursday and let's see how much cooperation the rest of the United States Government will give us.

Reynolds: Could I suggest that we have a copy prepared for each of the people here and then ask them to meet, say Wednesday at ten-thirty, or something like that, in this room over here in the Treasury Building.

H.M.Jr: 296.

Reynolds: Would that be proper?

H.M.Jr: Perfectly proper.

Peoples: I think better, Mr. Secretary, to leave it in the hands of the Committee, sir. Get the representatives in from the Army and Navy and Veterans Bureau - and so forth. Be less duplication.

H.M.Jr: Well, you and Reynolds - and talk it over, and you other gentlemen work it out, but come back with a little more progress between now and eleven o'clock Thursday. How's that?

Peoples: Fine.

H.M.Jr: Again, thank you very much for all your time.



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 21, 1938

REPORT OF THE SUBCOMMITTEE ON PRACTICES IN THE  
BUILDING INDUSTRY.

This report is limited to a discussion of several practices within the building industry which appear to add unnecessarily to the cost of construction and which, if continued and extended, may largely nullify the effects of those steps which have been taken to increase the volume of building, particularly of low cost dwellings.

The conditions and methods described do not, by their nature, lend themselves readily to investigation by this committee, and consideration has, therefore, been given only to practices which are generally recognized by those familiar with the industry as being objectionable and which, if eliminated, would offer the largest reductions in the cost of building.

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March 21, 1938.

## I

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### TYPE OF SITUATION WHICH IT IS BELIEVED EXISTS

In order to make the problem clear, the following situation is outlined, which it is believed represents a typical case in the mechanical trades, which include plumbing, heating, and electrical work:

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(3) The plumbing subcontractors make up their subbids on the basis of material prices furnished by jobbers or local distributors for particular manufacturers. Normally, each subcontractor does his business with a single jobber.



(4) The jobbers furnish materials for small jobs from stock. On larger projects, they file special orders with manufacturers for shipment directly to the site.

(5) It is believed that the manufacturers, by collusive agreements among themselves, fix the price at which they sell to jobbers, and at which the jobbers are permitted to sell to subcontractors. There are also collusive agreements between jobbers and associations of subcontractors restricting sales prices, to whom sales may be made, etc.

(6) A subcontractor frequently cannot purchase directly from a manufacturer.

(7) In some of the large communities there are so-called "bid depositories." The plumbing subcontractor-participants file copies of their subbids with this clearing house. The major purpose is to divide the work among the participants. In other words, the members take turns at being low. Those contractors who do not participate are confronted with the difficulty or impossibility of securing materials or labor or both.

### III

#### CONCLUSIONS OF FACT

(1) The bids received by the Government are not collusive.

(2) On their face, the bids received directly by general contractors are not collusive.

(3) The bids received directly by general contractors are not in fact collusive except where the systems described in paragraphs (5) and (7) of II are operative.

(4) The bids received by subcontractors from jobbers would probably, in many cases, indicate on their face that they were the result

of price-fixing agreements. This would not necessarily be the case, however, as the superior credit of a particular subcontractor might result in certain concessions of price to him over the prices to another subcontractor whose credit standing was not as high. Normally, each subcontractor would have a bid from one jobber alone, the one with whom his dealings have been transacted over a period of time.

(5) It is believed that the existence of price fixing would be established conclusively by a study of the prices paid by the jobber to the manufacturer, of the restrictions on resale price imposed by the manufacturer upon the jobber, and of operations between subcontractor associations and jobbers.

#### IV

##### POSSIBLE COURSES OF ACTION AND RECOMMENDATIONS WITH RESPECT TO REQUIRING THE FILING OF BIDS WITH THE GOVERNMENT

The following alternative courses of proceeding may be followed:

(1) Require all bidders to submit with their bids all bids on the basis of which any work or materials will be furnished on the project.

(2) Require the successful bidder, as a condition of award, to file all such bids with the Government.

~~(3)~~ Require the successful bidder, as a condition of award, to file with the Government all such bids which pertain to any of the three mechanical trades.

RECOMMENDATION: It is recommended that the procedure outlined in paragraph (3) above be adopted for the following reasons:

(a) The proposal set forth in paragraph (1) would create an administrative burden of tremendous proportions and, over a period of time, would not add substantially to the information which would be



-4-

available to the Government as the result of following the alternative course proposed by paragraph (2).

(b) It is believed that the mechanical trades are those in which the improper practices are the most prevalent; and that concentration on them, rather than an attempt to cover the entire field, would be more likely to give results.

## V

## POSSIBLE ADDITIONAL COURSES OF PROCEDURE

The following courses of procedure should be considered as supplemental to that recommended in IV above.

(1) Submit all information obtained as the result of the filing of bids to the Department of Justice and to the Federal Trade Commission for such action as they may deem appropriate.

(2) Require each bidder to certify to the Government: (a) that his bid is neither directly nor indirectly the result of any agreement with any other bidder and (b) that he has received a similar certificate from each bidder on the basis of whose bid any work or materials in the mechanical trades will be furnished on the project.

(3) Provide that the general contractor and each subcontractor, sub-subcontractor and materialman in the mechanical trades, upon request by the Government, will make available for inspection all records in their possession which affected in any way the prices bid.

(4) Provide that the right of a contractor to proceed may be terminated by the Government, with the usual consequences, in the event that the representation of the contractor is found to be false in fact; and require the general contractor and each subcontractor, sub-subcontractor, and materialman in the mechanical trades to make a similar arrangement for

termination of the right to proceed of anyone with whom they have contracted, for work or materials in the mechanical trades, whose representation is found to be false in fact.

(5) Provide a penalty in the form of liquidated damages in the event that the representation of the contractor or any subcontractor, sub-subcontractor or materialman in the mechanical trades is found to be false in fact.

+ (6) Require a representation from each subcontractor in the mechanical trades that he has not filed his bid with any "bid depository" or other similar group.

RECOMMENDATION: It is recommended that the courses of procedure suggested in paragraphs (1) to (5), inclusive, be followed. The suggestion contained in paragraph (6) is not recommended as it might appear to be directed against organized labor; the representation suggested in paragraph (2) really covers it, although in a general form; and the desirability of a specific representation could be considered after the results of the recommended program are available.



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*

between 467-9  
and  
3-21

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:

- (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.

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.

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 sub-foremen. Requiring to be done on the site that 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 committees.

(3) That a similar method of action be followed in connection with the practices in other trades.



## 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.

JJO:G:CB

*JJO* *HC* *ML*

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JJO'G:CH



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**Secretary of the Treasury.**

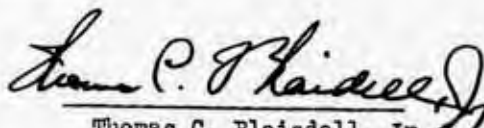


**RECOMMENDATIONS**

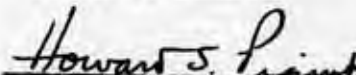
March 21, 1938.

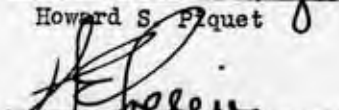
To: The Secretary of the Treasury  
From: Sub-Committee on Cement Prices


The attached report on cement prices is  
herewith respectfully submitted.

  
Thomas C. Blaisdell, Jr.

  
Corwin D. Edwards

  
Howard S. Piquet

  
H. E. Collins

  
Herman Oliphant

\_\_\_\_\_  
Thomas H. MacDonald

Dissent:

For the Department of Agriculture I wish to record  
the judgment that at present the time is not ripe for an anti-trust  
suit in view of the disturbed conditions of business.

\_\_\_\_\_  
Thomas H. MacDonald



March 21, 1938.

REPORT OF THE SUBCOMMITTEE ON CEMENT PRICES

I. 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. Anti-Trust Action. That the program of coordinated purchases 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.

3. Public Roads. That in the negotiation of contracts with the suppliers of cement, the contracts be so drawn as to permit the purchase of cement by contractors on public roads at the prices obtained by the Federal Government. This authorization is not intended to tie the hands of a contractor who may be

able to purchase at a lower price than that quoted the Government.

## 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 should function in the Procurement Division.
2. Competitive Bidding. All purchases should be made in such a manner as to secure bona fide competitive bidding, i.e., prices f.o.b. the mill.
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. Public Roads. Action in connection with the public roads program as to detail should be developed between the Procurement Division and the Bureau of Public Roads.
7. Effective Coordination. All persons participating in the program should be aware of the fundamental objectives involved.
8. Publicity. There is no reason for any "publicity" in carrying out this program. However, in view of the possible misinterpretation which might be given to the program, every effort should be directed toward emphasizing that this is not an attack on business. On the contrary the intent is to promote business recovery and encourage healthy competition.

### 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 competitive conditions in the industry.

- - - -

ATTACHMENTS:

- I. Amounts of cement purchased by Government agencies.
- II. A brief, descriptive, economic summary of the cement industry.
- III. Legal opinions.
  1. Concentration of all Government cement purchases in the Procurement Division of the Treasury.
  2. Expansion of Government purchasing power to include cement used on projects under the supervision of the Secretary of Agriculture.

CEMENT USED IN CONSTRUCTION CONTRACTS

<u>AGENCY</u>	<u>Value of Contracts</u>	<u>Cement in Barrels</u>
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



C E M E N T

<u>AGENCY</u>	<u>Barrels</u>	<u>Value</u>	<u>Est. Balance Fiscal Year 1938</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 Admn.	94,000*	206,094**	1,400*	3,000*
D. C. Government	27,170*	59,778	9,090*	20,000*
Works Progress Admn.	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 INDUSTRY

## 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



- 2 -

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

- 3 -

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 percent of capacity. It dropped to a low of 23.5 percent in 1933, and rose to 44.1 percent in 1936.

The principal raw materials for cement manufacture, obtained from limestone, cement rock, clay, etc., are fairly widely distributed over the country, and 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.



- 4 -

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 imports into continental United States 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 1,257,852 barrels, and exported only 200,096 barrels.

Table 6 shows the imports from principal sources in specified years. Belgium is the principal source of our cement imports, supplying 56 percent 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 percent 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 percent of total imports, the remainder being distributed at many ports of entry.



- 5 -

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,

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 due largely to price fixing under the NRA code. The industry was operating at the time at a low rate of capacity. Prices in recent years have remained at about the 1934 level. In Chart 3 the average factory price of cement in bulk as reported by the Bureau of Mines 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.

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, a trade journal, is shown to give an exhibit of changes in quoted prices. On the same chart is shown the average United States price F.O.B. mill, as computed by the Bureau of Mines.

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



- 7 -

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



- 8 -

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. 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.

2. 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.

- 9 -

3. The Federal Trade Commission's study of the cement industry resulted in their charge that the Cement Institute, the trade association of the industry, was a combination to eliminate price competition, resulting in increased prices for cement. (See Appendix, Exhibit A).

Tariff considerations

Under the Tariff Act of 1930, Portland cement was dutiable at 6 cents per 100 lbs.; equivalent to 22.7 cents per barrel. This rate was reduced on May 1, 1935, by the Belgium Trade Agreement, to  $4\frac{1}{2}$  cents per 100 lbs. or 17 cents per barrel. The ad valorem equivalent of the present duty averaged 21 percent in 1936 and 1937. This duty is equal only to about  $\frac{1}{3}$  of the average rail charge per barrel for shipping cement in the United States.

The maximum reduction permitted by law would be to 3 cents per 100 lbs. This reduction, amounting to 5.67 cents per barrel, would not even be equal to the usual railway switching charge in carload lots within metropolitan centers on the seaboard. A maximum reduction in the duty would tend to lower prices slightly at seaboard markets, but probably would have little effect in interior markets. Even when cement was entered free of duty under the Tariff Acts of 1913 and 1932, relatively little was consumed at markets other than those on or adjacent to the seaboard.

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 44.1 percent of capacity from 29.3 percent in 1935. Activity in 1937 averaged about 45 percent of capacity, suggesting that considerable possibilities exist for further improvement in earnings through increased volume.



Chart 1

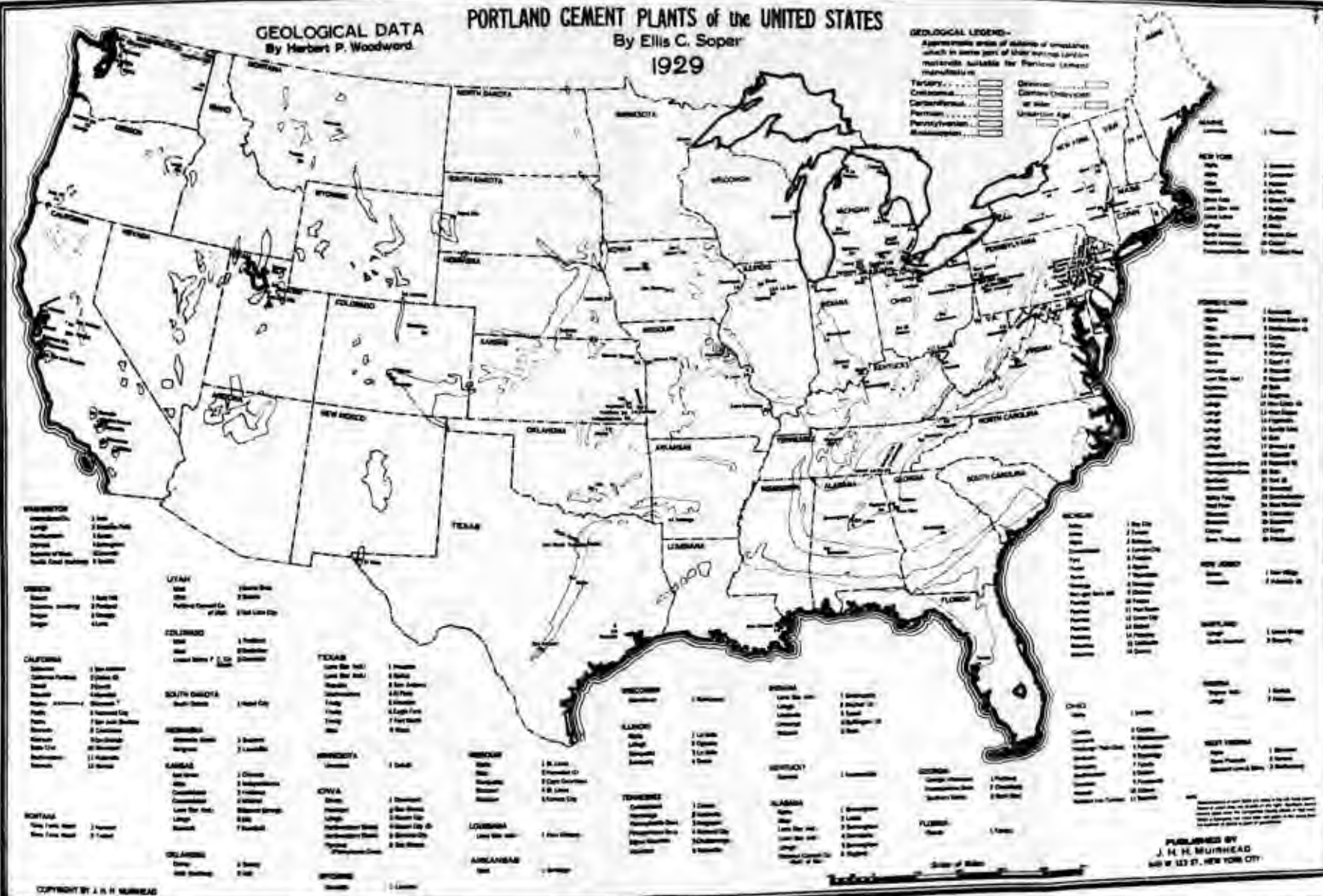
GEOLOGICAL DATA  
By Herbert P. Woodward

# PORTLAND CEMENT PLANTS of the UNITED STATES

By Ellis C. Soper  
1929

GEOLOGICAL LEGEND—  
Approximate areas of relative of cements  
which in some part of their service contain  
materials suitable for Portland Cement  
manufacture

Tertiary	Quaternary
Cretaceous	Carboniferous
Permian	Triassic
Jurassic	Ordovician
Devonian	Silurian
Carboniferous	Permian
Triassic	Jurassic
Creaceous	Tertiary



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Chart 2



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

MILLION  
BARRELS

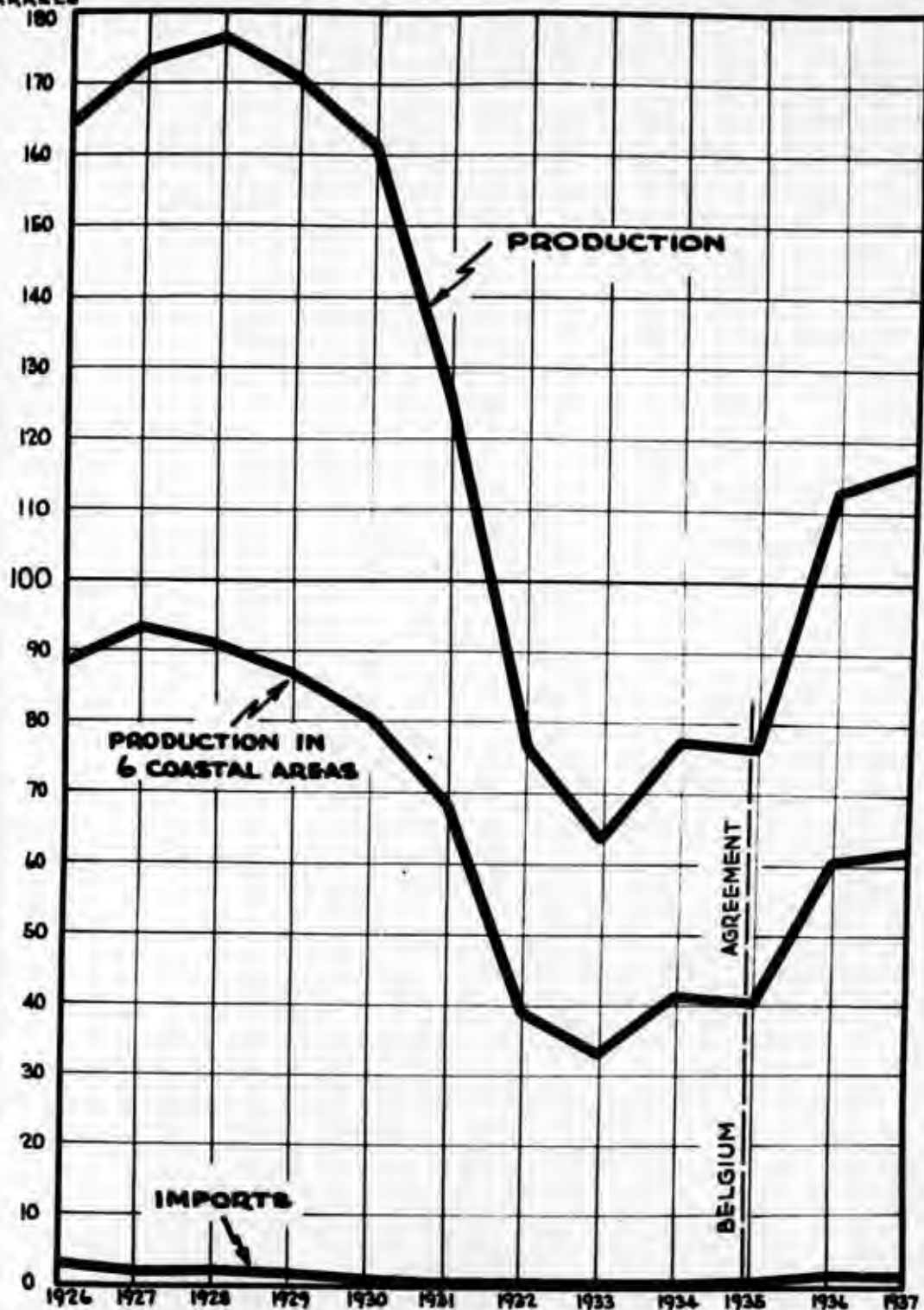


Chart 3

PORTLAND CEMENT

PRICE TREND AND ACTIVITY OF INDUSTRY  
(1926 = 100)  $\swarrow$

INDEX  
NUMBERS

$\swarrow$  PAYROLLS 1925-27 AVERAGE = 100

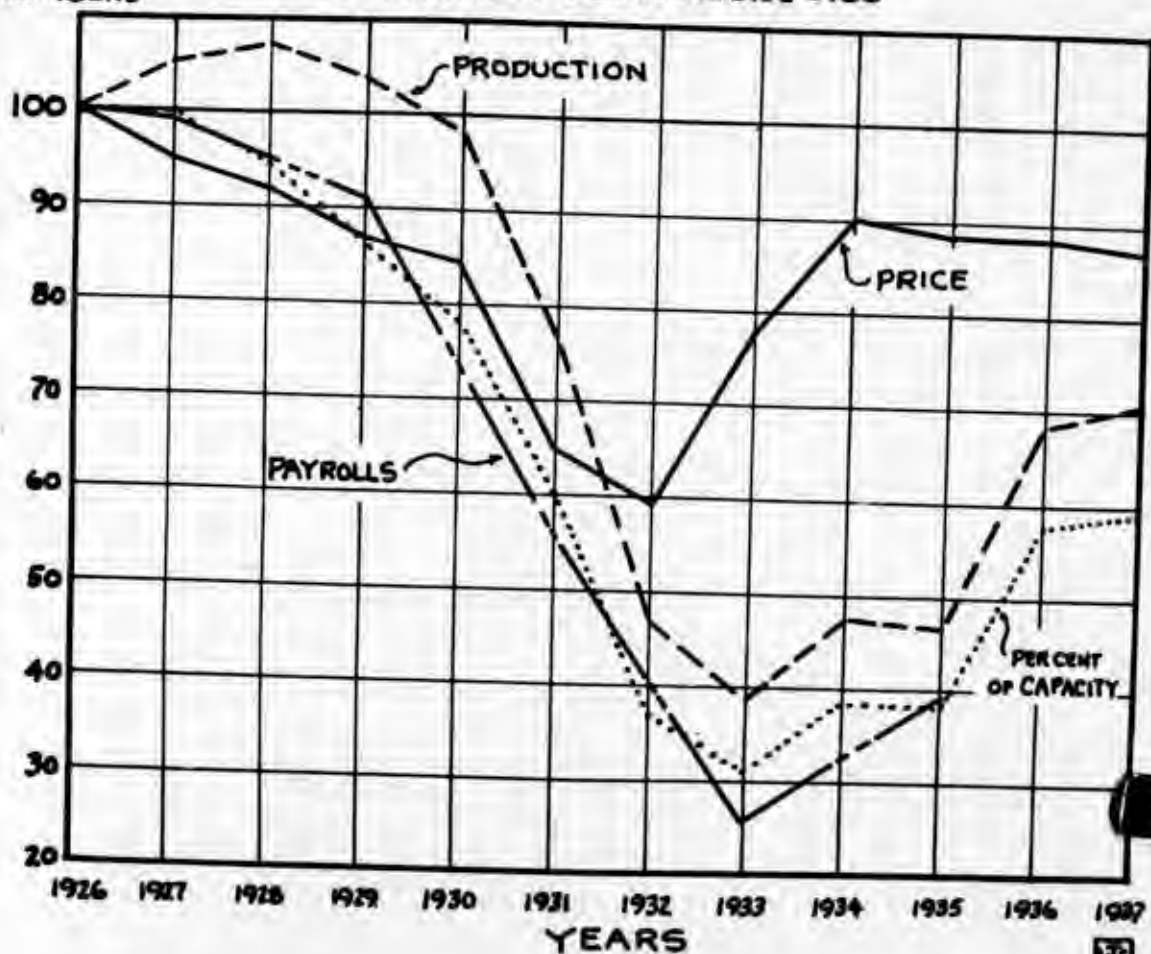




Chart 4

INDEX NUMBERS  
(1926=100)

PRICE TRENDS: PORTLAND CEMENT (BUREAU OF MINES)  
BUILDING MATERIALS (BUREAU OF LABOR STATISTICS)  
ALL COMMODITIES ( " " " " )

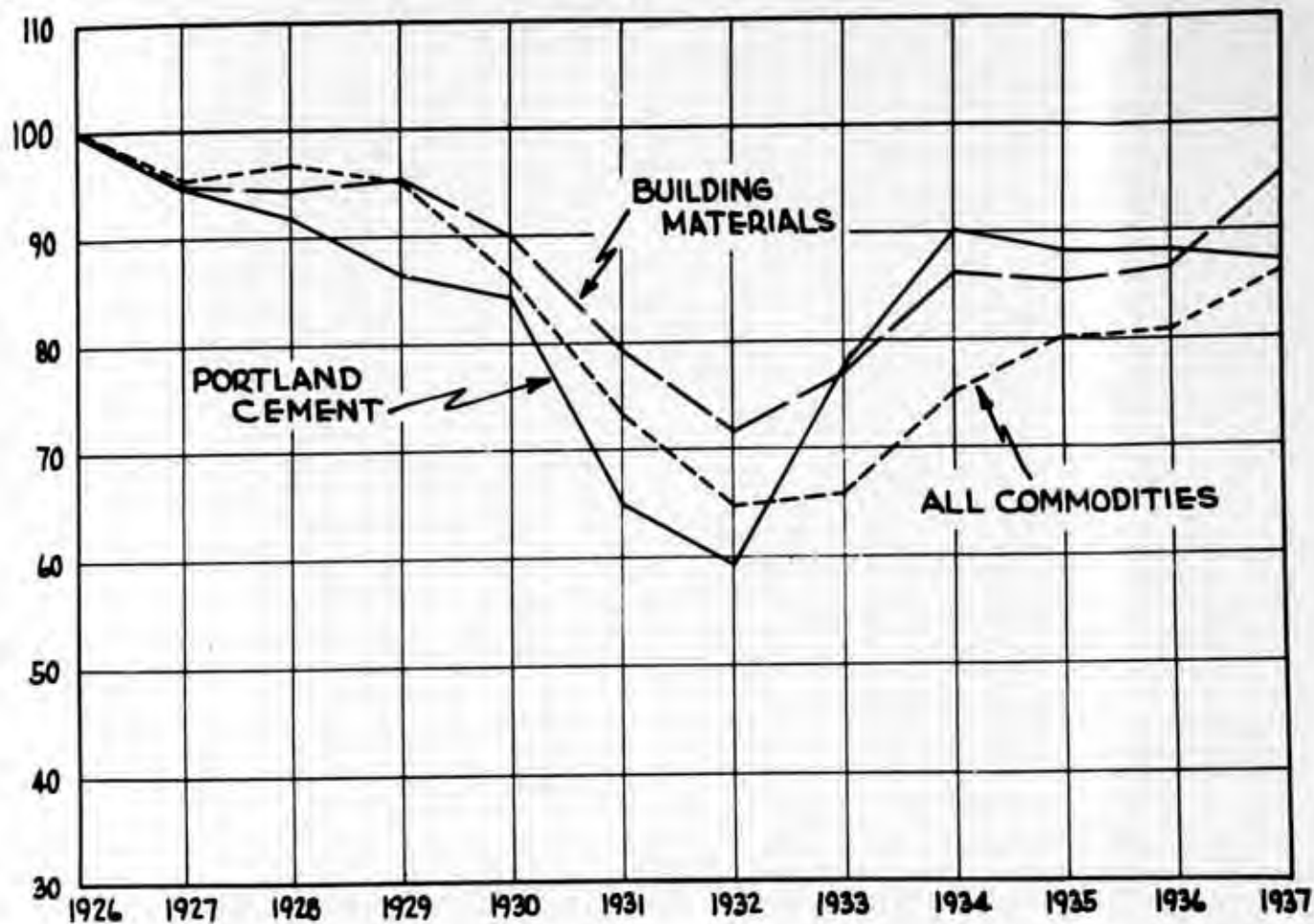


Chart 5



## CEMENT PRICES

84

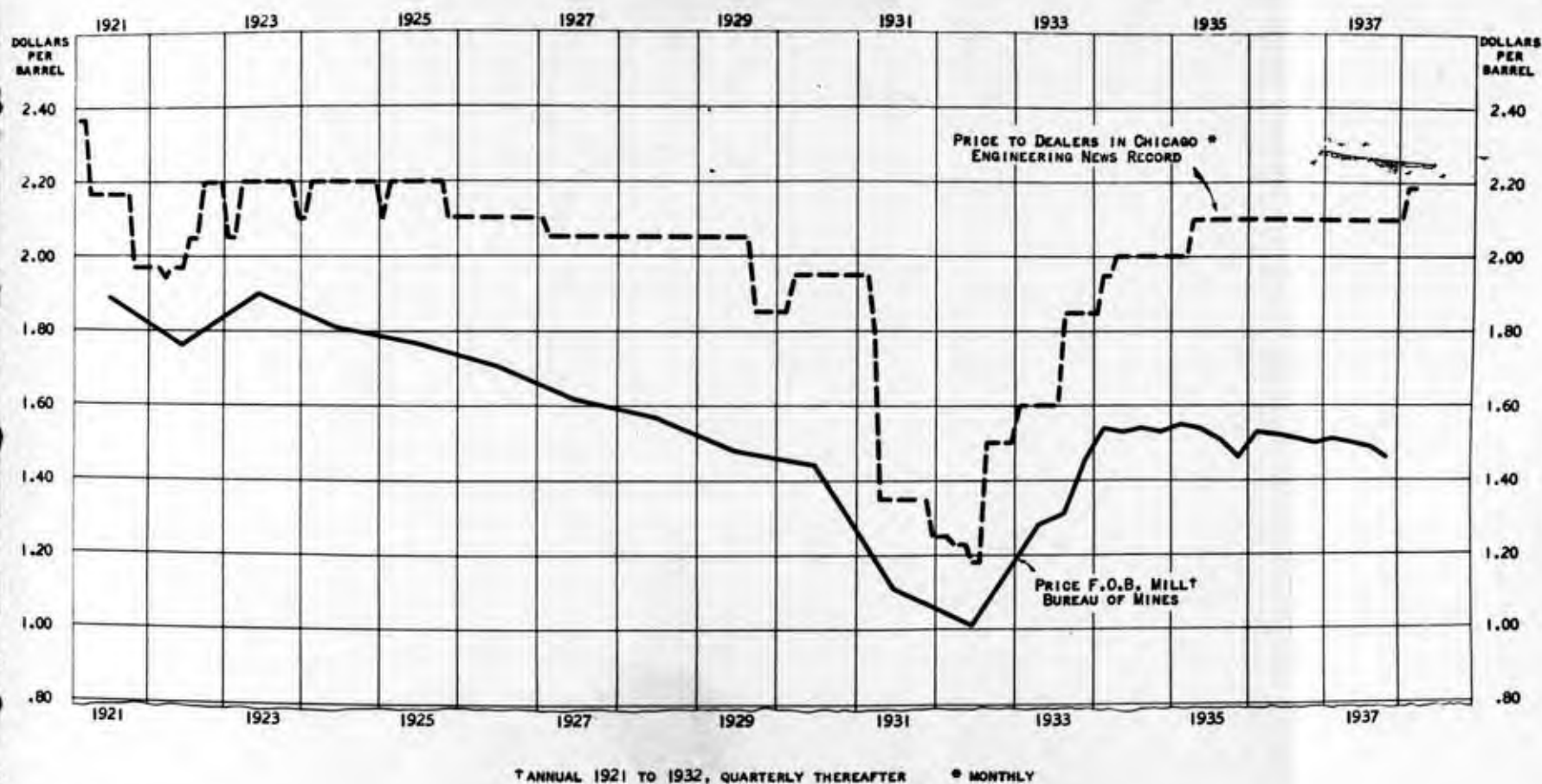


Table 1

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.

United States Portland Cement Co., Denver, Colorado.

Washington-Idaho Lime Products Co., Spokane, Wash.

Louisville Cement Co., Louisville, Ky.

Allentown Portland Cement, Catasauqua, 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.)



Table 2

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 and of year 1/	Percentage ratio of output to estimated capa- city end of year
		Thousand barrels	Thousand barrels	Percent
<b>Coastal districts</b>				
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
<b>Total, coastal districts</b>	<b>79</b>	<b>60,791</b>	<b>135,102</b>	<b>45.0</b>
<b>Interior districts</b>				
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
<b>Total, interior districts</b>	<b>70</b>	<b>51,859</b>	<b>120,402</b>	<b>43.1</b>
<b>Grand total</b>	<b>149</b>	<b>112,650</b>	<b>255,504</b>	<b>44.1</b>

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

Table 3



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

Year	Number of active plants	Production	Shipments		
			Quantity	Value	Unit value
		Barrels	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

Table 4. - Portland and other hydraulic cement: Imports <sup>1/</sup> entered into continental United States and those into territorial possessions

Year	Total	Into continental United States	Percent of total	Into Hawaii and Puerto Rico	Percent of total	Into Virgin Islands	Percent of total
	Barrels	Barrels		Barrels		Barrels	
1926	3,232,386	2,842,774	87.9	389,612	12.1	2/	-
1927	2,050,180	1,693,201	82.6	356,979	17.4	2/	-
1928	2,284,085	1,922,355	84.2	361,730	15.8	2/	-
1929	<sup>3/</sup> 1,727,900	<sup>3/</sup> 1,449,586	83.9	278,314	16.1	2/	-
1930	<sup>4/</sup> 975,546	<sup>4/</sup> 749,653	76.8	225,893	23.2	2/	-
1931	457,238	271,240	59.3	185,998	40.7	2/	-
1932	462,496	297,389	64.3	165,107	35.7	2/	-
1933	472,550	315,261	66.7	157,289	33.3	2/	-
1934	261,884	200,054	76.4	61,830	23.6	2/	-
1935	616,423	463,645	75.2	147,963	24.0	4,815	0.8
1936	1,654,504	1,367,868	82.7	284,149	17.2	2,487	.1
1937	1,779,211	1,257,852	70.7	510,905	28.7	10,454	.6

<sup>1/</sup> General imports, 1926-33, and imports for consumption 1934-37.

<sup>2/</sup> Not available.

<sup>3/</sup> Includes 474,095 barrels of cement clinker.

<sup>4/</sup> Includes 143,623 barrels of cement clinker.

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



Table 5

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	.14
1937	200,096	397,615	1.99	.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



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.

Appendix A  
F.T.C. Complaint

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;



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;



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, Coldwater, 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.

(3167)

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## Appendix B

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	4.6	.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

Alpha Portland  
Cement Company



Alpha Portland Cement Company  
Easton, Pennsylvania

	1929	1930	1931	1932	1933	1934	1935	1936	1937*
<b>Balance Sheet Data (Thousands of dollars)</b>									
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
<b>Operating Data (Thousands of dollars)</b>									
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
<b>Other Financial Data</b>									
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 $\frac{7}{8}$	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 $\frac{1}{2}$
<b>Other Data</b>									
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	
<b>Number of stockholders</b>									
Preferred									
Common									
<b>Plants:</b> Owns 9 plants, 1 in Cementon, N. Y., 1 in Jamesville, N. Y., 1 in Mannheim, 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: Moody'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. E. 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.

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.

Mages, 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 Country Club, Inc. - President and Director.

Matthes, J. J. - (Treasurer)

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

Bragg, J. G. - (Sales Manager) not listed.

Haskins & Sells, Accountants

Boettcher, C. E. - (Director) - President and Director of Boettcher Corp., Denver, Colorado.

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. - 1935 (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., Ashville, 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 listedLockhart, 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.

Lehigh Portland  
Cement Company

Lehigh Portland Cement Company  
Allentown, Pennsylvania

	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

**Other Financial Data**

Earnings per share common	\$2.78	\$1.46	\$2.96	\$7.09	\$4.43	\$0.44	\$0.82	\$2.91	\$1.33
Preferred - high	110 1/2	108 1/2	101 1/2	75	78	90	107	180	203
Preferred - low	100	98 5/8	72	40	34	73 5/8	89 1/2	94 1/2	97
Common - high	65	40	18 1/2	11	27	20	17 3/8	45 1/2	51 1/2
Common - low	30	12	5	3 5/8	5 7/8	11	10 5/8	15 1/2	14

**Other Data**

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)	25	25							

**Number of stockholders**

Preferred  
Common

**Plants:** Owns 13 plants: Ormrod (2), Fogelsville, New Castle, Pa., Sandt's Eddy, Pa., Mitchell, Ind., Oglesby, Ill., Mason City, Iowa, Iola, Kansas, Metaline 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.

Regraded Unclassified



## LEHIGH PORTLAND CEMENT COMPANY

Allentown, Pennsylvania

President -- Joseph S. Young, Young Building, Allentown  
Pennsylvania.

Vice-President & General Manager -- R. E. Bear, Young  
Building, Allentown, Pennsylvania.

Vice-President -- B. L. Swett, Young Building, Allentown,  
Pennsylvania.

Vice-President -- B. H. Rader, 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. Rader, (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. E. Bear, Young Building, Allentown, Pennsylvania.

George K. 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. E. - (Vice-President, General Manager and Director)

No other connections

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

No other connections

Rader, R. E. - (Vice-President and Sales Manager)

No other connections

Rovan, 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

Morser, 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)

Fackenthal, R. E. 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)

Lone Star  
Cement Corp.



Lone Star Cement Corporation  
(Formerly International Cement Corporation)  
342 Madison Avenue, New York City

	1929	1930	1931	1932	1933	1934	1935	1936	1937
<b>Balance Sheet Data (thousands of dollars)</b>									
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	
<b>Operating Data (thousands of dollars)</b>									
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	
<b>Other financial data</b>									
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 $\frac{1}{2}$	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
<b>Other data</b>									
Number of employees								3,800	
Number of plants								10	
Annual Capacity (millions of barrels)								24	
<b>Number of stockholders</b>									
Preferred									
Common									
<b>Plants:</b> 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, Argentine 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 — Thorvald Avnsee, 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 E. Carter, 50 Church Street, New York City.  
Irving M. Felt, 25 Broad Street, New York City.

## Lone Star Cement Corporation - 1938

Mr. 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 (Brasil), President and Director.  
 Cuban Portland Cement Corp., President.

Mr. 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.

Mr. 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.

Mr. Thorild - Vice-president

Cuban Portland Cement Corp., Vice-president.

Mr. Ragnar A. - Vice-president.

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

Mr. John E. - 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.  
 Curtis-Wright Corp., Member Executive Committee and Director.  
 Wright Aeronautical Corp., Director.



Muehlke, Hans H. - Secretary and Treasurer.

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

Loomis, Sufferus A 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, Rossar 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.  
Olsted-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 of 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)

Daveler, 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 Corp.



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

	1929	1930	1931	1932	1933	1934	1935	1936	1937
<b>Balance Sheet Data (Thousands of dollars)</b>									
Total Assets	31,869	31,621	29,296	27,099	25,426	24,410	23,099	22,745	12,460
Bonded debt	11,564	10,743	10,127	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	- 1,098	- 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 1/4	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	
<b>Plants:</b> owns 8 plants - 2 in Navareth, Pa. 1 each in Bath, Pa., Portland Pt., N. Y., Richard City & Kingsport, Tenn. Clinchfield, Ga., and Des Moines, Ia.									
<b>Subsidiaries:</b> 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 H. - 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

Hazareth National Bank, Director.

Kilian, 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-Gooch-Thatcher Co., Director.  
O. 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.  
McCrary Stores Corp., Director.  
Gulf, Mobile & Northern R.R., Director.  
Standard Surety & Casualty Co., Director.

Universal Atlas  
Cement Company

## 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, Kans.
Northampton, Pa.	Duluth, Minn.	Leeds, 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 — Elaine S. Smith, 135 East 42nd Street,  
New York City.Vice-President — A. C. Cronkite, 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. C. 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. W. 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, Muncie, Indiana.

E. K. Knapp, 208 South LaSalle Street, Chicago, Illinois.

Elaine S. Smith, 135 East 42nd Street, New York City.

O. W. Lindahl, 208 South LaSalle Street, Chicago, Illinois.

Edward R. 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.

Rohwer, 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. H. - (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.

## Universal Atlas Cement Co. - 1938 (Continued)

Irvin, W. A. - (continued)

H. C. Frick Coke Co., Director.  
 Gary Land Co., Director.  
 Illinois Steel Co., Director.  
 Iatanian 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.  
 N. 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. 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.

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

Knapp, E. K. - (Director)

Knapp, Beye, Allen and Cushing, Partner.  
 Carnegie Illinois Steel Corp., Dir. 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.



## LEGAL OPINIONS



GENERAL COUNSEL  
TREASURY DEPARTMENT  
WASHINGTON

MAR 19 1938

MEMORANDUM TO: Secretary Morgenthau  
FROM: Herman Oliphant

SUBJECT

Concentration of all Government  
cement purchases in the Procure-  
ment Division.

My opinion has been requested as to the authority of the Procurement Division of the Treasury Department to act as the sole purchasing agency for cement for all Government departments and establishments.

The Act of March 3, 1933, 47 Stat. 1517, authorized the President to make reorganizations within the executive branch of the Government. Pursuant to the authority conferred in said Act Executive Order No. 6166, dated June 16, 1933, was issued. Said Executive Order, to the extent therein set forth, vests the function of Government purchases in the Procurement Division of the Treasury Department. The pertinent provisions of the Order are as follows:

"The function of determination of policies and methods of procurement, warehousing, and distribution of property, facilities, structures, improvements, machinery, equipment, stores, and supplies exercised by any agency is transferred to a Procurement Division in the Treasury Department, at the head of which shall be a Director of Procurement.

"In respect of any kind of procurement, warehousing, or distribution for any agency the Procurement Division may, with the approval of the President, (a) undertake the performance of such procurement, warehousing, or distribution itself, or (b) permit such agency to perform such procurement, warehousing, or distribution, or (c) entrust such performance to some other agency, or (d) avail itself in part of any of these recourses, according as it may deem desirable in the interest of

economy and efficiency. When the Procurement Division has prescribed the manner of procurement, warehousing, or distribution of any thing, no agency shall thereafter procure, warehouse, or distribute such thing in any manner other than so prescribed."

In accordance with the provisions of the above referred to Executive Order, regulations were issued by the Director of the Procurement Division and were approved by the Secretary of the Treasury and by the President. Among other things, the regulations provide as follows:

"1. The policies and methods of coordination and consolidation of the functions of the various departments and independent establishments, hereinafter referred to as executive departments, relating to the purchasing, warehousing, and distribution of material, supplies, and equipment hereinafter referred to as supplies, shall be under the direction of the Director of Procurement, and, after approval, shall be carried out by the Assistant Director, Branch of Supply.

"2. After approval of the general policy by the Director of Procurement, the method of procedure to be followed in the purchase, warehousing, or distribution of supplies shall be designated by the Assistant Director, and may be applied to items or groups of items, geographical areas, or activities affected and may be modified or changed as conditions warrant.

"3. Those supplies for which requirements can be anticipated and consolidated shall be purchased in definite quantities through the Branch of Supply, either directly or by one or more designated executive departments. Before a consolidated purchase of any commodity is made effective, there may be conducted a study of all of the factors entering into its procurement to determine whether the Branch of Supply can procure the article more economically or efficiently than other agencies, due consideration being given to any statute authorizing a specific agency to procure the particular commodity.

"4. Those supplies for which requirements cannot be consolidated for definite quantity purchase but for which common contracts can be made with advantage shall be contracted for through the Branch of Supply either directly or by one or more designated executive departments.

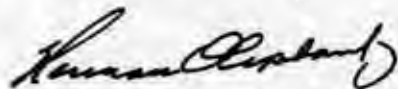
"5. In those areas where two or more services are located and where common requirements exist for frequently used supplies, stocks may be maintained at one or more points in the area from which requirements can be met by direct distribution.



"6. Those supplies of which the procurement, warehousing, or distribution is to be controlled by the Branch of Supply under one of the methods outlined above, will be listed and communicated to the executive departments as may be necessary, and thereafter no individual procurement, warehousing, or distribution of those articles shall take place except in emergencies. Supplies other than those so listed and including those peculiar to the needs of the particular executive department shall continue to be procured, warehoused, or distributed by them, except that the facilities of the Branch of Supply or any designated activity may be availed of in connection therewith.

"12. These regulations may be amended by the Director of Procurement with the approval of the Secretary of the Treasury. Such amendments shall be promulgated by the Director of Procurement."

In view of the foregoing, it is my opinion that the Procurement Division is presently authorized to purchase all cement needed by Government departments and establishments, and its authority in this regard can be exercised without either legislation or a further Executive Order.





GENERAL COUNSEL  
TREASURY DEPARTMENT  
WASHINGTON

MAR 19 1938

MEMORANDUM TO: Secretary Morgenthau  
FROM: Herman Oliphant

SUBJECT

Expansion of Government purchasing power to include cement used on projects under the supervision of the Secretary of Agriculture (through the Bureau of Public Roads.)

It appears that more than 10% of the total amount of cement produced in the United States annually is used on highways for the construction of which financial aid is rendered by the Federal Government through the Bureau of Public Roads. In view of this fact, consideration has been given to the possibility of extending Government purchasing power so as to control the purchase of cement used by state highway departments or contractors on such projects.

Assuming that the Procurement Division proceeds with the suggested plan of handling all Government cement purchases, and that it develops that the needs of the various Government agencies can best be obtained by means of an open contract covering all their needs for a term of months or longer, a question has been raised as to whether a contract can be negotiated in such a way that the benefits of it can be made available to states and political subdivisions thereof and to contractors in connection with roads financed in part by the Federal Government.

It is my opinion that there is no legal objection to a requirement to the effect that the provisions of the contract entered into by the Procurement Division are to be available to the highway department of any state, or to any contractor entering into a contract with a state highway department after the effective date of the cement purchase contract, for any work involving construction which is being financed in part by a contribution from the Government through the Bureau of Public Roads. It also my opinion that the acceptability of a cement bid can be made contingent upon the prices bid being available to state highway departments and their contractors on such projects, and that the cement contract can be



made on that basis. The basis for this opinion is that such a requirement can reasonably be said to be in the best interests of the Federal Government in that it is reasonably calculated to produce lower cement prices. In this the interest of the Federal Government is immediate and substantial. The lower the price of cement used in building roads the Federal Government in part finances the more roads it gets for its money.

No opinion is expressed as to whether existing legislation in a particular state might prevent the state highway department from taking advantage of such a contract were one written (many state statutes require competitive bidding by the highway department in the purchase of materials). However, nothing would prevent a contractor from doing so, and practically all highway work now done under the supervision of the Bureau of Public Roads is done by contract. In this manner the benefits, if any, of such an arrangement for the purchase of cement could be made available to contractors and, any saving so effected being reflected in their bids, such savings would be passed on to the state and to the Federal Government.

As I have indicated, an open contract covering the needs of Federal agencies for any given period of time may provide that its benefits may be taken advantage of by state highway departments or by contractors entering into contracts with such state highway departments subsequent to the effective date of the cement purchase contract, provided the Federal Government, through the Bureau of Public Roads, is aiding in financing the construction of such work.

Such a provision would not, of course, be obligatory on either a state highway department or one of its contractors but its benefits, if any, could be taken advantage of by them should they so desire.

The Federal Government has for years encouraged a program of highway construction in the several states by making cash grants to states in accordance with the provisions of the Federal Aid Act, approved July 11, 1916, 39 Stat. 355 and to the Federal Highway Act, approved November 9, 1921, 42 Stat. 212, as amended. In so doing, the Congress has adopted a policy of making provision, at two year intervals, for Federal aid for highways, each statute relating to the next ensuing two fiscal years. Such statutes do not purport to constitute appropriations but, in the words of one of the statutes (Act of June 16, 1936, 49 Stat. 1519) provide that there is "authorized to be appropriated out of any moneys in the Treasury not otherwise appropriated" funds for the next two fiscal years (in the case of the 1936 statute, \$125,000,000 for the fiscal year 1939 and \$125,000,000 for the fiscal year 1939).



The Secretary of Agriculture is required to apportion among the several states, on or before January 1 in each year, the sums authorized to be appropriated for the fiscal year immediately following (according to a formula for apportionment contained in the Federal Highway Act of 1921). Thus, on or before January 1, 1937 the Secretary of Agriculture apportioned the sum authorized to be appropriated for the fiscal year 1938, and on or before January 1, 1938 he apportioned the sum authorized to be appropriated for the fiscal year 1939.

The 1936 Act above referred to provides for a submission of projects to the Secretary of Agriculture for his approval, and further provides that "The Secretary of Agriculture shall act upon the projects submitted to him under any such apportionment and his approval of any such project shall be deemed a contractual obligation of the Federal Government for the payment of its proportional contribution thereto."

From the foregoing it is apparent that the Federal Government becomes obligated to make a proportional contribution to the cost of such projects, not when the Secretary of Agriculture has apportioned the sums authorized to be appropriated, but rather when he has approved projects submitted "under any such apportionment."

Obviously, appropriations to meet the Government's obligations are at some time necessary and, therefore, each year the Department of Agriculture Appropriation Act for the ensuing fiscal year carries an appropriation designed to provide the funds it is estimated the Federal Government will be called upon to disburse for highways during said year.

Thus, looking at Federal participation in highway construction as a whole, at any given time there is (a) a total sum which has been authorized to be appropriated; (b) a total sum apportioned to the several states by the Secretary of Agriculture (based, as above indicated, on the amounts authorized, but with the apportionments, in point of time, lagging as much as two years behind the authorizations; (c) another sum which has been obligated by the Secretary of Agriculture by the approval of specific projects under apportionments theretofore made — which sum, at any given time, is less than the total sum apportioned; and (d) a total sum appropriated which bears no necessary relation in amount to either (a), (b), or (c), though it is bound to be less than (a) or (b) and would in all probability always be less than (c).

To illustrate, the Department of Agriculture Appropriation Act, 1938, appropriated \$150,000,000 for roads, \$25,000,000 being the remainder of the sum authorized to be appropriated for the fiscal year 1936, and \$125,000,000 being the amount authorized to be appropriated for the fiscal year 1937 (in the meantime, as above indicated, legislation passed in 1936 had already authorized funds to be appropriated for the fiscal years 1938 and 1939). This fact, together with the fact that testimony before the House Committee on

Appropriations by the Chief of the Bureau of Public Roads last year was to the effect that the time elapsed between the approval of a project and the disbursement of Federal funds therefor is, on the average, 12 to 13 months, indicates that the total sum appropriated is always less than the total amount authorized to be appropriated as well as less than the amount which the Federal Government has been obligated to pay by the action of the Secretary of Agriculture in approving projects.

Under the existing legislation, after approval of a project by the Secretary of Agriculture he so certifies to the Secretary of the Treasury and the Secretary of the Treasury is then required to "set aside the share of the United States payable \* \* \* on account of such projects." (Federal Highway Act of 1921, supra).

Section 13 of the same statute provides that when the Secretary of Agriculture finds that any project approved by him has been constructed in a satisfactory manner "he shall cause to be paid to the proper authorities of said state the amount set aside for said project."

From the foregoing and from a detailed examination of the relevant statutes it is apparent that the grants made to the several states to aid in the construction of highways are cash grants paid out of the Treasury when the Secretary of Agriculture is satisfied that the amount set aside for that purpose has been earned.

In the absence of legislation authorizing it, no way is apparent by which the Federal Government can make any payment on account of the Federal-Aid Highway grant otherwise than by the payment of money. In other words, Federal legislation is necessary before there can be any expansion of Government cement purchases to include cement used on highway projects constructed by states under the supervision of the Bureau of Public Roads.

There are two bills pending in the Congress at this time which have a bearing on this subject. One is the Department of Agriculture Appropriation Act for the fiscal year 1939, which will undoubtedly contain an appropriation for roads (the bill is still under consideration in the Committee on Appropriations in the House of Representatives, and no information is presently available as to what sum will be contained in the bill for this purpose when it is reported). The other bill is an amendment to the Federal Highway Act of 1921 which, among other things, authorizes an appropriation for the fiscal years 1940 and 1941. The bill last above referred to is still before the Committee on Roads in the House. Hearings have been concluded, the transcript is being printed, and it is expected that the Committee will consider the bill in executive session within a week or so, in which event the bill will probably be reported out within the next two or three weeks.



If an effort is to be made to extend Government purchases of cement so as to include cement now purchased by state highway departments or by contractors on their projects, the possibility of obtaining legal authority to do so by amending either or both of the above referred to bills now pending before the Congress should be made the subject of immediate study. In this connection it should be pointed out that any such amendment to the pending appropriation bill would be subject to a point of order, as it would be legislation in an appropriation measure, whereas an amendment to the other bill could not be so attacked.

Insofar as such a change in the law might affect existing obligations of the Federal Government (that is to say the obligations created by the approval, by the Secretary of Agriculture, of projects submitted to him) it seems clear that legislation could only go so far as to authorize the negotiation of mutually satisfactory agreements with individual state highway departments relative to the purchase of cement for use on such projects.

To the extent that the Federal Government is not yet legally committed to pay grants in accordance with existing legislation, such legislation could go further and affirmatively impose, as a condition of approval of projects, such requirement as to cement purchases as would seem appropriate to effectuate the desired result.

The extent to which such legislation (assuming it could be passed at this Session of the Congress) would increase Government purchasing power in cement in the immediate future would depend to a large extent upon facts not presently available. To the extent that a particular state program is under contract, with the contractors supplying cement, there is no practical way of extending Government purchasing power to cement to be used on such work. To determine the facts as regards this as well as other elements in the situation would involve more detailed study by the Bureau of Public Roads than has yet been made. Furthermore, in view of the fact that the whole Federal-Aid highway program has been under the jurisdiction of the Department of Agriculture for many years, it would seem advisable to take the matter up with that department before either drafting or recommending specific legislation on the subject.

Legislation which would have the effect of permitting the Government, should it so desire, to contract for cement for use on this type of project, in which its financial participation is so great (ranging from \$75,000,000 authorized for the fiscal year 1929 to \$200,000,000 authorized for the fiscal year 1938 - in addition to \$1,200,000,000 of emergency funds appropriated for that



-6-

purpose between 1931 and 1936), should be given immediate consideration and, therefore, I recommend that this Department communicate with the Department of Agriculture with a view to obtaining its cooperation in securing the passage of legislation which will enable the Government, should it so desire, to contract with reference to cement to be used on Federal Aid Highway projects, the exact details of the legislation and the manner in which the control can best be exercised to obtain the desired result to be worked out in conference.

*Herman Olshansky*

## WHICH COUNTRIES ARE GAINING AND WHICH LOSING GOLD?

1. The United States, United Kingdom and The Netherlands together gained almost twice as much gold as was produced in 1937.

Together they gained about \$2900 million (world production was \$1250 million).

The United States gained \$1,502 million (of which \$1,310 million was imported gold).

The United Kingdom gained at least \$420 million and probably double that amount. (The British Empire produced during 1937 about \$700 million of gold.) We have to estimate British gold gains because earmarking operations which were heavy in the United Kingdom last year are not reported. We do know that the Exchange Equalization Account increased its holdings in the six months' period, March to September 1937, by about \$460 million and the Bank of England increased its holdings over the whole year by \$105 million. We also know that countries other than United Kingdom lost or exported on balance approximately \$1000 million.

The Bank of Netherlands gained about \$440 million. Netherlands' imports of gold are not recorded so we cannot say whether this sum represents more than the imports or something less than the imports.

2. Most of the other large countries lost gold during 1937.

France lost	\$1,000 million	Italy (est.)	\$35 million
Spain (est.)	250 "	Belgium	33 "
Japan	202 "	Norway	16 "
Switzerland	57 "	Mexico	15 "
British India	50 "		

U.S.S.R. sold during 1937 about \$200 million worth of gold, which is probably about her annual production.

Countries not mentioned gained or lost only small amounts.

3. The gold flow into the United States ceased in November 1937. Since then only about \$14 million has come in. The recession here, and fear of possible further devaluation of the dollar checked the flow to the United States and even caused a little to flow out.
4. During the first two months of this year France lost about \$180 million, Belgium \$4 million. United Kingdom imported \$50 million. Switzerland gained \$51 million, and Netherlands \$47 million.
5. During the past two weeks the Bank of Switzerland converted \$10 million into gold, and the Bank of Sweden likewise converted \$10 million into gold.



# TREASURY DEPARTMENT

140

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
FROM Herman Oliphant

March 21, 1938

### For your file

Pursuant to your instructions, I saw the Secretary of Agriculture at 12 o'clock today in company with Mr. Blaisdell and Mr. Lubin. Mr. McDonald of Public Roads and Mr. Evans, Mr. Wallace's assistant, were also present.

The Secretary ran over a copy of the report of the Committee on prices which Mr. Blaisdell gave him, and then there was read to him point 3 covering the relation of the Department of Justice to this whole program. From that point forward he more or less took the floor and what he said was, at one moment, addressed to the broad aspects of the question, and, at another moment, to the exact phrasing of point 3. On the former score, he said such things as, that he was opposed to any and all reforms at this stage of the business cycle; that if we did not get recovery pretty soon, a Democratic President would not be elected in 1940, and that the whole antitrust approach was, to use his word, "cock-eyed." On the latter score, he seemed to be groping for some slight change in phraseology that would enable him to prove point 3. In the course of the conversation, I remarked that I had difficulty in seeing that enforcing the law was reform.

When I left his office at 12:40, I called you but you had left for the White House.

When I returned to my office with Blaisdell, I had a call from Lubin who said that he had stayed on to talk with Wallace; that Wallace had softened on the thing and was trying to get you on the telephone.

I had the page which the President was to sign retyped changing the words "Grand jury investigations" to the words "Appropriate action" in point 3, with the thought of satisfying Secretary Wallace in the matter of exact phrasing. This I sent to you at the White House with a penciled note to the effect that I thought Wallace might approve with this verbal change.

*Herman Oliphant*



March 21, 1938. 141  
2:00 P.M.

H.M.Jr: Hello.

Chairman William Douglas: Good afternoon Mr. Secretary.

H.M.Jr: Ah, Bill Douglas.

D. Yeah.

H.M.Jr: Morgenthau. Listen, now, look, the President has just dumped about all New York City's financial - that he's had for two weeks in my lap.

D. (Laughs)

H.M.Jr: And, in connection with that, of course, is this loans to industry. And if you don't mind, in order to save time, ~~because I'm going to~~ leave town Friday night.

D. Yeah.

H.M.Jr: I'd like to have Jones and somebody from Federal Reserve and yourself for lunch on Wednesday.

D. Well, anything you say is all right with me. Let me bring you up to date. Jimmy Roosevelt - did he talk to you?

H.M.Jr: Has he what?

D. Has Jimmy talked to you?

H.M.Jr: Ah, Jimmy called me up and said if we did something he'd like to sit in on it.

D. Well now, Jimmy - I've been out of town; I just got back.

H.M.Jr: Yeah.

D. And he told me, ah, Friday night that what he would like to do would be to, ah, ah, have a, a committee, you and Eccles, and I think he said myself, ah, to ah, work this thing out right away - decide on policy and what not. Now, ah, I just thought that out. I don't know whether he, he had discarded that or not. I've been away.

H.M.Jr: Well, he talked to me on Saturday, but the President's given me every document that everybody in the Government has written him on it.

D. Yeah.

H.M.Jr: And he just gave me this thing; now what I'll do with it, I'll ask Jimmy whether he wants to come over here for lunch on Wednesday.

D. Yeah. I'll be there.

H.M.Jr: How's that?

D. I'll be there.

H.M.Jr: And, ah, but ah, frankly I think it's much better as long as the President gave me this job that we all talk at one time.

D. Yeah.

H.M.Jr: And, ah, it'll save everybody's time.

D. Sure.

H.M.Jr: And, ah, evidently the President decided to ask me to do it .....

D. Well .....

H.M.Jr: And .....

D. Well .....

H.M.Jr: Just to get together and then I've got all the stuff down.

D. Swell.

H.M.Jr: And he's tying this up also with flood control.

D. Swell.

H.M.Jr: And I think he said he'd had a message from you on flood control.

D. O sure. I got - I worked out some stuff there, that ah .....

H.M.Jr: Well, he's given me everything that anybody's  
written within the last month.

D. (Laughs)

H.M.Jr: So I .....

D. I know how you feel.

H.M.Jr: Yeah.

D. (Laughs)

H.M.Jr: So we'll say Wednesday.

D. Swell. I'll be there.

H.M.Jr: Thank you.

D. One o'clock?

H.M.Jr: Right.

D. O. K.

H.M.Jr: Thank you.



## SPECIAL GROUP MEETING

March 21, 1938.  
2:00 p.m.

Present: Mr. Magill  
Mr. Oliphant  
Mr. Gaston  
Mr. Haas  
Mr. White  
Mrs Klotz  
Miss Chauncey  
Mr. McReynolds  
Mr. Upham

H.M.Jr: Now, who all is here, who's missing? Where's Magill?

Chauncey: I think they had trouble finding Magill and Upham.

H.M.Jr: What happened?

Oliphant: Why, he led off by saying he was opposed to any and all reforms until after recovery. I suggested that we narrow the issue down to this: if this evidence appeared on our desks during the course of this procedure, that it should be turned over to Justice for handling the regular way, so forth. And he said, "Well, we have known all along they've been violating the law, and the thing to do is get them together, see if they won't listen to reason, talk to them, persuade them."

H.M.Jr: Who?

Oliphant: The cement people.

H.M.Jr: Who?

Oliphant: The cement people. And that any ...

H.M.Jr: One second. I'll be back.

(H.M.Jr leaves)

White: Herbert, did Roper give that statement out?

Gaston: I don't know. It's to be used on the radio tonight.

Oliphant: What's the statement?

Gaston: Oh, saying that prosperity is just around the corner. International situation is particularly encouraging.

(Laughter)

-2-

Wash: That's going to pull the domestic up?

Easton: Yes.

Wash: It is because our domestic economy is so intimately tied up with the foreign one that we have cause for optimism.

Easton: Yes, yes.

Hais: Just the reverse.

Wash: I read in the paper some place yesterday that prosperity is just around the corner but they didn't know which way to turn.

Easton: That's like the statement "upward pressure on the bottom" - whatever they're talking about as the bottom.

(H.M.Jr returns with Mrs Klotz)

Oliphant: The other general statement he made was that if we didn't get recovery, the country wouldn't elect a Democratic President in 1940. Now, that was the general talk. Then at other times he was talking about the text of Paragraph Three. After I left - I telephoned you as soon as I got over to his office; then when I got back over here, Lubin called me and said Secretary Wallace was trying to get you on the telephone.

H.M.Jr: Me?

Oliphant: Yes.

H.M.Jr: He did.

Oliphant: That he had softened on the thing. And I thought maybe that that one change in language - I knew it was pretty late to try to do it - that that change in those two words might pull it out of the fire.

H.M.Jr: Well, you just took the guts out of the whole thing.

Oliphant: No.

H.M.Jr: Oh yes. Oh sure. You just softened the whole thing

-3-

down now.

Alignment: I merely changed "grand jury action" to "appropriate action."

H.H.Jr: No, the way I got the thing ....

Alignment: No, no, not changed. Not changed at all.

H.H.Jr: The last paragraph isn't the way it was at all. "Appropriate action by the Department of Justice should facts developed in negotiating cement contracts warrant it."

Alignment: Now, the only change there was - changed "grand jury action" to "appropriate action."

H.H.Jr: Well, anyway, this is the interesting thing. Wallace calls me up and says that - in short, that we've got to get together with big business, we've got to sit down and talk things over with them, if we do something like this it's just going to irritate them. And he said, "This is just the kind of stuff that the President loves. This is red meat for the President. We mustn't give anything like that to the President at this time."

Then I go in and I tell the President, the way I always do - this is the reason I got this group here; I picked it carefully; triple confidential - what Wallace said. He said, "That's practically what Wallace told me on an automobile ride, that we mustn't do anything at this time to irritate business and we must get together with them." So the President said, "Well, what, Henry?" "Well, we just must get together with them."

See? Now that I've had a little fun kidding you, I just wanted to let you know that. (Shows order signed by F.D.R.) I wouldn't even show it to him, wouldn't even let the President know what happened. The reason I called - this is the crossing of the Rubicon. The President of the United States told me that he isn't going to let down the flag for anybody. And as long as I'm here - I said, "The first time I let it down, you send me home." And I told him, "The only thing that keeps me going is the moral uplift in this thing." I said, "I can't work with people that are going to



-4-

talk about getting together with big business and all the rest of the stuff. Life isn't worth while. I'd want to go home."

He said, "Where is that? Let me sign that." And that's one of the most important things that have happened around here since I've been in this town. He said, "My God!" - he got so mad; I was sorry, because he pushed me - couldn't talk. He said, "What's the matter with Wallace?" I said, "Well, what Wallace is saying - when business is good, enforce the law; when business is bad, don't enforce the law." I just don't know what's the matter with ~~the men.~~

Now, the President didn't date this, Mac. He said I could. Do you think so? How would you handle this?

Oliphant: Type the date on.

H.M.Jr: Well then, I'd type it. Now, here it is. Now, here's everything.

Oliphant: Let me have back my ....

H.M.Jr: The whole business is here. It's all a matter of history.

Oliphant: I'd like to add a footnote to it to explain it.

(Magill comes in)

H.M.Jr: Come in here. Don't scowl, sit down.

H.M.Jr: Now, just so we get the thing - from now on, Miss Chauncey, once a day you go through that pile. There isn't to be any pile, see? There isn't to be any more pile on that desk. Have to go through that once a day.

(To Upham, coming in) Sit down.

Oliphant: May I dictate for that file a summary of this interview with Wallace, and Blaisdell and I will both sign it.

H.M.Jr: Here's the only thing. Mac, you know what our arrangements are with what's-his-name over there.

-5-

Yes.

I'm going to give you the whole business.

I'll give him a photostat.

Here's everything I got on that. And the President said, "What about publicity?" Herbert. I said, "No publicity now, until we get the bids." There's no sense of having any publicity.

No, it would tip off the whole thing.

And therefore - but the President made one suggestion - put it on here, to give this personally now to Mr. [unclear] - the cement prices should be asked for f.o.b. mill. The President says so.

I'll give that to him personally.

Want that in effect today.

I'll give it to Peoples.

You sit down on that. But there is that whole thing. And don't let Herman tamper with it.

I'm going to attach on that my account of that interview over there.

That's all right. That's all right.

Somebody can tell Magill afterwards. Herbert, you tell Magill afterwards what happened.

Yes.

The other thing the President said was, "Now get plenty strong, because I'll need you when I get back. We're going into training for the heavyweight championship."

Now, what the President did, which is the reason I'm a little bit more confused than usual - he picked up all the papers on his desk that have anything to do - financial - and dumped them into my lap. Want to divide them up.

-6-

You (Upham) got a pencil and paper? I've got here everything that has to do with loans to industry. The President asked me to handle it, and he - you've got to tell Bell about this, because he wants this particularly - a message sent down to him at Warm Springs on a loan to industry. "This should include creation of industrial banks or a substitute. It also should include ..." - and this is where Bell comes in; he's got all this stuff - this so-called flood control plan, which is that the states put up two percent. But he said, "If, for instance, due to this flood control plan we generate some electricity, why, the net credit - net receipts that we should receive during the 50 years for electricity should go to the states, and their contribution would be deducted by that amount." See? In other words, if they take in 10, 15 million dollars net, why, the states would have to pay that much. This would be a message on industrial banks, flood control, reforestation - anything.

Now, I don't know who's been working on this thing, but here - the President's got everything here from anybody that's given him a clue - Douglas, Eccles, and everything. And I thought at lunch - I've already called Douglas, so you don't have to, but I'll have Douglas, Jesse Jones, for lunch Wednesday, one o'clock.

WCH: Bell?

H.W.Jr: Who?

WCH: Bell.

H.W.Jr: Bell. Somebody from the R.F.C. - I mean Ransom. Jimmy Roosevelt. Douglas said, "Jimmy said he was going to handle this Friday." So I said, "Well, Jimmy called me Saturday, could he sit in on this." I said, "Inasmuch as his father has given me everything, we'll invite him to come over if he wants to come." Who else? You better be there, Herman.

WCH: That's industrial banks - industrial loans, I mean.

H.W.Jr: Yes. Wayne Taylor, are you in on this? Upham? Banking?

Upham: Yes, I have a good many things ...



H.S.Jr: All right. Well, we'll have one more.

Updham: ... on it.

H.S.Jr: All right. Well now, here's the portfolio on this thing, and what I'm going to do is, I'm going to have Miss Chauncey make notations of this thing, you see, because here's Wallace, here's Eccles, here's Bill Douglas - everybody - and I think you better kind of get it all together, you see.

Chauncey: Uh-huh.

H.S.Jr: And then the people in the Treasury who are going to work on this thing have copies.

You (Magill) doing monopoly message? Who's doing monopoly message, including taxes? Well, both of you guys (Magill and Oliphant).

Magill: First I'd known of it, but ....

Oliphant: You mean tax-exempts?

H.S.Jr: No.

Oliphant: Well, Herbert did the bank holding company part of the message.

H.S.Jr: Well, let me ....

Oliphant: Monopoly message.

H.S.Jr: Taxes - Here - "My dear Mr. President: ...." The President says - I first told him how tired I was feeling. He says, "Good." So I said, "Well, if this is what you give me when I feel tired, what would you say if I felt well?" This is from Robert H. Jackson on the question of a tax message, in regard to tax-exempts, see? And what the President said - "If everyone agrees, send a draft to Warm Springs and I'll send a separate message." So he said that you (Magill) would take a group - I don't know whether you (Oliphant) are in it or not; don't be bashful around here, because I'm moving too fast - get together with Bob Jackson and fix him up a message on tax-exempts. But it's up to Bob Jackson to show it to Homer Cummings, so Homer when he gets back can't say, "I never heard about it."

-8-

Magill: Well, we prepared a message and Herman cleared it with Homer. Didn't you?

Oliphant: And it went to the White House and the White House sent it to Justice. This came back from Justice.

H.K.Jr: Here it is back again.

Accept?

Magill: O.K.

H.K.Jr: All right. This is fun for somebody.

"Prepare monopoly message." Here's the one on the bank holding, which he says - here's the whole business. Now, the bank holding - this is the way I look at it: the bank holding and the monopoly should be thrown into one thing. And I saw Ben Cohen over there, was kidding him about it. And you fellows throw it together, and this should be cleared with Homer, and this should be sent down to Warm Springs.

Now, Mr. Magill, you're not in on this, are you - bank message?

Magill: (Nods no)

H.K.Jr: Now we have it together. And remember when you asked me how this should come? Isn't this much nicer?

Oliphant: Check.

H.K.Jr: Isn't it a much nicer way to have it come?

George, is this - Secretary of the Navy - he says that 70 percent of all the inventories are frozen and the R.F.C. should make a loan on those provided the fellows will go ahead and buy new stuff. Now, who would that be? Be part of the industrial banks? Would that be part of industrial banks?

Witer: What's frozen?

Witer: Inventories.

Witer: Is it all kinds of inventories, everywhere?

-9-

A.J.Jr: Well, wouldn't that go up - who's got the industrial banks thing?

W.H.S: They're over here on the side.

A.J.Jr: Well, wait a minute. Miss Chauncey, if you'd get hold of Commissioner Splawn, of the ....

Chauncey: ... I.C.C.

A.J.Jr: Yes. ... and ask him when he thinks I'm going to get a copy of his Thursday report to the President on railroads. And then the President said that Douglas and Jones and I should get together and make comments on it and send it down to the President at Warm Springs, so the President in turn can ask - can throw together a message, put it in the lap of the Senate, and ask for action. So what I would suggest is if Splawn is going to have that ready Thursday, so that I'm not going to be - if I could get a copy of it Thursday morning, I would have Splawn, Jones, and Douglas and myself for lunch either Thursday or Friday. We can't have it Thursday - Mrs. Morgenthau is coming Thursday - so it will be Friday. That will be my last chance.

Well, I just wanted everybody, so you wouldn't have - together at once. But I haven't been lifted up as much at one time as to have the President take that thing the way he did on cement. That's the thing, gentlemen that makes - it was marvelous - it makes life worth living.

W.H.S: Blaisdell will be tickled to death to hear that.

A.J.Jr: I sent for Blaisdell to tell him personally. I thought he deserved that. I'll tell Lubin, buck him up a little bit.

W.H.S: Lubin was awful blue.

A.J.Jr: (On phone) Dr. Lubin.

The boss is all right. This thing isn't going to get him down.

Last night, when the fellow sold me my ticket at the



-10-

window - the Pennsylvania Railroad - he said, "Mr. Morgenthau, I don't know how hard you're working, but for the sake of all of us," he said, "just give everything you got. We're all counting on you people down there. Just give everything you got. I know you're working, but give just a little bit more."

Ellen: Railroad?

H.I.Jr: Ticket agent in the Pennsylvania Station. He says, "The only difference between this and '32 is that the people now are still cheerful." And he said, "There was a discussion took place in front of my window - bunch of Pullman Conductors - fellow complaining about his income tax. I said, 'I want to make the suggestion - every one of us men be tickled to death to pay a dollar a month to the Federal tax, just to help out.' Just to let you know we're interested." He said, "Tax us a dollar a month as a minimum, just to show that we're taking an interest in it."

(On phone) Hello. - Lubin, I thought it would buck you up to know that the President .... (recorded conversation follows:)

Monday  
March 21, 1938  
2:25 p.m.

HMJr: - signed the thing just as I took it over  
to him.

Isador  
Rubin: Did Wallace talk to you?

HMJr: He did. And all he succeeded in doing was to make  
me ask the President that much quicker to sign it.

E: I see.

HMJr: And the President is aware of Mr. Wallace's attitude  
because Mr. Wallace told him about it himself when  
he was out driving with him.

E: Oh, I see.

HMJr: I thought you'd like to know the President said  
there isn't going to be any let down in the morale  
of the Government as long as he's here.

E: Fine. Swell.

HMJr: And... And - good business or bad business we can't  
compromise with justice.

E: Well, I think you're perfectly right.

HMJr: And I thought you'd like to know it. And again I  
want to thank you for all you've done.

E: Oh, heavens, that's part of my job.

HMJr: I know...

E: That's what you're paying me for.

HMJr: But the fact that the President - we all know he's  
that way but it's just a little bit reassuring to  
know that he's that way.

E: Well, I'm glad that he - I mean now that he has  
actually enunciated the principle.

HMJr: Pardon me?

E: I say, he's actually enunciated the principle.

HMJr: Yes. Well, we're not going to give it any publicity  
until we get tie-bids. In other words we'll give

-2-

industry a chance.

Yes, I think you're perfectly right.

And then if we get tie-bids...

Well, that's the thing I tried to tell Wallace after Herman left him. And he said, "Well, can't we get industry to work voluntarily?" And I told him of about a thousand different instances where it's been tried and failed and I said the only way I knew of now was to let them know the Government's going to enforce the law.

Well, perfectly frankly, I think we should have done that the day the N.R.A. was declared unconstitutional.

I agree with you.

And we're just about four years late.

Yes.

But that doesn't mean that we shouldn't. And I know it's done a lot for me and I thought that you'd like to get it from me....

Thanks ever so much for calling me.

All right.

All righty.

Goodbye.



-11-

H. H. Jr.: Just spread like wildfire amongst all these professional people in Washington, see? And when the President makes his speech down there on this tax bill, that's just going to - he's going to let them have it.

Regill: Is he?

H. H. Jr.: Oh yes. He wanted to use this. I said, "Don't use this cement thing."

Stanton: By the way, Lubin is going to talk on prices before the Press Club on Thursday.

H. H. Jr.: Well, he's all right.

But this is so important. Now, is everybody - and don't be bashful - have I overlooked anybody? Can anybody help - anybody around that wants to get in on this thing that I didn't ask? Now, for God's sake, amongst these people, anybody who wants to help whom I haven't asked, raise his hand - I mean if you want to get in on this.

Woods: I'm doing a little bit on that bank stuff.

H. H. Jr.: What?

Woods: That industrial bank bill.

H. H. Jr.: All right. When did we say we'd meet?

Updham: Wednesday.

H. H. Jr.: George is in on this.

Woods: No, not necessary for me to be.

H. H. Jr.: George, don't be mealy-mouthed.

Updham: You want me to ask those people to come to lunch on Wednesday?

H. H. Jr.: Yes, and you're there. Now, who else? What the President did is take all the difficult things he's got on his desk and dump them in the Treasury's lap.

-12-

Let's see if we can't come through.

Aliphan: That material on the industrial banks is going to be invaluable to us in our study of the problem.

H.S.Jr: You mean what everybody's been writing?

Aliphan: Oh yes, be invaluable.

Upnam: Better distribute this, I think.

H.S.Jr: She will.

Now, who else? Please don't - who wants to get in on something?

And the thing that's worrying you (White) so much I just mentioned, and the President smiled, didn't even want to discuss it.

White: Are you keenly interested in the railroad matter?

H.S.Jr: Well, I'm in it. I'm just - I told you I'm going to do these things in here (to Chauncey); then, if you don't understand it, it's up to you to ask me. This should be mailed back to the President. Mark it "Confidential."

Aliphan: Is there somebody working for you on the railroad thing?

H.S.Jr: No, there is not.

White: I have an old standing interest in it. I'd like to see it before it goes forward - chance for comment.

H.S.Jr: All right, you're in.

Anybody else got anything else?

This is a good day for me.

And, again very confidentially, the President saw Magill and myself Saturday and we discussed which was the best way for him to let the country know that he wanted to stand by the House bill and the principles in there - message, so forth - and we went through all the

-13-

"ifs, ands and buts," finally decided that he'd have a more favorable audience and a more favorable press if he'd do it from Gainesville. So he's going to sound off at Gainesville. Magill sent the stuff over Saturday afternoon. And at Gainesville he's going to make his message on taxes, and he's going to give it right from the shoulder.

Gaston: What day is that?

H.M.Jr: Wednesday.

Gaston: Next week.

H.M.Jr: Pardon me, this week.

Gaston: Oh, this week.

H.M.Jr: Instead of sending it up and letting Pat Harrison bury it, he's just going to handle it.

And you (Chauncey) and I understand each other.

Chauncey: Un-huh.

H.M.Jr: And if I don't answer you, it's my fault.

All right.

Olipnant: Our work on the Douglas bank plan is held up pending Wayne's getting back tomorrow.



## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 21, 1938

TO Secretary Morgenthau  
FROM M. A. Harris

A short weekly review of the  
U. S. Government security market

After moving to slightly higher levels the first two days of the past week, the U. S. Government security market turned weak along with other markets on Wednesday and remained soft until Saturday when a partial recovery took place. During the three days of weakness, the foreign news appeared to be the most disturbing factor in the market and, due to the resulting nervousness, dealers marked down prices rather sharply at times. Activity in the market was largely professional although a limited volume of outside selling was evident. However, the complete reluctance of buyers to make purchases contributed as much to the weakness as the selling. Nevertheless, declines were confined to small fractions on each of the three days due to the joint purchases by the Treasury and the Federal Reserve System. Thus, in the past week or more, prices have fluctuated in sympathy with the tenor of European news, moving up when the news was favorable and down when the tension tightened.

For the week as a whole, Treasury bonds lost about 6/32nds in the average. Individual losses ranging from 1/32nd to 9/32nds were shown, with the longer issues having the larger losses. Short Treasury notes were about unchanged while those issues maturing in 1940, 1941 and 1942 declined 2 to 6/32nds, with the exception of the 1 1/4s of December, 1941 which were up 3/32nds.

NOTE: The recovery Saturday, plus the advance today (Monday), places prices about back and in many cases above the closing prices last Tuesday.

### Corporate Bonds

The course of the market was similar to that of the government bond market but the period of weakness was much more severe. As a result, further substantial declines were recorded during the past week. Below is given Moody's averages for various groups of bonds:

<u>AAA Bonds</u>	<u>Industrials</u>	<u>Rails</u>	<u>Utilities</u>	<u>All</u>
March 11	122.17	104.67	117.94	114.51
March 18	<u>121.49</u>	<u>103.38</u>	<u>117.72</u>	<u>113.89</u>
Net Change	- 0.68	- 1.29	- 0.22	- 0.62

### RAA Bonds

March 11	89.84	44.92	75.24	65.56
March 18	<u>89.25</u>	<u>42.34</u>	<u>74.89</u>	<u>63.64</u>
Net Change	- 0.59	- 2.58	- 0.35	- 1.92

From these changes it can readily be seen that the rails continue as the weak spot in the market. The average of all AAA bonds, at 113.89, is still within 2-1/8 points of the January high, but the average of all RAA bonds, at 63.64, is lower than any time since January 1934.

### Dealers' Portfolio

From the figures given below it can be seen that dealers were quite heavy sellers of bonds and long notes as their holdings decreased 23.8 million and 33.7 million, respectively. These decreases were partially offset by an increase in their holdings of notes maturing in one year. Other changes, as usual, were minor.



-3-

(In millions of dollars)

	<u>Holdings</u> <u>Mar. 12</u>	<u>Holdings</u> <u>Mar. 19</u>	<u>Change</u>
Treasury bonds	32.7	8.9	- 23.8
Treasury notes (maturing within 1 yr.)	21.9	39.7	+ 17.8
" " ( " " 1-5 yrs.)	59.2	25.5	- 33.7
Treasury bills	0.9	2.5	+ 1.6
H.O.L.C. bonds	8.3	4.5	- 3.8
F.F.M.C. bonds	<u>3.9</u>	<u>.8</u>	<u>- 3.1</u>
	126.9	81.9	- 45.0

Treasury Accounts

The following transactions were executed in the market during the past week:

Purchases

\$ 19,224,000 (a) Various Treasury bonds - a/c Federal Deposit Insurance Corp.  
 1,000,000 - 2-7/8% Treas. bonds 1955/60- a/c Government Life Ins. Fund  
 150,000 - 2-7/8% " " 1955/60- a/c Alien Property Bureau  
 58,000 - 2-7/8% " " 1955/60- a/c D. of C. Teachers' Retirement Fund

Sales

\$ 33,500 - 2-3/4% Treas. bonds 1951/54- a/c Pershing Hall Memorial Fund

(a) The above amount represents the Treasury's portion of the joint purchases made with the Federal Reserve System on Wednesday, Thursday and Friday in support of the market. As the Federal Deposit Insurance Corp. desired to keep uninvested their cash of about \$20 million, payment for the purchases was arranged by redeeming 20 million of the special 2% securities, thus reducing the amount of these securities held from 115 million to 95 million.

System Account

The only transactions of importance by the Federal Reserve System was their purchase of \$19,225,000 various Treasury bonds. This amount represents the System's portion of the purchases made with the Treasury Department in support of the market. No offsetting sales have been made but it is my



-4-

understanding that bills maturing on Wednesday will be permitted to run off in an amount equivalent to the above purchases. As a result, no increase will be shown in the total holding of the account.



GENERAL COUNSEL  
TREASURY DEPARTMENT  
WASHINGTON

MAR 21 1938

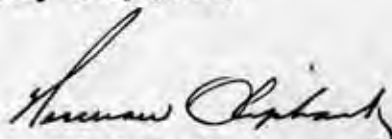
My dear Mr. Secretary:

I have been requested to advise as to whether the issuance of a valid commission as a Secret Service operative to Mr. James Roosevelt would give him the right to carry a firearm.

In my opinion, it is entirely clear that validly commissioned operatives of the Secret Service Division are authorized, in connection with their official duties and specifically in protecting the person of the President and the members of his immediate family, to carry firearms, irrespective of the provisions of State or local laws restricting the carrying of firearms. A memorandum has been prepared for our files citing the authorities for this opinion.

This opinion is not concerned with the authority to issue a commission under the circumstances.

Very truly yours,

  
General Counsel.

The Honorable,

The Secretary of the Treasury.

L. R. WALKER  
925 S. HOMAN AVE.  
CHICAGO

Mar. 21  
19 38

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

My dear Mr. ~~Secretary~~:


There has been a very comprehensive study made of the construction costs in the city of Cincinnati.

The cost of the construction of a home in Cincinnati is 14.8% higher today than it was in 1926.

The attached charts analyze the reason for this increase, and they are so comprehensive that I felt they would be of service to you in the study you are making.

These charts show that the material costs are 3.8% higher, but that labor and taxation are the two big factors.

Respectfully,



L. R. Walker



COST OF CONSTRUCTION IN CINCINNATI IN 1938AS COMPARED TO 1926STATEMENT OF THE PROBLEM

The following paragraphs present the findings and supporting evidence concerning the question of the present day cost of construction as compared to the year 1926, and intervening years, and the relative part played by the several major factors of cost in any changes that might have taken place.

LIMITATIONS OF THE STUDY

The wide variety in the kinds and types of buildings compelled out of practical necessity, the selection of a single type for study. The type selected was "concrete and brick" from the Commercial and Factory Classification of the Boeckh Indexes of Construction Costs.

The Boeckh index is widely recognized as one of the most accurate of construction cost measures. It is carried regularly by the Survey of Current Business published by the Department of Commerce and also appears in a number of trade papers. Due to the fact that the E.H. Boeckh & Associates, Inc., maintain offices in Cincinnati, Mr. Boeckh was personally available and was of invaluable assistance.

In the text the cost of construction is broken down into four broad classifications: materials, labor, overhead and profit, and taxation. The Cost Index for Materials is based on the prices (March 1, 1938) of common brick, lumber (1" x 6" - 2" x 10" - 2" x 4" - #2 S.P. - lots of 5000 B.M.), cement, structural steel, plumbing fixtures, steam heating equipment (including pipe and boilers, hardware (rough and finished,) roofing and glass.

The Cost Index for Labor is based on union scale rates for common labor, bricklayers, carpenters, iron workers, plumbers, steam fitters, painters, electricians, sheet metal workers and tile setters.

The Overhead and Profit Index includes general operating overhead, architects fees, licenses and other fees, and profit if any.

The Taxation Index includes workmen's compensation, sales tax, unemployment insurance and the employer's contribution to old age benefits.

#### SUMMARY OF CONCLUSIONS

(1) The cost of construction in Cincinnati for the type of building under consideration is 14.8 per cent higher today than in 1926.

(2) Since material costs are 2.8 per cent less today than in 1926 and overhead is but slightly higher the increase can be attributed to higher labor costs and increased taxation.

(3) The responsibility for the gross increase in cost of construction in 1938 over 1926 is divided as follows: overhead, 12 per cent; labor 47.4 per cent; and taxation 40.6 per cent.

### DISCUSSION

Attention is called to the Charts depicting "Construction Cost Changes" and "Division of the Construction Dollars". The charts were developed from the Index of Construction Cost Data furnished by E. H. Boeckh & Associates.

#### MATERIALS

The materials in a concrete and brick factory building costing \$100,000 in 1926 would have cost on the average \$35,600. Those same materials today would cost on the average \$34,600; a net decline over the period of 2.8 per cent in spite of the absorption of increased transportation costs, increased and new taxes by the material suppliers.

The high for the period occurred in 1931 when the cost would have been \$36,000 and the low in 1933 at \$31,000.

Of interest to the potential builder as well as the broader economic view is the portion of the dollar spent that goes to the material supplier. In 1926 this was 35.5 cents; in 1938, it was 30 cents, a decrease of 15.3 per cent.

The observations based on the averages are borne out in the attached tabulation showing actual prices of the more common materials for the two years under discussion.

#### OVERHEAD AND PROFIT

This item on a \$100,000 building would have amounted to \$13,800 in 1926, and on the same building in 1938 would be 15,700. This is an increase of 13.7 per cent, brought about by the increased cost of doing business under present conditions. In terms of the building dollar this item took 13.7 cents in 1926 and the same amount in 1938.



LABOR

In 1916 the cost of labor on a \$100,000 building amounted on the average to \$49,000. In 1938 to build this same building, labor would receive \$56,500. This is an increase of 15.3 per cent.

This increase on the average is substantiated by the tabulation of the union scales for two years under construction.

Expressed in terms of the building dollar, labor in 1926 would have received 49.3 cents. At this point an interesting fact makes its appearance. In 1938 labor would receive 49.3 cents or exactly the relative proportion of the total spent on building that it received in 1926.

The fact that labor would receive in total wages 15.3 per cent more for the same building in 1938 than in 1926 but would receive no greater proportion of the building dollar in 1938 than in 1926 raises the very pertinent question -- why? The answer to which may be the partial answer to the increased costs of building and the resulting lack of activity.

TAXATION

As a matter of convenience all forms will be lumped together including workmen's compensation. (Income tax is not included since it is dependent on profit; nor are fees, licenses, etc., they being classed as overhead). In 1926 on a \$100,000 building this item would have consisted solely of workmen's compensation and would have amounted to \$1,600. In 1938 this item not only includes workmen's compensation but also unemployment insurance, old age benefits, and sales tax. For the same building in 1938, this cost would be \$6,040, an increase of 402 per cent. In this connection it must be understood that in the case of old age benefits the rate progressively increases and at the close of the next

decade will be three times its present rate. Also, while the present rate on unemployment insurance is at the maximum rate provided in the Federal law, the State of Ohio provides a penalty on poor performance that has a maximum limit of four per cent. The likelihood of avoiding some penalty in an industry of this nature is not great.

An answer to the question raised under the labor discussion may be provided when the proportion of the building dollar taken by taxes is examined. In 1926 taxation took 1.5 cents of the building dollar. In 1938 taxation would take 7.0 cents. This is an increase of 366 per cent.

Whether the increased proportion of the building dollar taken by taxes should be considered as being absorbed by the material suppliers who are getting less, or whether it should be considered in the light of an added increment available to labor, should the tax proportion be less, is a matter of viewpoint and raises questions beyond the scope of this study. However, it should be remembered that material prices are set by the stress of competition, while labor rates are set by collective bargaining under threat of strike.

The methods by which these two costs are determined would at least suggest the opinion that taxation is taking a portion of the building dollar that might otherwise be available to labor.

CONCLUSION

The following tabulation makes clear that:-

	<u>Cost of Building</u>			<u>Portion of the Building Dollar</u>	
	1926	1938		1926	1938
Material	\$35,600	\$34,600	Material	\$0.355	0.300
Overhead & Pr.	13,800	15,700	Overhead & Pr.	0.137	0.137
Labor	49,000	56,500	Labor	0.493	0.493
Taxation			Taxation		
Workmen's Comp.	1,600	4,700	Workmen's Comp.	0.015	0.040
Sales Tax	None	1,040	Sales Tax		0.010
Social Security	None	2,300	Social Security		0.020
Total	\$100,000	\$114,840	Total	\$1.000	\$1.000

- (1) The cost of construction in 1938 is 14.8 per cent more than in 1926;
- (2) Since material costs are 2.8 per cent less today than in 1926, and overhead is but slightly higher, the increase can be attributed to higher labor costs and increased taxation;
- (3) Of the gross increase of \$15,840 in cost, overhead is responsible for 12 per cent, labor 47.4 per cent, and taxation 40.6 per cent.



HOURLY WAGE RATES

	<u>Average 1926</u>	<u>Summer 1936</u>	<u>Summer 1937</u>	<u>January 1938</u>
Bricklayer	\$1.533	1.375	1.625	1.625
Carpenter	1.297	1.20	1.425	1.45
Cement Finisher	1.22	1.175	1.325	1.375
Electrician	1.297	1.25	1.40	1.40
Engineer Hoisting	1.297	1.35	1.50	1.525
Hodcarrier	.943	.80	1.00	1.00
Glazier	1.225	1.35	1.55	1.55
Ironworker	1.297	1.25	1.50	1.525
Laborer	.573	.60	.75	.75
Lather	1.297	1.31 $\frac{1}{2}$	1.40	1.40
Painter	1.231	1.20	1.35	1.35
Plaster	1.500	1.375	1.625	1.625
Plumber	1.317	1.25	1.40	1.50
Rodworker	1.097	1.10	1.35	1.375
Roofer Comp.	1.047	1.05	1.15	1.25
Roofer Slate	1.297	1.20	1.325	1.40
Sheet Metal Worker	1.147	1.175	1.30	1.375
Steamfitter	1.313	1.25	1.40	1.40
Stone Mason	1.250	1.375	1.50	1.625

PRICES - F.O.B. CARS, CINCINNATI

172

		<u>June 1926</u>	<u>June 1936</u>	<u>Dec. 1937</u>
Portland Cement	per Bbl.	\$ 2.51	\$ 2.25	\$ 2.31
Sand	per Ton	1.05	1.10	1.10
Gravel	per Ton	1.30	1.20	1.20
Mason's Mortar	per Bbl.	1.74	1.89	1.91
Plaster	per Ton	14.40	16.10	15.00
Finish Lime	per Ton	16.80	14.35	14.40
Keenes Cement	per Ton	25.10 (1929)	25.20	25.00
Mason's Lime	per Ton	11.90	11.42	11.30
Flue Lining	Off List	71%	73%	77%
Gypsum Block 4"	per Ft.	.0725 (1930)	.0725	.07
1/2" Insulation Brd.	per M. Ft.	45.00	39.00	39.00
Gypsum Lath	per M. Ft.	18.93 (1928)	17.06	17.33
Metal Lath 3.4#	per Yd.	.29	.20	.215
Common brick	per M	19.00	17.50	17.50
Sewer Pipe	Off List	69%	73%	77%
<u>Face Brick</u>				
Smooth Red	per M.	29.50	26.00	25.00
Smooth Buff	per M.	33.00	31.00	29.00
Rough Red	per M.	27.00	25.00	24.00
Rough Mingled	per M.	26.50	25.00	23.00
<u>Hollow Tile</u>				
4 x 12 x 12	per M.	75.80	59.55	60.00



Supplied by—  
 L. J. H. Construction Industries  
 1000 W. Higgins, Worcester

173

[illegible]

Regraded Unclassified

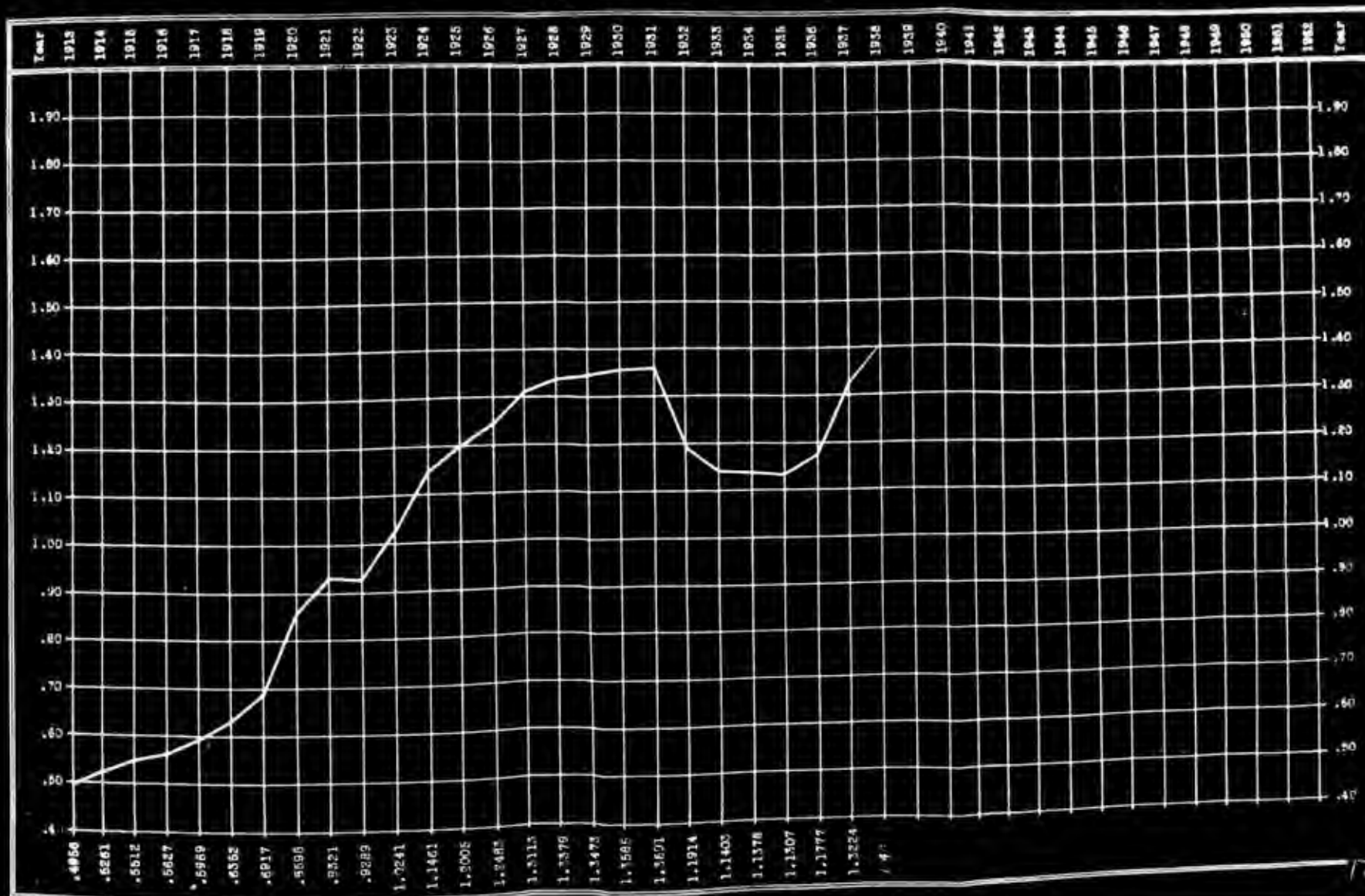


$\frac{d}{dt} \left( \frac{\partial L}{\partial \dot{x}} \right) = \frac{\partial L}{\partial x}$



AVERAGE HOURS PER HOUR  
CINCINNATI - OHIO  
1910 - 1942

Compiled by---  
Allied Construction Industries  
J. A. Higgins, Manager

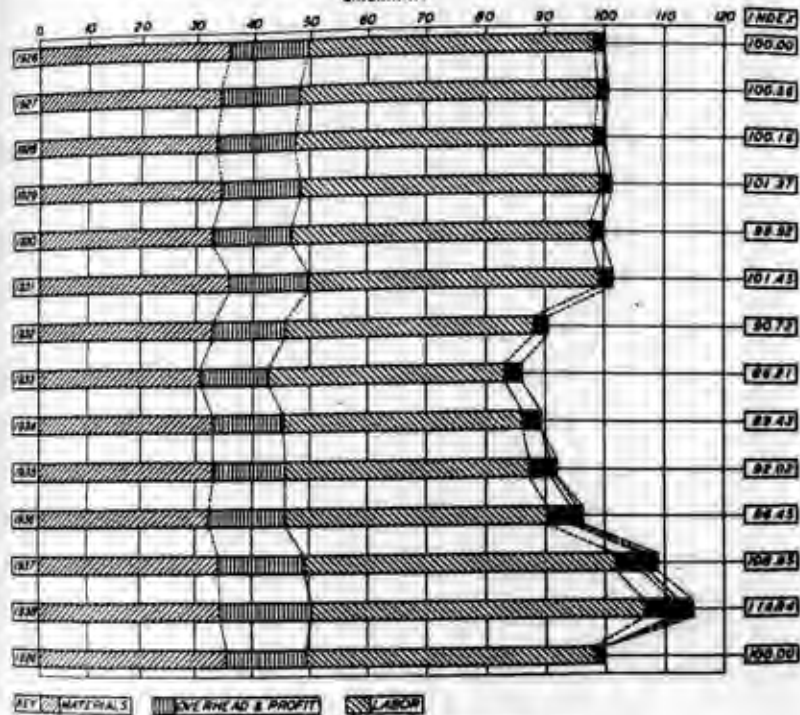




# CONSTRUCTION COST CHANGES

BRICK & CONCRETE FACTORY BUILDING

CINCINNATI

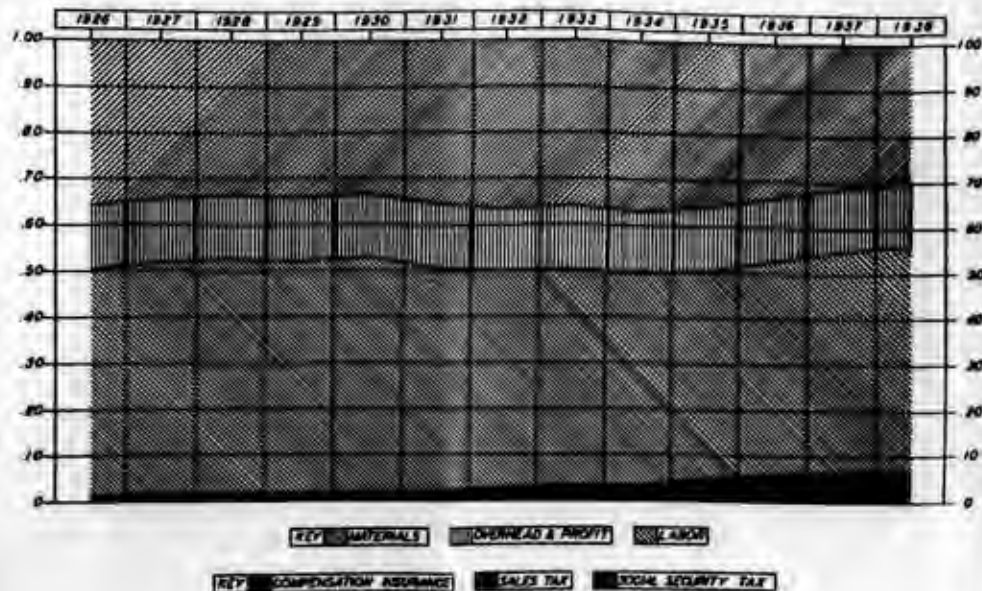


KEY: COMPENSATION INSURANCE, SALES TAX, SOCIAL SECURITY TAX

# DIVISION OF CONSTRUCTION DOLLAR

BRICK & CONCRETE FACTORY BUILDING

CINCINNATI





DATE RATED ON 7/1/84 BY 104019

Compiled by —  
 Allied Construction Industries  
 C. A. Hinton, Manager

Sample Number	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
8874	.70	.60	.60	.70	.90	1.25	1.50	1.10	.80	1.10															
8788	3.00	3.30	3.30	2.30	2.30	3.20	3.00	3.50	3.50																
8000	3.00	3.00	3.00	3.00	4.50	6.00	6.50	6.70	10.00	10.00															
8092	1.60	1.60	1.10	1.50	2.00	2.80	3.10	3.50	3.50	3.50															
8010	7.50	8.00	10.00	15.00	15.00	20.00	20.00	20.00	20.00	22.00															
8081	4.00	4.40	4.00	3.50	4.00	4.00	4.10	3.50	3.50	3.50															
8108	2.00	2.00	2.00	2.00	2.00	2.00	2.30	2.30	2.30	2.50															
8149	1.60	1.60	1.80	2.40	2.50	2.80	3.40	3.50	3.50	3.50															
8181	.80	.80	.80	1.80	1.80	1.90	2.10	2.10	2.00	2.00															
8182	.80	.80	.70	1.10	1.50	2.00	1.80	2.00	2.30	2.40															
8244	.70	.80	.80	.80	1.20	1.50	1.80	1.80	2.00	2.00															
8408	1.10	1.20	1.10	1.60	1.80	2.00	2.50	2.70	3.00	3.50															
8437	.80	.80	.80	1.10	1.40	2.00	2.00	2.00	2.00	2.00															
8451	2.50	2.50	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00															
8458	.80	.80	.70	1.10	1.40	2.00	2.80	2.70	3.00	3.00															
8484	3.50	4.00	4.00	5.00	5.00	6.00	6.00	6.00	6.00	6.00															
8501	7.50	8.50	8.50	8.00	4.00	5.00	6.00	7.50	7.50	7.50															
8460	1.80	1.50	1.80	1.80	2.30	3.00	3.00	3.50	4.00	4.00															
8701	50.00	50.00	50.00	50.00	50.00	54.00	54.00	54.00	54.00	54.00															
8705	10.00	10.00	10.00	15.00	15.00	17.00	20.00	20.00	20.00	20.00															
8086	8.00	10.00	10.00	10.00	12.00	20.00	20.00	20.00	20.00	20.00															
8095	3.00	3.00	4.00	4.50	5.00	6.00	6.00	6.00	6.00	6.00															
8018	2.50	2.00	2.00	2.80	3.00	4.50	5.50	7.00	7.00	7.00															
8084	1.60	2.00	1.60	2.00	2.00	2.50	3.00	3.00	3.00	3.00															
8088	2.40	2.30	2.80	3.80	3.80	4.00	4.00	4.00	4.00	4.00															
8106	3.00	3.00	3.00	5.00	7.50	10.00	10.00	10.00	10.00	10.00															
8202	2.80	2.80	2.80	3.00	4.00	4.00	4.00	4.00	4.00	4.00															
8280	1.80	2.00	2.50	4.00	3.00	4.50	6.00	7.00	7.00	7.00															
8508	7.00	7.00	8.00	12.00	15.00	20.00	18.00	18.00	18.00	18.00															
8441	2.80	2.50	2.50	4.50	4.00	6.00	6.00	7.50	7.50	7.50															
7038	1.00	1.00	1.00	1.60	1.60	1.80	1.80	1.80	1.80	1.80															
8580	.50	.60	.60	.80	.80	1.00	1.00	1.00	1.00	1.00															
9430	8.00	8.00	8.00	8.00	12.00	17.00	22.00	24.00	25.00	25.00															
Average	3.58	3.58	3.92	4.64	5.42	7.09	7.71	8.72	8.67	8.28															

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Regraded Unclassified

APPRAISE LOCAL UNION 8600 RATES  
CINCINNATI - OHIO  
1913 - 1932

Compiled by—  
Allied Construction Industries  
204 S. Ruppel, Newark

NAME OF CRAFT	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932
Asbestos Workers	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Boiler Makers	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210	8210
Bricklayers	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416	5416
Carpenters	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Cement Finishers	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Electricians	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Elevator Constructors	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Engineers-Class "A"	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Engineers-Class "B"	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Engineers-Class "C"	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Glaziers	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Ironworkers	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Laborers	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Masons	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Marble Workers	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Painters	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Plumbers	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Roofers	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Truck Drivers	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Welders	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Wreckers	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Yardmen	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000



AVERAGE SOUTH UNION WAGE RATES  
 CINCINNATI - OHIO  
 1913 - 1952

Compiled by—  
 Allied Construction Industries  
 J. A. Higgins, Manager

Item or Craft	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
Asbestos Workers	1.1500	1.1500	1.1500	1.2500	1.3250	1.4188														
Boiler Makers	1.8000	1.8000	1.8000	1.8750	1.9500															
Bricklayers	1.3021	1.3535	1.3750	1.4250	1.5417	1.6250														
Carpenters	1.8000	1.8000	1.8000	1.8542	1.8896															
Cement Finishers	1.0250	1.0250	1.0250	1.1168	1.2979															
Electricians	1.2500	1.2500	1.2500	1.2500	1.3525															
Heating Constructors	1.3058	1.2650	1.2271	1.3175	1.4550															
Engineers-Class "A"	.8000	.8000	.8000	.8525	.9792															
Engineers-Class "B"	1.1000	1.1000	1.1000	1.1625	1.4104															
Engineers-Class "C"	1.8000	1.8000	1.8000	1.8125	1.4504															
Millwrights	1.1750	1.2475	1.2500	1.3085	1.4542	1.5500														
Painters	.7000	.7000	.7000	.7525	.9375															
Tool Workers	1.2500	1.2500	1.2500	1.3125	1.1504															
Welders	.4500	.4500	.4500	.5375	.6875															
Ironworkers	1.3125	1.3125	1.3125	1.3125	1.3635															
Mobile Erectors	1.3750	1.3750	1.3750	1.3750	1.4563															
Painters	1.1000	1.1500	1.1791	1.2000	1.2875															
Plasterers	1.3750	1.3750	1.3750	1.3750	1.5208															
Plumbers	1.2500	1.2500	1.2500	1.2500	1.3833															
Roofers	1.1000	1.1000	1.1000	1.1625	1.3104															
Roofers-Composition	.9250	.9250	.9250	1.0000	1.1475															
Roofers-Slate & Tile	1.0750	1.0750	1.0750	1.1414	1.3300															
Sheet Metal Workers	1.0750	1.0750	1.0750	1.1414	1.2750	1.4479														
Steamfitters	1.1875	1.1875	1.1875	1.2463	1.4300	1.5000														
Stone Carvers	1.6500	1.2500	1.0633	1.1656	1.4275															
Stone Masons	1.4500	1.2500	1.0633	1.1656	1.3475															
Stone Setters	1.3750	1.3750	1.3750	1.3750	1.4291															
Structural Workers	1.1000	1.1500	1.1500	1.1500	1.2125															
Tile Layers	1.0625	1.0000	1.0000	1.0000	1.2500	1.4168	1.5000													
AVERAGE	1.1400	1.1498	1.1307	1.1777	1.2234	1.4102														



Compiled By:  
 United Construction Industries  
 C. A. Higgins, Manager

Annual Index	Description of Industry	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927
2474	Asphalts - Shop & Driveway	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2475	Asphalts - Installation of and on impervious of foundations	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2476	Masonry Work - Build up chimneys only	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2477	Masonry Work - No other classification	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2478	Iron Work - Erecting Structural	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2479	Iron Work - Outside erecting - Not structural	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2480	Belmonts-Pipe Machine & Milling, Mill & Milling Buildings	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2481	Roofs - Erecting & Repairing	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2482	Roofs - Ventilation	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2483	Roofs - Equipment - Milling & Milling - No other	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2484	Marble & Stone Setters - Inside of Building	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2485	Carpentry - Interior & Exterior	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2486	Plumbing-Plumbing-Plumbing-Plumbing-Plumbing	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2487	Painting-Decorative-Glazing	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2488	Concrete Work - (Plant) Salesmen - Floors, etc.	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2489	Roofing - Shingling - Corrugated Iron - Installation	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2490	General Building Construction - No other	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2491	Residence Construction - Police	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2492	Bricklaying	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2493	Building Movers	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2494	Pile Drivers	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2495	Jack & Hammer Construction-Load Operations	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2496	Waterworks - Sewage Disposal - Filtration Plants - etc.	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2497	Landscape Garden Work	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2498	Subdivision All town Country - Farming - Draining	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2499	Heavy Construction & Highway - Bridges	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2500	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2501	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2502	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2503	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2504	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2505	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2506	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2507	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2508	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2509	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2510	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2511	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2512	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2513	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2514	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2515	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2516	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2517	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2518	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2519	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2520	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2521	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2522	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2523	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2524	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2525	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2526	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2527	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2528	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2529	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2530	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2531	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2532	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2533	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2534	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2535	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2536	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2537	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2538	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2539	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2540	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2541	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2542	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2543	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2544	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2545	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2546	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2547	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2548	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2549	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2550	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2551	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2552	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2553	Well Drilling - Artesian	1.00	1.00	1.00	1.00	1.0									

181

TREASURY DEPARTMENT  
U. S. PUBLIC HEALTH SERVICE

MEMORANDUM

DATE March 21, 1938.

FROM THE SURGEON GENERAL:

TO: The Secretary of the Treasury.

On Monday, March 7th, Mr. Abel Wolman and I discussed with the President the Barkley-Vinson Stream Pollution Bill which has passed both Houses of Congress but has been tied up in conference since last year. The Senate and House conferees are in disagreement on the provisions of Section 8, particularly the following language:

"After the expiration of three years after the date of enactment of this Act an action to prevent or abate any such nuisance (from pollution of navigable waters or tributaries thereto, by sewage, oil, or industrial wastes) may be brought in the name of the United States by any United States attorney, and it shall be the duty of such attorneys to bring such an action when directed to do so by the Attorney General of the United States."

Our purpose in conferring with the President was to get his views concerning the desirability of legislation of this type and specifically to get his views concerning the extent and type of Federal regulation which is desirable.

The President expressed himself as favoring the general principles of the bill; believed the states should have the primary right and responsibility for control subject to the approval of the Public Health Service; should be encouraged to make rules to clean up stream pollution, but if after a suitable period, say five years, the cities and industries have not taken steps to abate pollution, then the law should provide that the Attorney General on recommendation of the Surgeon General may proceed with court action. The President does not favor having Federal court action taken only on recommendation of the State Health authorities since, in his opinion, this would nullify any effective control.

The President believes that the Public Health Service is the appropriate agency in the Federal government to handle the problem of stream pollution. He agreed to the statement by Mr. Wolman that uniform rules and standards of purity cannot be applied on all streams and watersheds but should be flexible to meet the particular circumstances.

On the question of financing sewage treatment works, the President discussed confidentially a new method of financing which he is considering. He requested Mr. Wolman and me to confer with you and the Budget Director and discuss his suggestions of financing if you are agreed that the method he suggested is more appropriate than the grant-in-aid and loan principle. He instructed me then to see Senator Barkley and



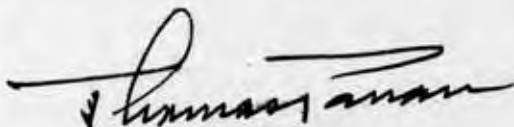
- 2 -

Senator Loneragan and bring to their attention the specific changes which the President wished to see made in the pending legislation.

In view of the President's request for confidential consideration of his proposed method of financing, the details are omitted from this memorandum.

After seeing the President, Mr. Wolman and I reported verbally to Mr. McReynolds the substance of this memorandum, discussed with him the proposed financing plan, and asked the Secretary's office for an appointment at the Secretary's convenience.

A similar memorandum is being sent to the Budget Director.

  
Surgeon General.

TTM:LL



75TH CONGRESS  
1ST SESSION

# H. R. 2711

IN THE HOUSE OF REPRESENTATIVES

AUGUST 18, 1937

Ordered to be printed with the amendment of the Senate

## AN ACT

To create a Division of Water Pollution Control in the United States Public Health Service, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That there is hereby established in the United States Public  
4 Health Service a Division of Water Pollution Control (here-  
5 inafter referred to as the Division). The Division shall be  
6 in charge of a Director, who shall be a commissioned engineer  
7 officer of the United States Public Health Service detailed  
8 by the Surgeon General of the Public Health Service (here-  
9 inafter referred to as the Surgeon General). Such engineer  
10 officer, while serving as Director, shall have the rank of an  
11 Assistant Surgeon General of the Public Health Service,

1 subject to the provisions of law applicable to Assistant Sur-  
2 geons General in charge of administrative divisions in the  
3 District of Columbia of the Public Health Service.

4       SEC. 2. (a) The Division shall, after careful investi-  
5 gation, and in cooperation with the agencies of the several  
6 States authorized by law or duly designated to deal with  
7 water pollution, and in cooperation with the municipalities  
8 and industries involved, prepare comprehensive plans for  
9 eliminating or reducing the pollution and improving the  
10 sanitary condition of the navigable waters of the United  
11 States and streams tributary thereto. In the development  
12 of such comprehensive plans due regard shall be given to  
13 the improvements which are necessary to conserve such  
14 waters and promote their use for public water supplies,  
15 propagation of fish and aquatic life, recreational purposes,  
16 agricultural, industrial, and other legitimate uses, and for  
17 this purpose the Division is authorized to make joint investi-  
18 gations with the aforesaid agencies of any State or States  
19 of the condition of any waters of the United States, either  
20 navigable or otherwise, and the discharges of any sewage,  
21 industrial wastes, or substances which may deleteriously  
22 affect such waters.

23       (b) The Division shall encourage cooperative activities  
24 by the several States for the prevention and abatement of  
25 water pollution; encourage the enactment of uniform State

1 laws relating to water pollution; encourage compacts be-  
2 tween the several States for the prevention and abatement  
3 of water pollution; collect and disseminate information;  
4 make available to State agencies, municipalities, industries,  
5 and individuals, the results of surveys, studies, investiga-  
6 tions, and experiments conducted by the Division and by  
7 other agencies, public and private; and furnish such  
8 assistance to State agencies as may be authorized by law.

9     SEC. 3. The Division, upon request of any State health  
10 authority and subject to the approval of the Surgeon General,  
11 shall conduct investigations and make surveys of any specific  
12 problem of water pollution confronting any State; drainage-  
13 basin authority, community, or municipality with a view to  
14 effecting a solution of such problem, and shall make definite  
15 recommendations for the correction and elimination of the  
16 deleterious conditions found to exist.

17     SEC. 4. The Public Health Service shall prepare and  
18 publish, from time to time, reports of such surveys, studies,  
19 investigations, and experiments as shall be made under the  
20 authority of this Act, together with appropriate recommenda-  
21 tions with regard to the control of pollution of the waters of  
22 the United States.

23     SEC. 5. Any State, municipality, or other public body  
24 which is discharging untreated or inadequately treated sewage  
25 or wastes into navigable waters of the United States or



1 streams tributary thereto is hereby declared to be eligible to  
2 Federal aid in the form of grants-in-aid and/or loans for  
3 the construction of necessary treatment works, in accordance  
4 with plans approved by the respective State health authority  
5 and the Surgeon General. Such loans and grants-in-aid shall  
6 be made upon such terms and conditions as the Secretary of  
7 the Treasury with the approval of the President may pre-  
8 scribe, subject to the following limitations: (1) Loans or  
9 grants-in-aid shall be made only upon the certification of  
10 the State health authority having jurisdiction and upon ap-  
11 proval and recommendation of the Surgeon General; (2) no  
12 grant-in-aid shall be made in respect of any project of an  
13 amount in excess of 22½ per centum of the cost of the labor  
14 and materials employed upon such project, including the  
15 cost of preparation of plans and the carrying of same into  
16 execution.

17     SEC. 6. Any person discharging untreated or inade-  
18 quately treated sewage or waste in character or quantity  
19 sufficient to be deleterious to the navigable waters of the  
20 United States or streams tributary thereto is hereby de-  
21 clared to be eligible to Federal aid in the form of loans for  
22 the construction of necessary treatment works in accordance  
23 with plans approved by the respective State health authority  
24 and the Surgeon General. Such loans shall be made upon  
25 such terms and conditions as the Secretary of the Treasury

1 with the approval of the President may prescribe, subject  
2 to the following limitations: Loans shall be made only  
3 upon the certification of the State health authority having  
4 jurisdiction and upon approval and recommendation of the  
5 Surgeon General.

6       SEC. 7. (a) There is hereby established in the Divi-  
7 sion, by detail from time to time, a board of five commis-  
8 sioned engineer officers of the Public Health Service, a  
9 majority of whom shall be experienced in sanitary engi-  
10 neering, whose duties shall be fixed by the Surgeon Gen-  
11 eral and to which board shall be referred for consideration  
12 and recommendations, in addition to any other duties as-  
13 signed, so far as in the opinion of the Surgeon General  
14 may be necessary, all reports of examinations, investiga-  
15 tions, plans, and surveys made pursuant to the provisions  
16 of this Act or hereafter provided for by Congress, and all  
17 applications for grants-in-aid or loans for the construction  
18 of necessary treatment works made pursuant to sections 5  
19 and 6 of this Act, and all other matters in connection  
20 therewith upon which report is desired by the Surgeon  
21 General. The board shall submit to the Surgeon General  
22 recommendations as to the desirability of commencing,  
23 continuing, or extending any and all projects for treatment  
24 works upon which reports are desired and for which grants-  
25 in-aid or loans have been applied. In the consideration



1 of such proposed treatment works and projects the board  
2 shall have in view the benefits to be derived by the con-  
3 struction thereof in accomplishing the purposes of this Act,  
4 and the relation of the ultimate cost of such works, both  
5 as to the cost of construction and maintenance, to the public  
6 interests involved; the public necessity for such works and  
7 propriety of construction in part at the expense of the United  
8 States; and the adequacy of the provisions made or agreed  
9 upon by the applicant for the grant-in-aid or loan for assuring  
10 proper and efficient operation and maintenance of the works  
11 after completion of the construction thereof. The board shall,  
12 when it considers the same necessary, and with the approval  
13 and under orders from the Surgeon General, make as a board  
14 or through its members, personal examinations of localities  
15 where the proposed treatment works are to be located. All  
16 plans, cost estimates, information, and arguments which are  
17 presented to the board for its consideration in connection  
18 with any matter referred to it by the Surgeon General shall  
19 be reduced to and submitted in writing, and shall be made a  
20 part of the records of the Office of the Surgeon General.

21 (b) All special reports ordered by the Congress pur-  
22 suant to the provisions of this Act shall, at the discretion  
23 of the Surgeon General be reviewed in like manner by  
24 the said board; and the said board shall also on request  
25 by resolution of the Committee on Commerce of the Senate



1 or the Committee on Rivers and Harbors of the House of  
 2 Representatives submitted to the Surgeon General, examine  
 3 and review the report of any examination, investigation,  
 4 survey, or project for the elimination or reduction of  
 5 water pollution or for treatment works made pursuant to  
 6 any Act or resolution of the Congress, and shall report  
 7 through the Surgeon General, who shall submit his conclu-  
 8 sions thereon as in other cases. The said board shall, at  
 9 the discretion of the Surgeon General, make estimates of  
 10 the amount of money required each year for each and all  
 11 project applications for treatment works which have been  
 12 approved under the provisions of sections 5 and 6 of this  
 13 Act, for an extension of Federal aid in the form of grants-  
 14 in-aid or loans to any States, municipalities, or other public  
 15 bodies or in the form of loans to persons, as provided for  
 16 in said sections. The board shall recommend the order or  
 17 sequence of priority for such individual projects in accord-  
 18 ance with their estimated importance or value in the elim-  
 19 ination or reduction of water pollution as determined by the  
 20 said board as hereinbefore provided, and shall report thereon  
 21 through the Surgeon General, who shall submit his con-  
 22 clusions as in other cases.

23 (e) The Secretary of the Treasury shall cause the manu-  
 24 script of that portion of the annual report of the Surgeon  
 25 General as is concerned with the Division, including a

1 schedule of approved projects for treatment works and cost  
2 estimates thereof for grants-in-aid and loans together with  
3 such supplementary reports as may be pertinent thereto, to  
4 be placed in the hands of the Public Printer on or before  
5 the fifteenth day of October in each year, and the Public  
6 Printer shall cause such portion of the annual report of the  
7 Surgeon General and supplementary reports to be printed  
8 with an accurate and comprehensive index thereof, on or  
9 before the third day of January in each year, for the use  
10 of the Congress; and all special reports of investigations of  
11 surveys which may be prepared during the recess of the  
12 Congress shall, in the discretion of the Secretary of the  
13 Treasury, be printed by the Public Printer as documents  
14 of the following session of the Congress.

15 (d) There are authorized to be appropriated such sums  
16 as may be necessary to carry out such projects or portions  
17 thereof for treatment works as are authorized annually by  
18 the Congress from the schedule of approved projects and  
19 cost estimates submitted to the Congress as hereinbefore  
20 provided, and the appropriations therefor shall be included  
21 in the annual appropriation bill for the Treasury Depart-  
22 ment or in any other supplementary or deficiency appropria-  
23 tion bill. Grants and loans thus provided for shall be made  
24 by the Secretary of the Treasury under the conditions set  
25 forth in sections 5 and 6 of this Act. Any moneys appro-



1 printed for such projects shall remain available for expendi-  
 2 ture for such purpose until the expiration of the fiscal year  
 3 next succeeding the fiscal year for which the appropriation  
 4 is made. In case that the costs of construction of treatment  
 5 works are less than the original estimates as appropriated  
 6 for by Congress, the proportionate part of such moneys be-  
 7 longing to the ~~United States~~ <sup>as has not been expended</sup> shall  
 8 be refunded or returned to the Treasury of the United States,  
 9 under such rules and regulations as the Secretary of the  
 10 Treasury may prescribe. In case that the costs of construc-  
 11 tion of treatment works exceed, or appear likely to exceed,  
 12 the original estimates as appropriated for by Congress, the  
 13 Surgeon General may submit to Congress, as in other cases,  
 14 estimates of the additional moneys necessary to meet in-  
 15 creased costs arising because of unforeseen contingencies,  
 16 structural difficulties, or other causes, which, in the opinion  
 17 of the Surgeon General, require consideration by Congress.  
 18 Alterations of, amendments, or revisions to approved project  
 19 plans for treatment works which do not increase the total  
 20 cost of the projects may be authorized at the discretion of  
 21 the Surgeon General.

22 SEC. 8. There is hereby authorized to be appropriated  
 23 for each fiscal year, beginning with the fiscal year ending  
 24 June 30, 1933, the sum of \$300,000, for all necessary ex-  
 25 penses of the Division in administering the provisions of



1 this Act, including: (a) Expenses of investigations made  
 2 under this Act, including (1) printing and binding of the  
 3 findings of such investigations; (2) the pay and allowances  
 4 and travel expenses of personnel of the Public Health Service  
 5 (including commissioned officers) while engaged in field in-  
 6 vestigation; (3) (upon the approval of the Surgeon Gen-  
 7 eral) the expenses of packing, crating, drayage, and trans-  
 8 portation of the personal effects of such personnel and per-  
 9 sonnel of other Government departments on duty with the  
 10 Public Health Service upon permanent change of station  
 11 under competent orders in connection therewith while en-  
 12 gaged in such investigations; and (4) purchases required  
 13 for such investigations, without regard to the provisions of  
 14 section 3700 of the Revised Statutes (U. S. C., 1934 ed.,  
 15 title 41, sec. 5); when the aggregate amount involved does  
 16 not exceed \$100; (b) upon approval of the Surgeon Gen-  
 17 eral, the necessary expenses of the board of engineer officers  
 18 provided for in section 7 of this Act; (c) the pay and al-  
 19 lowances and travel expenses of reserve engineer officers  
 20 while on active duty under section 10 (a) of this Act; and  
 21 (d) for the reimbursement of appropriations insofar as ex-  
 22 pended for pay and allowances of personnel detailed to the  
 23 Division under section 10 (c) or 10 (d) of this Act.

24 SEC. 9. There is hereby authorized to be appropriated  
 25 for each fiscal year, beginning with the fiscal year ending

1 June 30, 1933, the sum of \$700,000, to be paid to the  
2 States for expenditures by or under the direction of their  
3 respective State health authorities in the promotion, investi-  
4 gation, surveys, and studies necessary in the prevention and  
5 control of water pollution; this sum to be allotted, under  
6 the supervision of the Surgeon General, to the States in  
7 accordance with rules and regulations prescribed by the  
8 Secretary of the Treasury. The amount of any allotment  
9 for any fiscal year remaining unpaid at the end of such  
10 fiscal year shall be available for allotment hereunder for the  
11 succeeding fiscal year, in addition to the amount appro-  
12 priated for such year.

13       SEC. 10. (a) For the administration of this Act the  
14 Secretary of the Treasury may, upon recommendation of the  
15 Surgeon General, appoint such engineers, attorneys, experts,  
16 research assistants, examiners, and consultants as may be  
17 necessary, and fix their compensation, in the manner pro-  
18 vided by law for the appointment and fixing of compensation  
19 of such personnel of the Public Health Service; and the  
20 Surgeon General is authorized to transfer, assign, or detail  
21 to the Division, from any other division of the Public Health  
22 Service, such professional and scientific personnel as may be  
23 available. Not exceeding ten engineer officers in the reserve  
24 of the Public Health Service may be ordered to active duty  
25 for such periods of time as may be desirable, extending not



1 more than five years beyond the date of enactment of this  
2 Act, to assist in carrying out the purposes thereof.

3 (b) Such clerks, stenographers, and other employees  
4 as may be necessary to discharge the duties of the Division  
5 and for the investigations in the field shall be appointed  
6 by the Secretary of the Treasury in accordance with the  
7 civil-service laws and their compensation shall be fixed  
8 in accordance with the Classification Act of 1923, as  
9 amended; and he shall prescribe such rules and regulations  
10 with respect to their duties as he may find necessary.

11 (c) The personnel of the Public Health Service paid  
12 from any appropriation not made pursuant to section 8 may  
13 be detailed to assist in carrying out the purposes of this  
14 Act.

15 (d) The Secretary of the Treasury, with the consent  
16 of the Secretary of any other department of the Federal  
17 Government, may utilize such officers and employees of said  
18 department as may be found necessary to assist in carrying  
19 out the purposes of this Act.

20 Sec. 11. When used in this Act, the term "State health  
21 authority" means the official State health department, State  
22 board of health, or such other official State agency as is em-  
23 powered with the duties of enforcing State laws pertaining  
24 to health; the term "treatment works" means the various  
25 devices used in the treatment of sewage or industrial waste of



1 a liquid nature including the necessary intercepting sewers,  
2 outfall sewers, pumping and power equipment and their  
3 appurtenances; the term "person" means an individual in the  
4 capacity of proprietor of an industrial enterprise, a partner-  
5 ship, a private corporation, an association, a joint stock  
6 company, a trust, or an estate.

7       SEC. 12. If any provision of this Act, or the application  
8 thereof to any person or circumstance, is held invalid, the  
9 remainder of the Act, and the application of such provision  
10 to other persons or circumstances, shall not be affected  
11 thereby.

12       SEC. 13. This Act may be cited as the Water Pollution  
13 Act.

14       That there is hereby established in the United States  
15 Public Health Service a Division of Water Pollution Control  
16 (hereinafter referred to as the Division). The Division shall  
17 be in charge of a Director, who shall be a commissioned  
18 engineer officer of the United States Public Health Service  
19 detailed by the Surgeon General of the Public Health Service  
20 (hereinafter referred to as the Surgeon General). Such  
21 engineer officer, while serving as Director, shall have the  
22 rank of an Assistant Surgeon General of the Public Health  
23 Service, subject to the provisions of law applicable to Assist-  
24 ant Surgeons General in charge of administrative divisions  
25 in the District of Columbia of the Public Health Service.

1        *SEC. 2. (a) The Division shall, after careful investi-*  
2 *gation, and in cooperation with the Chief of Engineers of*  
3 *the War Department and the agencies of the several States*  
4 *authorized by law or duly designated to deal with water*  
5 *pollution, and in cooperation with the municipalities and*  
6 *industries involved, prepare comprehensive plans for elimi-*  
7 *nating or reducing the pollution and improving the sani-*  
8 *tary condition of the navigable waters of the United States*  
9 *and streams tributary thereto. In the development of such*  
10 *comprehensive plans due regard shall be given to the im-*  
11 *provements which are necessary to conserve such waters*  
12 *and promote their use for public water supplies, propaga-*  
13 *tion of fish and aquatic life, recreational purposes, agri-*  
14 *cultural, industrial, and other legitimate uses, and for this*  
15 *purpose the Division is authorized to make joint investiga-*  
16 *tions with the aforesaid agencies of any State or States of*  
17 *the condition of any waters of the United States, either*  
18 *navigable or otherwise, and the discharges of any sewage,*  
19 *industrial wastes, or substances which may deleteriously*  
20 *affect such waters.*

21        *(b) The Division shall encourage cooperative activities*  
22 *by the several States for the prevention and abatement of*  
23 *water pollution; encourage the enactment of uniform State*  
24 *laws relating to water pollution; encourage compacts be-*  
25 *tween the several States for the prevention and abatement*



1 of water pollution; collect and disseminate information; make  
2 available to State agencies, municipalities, industries, and  
3 individuals the results of surveys, studies, investigations, and  
4 experiments conducted by the Division and by other agencies,  
5 public and private; and furnish such assistance to State  
6 agencies as may be authorized by law.

7 (c) The consent of Congress is hereby given to two or  
8 more States to enter into agreements or compacts, not in  
9 conflict with any law of the United States, for cooperative  
10 effort and mutual assistance for the prevention and abate-  
11 ment of water pollution and the enforcement of their respec-  
12 tive laws relating thereto, and to establish such agencies,  
13 joint or otherwise, as they may deem desirable for making  
14 effective such agreements and compacts.

15 SEC. 3. The Division, upon request of any State health  
16 authority and subject to the approval of the Surgeon General,  
17 shall conduct investigations and make surveys of any specific  
18 problem of water pollution confronting any State, drainage-  
19 basin authority, community, or municipality with a view to  
20 effecting a solution of such problem, and shall make definite  
21 recommendations for the correction and elimination of the  
22 deleterious conditions found to exist.

23 SEC. 4. The Public Health Service shall prepare and  
24 publish, from time to time, reports of such surveys, studies,  
25 investigations, and experiments as shall be made under the



1 authority of this Act, together with appropriate recommenda-  
2 tions with regard to the control of pollution of the waters  
3 of the United States.

4     *SEC. 5. Any State, municipality, or other public body*  
5 *which is discharging untreated or inadequately treated sew-*  
6 *age or wastes into navigable waters of the United States*  
7 *or streams tributary thereto is hereby declared to be eligible*  
8 *to Federal aid in the form of ~~grants~~ grants-in-aid or loans for*  
9 *the construction of necessary treatment works, in accordance*  
10 *with plans approved by the respective State health authority*  
11 *and the Surgeon General. Such loans and grants-in-aid*  
12 *shall be made upon such terms and conditions as the Secre-*  
13 *tary of the Treasury with the approval of the President*  
14 *may prescribe, subject to the following limitations: (1)*  
15 *Loans or grants-in-aid shall be made only upon the certi-*  
16 *fication of the State health authority having jurisdiction and*  
17 *upon approval and recommendation of the Surgeon General;*  
18 *(2) no grant-in-aid shall be made in respect of any project*  
19 *of an amount in excess of 33½ per centum of the cost of the*  
20 *labor and materials employed upon such project, including*  
21 *the cost of preparation of plans and the carrying of same*  
22 *into execution.*

23     *SEC. 6. Any person discharging untreated or inade-*  
24 *quately treated sewage or waste in character or quantity*  
25 *sufficient to be deleterious to the navigable waters of the*

1 *United States or streams tributary thereto is hereby declared*  
 2 *to be eligible to Federal aid in the form of grants-in-aid*  
 3 *or loans for the construction of necessary treatment works*  
 4 *in accordance with plans approved by the respective State*  
 5 *health authority and the Surgeon General. Such grants-*  
 6 *in-aid or loans shall be made upon such terms and conditions*  
 7 *as the Secretary of the Treasury with the approval of the*  
 8 *President may prescribe, subject to the following limitations:*

9 *Grants-in-aid or loans shall be made only upon the certifica-*  
 10 *tion of the State health authority having jurisdiction and*  
 11 *upon approval and recommendation of the Surgeon General.*

12     *SEC. 7. (a) There is hereby established in the Divi-*  
 13 *sion, by detail from time to time, a board of five commis-*  
 14 *sioned engineer officers of the Public Health Service, a major-*  
 15 *ity of whom shall be experienced in sanitary engineering,*  
 16 *whose duties shall be fixed by the Surgeon General and to*  
 17 *which board shall be referred for consideration and recom-*  
 18 *mendations, in addition to any other duties assigned, so far*  
 19 *as in the opinion of the Surgeon General may be necessary,*  
 20 *all reports of examinations, investigations, plans, and surveys*  
 21 *made pursuant to the provisions of this Act or hereafter pro-*  
 22 *vided for by Congress, and all applications for grants-in-aid*  
 23 *or loans for the construction of necessary treatment works*  
 24 *made pursuant to sections 5 and 6 of this Act, and all other*  
 25 *matters in connection therewith upon which report is desired*



1 by the Surgeon General. The board shall submit to the  
2 Surgeon General recommendations as to the desirability  
3 of commencing, continuing, or extending any and all projects  
4 for treatment works upon which reports are desired and for  
5 which grants-in-aid or loans have been applied. In the con-  
6 sideration of such proposed treatment works and projects the  
7 board shall have in view the benefits to be derived by the  
8 construction thereof in accomplishing the purposes of this  
9 Act, and the relation of the ultimate cost of such works, both  
10 as to the cost of construction and maintenance, to the public  
11 interests involved, the public necessity for such works and  
12 propriety of construction in part at the expense of the United  
13 States, and the adequacy of the provisions made or agreed  
14 upon by the applicant for the grant-in-aid or loan for assur-  
15 ing proper and efficient operation and maintenance of the  
16 works after completion of the construction thereof. The  
17 board shall, when it considers the same necessary, and with  
18 the approval and under orders from the Surgeon General,  
19 make as a board or through its members, personal examina-  
20 tions of localities where the proposed treatment works are  
21 to be located. All plans, costs estimates, information, and  
22 arguments which are presented to the board for its consid-  
23 eration in connection with any matter referred to it by the  
24 Surgeon General shall be reduced to and submitted in writ-



ing, and shall be made a part of the records of the Office of the Surgeon General.

(b) As soon as practicable, the board shall classify the navigable waters of the continental United States into districts to be known as sanitary water districts. The board shall fix and define the boundaries of each such district and may from time to time alter such boundaries. The areas of such districts shall, insofar as practicable, conform to the areas of watersheds not wholly contained within the boundaries of one State.

(c) The board shall fix standards of purity in each such district for the navigable waters thereof and for such tributaries from which pollution may flow, be washed or carried into such navigable waters; shall establish minimum requirements as to the treatment of polluting material before it is discharged into such waters; and shall promulgate regulations governing the discharge of any matter or materials into such waters.

(d) All special reports ordered by the Congress pursuant to the provisions of this Act shall, at the discretion of the Surgeon General, be reviewed in like manner by the said board; and the said board shall also, on request by resolution of the Committee on Commerce of the Senate or the Committee on Rivers and Harbors of the House of Representatives submitted to the Surgeon General, examine

1 and review the report of any examination, investigation,  
2 survey, or project for the elimination or reduction of water  
3 pollution or for treatment works made pursuant to any Act  
4 or resolution of the Congress, and shall report through the  
5 Surgeon General, who shall submit its conclusions thereon  
6 as in other cases. The said board shall, at the discretion of  
7 the Surgeon General, make estimates of the amount of money  
8 required each year for each and all project applications for  
9 treatment works which have been approved under the pro-  
10 visions of sections 5 and 6 of this Act, for an extension of  
11 Federal aid in the form of grants-in-aid or loans to any  
12 States, municipalities, or other public bodies or in the form  
13 of loans to persons, as provided for in said sections. The  
14 board shall recommend the order or sequence of priority for  
15 such individual projects in accordance with their estimated  
16 importance or value in the elimination or reduction of water  
17 pollution as determined by the said board as hereinbefore  
18 provided, and shall report thereon through the Surgeon  
19 General, who shall submit his conclusions as in other cases.

20 (c) The Secretary of the Treasury shall cause the manu-  
21 script of that portion of the annual report of the Surgeon  
22 General as is concerned with the Division, including a  
23 schedule of approved projects for treatment works and  
24 cost estimates thereof for grants-in-aid and loans together  
25 with such supplementary reports as may be pertinent thereto,



1 to be placed in the hands of the Public Printer on or before  
2 the 15th day of October in each year, and the Public Printer  
3 shall cause such portion of the annual report of the Surgeon  
4 General and supplementary reports to be printed with an  
5 accurate and comprehensive index thereof, on or before the  
6 3d day of January in each year, for the use of the Congress;  
7 and all special reports of investigations of surveys which  
8 may be prepared during the recess of the Congress shall,  
9 in the discretion of the Secretary of the Treasury, be printed  
10 by the Public Printer as documents of the following session  
11 of the Congress.

12 (f) There are authorized to be appropriated such sums  
13 as may be necessary to carry out such projects or portions  
14 thereof for treatment works as are authorized annually by  
15 the Congress from the schedule of approved projects and  
16 cost estimates submitted to the Congress as hereinbefore  
17 provided, and the appropriations therefor shall be included  
18 in the annual appropriation bill for the Treasury Depart-  
19 ment or in any other supplementary or deficiency appro-  
20 priation bill. Grants and loans thus provided for shall be  
21 made by the Secretary of the Treasury under the conditions  
22 set forth in sections 5 and 6 of this Act. Any moneys  
23 appropriated for such projects shall remain available for  
24 expenditure for such purpose until the expiration of the  
25 fiscal year next succeeding the fiscal year for which the



1 appropriation is made. In case that the costs of construc-  
2 tion of treatment works are less than the original estimates  
3 as appropriated for by Congress, the proportionate part of  
4 such moneys belonging to the United States as has not been  
5 expended shall be refunded or returned to the Treasury  
6 of the United States, under such rules and regulations as  
7 the Secretary of the Treasury may prescribe. In case that  
8 the costs of construction of treatment works exceed, or ap-  
9 pear likely to exceed, the original estimates as appropriated  
10 for by Congress, the Surgeon General may submit to Con-  
11 gress, as in other cases, estimates of the additional moneys  
12 necessary to meet increased costs arising because of unfore-  
13 seen contingencies, structural difficulties, or other causes,  
14 which, in the opinion of the Surgeon General, require con-  
15 sideration by Congress. Alterations of, amendments, or  
16 revisions to approved project plans for treatment works  
17 which do not increase the total cost of the projects may be  
18 authorized at the discretion of the Surgeon General.

19 SEC. 8. Pursuant to the powers of the United States to  
20 regulate interstate commerce and navigation; to extend,  
21 change, and amend the Admiralty and Maritime Act; to give  
22 due effect to the Migratory Bird Treaty; and to protect the  
23 fisheries, particularly the anadromous fish, Congress hereby  
24 declares the discharge or deposit of any waste, except the  
25 normal discharge of sewage from toilets of boats or from

1 the galley sink drains or the normal amount of oil that may  
 2 be discharged from the exhaust pipe of a motorboat, or other  
 3 substance, whether in a solid, gaseous, or liquid state, into  
 4 any of the navigable waters of the United States, or into  
 5 any tributary from which the same may flow, be washed,  
 6 or carried into any of such navigable waters, in violation  
 7 of regulations promulgated by the board, if such waste or  
 8 other substance is or may be injurious to human health or  
 9 to any other form of life, including aquatic life, or to migra-  
 10 tory birds as defined in the Migratory Bird Treaty of August  
 11 16, 1916, or impairs in any manner the utility of such waters  
 12 for navigation purposes, to be against the public policy of  
 13 the United States and to be a public and common nuisance.  
 14 After the expiration of three years after the date of enact-  
 15 ment of this Act an action to prevent or abate any such  
 16 nuisance may be brought in the name of the United States  
 17 by any United States attorney, and it shall be the duty of such  
 18 attorneys to bring such an action when directed to do so by  
 19 the Attorney General of the United States. Such action shall  
 20 be brought as an action in equity and may be brought in any  
 21 court of the United States in the district where the alleged  
 22 nuisance exists.

23 SEC. 9. Nothing contained in this Act shall be con-  
 24 strued to limit in any manner the rights of any person or  
 25 public body to bring actions for damages on account of the



1 pollution of any waters, or for the abatement of such  
2 pollution.

3     *SEC. 10.* There is hereby authorized to be appropri-  
4 ated for each fiscal year, beginning with the fiscal year  
5 ending June 30, 1938, the sum of \$300,000, for all neces-  
6 sary expenses of the Division in administering the pro-  
7 visions of this Act, including: (a) Expenses of investiga-  
8 tions made under this Act, including (1) printing and  
9 binding of the findings of such investigations, (2) the pay  
10 and allowances and travel expenses of personnel of the  
11 Public Health Service (including commissioned officers)  
12 while engaged in field investigation, (3) (upon the  
13 approval of the Surgeon General) the expenses of packing,  
14 crating, drayage, and transportation of the personal effects  
15 of such personnel and personnel of other Government de-  
16 partments on duty with the Public Health Service upon  
17 permanent change of station under competent orders in  
18 connection therewith while engaged in such investigations,  
19 and (4) purchases required for such investigations, with-  
20 out regard to the provisions of section 3709 of the Revised  
21 Statutes (U. S. C., 1934 edition, title 41, sec. 5), when the  
22 aggregate amount involved does not exceed \$100; (b)  
23 upon approval of the Surgeon General, the necessary ex-  
24 penses of the board of engineer officers provided for in  
25 section 7 of this Act; (c) the pay and allowances and



1 travel expenses of reserve engineer officers while on active  
 2 duty under section 10 (a) of this Act; and (d) for the  
 3 reimbursement of appropriations insofar as expended for  
 4 pay and allowances of personnel detailed to the Division  
 5 under section 10 (c) or 10 (d) of this Act.

6 *SEC. 11.* There is hereby authorized to be appropriated  
 7 for each fiscal year, beginning with the fiscal year ending  
 8 June 30, 1938, the sum of \$700,000, to be paid to the  
 9 States for expenditures by or under the direction of their  
 10 respective State health authorities in the promotion, investi-  
 11 gation, surveys, and studies necessary in the prevention and  
 12 control of water pollution; this sum to be allotted, under  
 13 the supervision of the Surgeon General, to the States in  
 14 accordance with rules and regulations prescribed by the  
 15 Secretary of the Treasury. The amount of any allotment for  
 16 any fiscal year remaining unpaid at the end of such fiscal  
 17 year shall be available for allotment hereunder for the suc-  
 18 ceeding fiscal year, in addition to the amount appropriated  
 19 for such year.

20 *SEC. 12. (a)* For the administration of this Act the  
 21 Secretary of the Treasury may, upon recommendation of the  
 22 Surgeon General, appoint such engineers, attorneys, experts,  
 23 research assistants, examiners, and consultants as may be  
 24 necessary, and fix their compensation, in the manner pro-  
 25 vided by law for the appointment and fixing of compensa-

tion of such personnel of the Public Health Service; and the Surgeon General is authorized to transfer, assign, or detail to the Division, from any other division of the Public Health Service, such professional and scientific personnel as may be available. Not exceeding ten engineer officers in the reserve of the Public Health Service may be ordered to active duty for such periods of time as may be desirable, extending not more than five years beyond the date of enactment of this Act, to assist in carrying out the purposes thereof.

(b) Such clerks, stenographers, and other employees as may be necessary to discharge the duties of the Division and for the investigations in the field shall be appointed by the Secretary of the Treasury in accordance with the civil-service laws and their compensation shall be fixed in accordance with the Classification Act of 1923, as amended, and he shall prescribe such rules and regulations with respect to their duties as he may find necessary.

(c) The personnel of the Public Health Service paid from any appropriation not made pursuant to section 8 may be detailed to assist in carrying out the purposes of this Act.

(d) The Secretary of the Treasury, with the consent of the Secretary of any other department of the Federal Government, may utilize such officers and employees of said department as may be found necessary to assist in carrying out the purposes of this Act.







75TH CONGRESS  
1ST SESSION

H. R. 2711

## AN ACT

To create a Division of Water Pollution Control in the United States Public Health Service, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 18, 1937

Ordered to be printed with the amendment of the Senate.



184

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE March 21, 1938

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The Business Situation, week ending March 19, 1938

### Conclusions

Business activity in the United States exclusive of the possible effects of this week's developments in Europe, continues steadily with evidence of improvement in several directions. Improving business in certain lines during the week ended March 12 is indicated by a continued greater than seasonal rise in lumber production, by a rise in carloadings when a decline was to have been expected, and by greater than seasonal improvement in steel and cotton mill activity. Electric power production, however, showed more than the seasonal drop, and the increase in automobile production was less than would normally have been expected.

Following a three-month period of business stability, during which material progress has apparently been made in reducing inventories and adjusting business operations, conditions in this country favor a gradual improvement in business activity from present levels. With no unfavorable outside influences, the improving trend should continue through the summer and gain momentum during the second half of the year. The possibility of a setback during the summer has been materially reduced, since the continuation of a low level of business during February and early March while inventories in various industries were being thoroughly liquidated tends to insure against a decline later. A secondary decline would likely have developed during the summer if a greater than seasonal spring recovery had lifted production above the level of consumer demand.

This week, however, a new factor has come into the picture on the unfavorable side, the effect of which can not yet be determined. The sudden turn in developments in Europe, which has led to widespread fear of a major war, introduces the possibility of further commodity price deflation and curtailment of long-term commitments at a time when business in this country is especially sensitive to either favorable or unfavorable influences. This may prove sufficient to offset, or more than offset, the favorable influences that have been developing within our own economy.



- 2 -

Effect of European developments

The shock to hopes of European peace which the annexation of Austria and developments in Spain and Lithuania have provided this week, introduces a new factor into our business outlook which is difficult to evaluate but potentially unfavorable. Uncertainty in regard to the future may lead to curtailment of long-term commitments in this country. Fear of war in countries now relatively prosperous would tend to halt industrial buying, thereby reducing the world demand for commodities, and weakening the price structure. A decline in foreign currencies against the dollar, particularly sterling, would also act as a deflationary price influence in this country and tend to reduce our export demand. This was the key situation in the fall of 1931, when England's abandonment of the gold standard helped to force this country into deeper depression. The decline in security prices and weakening in foreign currencies this week is probably exerting some deflationary pressure on commodity prices here and contributing to business uncertainty abroad.

Although war demand might be expected in the long run to raise commodity prices in this country, its immediate effect would be minimized by several offsetting factors:

- (1) While the rearmament movement will undoubtedly be speeded up throughout Europe by this week's developments, as evidenced in announcements already made by England, France, Sweden and Yugo-Slavia, it will require time for these to effect an increase in commodity buying.
- (2) A decline in foreign currencies against the dollar would tend to divert buying from this country to those countries whose currencies had weakened.
- (3) The present world supply situation for many commodities is less favorable than that existing last winter, when competition between armament demand and industrial demand at a time of light supplies brought a speculative boom in commodity prices.



- 3 -

- (4) The possibility of severe business curtailment in Europe in the event of war would reduce the industrial demand for commodities, which in the aggregate is more important than the armament demand. Industrial activity in both England and France declined substantially during the year following the outbreak of war in July, 1914, and commodity prices in this country, except for a few exceptions, did not start to rise until the early part of 1915.

#### The security markets

Comparative steadiness in the American security markets this week (Chart 1), in contrast with the violent declines which have occurred in markets abroad and in Canada, is believed to reflect (1) a strong fundamental situation in our markets growing out of the heavy liquidation which they have already undergone, as well as the improving business outlook, and (2) the greater safety for investment funds provided by our markets, as against those in any other country of the world.

The effect of a major conflict upon our security markets seems inevitable, especially in view of the possibility of irrational liquidation from domestic sources.

#### The price situation

Prices of sensitive commodities have sagged slightly this week as foreign exchange rates weakened and security markets declined, though the undertone has remained generally steady. Cotton prices, which are particularly sensitive to fluctuations in sterling exchange because of the competitive balance between American and British-grown cotton, declined sharply on Friday with a drop of about 2 cents in sterling, but later recovered most of the loss as sterling improved. Further declines in rubber and wheat resulted largely from prospects of increasing supplies, while hides, cocoa, and some other commodities were adversely affected by general weakness in the security markets.

The trend of commodity prices, in our opinion, will have an important bearing on the trend of business activity over the next few months. While prices during the past three months have apparently been establishing a foundation for a general rise, and have held up well this week under the weakness in security prices here and abroad, the war developments in Europe introduce a new factor, the effect of which is difficult to estimate.

## Current business developments

### Steel operations

Operations in the steel industry this week increased 2 points to 32 per cent of capacity, which, with the exception of one week in January, was the highest rate since the week of November 15. New orders for steel appear slightly higher than current production. Orders received by the U. S. Steel Corporation during the week ended March 10 were maintained for the second successive week at a level equivalent to about 33 per cent of capacity, while operations of the corporation last week were at 29 per cent. Current predictions in the steel trade are that the spring peak in steel operations may not occur until June, and that the operating rate for the second quarter should average around 42 per cent of capacity.

While an upturn in steel operations has occurred in 4 of the 6 leading districts, the output in the Youngstown district has decreased because of an easing in the tin plate demand (See Chart 2), and output has remained unchanged in the relatively small Buffalo district. An easing of steel scrap prices recently in most districts (shown on the chart) appears somewhat unfavorable.

Steel buying is held to minimum levels by the knowledge of consumers that prices on steel products will not increase and may decline. They also know that with the present low operating rate there will be no difficulty in getting deliveries when needed. Hence present conditions favor a continuation of hand-to-mouth buying policies.

In the meantime, inventories of steel consumers are going down steadily, according to reports of sales executives of the steel companies. In this connection, it is pointed out that companies reporting their inventories as adequate or excessive generally are measuring them against the current low levels of sales, and any sharp increase in sales would find inventories too low.

### Retail Sales

Department store sales continue to improve gradually from the low level reached the latter part of January, but on the whole the improvement has not been as much as the normal seasonal increase. Sales during the week ended March 12 were 15 per cent below those for the same week last year, a slightly more favorable comparison than in the previous week.

Comparisons with last year are likely to be increasingly unfavorable this month, especially during the week ending March 26, since sales in March last year were stimulated by



- 5 -

pre-Easter buying. Easter is three weeks later this year, which will throw the heaviest retail buying into April. Weekly department store sales during that month should therefore make more favorable comparisons with last year.

#### Automobile production

The estimated production of automobiles this week increased only 200 units to a total of 57,600, apparently reflecting the slowness of expansion in retail buying and the previous stocking of dealers by the automobile companies. Ward's Reports mentions that production is remaining slightly behind the pace of retail deliveries. Although the success of the used car sales drive has apparently not yet been reflected in new car buying, it is conceded by automobile companies to have met all expectations, according to early tabulations, and final figures may prove even more favorable.

#### Processing tax

A factor which would tend to stimulate near-term business activity is seen in the introduction of a processing tax proposal by Senator Pope of Idaho, to cover cotton, synthetic yarn, corn, wheat, rice and tobacco, intended as an amendment to the revenue bill of 1938. Since it contains no provision for a floor tax on manufactured products, its effect will be to stimulate buying in advance of the effective date of the tax, at the expense of later business. Its most important effect would be temporarily to increase activity in the textile industry.

#### Carloadings

An improvement in carloadings, which began in the previous week continued in the week ended March 12, contrary to the seasonal trend which is downward at this period of the year. Miscellaneous carloadings, usually considered more indicative of business trends, made a better showing than total loadings.

#### Construction

Residential construction during February showed a greater than seasonal increase from the low January level, with an improving trend throughout the month. The daily average value of contracts awarded increased from \$1,448,000 in January to \$1,819,000 in February, with the last period of the month averaging \$1,949,000. A sharp seasonal increase in contract awards usually occurs during March and April.

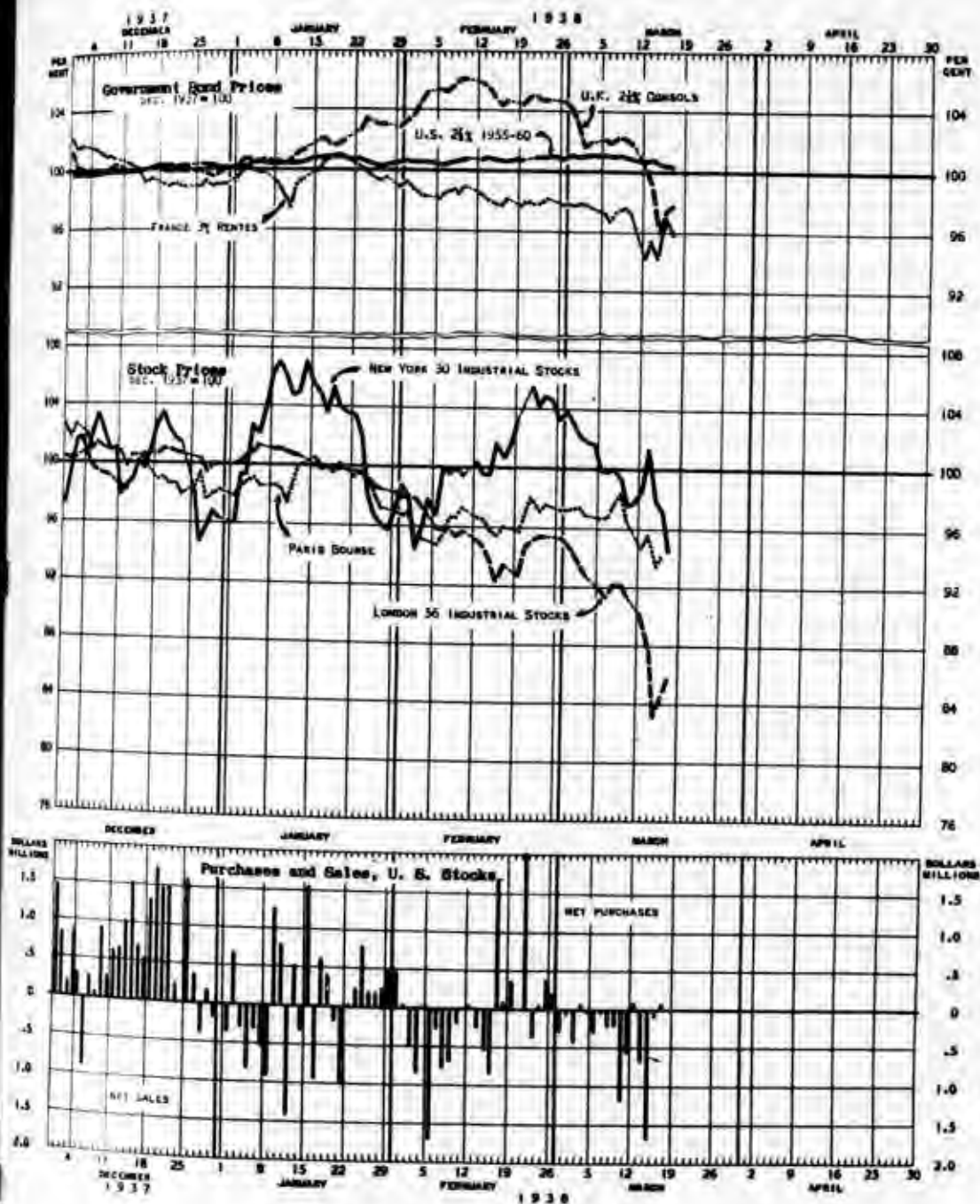


- 6 -

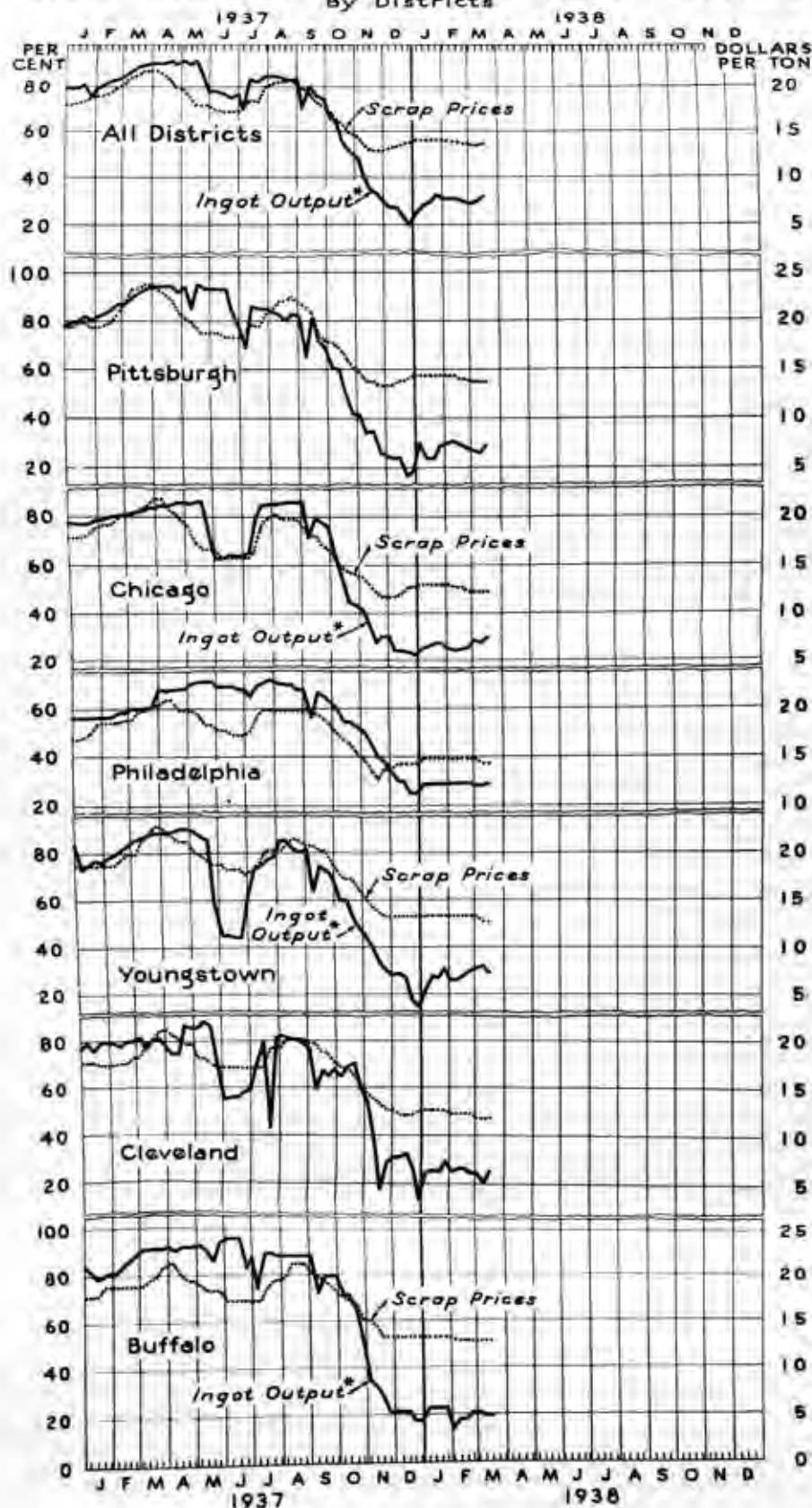
Another greater than seasonal rise in lumber production during the week ended March 12 to an index (adjusted) of 64.6 as compared with 62.1 during the previous week provides further confirmation of an increasing demand from the building industry.

Prices of building materials resumed their downward movement during the week ended March 5, following a short period of stable quotations. The Department of Commerce index, covering a group of leading construction materials, dropped 0.3 to 90.8 in that week. This compares with a peak of 96.7 reached last July.

# SECURITY PRICES IN U.K., FRANCE AND U.S. AND FOREIGN TRADING IN AMERICAN STOCKS



# STEEL INGOT OUTPUT\* AND SCRAP PRICES By Districts



\* In percent of capacity



Monday  
March 21, 1938  
2:38 p.m.

HMJr: Hello.

T.O: Robert Jackson. Go ahead.

HMJr: Hello.

Robert Jackson: Hello.

HMJr: Bob?

J: Yes.

HMJr: Henry Morgenthau.

J: Yes. How are you today?

HMJr: I'm fine. Bob, the President signed that order on cement.

J: Yes.

HMJr: As written.

J: Yes.

HMJr: Over the protest of Henry Wallace, - who didn't think that this was the time to stir up big business.

J: I see.

HMJr: And he made a grievous protest against our going through with it at this time. And I thought it would backyou up to know that the President just simply disregarded it and isn't going to let himself be governed by whether business is good or bad as far as the enforcement of the law is concerned.

J: Well, that's fine. I'm glad to know that.

HMJr: And I thought - I showed him your letter which pleased him very much. So we're in it and we're not going to give it any publicity until we get tie-bids because we may not get tie-bids.

J: Yes.

HMJr: You see?

-2-

J: No, they may - they may heed the warning.

HMJr: Yes. But I wanted to let you know that he unhesitatingly signed it.

J: Yes. Well, that's fine. That's very encouraging.

HMJr: And now we're going to count on you and Thurman Arnold for support if we need it.

J: Yes. Well, he - we got him sworn in this morning so he's ready to do business.

HMJr: And the other thing, the President gave me all this stuff on the monopoly and banks thing.

J: Yes.

HMJr: And said that you and Herman Oliphant should get together and fix something up for him and send it down to Warm Springs.

J: What?

HMJr: Before it came down please to let Homer Cummings know about it - I'll repeat just what he said - so that he subsequently couldn't say he hadn't heard about it. So he gave me your letter to him, see?

J: Yes.

HMJr: Plus everything that we've done and I've dumped it all in Herman Oliphant's lap.

J: Yes. All right. Well, is Herman here or has he gone south?

HMJr: No, he's here.

J: Oh, I thought he was going south.

HMJr: Well, he's not going until at least Friday night.

J: I see.

HMJr: He's not going until he gets this cleaned up.

J: Yes. All right, that's fine.

-3-

HMJr: But the fact that the President went through so fast on this cement thing just tickled me pink.

J: Yes. That is very encouraging.

HMJr: Right.

J: All right, fine.

HMJr: Goodbye.

J: . Thank you. Goodbye.



Monday  
March 21, 1938  
2:40 p.m.

HMJr: Hello.

T.O.: Admiral Peoples.

HMJr: Hello.

Admiral C. J. Peoples: Hello, Mr. Secretary.

HMJr: Admiral.

P: Yes, sir.

HMJr: The President of the United States signed that statement giving you the power to buy all cement.

P: Yes, sir.

HMJr: And Mr. McReynolds has that now and he'll get that over to you. So that's effective today.

P: Yes, sir.

HMJr: And I'm counting on you now to see that we get results. We're not going to give out any publicity until it's necessary. By necessary I mean in case we get tie bids. In other words we'll keep our powder dry, see?

P: Absolutely, Mr. Secretary.

HMJr: And we'll wait until we see the whites of their eyes.

P: Absolutely, sir.

HMJr: And there's no sense of blowing off a lot of publicity because these boys - this will leak out and maybe they'll come through with competitive bids.

P: You mean handle it like an ordinary routine matter, Mr. Secretary?

HMJr: That's right. But the President signed it and McReynolds has it.

P: Sure to be, sir.

HMJr: The rest is up to you.

P: Yes, indeed, Mr. Secretary.

-2-

HMJr: All right. Give it your personal attention, please.

P: We'll get to work on - jump on it right away, sir.

HMJr: And get in the requirements for the various departments.

P: We'll jump on it right away, sir.

HMJr: And watch this fellow McDonald particularly.

P: Yes. He's a little tougher.

HMJr: Well, I hope that's the kind of thing that you can say about him.

P: Yes. (Laughs) Yes, Mr. Secretary.

HMJr: All right.

P: I quite understand, sir.

HMJr: All right.

P: Thank you very much, sir. Bye bye, Mr. Secretary.

Monday  
March 21, 1938  
2:44 p.m.

HMJr: Hello.

Thomas

Blaisdell: Hello. Blaisdell speaking, sir.

HMJr: Blaisdell, I thought you'd like to know that the President unhesitatingly signed the memorandum as it was written at the meeting here, not as it was rewritten by Oliphant.

B: Well, that's fine.

HMJr: And no question at all although I explained to him of Mr. Wallace's position.

B: Well, I'm very much pleased, and I...

HMJr: I thought you would be.

B: And I wish to congratulate you.

HMJr: No, we congratulate ourselves on the kind of President we've got.

B: Well, that's fine. I quite agree with you.

HMJr: And Wallace had already told him how he felt about this....

B: Yes.

HMJr: ...kind of thing.

B: Yes.

HMJr: But I thought you'd to know because when a fellow works hard he of course likes to know what happened to the thing.

B: Well, I certainly appreciate your thoughtfulness, sir.

HMJr: All right. Cheero.

B: Goodbye.



Monday  
March 21, 1938  
2:46 p.m.

198

H. S.  
Klotz:

Hello.

T.O.:

Hello.

K:

The Secretary is going downstairs. He doesn't  
want any calls here until three-thirty.

T.O.:

All right.

100   
March 21, 1938

Some statements by Blum and Auriol prior to the Tripartite Accord regarding realignment of currencies.

Auriol and Blum had taken the position through the summer of 1936 that the French Government "did not want alignment without security or unilateral devaluation, both of which were forms of monetary war". Blum was reported to feel strongly the political impossibility of devaluing the franc unless and until Great Britain and the United States agree to stabilize.

On June 18, 1936, in an interview which Auriol is reported to have given to the press he stated:

"You see that I am fundamentally hostile to devaluation because of the very precautions which are taken to camouflage its repulsive character in the eyes of the public. In fact speaking of devaluation there is the question of alignment. Are the devaluers, who would not be satisfied with a timid cut in our currency, under the illusion of thinking that a strong lowering of the legal definition of the franc would leave the dollar and pound on their present bases? To align there must be a fixed point. But the monetary policies of the Anglo-Saxon countries are in the first place opportunist and everything indicates that they envisage currency conditions and behavior only in relation to themselves. Scarcely aligned, we would immediately be unaligned. For such uncertainties should we sacrifice by devaluing one of the essential articles of a political program and pronounce ourselves against that part of the population which the acts of a government such as ours propose to favor precisely because it is equitable and socially equilibrating to decide so?

On June 17, 1936, Blum was reported (Cablegram 509, June 17, 5 p.m., From Paris) to have stated that he did not think

"any one present, commencing with Caillaux, wanted that devaluation of the franc outside of international agreements and a general contractual alignment".

During the debates in French Chamber on September 28, 1936, the Minister of Finance (Auriol) in reply to assertions that the terms of the Tripartite declaration were vague, stated:

M. Auriol: "At the beginning, we had suggested the drafting of the document along traditional lines. We realized that France favors explicit undertakings,

- 2 -

and that our Latin temperament is entirely impregnated with juridical tendencies and conceptions which, sometimes, have not been beneficial.

"The other countries took a different view, As they saw it, the community of interests, reciprocal comprehension, the loyal respect of the given word, and above all cordial and practical cooperation, was of more importance.

"That is why I say that the fact of securing this practical cooperation between the Governments and the banks of issue is without doubt preferable to the proclamation of the principles which have guided us. The spirit is often worth more than the word, and cooperation in action is worth more than even a formal agreement."

.....

"I render homage to Mr. Chamberlain who was good enough to cooperate personally with us and with the Government of the United States in the elaboration of this arrangement. I shall never forget, as far as I am concerned, the impressive moment when, at midnight on Friday, Mr. Morgenthau asked to talk with me from Washington by telephone, just as we had completed the last terms of the declaration. He spoke these simple words in French: 'I wish you success, and I also wish success for France'."



JR

GRAY

Bern

Dated March 21, 1938

Rec'd 1:23 p.m.

Secretary of State,

Washington.

22, March 21, 5 p.m.

Your 8, March 16, 5 p.m.

One. National Bank's next weekly statement as of March 22 is expected to show large gold loss, approximately one hundred million francs, reflecting loss of confidence in Switzerland as depository for foreign capital as a result of German action in Austria. It is believed that outgoing transfers would have been greater except for further gentlemen's agreement designed to limit influx and now serving useful purpose in stemming precipitous outflow of foreign money.

Two. It is estimated on good authority that loss of foreign capital in the near future may amount to between five hundred million and one billion Swiss francs. Approximately sixty per cent of foreign flight money believed to be of French origin, the remainder German, Italian, Austrian, Rumanian, etc. American short time money in Switzerland probably does not amount to more than one to two per cent of Swiss capital in the United States.

Three.

-2- #22, March 21, 5 p.m., from Bern.

Three. My information is confirmatory of view that foreign exchange control in France is inevitable. One unusually well informed Swiss banker states that French general staff has now come to share Socialists desire for exchange control to keep gold in the country. He believes that it would take four or five months before foreign exchange control plans could be effectively installed in France.

Four. Public subscriptions to four hundred million Swiss francs Federal Railway Loan are understood to have been disappointing. Conversion of holdings of the old railway loans (four hundred and twelve millions) inadequate to cover three hundred million public part of new issue; cash subscriptions being called in at once.

HARRISON

VLP:HPD

RECEIVED  
COPIES 22  
INVESTED VOLUME  
4/12/22 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

JR

GRAY

London

Dated March 21, 1938

Rec'd 2:15 p.m.

Secretary of State,  
Washington.

232, March 21, 8 p.m.

FOR TREASURY FROM BUTTERWORTH.

With the settlement at least temporarily of the Polish Lithuanian dispute the sequence of adverse developments has been broken and British security markets have been stronger today. Likewise the demand for dollars disappeared. Exchange dealers were mostly caught out by the weakness of the dollar against sterling but most of them are nevertheless continuing to operate under instructions not to be short of dollars and to neglect any reversal of the expected trend which may occur on a given day or days. The volume of trading has been much smaller than during last week.

I am told by a source unusually well informed about France that there is every likelihood that a broader based government will be formed but not during the next four or five days and that upon its announcement of the assumption of office the franc rate will be moved to and held at 170 or 175 to the pound.

CSB

KENNEDY



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: March 21, 1938, 5 p.m.

NO.: 440

RUSH

FROM COCHRAN

STRICTLY CONFIDENTIAL.

This evening at 5:00 o'clock I visited the Bank of France. At that time the French control had lost 110,000 pounds in a day in which trading was fairly light. The control was trying to have the franc rate close a little under 163. Today's feature in European trading was the strength of the dollar versus sterling.

On Sunday and again this morning Blum consulted the Bank of France Governor regarding the urgent need of raising Treasury funds. The March 24 statement of the Bank is to show an additional drawing by the Treasury of 1,600,000,000 francs on its credit with the Bank of France. This means that 1,780,000,000 francs constituted the balance in this credit as of March 17. The running needs of the Treasury can just barely be met for the present week with this balance. Under existing law, this is the limit of the borrowing permitted to the Treasury. In the present political circumstances, it is manifestly not possible for the Government to ask for any new loan which would bring in sufficient funds soon enough to meet

- 2 -

meet the requirements of the Treasury.

The Finance Ministry has indicated to the Bank of France its desire to raise funds and has asked the Bank to put in writing at once the technical methods which might be followed to carry out such procedure. At the moment the Bank is working on a memorandum which will be submitted with a covering letter. In this covering letter the Bank will point out the possible repercussions from the various alternatives which it may put forward in accordance with the request of the Treasury.

I understand that the method most likely to be selected by the Treasury is that of asking for immediate legislation which would give the Treasury a new credit with the Bank of France; it is entirely possible that on Tuesday evening such a measure may be introduced before the Parliament.

I understand that the Government hesitates to suggest gold stocks revaluation and the turning over of its profits to the State, feeling that objections thereto would be raised by the Senate. It is reported that Government officials think, however, that a new credit with the Bank of France might be given to the Government by the Senate rather than force Blum out merely on the size of his borrowing

- 3 -

borrowing and assume the responsibility for doing so.

The Government would likely ask for enough funds to run it for the next two and a half months. It may be that Blum is sincere in his avowal that he favors a Government of National Union; however, this desire for funds to run two and a half months would confirm the growing impression that he is determined to maintain his position as Prime Minister and not to let a National Union Government in unless it is one constituted around himself and the Popular Front party.

I believe that the Bank of France will point out to the Finance Ministry that the request for legislation for a new or larger credit with the Bank will likely cause an immediate run on the currency. The Bank believes, furthermore, that should the credit be granted, putting this many new francs into circulation would simply facilitate capital export; therefore pressure on the franc is expected by the Bank.

Should things develop as above suggested, and especially if this Thursday's Bank statement appears as anticipated, it would seem that shortly the Government will have to face the problem of either losing gold from the reserves of the Bank of France, or seeking control of exchange. Operations of the past few days in gold and foreign exchange have not  
been



- 4 -

been large, ~~but~~ therefore these holdings in the stabilization fund are still approximately 2,000,000,000 francs.

END OF MESSAGE.

WILSON.

EA:LWW

RECEIVED  
MAR 25 1939  
TREASURY DEPARTMENT  
Office of the Director  
Economic Warfare and Trade Control

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: March 22, 1938, 1 p.m.

NO.: 442

CONFIDENTIAL.

I give below my impressions of certain aspects of the situation here:

Before the end of the month the financial situation may cause another political crisis. The French Treasury is perhaps without funds and some way to provide funds for month and quarter end requirements must be found. In the Chamber of Deputies measures may be introduced today or tomorrow to provide funds for the Treasury. The procedure most likely to be followed is to ask for authorization to increase the amount which can be borrowed from the Bank of France by the Treasury. Today it is reported that the Government will seek an increase of five billion francs. The Chamber of Deputies would pass such a bill, but it is not certain what the attitude of the Senate would be.

The forming of a Government of National Union is still as problematical as it ever was. On the seventeenth of March the debate in the Chamber of Deputies widened the breach between the Popular Front parties and the opposition; on that date the opposition turned down Blum's repeated appeals for the formation of such a Government. As reported  
in

- 2 -

in a previous telegram, it seems that the formation of a Government of National Union will be possible only in the event of actual danger from abroad or in the event of domestic financial panic.

Since last week there has been a marked diminishing in the tension over the foreign situation; Austria seems to have been forgotten by the people. Reassuring factors have been the settlement of the dispute between Poland and Lithuania, and the statement of Franco with regard to Spain's territorial integrity. The French have indefinitely postponed the debate on interpellations on foreign affairs which was to have taken place today. I am told by members of the Government that the postponement was requested by the interpellators themselves. On the other hand, the opposition states that it was requested by Paul-Boncour. As a matter of fact, the truth probably is that everybody agrees that a public debate on foreign affairs would at the present time be unwise. There will be a secret hearing in the Foreign Relations Committee of the Senate probably tomorrow instead of a debate.

There seems to be less fear over the likelihood of early aggressive action against Czechoslovakia by the Germans. However, should there be another political crisis here with the country again without a Government for  
several



- 2 -

several days, Hitler would have another invitation to take action.

END MESSAGE.

WILSON.

EA:LWW

## PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: March 22, 1938, 5 p.m.

NO.: 443

RUSH

FROM COCHRAN.

Reference my 440, March 21, 5 p.m.

Legislative measures for increasing Treasury's credit with Bank of France by five billion francs and for transferring profits (amounting to around three billion francs) of stabilization fund to newly created national defense fund were approved in this morning's Cabinet meeting. Finance Committee of Chamber passed them this afternoon and debate thereon in the Chamber of Deputies is scheduled for tonight.

These measures comprise two separate bills, together with conventions with the Bank of France, which are characterized as provisional means for meeting immediate Treasury needs, to be followed by a general financial program, some indication of which may be given in a speech tonight by budget Minister Spinasse. Profits of stabilization fund are estimated on holdings as of March 22 compared with original endowment of ten billion francs.

At 5 p.m. I had a talk with the Bank of France. All day the market was rather nervous but there was a light turnover.

- 2 -

turnover. This evening the control purchased slightly more than enough sterling to offset the amount which had been sold earlier today.

My contact at the Bank said he is sure that the Chamber will pass the above-mentioned measures. In banking circles the outlook for passing the Senate is also considered increasingly favorable, since the funds are demanded on the ground of national defense.

WILSON.

EA: LWW

RECEIVED  
NOV 23 1938  
TREASURY DEPARTMENT  
U.S. DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.



## GROUP MEETING

March 22, 1938.  
9:30 A. M.

Present: Mr. Oliphant  
Mr. Gaston  
Mr. Haas  
Mr. Taylor  
Mr. Gibbons  
Mr. Lochhead  
Mr. Bell  
Mr. McReynolds  
Mrs. Klotz  
Mr. Magill (For brief period)

H.M.Jr: Herbert, did you call the White House about the bank holdings?

Gaston: Yes sir. I talked to Hassett.

H.M.Jr: It doesn't look as though the Wall Street Journal quite played fair with us.

Where is McReynolds?

(To Mr. Taylor:) I'm glad you're back.

McReynolds: (Entering room) The House Banking and Currency Committee phoned that they will be glad to hear Mr. Morgenthau on the Patman bill next week.

H.M.Jr: In the absence of Mr. Morgenthau, Mr. Taylor will report.

Taylor: I had the same note from Mr. Upham.

H.M.Jr: Between you and Mac we'll take care of it. Mac will tell them I'm out of town. I am not saying you have to go up or anything, but I am saying Mac will tell them I'm out of town.

Oliphant: What's that - taking over the tax .....?

Taylor: Yes. I think if we started .....

H.M.Jr: (To Mr. Oliphant) Do you want to testify?

Oliphant: No. Glass was on it a good while.

H.M.Jr: I didn't know whether you wanted to testify.

All right, that's that.

Mac, what have you got there?

McReynolds: Well, Steve promised Jimmy Roosevelt yesterday morning he'd send these things over so the President could send them up today - about that fellow Lafferty being appointed Comptroller of Customs at Philadelphia and that fellow McGrath being appointed Collector of Customs at Boston. While they are not enthusiastic about either one of them they both cleared.

H.M.Jr: In other words we are to make a good "woman" out of Steve.

Gibbons: I didn't promise anything. I told them they were enroute; that you hadn't signed them.

McReynolds: That's my way of putting it while you are present, Steve; that's a safe statement as long as you are here.

H.M.Jr: Well, as far as you know they haven't committed grand larceny?

McReynolds: We could be almost certain of that.

Gibbons: They can't either - in either of the jobs.

McReynolds: They won't have any chance of stealing anything.

H.M.Jr: That's all right.

Gibbons: If they were Collectors of Internal Revenue it would be different.

H.M.Jr: Mac, what I talked to you about last night, I talked to Magill and he's satisfied. I said for you to draw up everything and you'd show it to him tomorrow. He's satisfied. It's up to that other fellow then to get busy, see? Huh?

McReynolds: Yes sir. O. K.

H.M.Jr: In the next twenty-four hours will you show it to Jake while he's here?

McReynolds: Is Jake going to be here tomorrow?

H.M.Jr: No.

McReynolds: I'll talk to him today.

H.M.Jr: Is Harold (Graves) back?

McReynolds: I just talked to him on the phone. That's why I was late.

H.M.Jr: Were you late?

McReynolds: Well, everybody was seated when I came in.

H.M.Jr: That's funny - I hadn't noticed. (Laughter)

McReynolds: He said everything's all right over there, and needs - the personal assignments are not so hot; they can make some improvements in it, but there is really nothing to worry about.

H.M.Jr: No grand larceny?

McReynolds: No grand larceny.

H.M.Jr: Mr. Bell?

Bell: I don't believe we are going to get more than - receive even seven ten in taxes - will be about forty-six million below the estimate.

H.M.Jr: All right, and so what?

Bell: Well, I understood Mr. Magill to say he was going to make a statement this morning before the Committee and if a lot of figures - did he have in mind giving any estimate George?

Haas: I don't know. I don't think so.

H.M.Jr: (Over telephone) Ask Magill if he could step in here a moment - tell him to step in here a moment.

Bell: I think it would be better if he could avoid that a few days.

Haas: You get the Bureau report this morning?



Bell: Eleven o'clock, yes.

H.M.Jr: What else?

Bell: That's all.

H.M.Jr: Now tomorrow - gosh, I wanted to talk to Mr. ....

(Mr. Magill enters.)

(To Mr. Magill.) Magill, before you go on the Hill I thought you'd like to know that Bell's best estimate is seven ten.

Magill: Instead of seven forty-six?

H.M.Jr: And he also said he thought you'd better keep away from them entirely. He had these figures for you this morning before you went up. Would he be safe in saying a minimum of seven hundred?

Bell: Oh yes, I think he'd be safe on that.

Magill: Suppose I say nothing about it unless they ask me about it?

H.M.Jr: That's all right. If I were going up I'd say "All I can say, gentlemen, is as of today; I think we will get at least seven hundred, but how much more I don't know. We'll know in another week." That's what I'd say.

Magill: (To Mr. Bell) Have you got a paper there for me?

Bell: No, just a rough estimate showing how the five eighty-seven to date compares on the basis of last year. Take that if you want to.

H.M.Jr: (Over telephone while Mr. Magill and Mr. Bell were talking.) ..... who's coming tomorrow for lunch and who's heard from and who hasn't. Give it to Miss Chauncey.

(To Mr. Magill) I thought you might want that.

Magill: I'll add that to my collection - in my files. That will take place right after the Lehman letter I had Saturday.

H.M.Jr: And Berkshire?

Magill: Berkshire said he'd be up there this morning.

H.M.Jr: Is he in favor of keeping it down to two dollars?

Magill: I told him he was. (Laughter)

H.M.Jr: All right. You're a good fellow.

Klotz: That is marvelous.

H.M.Jr: This is getting to be a good crowd.

Klotz: Oh, I love it.

H.M.Jr: (Nods to Mr. Lochhead.)

Lochhead: Although the exchanges are quiet, the reports coming in now show the gold movements are starting this way. We feel there are fairly good totals. I don't know whether or not we will arrive at the end of the month, to go beyond a hundred million or not but it will be a typical situation. I am in touch with Bell's office to determine whether there is any leeway.

H.M.Jr: As Magill said of Mr. Berkshire, you will see that there is a hundred million.

Lochhead: I have tried to. I was asking him if that wasn't through.

H.M.Jr: The New York Times had it - I can't look at Bell and Gaston both at the same time.

Bell: I had nothing to do with it. It's news to me.

Gaston: We didn't give them out anything since the day we announced this policy. We gave them the whole story about reduction of national currency.

H.M.Jr: Well, the Times had it. (To Mr. Gibbons) You didn't have anything to do with it?

Gibbons: It's all Greek to me.

H.M.Jr: To me too, and the New York Times.

- 6 -

Bell: We have twenty million leeway now.

H.M.Jr: How about reduction of national currency - do we or don't we?

Bell: I think we can.

H.M.Jr: What do you mean - can't you? Huh? Well listen, you and Archie and one Taylor discuss the thing tomorrow morning and come in and give me the answer, will you? See if you can get together.

Bell: Are you going to see them in the meantime and inform them to tell me how I think about it?

H.M.Jr: No, I'll play fair with you. I promise not to see them. Of course, the more --(inaudible)-- I'll let you have them in their winter coat. All right?

Bell: All right.

Lochhead: All right.

H.M.Jr: What else.

Lochhead: (Nods "No.") Nothing more just now.

Gibbons: I wrote the letter to Mr. Ickes about the Coast Guard plane that we were sending.

H.M.Jr: And told him what?

Gibbons: Told him there was an order came over that Dean Acheson acknowledged and I had never seen it, and it goes a lot further than I thought - you or I ever thought of. I told him nobody, except in case of life or death was to be flown, outside of military and naval service.

H.M.Jr: I was right then. There is such an Executive Order?

Gibbons: The question, even I thought - Mac thinks I'm wrong, but without having that modified there is a question as to whether or not we could fly alcohol tax people and narcotic men - it goes all the way. I am going to turn it over to Oliphant. But, however ---

H.M.Jr: Can you and I fly?



- 7 -

Gibbons: Yes, you and I can fly.

Bell: You interpreted it right.

Gibbons: I told Mr. Ickes he undoubtedly had a copy of it - he had been sent a copy by Mr. Dern.

McReynolds: You are entirely familiar with the way we handled --(inaudible)-- down at Fort Belvoir. It doesn't limit, as via the authority of you, to designate anybody within your Department.

Gibbons: I think that is right.

McReynolds: I think the limitations go through to somebody outside your Department and not within.

Gibbons: I am going to turn it over to Oliphant.

H.M.Jr: Mrs. Klotz asked a good question. She said, "Why don't we take them on a cutter?"

Gibbons: That is a point I'm asking Mr. Waesche to determine. I don't see the line of demarkation.

McReynolds: Of course the order - it wasn't a Presidential order - it was merely a report made by Dern, the Secretary of War; Navy, and Commerce, and the President transmitted it and said, "I wish you'd carry this out."

Gibbons: Well that is a question that suggests itself to me.

H.M.Jr: Well, between you .....

Gibbons: Well, the letter went out to Mr. Ickes.

H.M.Jr: ..... and the thousand lawyers we've got, fix it up.

Oliphant: Eleven hundred this morning.

H.M.Jr: Eleven hundred now? All right.

Gibbons: That letter can go out to Copeland.

H.M.Jr: Oh, I think I can get this thing straightened up. A day or so won't make any difference?

- 8 -

Gibbons: No.

H.M.Jr: I can get this thing straightened up.

Gibbons: It's just one of those things.

H.M.Jr: I told Mrs. Klotz to pass the word on it to you people.

Klotz: We just decided it about ten minutes or so ago.

Gibbons: Well, that same question came up in my mind - "Why one and not the other?"

H.M.Jr: You otherwise?

What I was going to say to you, Mac, I think I'd call up Burlew and explain to him on the cement thing. He gets a message from Peoples that they are going to buy cement and everything. After all, Agriculture knows all about it, but Ickes doesn't, and Ickes might just as well come out and say that - well, I don't know what. I mean, that is the way - he made a long statement on T. V. A. and retracted it about building municipal plants. So tell Burlew what it's all about.

Wayne, did you go below sixty?

Taylor: (Nods "No.") Just a few little touches, and I think .....

H.M.Jr: Wayne, tomorrow at one o'clock Ransom, Jesse Jones, Taylor, Oliphant, Haas, Upham - on the question of one James Roosevelt for lunch to discuss loans, and I wish - oh, and one Bell.

McReynolds: Also Taylor.

H.M.Jr: Taylor is down, but not Bell. Now I wish my group would get together before then and have an agenda for me.

Oliphant: I have here an analysis of .....

H.M.Jr: Yes, but put that in form of an agenda. Have it ready for me tomorrow morning. Huh?

Taylor: Right.

Oliphant: Tomorrow morning - nine-thirty.

H.M.Jr: Will you, fellows?

Taylor: How would quarter of eleven do as a practice run today?

Bell: I have a hearing at eleven o'clock, but I don't have to be there. Is that just the agenda on the bill or the whole subject?

H.M.Jr: What the President did, he picked up every piece of paper on his desk - in his basket - and sent it over - "Everybody's written us on this thing."

(Holds side conversation with Mrs. Klotz.)

And so then he said, "Whip this thing into shape and see what you can do on it for me." He sent it down, you see, - so Douglas wanted to work with us alone, but I told him I didn't have the time, and I think if we handled it just the way we did that bank bill we'll get something on the thing, but I think we ought to have an agenda, so if you fellows would do that for me I'd appreciate it. All right?

Taylor: (Nods "Yes.")

H.M.Jr: Incidentally, I was just congratulating myself on the way the Treasury assumed the leadership in the Government bond market. The Government bond market is back to where it was, and I compared it on George Haas' chart as to what the English Consul had done and my chest swelled up with pride. Every time they were meeting over there the Government bond market was going up, so the discussion was kind of .....

Taylor: Academic.

H.M.Jr: ..... academic, yes. Well, work on it anyway. George, that was a good report on business.

Haas: Thank you.



- 10 -

H.M.Jr: What else?

Haas: I have nothing new. You no doubt have seen the steel activity figure, which is 34.7. That is ex-automobile - there is practically no automobile. I have nothing else.

H.M.Jr: Two things I am looking for. One is the report that comes in every day from Mr. ....

Bell: Ross.

H.M.Jr: ..... Ross on unemployment, and the one from Clark on figures on housing - those two things.

(Speaks aside to Mrs. Klotz.)

Haas: Oh yes, that reminds me. On this thing Miss Lonigan - you want her to take Illinois and Chicago?

H.M.Jr: I don't care about that. Take that and Byron - it's a big city.

Anything else, George?

Haas: Nothing.

H.M.Jr: Gaston, you got any more foolish figures on tax receipts?

Gaston: I expect to get some about by one o'clock. We expect to make good by one o'clock. Seven fifty, Dan?

H.M.Jr: How much?

Gaston: Seven fifty.

H.M.Jr: Listen - (Points to Mr. Gaston) a dime to a nickel that it won't be seven forty-five.

Gaston: All right, I'll take you.

H.M.Jr: Put up the dime. Mrs. Klotz will take the money.

Gaston: That is collection basis for the --- (inaudible - too many talking)

H.M.Jr: What is the other way?

Klotz: I can't take a bet that I don't know anything about.

- 11 -

Gaston: The other way is the daily Treasury statement.

H.M.Jr: Which is clearer?

Bell: Basis of the statement I send down to you which represents --(inaudible)-- actual collections credited to the Treasury account in the Federal Reserve Banks.

Gaston: That's a daily statement.

Bell: The daily statement has the daily hang-over at the end of the month.

Gaston: It isn't credited until the banks are clear.

H.M.Jr: I'm betting you ten cents to a nickel.

Gaston: All right, I want a nickel (change). It won't go to forty-five?

H.M.Jr: On the statements that come down to .....

Bell: Including figures for the thirty-first of March.

H.M.Jr: That it will not show seven hundred forty-six million receipts.

Klotz: I see.

H.M.Jr: I'm betting ten cents to a nickel that it will not equal forty-six.

Gaston: I thought it was seven forty-five.

H.M.Jr: Seven forty-five.

Gaston: Seven forty-six was the estimate, but you said seven forty-five.

H.M.Jr: Anybody want to half that bet?

Taylor: Yes - on your side.

H.M.Jr: Well, put up the nickel. (Laughter)  
(Mr. Taylor puts up the nickel.)

Now you know why I am Secretary of the Treasury.  
All right.

- 12 -

Gaston: Well, somebody's got to cover Wayne's nickel.

Haas: I'll cover it. (Mr. Gaston starts to put up another nickel.)

H.M.Jr: No, I'm betting ten cents to a nickel.

Gaston: Oh, he sold half of his bet.

Lochhead: He is reinsured.

H.M.Jr: I've got one with Ireys.

All right. Any more business.

Gaston: No, I don't think so.

H.M.Jr: Mr. Oliphant?

Oliphant: No.

H.M.Jr: The most important thing, Wayne, that happened while you were gone was that yesterday the boys came in with a swell report that the Procurement should buy all cement for the Government and that if we should get time in - we refer the matter to the Department of Justice, and Mr. Wallace wouldn't sign the report. The other people signed it, but he said he thought this was the wrong time to do anything; it might irritate big business, and he put up a big plea that we shouldn't do it. We said we've got to sit down on big business shortly to fight out this thing. We couldn't look at our charts to see whether the charts going up or down. Told the President about it - Wallace had had the same talk with the President. The President said he just couldn't understand what Wallace was getting at. When he asked Wallace two or three times what he meant Wallace was sort of glossy over the whole thing, but the result was that the President signed it. A most amazing performance.

Oliphant went to see Wallace, to plead with him, with Lubin and Blaisdell, but unsuccessfully - he wouldn't change his position. Most amazing. Nobody around could understand it.

Taylor: Thurman Arnold going to work on that?



- 13 -

H.M.Jr: Only if - yes, but it may never happen. Only  
if they break the law.

Anything else?

Oliphant: No.

H.M.Jr: I've got you down at ten fifteen, George, this  
morning.

Haas: That was yesterday morning.

H.M.Jr: You come back at ten fifteen. I want to talk to  
you.

All right.

EMPLOYMENT ON WPA PROJECTS, BY STATE  
UNITED STATES AND TERRITORIES  
Weeks Ending March 19 and March 12, 1938  
(Partly Estimated - Subject to Revision)

State	Number of Persons Employed		Increase or Decrease (-)
	Week Ending March 19	Week Ending March 12	
GRAND TOTAL	2,356,875	2,213,865	+ 113,010
CONTINENTAL UNITED STATES	2,354,350	2,211,329	+ 113,021
Alabama	35,071	33,025	+ 2,046
Arizona	8,370	8,206	+ 164
Arkansas	31,941	29,551	+ 2,390
California - Total	91,000	89,186	+ 1,814
Northern	49,623	48,556	+ 1,067
Southern	41,457	40,630	+ 827
Colorado	27,484	26,474	+ 1,010
Connecticut	21,386	21,006	+ 380
Delaware	2,986	2,781	+ 205
District of Columbia	7,739	7,368	+ 171
Florida	30,712	30,023	+ 689
Georgia	36,247	35,547	+ 1,350
Idaho	11,164	11,228	- 64
Illinois	191,326	166,800	+ 24,526
Indiana	93,758	81,555	+ 2,233
Iowa	29,070	27,555	+ 1,515
Kansas	33,308	32,254	+ 254
Kentucky	48,042	47,394	+ 648
Louisiana	31,319	31,001	+ 318
Maine	7,015	7,382	- 367
Maryland	11,900	11,734	+ 116
Massachusetts	96,677	94,422	+ 2,255
Michigan	114,201	104,472	+ 9,729
Minnesota	38,387	38,004	+ 383
Mississippi	29,463	28,197	+ 1,276
Missouri	83,158	77,040	+ 6,118
Montana	18,044	17,734	+ 310
Nebraska	28,563	28,550	+ 13
Nevada	2,668	2,626	+ 42
New Hampshire	7,727	7,405	+ 122
New Jersey	77,726	74,716	+ 3,010
New Mexico	9,451	9,031	+ 420
New York City	148,738	145,990	+ 2,748
New York (Excl. N.Y.C.)	52,399	52,503	- 104
North Carolina	30,574	29,883	+ 691
North Dakota	12,065	14,826	+ 179
Ohio	197,322	172,253	+ 24,069
Oklahoma	59,642	57,466	+ 2,176
Oregon	16,410	16,244	+ 166
Pennsylvania	210,237	200,775	+ 9,462
Rhode Island	12,431	12,216	+ 215
South Carolina	29,444	28,194	+ 1,250
South Dakota	17,375	17,646	- 71
Tennessee	30,451	29,934	+ 457
Texas	74,666	73,383	+ 1,282
Utah	9,450	9,318	+ 112
Vermont	5,110	4,884	+ 226
Virginia	22,497	22,447	+ 50
Washington	45,903	43,628	+ 2,275
West Virginia	40,138	39,456	+ 682
Wisconsin	62,903	59,417	+ 3,486
Wyoming	4,533	4,389	+ 144
Hawaii	2,525	2,536	- 11

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE: March 22, 1938

TO Secretary Morgenthau

FROM M. A. Harris

The Federal Reserve System has sold this morning 7 million of various long term Treasury bonds. In the last few minutes, prices have eased 1 and 2/32nds from their highs of the morning but remain steady at levels 1 to 3/32nds up from last night's close.

Mr. Matteson at the same time asked me if we wished to participate in these sales.



Tuesday  
March 22, 1938  
11:27 a.m.

228

W. R.  
Burgess: Oh, hello, Henry.

HMJr: Hello. Randolph?

B: Yes, sir.

HMJr: No, I have no bonds for sale today, thank you.

B: (Laughs) How did you know that's what I was going to ask?

HMJr: Yes - gosh, what a man!

B: (Laughs)

HMJr: Up to-day and down tomorrow, the same old Wall Street racket. I suppose you're feeling a little bullish today.

B: That's the way the market behaves.

HMJr: Yeah.

B: You know we've been selling some separately.

HMJr: No, I didn't. But I just took it perfectly for granted that if you could make a three thirty-seconds profit you'd grab it.

B: We get more than three thirty-seconds.

HMJr: Yes.

B: We get about a half or three-quarters.

HMJr: Yes.

B: Well, it's going too fast, it shouldn't go as far - as fast on this upside.

HMJr: Yeah.

B: It's darn near up at the very top, you know.

HMJr: Yeah. Well, as long as the System has long-term Government bonds to sell, why, why worry me?

B: Well, I just wanted to ask you the question, that's all.

-2-

HMJr: All right. You want me to share the opportunity?

B: That's right, yes. I didn't think you'd want to sell because I knew you had some pockets which were kind of empty of securities.

HMJr: Yes. Well, the profit isn't quite enough for us.

B: (Laughs) O. K.

HMJr: We can't get around under a point you know.

B: I see.

HMJr: After all this is just feeding the brokers - on a thirty-second.

B: Well, you let us know any time you want to do it.

HMJr: I see. Kind of hungry down there?

B: And I'll let you know when we need to buy.

( HMJr: (Laughs)

B: (Laughs)

HMJr: Well, it worked all right, Randolph, didn't it?

B: I think it worked very well indeed, - yes.

HMJr: Now...

B: We're getting some compliments from the market here.

HMJr: Oh really?

B: Yes. They like the way we've handled it...

HMJr: Yes.

B: They like - they like the selling as well as the buying.

HMJr: You're getting the compliments?

B: Well, we - we.

( HMJr: We...

-3-

B: (Laughs) We're all partners in this enterprise.

HMJr: What?

B: We're all partners in this enterprise.

HMJr: Yes. Because I notice when you do the buying it's, "That damn Treasury!"

B: (Laughs) Oh, no, no. No, it's, "The damn Federal Reserve" very often.

HMJr: I see.

B: Yes.

HMJr: Well, I tell you, the Fed ~~needs the compliments~~ more than we do, we're glad to let you have them.

B: (Laughs) There's something in that.

HMJr: Well, I'm tickled to death anyway that one thing should come through stable.

B: Well, that's very nice. I saw your statement about the tax receipts. That looks pretty good, doesn't it?

HMJr: I hope so. (Laughs)

B: Well, it's still got a few days before the end of the month, hasn't it?

HMJr: Yes. The boys are - I think - I'm afraid the boys are a little over enthusiastic / the figures they gave me. from

B: I see. Yes.

HMJr: Not too much, but maybe ten or fifteen million.

B: Yeah. Yeah. Yes. Well, it's within range anyway.

HMJr: Yeah.

B: Yeah.

HMJr: Yes.

B: Yes.



-4-

HMJr: And we'll make up our mind tomorrow about the bill business.

B: I see. Yes. Well, the market needs more bills, the way they took these things.

HMJr: Oh, that's what you called me up for, hey?

B: No it isn't.

HMJr: (Laughs)

B: No, I didn't have that in mind at all.

HMJr: I see. Well I can't see you so it's not fair.

B: (Laughs)

HMJr: I think I'll put in television.

B: (Laughs) We ought to have that you know.

HMJr: Absolutely.

B: That would help a lot.

HMJr: Absolutely.

B: I'd like to have that.

HMJr: Well, I'm glad to see the Government bond market is putting its stamp of approval on the Roosevelt Administration.

B: Well, it's very nice, isn't it?

HMJr: Yes, it is.

B: Yes, sir.

HMJr: O. K., Randolph.

B: Fine.

HMJr: Goodbye.

B: Goodbye, Henry.

Tuesday  
March 22, 1938  
4:28 p.m.

HMJr: Hello.

T.O.: Mr. Jones. Go ahead.

HMJr: Hello.

Jesse Jones: Hello, Henry.

HMJr: How are you?

J: All right.

HMJr: Are you alone?

J: Yes.

HMJr: Jesse, there's the usual lot of little politics going on over this loans to industry, see?

J: Yes.

HMJr: And I don't know whether you saw this story about Wagner's having a meeting tonight.

J: I was called up by the newspaper fellows about it.

HMJr: Well, the fellow who is doing it - I don't know - maybe you know. Do you know who's doing it with him?

J: No, I don't.

HMJr: Well, It's John Fahey.

J: Oh, it is.

HMJr: That's who's going up there. And I did not ask him tomorrow. It was suggested a little while ago that I should ask him for lunch tomorrow, and I said, "Well, what the hell has John Fahey got to do with loans to...."

J: That's right.

HMJr: And I said, "The President gave me all the documents from everybody who has written him anything and told me who to have," and I said, "he didn't mention John Fahey."

-2-

J: Yes.

HMJr: And I said, "Anyway, some of the rest of us would like to have a chance to talk."

J: We wouldn't have under those circumstances.

HMJr: No.

J: Absolutely.

HMJr: I thought you'd like to know. And - just like that time that they were going to build -

J: Build houses.

HMJr: - houses and as far as I'm concerned I've made no commitments to anybody.

J: Yes.

HMJr: And I'm not going to until I listen - and I'm not getting excited either.

J: That's right.

HMJr: And it's just the same kind of drive that we had last time.

J: All right then, - I think it's wise not to have him.

HMJr: I don't...

J: I don't see - and, Henry, if everybody is going to do it why nobody's going to do it.

HMJr: Well...

J: Isn't that right, - ?

HMJr: That's right. And I don't see where - Fahey had better look after his foreclosures.

J: I think he's got enough to do.

HMJr: Well, I think so. And I just wanted to check with you - I mean...

J: Well, that's - Well, I'm glad you did. Now...



-3-

HMJr: Because I saw the President yesterday and today -  
you saw me come out -

J: Yes.

HMJr: And he gave me the list - who I should have.

J: Yes. Who are you having?

HMJr: Well, we're having Ransom, Douglas, yourself and  
then the people from the Treasury.

J: Well, that's enough.

HMJr: Including Bell.

J: That's enough.

HMJr: What?

J: That's enough.

HMJr: As a matter of fact when we sit down ten strong  
anyway.

J: That's all right.

HMJr: I had to ask my wife to have a couple of chickens  
killed.

J: Good for you!

HMJr: (Laughs)

J: Good for you. I like her - tell her, I like her  
cooking.

HMJr: (Laughs)

J: (Laughs)

HMJr: All right.

J: Thank you, Henry.

HMJr: Goodbye.