DIARY

Book 125

May 16 - May 23, 1938
Architectural Competitions
See Procurement Division

Bank Examinations
McKee (Federal Reserve Board) expresses concern to Upham over success of efforts at agreement - 5/16/38.  CXXV 135

Bank of America
Conference between Crowley and Giannini in California discussed at 9:30 meeting - 5/23/38.................. 403

Board of Tax Appeals
Reappointment of all four members (Arundell, Kern, Opper, and Tyson) discussed at 9:30 meeting - 5/16/38...
  a) Farley behind HMWr 40
  1) Conversation with Farley.............................. 3
  b) Gibbons thinks Garner will stand by also (telephone conversation on page 6)

Kitchin (Mills) again discussed at 9:30 meeting - 5/17/38...
  a) Memorandum from HMWr to FDR - 5/17/38.............. 189
  1) Suggests that Attorney General be consulted concerning ability
  2) Reiterates recommendation that Arundell be reappointed

Budget
FDR given "estimates and appropriations, fiscal year 1939, including reappropriations and contract authorizations" - 5/23/38.......................................................... 385

Business Conditions
See also Unemployment Relief
Lubin memorandum: List of manufacturing industries in which Government purchases might contribute to reemployment and larger payrolls - 5/16/38.................................................. 75

Haas memorandum on the business situation for week ending 5/14/38.................................................. 126

Haas memorandum on the business situation for week ending 5/21/38.................................................. 428

Cement
See Procurement Division

China
Memorandum from Embassy on progress of the Kunming-Rangoon Highway - 5/20/38................................. 374
Comptroller of Currency
Marketability feature of securities in which national banks can invest discussed at 9:30 meeting - 5/17/38. O'Connor (J.F.T.) consulted by HMJr on understanding as to holding job open - 5/19/38.
Farley tells HMJr he has recommended to FDR that position of Comptroller of Currency be left open for a few months - 5/20/38.
Covington, Kentucky
Post Office and Court House: See Procurement Division, Architectural Competitions
Czechoslovakia
Knock discusses problem with Bolton (Bank of England) - 5/18/38.
Feis gives HMJr resume of situation - 5/23/38.

Financing, Government
6/15/38 - Preliminary discussion with Burgess - 5/16/38.
Memorandum from M. A. Harris - 5/25/38.
Limit placed on amount of bonds outstanding discussed by HMJr, Bell, and Senator Harrison - 5/18/38.
France
See Stabilization

Genesee Valley Gas Company
See Holding Companies
Giannini, Amadeo P.
See Bank of America
Gold
Lochhead memorandum: "Principal amounts of gold held under earmark by Federal Reserve Bank of New York" - 5/20/38.

Government Bond Market
Resume - 5/16/38.

Great Britain
Resume of public offerings from April 26, 1937, to date.

Holding Companies
Genesee Valley Gas Company:
Treasury advises Securities and Exchange Commission it has no objection to proposed plan of reorganization - 5/16/38.
Kitchin, Mills
See Board of Tax Appeals

Law Enforcement Activities (Treasury), Coordination of Meeting of Committee - Graves presiding because of Irey's illness - 5/18/38

"Marketability"
For discussion of this feature of securities in which national banks can invest, see Comptroller of Currency

Mexico
Feis and Livesey invited to work with White on new plan - 5/16/38
White reports on conference with Feis in re tentative proposal of silver loan - 5/18/38

O'Connor, J. F. T.
See Comptroller of Currency

Personnel, Treasury
See Unemployment Relief

Procurement Division
Architectural Competitions:
Program as planned - 5/16/38
HMWr and Peoples confer concerning committee - 5/17/38

Cement:
Memoranda from Olyphant and Captain Collins (Procurement Division) concerning cement bids for Bureau of Reclamation project at Shoshone, Wyoming - 5/17/38
a) Bids invited at f.o.b. mill prices; location of project used in invitation
Stettinius consulted about cement bids to be sent out f.o.b. mill - 5/18/38
Young (President, Lehigh Portland Cement Company) also consulted about cement bids - 5/19/38
Blaisdell memorandum on cement prices - 5/19/38
Conference with Stettinius and Smyth (President, Universal Atlas Cement Company); present also: Peoples and McReynolds - 5/20/38
HMWr confers with Young; present also: Peoples and McReynolds - 5/20/38
Procurement Division (Continued)

Central purchasing agency "to level out peaks and valleys of buying" discussed by HMIr, Peoples, McReynolds, Gaston, and Oliphant - 5/17/38................. CXXV 179

Public Utilities
See Holding Companies
Purchasing, Government
See Business Conditions
" Procurement Division

- R -

Relief Appropriations
See Unemployment Relief
Revenue Revision
Revenue Act of 1938:
HMIr asks FDR for appointment for himself and Magill
to discuss - 5/17/38........................................ 185
a) HMIr so informs Bell........................................ 184
b) Magill memorandum on conference with FDR and
HMIr - 5/18/38........................................ 266
c) Drafts of statement to be issued by FDR when
tax bill is signed........................................ 271

- S -

Saint Elizabeth's Hospital
Illegal commitment of 180 patients discussed by
Oliphant at 9:30 meeting - 5/17/38..................... 151

Silver
See Mexico

Spain
Knocks discusses problem with Bolton (Bank of England) -
5/18/38........................................ 211

Stabilization
France:
Decree published authorizing Minister of Finance to
grant advances without interest reimbursable at any
time to the exchange stabilization fund from the
resources of the Treasury........... 5/18/38........ 214

Repatriation of French funds: Butterworth reports
£85 million repatriated since May 4th, of which as
much as £65 million went from the London market -
5/21/38........................................ 379

Sweden:
Federal Reserve Bank of New York receives order from
Sveriges Riksbank of Sweden to sell one million pounds
at best: HMIr reports this to Bewley since this is
first order of this nature received since formation of
Tripartite Agreement and since the Russians "dumped"
one million pounds on United States market - 5/21/38... 382

Regraded Uclassified
<table>
<thead>
<tr>
<th>Book</th>
<th>Page</th>
</tr>
</thead>
</table>

Stettinius, Edward
See also Procurement Division: Cement
100% back of Monopoly Message - 5/16/38

Surplus Commodities Corporation (Federal)
See Unemployment Relief

Sweden
See Stabilization

- T -

Tax Appeals, Board of
See Board of Tax Appeals

Taxation
See Revenue Revision

Temple University
Myers (Farm Credit Administration) consulted about
degree offered HMJr - 5/17/38

Transamerica
See Bank of America

Treasury Personnel
See Unemployment Relief

- U -

Unemployment Relief
HMJr asks Wallace about progress of plans for Cleveland,
et cetera - 5/16/38
a) HMJr does not approve destruction of commodities
b) Hopkins says there is starvation in seventeen
Southern states, just as there is in Cleveland

Parren consulted about undernourishment throughout
country - 5/16/38

Surplus Commodities Corporation (Federal): Outline of
organization, et cetera

Wallace letter stating that distribution of wheat flour
to Cleveland, Toledo, Chicago, et cetera, will begin
5/18/38
a) HMJr’s acknowledgment

Chicago relief situation:
a) Herald Tribune article: "Chicago halts cash relief;
91,000 put on short rations"
b) Gaston memorandum
Babcock (H. E.) consulted about surplus crops - 5/19/38
Hopkins tells HMJr of conference with FDR concerning item
in relief bill that up to $50 million can be spent for
direct relief - 5/23/38
Mrs. FDR and HMJr discuss situation - 5/23/38
### Unemployment Relief (Continued)

**Treasury Accounting:**

**Glass letter:**
- Conference to discuss; present: HMJr, Oliphant, Bartelt, Haas, and Gaston - 5/16/38
  - a) For drafts, see pages 45, 47
  - b) Conversation with Glass

**Conference with Hopkins:** present: HMJr, Gaston, Oliphant, Bell, White, and Foley - 5/16/38
- a) Discussion at 9:30 meeting - 5/17/38

**Relief Appropriation:**
- Treasury people on relief rolls discussed by HMJr at 9:30 meeting - 5/19/38

### War Conditions

Haas memorandum on accumulation of strategic materials by many of the important countries - 5/20/38

**Works Progress Administration**

See Unemployment Relief

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*Regraded Unclassified*
Secretary of State,
Washington.

410, May 16, 7 p.m.

FOR TREASURY FROM BUTTERWORTH.

The flow of funds to France continues and the French control held the franc at around 177.65 and acquired reasonably large amounts of pounds and dollars.

The realization that the Belgium monetary authorities are prepared to defend the belga caused covering today and the futures moved in decidedly, one month to point 40 and three months to 1.

KENNEDY

"/c: HPD
PARTIAL PARAPHRASE OF TELEGRAM RECEIVED
FROM: American Embassy, Paris, France
DATE: May 16, 1938, 5 p.m.
NO.: 770
FROM COCHRAN.

National City actively purchased dollars for French control today at from 35.76 to 35.7775. (Had received 700,000 by 11 a.m.). Control also acquired fair amount of sterling starting at 177.68 and reducing price to 177.65 at the Bourse. Forward franc at slight discount. French rentes and shares weakened on Mussolini's Genoa speech. French National Museum loan opened today with ample subscriptions and books will presumably be closed tomorrow.

Belga has failed to hold this morning's improvement and National Bank is said to have had heavy day supporting it.

Friends of mine that I visited last week at Brussels thought the strongest available Prime Minister to succeed Janssen would be Spaak. The man who has been selected for Minister of Finance - Gerard - has a good reputation; he held a similar position in Van Zeeland's Cabinet.

BULLITT.
GROUP MEETING
May 16, 1938.
9:30 A.M.

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

H.M.Jr.:    Steve, having been successful last week in our bold venture into Mr. Charley West, notwithstanding the fact I understood Taylor was behind him, I want to take on another one, see? What do you think of our calling up, first, Farley, and telling him that we've recommended these four people for reappointment to the Board of Tax Appeals.

Gibbons:    I've done it.

H.M.Jr.:    Where does he stand?

Gibbons:    He's with you. He says he wants to have it done. I've already done it.

H.M.Jr.:    Then, I thought this - this is a New Deal for me. Next, I thought I'd call up a man by the name of Garner, and ask him how he felt, telling him this is the way I felt.

Gibbons:    He's a hundred per cent.

H.M.Jr.:    I thought I might ask him. Then, depending upon what happens at noon today, I might break my rule and have somebody ask me a question.

Gibbons:    Uh-huh.

H.M.Jr.:    Then, somebody say - where do I stand? I'll say, "In this case I recommended the reappointment of all four."
Gibbons: I also - as I told you the other day, I called McIntyre and asked him about sending this note back, and he said he had spoken to the President and the President had no recollection of your talking to him, so I thought, "Well, it's Pat Harrison bearing down on Jimmy Roosevelt," and Jimmy had called me first and wanted me to talk to Pat, which I told you I was refraining religiously from doing. That's a good idea.

H.M.Jr: Huh?

Gibbons: That's a good idea.

H.M.Jr: (Writes note.) Harry - for you.

Gibbons: I immediately checked with Jim Farley and he said, "That's your job," and he doesn't know anything about them. He said, "I'd ask Henry for one of them; we always get along - and I have no interest in this thing."

H.M.Jr: Well, what do you fellows think - I mean, this is being kind of a New Deal for me, but I sort of - well, I mean, besides being rather flippan about it, I personally feel very deeply on this thing. I mean, I feel that if four judges have been honorable and have worked hard, those four men are entitled to reappointment.

Now, that's a serious side of it, see? Then, again being very serious, I don't want someone to advise the President that one of them voted against the Mellon case, and that's the reason for letting them out.

Gibbons: It's supposed to be an independent party. Of course, there is only one thing - you want to.....

(Mr. White and Mr. Upham laugh.)

H.M.Jr: You're not a mind reader?

Gibbons: On one thing - you want to be careful of - the President, at least McIntyre's put himself on record to you that the President has no recollection of your discussing these cases with him. See?
H.M.Jr: That is what McIntyre said.

Gibbons: You say to the newspaper men that you recommended ....

H.M.Jr: Well, I wouldn't do that until about Thursday. I wonder if the Vice President has already gone over to see the President.

(Over telephone.) Vice President Garner, please.

Gibbons: Were you with me the day ....

H.M.Jr: Going up to the farm is good for me.

Gibbons: You and I were up to see the Vice President one day - I've forgotten what it was about, but we talked to him, and he said the only thing he ever agreed one hundred per cent with Andy Mellon was on this Tax Board - having it non-partizan and non-political.

H.M.Jr: Well, I just - that's the way I felt. If somebody thought I was wrong, I wanted them to tell me - I mean, I wouldn't do the newspaper thing until Thursday. But I know - you told Farley what I did.

Gibbons: I told Farley and checked with McIntyre, and Mac said the President said he had no recollection.

H.M.Jr: You (Magill) were with me when we talked about it.

Magill: Yes, I was with you.

H.M.Jr: (Conversation with Vice President Garner at 9:34 A. M., attached.)
May 16, 1938.
9:34 A. M.

H.M.Jr: Hello.
Operator: The Vice President.
H.M.Jr: Hello.
H.M.Jr: How are you.
G: I'm fit as a fiddle; how are you?
H.M.Jr: Oh, I'm not quite as good as that.
G: (Laughs)
H.M.Jr: Ah, I wanted a little advice.
G: I'm kind of long on that article.
H.M.Jr: Off the record. Ah, I - I think that we ought to reappoint these four judges on the, ah, Board of Tax Appeals that are expiring. See?
G: Yeah. That's what I'd do.
H.M.Jr: And ah, we checked with Farley, and he wants it. And ah, I'm not making an awful lot of headway.
G: Well, I can't help it - I don't think that position ought to be made into politics, Henry; I agreed with you.....
H.M.Jr: Yeah.
G: That it ought to be on efficiency and these boys have experience, and are doing a good job.
H.M.Jr: Yeah.
G: Now, if you're going to make the judiciary a political football - it is the judiciary, as far as the Treasury's concerned, why, you go ahead and appoint some ah - ah, politician who don't give a damn how - what the Secretary's decision is.
H.M. Jr.: Well, I just thought I'd let you know where I'm standing, and...

G.: Well.....

H.M. Jr.: I - ah - I - I ..... 

G.: Ah, if - if the boss asks me about it I'll tell him just like I'm telling you.

H.M. Jr.: Well.

G.: But if he don't ask me about it I'm not going to say a damn word to him about it.

H.M. Jr.: Ah, yes you are.

G.: What?

H.M. Jr.: Sure you are.

G.: Oh, I think I - no, I don't - I don't want to butt in, Henry. I ....

H.M. Jr.: Now, this - this is - the Board of Tax Appeals is known as "your baby."

G.: Yes, and by God, I'm willing to protect it too, if the boss will give me a chance.

H.M. Jr.: Yeah.

G.: Ah, ah - I do think that they ought to pay attention to the Treasury Department, because every Administration, since it's been created, has been governed entirely by the Treasury Department.

H.M. Jr.: Yeah.

G.: I never went to the President; I never went to Mr. Hoover, or Mr. Coolidge, or Mr. Anybody-else about it. I always went to the Secretary of the Treasury.

H.M. Jr.: Yeah.

G.: And your recommendation ought to be conclusive.
H.M.Jr: Yeah.

G: And you can get the press there and quote me as - or do just as you ..... 

H.M.Jr: Well, I'm not going to quote you, but I'm not going to say that ..... 

G: Well, you bet your life I'll help you any way that I can. 

H.M.Jr: But I just wanted to let you know where I am, and ah - ..... 

G: Well. 

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

G: I just - I just wish you good luck, old top. 

H.M.Jr: Thank you. 

G: God bless you. 

H.M.Jr: Thank you. 

G: Goodbye.
H.M.Jr: He won't say a thing but ..... (laughter)

Gibbons: I practically conveyed, paraphrasing what he said, to Farley, and Farley says he agreed with him and Farley says he talked to the President on Friday.

H.M.Jr: This is the Liberal way of a Democratic party working for the judiciary. I think that's very good, but I don't think it's so funny, do you?

Oliphant: (Inaudible.)

H.M.Jr: Listen, Herman Oliphant! You work on law reform, and will you say to me, in all seriousness, that a judge shouldn't be reappointed because he carried out what he honestly thought is right.

Oliphant: Of course, I wouldn't.

H.M.Jr: And can you tell me anything in Tyson's record that shows he wouldn't be the most conscientious and hard working man on that Board; that Tyson would be certainly above the middle.

Oliphant: He's a hard working and conscientious, but not a very capable man – above average. Kern is far above average.

H.M.Jr: But the point is, if he isn't reappointed he's turned down because he voted against the Mellon thing.

Oliphant: That would be the popular interpretation.

H.M.Jr: What?

Oliphant: That would be the popular interpretation.

H.M.Jr: That is the interpretation, and that's why I'm doing this, because I don't want the President to make a mistake. I don't want him to make a mistake, if I can help it.

Oliphant: It will be taken as a fight on Harrison. You're talking about Arundell?

H.M.Jr: I'm talking about Arundell. Let's start it over again.
Oliphant: Well, I think Arundell is above the average.

H.M.Jr: I'm talking about Arundell - don't know a thing about Tyson, but if Mr. Roosevelt appointed him in the first place, why shouldn't he be reappointed?

Oliphant: It's a fight with Pat Harrison.

H.M.Jr: Well, for two years Pat Harrison wouldn't talk to him; for two years I kept my mouth shut, but for two years, he wouldn't talk to me - it was all over Tyson. Now, I'm talking about Arundell. Is he above average?

Oliphant: Yes.

H.M.Jr: O. K. So my job, just as long as I sit here, is to do what I think is to protect the President; when I can't do that any more that's another story - but it won't be because I didn't have a week-end on the farm.

Oliphant: Joe Robinson rushed in his candidate.

H.M.Jr: (Over telephone:) Tell Mr. Bell I want to see him down here if possible.

I meant Arundell. Check?

Oliphant: Check.

H.M.Jr: And that fellow you mentioned from Chicago - I'd like to see him the first time he's in town.

Oliphant: Have lunch with him?

H.M.Jr: Uh huh. Could you have him here Wednesday?

Oliphant: (Nods "Yes.")

H.M.Jr: Mrs. Klotz, Wednesday. What's his name?

Oliphant: Rogge.

H.M.Jr: Rogge.

(Telephone.) Hello. Hello. Well, just tell him then as soon as he has that letter I'd like to see him.
Klotz: Did you have an appointment?

H.M. Jr: Lunch - Wednesday. And have Mr. Oliphant and Mr. Magill both. How do you spell that?

Oliphant: R-o-g-g-o.

H.M. Jr: Do you (Taylor) know him?

Taylor: I've just met him; I've heard quite a lot about him.

H.M. Jr: Good or bad?

Taylor: I think it's all good.

H.M. Jr: Could you do a little checking?

Taylor: I did, at one time, before, and everything I got was good.

H.M. Jr: Ros.

Magill: Did you notice Mr. Doughten was in the hospital.

H.M. Jr: No. For what?

Magill: Abdominal operation.

Oliphant: Here?

Magill: Yeah - Garfield, I think. He's coming along all right, I understand.

H.M. Jr: He couldn't digest the processing tax?

Magill: The tax bill still hasn't come down this way; it has to be signed.

H.M. Jr: Herbert.

Oliphant: That new Assistant Secretary of the Interior is about to die - Slattery.

H.M. Jr: About to die?

Oliphant: Desperately ill.

H.M. Jr: Oh, I'm sorry.
Taylor: What's the matter with him?

Oliphant: An operation of some kind.

Magill: The tax bill can't come down here until signed by the Speaker, and it has to be signed by the Speaker while the House is in session. Doughton neglected it last week; presumably it will be signed today, but I've had several people calling me up about this liquor floor stock tax.

H.M.Jr: Well, you and I will sit down and go over that message business.

Magill: I'd like to today.

H.M.Jr: Too soon.

Magill: All right.

H.M.Jr: Incidentally, I'm going to ask the President whether he would call a special cabinet meeting on that and handle it the way he handled the helium thing. The way they handled the helium thing is the best way--discussed it an hour and a half. There was no argument left. Everyone -- in the Munitions Board -- in writing had voted we should do the thing, -- in writing. But I think that this tax thing should be discussed before Cabinet. I'm going to suggest that. I think it's important enough. Everybody's telling the President what he should do; why not let's all do it out loud instead of behind closed doors. Then it would be a very interesting Cabinet meeting. I haven't the slightest idea on which side Roper will be.

Anything else?

Magill: No.

Oliphant: Apropos of helium, not a single lawyer in Justice agreed with the Attorney General.

H.M.Jr: Is that unique?
Oliphant: I think it was because Homer hadn't done his home work before he went to Cabinet.

H.M.Jr: He said he did.

Oliphant: He's in a hot spot.

H.M.Jr: At the Cabinet Homer said, "I'll approach you from the left side, Harold, and get the information," and Harold said, "If you do come up from the left side it will be a novel experience for you, Homer." And Homer said, "You'd be surprised how "left" I am." All I could say was, "Oh yeah?"

Well, I never saw a man read a memorandum so carefully as he read yours, but it didn't help him any.

Oliphant: He didn't have his home work.

H.M.Jr: What else?

Oliphant: That's all.

H.M.Jr: Everybody is perfectly clear? Now, am I going to get that memorandum from you about relief and food, and from Bell? Bell says direct relief includes food. Is he right?

Bell says: (Nods "Yes.")

Oliphant: What we are proposing to do - I sent for Bell, and I suggested this: If I have lunch with the President, I'm taking a letter over something like this: "My dear Mr. Adams," and "My dear Mr. Byrnes: I am writing you the following letter with the knowledge and full approval of the President of the United States. I'd like to point out to you that the bill, as it passed the House, does not contain the following provisions," and paraphrase the telegram with the part that has to do with the Treasury bookkeeping, and also say, in another paragraph, that is, "The bill, as passed, will not permit direct relief or the purchase of food supplies for the needy." And put it on the President's desk and ask him if he wants to initial it and settle this argument once and for all. Bell's writing that;
I'll show it to you. I just want to clear the thing once and for all - I mean, by bringing it to their attention and then if they don't want to do it, that's up to them.

(Nods to Mr. Gaston.)

Gaston: Another appointment situation......

Oliphant: You passed me.

H.M.Jr: Sorry.

Oliphant: That uniform handling of tie bids has been cleared with everybody. You want to sign it?

H.M.Jr: What do I do?

Oliphant: You sign it, on the second and third pages.

H.M.Jr: What does this give away? Does this make Cox Assistant General Counsel?

Oliphant: That's your place, there.

H.M.Jr: (Signs papers.)

McReynolds: Homer says he's going to sign the other letter with you.

H.M.Jr: What does this do?

Oliphant: Makes this plan ...... (inaudible)

H.M.Jr: By whom?

Oliphant: O'Hara, on tie bids.

McReynolds: They're not going to put out an Executive Order. Homer says he hasn't got authority from the President to direct all his Cabinet officers to ...... That's what Homer is asking him to do, along with you.

H.M.Jr: Providing he signs it; providing Homer signs it.

McReynolds: He says he will sign it now; he hasn't yet.
M.J.: Did you help Herbert prepare that memorandum on cement?

Gaston: I have a memorandum here for you, from Mac, on comparison of these bids. I wanted to get some information on this thing; I've got some information now, from Mac, and then I'll talk to Herman.

M.J.: All right. Then, if this tie-bid thing goes through, I want a story on that.

Gaston: Yeah. Yes.

M.J.: Well, he'll tell you what I've got in my mind. How about Blaisdell?

Reynolds: I haven't heard from him yet; he promised to come back as soon as he's ready.

M.J.: You know anything about it, Harry?

White: No, nothing at all.

M.J.: Do you know anything about it?

Haas: No. I - all I know, he's been working on this steel report. It's through now; he had a meeting on Friday I think.

M.J.: You two will get together on cement?

Gaston: Yes.

Oliphant: Then the other thing I have is the document ... .

M.J.: I'm not quite ready for that yet, but this is what I am ready for, this so-called "monopoly" thing, which I don't know a whole lot about, but it seems, again, like all these things thundering around, do they want O'Mahoney to have it? See? Now, we've been left completely out. I think the people in the Treasury know as much about monopoly as anything. If we had something to say - to write the President how we feel about monopoly, and what we've done. They are forming this committee and everything else, and instead of saying, "Is this the best thing to do?" they are saying, "Do we want to
play with Joe O'Mahoney?" See? Which I think is very poor politics. If we are going to do a job on monopoly, after five years, let's do one and do a good job.

Oliphant: We might use some of the veterans.

H.M.Jr: Meaning ...?

Oliphant: The Treasury.

H.M.Jr: I'd like you to be thinking about a possible letter for me. It's going to have to be very prompt.

Oliphant: I was told at Jackson's dinner that they were going to change the joint resolution, enlarging it to include the Treasury and Labor Departments.

H.M.Jr: But what do they need five hundred thousand dollars for?

Oliphant: Well, I don't actually think they do.

H.M.Jr: Well, if that's in the wind there's no reason why we should write a letter to the President saying we should - why we think we should be in. Wallace wrote a memorandum to the President on how it affected Agriculture. He spoke about twenty-three bakeries or something, and they haven't done anything about it, see? But it has to be fairly prompt.

Oliphant: I'll get right to work with Gaston. All right?

H.M.Jr: Yes. I've no objection to your telling Jackson what we're doing and see what he thinks about it. But this would be something that would have to be done in twenty-four hours, and I should think something you'd enjoy doing.

Herbert.

Gaston: Will we have the press conference at daylight saving time today - three o'clock standard time?

H.M.Jr: Three o'clock.
Three o'clock, standard time.

What else?

In connection with his appointment, Bill Myers hasn't seen the President since way along last fall, and he's been talking to Jimmy Roosevelt and Jimmy has been making excuses for him not seeing the President. He hasn't asked, through McIntyre yet. I thought perhaps Jimmy might have some ideas in the back of his head.

If Bill Myers has any sense he'll ask for an appointment through McIntyre.

Jimmy has asked him not to.

He's been in town five years; he ought to know his way around town. If he's asking my advice, I'd tell him just what I told Arundell - I'd ask to see the President of the United States.

Jimmy must have an idea in the back of his head.

George, this fellow that you said once worked under you and is now with Tri-Continental on their statistical - head of their Statistical Section......

I think he's Vice President in charge of investments.

No, he's in charge of Research. What is his name?

Ragnar Naess.

How about having him down tomorrow?

All right. He's the outstanding bear of Wall Street. All right?

All the more reason - bear of Wall Street - at three thirty.

Yeah. I think it will be all right. Some of the others are probably bears too.
H.M.Jr: Get him in and give Mrs. Klotz a list.
Haas: Last time we had Professor Crum down. He’s the only outside man who understands how we make our estimates.
H.M.Jr: O.K. Why do you have that sourpuss from Chicago — what’s his name?
Haas: Lichtenstein.
H.M.Jr: Why do you have him?
Haas: He usually makes some contributions.
H.M.Jr: All right.
Haas: In fact, he’s — he really wants to. He’s got — has a meeting in town here tomorrow, but he’s cutting that to come over to this one.
H.M.Jr: All right. (To Mrs. Klotz:) I’m having these people for lunch.
Haas: (Hands H.M.Jr. black book.) I wonder if I could see you about five minutes or so on a question in regard to those reporting questions, and a couple other questions?
H.M.Jr: (White House Telephone.) Yeah. Well now, I tell you, if it’s just the same, tomorrow, because I’ve got a bunch of people coming from out of town. I’ll make it Wednesday. Well, we’ll make it Wednesday. Is that sold. Now, what I — I — I want to do a little bargaining with you. I’d like about ten minutes right after lunch. Well now, when can you work in Bell and me in regard to this relief bill? We only need ten — what about two twenty? Yeah. And I have a particular reason why I want the President to see Bell, because — I can’t talk to you now; I’m going to call you back a little later and tell you. See? What? Well, I’ll call you a little later. Bell and I at two twenty. Thank you.

(Over telephone.) Tell Bell’s office he and I are seeing the President at two twenty. If you please.
Do we have to have Rogge for lunch? We can give him the time - I can give you the time - I'll give you an hour, from eleven to twelve on Wednesday. I'll put down eleven to twelve. (Notes on calendar.) I'd like to go back to that system I used to have, of having some newspaper men for lunch every Thursday. You think it over.

Gaston: Yes.

H.M.Jr: Unless you know now.

Gaston: No, I don't know now.

H.M.Jr: Huh? Well, think about it.

Gaston: Mitchell, Nelson, Kintner - we had them not very long ago.

H.M.Jr: The fellow who ranks the nearest to my way of thinking is one Ray Clapper. He comes nearest to writing the way I think than any fellow in this town.

Gaston: How about having Lowell Mellett in at the same time? He's not in newspaper work, but they get along and are very good friends.

H.M.Jr: Fine.

Klotz: (Inaudible.)

Gibbons: Did you hear what she said?

H.M.Jr: No.

Gibbons: You ought to have the one who doesn't.

H.M.Jr: Well, true. We do ....

Klotz: Not this Thursday?

H.M.Jr: Yes. He's written a lot of stuff that has just about hit me.

Gaston: He can talk more freely without Decon Parker.

H.M.Jr: I mean, Mrs. Morgenthau and I both - I mean he's - I think he's just about right.
Gaston: The two fellows I tie to are Ray Clapper and John Mitchell.
H.M.Jr: They are very good friends. Want Mitchell too?
Gaston: I'd rather have Lowell Mellett.
H.M.Jr: Did you (Haas) fix up Edna (Lonigan)?
Haas: Yes, she must be there by now.
H.M.Jr: Did I talk to you, Wayne.
Taylor: I was to be back in the United States again.
H.M.Jr: Meaning what?
Taylor: I've been up in New York for three days.
H.M.Jr: Would it be helpful if I called up Mr. Hanes at S. E. C. and asked him, from their standpoint, did they think that the method of listing or rating stocks by the Comptroller's Office was harmful; and I'd like to have you furnish me with some cases. Would that put pressure on you (Upham)?
Upham: No; I think it might be helpful.
H.M.Jr: Have Bell come in and say, "We can get this issue out, but we can't get a rating from the Comptroller's Office.
Upham: I doubt if we get very much from them, but if we do it would be helpful.
H.M.Jr: (Over telephone:) Commissioner Hanes.
Oliphant: In that connection, I've dictated that thing and will have it for you today.
H.M.Jr: Fine. Anytime - shoot it in - I'd like to go over it with you personally.
Upham: We are meeting at two-thirty.
H.M.Jr: Well, do it this morning; I've got a good morning.
Harry.
White: A few little things. One is our preliminary figures for American trade show a continued shop decline in imports and a decline in exports.

H.M.Jr: Did we have a hundred million favorable?

White: Yes, a little over. And you asked, some time ago, what we estimated our gold inflow for the remainder of the year. I can give you the figures now or in a memorandum - whichever you prefer. We have an estimate of gold production for the rest of 1938 in the world survey we have made, and one for '39 and '40. If you're interested in them I can give you a memo on that.

H.M.Jr: Shoot both of those up to the house.

White: I imagine this caught your eye—what the Mexican Foreign Minister said to the British Ambassador: "I allow myself to call to the attention of your excellency, inasmuch as I view it to be pertinent, the fact that even powerful states, having at their command abundant resources, may not pride themselves on being up to date on the payment of all their monetary obligations." That was in the Post Saturday.

H.M.Jr: I saw it—I did see it in a later edition.

White: It wasn't in that day's edition of the Times.

H.M.Jr: (Telephone conversation with S. E. C. Commissioner Hanes at 10:03 a. m., is attached.)
May 16, 1938.
10:03 A. M.

H.M.Jr: Hello.
Operator: Mr. Hanes.
H.M.Jr: Hello.
John W. Hanes: Hello, Mr. Secretary.
H.M.Jr: How are you?
H: Fine, thank you; and you, sir?
H.M.Jr: I'm all right. Ah, we're making a study here of the way the Comptroller of the Currency handles the ratings of bonds for banks.
H: Yes sir.
H.M.Jr: And, it's under this word "marketability."
H: Yes sir.
H.M.Jr: And, if you people had anything over there - any concrete cases where people were complaining that they couldn't get out an issue because - on account of the ratings or the methods of the handling of the Comptroller's Office on that, it would be very helpful.
H: Well, I've got quite a few complaints, and I've also heard it from - from every quarter that I've been; that they - there's an awful lot of dissatisfaction amongst the small banks.
H.M.Jr: Well, I - I'd like to have it.
H: All right, sir, we'll - ...
H.M.Jr: When can you get it together for me?
H: I'll go through the files and see if I can't get it over there for you this morning.
H.M.Jr: Yeah. They're meeting .....
H: You mean in the form of letters - the complaints.

H.M.Jr: Anything that you've got.

H: Righto.

H.M.Jr: Yeah. And, ah - ah - they're meeting again this afternoon on it, and ah, I need something concrete to, ah, try to convince the Comptroller's Office.

H: Righto. Well, I'll go right after it right away, and see if I can get - I know I got - I've got two or three letters right here in my own file about it - the people that I've discussed it with out in the field.

H.M.Jr: And will you send it, ah - will you mark it for Cy Upham - U-p-h-a-m.

H: Yes sir, Mr. Upham. I'll send it right over there as soon as I can get it.

H.M.Jr: His room number is 289½.

H: Two eight nine and a half. All right, sir, fine.

H.M.Jr: All right.

H: Thank you.

H.M.Jr: Goodbye.
What's your room number, Cy?

Upham: Two eighty-nine and a half.

H.M. Jr: (To Commissioner Hanes:) His room number is two eighty-nine and a half.

(Laughter.)

Magill: Up one flight and save five dollars.

H.M. Jr: All right. (Hangs up.)

Harry.

White: There was an episode that I think has some significance. If you didn't notice it, I'd like to mention it—either write it up or tell you briefly about it now—with respect to the—what is called—popular front buying investment in the Netherlands—combined to oppose the taking on of any Government loans which bear......

H.M. Jr: All of that stuff, sometime between now and twelve, I'll have you in.

White: One or two other items. One is the international competitive situation in Belgium. It has been substantially worse, and the last one has pushed it down so that the underlying economic situation is bad, and we'll be surprised if they are able to continue without further action to monetary matters. And then I'd like to have you consider the possibility of a proposal with regard to Mexico. The situation is getting worse, and I think the moment is very propitious for something spectacular that you might do—not the Treasury alone, but something you might get Pittman interested in doing. I have a proposal for doing that you might like to consider. Would you consider it?

H.M. Jr: Yeah. How'd you get along on those two Scotchmen?

White: As I expected—one passed the buck, and the other is delaying it internally. (Laughter.)
Klotz: Oh, perfect.

H.M.Jr: I didn't realize, when I talked to you, that they were two Mac's. It was purely an accident. All right?

White: But if we wait long enough there may be only one.

H.M.Jr: Archie.

Lochhead: Nothing new.

H.M.Jr: Archie "MacLochhead." What — nothing?

White: That's why I'm wearing a Scotch tie. I thought that might help.

H.M.Jr: Steve.

Gibbons: The thing about the Earhart log — did you see it in the Times yesterday? I asked Waesche this morning where it came from and he said he had no idea.

Gaston: They got it originally out on the Pacific Coast — out in the San Francisco office — man named Reck out there — they had already published it out there.

Gibbons: I wanted to know how they got that log — if it's the public record — Waesche doesn't know, and he's wiring out there this morning.

Gaston: Gelly knows all about it. They sent him extensive telegrams about it.

H.M.Jr: (Over telephone:) Mrs. Scheider.

Gibbon: Anything else?

Gibbons: Nothing else.

H.M.Jr: Mac.

McReynolds: (Nods "No.")
(Over telephone:) Since having that talk with you, they released the log of the Itasca and gave it out in San Francisco, so that is available now to anybody. Pardon me. Yes, or if he wants it - as long as it's been released. I would simply refer them to Coast Guard Headquarters. He's in San Francisco, isn't he? It's out there; it's been made a matter of public ...... I didn't know it, and no one around here knew it was given out. But it has, and I thought it would help you answer your letter.

George, I think if you would come back in about ten minutes I'll see you. In about ten minutes. And Harry, as soon as George is through, I'll give you a ring.
Hello, Henry; how are you?

Oh, fine; how's Randolph?

Oh, I'm pretty well.

Look. I'm doing a little forward thinking on financing.

Yes sir; we've begun to think about it too.

And, you know, this ah - I needn't tell you that the note which matures in September is a two-and-a-half.

Yeah.

So, if I could offer two and a half per cent bonds for June, it would be just

I see.

And, that would clear my desk for September, if I wanted to get some cash.

Yeah.

See? And, you're always complaining about these small issues anyway - make it a billion in one.

That's right; yes.

Which would be nice.

Well, there's something in that.

And without - well, I tell you how it works out. Then we go in, in September and they offer all the cash.

Yeah.

Then, I thought, in December, I would combine the December and March again. In other words, I - it
would work out, ah, when I want cash, I'd only ask cash, and then when I had a conversion, I'd do a conversion.

B: Yeah. Yeah.

H.M.Jr: And - and in December, if things were still as good as they are now, we could get that big March thing out of the way.

B: I see.

H.M.Jr: You see?

B: Yeah.

H.M.Jr: I mean, I'm thinking ahead.

B: Yeah.

H.M.Jr: I mean, it's easier to handle either straight cash or straight conversion.

B: Well, a little, although you could handle the mixture pretty well.

H.M.Jr: Yeah. Now, the important thing, and most important thing of all, is my summer vacation.

B: That's right.

H.M.Jr: Now, ah - just a moment. And Labor Day again comes on September fifth.

B: Yeah.

H.M.Jr: See?

B: Yeah.

H.M.Jr: And you remember last Labor Day, we had all those troubles. The people ....

B: Yeah.

H.M.Jr: .... come back from their holidays, not feeling the way they should. I don't know why. And, ah - well, I want you to think about - because it makes a lot of difference to me - whether - if we had a
straight cash, whether we couldn't do that Monday, the twelfth.

B: Well, the cash ones are the ones that are hard to handle, you know. The exchanges, they're nothing to.

H.M.Jr: Well, you leave those open; that's the point.

B: No. No. The - Henry, the problem is the allotments on the cash offering.

H.M.Jr: Well. Well, think about it, because last time we had an awful lot of mistakes - Labor Day. We were in an awful stew.

B: Yeah. Yeah, I know. Ah, (laughs) I can tell you right now, the twelfth will be very, very hard to handle.

H.M.Jr: Well ..... 

B: The cash offering.

H.M.Jr: I'd just like to see how good you are.

B: (Laughs) Well, if we didn't police it at all, we'd even have a hard time handling it.

H.M.Jr: Well, you think - you think about it.

B: Yeah - all right.

H.M.Jr: Because it makes - ah - I mean ....

B: Yes.

H.M.Jr: When I talk about my plans, naturally I fit them to ....

B: When are you planning to go out, Henry?

H.M.Jr: Well, I haven't talked to the President yet, so you're ahead of him.

B: (Laughs)
H.M.Jr: Ah, what I'm thinking of doing - going the middle of July, getting a month in Europe.
B: Yes. I see. Well, that's a nice idea.
H.M.Jr: And that's my - there's not as many boats sailing these days as there used to be.
B: No, that's right.
H.M.Jr: Yeah.
B: Well, I thought I'd go out about the middle of July, too.
H.M.Jr: Yeah, but I thought we'd get this out of the way.
B: Yeah. Yeah.
H.M.Jr: Did - did Jesse handle his details all right on his twenty-five million?
B: Well, I think pretty well, Henry. He made some arbitrary decisions, and ah - but I think it goes pretty well - I should rather like to see him do an auction then, as a matter of fact.
H.M.Jr: Well, ....

But, ah - I think - every day - twice a day he can change his mind.
B: Yes, I know. (Laughs.)
H.M.Jr: Yeah. Well,...
B: I think it's going to be all right though; he's going to have quite a problem of allotment.
H.M.Jr: Well.
B: But I think it will work out all right.
H.M.Jr: All right.
B: We're trying to help him all we can.
Sell you a few French francs?
What's that?
Can I sell you a few French francs?
(Laughs) Not this morning, no.
I thought that the President said — that somebody, I don't know whether it was Clay, but somebody over in the Bank of England said, "Golly, with all the information around here, it looks like we're working for somebody else than the Bank of England. How — how these Frenchmen cleaned up."
I bet they did.
Yeah.
(Laughs)
All right.
All right, Henry. We'll send these things over.
Fine.
Goodbye.
Monday
May 16, 1938
10:32 a.m.

HMJr: Hello. Hello.
Operator: secretary.
HMJr: Hello.
O: He was on there.
HMJr: Hello.
Henry Wallace: Hello.
HMJr: Henry.
W: Yeah.
HMJr: Morgenthau - How are you?
W: Fine.
HMJr: I wondered if you fellows decided to go ahead with buying wheat and skim milk...
W: Yes. I signed an authorization to Wilcox Saturday...
HMJr: Yeah.
W: ...and he's buying some.
HMJr: Good.
W: I - he's buying flour is what he's doing right now in order to get it into Cleveland right away.
HMJr: Well, that's fine. Would it be asking too much to have Wilcox send me a little memo or somebody in your office when it begins to go into Cleveland?
W: All right. I'll arrange to let you know when it begins to go into Cleveland.
HMJr: Or any other city?
W: Were you suggesting that we send it into any other city?
HMJr: Yes. Ah...
W: I wonder if I hadn't better clear with Harry on that.

HMr: With whom?

W: I'll clear with Harry and let you know?

HMr: Yes - if you - if you'd care to have me name the cities, I mean, we've made a study here.

W: Yes. All right. Let's have the names of them.

HMr: Well, the names are: Toledo - Detroit...

W: Yeah.

HMr: Flint - and Chicago.

W: All right, sir. We'll look into those at once.

HMr: You don't mind my sort of getting on this, do you?

W: I think it's fine for us all to pull together.

HMr: Fine. Well, that's what ..... and....

W: When you feel like walking down let me know.

HMr: I'll do that, Henry. I haven't been walking recently, but I'll do it just to get your company.

W: (Laughingly) All right, sir.

HMr: Thank you.

W: Goodbye.
May 16, 1938

Just called up Secretary Wallace and asked if he had done anything about bread for the unemployed in Cleveland. He said he had signed the order on Saturday. When I asked about other cities, he said 'I don't know anything about other cities'! As a result of my meeting with the President, people in Cleveland are going to get something besides oranges.

I don't know, but I think from the day we started killing little pigs there has been a curse on this Administration. The thing I am trying to do now, instead of spending $100,000,000 to grow less wheat, I want them to buy wheat and make it up into flour for the people who need it.

Harry Hopkins said to me when I suggested it, "Don't let it out, but in the 17 southern States people are starving and if we start this in Cleveland we will have to do it in the south." I said, "No, but I am glad to hear about it."
Monday
May 16, 1938
10:39 a.m.

HMJr: Hello.

Dr. Thomas Parran: Hello, Mr. Secretary.

HMJr: How are you?

P: I'm fine, thank you, sir.

HMJr: Tom, I'm very much interested in the question of how much undernourishment there is in the United States. See?

P: Yes, sir.

HMJr: Now I did succeed last week - and I just checked it - that the Surplus Relief Corporation is going to begin to buy wheat and put bread into Cleveland, see?

P: Yes.

HMJr: I did get that thing started. And then when I asked Wallace, "What about Detroit, Flint and Chicago?" - Well, no one had told him to do that.

P: Yes.

HMJr: Then when I got on this thing Hopkins made the amazing statement that, "Oh, if you're going to do this just think about the seventeen southern states, why they're going to just cry for this food." See?

P: Yes.

HMJr: Now what's back in my mind, confidentially, is this. I don't know whether it's too late to change the philosophy of this Administration around - that instead of trying to cry when - and bemoan the fact that we're going to have a wonderful wheat crop - instead of thanking the Lord for the blessing - that we go out and instead of paying the farmers to grow less that we - when we have a big wheat crop let's go out and buy and give it to the people who are undernourished. See?

P: I'm sure that we could - should step up tremendously the amount of food which is being used in not only
in these depressed centers in the North but, as
Harry says, in the South.

HMJr: Well now, how long would it take you to give me
something so that you and I could go and see the
President together on this?

P: Well, let me get busy on it right away and call you
a little later today.

HMJr: Well...

P: We have an answer to the question
On this matter of undernourishment the difficulty
is that we have no sound medical tests for beginning
undernourishment...

HMJr: Yeah,

P: ...for the slight undernourishment which is of
importance. It's only when they reach a rather
critical stage that we have any signs of rickets
and all of the other things...

HMJr: Well, let's start with the severe thing and work
backwards.

P: Start with the - with the diets...

HMJr: Well, I mean....

P: ...used. The Department of Agriculture has a
WPA survey - a couple of years ago made a survey
of the advance - the amount of food consumption
in families of different economic statuses...

HMJr: Well...

P: And that ought to be a good starting point, don't
you think?

HMJr: Well, if you had something today or tomorrow, I mean
something - you get - I don't know whether I can
do it but I've got to have scientific information
and then - to present it to the President and - I
mean I could --- I don't know, maybe I'm funny,
but I think the day we killed the little pigs has
been a kind of a curse on this Administration.
P: It has indeed. And the days that - and every day that we stop producing things which people need.

HMr: Yeah.

P: I'm also of that point of view, Henry.

HMr: And...

P: got the same situation - the people in the South where they raise the cotton and they don't wear any clothes - they aren't able to buy clothes.

HMr: Well now, I wish that you'd work up something and let - of course the first thing to do is to collect what's already in Washington.

P: Yes.

HMr: And you've got the people and if you tell me your heart's in this you'll do it.

P: My heart is in it. I - it's something that has concerned me very acutely for a long time.

HMr: Well, here is the old Secretary of the Treasury with two glass eyes that wants to do this.

P: (Laughs) Well, you old dear, I know exactly where - how you feel about it.

HMr: All right.

P: Thank you, Henry.

HMr: All right.

P: Goodbye.
Monday
May 16, 1938
11:14 a.m.

HMJr: Hello.
Operator: Secretary Hull.
HMJr: Hello.
C. Hull's Secretary: Mr. Secretary?
HMJr: Talking.
C. H.'s Secretary: Just a moment, sir.
HMJr: Hello.
Cordell Hull: Hello.
HMJr: Hello, Cordell.
H: What's going on, Henry?
HMJr: Oh - (laughs) I read the papers very carefully and read all about Mr. Roper....
H: Yes, sir.
HMJr: What I'm calling up about is this: we've got an idea in the germination stage on Mexico.
H: About - about which with Mexico?
HMJr: Oh, we've just - we're ---- germinating an idea.
H: Oh, yes. Yeah.
HMJr: And I wondered who you've got over there who I could test this out on.
H: Well now, Feis is just walking into my room.
HMJr: Yeah.
H: Do you want to talk to him?
HMJr: Well, when he's through with - talking with you - if he's the fellow, it's.....
H: He and Livesey I guess.
HMJr: Well then tell Feis to get in touch with Harry White and I want the two of them...

H: Yes, with Harry White?

HMJr: Yeah.

H: All right, I'll do that.

HMJr: I got something that might be something and if they got together then I'd like to talk to you.

H: Yes. All right, I'll be glad, Henry.

HMJr: Thank you.

H: Thank you.
Operator: Go ahead.

HMJr: Hello.

James Farley: Yes.

HMJr: Hello.

F: Mr. Morgenthau, this is Mr. Farley.

HMJr: This is Morgenthau. Can I buy a little cement?

F: Yes you can. How much do you want?

HMJr: Oh, a million barrels - I'll pay a dollar and a quarter.

F: (laughs) That isn't enough.

HMJr: It's not enough?

F: No.

HMJr: Make it a dollar and twenty-nine.

F: No, that isn't enough.

HMJr: All right.

F: Two dollars or nothing.

HMJr: Two dollars?

F: Yeah.

HMJr: Too much.

F: Henry...

HMJr: Yeah.

F: See, when I get back - I'm in New York - but when I get back there I want to talk to you about that - I mean I have no personal interest....

HMJr: Yeah.

F: ...but to give you a view point.
HMJr: All right.
F: They said that you were calling me.
HMJr: Well, I just wanted to let you know that I was recommending the reappointment of all four members of the Board of Tax Appeals.
F: Yes and I rec - I approved the recommendation.
HMJr: And I thought that before the week was out we might have a little fireworks, I didn't know.
F: I see.
HMJr: But I wanted to let you know where I stood.
F: All right. Well, I told Mac that I - so far as I was concerned it was all right too and I told Rudolph that.
HMJr: Did you hear what happened to me?
F: No.
HMJr: Well, I sent over formally the recommendation of all four....
F: Well, then Rudolph called me evidently and I said, "They're O.K."
HMJr: Yeah. And the word came back with a memo from McIntyre that - this was a surprise to the President - that I had never discussed it with him. (Laughs)
F: I see.
HMJr: (Laughingly) And I had only mentioned it three different times. (Laughs very heartily)
F: (Laughs) I think that's very funny.
HMJr: Oh, I loved it.
F: Yeah - it's very funny. (Laughs)
HMJr: So - ah....
F: It's finished business. That's all right. I've had those things happen.

HMJr: Well - from now on - you know - well, I didn't want to get in again between the White House and Pat Harrison the way I did two years ago.

F: That's right.

HMJr: And I don't see why I have to....

F: No. Well they - the only thing for you to do when you go over there is just remind them that that's the fourth conversation instead of the third.

HMJr: All right.

F: (Laughs)

HMJr: God bless you.

F: Thank you sir. I do want to talk to you about that other thing when I get down.

HMJr: At your service.

F: Thank you.

HMJr: Goodbye.
Present:

Mr. Oliphant
Mr. Bartelt
Mr. Bell
Mr. Haas
Mr. Gaston

HM, Jr.: As a psychologist, Mr. Oliphant, who once taught psychology, is it better psychology to go over with this thing signed or unsigned?

Mr. Oliphant: I would go with it signed. That's what you believe in, is it not?

Mr. Bell: I don't know that it makes much difference.

HM, Jr.: I was thinking about a memorandum that comes to me unsigned. If it is not signed, I think the man has a doubt. If I should ever get a memorandum without twelve initials -- that's the kind McReynolds brings to me. This is a memorandum to Senator Glass from Bell and me. I am asking the President to read it. Herbert, as a psychologist, this letter, should it go to the President signed or unsigned?

Mr. Gaston: Unsigned.

HM, Jr.: Why?

Mr. Gaston: It does not look so much -- a little too presumptuous. I don't think it makes a great deal of difference.

HM, Jr.: I am going to sign it.

(Read the letter, copy of which is attached.)

One thing, do I want to suggest that I appear?
Mr. Bell: I don't think so. If they want you, they will call you.

HM Jr: Hopkins is going up and release the worst figures that have been released yet in order to show the necessity for giving him additional money so I did not do it for that reason, but Hopkins is to give relief figures which he has not yet released as to the severity of the situation.

I am going to sign it.
My dear Mr. Chairman:

After a conference with the President and with his full approval, I am taking this opportunity of bringing to your attention some of my thoughts in regard to H.J. Res. 673, "Making appropriations for work relief, relief, and otherwise to increase employment by providing loans and grants for public works projects", now under consideration by your Committee.

While I am heartily in accord with the objectives of a work relief program, I think we should not overlook the fact that under the Joint Resolution as it passed the House, none of the $1,250,000,000 made available to the Works Progress Administration may be used to purchase food or clothing for destitute and needy persons. In the relief appropriations of prior years, provision has always been made for these humane purposes.

While it is true that the provisions of the House bill would undoubtedly take care of a substantial portion of present unemployment needs, it is my thought that provision should be made so that the Federal Government may be in a position to meet any foreseeable emergency. Thus, I think that we should take steps to provide in this pending legislation against the results of possible recurrence of floods, droughts, epidemics and even more widespread unemployment.

In order to meet these contingencies with the greatest effectiveness, the Federal Government should have the authority and the necessary funds so that it may make immediate use of whatever surpluses the rich resources of our country have yielded and make available such surpluses to the persons who are in greatest need. In other words, when the bounties of nature have provided this nation with a huge wheat and cotton surplus, and share, side by side with such bounty, there exists wide-spread want and suffering, should not the Government be in a position, as a supplement to other measures, to alleviate want and suffering in the simplest and most direct fashion?

In order to give the widest latitude in the administration of funds for direct relief, it is my thought that the monies should be made available to the President so that he may employ, should the need arise, the
full resources of the Government such as the facilities of the Surplus Commodities Corporation for food and clothing, the Red Cross for various sorts of supplies, the Public Health Service for serums and medicines, and the Army for shelter and emergency feeding. In order to give legislative expression to this thought, I am taking the liberty of suggesting for the consideration of your Committee the insertion, as a new category, at line 10 on page 2 of the pending Resolution, the following language:

(c) for direct relief for persons in need, provided, that any amounts used for such purpose shall be used in the discretion and under the direction of the President, and through such agencies as he may designate;

Sincerely yours,

Secretary of the Treasury.

Hon. Carter Glass,  
Chairman,  
Senate Committee on Appropriations,  
United States Senate.

EHFJr: R6/6  
Typed 3/16/38
My dear Mr. Chairman:

After a conference with the President and with his full approval, I am taking this opportunity of bringing to your attention some of my thoughts in regard to H.J. Res. 679, "Making appropriations for work relief, relief, and otherwise to increase employment by providing loans and grants for public works projects", now under consideration by your Committee.

While I am heartily in accord with the objectives of a work relief program, I think we should not overlook the fact that under the Joint Resolution as it passed the House, none of the $1,250,000,000 made available to the Works Progress Administration may be used to purchase food or clothing for distressed and needy persons. In the relief appropriations of prior years, provision has always been made for these humane purposes.

While it is true that the provisions of the House bill would undoubtedly take care of a substantial portion of present unemployment needs, it is my thought that provision should be made so that the Federal Government may be in a position to meet any foreseeable emergency. Thus, I think that we should take steps to provide in this pending legislation against the results of possible recurrence of floods, droughts, epidemics and even more widespread unemployment.

In order to meet these contingencies with the greatest effectiveness, the Federal Government should have the authority and the necessary funds so that it may make immediate use of whatever surplus the rich resources of our country have yielded and make available such surpluses to the persons who are in greatest need. In other words, when the bounties of nature have provided this nation with a huge wheat and cotton surplus, and where, side by side with such bounty, there exists widespread want and suffering, should the Government be in a position, as a supplement to other measures, to alleviate want and suffering in the simplest and most direct fashion?

In order to give the widest latitude in the administration of funds for direct relief, it is my thought that the monies should be made available to the President so that he may employ, should the need arise, the
full resources of the Government such as the facilities of the Surplus Commodities Corporation for food and clothing, the Red Cross for various sorts of supplies, the Public Health Service for serums and medicines, and the Army for shelter and emergency feeding. In order to give legislative expression to this thought, I am taking the liberty of suggesting for the consideration of your Committee the insertion, as a new category, at line 10 on page 2 of the pending Resolution, the following language:

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Secretary of the Treasury.

Hon. Carter Glass,
Chairman,
Senate Committee on Appropriations,
United States Senate.

EHFJr:HEG/L
Typed 5/16/38
If there is any question in the minds of your Committee that the present system of accounting results in duplication or that a change in the system will save a large amount of money, may I suggest that the Committee have the Director of the Budget and the WPA Administrator before it in order that the whole subject be clarified and straightened out.
Monday
May 16, 1938
4:04 p.m.

HMrJr: Hello.
Operator: Senator Glass is at his hotel. Do you want me to try him there?
HMrJr: Please.
O: All right.

4:05 p.m.

Operator: Senator...
HMrJr: Hello.
O: Senator Glass.
HMrJr: Thank you. Hello.
Carter Glass: Hello.
HMrJr: Henry Morgenthau, Jr.
G: How are you, Mr. Secretary?
HMrJr: I'm pretty well. Senator, I've written a letter which Bell and I've signed on this so called Recovery Bill which has passed the House and we'd like to come tomorrow and deliver it to you personally if that was convenient to you.
G: You've written a letter on what subject ...?
HMrJr: Why it's on - it's on this so called Recovery Bill which has passed the House.
G: Yes.
HMrJr: And I'd like to deliver it and answer any questions that you might want to ask.
G: Well, we'll be very glad to have you come.
HMrJr: Well I meant what time in the morning could I come to your hotel?
G: Well, you can – I don't know what time the Committee meets in the morning....

HMJr: No. I – I mean, I want to leave it with you at your hotel if that was convenient.

G: Yes. At ten o'clock.

HMJr: Ten o'clock.

G: Yes.

HMJr: Just a minute, please, – ah – would ten-fifteen be just as good?

G: Yes.

HMJr: I'll be there sharp ten-fifteen.

G: Very well. I'll be glad to see you.

HMJr: Thank you so much.

G: All right.

HMJr: Goodbye.
May 16, 1939

4:45 p.m.

Present:

Harry Hopkins
Mr. Gaston
Mr. Oliphant
Mr. Bell
Dr. White
Mr. Foley

(Discussing draft of letter to Chairman Glass of the Senate Committee on Appropriations, copy attached.)

Mr. Hopkins: (Referring to next to last paragraph on first page of letter) This will get you in trouble with Wallace.

I have added another paragraph: "Furthermore, I believe that the requirements of the relief problem make it extremely important for the Congress to give power to the President to transfer funds from one item to another within the total appropriation. I realize full well that under normal conditions such action would be unnecessary, but we are faced with an urgent and ever-changing relief problem, and during the adjournment of Congress, adequate powers should be given the President to meet the relief problem effectively."

I think we can get a clause in to do anything we like, such as to give the President authority to allocate. The real fight is not here. The real problem is whether the President is going to have power to transfer money from one item to another.

HM, Jr: I was never more sure in my life that the bill as it passed the House is just money down the rat hole -- wait a minute, now; let me explain -- in the sense that it will take care of 2,850,000 people, but it is not a recovery measure.

Mr. Hopkins: It might be if we spent the money quickly.
HM, Jr.: But you can't the way it passed the House.

Have you got the time? I should like to ask the opinion of the three people who worked with me on that letter.

Mr. Hopkins: Surely. We have plenty of time with the Democratic members alone on the exact language of the bill. The main thing you want to do is get something before the Chairman. I don't think you have to worry about the language angle.

HM, Jr.: I am just wondering whether they think I should send that letter.

Mr. Hopkins: I would like to talk to them.

(Secretary asked the four Treasury men to come in. When he reached Foley's name, Hopkins said:

Wait a minute. You are talking to Ike's man now.

HM, Jr.: No. No. Since he came over here he's 100% for us.

Mr. Hopkins: Are you opposed to the present House bill, on the accounting end of it?

HM, Jr.: We never had a chance. All I want is to continue doing just what we have done.

Mr. Hopkins: Even though we save a half a million dollars a month?

(At this point the Treasury men came in.)

Mr. Hopkins: I don't see why the Treasury should pick out WPA to do the accounting for. You don't do any accounting for Ike's the way you do for us.

HM, Jr.: I think you are wrong.

The point Hopkins makes is the President said that this thing here is a matter which affects Hopkins and I could not send it up unless it is entirely agreeable to Hopkins, which is perfectly all right with me.

Hopkins: My answer to this is this: Byrnes has
already agreed, as far as he is concerned, and Adams, to insert language which will empower the giving of direct relief. I don't think there is going to be a battle in the Senate on that. My contention is the real battle will be on giving the President power to transfer these funds any way he pleases. Here's an appropriation of 'x' billions -- 2 1/2 or 3 billions. I think the unemployed situation is so serious that that money should not be put in closely-knit pigeon holes where $800,000 of it might sit there for nine months and you would have an army of needy unemployed people that you could not do anything with because the money would be in the pigeon hole. Now, I would not raise the point before the Committee which pigeon holes could not be used. My testimony tomorrow will be if public works could move very speedily on the first day after this bill is signed, I think power ought to be there to move money from WPA to PWA, and I think we are foolish to let Congress get away from here -- nobody will be here for 8 or 9 months, and with this business curve the way it is and the President not having power to transfer funds from one item to another -- I think we can get away with it in the Senate. Somebody will have to make some pretty stiff commitments to people like Hayden, but it won't be in the bill. I would put on the line that I will take any project that is dropped on my door step in the first 60 days.

No trouble getting in the Senate bill language for direct relief, because Byrnes said he would put it in. The real issue is going to be on other fronts: why discretionary power in the President to transfer funds? -- which is the crux of the whole fight. Now Byrnes personally would like to do that. He thinks the House testimony is very bad for that. Says the only way that will be done is dramatization of the whole relief problem, showing it is of such proportions and such size that no Committee of Congress or Congress itself should leave here without really giving the President the whole appropriation and authority to use it in such a way as he thinks best to meet this problem. This clause "(c) for direct relief for persons in need, provided, that any amounts used for such purpose shall be used in the discretion and under the direction of the President, and through such agencies as he may designate," don't help us a bit.

Mr. Bell: Harry, that's the total of Title I and Title II.
Mr. Hopkins: Yes. That's what the President would like. I don't know, Henry, whether you went through the implications of the other thing — the implications of his being able to transfer from one item to another.

HM, Jr: I don't think so.

Mr. Hopkins: But in meeting this situation, putting a clause in there, unless somebody is going to put some dough up — where is it coming from? No use having it in there for the 1 billion 250, because it's on the cards that that money is going to be spent. Are you putting this language in and saying it can be taken from any appropriation?

Mr. Bell: I think the language is broad enough so you could use the 1 billion 250.

Mr. Hopkins: Could you use any of the $3,000,000,000?

Mr. Bell: No, it's restricted to the 1 billion 250 plus $175,000,000 for Farm Security.

HM, Jr: What Hopkins is saying here — we have been arguing, and I want to be completely frank, it's too important .......

Mr. Hopkins: I say "Furthermore, I believe that the requirements of the relief problem make it extremely important for the Congress to give power to the President to transfer funds from one item to another within the total appropriation." That's the crux of this thing. There is not going to be any trouble — we can get the direct relief thing in. The House is not going to like it. They probably will say, 'Hopkins, we will put it in if you tell us you are not going to exercise it.' No battle to get this.

HM, Jr: Hopkins says this flies right in the face of Wallace's whole philosophy.

Mr. Hopkins: If this letter gets public, you are certainly going to hear from the Department of Agriculture and I am not sure you don't get on pretty touchy ground. In effect you say here, you make an argument, the very way you talk about the 'bounties of nature', etc., and
then you make -- this might be right out of Phil La Follette's manifesto. This is your scrap. I don't care.

HM, Jr: Let me ask you this, just between us. If you were asked on the stand, Do you agree with Mr. Morgenthau?

Mr. Hopkins: I certainly would not take any stand in opposition to our present farm program that they could in any sense twist as a criticism of the farm program.

Mr. Oliphant: What about those 7,000,000 bales of cotton?

Mr. Hopkins: You are getting in an argument with the farm program.

If you fellows don't think you are getting in trouble with Secretary Wallace, this suits me perfectly.

HM, Jr: Everybody was in agreement that that was the way we should feel about the surplus.

Mr. Bell: Human needs come first.

Mr. Hopkins: Any money to buy these surpluses? $1,250,000,000 is no good to you if you are going out to buy surpluses.

Mr. Bell: It would be some good to you if you had a situation develop in the fall where you had to have relief and Congress not here.

Mr. Hopkins: That's true.

Mr. Bell: We are thinking of an emergency situation.

HM, Jr: I am thinking of two cities where we are right up against it, Cleveland and Flint. I happened to follow Wallace in at the White House. By the way, Harry, Wallace's program has come over. The President sent it to us today. On wheat. How much is it going to cost?

Dr. White: No figure. There was 150,000,000 bushel surplus to be taken care of.
HM, Jr: Wallace wants another $100,000,000 through processing taxes, which is a deflationary tax. I may be all wrong, but I have taken a long time to think this over and I think it is time that somebody called a spade a spade, and I kind of made the remark, which I half believe myself, that from the day we began to kill little pigs there has been a curse on this Administration and that this whole thing instead of -- you know, Harry, I tried my best to work up a campaign to use more cotton.

Mr. Hopkins: But you are not in a position to take a public position which in any sense indicates opposition to the Administration farm program.

HM, Jr: The President read it and did not say boo! Harry, can you get the part of my speech which had to do with agriculture, which the President wrote himself?

Dr. White: I can get it for you.

Mr. Oliphant: Suppose you take it the way you said: that we can't take a position in opposition to the Administration agricultural program. Can't we say that there are 7,000,000 bales of cotton and people are going to be cold next winter and that does not impinge on the agricultural program and, second, 150,000,000 bushels of wheat -- isn't there some way we can get that wheat into hungry children next winter or fall without impinging on the agricultural program at all?

Dr. White: I don't see anything that runs contrary to the other program.

Mr. Hopkins: Has Wallace got money to keep financing Brickett to keep buying milk and beans?

Mr. Bell: No. He has got possibly $17,000,000 for this year.

Mr. Hopkins: If you wanted to use 7,000,000 bales of cotton, somebody would have to put from 50 to 60 million dollars on the line.

When I testify I certainly am going to make one whale of a case that that has got to be an over-all sum of money and anything like that is not coming out of the $1 billion 250.
HM, Jr: When do you go, Harry?

Mr. Hopkins: I go tomorrow. 10:30.

HM, Jr: If I was asked the question and they sent forms, as a result of this letter, unless my crowd says no, I am ready to go up on the Hill and recommend $3 billion lump sum, given to the President to be used at his discretion.

Mr. Hopkins: All right. That's the real issue.

What I want to know, if you are going to write the letter to the Chairman of the Committee, do I want to say that now. If you are going to say anything you should say it in this letter.

HM, Jr: Your point is, should I use this letter to say I want an over-all lump sum to give to the President.

Mr. Hopkins: That's the real thing.

HM, Jr: I started that last month. I am for it more than ever.

Mr. Hopkins: Incidentally, I don't think we are going to get it.

HM, Jr: What you have written is not enough. But can I send the letter without again showing it to the President? He read this thing and said, 'It's all right if it is with Hopkins'.

Mr. Hopkins: Well, I wouldn't send that kind of a letter. You are saying in the letter something that is almost settled. Incidentally, there is going to be ample time on the language of this bill just with the Democratic members after these formal hearings.

HM, Jr: Do the hearings close tomorrow?

Mr. Hopkins: They are going to try to finish them tomorrow. Privately there will be a meeting afterwards. The meeting could be in the White House or anywhere. I don't know whether you want to say -- the President has told me tomorrow morning to testify to the last part of that and I am going to testify not
in terms of any one of these items, but if the President sees fit to throw more money on WPA on July 1, he should be given the power to do it.

HM Jr: Well, of course, I go further than you. I would like to see the thing 3½ billions with no strings.

Mr. Hopkins: In effect that's what I am asking for. I think that's what the situation calls for.

HM Jr: Coming just before you, it might be misunderstood; I don't know.

Mr. Hopkins: Certainly there is going to be a conference with the President and some members of that Committee within the next 48 hours.

Mr. Bell: Wouldn't that be the time to make your appeal?

Mr. Hopkins: But somebody in the Administration has to have something in the testimony to re-write that language. I am going to put this testimony on the line tomorrow on the problem.

Mr. Bell: Can a change in the bill be hung on that?

Mr. Gaston: Wouldn't it be a good idea for you to have a joint letter to present at the time you make your testimony.

Mr. Hopkins: No, I don't think that will help any. What this Committee wants to do -- they can't kick the House in the face. After all, the House passed the bill in full agreement with the President. That is, the President may have changed his mind a little after he got in so deeply he could not get out. The President himself said he did not want anything done in the House about this. Now Jimmie Byrnes, MacKellar and Adams have the problem of seeing that Woodrum and Cannon don't hit the roof and I gather that Byrnes will not write the language in here unless he is pretty sure he can get the conference to agree. My hunch is what Byrnes will want to do, as soon as the testimony is over, to have a meeting with the President. Now I can put on the line to you fellows that we will get powers to give relief in that bill and there will be plenty of time to look at the language.
HM, Jr: I think we will sit tight and after you have come down off the Hill, supposing you give me a ring and then you can say, 'Henry, I think as far as direct relief is concerned, don't worry about that; we are taking care of it. On the other thing, I am going to be all right, or not.' I think we ought to see the President.

You know, when I started out, I told the President and Jimmie Byrnes I was willing to stick my neck out just as far as necessary to get over-all authority for the President.

Mr. Hopkins: Didn't we go back and see the President after we saw Jimmie?

HM, Jr: No. You may have, but I didn't.

Mr. Hopkins: Jimmie called me up and said, 'I don't think I can get all that Henry wants. What we can get, we hope, is authority to transfer items within the bill so the President can spend the money the way he pleases and that depends on what kind of testimony we can get out of you.'

HM, Jr: Jimmie Byrnes and I saw the President for two hours Tuesday evening and from that time I have not had any more conferences.

Mr. Hopkins: I know the language Jimmie is thinking about is this: he knows the situation is tough, but he thinks in light of the House bill that the best we can get out is the money appropriated, the whole thing go to the President, President empowered to use it in one of several ways he pleases. And Jimmie thinks that's going to be awful tough to get.

Dr. White: At a certain rate of expenditure per month?

Mr. Oliphant: Both titles?

Mr. Hopkins: Both titles. I personally don't think he can get it. But I think it is the intelligent way to handle a problem of the proportion of this. We can't find any bottom. We have 53,000 people working in Cleveland and have authorized 7,000 more and still they come pouring in.
Mr. Oliphant: And you may have that in 50 cities.

Mr. Hopkins: That's right. And you are not going to get it done by writing this language in the bill. How much money is in this bill?

Mr. Bell: 3 billion 400.

Mr. Hopkins: And 1 billion 250 is the only sum where you can move around quickly.

Mr. Bell: I will take that back. There is a possibility of 3 billion 480 if you put your organization on the same rate of expenditures for the first five months of the next fiscal year as the last seven of this.

Mr. Hopkins: Half of it is liquid. There are 2,625,000 people working today and I don't see any signs of those people going off this summer.

Dr. White: You said you were going to ask for the same thing the Secretary asked for?

Mr. Hopkins: No difference, except in the language of the bill, which is detailed powers to the President, such as buying wheat, buying cotton or handing a man a dollar bill. The power will be there and I am sure we can get that through the Committee. What I say is the real argument is the 2½ billion being appropriated, put in categories, of three, four or five categories, with no power to the President. Suppose one category does not move and suppose it gets worse instead of better and Congress has gone home and one argument Dan might make would be cross that bridge when you come to it; take it out of the 1 billion 250; when that runs out, call Congress back. You would be sure you would not have to call Congress back if you had the powers in there.

HM Jr: Without being modest, if I were you and the President, I would move heaven and earth to try to get me to sign a letter like that, but you have me a little worried.

Mr. Hopkins: I don't want to discourage you not to send this letter, but the real crux of the thing is to give the President very wide powers.

HM Jr: I started it!
Mr. Hopkins: I raised the real issue with Henry and I talked to Byrnes and the only possible way of getting any of the things Henry has in his mind now, at this stage of the game, is to give the President wide powers, which, incidentally, I don't think we are going to get.

HM, Jr: In view of what you said, I am going to wait until you are through testifying and then, as a result of that, I think you and I and Jimmie Byrnes ought to see the President.

Mr. Hopkins: That's right. I am going to testify there must be powers to give relief in any way we want.

Mr. Bell: Harry says there will be a conference after his hearing closes, probably with the President and Democratic leaders. After that conference, if it is decided that you will incorporate in this bill authority for the President to transfer from one section to another, then why wouldn't that be a good time to send a letter, if you think it necessary, because after that meeting there will be a full meeting of the Committee to consider the bill and the testimony, and then whoever is handling the bill can have before him this letter from you as well as the background of the conference at the White House.

HM, Jr: That's all right.

Mr. Hopkins: I think the timing of this letter, 24 to 48 hours from today, would be better.

HM, Jr: I think you are right. We will let it go like that. Thank you very much.

Mr. Hopkins: Dan, let me ask you this. Henry has been telling me about the accounting thing. Do you raise any issues on that at all, because I don't give a damn. It is not important to me; has nothing to do with this work program; does not put anybody on the payroll. Why couldn't I simply testify that I notice the House Committee does this and I want the Committee to know I am not interested in setting up a big accounting division. 'But you will have to let the Treasury have some more money.'

Mr. Bell: Every time I have talked to the President he has pounded the desk . . . .

Mr. Hopkins: What do you want?
Mr. Bell: I think the organization has done a swell job and I should think you would want it for your protection.

Mr. Hopkins: What I really want to know is how you want the accounting? Done here?

Mr. Bell: I would rather see it stay here, to be frank with you.

Mr. Hopkins: Why don't I say, tomorrow, that I notice it is in the House bill, and that it has been done effectively in the Treasury. If you get a letter down there . . . .

HN, Jr: I have already said the letter is going. I will have to do some tall thinking. Hopkins and I have been friends for 9 years and I don't write any letter without telling him about it.

Mr. Hopkins: I don't know whether that would settle it. Cochran called me up and said, 'Hopkins, I am not going to stand for the Treasury to do any accounting for your outfit. Under no circumstances will I permit that bill to go through that way. They have 4,000 people on the payroll and I want to know whether they are Democrats or not.'

Mr. Bell: We understood Gill told the Committee behind closed doors that you could do it with 500 people.

Mr. Hopkins: I can't personally have any knowledge of it because I don't know anything about accounting. You say it can't be done; Gill says it can be done.

Mr. Bell: Then the statement to us in the last three years that you are not duplicating any of our work is not true.

Mr. Hopkins: That's a silly thing to have aired up there with a thing like this pending. Why don't I do two things: that we would rather have the Treasury do the accounting; I will tell them I don't know how the damn thing got in the bill, but I don't like it.

HN, Jr: You know, from the Director of the Budget's standpoint, that this is the first bill that went up since Roosevelt has been President that did not clear through the
Director of the Budget. Did you know that?

Mr. Hopkins: No.

HM, Jr.: And I think Bell has been an awfully good sport about it.

Mr. Hopkins: You worried about the bill on any other thing?

HM, Jr.: Just one point, and that's of prime importance. I want the President to have plenty of leeway and I am the fellow who started that, and that's the big thing, and I agree with you, when you and I are shoulder to shoulder on one of the biggest things Roosevelt has ever had, to get bogged down ....

Mr. Hopkins: I will just say that.

HM, Jr.: I will hold the letter.

Mr. Hopkins: What you could do would be not to leave that last stuff in there. After all, wouldn't it be better for me to say it?

Mr. Bell: Much better.

HM, Jr.: Much better.

Mr. Hopkins: And then if they talk to you, you tell them the same thing and I will tell them privately as well as on the record.

HM, Jr.: Just as a matter of record, am I correct in saying the Treasury does the accounting for Iokes?

Mr. Bell: No. We have had a working arrangement with them whereby we have taken care of the allocations out of the relief money.

Mr. Hopkins: Isn't it true you don't do Iokes' accounting. Because he walks in here and -- Henry says Hopkins has been my friend for nine years, and yet he does our accounting. (Laughter)

HM, Jr.: I will tell you you are good. We have two letters to send with the President's approval and neither of them go
Mr. Bell: We have records of relief money. We don't have anything back of the 4 billion S.

Mr. Hopkins: I don't care. I am going to win a lot of bets. I am in hats, neckties, dinners for at least two years to come.

HM, Jr: Bets on what?

Mr. Hopkins: 'How long is it going to be before you and Toke are going to be in a fight? Bet you a dinner you will be.' So I have taken bets from all comers.

HM, Jr: I am going to bet you after our testimony. But this is the big way to look at it, and if more stuff was done like that by people working for Mr. Roosevelt, the country would be much better off.
My dear Mr. Chairman:

After a conference with the President and with his full approval, I am taking this opportunity of bringing to your attention some of my thoughts in regard to H.J. Res. 679, "Making appropriations for work relief, relief, and otherwise to increase employment by providing loans and grants for public works projects", now under consideration by your Committee.

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While it is true that the provisions of the House bill would undoubtedly take care of a substantial portion of present unemployment needs, it is my thought that provision should be made so that the Federal Government may be in a position to meet any foreseeable emergency. Thus, I think that we should take steps to provide in this pending legislation against the results of possible recurrence of floods, droughts, epidemics and even more widespread unemployment.

In order to meet these contingencies with the greatest effectiveness, the Federal Government should have the authority and the necessary funds so that it may make immediate use of whatever surpluses the rich resources of our country have yielded and make available such surpluses to the persons who are in greatest need. In other words, when the bounties of nature have provided this nation with a huge wheat and cotton surplus, and where, side by side with such bounty, there exists widespread want and suffering, should the Government be in a position, as a supplement to other measures, to alleviate want and suffering in the simplest and most direct fashion.

In order to give the widest latitude in the administration of funds for direct relief, it is my thought that the monies should be made available to the President so that he may employ, should the need arise, the
Full resources of the Government such as the facilities of the Surplus Commodities Corporation for food and clothing, the Red Cross for various sorts of supplies, the Public Health Service for serums and medicines, and the Army for shelter and emergency feeding. In order to give legislative expression to this thought, I am taking the liberty of suggesting for the consideration of your Committee the insertion, as a new category, at line 10 on page 2 of the pending Resolution, the following language:

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Sincerely yours,

[Signature]

Secretary of the Treasury.

Furthermore, I believe that the arguments of the relief problem make it extremely important for the Congress to give power to the President to transfer funds from one item to another within the total.

Hon. Carter Glass, Chairman, Senate Committee on Appropriations, United States Senate.

I am well aware that under normal circumstances such action would be unnecessary, but such action would be necessary and urgent if we are faced with an urgent and severe problem. The relief problem is an urgent problem.
Should we give the President

more authority?

To
Secretary Morgenthau
Mr. McReynolds

Subject: Outline of the Federal Surplus Commodities Corporation

1. Organization

The Federal Surplus Commodities Corporation was organized as the Federal Surplus Relief Corporation under the laws of Delaware on October 4, 1933. The Corporation was established as a nonstock, nonprofit organization operating principally under the direction of the Federal Emergency Relief Administration. Its original activities consisted primarily of purchasing surplus agricultural commodities for distribution to the needy through the Emergency Relief Administrations of the States.

In 1935, the charter of the Corporation was amended to place the primary emphasis upon the diversion of surplus farm products from normal channels of trade and commerce, rather than upon the relief aspects, although the purchases continued to be distributed for use of the needy. The membership was changed so that direction of policies and activities was vested in officials concerned with agriculture, and the name of the Corporation was changed to the Federal Surplus Commodities Corporation. Legislation has since been enacted to continue the existence of the Corporation until June 30, 1942, as an agency of the United States under the direction of the Secretary of Agriculture.

Members of the Corporation consist of the Secretary of Agriculture, the Administrator of the Agricultural Adjustment Administration and the Governor of the Farm Credit Administration. A statement of the Board of Directors, the officers, and the Executive Committee of the Corporation, is attached as Appendix A.

The Corporation functions in about the same manner as divisions of the Department of Agriculture. Although the powers of the Corporation are very broad, the corporate form is used mainly as a device for expediting financial transactions through the avoidance of usual Government "red tape." It is the practice to make payments for purchases within 24 hours, and the corporate form is deemed essential to provide such promptness.

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Regraded Unclassified
Administrative expenses of the Corporation are covered from funds available to purchase commodities. In all, there are about 240 employees of the Corporation, most of whom are stationed in Washington but some of whom are generally traveling in the field. Three permanent branches are located in New York, San Francisco, and Chicago, and temporary branches are established from time to time where needed. Some of the employees are experts in nutrition, but, in general, the work concerning nutrition and diets is done by the Bureau of Home Economics which receives funds from the Corporation for this purpose.

2. Sources of Funds

Originally, the Corporation received its funds from the States, which in turn received them in the form of grants from the Federal Emergency Relief Administration. A total of $137 millions was received in this way by the Corporation up until October 1935, when such grants were discontinued. In addition, a little more than $3 millions has been received by the Corporation in other donations from States.

Section 32 of an Act amending the Agricultural Adjustment Act, approved by the President August 24, 1935, makes available for each fiscal year an amount equal to 30 percent of the gross customs receipts for the preceding year to, among other purposes, "... (2) encourage the domestic consumption of such commodities or products by diverting them ... from the normal channels of trade and commerce." The provision was later amended to permit distribution through relief channels of commodities obtained in surplus removal programs. Until July 1, 1937, the Agricultural Adjustment Administration purchased surplus commodities with these funds and turned them over to the Corporation for distribution. After that date, as a result of legislation enabling the transfer of such funds to the Corporation, both the buying and the distribution were handled by the Corporation, under the direction of the Agricultural Adjustment Administration. A total of $41 millions had been so received by the Corporation up to March 3, 1938, and at the present time these transferred moneys represent the Corporation's only source of funds. Approval for these transfers is obtained from both the President and the Budget Bureau.

The Corporation has also received donations in the form of commodities, but they do not appear in the financial statements since no money valuation was placed upon them. These donations came principally from the Agricultural Adjustment Administration which has made large purchases of surplus commodities, and from various States which procured commodities with the assistance of the Corporation.

FILE COPY
warehouses; and of the normal food habits of the groups eligible to receive the commodities. On the basis of these reports the Executive Committee allocates commodities to the various states, specifying cities and local units which are to receive stipulated quantities of the various commodities. The arrangements for these distributions are made by telegraph with the State agencies, and the commodities are then shipped to the particular localities for receipt by representatives of the State agencies. Technically, responsibility for the allocation of the commodities from this point on lies with the State agencies, but in practice the Corporation asserts some control in an effort to obtain maximum benefit from the distribution and to avoid waste.

5. Reports of the Corporation

The Corporation makes periodical reports to the Secretary of Agriculture and issues an annual report publicly. A detailed report is made semiannually to the Board of Directors of the Corporation. The Executive Committee receives daily reports of purchases made as well as monthly reports of purchases and distributions, and a monthly financial statement of the Corporation. A summary balance sheet for the Corporation as of March 31, 1936, is attached as Appendix B.
Appendix A

Statement of Board of Directors, Officers, and Executive Committee of the Federal Surplus Commodity Corporation

Board of Directors:

Secretary Wallace
Governor Myers of the Farm Credit Administration
H. R. Pelley, Administrator of the AAA
J. V. Tapp, Assistant Administrator of the AAA
Hilo H. Perkins, Assistant Administrator of the Farm Security Administration
F. R. Wilson, Director, Marketing and Marketing Agreements Division, AAA
V. A. Jump, Director of Finance and Budget Officer, Department of Agriculture

Officers:

J. V. Tapp, President
F. R. Wilson, Vice President
H. A. Wilkinson, Executive Officer
J. G. Handi, Secretary
G. P. Peyton, Assistant Secretary
V. B. Robertson, Treasurer
D. J. Harzill, Auditor
H. G. Albin, Procurement Officer
J. E. Briskett, Distribution Officer

Executive Committee:

H. R. Pelley
J. V. Tapp
F. R. Wilson

FILE COPY
Appendix B

Summary Balance Sheet of the Federal Surplus Commodities Corporation as of March 31, 1955

(In thousands of dollars)

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on deposit:</td>
<td></td>
</tr>
<tr>
<td>U. S. Treasury</td>
<td>5,668</td>
</tr>
<tr>
<td>Refunding officer's cash:</td>
<td></td>
</tr>
<tr>
<td>Program expenditure accounts</td>
<td>10,413</td>
</tr>
<tr>
<td>Administrative expenditure accounts</td>
<td>70</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Trust fund from sale of hides and skins for U. S. Treasury</td>
<td>222</td>
</tr>
<tr>
<td>Imprint fund - U. S. Treasury (Provided for procurement of supplies)</td>
<td>1</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>18</td>
</tr>
<tr>
<td>Inventory of hides and skins</td>
<td>872</td>
</tr>
<tr>
<td>Deferred assets - advances for travel</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,633</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>6,700</td>
</tr>
<tr>
<td>Reserves:</td>
<td></td>
</tr>
<tr>
<td>For program expenditure</td>
<td>4,379</td>
</tr>
<tr>
<td>For administrative expenditure</td>
<td>275</td>
</tr>
<tr>
<td>Surplus:</td>
<td></td>
</tr>
<tr>
<td>Donated surplus allocated for small programs</td>
<td>275</td>
</tr>
<tr>
<td>Donated surplus available for new programs</td>
<td>1,247</td>
</tr>
<tr>
<td>Unallotted credit for transferred funds</td>
<td>(1,247)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,633</strong></td>
</tr>
</tbody>
</table>

*Negative.

FILE COPY
May 16, 1938

To: Mr. McReynolds

From: Mr. Lubin

Re: Declines in Factory Employment and Payrolls.

Attached is a list of manufacturing industries in which payrolls and employment are far below the level of the spring of last year, and in which government purchases might contribute in an important degree to reemployment and larger payrolls. The importance of each industry is indicated by the figures showing estimated weekly payrolls and employment in March 1937, when business was active.

The greatest declines are in the durable goods industries, and, in general, their operations have continued to decline this spring (with the exception of certain of the building materials industries) while employment in the non-durable goods industries has shown a tendency to level off or to gain seasonally.

Among the durable goods industries, automobiles and a group of the steel-manufacturing and steel-using industries, such as hardware, forgings, and foundry and machine shop products in general, have suffered severe declines. Certain building equipment industries such as heating apparatus, lighting equipment, and stoves have also been quite hard hit. Industries manufacturing consumers' goods of a semi-durable nature which have had to cut payrolls drastically in comparison with less durable consumers' goods are furniture, rugs, and radios. Payrolls in the typewriter industry have been reduced by half since March 1937.

Among the durable-goods industries whose payrolls are holding up best in comparison with 1937, and from which the Government is already purchasing extensively, are aircraft, shipbuilding, cement, marble, granite, adding machines, calculating machines, etc.

Among the non-durable goods industries the woolen industry has had the most severe cut in activity. Payrolls are about half as large in March 1938 as in March 1937. Rubber boots and shoes and rubber tires were also operating at relatively low levels. The men's clothing industries, including shirts and collars and men's furnishings reported payrolls which were one-fourth to one-third smaller than a year ago in the spring.

It appears that the cotton goods industry, with payrolls about 28 percent smaller than a year ago, is in a position to again substantially by orders which could be placed immediately. It is reported that stocks are cleared away in certain lines, and that, if the market were steadied by any increase in current buying, certain private purchasers who have been holding off in the hope of further price declines might come into the market.
### MANUFACTURING INDUSTRIES REPORTING GREATEST DECLINES IN PAYROLLS

FROM MARCH 1937 TO MARCH 1938

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent decline March 1937 to March 1938</th>
<th>Size of Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weekly payrolls</td>
<td>Number of employees</td>
</tr>
<tr>
<td>Consumer's durable goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automobiles</td>
<td>-53</td>
<td>-39</td>
</tr>
<tr>
<td>Radios &amp; phonographs</td>
<td>-52</td>
<td>-47</td>
</tr>
<tr>
<td>Typewriters</td>
<td>-47</td>
<td>-26</td>
</tr>
<tr>
<td>Carpets and rugs</td>
<td>-44</td>
<td>-29</td>
</tr>
<tr>
<td>Furniture</td>
<td>-30</td>
<td>-22</td>
</tr>
<tr>
<td>Producer's durable goods and materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardware</td>
<td>-51</td>
<td>-34</td>
</tr>
<tr>
<td>Lighting equipment</td>
<td>-50</td>
<td>-35</td>
</tr>
<tr>
<td>Steel mills</td>
<td>-49</td>
<td>-25</td>
</tr>
<tr>
<td>Heating apparatus</td>
<td>-46</td>
<td>-29</td>
</tr>
<tr>
<td>Wirework</td>
<td>-42</td>
<td>-35</td>
</tr>
<tr>
<td>Stoves</td>
<td>-41</td>
<td>-32</td>
</tr>
<tr>
<td>Brick and tile</td>
<td>-39</td>
<td>-27</td>
</tr>
<tr>
<td>Foundry &amp; machine shops</td>
<td>-33</td>
<td>-20</td>
</tr>
<tr>
<td>Non-durable goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Woolen goods</td>
<td>-50</td>
<td>-42</td>
</tr>
<tr>
<td>Rubber boots &amp; shoes</td>
<td>-44</td>
<td>-32</td>
</tr>
<tr>
<td>Rubber tires &amp; tubes</td>
<td>-42</td>
<td>-22</td>
</tr>
<tr>
<td>Silk &amp; rayon goods</td>
<td>-34</td>
<td>-27</td>
</tr>
<tr>
<td>Cotton goods</td>
<td>-28</td>
<td>-13</td>
</tr>
<tr>
<td>Men's clothing</td>
<td>-28</td>
<td>-16</td>
</tr>
<tr>
<td>Shirts and collars</td>
<td>-26</td>
<td>-15</td>
</tr>
<tr>
<td>Leather</td>
<td>-27</td>
<td>-25</td>
</tr>
</tbody>
</table>

* Estimated by Bureau of Labor Statistics


Regraded Unclassified
MEMORANDUM

TO: Secretary of the Treasury

FROM: Director of Procurement

SUBJECT: Architectural Competitions

In accordance with the Secretary's directions, programs for two competitions have been prepared, and a copy of each accompanies this memorandum for the Secretary's consideration.

There is attached to each program a brief statement of the provisions contained therein.

At the recent meeting with the Secretary at which the membership of the Jury of Award was discussed, Mr. Charles D. Maginnis, President, American Institute of Architects, was to be included among those to serve on the Jury. Mr. Henry E. Shepley was requested to make informal inquiry of Mr. Maginnis as to whether he would serve on the Jury, and a telegram has been received from Mr. Shepley as follows:

"Maginnis would prefer not to be asked to serve."

Messrs. Clarke, Cret, and Johnson are being invited to serve on the Jury but have not yet accepted.
May 16, 1938

Mrs. Henry Morgenthau, Jr.
2211 - 30th Street N. W.
Washington, D. C.

My dear Mrs. Morgenthau:

The conditions of the two competitions were ready early this morning, and inasmuch as you requested to see them I am enclosing a copy of each competition.

As the Secretary directed that these be ready by today I am sending the originals direct to him.

Mr. Maginnis, President of the American Institute of Architects was to be named as a juror but he has expressed a preference not to serve, and Mr. Cret was nominated unanimously by our Advisory Committee on Architectural Design.

Mr. Johnson has been tentatively selected as being a well known architect from the Pacific Coast and is a member of the American Institute of Architects.

Mr. Edward Bruce requested not to be considered as a member on the Architectural Competition jury.

With kindest respects, believe me to be

Very sincerely yours,

[Signature]

Director of Procurement
COMPETITION II

BRIEF STATEMENT OF PROVISIONS IN ATTACHED COMPETITION PROGRAM

PURPOSE:
To secure a design for a Post Office and St. Sec. at Covington, Kentucky; estimated cost of building is $450,000.

COMPETITORS:
Competition open to any registered architect who is a citizen of the United States; in lieu of registration, architects are eligible if they submit evidence of qualifications satisfactory to the Department. No employee of the Federal Government or District of Columbia may compete.

JURY OF AWARD:
Henry E. Shepley, Boston, Mass.
Aymar Embury, II, New York City
Philip E. Maher, Chicago, Ill.
Gilmore Clarke, New York City
Reginald Davis-Johnson, Los Angeles, Calif.

ARCHITECTURAL ADVISER:
The Supervising Architect of the Treasury Department

PROCEDURES:
Jury will make selection of design of winner and of designs to be given second and third places, respectively, and will recommend these designs to the Director of Procurement for final approval of the Secretary.

FEES OF COMPETITORS:
Winner will receive $3,000 for his design and $3,000 additional for consultation during preparation of working drawings and specifications, etc.; total fee $6,000. Authors of designs placed second and third will receive $2,000 and $1,000, respectively.

FEES OF JURY:
The four jurymen who are also members of this Division's Advisory Committee, and the Chairman of the Fine Arts Commission, will receive no fee. Each one of the three other jurors will receive $300 and traveling and subsistence expenses.

MURALS AND SCULPTURE:
Each design is required to have indicated thereon a location for a mural painting or a piece of sculpture.

TIME:
As Competition I is expected to go in force about May 25 and to last until about June 29, and as it is expected that many of the best architects will enter this competition as well as the other one, it is felt that the time of Competition II should not begin before June 21, and allowing five weeks thereafter, the designs would be in Washington about July 26.

--- end ---

5-14-38
COMPETITION XI

May 14, 1933

PROGRAM OF COMPETITION FOR A DESIGN
FOR A POST OFFICE & COURTHOUSE BUILDING AT COVINGTON, KENTUCKY

1. This competition is instituted by the United States Treasury Department, hereinafter referred to as "the Department", and carried out through the Public Buildings Branch of the Procurement Division through the medium of a Jury of Award hereinafter referred to as "the Jury", and on the basis of a program prepared by the Architectural Adviser referred to as "the Adviser".

2. The purpose of this competition is to secure by selection, a design for the Post Office and Courthouse building at Covington, Kentucky, and the competition is held by authority vested in the Secretary of the Treasury by the Act of Congress approved March 31, 1930, Section(c), which provides: "When deemed by him desirable or advantageous, the Secretary of the Treasury is authorized to employ, by contract or otherwise, outside professional or technical services of persons, firms, corporations, to such extent as he may require, without reference to the Classification Act of 1923 as amended, or to section 2709 of the Revised Statutes of the United States."

3. Certain provisions of this program are mandatory and these are indicated by being underscored.

4. Accompanying this program and included as a part of it are diagrams of the ground floor, first floor, second floor, and third floor, and a section. The size of lot is shown on the first floor plan.

5. Changes in plan are permissible so long as they do not materially alter the functional relationships and areas of the various sub-
divisions of the plan. The block section included on the diagram sheets indicate the minimum story heights. It is desirable that all parts of the building shall have ample natural light, and this especially so in the post office interiors. Skylights may be used to assist in attaining this result in the workrooms.

(6) While no attempt is made to limit the competition in the conception of their designs, the exterior treatment and the materials used should be related to the expected cost of the building, which is estimated at $400,000. Buildings constructed for carrying on the business of the Federal Government in character, which demands dignity without undue elaboration and a careful study of proportion and scale.

(7) This competition is for design only, and therefore the services of the authors of the designs placed second and third will terminate upon the selection and approval of the said designs. The working drawings and specifications will be prepared in the Office of the Supervising Architect by members of the Public Building Branch.

Procurement Division, Treasury Department. And the plans will be retained for consulting services as hereafter mentioned.

(8) This competition is open to all architects who are citizens of the United States, except those who are not so registered and eligible to enter the competition upon examination of qualifications satisfactory to the Department and Federal Government. That no designs will be accepted from any employee of the Federal Government, or the Government of the District of Columbia.
(9) To make selection from the designs submitted, there will be a Jury of Award composed of seven members as follows:

Aymar Embury, II, New York City
Henry E. Shepley, Boston, Mass.
Philip B. Maher, Chicago, Illinois
Gilmore Clarke, New York City
Reginald Davis Johnson, Los Angeles, Calif.

Louis A. Simon, Supervising Architect, Treasury Department will act as Architectural Adviser to prepare the program and to aid in carrying out the competition. The Adviser will participate in the deliberation of the Jury but shall have no vote in its decisions.

(10) It shall be the duty of the Jury of Award to select and recommend to the Director of Procurement for final approval by the Secretary of the Treasury, the design which in the opinion of the Jury is the best of those submitted and also the designs which they recommend for second and third places. Upon approval by the Secretary, there shall be payable to the author of the winning design the sum of three thousand dollars ($3,000), and the design shall become the property of the United States; PROVIDED, That the winner will be retained under contract as a consultant during the development of the working drawings and specifications and during the construction of the building, to advise in regard to design, full size details, shop drawings, models, color and texture of materials, etc. This service is to be as generally described in the form appended to this program, and for which the sum of three thousand dollars ($3,000) additional will be paid. The designs approved for second and third merit will be purchased for fees of two thousand dollars ($2,000) and one thousand dollars ($1,000), respectively. Not more than one design from any one competitor will receive consideration.
(11) No use will be made by the Department of anything in any of the unsuc-
cessful designs which is peculiar to that design and original as to this
competition, without just compensation to be determined by mutual agree-
ment of the author and the Department; PROVIDED, That in case of failure
to reach such an agreement, the Secretary of the Treasury shall fix the
amount and his decision shall be final.

(12) All designs submitted shall have a volume not in excess of 845,000 cubic
feet.

(13) The cube shall be the actual volume contained within the exterior wall
lines and the height measured from underside of basement floor slab to
the top of the roof. In the case of so-called flat roofs the height
will be taken to the point of the average slope. Where there is a
pitched roof, the contents of the volume shall be ascertained by actual
figures. Small dormers, smoke and vent stacks, skylights, and similar
projects above the roof may be disregarded. The cube shall include
enclosed mailing vestibules but not mailing platforms which are open at
the sides and protected merely by a marquise above. Any portico project-
ing beyond the general face of the building shall be figured as one-half
of the actual volume; a loggia being within the general face of the out-
side walls of the building is to be figured for its full volume, and mail-
ing platform of this building is to be figured similarly.

(14) In order to enter this competition competitors must apply in
writing or by telegram so that their names may be placed on
record in the Public Buildings Branch of the Procurement Division.
Included with the letter of application there must be a photographic
copy of the applicant's certificate of registration or in the case
of unregistered architects they must submit at this time evidence of qualifications mentioned above. Applications by telegram must state that copy of certificate or evidence of qualifications has been mailed.

(15) Each competitor shall submit the following drawings and these only:

1. Plot plan - scale 1/32" to 1'
2. Plan of basement - 1/16" to 1'
3. Plan of first floor - 1/16" to 1'
4. Plan of second floor - 1/16" to 1'
5. Plan of third floor - 1/16" to 1'
6. Section showing elevation of end wall of lobby - 1/16" to 1'
7. Longitudinal section through lobby showing front wall - 1/16" to 1'
8. Four elevations - 1/16" to 1'
9. Details at 1/2" scale shall be included to guide Treasury Department to a proper interpretation of the principal features of the exterior.

(16) On the sections of the public lobby there is to be indicated a location for a mural painting or for some sculptural plaque or panel; if desired, the sculptural device may be introduced on the exterior. The mural painting or sculptural work is not a part of this competition but a separate competition will be held thereafter at a later date.

(17) All drawings are to be in pencil on white drawing paper mounted on cardboard or on white tracing paper floated on cardboard.

No drawings are to be framed.

(18) No dimensions shall be given except on sections where the clear heights of stories shall be figured.
(19) No rendered drawings are to be submitted but the glass surface of openings on elevations shall have a light flat wash of India Ink to assist in expressing the relation between voids and solids of the facades. The floor plans are to be in outline showing thickness of walls and partitions but not hatched or tinted.

(20) On the principal elevation there is to be shown a single human figure 5' 9" high.

(21) Drawings are to be assembled on four (4) sheets of equal size, each not greater than 22" x 30". The first sheet shall contain the four elevations, the second and third sheets the floor plans, and the fourth sheet the two sections and the plot plan. Each sheet shall be titled: "Design for Post Office and Courthouse Building at Covington, Kentucky."

(22) All drawings and other material submitted are to be anonymous with nothing thereon which could in any way indicate the identity of the designer. Accompanying the drawings there must be a plain sealed envelope inclosing a card on which is inscribed the author's name and address.

(23) On the back of a plan sheet there shall be mounted flat a letter-size typewritten sheet, a description not exceeding 200 words giving any information as to materials or general conception of the design, etc., which the designer may consider pertinent.

(24) On receipt of the drawings, each package will be opened under the supervision of the Adviser, and the drawings and their accompanying envelope will be given the same number and the envelopes removed and left unopened until the approved designs have been determined. The envelopes will then be opened in order to disclose the names of the authors of the several designs.

(25) To receive consideration, all drawings must be delivered by 3:00 P. M. (Standard Time), July 26, 1938, postage prepaid.
and addressed as follows:

"Public Buildings Branch,
Procurement Division, Treasury Department,
7th and D Streets, S. W.,
Washington, D. C."

And in heavy black letters approximately one inch high there shall
be the legend, "Competition Drawings" plainly inscribed on the
outside of the package. Drawings must be packed flat and securely
wrapped.

(26) The drawings of the three approved
designs are to remain the property
of the Government; all other designs will be returned to their
authors within sixty days after the close of the competition,
carriage prepaid, and each competitor will be notified of the
winners of the competition. The Government reserves the right to
publish any or all of the winning designs.

(27) Reasonable care is assured while the drawings are in possession
of the Department but the Government assumes no liability therefor,
nor will it be responsible for drawings while in transit from or
to the competitors.

(28) During the time that the competition is in progress no expanations
or other information will be given to competitors except in writing.
It is not permissible for any competitor to request information
relating to this competition from any member of the Jury or any
employee or official of the Government except as follows:

Any request for information must be addressed in writing
to the Supervising Architect, Public Buildings Branch,
Procurement Division, Treasury Department, 7th and D
Streets, S. W., Washington, D. C., and plainly marked
on the outside of the envelope with the words "Competition Inquiry."
Any reply made to inquiries will be sent in writing simultaneously to all competitors of record. No inquiries will be answered after July 12, 1938.

(29) The Department will not recognize any claim made against the United States by any unsuccessful competitor for any fee, percentage, or other payment or for any expense incident to or claimed as accrued by reason of, the competitor's participation in this competition.

(30) Entrance into this competition is with the understanding that each competitor agrees to, and enters the competition accepting, the terms of this program. Failure to comply with any of its mandatory provisions makes a competitor subject to disqualification by the Jury.

LOUIS A. SIMON
Supervising Architect

APPROVED:

C. J. PROFFES
Director of Procurement
Contract with consultant will provide for a lump-sum fee of $3,000 as compensation to the consultant for advice and conferences concerning questions arising during the development of working drawings, specifications, and full size details; also, consultations during construction of the building, relative to models, samples, shop drawings, etc. The contract will also provide that in addition to the said fee, the Government will reimburse the consultant for travel expenses incurred by him while in travel status pursuant to requests of the Director that he visit Washington; and for subsistence expenses there shall be allowed the consultant, in lieu of actual subsistence expenses, the sum of $5.00 per day for each day in travel status.

The contract will provide further that the visits of the consultant to Washington shall be limited to ten and shall be made at such times as may be requested in writing by the Director, the aggregate time during which the consultant shall remain in Washington on such visits is not to exceed thirty days.
The purpose of this competition is to secure ten designs for a small post office building in the District of Columbia. Any architect who is a citizen of the United States may compete, except those employed by the Federal Government or District of Columbia. Designs are to be prepared by the Procurement Division.

The Supervising Architect of the Treasury Department will select designs and recommend them to the Director of Procurement for final approval.

The winners will receive $1,000 each, if any design is accepted. Each of the three other jurors will receive $500 and traveling and subsistence expenses.

Competition is open to architects and sculptors.

Competition must be in force about May 25. Submissions are due about June 29.

The four jurors are also members of the Plan Arts Committee, and the Chairman of the Treasury's Advisory Committee. Each one of the jurors will receive $500 and traveling and subsistence expenses.
COMPETITION I

May 14, 1938

PROGRAM OF COMPETITION FOR DESIGNS
OF SMALL POST OFFICE BUILDINGS

(1) The purpose of this competition is to secure by selec-
tion not to exceed ten designs for Post Office
buildings in the class mentioned below and to be
located in regions 1, 2, and 3 as indicated on the
accompanying map, marked D. Competitors may submit
a design which they regard as suitable for any one
region they select, or they may submit a design for
each of three regions. Certain provisions of this
program are mandatory and these are indicated by
being underscored.

(2) This competition is instituted by the United States
Treasury Department, hereinafter referred to as "the
Department", and carried out through the Public Buildings
Branch of the Procurement Division through the medium
of a Jury of Award, hereinafter referred to as "the Jury";
and on the basis of a program prepared by the Architectu-
tural Adviser referred to as "the Adviser".

(3) The competition is held by authority vested in the
Secretary of the Treasury by the Act of Congress
approved March 31, 1930, Section (c), which provides:
"When deemed by him desirable or advantageous, the
Secretary of the Treasury is authorized to employ
by contract or otherwise, outside professional or
technical services of persons, firms, corporations, to such extent as he may require, without reference to the Classification Act of 1923 as amended, or to section 3709 of the Revised Statutes of the United States."

(4) Post Office buildings of the class contemplated by this competition are estimated to cost not to exceed $50,000, and the requirements fall into several classifications according to which quite definite floor plans have been worked out. Accompanying this program and included as a part of it are three sets of diagrams marked A, B and C, and a map marked D.

(5) Three slightly different arrangements of plan are indicated. Slight changes in plan are permissible so long as they do not materially alter the functional relationships and areas of the various sub-divisions of the plan. The block sections included on the diagram sheets indicate the minimum story heights. It is desirable that all parts of the building shall have ample natural light, and this especially so in the post office workroom. Skylights may be used to assist in attaining this result in the workroom.

(6) While no attempt is made to limit the competitors in the conception of their designs, the exterior treatment and
the materials used should be related to the expected cost. Buildings constructed for carrying on the business of the Federal Government should have an architectural expression that is governmental in character, which demands dignity without undue elaboration, and a careful study of proportion and scale.

(7) This competition is for design only, and therefore the services of the winners will terminate upon the selection and approval of the winning designs. The working drawings and specifications will be prepared in the Office of the Supervising Architect by members of the Public Buildings Branch, Procurement Division, Treasury Department.

(8) Any architect who is a citizen of the United States of America is eligible to enter this competition, PROVIDED that no one in the employ of the Federal Government or the government of the District of Columbia is eligible to compete.

(9) To make selection from the designs submitted, there will be a Jury of Award composed of seven members as follows:

Aymar Embury, II, New York City
Henry R. Shapley, Boston, Mass.
Philip B. Maher, Chicago, Illinois
Gilmore Clarke, New York City
Reginal Davis Johnson, Los Angeles, California
Louis A. Simon, Supervising Architect, Treasury Department, will act as Architectural Adviser to prepare the program and to aid in carrying out the competition.
The Adviser will participate in the deliberation of the Jury but shall have no vote in its decisions.

(10) It shall be the duty of the Jury of Award to select and recommend to the Director of Procurement for final approval by the Secretary of the Treasury, not to exceed ten designs. Upon approval of any of such designs, there shall be payable to the author of each design so approved, the sum of $1,000, and the designs shall become the property of the United States; PROVIDED, That if any of the approved designs is used subsequently for more than one building, the Procurement Division reserves the right to employ its author as a consultant for the additional building or buildings, to offer suggestions as to materials, adjustments to site, etc., such employment to be by contract for a fee of one hundred dollars ($100) for each building in addition to the first one, used within one calendar year from the date of award.

(11) In using the designs of the several winners of this competition, the Department reserves the right to make such minor modifications in the design as may in its opinion be desirable.

(12) No use will be made by the Department of anything in any of the unsuccessful designs which is peculiar to that design and original as to this competition, without just compensation to be determined by mutual agreement of the author and the Department; PROVIDED, That in case of
failure to reach such an agreement, the Secretary of the Treasury shall fix the amount and his decision shall be final.

(13) All designs submitted shall have a volume not in excess of 104,000 cubic feet. The cube shall be the product of the ground area by the distance from the bottom of the basement floor slab to the point of the average pitch of the top of the roof in the case of so-called flat roofs. Where there is a pitched roof the contents of the volume shall be ascertained by actual figures. Small dormers, smoke and vent stacks, skylights, and similar projections above the roof may be disregarded.

(14) In preparing the above figures the ground area shall be the area of a horizontal section taken through the exterior lines of the main walls of the first story above the water-table, and shall include enclosed mailing vestibules but not mailing platforms which are open at the sides and protected merely by a marquise above. Any portico projecting beyond the general face of the building shall be figured as one-half of the actual volume; a loggia being within the general face of the outside walls of the building is to be figured for its full volume.

(15) In order to enter this competition competitors must apply in writing or by telegram so that their names may be placed on record in the Public Buildings Branch of the Procurement Division.
(16) Each competitor shall submit the following drawings and these only:

1. Plot plan - scale 1/32" to 1'
2. Plan of first floor - scale 1/8" to 1'
3. Section showing elevation of end wall of lobby - scale 1/8" to 1'
4. Longitudinal section through lobby showing front wall - scale 1/8" to 1'
5. Four elevations - scale 1/8" to 1'
6. Details at 1/2" scale shall be included to guide Treasury Department to a proper interpretation of the principal features of the exterior.

(17) On the sections of the public lobby there is to be indicated a location for a mural painting or for some sculptural plaque or panel; if desired, the sculptural device may be introduced on the exterior. The mural painting or sculptural work is not a part of this competition but a separate competition will be held therefor at a later date.

(18) All drawings are to be in pencil on white drawing paper mounted on cardboard or on white tracing paper floated on cardboard. No drawings are to be framed.

(19) No dimensions shall be given except on sections where the clear heights of stories shall be figured.
(20) No rendered drawings are to be submitted but the glass 
surface of openings on elevations shall have a light 
flat wash of India Ink to assist in expressing the re-
lation between voids and solids of the facades. The 
floor plans are to be in outline showing thickness 
of walls and partitions but not hatched or tinted.

(21) On the principal elevation there is to be shown a 
single human figure 5' 9" high.

(22) Drawings are to be assembled on two (2) "sheets, each 
22" x 30". Each sheet shall be titled: "Design for 
a Post Office Building in District No. 
(State 1, 2 or 3)."

(23) All drawings and other material submitted are to be 
amononymous with nothing thereon which could in any way 
indicate the identity of the designer. Accompanying the 
drawings there must be a plain sealed envelope inclosing 
a card on which is inscribed the author's name and 
address.

(24) On the back of the plan sheet there shall be mounted flat, 
on a letter-size typewritten sheet, a description not ex-
ceeding 200 words giving any information as to materials 
or general conception of the design, etc., which the 
designer may consider pertinent.

(25) On receipt of the drawings, each package will be opened 
under the supervision of the Adviser, and the drawings 
and their accompanying envelope will be given the same
number and the envelopes removed and left unopened until
the winning designs have been determined. The envelopes
will then be opened in order to disclose the names of the
authors of the several designs.

(26) To receive consideration, all drawings must be delivered
by 2:00 P. M. (Standard Time), June 29, 1938, postage
prepaid, and addressed as follows:

"Public Buildings Branch,
Procurement Division, Treasury Department,
7th and D Streets, S. W.
Washington, D. C."

And in heavy black letters approximately one inch high
there shall be the legend, "Competition Drawings" plainly
inscribed on the outside of the package. Drawings must
be packed flat and securely wrapped.

(27) The drawings of the selected designs are to remain the
property of the Government; all other designs will be
returned to their authors within sixty days after the
close of the competition, carriage prepaid, and each
competitor will be notified of the winners of the
competition. The Government reserves the right to
publish any or all of the winning designs.

(28) Reasonable care is assured while the drawings are in
possession of the Department but the Government assumes
no liability therefor nor will it be responsible for
drawings while in transit from or to the competitors.

(29) During the time that the competition is in progress
no explanations or other information will be given to competitors except in writing. It is not permissible for any competitor to request information relating to this competition from any member of the Jury or any employee or official of the Government except as follows:

Any request for information must be addressed in writing to the Supervising Architect, Public Buildings Branch, Procurement Division, Treasury Department, 7th and D Streets, S. W., Washington, D.C., and plainly marked on the outside of the envelope with the words "Competition Inquiry". Any reply made to inquiries will be sent in writing simultaneously to all competitors of record. No inquiries will be answered after June 15, 1938.

(30) The Department will not recognize any claim made against the United States by any unsuccessful competitor for any fee, percentage, or other payment or for any expense incident to or claimed as accrued by reason of, the competitor's participation in the competition.

(31) Entrance into this competition is with the understanding that each competitor agrees to, and enters the competition accepting, the terms of this program. Failure to comply with any of its mandatory provisions makes a competitor subject to disqualification by the Jury.

LOUIS A. SIMON
Supervising Architect

APPROVED:

C. R. PEOPLES
Director of Procurement
ADJOINING PROPERTY

150'-0" PROPERTY LINE

150'-0"

DRIVE WAY

PLATFORM

U.S. POST OFFICE

PROPERTY LINE

PROPERTY LINE

PRINCIPAL STREET

PLOT PLAN

GRAPHIC SCALE

10 20 30 40

SCALE 1/32"=1'-0"

DIAGRAM B-1
A short review of the U. S. Government security market during the past week

The average price of all Treasury bonds due or callable after 8 years advanced 6/32nds further during the past week to a level about 2 1/4 points above that of April 1, the low point for the year. Individual gains ranged from 4 to 8/32nds.

During the first four days slightly higher prices prevailed in a moderately active market. Buying for the most part was in small lots and was reported to be largely that of small out-of-town banks. Interest, which in the previous two weeks had been largely centered in the long issues, was well scattered throughout the entire list. During the last two days the market was very quiet with prices generally easing 1 and 2/32nds.

In the note market, renewed demand developed for the June and September rights. The June issue advanced 3/32nds to 101.16 bid, which is a price 1 1/4 points above a "no yield" basis and the September issue advanced 4/32nds to 101.24 bid, which is a price 30/32nds above a "no yield" basis. Gains by other issues ranged from 1 to 6/32nds.

Corporate Bond Market

The average turn-over was somewhat larger the past week than in the previous week, with activity centered in the medium and lower priced rail issues. Moody's average price of AAA issues advanced about 1 point, with the largest gains in the rails, while the AAA average advanced about 5/8ths of a point, with gains confined largely to the rail and industrial groups.
Utilities, which rose substantially in the previous week, held steady during the past week. The outstanding feature of the market was the strength and activity of the New York City traction bonds.

**New Security Issues**

Other than the private sales of bonds to insurance companies by the New York and Queens Light & Power Company and the Iowa Power & Light Company, totaling $15,700,000, there were no corporate financings of importance.

**Dealers' Portfolios**

Total holding of direct and guaranteed securities by dealers decreased 12.6 millions last week. Changes by groups are given below:

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Holdings May 7</th>
<th>Holdings May 14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury bonds</td>
<td>49.6</td>
<td>38.8</td>
<td>-10.8</td>
</tr>
<tr>
<td>Treasury notes (1 year)</td>
<td>29.6</td>
<td>34.6</td>
<td>5.0</td>
</tr>
<tr>
<td># # (1-5 years)</td>
<td>40.9</td>
<td>37.0</td>
<td>-3.9</td>
</tr>
<tr>
<td>Treasury bills</td>
<td>4.1</td>
<td>0.8</td>
<td>-3.3</td>
</tr>
<tr>
<td>H. O. L. C. bonds</td>
<td>5.3</td>
<td>6.3</td>
<td>1.0</td>
</tr>
<tr>
<td>F. F. M. C. bonds</td>
<td>4.1</td>
<td>3.5</td>
<td>-0.6</td>
</tr>
<tr>
<td></td>
<td>133.6</td>
<td>121.0</td>
<td>-12.6</td>
</tr>
</tbody>
</table>

**Investment Accounts**

The only transactions in the New York market were the following sales, all for the account of the Civil Service Retirement and Disability Fund:
$310,700 - 2 7/8\%\mbox{Treas. bonds of }1955/60 \times 104.2
500,000 - 2 7/8\% = = = 104.3
955,000 - 2 3/4\% = = = 1945/47 \times 106.3
345,000 - 2 3/4\% = = = 106.4

$2,110,700

System Account

The System replaced $56,981,000 maturing Treasury bills by the
purchases of $47,475,000 of the new Treasury bill issue due August 10,
1938 and $9,506,000 of the bill issue due July 27, 1938. There were
no other transactions.
Federal Housing Administration
Memorandum

Date: May 16, 1938

To: The Secretary to the Secretary of the Treasury

From: Shirley K. Hart

Subject:

Mr. McDonald has asked me to send the attached memorandum and tables to you for the Secretary's information on Federal Housing Administration insuring operations during the week ending May 14, 1938.

Shirley K. Hart
SMALL HOME MORTGAGE INSURANCE

During the week ending May 14, mortgages selected for appraisal, with one small office not reporting, numbered 4,917, for a total of $22,859,658. For the corresponding week of 1937, mortgages selected numbered 5,682, amounting to $15,482,266. During the past week 2,574 mortgages or 5.3 per cent covered new homes to be constructed, and during the week construction was started on 1,706 new small homes.

RENTAL HOUSING PROJECTS

The attached table covers the status of Rental Housing Division projects through April 30, 1938.

Since that date construction has been completed on one additional project, - Coles Manor in Dallas, Texas - making a total of 19 projects in operation as of May 14, valued at $19,256,000.

Loans have been closed with projects under construction on two additional projects during the period, Leveque Olentangy, Columbus, Ohio, and Parkbelt Homes, Greenbelt, Maryland, making the total loans closed with projects still under construction, 21, valued at approximately $18,000,000.

Financing has been arranged during the two weeks on six additional projects making a net total of 26 projects valued at $25,200,000 with financing arranged as of May 14.

PROPERTY IMPROVEMENT LOANS

As of May 14, more than 23,000 lending institutions were reporting notes for insurance, and during the week 7,515 notes for $3,506,610 were accepted for insurance, making a total under the new amendments of approximately $25,370,000 in property improvement loans insured.
### Home Mortgages Selected for Appraisal

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>1936</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Amount</td>
</tr>
<tr>
<td>Jan. 8</td>
<td>1,256</td>
<td>$5,483,184</td>
</tr>
<tr>
<td>**</td>
<td>1,504</td>
<td>6,531,200</td>
</tr>
<tr>
<td>**</td>
<td>1,711</td>
<td>7,299,975</td>
</tr>
<tr>
<td>**</td>
<td>1,888</td>
<td>8,180,840</td>
</tr>
<tr>
<td>Feb. 5</td>
<td>2,082</td>
<td>8,571,895</td>
</tr>
<tr>
<td>**</td>
<td>1,982</td>
<td>8,797,105</td>
</tr>
<tr>
<td>**</td>
<td>2,192</td>
<td>10,025,900</td>
</tr>
<tr>
<td>**</td>
<td>2,776</td>
<td>13,100,350</td>
</tr>
<tr>
<td>Mar. 5</td>
<td>3,099</td>
<td>17,613,402</td>
</tr>
<tr>
<td>**</td>
<td>4,470</td>
<td>20,336,711</td>
</tr>
<tr>
<td>**</td>
<td>4,697</td>
<td>21,293,061</td>
</tr>
<tr>
<td>**</td>
<td>4,868</td>
<td>22,368,219</td>
</tr>
<tr>
<td>Apr. 2</td>
<td>4,713</td>
<td>21,414,849</td>
</tr>
<tr>
<td>**</td>
<td>5,037</td>
<td>23,242,102</td>
</tr>
<tr>
<td>**</td>
<td>4,485</td>
<td>20,338,490</td>
</tr>
<tr>
<td>**</td>
<td>5,076</td>
<td>22,994,647</td>
</tr>
<tr>
<td>**</td>
<td>4,714</td>
<td>22,464,695</td>
</tr>
<tr>
<td>May 7</td>
<td>4,871</td>
<td>22,285,560</td>
</tr>
<tr>
<td>**</td>
<td>4,917</td>
<td>22,859,658</td>
</tr>
</tbody>
</table>

* One insuring office report not received.
MORTGAGES ACCEPTED FOR INSURANCE

<table>
<thead>
<tr>
<th>Week Ending</th>
<th>1936</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Amount</td>
</tr>
<tr>
<td>Jan 8</td>
<td>943</td>
<td>$4,035,500</td>
</tr>
<tr>
<td></td>
<td>1,101</td>
<td>4,524,900</td>
</tr>
<tr>
<td></td>
<td>1,066</td>
<td>4,445,500</td>
</tr>
<tr>
<td></td>
<td>1,329</td>
<td>5,601,500</td>
</tr>
<tr>
<td>Feb 5</td>
<td>1,099</td>
<td>4,431,000</td>
</tr>
<tr>
<td></td>
<td>1,194</td>
<td>4,807,100</td>
</tr>
<tr>
<td></td>
<td>1,033</td>
<td>4,380,200</td>
</tr>
<tr>
<td>Mar 5</td>
<td>1,609</td>
<td>6,905,400</td>
</tr>
<tr>
<td></td>
<td>1,705</td>
<td>7,601,400</td>
</tr>
<tr>
<td></td>
<td>1,863</td>
<td>9,286,600</td>
</tr>
<tr>
<td></td>
<td>2,280</td>
<td>9,990,900</td>
</tr>
<tr>
<td>Apr 2</td>
<td>2,642</td>
<td>11,601,700</td>
</tr>
<tr>
<td></td>
<td>2,147</td>
<td>12,705,400</td>
</tr>
<tr>
<td></td>
<td>3,266</td>
<td>14,330,625</td>
</tr>
<tr>
<td></td>
<td>3,761</td>
<td>16,514,000</td>
</tr>
<tr>
<td></td>
<td>3,517</td>
<td>15,678,900</td>
</tr>
<tr>
<td>May 7</td>
<td>3,251</td>
<td>14,575,900</td>
</tr>
<tr>
<td></td>
<td>3,482</td>
<td>15,674,150</td>
</tr>
</tbody>
</table>

*One insuring office report not received.
WEEKLY VOLUME OF HOME MORTGAGES SELECTED FOR APPRAISAL
AMOUNT REPORTED BY INSURING OFFICES AT END OF EACH WEEK

MILLIONS OF DOLLARS

1938

1937

MILLIONS OF DOLLARS

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

Regarded Unclassified


**BRENTAL HOUSING AUTHORITY COMMISSION**

**Cumulative through April 30, 1938**

**STATUS**

**BANK OF PROJECT**

**LOCATION OF PROJECT**

**NO. OF FAMILY UNITS**

**CAPITALIZATION**

**AMOUNT OF MORTGAGE**

---

<table>
<thead>
<tr>
<th>Status</th>
<th>Bank of Project</th>
<th>Location</th>
<th>No. of Family Units</th>
<th>Capitalization</th>
<th>Amount of Mortgage</th>
</tr>
</thead>
</table>

---

**Lomas Closed — Under Construction**

<table>
<thead>
<tr>
<th>Bank of Project</th>
<th>Location</th>
<th>No. of Family Units</th>
</tr>
</thead>
</table>

---

**TOTAL PAST DUE PAYING MORTGAGES**

<table>
<thead>
<tr>
<th>Bank of Project</th>
<th>Location</th>
<th>No. of Family Units</th>
</tr>
</thead>
</table>

---

**Financing Arranged**

<table>
<thead>
<tr>
<th>Bank of Project</th>
<th>Location</th>
<th>No. of Family Units</th>
</tr>
</thead>
</table>

---

**Additional Commissions Outstanding**

<table>
<thead>
<tr>
<th>Bank of Project</th>
<th>Location</th>
<th>No. of Family Units</th>
</tr>
</thead>
</table>

---

**TOTAL COMMISSIONS EARNED**

<table>
<thead>
<tr>
<th>Bank of Project</th>
<th>Location</th>
<th>No. of Family Units</th>
</tr>
</thead>
</table>

---

**Construction now in progress.**

---

**Includes 1 project for $1,150,000 refinanced.**

---

**Includes 1 project under construction.**

---

**At-Will Special**

---

Division of Economics and Statistics

Operating Statistic Section

---

Regraded Unclassified
To: Secretary Morgenthau
From: Mr. Haas
Subject: The Business Situation, week ending May 14, 1938

General conclusions

The current week has probably, in the net, contributed little either way to the trend of business activity, which has followed an almost level course since the first of the year with a slight downward tendency. On the unfavorable side is the fact that the passing of the spring peak in business activity has been followed by a somewhat greater than seasonal slackening in several leading industries, notably in cotton textiles, automobiles, and steel, and a recent decline in new orders for steel products. Offsetting these are a well-maintained level of new orders for products other than steel, rising trends of bond and stock prices, and some evidence of an upturn in commodity prices. While business sentiment has improved, and an upturn in production during the fall is now generally expected, businessmen currently are awaiting some definite evidence that the recovery program is taking effect, before embarking on extensive buying programs.

As evidence of a coming upturn in industrial activity, considerable attention is being paid to trends in the security markets. The sharp improvement in the bond market, and upturns in stock prices, particularly in the utility group, have greatly modified previous bearish sentiment. The failure of the industrial stock averages thus far to exceed their April highs, however, while utility and rail stocks have gone above those levels, has acted as a restraining influence on speculative sentiment and led to the maintaining of a cautious attitude. A further rise in the industrial stocks, confirming the action of the other two groups, would have an influence in improving business sentiment.

An announcement of steel prices for third-quarter delivery, expected shortly after the middle of May, may help to clear up present uncertainties regarding the actual demand for steel. Pending such announcement, new orders for steel have declined to near the year's low level. Steel activity during the current month will be aided by surplus orders booked during April, and by reduced inventories in the hands of steel companies.
The current business trend

As measured by the New York Times weekly index, business activity currently is about stationary at the year's low level. During the week ended May 7 the index stood at 76.4, a gain of .7 point over the previous week. Upturns in the adjusted indexes of automobile production, lumber production, electric power production, cotton mill activity, and "all other" carloadings, were partly offset by declines in steel production and miscellaneous carloadings.

During the current week, automobile production has declined by substantially more than the usual seasonal reduction, and steel output has again been reduced slightly. The movement of goods into the hands of consumers, as indicated by department store sales, has shown a declining tendency in our seasonally-adjusted index, although the comparison with last year's sales has been less unfavorable than during March.

The steel situation

The rate of steel ingot production this week, at 30.4 per cent of capacity, is 2.3 points lower than the peak reached during the week ended April 11, a reduction due largely to a decline in demand from the farm implement industry and from consumers of the lighter steel products. Construction steel awards continue to hold at a fairly high level.

Reduced inventories of steel in the hands of steel companies are indicated by the fact that during April the U. S. Steel Corporation shipped out only 6 per cent more than it produced, whereas during the previous four months it had shipped about 15 per cent more than production. It is estimated that since January 1st the Corporation has reduced its steel inventories by 150,000 tons, equal to nearly 1½ weeks' production at the current rate. The depletion of steel producers' inventories will tend to increase production during the coming months on a given volume of orders. An apparent backlog of orders built up during April will also be a sustaining factor in steel production during the early summer.

New orders received by the U. S. Steel Corporation during the week ending May 5 declined to 97,000 tons, only 11,000 tons greater than the year's low. Buyers see little reason to place orders until after the announcement of third-quarter prices, expected shortly after May 15, since it is argued that prices cannot be raised, and are likely to be lowered. Recent reports of price cutting by independent companies lend strength to this expectation.
Cotton mill activity declines

Recent heavy curtailment of cotton mill activity, due to accumulating mill stocks of finished goods, is indicated by a decline in the New York Cotton Exchange estimate of cotton consumption to 425,000 bales during April, as compared with a Census Bureau figure of 511,000 bales for March. This would reduce the F.R.B. adjusted index to a new low of 77 for April, as compared with the previous low of 82 in January.

In Chart 1 we show the F.R.B. indexes of production through March for several consumer-goods industries which have recently turned upward, together with best estimates available for April. These include the boot and shoe, rubber goods, and the three leading textile industries. The decline in cotton mill activity during April, however, indicates that this industry has, at least temporarily, suffered another setback.

An improvement in the cotton textile markets this week has followed the reports of heavy mill curtailment, which strengthens the market situation for cotton goods. The volume of buying at the end of the week was the heaviest so far this month, and by Thursday was reported to equal about three times the weekly output in the print cloth division. Prices of goods improved with the increased demand, and mills are reported to have reduced their inventories substantially. The revival in demand had for some time been expected in the trade, since distributors and converters had been buying very lightly for several months. A continuation of the buying movement during May and June, as looked for in the textile trade, would soon place mills in a favorable position for stepping up their production.

Weekly index of new orders

The decline in new orders for steel has further reduced our new orders index to 67.2 (preliminary) for the first week of May, as compared with the recent peak of 77.0 during the third week of April. Orders for products of other industries, however, have remained relatively stable, the orders index excluding steel rising to 50.8 (preliminary) during the first week of May, as compared with 48.5 during the previous week, and with a recent peak of 52.3. The figures by weeks are given below.
Weekly Index of New Orders

<table>
<thead>
<tr>
<th></th>
<th>Including steel</th>
<th>Not including steel</th>
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</thead>
<tbody>
<tr>
<td>April</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st week</td>
<td>66.1</td>
<td>45.8</td>
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<td>2nd week</td>
<td>69.5</td>
<td>47.4</td>
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<td>3rd week</td>
<td>77.0</td>
<td>52.3</td>
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<tr>
<td>4th week</td>
<td>75.8p</td>
<td>49.6p</td>
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<tr>
<td>5th week</td>
<td>68.1p</td>
<td>48.5p</td>
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<tr>
<td>May</td>
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</tr>
<tr>
<td>1st week</td>
<td>67.2p</td>
<td>50.8p</td>
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Security and commodity prices

The stock market has maintained its gains this week, with investors showing increased interest in railroad and utility shares. The industrial stock average, however, has not quite reached its April high, although the utility average has risen to a new high since January, and the rail group has reached its late-March levels. This failure of the industrial average so far to reach higher levels has had a dampening effect on speculative sentiment, and to some extent on business sentiment, since many look at the stock market as a barometer of business trends. A further rise in industrial stocks, confirming the new highs established by other groups, would have considerable psychological influence in the stock market and would tend to improve business sentiment.

While trading volume in the stock market has been rather light, continued pressure to invest idle funds has been apparent, as corporate bond prices have maintained a steady advance. On the other hand, some selling pressure has come from the liquidation of margin accounts, as indicated by a decline of $47,000,000 in brokers' loans during the week, which has tended to improve the market's technical position. In Chart 2 one may see how the influence of the increase in excess reserves has worked downward from Government bonds to the speculative types of bonds and to stocks.
A gradual improvement in sensitive commodity prices here and abroad this week, while so far not extensive, may indicate some influence of recent monetary expansion moves on commodity prices. It is of interest that wheat prices have held at a stable level for the past ten days despite the publication of a higher Government crop estimate than generally expected, and that cotton prices have improved on an increase in demand although crop conditions have remained generally favorable. A rise in commodity prices, confirming the evidence of improvement in underlying conditions provided by rising security prices, would be a strong factor in reviving industrial buying.
INDUSTRIAL PRODUCTION
AND PRODUCTION OF SELECTED CONSUMER'S GOODS*

1923 to 1925 = 100

Industrial Production, Production of Boots and Shoes, and Rubber Goods

Production of Cotton, Wool and Silk Goods

*F.R.B. INDICES, ADJUSTED FOR SEASONAL VARIATION.
The last public offering by the British Government was on April 26, 1937. This offering totaled £100,000,000, carrying a 2 1/2% coupon, redeemable 1944-1948, and priced at 99 1/2. At this price, the yield was about 2.55% to the average redemption date. The Public Departments took about 65 to 80% of this offering and the balance was successfully disposed of over a period of time. On May 4, 1938 this issue was quoted at 97 1/4.

So far this year there have been only three sizeable public offerings, as follows:

January 19, 1938:
Dominion of Canada
£10,000,000 3 1/4% bonds dated 1958-1968 at 98 1/2 to yield about 3.34% to maturity. £7,000,000 of this offering was made on an exchange basis for outstanding 3% bonds and £3,000,000 for cash subscription. Underwriters were left with approximately £3,900,000, which shows that a number of the holders of the outstanding 3s did not choose to exchange their bonds for the new issue. On May 4, 1938 this issue was quoted at 98 - 98 1/2.

May 5, 1938:
Convertible Australian Loan
£7,000,000 3 3/4% bonds due 1952-1956 at 99 to yield about 3.84%. Underwriters were left with about 56% of this issue and on May 11 was quoted at about 98 1/4.

May 12, 1938:
London County Council
£10,000,000 3 1/2% loan dated 1963-1973 priced at 101 1/2, to yield about 3.40% to redemption. The London County Council is the administrative body for London County, which comprises the greater part of the City of London. Underwriters were left with approximately 95 1/2% of this issue and no current quote is available.
The April 2, 1938 issue of the Economist contains the following comment on the capital issue market:

"During the past quarter accentuated depression on the stock exchange has been associated with widespread disquietude over the trend of political events abroad and with undeniable evidence of a falling off in industrial activity at home. The results have been, at times, something approaching a state of paralysis in the new issue market. Issues on behalf of borrowers of every status, from the gilt-edged to the ultra-speculative, have had to be postponed. Of those which have braved rigors of market weather, some have had a reasonably favorable reception, but others have been left with underwriters in varying proportions from 99% downward."

Comments from various papers indicate that the recent failures of capital offerings will make it impossible for the British Government to consider issuing another instalment of the Defense Loan for several months, or until the high grade market is restored to a normal condition.
May 16, 1938

For the Secretary:

... 

Governor John McKee of the Federal Reserve Board asked me to come over and talk to him.

He is distressed about the situation in which we find ourselves with respect to bank examination policy. He feels very strongly that what small measure of uniformity is going to be achieved by the present effort is of such inconsiderable consequence that it would be much better to drop the whole thing. As he expresses it, his concern in the first instance is for the Secretary of the Treasury who has "a hot potato in his lap" and no satisfactory way of getting rid of it. If the agreement so far reached is made public, Mr. McKee is of the opinion that Washington will be made something of a laughingstock for informed persons throughout the country. There will be fuel added to the flame which already blazes in the form of articulate conviction that Washington is "screwy."
When I gently insinuated that Chairman Eccles had been one of the first to speak publicly about the necessity for uniformity and liberalization of the bank examination policies, and had carried his campaign to the President, and had pleaded the minority cause at a bankers' convention last week, Mr. McKee became fairly excited and said for goodness sake not to hold him or the rest of the Board responsible for what the Chairman said—that the Chairman can't carry his Board with him on most of the things he has in mind, and that McKee feels pretty certain that if he wants to make an issue on some of them, he can lead the Board against the Chairman. He said the Secretary talks to the wrong people on the Board.

Mr. McKee has very definite convictions with respect to the way in which bank examination should be conducted and he feels that any small compromise now will be wholly meaningless and that the battle will still be ahead. He thinks the Secretary would be well advised to drop the whole thing.
With respect to changes in the Comptroller's Regulation, Mr. McKee pointed out that the framing of the Regulation is the definite responsibility of the Comptroller of the Currency. He thinks the Reserve Board should confine itself to commenting upon any suggested revision which is presented to them by the Comptroller.

P. S. What Governor McKee said about the Chairman was "off the record" and, as he said, if he were ever quoted he would deny having said it.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE MAY 16, 1938

TO
Secretary Morgenthau

FROM
Herman Oliphant

For your information -

I met "Dick" Patterson, the new Assistant Secretary of Commerce, at "Bob" Jackson's last Wednesday evening where there was talk about what business men thought of the Monopoly Message. He called me today, saying he had spent the week-end with Stettinius who said that he had read the Message, was one hundred per cent back of every word of it, and that he (Patterson) could tell anyone in Washington that this was the way he felt.
Excerpt from Herman Oliphant's weekly report to
the Secretary dated May 16, 1938:

Reorganization - Genessee Valley Gas Co., Inc. We
have advised the SEC that the Department has no objection
to its proposed plan.
Monday
May 16, 1938
6:11 p.m.

Jesse
Jones:
Hello, Henry.

HMJr:
Hello, Jesse.

J:
How are you?

HMJr:
Got them all sold?

J:
Ha - Ha - Gosh, it's a joke.

HMJr:
Why - how many overtime?

J:
Oh - I'd say twenty times.

HMJr:
My golly!

J:
(Laughingly) Or twenty-five times.

HMJr:
I can't buy any for postal saving then, huh?

J:
Don't look like it.

HMJr:
Uh huh. Well...

J:
Henry, I think - I called you earlier but I went ahead and acted - ah - instead of holding open until Wednesday I'm going to close it tomorrow night.

HMJr:
Go ahead.

J:
It's - I talked to Dr. Burgess...

HMJr:
Fine.

J:
And Wayne - ah - we had said we were going to hold it open until Wednesday but then it's so ridiculous that I think I'd better do it.

HMJr:
All right.

J:
How are you feeling?

HMJr:
Oh, pretty well.

J:
Well... (Laughs)

HMJr:
What?
J:  (Laughs) Well, that's all right.

HMJr: That's all right.

J: Nothing new, I suppose?

HMJr: Oh, ah ...

J: How are things abroad?

HMJr: A little quieter - a little quieter.

J: And...

HMJr: I wouldn't buy any Czechoslovakian bonds.

J: No.

HMJr: But...

J: I wouldn't think so.

HMJr: Well let's get together soon.

J: I'd like to do it, Henry. I'm laid up today...I've been...

HMJr: Oh...

J: I've been in bed all day today. I ate something that put me out of shape.

HMJr: What have you got, the pip?

J: Yeah, I think it's worse than the pip. (Laughs)

HMJr: I see. Well, take care of yourself.

J: Thank you, Henry. And I do want to see you soon, Henry.

HMJr: All right.

J: Goodbye.
GROUP MEETING

Present: Mr. Magill
         Mr. Taylor
         Mr. Olliphant
         Mrs. Klotz
         Mr. Bell
         Mr. McReynolds
         Mr. Gaston
         Mr. Upham
         Mr. Haas
         Mr. White
         Mr. Gibbons
         Mr. Lochhead

H.M.Jr: Dan, as long as we made that appointment, I guess I'll walk over there, just say hello to him.

Bell: You mean not give him the letter?

H.M.Jr: Yes. I can't call up and ask for an appointment and then not show up.

Bell: You don't need me, then.

H.M.Jr: Only if you can get ....

Bell: I can fix it.

H.M.Jr: No, I just thought I'd drop over. I can't say, "I wanted to see you desperately yesterday and today I don't." What?

Klotz: No.

H.M.Jr: Mac, you got anything on surplus commodities?

McR: Haven't got the report. Have it some time this morning. This committee meeting ....

H.M.Jr: What's his name?

McR: Well, Tapp was out of town. Wilcox is acting.

H.M.Jr: And will you (Haas) get in touch with Bill Myers on that?

Haas: Yes, sir.

H.M.Jr: I asked Bill Myers to work up a program - what would he
do with 150 million bushels of surplus wheat if he had the say. Said he'd like to work on that.

Hass: Uh-huh.

H.M.Jr: And other surplus crops too, see?

McR: Yes, I'll have it some time today.

H.M.Jr: Dan?

Bell: I have nothing. Like a few minutes after this meeting with Mac to discuss a problem.

H.M.Jr: Well, I'm due at 10:15 at Glass. If we have time I'd be delighted.

After letting the night pass, I think the result of our meeting with Hopkins was all right. How do you (Bell) feel?

Bell: Well, I think it was a good thing we had Hopkins. That's the way I feel about it.

H.M.Jr: Hopkins was here for an hour and three quarters last night, in all of which he said, as far as direct relief is concerned, that's taken care of, and as far as accounting is concerned, he said, if Dan wanted it, he doesn't want any fight with the Treasury publicly - "Put it in."

Incidentally, you (Klotz) better get around on those bets - I mean better do a little figuring, because I know I lost.

Oliphant: I won.

H.M.Jr: Did you? Well, wait a minute, Dan, Mrs. Klotz would know on both.

Bell: You (Oliphant) were "yes" on both.

Oliphant: Well, he did sign it.

Bell: No, he didn't.
Oliphant: The President signed both of them.
Bell: No, he didn't.
H.M.Jr: Oh, they didn't go.
Oliphant: But he signed them.
H.M.Jr: Now wait a minute.
Klotz: 'hat's the leak in the department.
H.M.Jr: Oh, oh!
Gaston: Oh!
H.M.Jr: You're right, Herman. Absolutely right, Herman.
Oliphant: Don't say I haven't won.
Bell: You're disqualified. You're on the same side. It's getting legalistic.
H.M.Jr: Gosh, I - that - oh boy, I'll ask the Attorney General for a ruling with instructions from the President to uphold my side. "Impartial rule, Mr. Attorney General, but please rule so-and-so."
Magill: There was a decision of the Supreme Court of Illinois when Mr. Oliphant was first admitted to the bar on that very point. It was adverse to Mr. Oliphant. The Constitution says that if the Governor signs a bill it shall become a law, and Governor Yates didn't know his mind and he signed the bill, and next day he crossed it out, and the court held it was not a law.
Oliphant: But he didn't cross out anything, did he?
H.M.Jr: He didn't initial it. He said, "The one letter can go."
Oliphant: He did?
H.M.Jr: "The one letter can go." Then Hopkins said, "You needn't send the letter. I'll take care of what you
want." On the second letter the President said - added something, that if Hopkins would sign his name, all right. All right.

Oliphant: Got both letters approved.

H.M.Jr: But personally, ten cents - I admit I lost.

Bell: I lost.

H.M.Jr: You won and you won.

Bell: I won half.

Klotz: Half.

H.M.Jr: And I lost.

Klotz: Well, how are we going to split it? No one ....

Bell: Approved one and didn't approve the other.

Klotz: Yes, that's the fair thing.

Magee: In other words, no bet.

Bell: I think if you want to say who won, Miss Chauncey hit the nail right on the head.

H.M.Jr: What did she say?

Bell: Said he'd sign the accounting letter, but wouldn't sign the relief letter. Hit it right on the head. I think she won all bets, really.

Gaston: Well, we'll have to have briefs and submit them to the processing tax Board of Review.

H.M.Jr: Mr. Oliphant's pet board.

Oliphant: Right.

H.M.Jr: All right.

Steve?

Oh, I sent you that memorandum on Miles Kitchen. How many times have we looked him up, Herman? Miles
Oliphant: Kitchen, for the Board of Tax Appeals.

H.M. Jr: Is he from Tennessee?

Gaston: North Carolina.

Oliphant: Son of Claude Kitchen.

Oliphant: Kitchen, son of Claude Kitchen. Ah - he's in the records.

H.M. Jr: Will the two of you have something for me by noon if possible?

Oliphant: On him?

H.M. Jr: Yes.

Oliphant: What about Ford? Anything about Ford?

H.M. Jr: No, this is the last ... But if you'll give me the recommendation, I'll see that - the two of you write a letter to the President.

Oliphant: What time - 11?

H.M. Jr: Oh, somewhere - yes. But I'm sure we've turned him down at least twice. And I think he's in the Department of Justice. Just see if my memory isn't right on it.

Oliphant: All right.

H.M. Jr: Two or three times. And I think he's working in the Department of Justice. I want to write a very nice but cagey letter on it, and using this recommendation of Kitchen to restate my position, see?

Gibbons: Miss Durand, who is Jimmy's secretary, called me yesterday and said, off the record, she was quite - Jimmy told her to tell me he was quite sure the President wouldn't go along with Tyson.

H.M. Jr: Now let me get this right.

Gibbons: Tyson is Pat Harrison's man.
H.M. Jr.: Well?

Gibbons: Apparently he had talked to the President yesterday morning, and right after the meeting yesterday morning ....

H.M. Jr.: And so what? That's all the more reason for writing a cagey letter.

Gibbons: That was Jim's idea too.

H.M. Jr.: Who?

Gibbons: Jim Farley's idea.

H.M. Jr.: I spoke to him - he called me yesterday. I said, "Jim, are we together that the four members of the Board should be reappointed?"

Farley says, "That's my position."

Gibbons: Yes, he's for the reappointment of the whole four, and so is Jimmy Roosevelt too. He was the other day when Pat Harrison was bearing down on him. He wanted Tyson's name sent right over. Apparently he talked to his father ....

H.M. Jr.: Well, I'm strictly - a strict party man. If the National Chairman says the four should be reappointed ...

Gibbons: I just wanted you to know what was going on with the President.


H.M. Jr.: Well, I go along with Farley, except I have no exceptions. I don't believe in state interference - ah - when I'm not sure. Golly, Jim's taking an awful chance.

Gibbons: Oh, that's terrible; but of course, he's consistent. Kennedy was elected by the Democrats, and so was Earle. Jones is a Republican and Wilson was elected by the Republicans. So he's just doing it
as a matter of consistency. That's my ...

Taylor: It's an interesting situation.

Gibbons: I'd like to see you some time, if I can, for a minute.

H.M.Jr: All right.

Harry?

White: I've got the information from G-2 on the situation - in about three minutes I can outline the whole Chinese situation. Want to do it later?

H.M.Jr: Later when I get back from Glass.

White: Also got some information on wheat in China - what they're short, approximately.

H.M.Jr: Fine. We'll pool that information.

Mr. Upham?

Upham: I have nothing, Mr. Secretary.

Lochhead: Exchanges are quiet, but they're a little bit steady; little less pressure on the belgas. And France apparently has floated that loan successfully in a small amount, and they're making the most of it.

H.M.Jr: Have you got your telegram of congratulation?

Lochhead: I think so. About the first loan they have managed to put over.

H.M.Jr: Wayne?

Taylor: Well, I've got four or five things here covering most of the known world.

H.M.Jr: Well, we'll get around to it. O.K.

Taylor: And none of them terribly important.

H.M.Jr: Let me just see ....

Taylor: Hungary, Cuba, England, Belgium, and a few domestic ones.
Bell and Mac want something. You (Gibbons) want something.

Bell asked first.

Well, "first shall be last." Steve Gibbons, White, Taylor, Oliphant. This is going to be a busy morning for somebody.

George? Who doesn't want to see me? It makes it easier.

I can't, with this crowd here. I'd like to.

This group is going to be here. What are my sailing orders on that?

They'll come down for lunch and I'll meet them at one o'clock. I'll talk to them during lunch and after that.

No Federal Reserve lunch.

I thought we'd postpone it because they had the advisory committee and I thought it would be difficult for Mr. Eccles today, so we'd postpone it.

For a week.

For one week.

Have Mr. Bell at lunch?

Yes.

Shall I tender them your invitation to have lunch with them?

Yes, sure. If you check - stay a minute and check with Mrs. Klotz the list, who's on it, see?

There's one other thing. (Hands Secretary book of business reports)
They're all coming as far as I know.

H.M. Jr: Good.

Herbert?

Gaston: I suppose the boys will notice this group around here. If they do ....

H.M. Jr: We're checking business.

Haas: Here's a good one. It occurred to me last night.

Gaston: From the standpoint of tax estimates.

Haas: We had them down once before, and it's a regular thing. Had outsiders in each time. If you want to take the unusualness out of it.

Bell's going to ask for a summation pretty quick. Aren't you?

Bell: As soon as Congress goes home.

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

Gaston: Yes. I don't think there would be any harm in telling them.

H.M. Jr: No.

Gaston: If they ask.

About Ray Clapper and the other, Mellett. Can we give them any alternative, or shall we simply cancel it?

H.M. Jr: No, I could do it tomorrow.

Gaston: You can do it tomorrow. I'll ask them for tomorrow.

Klotz: Instead of when is it?


Anything else?
Gaston: No, I think that's all.

H.M. Jr: Herman?

Oliphant: I'm very much bothered about those people over at St. Vincent's - about 180 of them committed illegally. And there's going to be a lot of publicity in their recommitment. Wonder if you have any ideas on it.

H.M. Jr: Is that the letter that you wrote to Parran and ....

Oliphant: No. Signed the first one, and the other I've taken care of in another way. But it's a pretty spectacular thing. Can't figure out any way to handle it without its being so.

H.M. Jr: Well, who is St. Vincent's under?

Gaston: St. Elizabeth's.

Oliphant: St. Elizabeth's. Under Ickes.

H.M. Jr: Well, who committed these people?

Oliphant: He did. Just sent them over without trial.

H.M. Jr: Well, what could I do, Herman?

Oliphant: Well, I wondered if ...

Bell: Public Health.

Oliphant: No, don't know what you can do.

H.M. Jr: Well, when you see me, why don't you take that up?

Oliphant: It worries me.

H.M. Jr: I'll see you today.

Oliphant: I don't see any way to avoid it.


Oliphant: Legally, you did. It was over your signature, at your direction.
By whom?

It came up through Public Health.

Well, why don't you and Parran and I sit down and have a talk?

I think it would be a good thing if the three of us did. It's going to be a pretty spectacular thing, and 

Government employees, are they?

No, Merchant Marine.

Marine Hospital beneficiaries.

It's going to be a rather embarrassing thing. I think we ought to 

I thought if we had the power to commit some Government employees 

"without trial?"

Without trial.

I got one.

All right. O.K.

Might be a good thing for us to sit down for a few minutes and talk about it some time.

No responsibility for the administration. All they're doing, as far as Treasury is concerned, is taking pay for taking care of them.

Well, don't let's do it now.

All right.

I got a very definite legal theory in my mind.

Well, you (Oliphant) sit on it.

And I've got these two documents.
Now, I've got ten minutes. I wish you'd expound on marketability.

Oliphant: Well, the statute in fixing the - determining the type of bond and so forth that the National Banks shall invest in, says that these investment securities shall be marketable, and then the Comptroller has issued regulations explaining what we mean by marketable.

And as I see it, he has said that marketable - defined the term "marketable" to include only those issues which either are listed on an organized exchange or otherwise are so widely distributed that they are readily salable, and he has excluded from the term "marketable" its ordinary meaning.

So you take this case of the First National Bank, Frankfort, Indiana, and there is a $10,000 bond issue of a local furniture company which a half dozen of substantial citizens would be very eager to buy. Now, that is in fact salable and in fact marketable.

H.M. Jr: It is?

Oliphant: In fact marketable. And I think the only correct construction of the statute is to say that any security which is salable within a reasonable time and at a reasonable price is marketable, even though the number of prospective purchasers is relatively small. Now that, it seems to me, the Comptroller has entirely left out.

And I think I'd go a little further than that and say that if a security is registered on - I mean is listed or registered on an organized exchange, then it is a marketable security, even though momentarily it may cease to be salable. For instance, you could take a situation where Norfolk & Western 4's are acting strangely on the stock exchange for some special reason, and there have ceased to be any bids for them. I should say it is still marketable, although momentarily not salable.

So I have tried to - I have here a redraft of those
regulations bearing - suggested redraft of regulations along that line: that a marketable security is, first, any security which is salable in fact within a reasonable time and at a reasonable price; and then, any security which meets the Comptroller's test.

H.M. Jr: Now, would that mean that they could invest in securities other than bonds?

Oliphant: No.

H.M. Jr: It's just bonds.

Oliphant: It's bonds and debentures and notes.

H.M. Jr: Well, who says only bonds and debentures?

Oliphant: Well, the statute says so.

White: Have you any basis for that interpretation of marketability other than what you regard in your own mind as being a reasonable one?

Oliphant: The ordinary meaning of the word.

White: I think it's open to question unless there is .... If you want to raise it, not from a legal point of view, but very definitely from an economic point of view, you merely substituted one word for another. Both "salability" and "marketability" are practically identical in economic language. You then redefined "marketability" as you liked. You did not redefine "salability" because that has too common and ordinary a connotation. You may get away with it, but ....

Oliphant: Well, I don't think we're making any effort to get away with anything here, Dr. White.

White: Oh yes. That is, you may be placing an interpretation ..

Oliphant: The books are full of cases, my dear sir, defining the word "marketable." Can't get them all on a truck.

White: Well, you (H.M. Jr) don't want that issue raised here, I take it.

Oliphant: Depend on the manner in which it is raised.
I raise it particularly at this time because - I mean we've been fooling around with this thing now ... If you will, yes, go right ahead; take ten minutes.

White: Let's take a particular illustration. Speaking now exclusively from an economic vantage and not ....

H.W.Jr: I say go ahead. I've raised it for a particular - I wanted to raise it, had a particular reason for raising it at this time.

White: Take the illustration which is advanced: a security which is listed on an exchange which for some special circumstance is not salable at the time. The presumption is that "at the time" includes not only the moment, but as long as the conditions which made it not salable persist, which is likely to be a reasonable - several months, etc. And you say that that security, though not salable, is marketable, because you are defining as marketable securities which may be salable at some time or other, even though they may not be salable at the moment.

The first question I asked was whether there was a definition which so defined marketability. If there is not a definition that so defines marketability, then you will have to examine the economic justification for that distinction which you are making. If you do examine that justification, I think that it ceases to exist, because the essence of marketability, from an economic standpoint, is its salability. That is what marketability, in an economic point of view, means.

Oliphant: The terms are interchangeable.

White: The terms are interchangeable in an economic sense. And for you to take a term which is in legislation and accept that term but redefine it in terms of some other word which has a meaning which cannot be expanded or vitiated or twisted, or any phrase you like, is, as I say, rather unwarranted.

Oliphant: Well, let's take the case of the small furniture company with $10,000 of bonds - small furniture company, Frankfort, Indiana - $10,000. A half
dozen of the local men with money are eager to buy the bonds. Are those marketable?

White: There are people who are eager to buy the bonds?

Oliphant: There are half a dozen - Jim Coulter and Jay Dinwiddie and the other four of them are eager to buy the bonds. Are they marketable?

White: If they are salable, and they are.

Oliphant: Well, I stated the facts and am willing to ......

White: From an economic point of view, they are very definitely marketable - if they can be sold in a reasonable time and at a reasonable price.

Oliphant: The first thing I want to point out is that the Comptroller's regulations exclude those. A bank cannot invest in those.

White: What does that indicate? That indicates that there are in the Comptroller's regulations - there may be certain securities which in his opinion are salable but which he has arbitrarily defined as not being marketable. His arbitrary definition of the distinction between the two merely means that he has, within his power, I suppose, defined marketability as he would like to have it defined. That still doesn't touch the economic distinction.

Oliphant: Well, let's see, I suppose that what we are talking about here is a legal definition of the term "marketable" as it is used in the statute.

White: Is the Comptroller's definition decisive as to what the legal interpretation of a phrase is?

Oliphant: No, that's just what we're reviewing here. That's the whole question before us this morning.

White: Therefore, the fact that he has stated that certain securities are not marketable, although you have stated as a fact that they are not salable, doesn't make his definition an accurate one. Exactly. Therefore, I don't think you could advance it as a proof of
your point. Therefore, you will have to abandon that as an illustration of the distinction between marketability and salability.

Oliphant: Now I'm lost. I don't think ....

White: Maybe I'm lost myself.

Oliphant: I don't think White knows what I'm talking about.

White: That's quite possible.

Oliphant: Right.

H.M.Jr: Just one minute, this'll save it. You (Oliphant) have rewritten the Comptroller's regulations, have you?

Oliphant: Yes, I have a redraft.

H.M.Jr: O.K. Now I'm going to ask Mr. Taylor to read them, I'm going to ask Mr. Upham to read them, I'm going to ask the top Civil Service fellow there - what's his name?

Upham: Folger.

H.M.Jr: And Dr. White and Mr. Haas - to read these things, see. And I give you - and then at 9:30 Thursday morning I'd like to take it up again.

Oliphant: Well, that's fine. I have also a memorandum that goes with them. Would you like to have that distributed?

H.M.Jr: Yes.

Oliphant: I'll give you a copy, send them around.

H.M.Jr: You fellows, after you've read it, could get into a room and talk it over, because I've been ....

Upham: May I say one word, Mr. Secretary?

H.M.Jr: Why not?

Upham: That the two points of view represented by Mr. Oliphant and Mr. White are the two points of view
that we have discussed day after day, in much
greater detail than either one of them has, and
there is substantial agreement with Mr. Oliphant's
position and there is substantial dissent from it.

H.M.Jr: In other words, what you're saying is that you've
got nowhere, if you don't mind my putting it that
way.

Upham: Wouldn't quite say that. Mr. Folger has a redraft
of the regulation. We expect to get one from the
Federal Reserve today, and with this one - it will
be right helpful. He (Oliphant) thinks I'm wrong.

H.M.Jr: I still say, between now and 9:30 Thursday morning
you get everything that you have, arrange a time
mutually agreeable to White, Taylor, Bell, and
Oliphant, and sit down and see whether we can't
at least say, "Well, the Comptroller's right" or
"He's wrong." But please don't bring me in a
suggestion that the State Department should settle
it.

White: That is under the assumption, Mr. Secretary, that the
economic interpretation, which is not clearly defined,
is of some significance. If it is simply the legal
interpretation, then I have certainly nothing to
contribute.

Mass: I think you can reconcile the two.

Oliphant: The erroneous impression that Upham gave - White
agrees, he and I have the same thought, that the
bonds of this furniture company are marketable.
That's the big idea, you see, in this interpretation.

Upham: I think you'll find the Comptroller in agreement with
that too, Mr. Oliphant.

H.M.Jr: Wait a minute. I hate to see Barry go way up and then
come down faster than he went up.

White: I didn't know I was coming down. I - oh, I'm merely
giving the illusion of coming down.

H.M.Jr: when Oliphant for the first time in his life refers
to you as Dr. White....
... there must be something wrong. I was gathering my mental armor to see what was going - comparing ....

Oliphant: That put it back on an intellectual basis, didn't it?

H.M.Jr: What I want to know is this. Does the Comptroller rule that a $10,000 bond issue in Frankfort, Illinois - Frankfort, Indiana - it would be Indiana - that that is marketable?

Upham: Well, you will find a speech of Mr. O'Connor's when he was Comptroller ....

H.M.Jr: Now wait a minute.

Upham: He, the Comptroller, says ....

H.M.Jr: Well now, wait a second, I didn't ask for any speeches. The Comptroller also said I was a swell guy; that doesn't help any. What I am asking is, in his rules and regulations, does a $10,000 bond issue in Frankfort - does he rule - not what the Comptroller spoke, but in the rules.

Upham: Under the rule that bond issue could be held marketable by the examiner who examined the bank.

H.M.Jr: But is it?

Bell: How could it be?

Upham: For the most part, no.

Oliphant: May I say that under the regulations it cannot be held marketable.

H.M.Jr: You (Bell) want to join this group?

Bell: Sure.

H.M.Jr: He's in. Now listen, I'm in dead earnest; between now and 9:30 Thursday morning I want you fellows to sweat this thing out and come in with either - I want a unanimous or a majority-minority report in writing over your signature between now and Thursday.

Oliphant: May I suggest a meeting at 4 o'clock Wednesday, so we can get the loud talking over?
H.M. Jr: Why wait so long? What you going to do in the meantime, Herman? What they all going to do in the meantime?

Oliphant: I want to send this down and have a chance to pray over what we have written.

Taylor: I've got one suggestion to make right now, Herman.

H.M. Jr: Well, now we understand each other.

Upham: No.

H.M. Jr: Who's chairman of this committee?

Upham: We don't understand each other yet.

H.M. Jr: Well, who is chairman? There is no chairman.

Oliphant: Well, Upham will get us all together some time Wednesday.

H.M. Jr: Yes, you poll the people - you poll them, get them together. So you come in at 9:30 Thursday morning. And Mrs. Klotz, I think we better have our annual meeting of our big staff on Thursday at 11.

Klotz: Yes. Hurray!

Upham: Just one more point, Mr. Secretary. I wonder if we can get Dr. Oliphant to agree that this is something more than a legal question.

Oliphant: What?

Upham: Something more than - do you want us to determine the legal ...

White: I should assume that Oliphant - not "Doctor" - would be the last person to deny the fact that legal interpretations bear a close relationship and are intertwined with economic doctrine.

Taylor: Inextricably.

Oliphant: Whew!
White: Inextricably intertwined.
Oliphant: Whew! Whew!
H.M.Jr: What's this? You (Magill) want to get in on it too?
Magill: No, I don't.
Upham: I withdraw.
White: Therefore, if he's going to continue to be himself, he could only agree to that fact, unless he's ....
Oliphant: That's walking up to me on my blind side. But when does Doc Upham get us together?
H.M.Jr: What did you (White) say this is? I didn't hear. Both economic and legal?
White: I say it is inextricably - using Wayne Taylor's phrase - intertwined.
Taylor: Intermingled, I said.
White: That all legal matters of any significance are closely intertwined with economic considerations. Therefore, he cannot take the position now, unless he suddenly departed from his usual position, that this problem is a legal one.
Oliphant: (Laughs)
H.M.Jr: You fellows are going to get together. We're not going to handle this the way McReynolds handles the switching around of administrative officers.
White: Going to get us together, but don't know if you can get us apart.
H.M.Jr: Get a majority and minority, something - 9:30 Thursday. Anybody wants to get in on it ....
Oliphant: Why not make it an open meeting?
MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I have slight misgivings in regard to this proposed Executive Order authorizing the Attorney General to sell shares of stock, bonds, notes or other beneficial interests. In line with our general policy should we not more and more confine the selling of new securities or old securities to one agency?

F. D. R.
May 17, 1933.

Dear Henry:

Your letter of May 17th has just been delivered here, and I want to tell you that I am simply delighted by the information it contains. This is splendid progress and I appreciate your efforts in the matter.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Henry A. Wallace,
Secretary of Agriculture,
Washington, D. C.

cc to HF

By hand

GWW/dbs
May 17, 1938.

Hon. Henry Morgenthau, Jr.,
   Secretary of the Treasury.

Dear Henry:

In accordance with our discussion of May 13, the Federal Surplus Commodities Corporation has received offers from millers on wheat flour. Purchases are being made today and distribution will begin tomorrow, May 18, in Chicago. Distribution in the cities of Cleveland and Toledo will begin the latter part of the week and in the Michigan territory during the week of May 23rd.

Other commodities such as beans, cabbage, rice, butter, potatoes and dried prunes are available in all of the above-mentioned territory at the present time.

Sincerely yours,

H. A. Wallace
   Secretary.
RECOVERY BILL HEARING, SENATE

CHAIRMAN ADAMS OF THE SUBCOMMITTEE SAID HOPKINS TESTIFIED THAT APPROXIMATELY 2,500,000 PERSONS ARE NOW ON WPA RELIEF AND THAT THE PROPOSED $1,250,000,000 APPROPRIATION BILL ENABLE HIM TO TAKE CARE OF ABOUT 3,000,000 NEXT WINTER.

THE WPA HEAD ESTIMATED UNEMPLOYMENT AT FROM 10 TO 12-1/2 MILLION. "HE DIDN'T INDICATE THAT HE THOUGHT THERE WAS MUCH IMPROVEMENT," ADAMS SAID.

HOPKINS URGED THE SUBCOMMITTEE TO RETAIN THE PROVISIONS OF PRESENT LAW UNDER WHICH THE TREASURY DEPARTMENT DOES THE WPA'S ACCOUNTING. THE HOUSE BILL, BY CUTTING AN $8,000,000 APPROPRIATION TO $2,000,000 WOULD DEPRIVE THE TREASURY OF MONEY FOR THIS PURPOSE AND COMPEL THE WPA TO DO IT.

ADAMS SAID THE HEARINGS WOULD CONTINUE THIS AFTERNOON AND PROBABLY CONCLUDE AT NOON TOMORROW.

5/17--R215P
Dr. Thomas Parran: Hello.

MRJr: Hello.
P: Hello, Mr. Secretary.

MRJr: Hello, Tom.
P: Yes, sir. I've been trying to get together some information about the malnutrition problem.

MRJr: Right.
P: It appears that the people of the country, even those on relief, are now consuming approximately a sufficient amount of cereals....

MRJr: Yeah.
P: ...and of meats.

MRJr: Uh huh.
P: In some parts of the country there is a deficiency in fats. There is a serious deficiency in milk and milk products.

MRJr: I see.
P: And in the leafy vegetables and citrus vegetables. There hasn't been collected any comprehensive information on this score but there are several possibilities. (1) If grains were supplied to relief on low income families there would be money available to buy other things.

MRJr: Ah-ha.
P: Second, and this may be a more practical method. The grains, wheat specifically if you wish, fed to dairy cattle will return - ah - about 18% of its land and other values in terms of milk where which we are particular- - in which we are particularly deficient, in the low income groups.

MRJr: I see.
There happens to have been made a very good study in great Britain which shows essentially the same thing as we have in this country except it is very much more comprehensive and even there among the poorest people the per-capita consumption of bread and flour, in terms of ounces per head, is just as high among the relief groups as among the highest income groups.

I see.

Runs practically level.

Hum.

That was a remarkable finding, from my point of view.

Yeah.

In a certain number of spot checks which we have made in - during 1934 to 36....

Yeah.

...among relief families it does appear that the amount of cereals generally speaking is inadequate but that we are particularly deficient in, as I say, in milk and the leafy vegetables and citrous fruits.

I see.

Including tomatoes.

Well now, what I'm going to try to do is - see whether the President won't get Wallace and whoever is handling his Surplus Relief Corporation - Hopkins - and you and I together. See?

I'd be delighted to.

And see if we can't start something because I don't know just who the directing brain is for the Surplus Relief Corporation but I think there's great possibility in that particular agency...

Yes.

...to do a lot.

There would seem to be so.
And I don't think that they're beginning to do what they might do.

They - ah - do you think there would be any possibility of feeding more of our surplus grains to livestock, particularly dairy cattle?

Well....

Chickens and any other.....

I don't know. Now, I just - ah - Haas and his people working on this - George Haas.

Yes.

Then I asked Dr. Myers of Farm Credit to put his people to work on this.

Yes.

And - ah - when we get all this stuff together I think we'll have a little meeting here first.

I wonder if we couldn't put some of the technical people to work for about a week or a few - whatever number of days....

Well...

You have your people contact George Haas.

Yes, I shall.

Because he's acting as a clearing house on this for me.

All right. I shall indeed.

Will you do that?

All right. I shall do that right away.

Thank you so much.

Goodbye.
HMJr: Thank you.
P: Hello.
RE PROCUREMENT DIVISION MATTERS

May 17, 1938.
3:00 p.m.

Present: Mr. McReynolds
         Mr. Peoples
         Mr. Gaston
         Mr. Oliphant

Peoples: Mr. Maginnis is the President of the American Institute of Architecture.

H.M.Jr: And he doesn't want to serve?

Peoples: He'd prefer not to be invited to serve.

H.M.Jr: Well, who have you got on your Committee?

Peoples: We've got Klauder, Shepley, Embury, Maher, Clarke - as Chairman of the Fine Arts Commission, Paul Cret. The last one there, Johnson, ....

H.M.Jr: Yes.

Peoples: ... was a man that was suggested by the Committee only because he came from the Pacific Coast.

H.M.Jr: Terrible. I know who he is.

Peoples: Pretty far away. He did the Santa Barbara job.

H.M.Jr: No, he did the mint, didn't he - San Francisco.

Peoples: The mint? No, that was Underwood.

H.M.Jr: Oh.

Peoples: Underwood.

H.M.Jr: Oh, I was thinking of Underwood. Can't they get this fellow from the University up at ...

Peoples: Lots of them.

H.M.Jr: No, but I mean the man we suggested up ....

Peoples: Gropius?

H.M.Jr: Yes, what's the matter with Gropius?
Peoples: Gropius is not even a naturalized American citizen, and this is a jury on a competition between at least citizens of the United States.

H.M.Jr: At least.

Peoples: Yes, sir.

H.M.Jr: We got Klauder, Shepley, Embury, Maher, Clarke, Cret.

Peoples: Now, it's an easy matter to get somebody else from a nearer point.

H.M.Jr: I think they got enough. I just would cross this fellow out - Johnson. You got one, two, three, four, five, six. I see. That's - have to have an odd number?

Peoples: Well, in case of a - I don't think there will be a division of opinion on it, but if there would be a division of opinion, why, ...

H.M.Jr: I asked you for suggestions and ....

Peoples: This is just tentative, you see.

H.M.Jr: Well, I'd be ready to shoot. What do I do? Do I do - do I sign anything?

Peoples: Not unless you wish to, sir.

H.M.Jr: Well, I can put on here "O.K." (writing) "O.K. H.M.Jr" And then just with a suggestion that you come through with somebody else.

Maginnis wouldn't serve. Is he very definite about it?

Peoples: Very definite. Put it up to him through Shepley, and very definite.

H.M.Jr: Doesn't want to serve.

Peoples: Prefer not to be invited to serve.

H.M.Jr: I wonder why.

McR: These are all outsiders; I take it you don't want
anybody on ....

H.M.Jr:  Well, give me somebody.

Peoples:  They'll be here Thursday morning.

H.M.Jr:  Handle it by phone; give me the name, and we'll do it Thursday.

Peoples:  Very easily, sir. Now, there is one thing, Mr. Secretary, about the time on the smaller designs. The competition - they recommend the competition be in force from about May 25 and the design submitted on June 29.

H.M.Jr:  Oh, I'll leave it to Gaston.

Peoples:  They prefer to leave the competition on the bigger building go until after that period because they anticipate there will be so much interest on the small ones that they get the big fellows in on it too, sir. And I think the suggestion is a very good one.

H.M.Jr:  O.K.

Peoples:  Now, Mr. Secretary, I talked - one thing a little different here, and that's about Ned Bruce.

H.M.Jr:  Yes.

Peoples:  Bruce. At our luncheon meeting he was suggested to be a member of the jury. After the meeting broke up and they got down there, very much to my surprise some of these architects raised the question as to why a painter ought to go on an architectural design, like they didn't like it. A question very largely of professional jealousy.

H.M.Jr:  I see.

Peoples:  Ned requested his name be withdrawn.

H.M.Jr:  I see.

Peoples:  Now, how about putting him on as ex-officio member?

H.M.Jr:  I don't think - I don't think he most likely gives
a damn.

McR: Well, Ned isn't going to be available. He's going away the first of June. Going up to Vermont. He's going to be tied - going to have to go down there to New York, that World's Fair and stuff.

H.M.Jr: I guess he's got enough without this. That's all right. If there's any feeling about it, let her ride.

Peoples: Suppose I didn't put it up to him on that basis, as an ex-officio member. But they may like it ....

H.M.Jr: Put it up to him.

Peoples: Of course, Ned has been a leader in the painters' movement and sculptors' movement; the competitive idea has gone all over the country.

H.M.Jr: Yes.

Peoples: And while they have had competitions in architectural design before, nevertheless this is the first one we've tried in recent years.

H.M.Jr: Well, put him on and see how he feels about it, on an ex-officio basis.

Peoples: I'll do that, sir, and ...

H.M.Jr: Yes.

Peoples: If I think it's O.K., by tomorrow ....

H.M.Jr: Let me know when you call me Thursday. Call me on the phone Thursday. You'll be here Thursday at that 11 o'clock meeting.

Peoples: Yes, I will.

H.M.Jr: You can tell me then.

Peoples: Yes.

H.M.Jr: What else have you got?

Peoples: I think that's ...
H.M.Jr: Now, under this new business we have let one contract for 250,000 barrels of cement at one sixty something, didn't we?

McR: One fifty-three net price.

H.M.Jr: Net? What do you mean net?

McR: With the 30-day discount.

H.M.Jr: One how much?

McR: One fifty-three.

H.M.Jr: And before that it was one seventy-three, wasn't it?

McR: No, there was a net discount - only a net difference of 15 cents.

H.M.Jr: Well, that's a lot. That pays for Peoples' and my salary.

Peoples: About 10 percent.

H.M.Jr: Pays for our salary.

Peoples: Oh, yes, sir.

Gaston: About $35,000, it means.

H.M.Jr: I said it pays for Peoples' and my salary.

Gaston: Now, they opened another batch of bids today. The bidding wasn't very - wasn't very general. They got ....

Peoples: They were not nearly as good.

Gaston: ... two bids on one, three on another.

H.M.Jr: How much cement?

Gaston: Two on another.

McR: Small amounts, relatively small amounts.

Peoples: All told, in the six or seven states, Mr. Secretary,
about 57,000 barrels.

H.M.Jr: How much?

Peoples: 57,000 barrels, all told, but split up among Oregon, Colorado, Texas, Ohio, and West Virginia, and - there's one more state in there.

McR: The lake states were involved, weren't they, too?


McR: Yes, I think so.

Peoples: And - but the California turned out very well.

McR: Well, you had a large amount there, and I think that's your answer. The others were relatively small amounts every place.

Peoples: Funny thing about it - for deliveries in Texas, on today's opening, although there's seven mills in Texas, not a bid from a Texas mill.

H.M.Jr: They boycotted us. But we got a bid from somewhere else.

Peoples: We got a bid from Colorado.

H.M.Jr: Have to send it from down there?

Peoples: On an f.o.b. basis if the bid is accepted.

H.M.Jr: That might cost us money.

McR: Cost us plenty.

Gaston: About ....

Peoples: The haul from Colorado to eastern Texas, where much of it is going to be used, is just tremendous.

H.M.Jr: These devils got together, huh?

Peoples: They just said they preferred not to bid.

McR: If it had been a big enough amount, they of course would have bid.
-7-

H.M.Jr: How much was the amount?

Peoples: Texas - I think it was about 15,000 barrels.

H.M.Jr: Where do we need that, what part of Texas?

Peoples: I think around San Antonio.

H.M.Jr: Nowhere near the water. Just thinking we could ship it around ...

Peoples: No, all inland. All inland.

McR: Couldn't get it to the water from Colorado.

H.M.Jr: I was thinking we could get it to the seaboard and put it down on a boat - down to Houston.

McR: From Colorado, just as well take it through San Antonio to get it to the water.

H.M.Jr: What you going to do in a case like that?

Peoples: I don't know what we're going to do.

H.M.Jr: Haven't had time.

Peoples: As a matter of fact, they hadn't finished analyzing them.

H.M.Jr: Mac, you handle this for Peoples.

All right, let me just take a minute - have you seen this of Mr. Gaston's?

Peoples: Yes, Mr. Secretary, and it is perfectly true as far as California is concerned, but I don't know whether we better spring that now about these other bids, these other states.

H.M.Jr: Well, bringing in the steel industry - does that imply we're going to do the same thing with the steel industry?

Gaston: Well, that's a fact. The steel industry and the cement industry are just like that; they both use that system.

H.M.Jr: It might be a tip-off.
You knock off a pretty big chunk when you get into steel.

Don't want to get into steel ....

That kind of flags it.

Lubin's memorandum that I got this morning ....

(Oliphant comes in)

(H.M.Jr reads Gaston's proposed statement)

O.K., with that one correction.

Now, while I've got you here ....

Better wait and see what those bids tomorrow turn up.

That's pretty true insofar as one state is concerned.

Got any good quantities in tomorrow's openings?

I don't know.

One day wouldn't hurt.

I was kind of wanting to watch these bids today and tomorrow, see what we get. We may have a real strike.

Well, we can wait. Wait a day.

Now, while we're on this thing, we got the President to give you an order so that you now buy all the cement for the Government, don't you? Is that right?

(Nods yes)

Now, Mac, what I'd like to begin to go in on is to take on one more thing at a time, see, and particularly in the so-called depressed industries. Did you call Lubin?

I've got a memorandum from him on my desk.

What's he say?
McR: Well, he gives a number of the ..... 
H.M.Jr: Could you get it? 
McR: Yes, I'll get it. (Leaves) 
H.M.Jr: Just let's take a couple minutes to .... Everybody looks healthy around here. 
Peoples: You know, Mr. Secretary, this competition scheme on architects - even on those small designs they're going after it - the big fellows are going after it. 
H.M.Jr: Swell. 
Peoples: Oh, by the way, too, I had a conference with the - at our luncheon meeting I brought up the question about what we could do with those of second and third merit. I had a clearance with the Comptroller General on Friday. I took with me Manning and "awes, and with Elliott and McFarland arranged how we can do it. We can purchase the first three designs, and we're doing it in this competition - on that big competition for the big building. 
H.M.Jr: How much you going to pay for the first? 
Peoples: Three thousand, plus the three thousand dollars for the services of consultants. 
H.M.Jr: And the second? 
Peoples: Second, two thousand for the plan only, and the third, one thousand for the plan only. 
H.M.Jr: And on the $50,000 Post Office you think the big boys are going in. 
Peoples: All the architects - I think they're going in for it. 
(McReynolds returns, hands memorandum to H.M.Jr) 
H.M.Jr: Well now, Lubin comes through with a memorandum saying that the "cotton goods industry, with payrolls about 28 percent smaller than a year ago, is in a position to gain substantially by orders which could be placed immediately."
Now, what I was thinking about this - want to do these things one at a time - we've done cement; what would you think of getting up an order for the President giving you the authority to buy all forms of cotton goods for the whole United States Government? And then the idea of buying it at that time when employment is lowest, see? Digest that. Then maybe we'll go into woolens, go into shoes. But take on one thing at a time. Now, Lubin recommends cotton.

That isn't as clear-cut as cement, of course.

H.M. Jr: No, no, it's an entirely different idea. What I've got in my mind, Admiral - so you get this thing - I'd like to gradually set up in Procurement sort of a War Industries Board for purchasing. And then, instead of doing the way the Army did two years ago: buy their blankets at the highest price in the last five years, at the time the mills were busiest, and buy a two years' supply - well, we buy the woolen blankets at the time the mills have the least to do, level out these peaks and valleys. That's what I think we should do in peace times.

Peoples: We went into that, you know, Mr. Secretary, some time ago.

H.M. Jr: I know. It's about a year.

Peoples: The difficulty they raised was this. The appropriations are made only for a certain period. The key to that indicates the use rather than the time of the year to buy. The Army raises ......

H.M. Jr: I know. Excuse me. I've heard all the things. Now, let - if cotton isn't good, let's take shoes. I'd like to take one thing and put it up - have the Secretary of War and the Secretary of the Navy, or the Chief of Staff, Chief of Operations, come in and take this thing. Lubin says cotton, but ......

McR: He also says wool.

d.m. Jr: Well, here's a weekly payroll, number of employees. Well, woolen goods is the worst.

McR: Lowest.
H.M. Jr: The lowest. And men's clothing — any one of those things there is terrible. And I'd just as leave put it up to the President and say, "Now, do you want to do this?" And while we're grabbing, might just as well grab half a dozen as one, see. And then have a story and show — and have somebody go back over the last two or three years, with the help of Lubin, and show that the Army has done just what I've said they've done; they've piled their purchases on top so that they have these people working on three shifts and paid too much money. And — now, I know all the arguments that the Army has.

I'd like the President to say, "All right, Morgenthau, you're right, let's go ahead and really have a central purchasing agency," or "You're wrong and let's forget it." See what I mean? But I'd like to put it up to him with the Army and Navy there. And they'd be the hardest ones. And I know all these arguments. But I'd like to put it up to the President once in a good way, with the help of Lubin and the help of your people, and tell the Army and Navy and let them be ready to argue. I know all this stuff, and it just hasn't convinced me at all. But I would like to once set this thing up and go through with it, ask the President to give us an hour and hear our case, and then hear the case of the Quartermaster General, and let each fellow state his case. Then the President says, "All right, I'll take this under advisement" and "I do want Procurement to do it," or "I don't." Let's get it settled.

Gaston: Why not go to Congress and ask for authority or for a good-sized appropriation for central purchasing authority and then sell it to the Army, let them pay it out of their appropriation?

Peoples: The Army wanted a revolving fund so they could buy any time during the year rather than ....

H.M. Jr: I can't go to Congress this year. The appropriations are all passed. But the President by a stroke of the pen can do this.

Oliphant: Suppose you let my shop study the appropriation bills. On a program as sensible as this, you might very well
get ....

Gaston: Slap it on top of this relief bill - half a billion.

Oliphant: I mean a liberalization of your appropriation bills could do it.

H. W. Jr: I haven't got energy enough to go up against Army and Navy and disturb their whole appropriations. I haven't got the energy.

Peoples: That's the difficulty. With the Navy, they have a revolving fund, but the Army hasn't; they're the biggest users, and have to buy for the C.C.C. camps.

H. W. Jr: Herbert, we don't have to have a law. Now, the President at a stroke of the pen has the authority to direct Procurement to do this. Now, why go to Congress and have this tremendous Army and Navy lobby go up there and fight us? I mean I don't want to go through with it.

Gaston: I was thinking of the appropriation for three or four years ahead - purchases.

Oliphant: Following right along your line, you'll find a minor time limitation on their appropriations, and you could relax that time limitation to the extent necessary to carry out this program. At least I'd like to work on that.

H. W. Jr: You can take a look at it. But I'm not going to go up and ....

McR: Their appropriation is sufficiently liberal now so you can spend it any time within the year, as far as the appropriation item is concerned.

H. W. Jr: Will you take a look at this thing? Will you take a look at this thing - the appropriations have passed and are available - to put up the best story we can, to go to the President and ask him whether he wants to take these really big things and pool them and put them in your hands to buy during the twelve months of the fiscal year. Because I don't - they don't say that you have to buy them in the first quarter of the fiscal year, do they? No appropriation reads like that.
Peoples: No, except they allocate the funds monthly. That can be set aside.

H.R. Jr: Well, who does that?

Peoples: That's done by the Budget for the President.

H.R. Jr: That can be set aside.

Maj: We can control that a hundred percent.

Peoples: That can be controlled.

They can't begin, Mr. Secretary, to pay for the deliveries before the first of July, when the money is available. Now, the cotton industry wants its orders in March and April, when the slack comes during the summer months - April, May, June, July, August, and September.

H.R. Jr: But how about the shoe industry? The woolen blanket industry?

Peoples: I don't know about that.

Gramp: There they are. I think I'm correct that if the army gets a million dollars for shoes, the appropriation simply says that the Army shall have a million dollars for shoes for the fiscal year beginning July 1, and any limitation set up is purely arbitrary. Now, all the President has to do is take a sheet of paper and say: "The following items of the Army and Navy and the Veterans Administration, C.C.C. camps, and so forth and so on, shall be purchased for the next fiscal year ...."

Peoples: That can be done, sir. It can be done.

H.R. Jr: I want it for once and for all - put it up to him and let him decide.

See, you'd avoid your difficulty, Admiral, with respect to the splits between classes if you take both cotton and woolen men's clothing, shirts, and collars. Then you've got everything within that scope. They're all depressed industries, and if
you took them all you'd have no clash as to what you'd buy and what the other fellow would still have authority over.

Peoples: Practically no clothing as such, Mr. McReynolds, is bought. They buy the cloth and manufacture it themselves.

H.M.Jr: Have you got my idea?

Peoples: Yes, sir.

H.M.Jr: Will you take it and develop it as rapidly as possible?

Peoples: Uh-huh.

H.M.Jr: And then when we'll have it I'll tell the Army and Navy right out in the open what we got - warn them.

Peoples: I think it would be in certain respects rather a welcome thing to the Quartermaster General's office of the Army, because they're tied down by the General Staff of the Army.

Mr: They're kicked around to beat the band. They've got to spend it quick or they'll lose the money.

H.M.Jr: Well, let's take it, see. But I don't just want to go up on the Hill and get into that. I don't think I need any legislation. I don't want to wear myself down. I want to keep moving in this direction if we can. Now, we have never begun to use the authority that we have. But I would like to, with the help of, say, Lubin and our own people, move into this thing and let's show it to the President and have him say, "Fine." Then we make a success of woolen or make a success of shoes. "Now, Mr. President, we have done this, we're ready for another industry." Just take them on as fast as we can make a success of them.

Peoples: Particularly cotton and woolen and shoes.

H.M.Jr: That's right. All right, Admiral?

Peoples: Yes, sir.
May 17, 1938

My dear Mr. Bell:

Reference is made to the attached enrolled bill, H. R. 9682 (75th Congress, 3rd Session), entitled "AN ACT To provide revenue, equalize taxation, and for other purposes."

This enrolled enactment, to be commonly known and cited as the Revenue Act of 1938, provides for a new and complete revenue act covering the taxation of income for taxable years beginning after December 31, 1937, and contains sundry amendments of the estate and gift tax titles of the Revenue Acts of 1926 and 1932, as amended, and also various amendments of other provisions of the revenue laws of the United States.

I have requested an appointment with the President to discuss with him the disposition of the Bill.

Very truly yours,

/s/ H. Morgenthau, Jr.

Secretary of the Treasury

Mr. D. W. Bell,
Acting Director,
Bureau of the Budget.

Attached:
Enrolled bill
May 17, 1938

My dear Mr. President:

Now that the tax bill has passed Congress and awaits your action, Mr. Magill and I would be pleased to have an appointment with you, at your convenience, to discuss the disposition of the bill.

Yours sincerely,

The President,
The White House.
MEMORANDUM OF THE DAY'S ACTIVITIES

May 17, 1938

To: The Secretary
From: Mr. Magill

1. Tax legislation division

Mr. Tarleau is preparing a memorandum outlining the division of labor between his office and the legislative section of the Chief Counsel's office. Mr. Oliphant, Mr. Tarleau, and I expect to conclude our labors on the subject in the next few days since we are already in agreement.

2. Income tax statistics

Messrs. Rice and Copeland of the Central Statistical Board discussed with me at luncheon the project for utilizing WPA workers to prepare additional and more elaborate statistical tables from tax returns. It appears that WPA money would probably be available, but some doubt has been expressed by various officials of the Department as to the desirability of initiating the project. Commissioner Helvering, for example, has grave doubts about permitting WPA workers to inspect income tax returns. I expect to get a further report on the subject from Commissioner Helvering and Mr. Hans.
MEMORANDUM TO MR. MC REYNOLDS:

Referring to the attached memorandum to the Secretary from Mr. Oliphant, concerning invitation to bid for 35,000 barrels of sulfate-resistant cement for the Bureau of Reclamation project at Shoshone, Wyoming:

The cement covered by this invitation is a special grade to be made up on specifications prepared by the Denver office of the Bureau of Reclamation. It is not covered by any of the four specifications included in our proposal on which bids were opened on April 15.

When the invitation in question was issued (April 14) it was not known what would be the outcome of bids to be opened on April 15.

On March 30, after several days conference with representatives of the Bureau of Reclamation, and in view of the urgency for cement in such cases, this Division authorized the Denver office of that Bureau to issue in the name of the Procurement Division such proposals as might be necessary for the large quantities of special cements, needed on their projects, the bids to be opened in Washington and prices to be quoted f.o.b. mill only. The Shoshone cement proposal was issued under that authority.

It was not until after April 22, when the Secretary authorized rejection of all bids opened April 15, that the understanding was reached with the General Counsel that the Procurement Division would issue proposals for definite quantities for specific points but those points of delivery were not to be stated.

H. L. Collins,
Assistant Director.
MEMORANDUM TO: Secretary Morgenthau

FROM: Herman Oliphant

The Procurement Division on April 14, 1938, issued an invitation to bid for 35,000 barrels of Sulfate-Resisting Portland Cement for the Bureau of Reclamation, Shoshone, Wyoming, project. The bids are to be opened on April 28. Although bids were invited at F.O.B. prices mill, the location of the project at which the cement is to be used is stated in the invitation.

The invitation was not submitted to the Legal Division prior to its issuance.
May 17, 1939

My dear Mr. President:

I have your memorandum of May 16th before me in regard to Mills Kitchin.

Mr. Kitchin is now employed by the Department of Justice and I feel that the Attorney General is, therefore, in a better position to inform you about his ability than I am.

I note that you have in mind Mr. Kitchin as a possible substitute for Mr. Arundell. I wish to take this opportunity to renew my recommendation that Mr. Arundell be reappointed as a member of the Board of Tax Appeals along with the other three members whose terms expire on June 2nd.

Yours sincerely,

The President,

The White House.
THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

Allen Hitching as a substitute for Aruvel on Board of Tax Appeals.
Will you speak to me about this?

R. D. R.
Tuesday
May 17, 1938
4:16 p.m.

HMar: Hello.

Operator: Governor Myers.

HMar: O. K.

Wm.
Myers: Hello.

HMar: Hello, Bill.

M: Hello, Henry.

HMar: Yeah.

Myers: I had a good visit with the Boss and he's going to talk with you about Bill.

HMar: He'll talk with me?

Myers: Yeah.

HMar: So it's going to be uphill and downhill?

Myers: That's it. And he said - I think it's all right; I will see him next week - what his decision is, but he's - he's very nice.

HMar: He was? Let me ask you this as a University man, in confidence. Temple University just offered me an honorary degree. Do you know anything about them?

Myers: Yeah. It's a good institution.

HMar: It's what?

Myers: A pretty good institution.

HMar: It is?

Myers: It's - it's one of the State supported schools in Pennsylvania...

HMar: I see.

Myers: ...but it's - ah - the Ex-President of that is the guy that wrote "Acres of Diamonds" isn't he?

HMar: Yeah.
Myers: And I've thought of it already as an institution that's doing a good job and helping a lot of people with limited money...

HMJr: I see.

Myers: ...to really prepare themselves for life.

HMJr: I see.

Myers: I think it would be an honor.

HMJr: Now. They say I can have two kinds of degrees.

Myers: (Laughs heartily)

HMJr: Ah...

Myers: With or without? I think they call it

HMJr: Ah - either an L.L.D. or a Doctor of/Humane Letters, whatever that may be.

Myers: Well, as an expert who never has had an honorary degree...

HMJr: Yeah.

Myers: ...it's a question of whether you like - ah - a blue necktie or a green one, isn't it?

HMJr: Ah...

Myers: Most of the....

HMJr: Yeah.

Myers: Oh, I just think that maybe your L.L.D. is - ah - is a little more common, I mean - ah - it's - I think your - Glass used to collect L.L.D.'s.

HMJr: Well I mean, would you take the common or would you take the uncommon?

Myers: (Laughs) Well, my judgment just isn't worth a damn.

HMJr: Which would you take?

Myers: Well, I'd let them pick.
Yeah. Well, they - uh huh.

I think that you've done - ah - is whatever they give to a public servant, who has done...

A pumping service?

A public servant.

Pumping?

Public.

Oh, side pumping?

Public servant...

Yeah.

...who has done an outstanding job; that's the one you ought to get.

Thank you.

No, that comes from my heart and I'm not kidding.

O. k.

Ah -

Well I didn't know. Well, anyway....

I know. (Laughs)

Yeah.

I really have a little judgment about some things and you're one of them.

Thank you.

(Laughs)

I'm going to have some interesting information. Parran has come through with a very interesting suggestion...

Yeah.

He has got a report from England/which he is going to put these people in touch with George Haas - it shows that the people on relief eat just as much as the people with lots of money.
Yeah.

But, they've tried it - and you take that same wheat and feed it to a cow and get the milk, which he says we are in desperate need of in this country. The food value is increased by 18% by first giving it to the cow - and getting the milk in that way - increase milk production.

That's in England?

Yeah. He's got some figures on it, Parran has.

Well, I don't believe it's true here.

All right. When I get the thing I'll show it to you.

I got a memorandum from Gans here, in our fiscal division on wheat, that I'll - I want to see Herbert tonight - I might give him a copy of it.

O. K. Well, I....

Ah...

Then I'll wait until I see the President and talk to him about Bill.

Yeah.

Thank you.

Thank you, Henry.

Goodbye.
Tuesday
May 17, 1938
5:05 p.m.

HMJr: Hello.
Operator: Senator Byrnes is not in his office but she says they just adjourned and they think he'll back in a few minutes.
HMJr: Well, I'll be here for a few minutes.
O: All right.

5:12 p.m.

HMJr: Hello.
Operator: Senator Byrnes.
HMJr: Thank you.
O: Go ahead.
HMJr: Hello.
James Byrnes: Hello, Henry.
HMJr: How's Senator Byrnes?
B: Fine.
HMJr: Jimmy, how did the battle go today?
B: Oh - ah - all right, I'll tell you what they'd- ah - I think we can straighten out that accounting thing because....
HMJr: Yeah.
B: ...they want that fellow up there from - ah -
HMJr: Bartelt.
B: ...your man Bartelt to come up and - I've talked to the fellows around and I think we can fix that all right.
HMJr: Yeah.
B: They - ah ....

HMJr: How about the - Well, that's fine. Now, how about the big thing?

B: Well, they've been - they haven't been discussing it since we got down but our man made a pretty good - he made a pretty good showing yesterday.

HMJr: Who did?

B: The gentleman that we have discussed several times.

HMJr: Oh yes, he made a good showing.

B: Ah - he made - ah - quite a showing, but - you know - for a fellow who doesn't know what you had to say about his failure to stand up to immediate employment....

HMJr: Yeah.

B: ...he's - ah - with a positive statement - ah - he's made a showing but yet - ah - is not in a position to hurt you or somebody who has any confidence in him.

HMJr: Yeah.

B: ...with the assertion that he's investigated these projects and that they ....

HMJr: Yeah.

B: ...can be put to work....

HMJr: Yeah.

B: My God, there isn't any - it's damned hard to....

HMJr: - answer -

B: ...when you can't say that - ah - when you can't call on a fellow.

HMJr: Yeah.

B: Can't call on you fellows to answer.

HMJr: How did Harry do today?

B: Fine.
H.M.Jr: Good.
B: He made a good statement.
H.M.Jr: Good.
B: Ah - we've had to give him - ah - he's got a suggestion that - ah - I think - he told he had not thought of before.....
H.M.Jr: Yeah.
B: ...of making this thing for an additional month.
H.M.Jr: Uh huh.
B: That would give him a little more leeway.
H.M.Jr: An additional month?
B: Yes.
H.M.Jr: You mean making it eight months?
B: Instead of February first March first.
H.M.Jr: I don't quite get that.
B: Instead of the first of the month.....
H.M.Jr: Yes.
B: ....it rides over to March the first.
H.M.Jr: Oh yes.
B: but the figures stay whether there.....
H.M.Jr: I see. I see. Well would they make it immediately available?
B: Oh yes, in any event.
H.M.Jr: Ah-ha. All right, well I was just naturally curious.
B: Yes. Well I'll see you and I'll let you know.....
H.M.Jr: Thank you.
B: ....tomorrow.
H.M. Jr: Thank you.

B: Goodbye.
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**Works Progress Administration**

Division of Research, Statistics, and Reports
May 17, 1938

*Redacted Unclassified*
Harry Hopkins came in to see the Secretary yesterday afternoon and during the course of the meeting Mr. Hopkins went to the White House telephone and asked for Mrs. James Roosevelt. The following is his conversation:

"Hello Betsy darling. Are you taking your child to the circus tomorrow? That's fine. I would like to have my child go along. Don't you bother, I will get the tickets. Yes"

He then hung up and immediately called Miss Durand, Jimmy Roosevelt's Secretary, and said, "Please get six tickets for the circus tomorrow and be sure and get them in the name of Mrs. Jimmy Roosevelt. Of course, if there is any expense connected with getting these tickets, I will be glad to pay it but be sure and get them in the name of Mrs. Jimmy Roosevelt.
Secretary of State
Washington

781, May 17, 5 p.m. (Section one).
FROM COCHRAN.

Journal Official of tomorrow is expected to announce closing this noon of subscriptions to five billion franc national defense loan. According to market reports subscriptions up to one million francs will be granted in full but larger purchases rationed. There is another rumor that eight billion francs have been subscribed and will be accepted in full. Large banks are this afternoon offering these bonds to intermediary banks passing along fourteen out of their own fifteen francs commission per thousand franc bond. While this loan has thus with its very attractive terms been quite a success compared with past French issues it appears that the Government was perhaps wise in not asking for too large an amount before there are promulgated new decrees more likely to inspire faith in the economic restoration of the country than have those to date. Most important
EDA - 2 - #781, May 17, 5 p.m. from Paris Section one.

Important steps so far taken by Daladier are increase of taxes and devaluation of currency which are expected to augment cost of living.

BULLITT

HPD
PARTIAL PARAPHRASE, SECTION TWO, TELEGRAM NO. 781
of May 17, 1938, from Paris

At noon today I had lunch with Paris Morgan partners. They feel that there is much hope in the present turn in the French situation.

I am told by National City that there has been very little increase in its franc deposits since the third day after the latest devaluation of the franc.

Paris exchange market quiet today. Control is reported to have gained no sterling at its rate of 177.65. On the contrary I am confidentially informed that it actually offered a little sterling through the Societe Generale at 177.65 1/2 to give impression that there was some on the market. Guaranty Trust had control’s buying order for dollars today but after only 300,000 were acquired the order was canceled, since no sterling was being offered and it was not desired to throw dollar sterling rates out of balance here. Gloomier tone evident on security market where French rentes except those with exchange features were lower and gold mining shares were those most favored. Belga has today been better than at any time since French franc devaluation in spite of revaluation of important gold and foreign exchange losses in latest bank statement. Speculation against belga has not stopped but its chances have improved with defense exhibited by National Bank with advent of
of Spaak Government. Bank of Indo-China continues to sell important amount of piasters at above new parity, purchasers speculators on revaluation upwards.

At noon today I had a talk with Royal L. Tyler, former League supervisor of Hungarian finances, who tomorrow sails for New York. Mr. Tyler insists that the Hungarian war debt settlement offer was a genuine move, and made independently, and no major debtor influenced them.

I was visited today by the British Financial Counselor after his return from a trip to London. The British Treasury, he intimated, was considering whether it might not be the proper time to remind France of the 175 promise, now that the French loan has been successfully floated.

END MESSAGE.

BULLITT.
REB

PLAIN

London

Dated May 17, 1938

Rec'd 3:30 p.m.

Secretary of State,

Washington.

416, May 17, 7 p.m.

FOR TREASURY FROM BUTTERWORTH.

The April overseas trade figures indicate that the gradual downward trend in British business activity continues. The decline in exports when the Easter Holiday is accounted for was slight as compared with March but was greater as compared with April a year ago.

A sharp drop in total imports marks a sudden reversal in the trend which has been evident since recovery set in, and emphasized since armament requirements began to affect the figures. This sudden change is due to three factors -- falling prices, declining requirements for raw materials in the textile trades and industries using timber, et cetera, and a relative lull in armament requirements. In so far as the total import figures are affected by the last of these factors the reversal in
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Regraded Unclassified
in the trend must be regarded as temporary for not only was the original rearmament program behind schedule at the end of March as evidenced by the national balance sheet at the end of the fiscal year but also the speed-up announced after the occupation of Austria is still largely in the planning stage. Owing to the increased capacity of steel production imports of this item will remain at lower levels than in the latter part of last year but this reduction will be partly offset by increased imports of such items as ores, non-ferrous metals, and oil for the greatly increased current requirements of the augmented fighting forces. There must also be taken into account the Government's food and essential material purchases for the storage of emergency stocks, but while I have no tangible evidence it is my impression that much of this policy will be carried out in such a way as to leave the published import statistics largely unaffected and it is impossible to estimate the amounts involved.

All the evidence points to a continuation in the downward trend of activity; the decline will continue to be gradual for some time cushioned by armament activity and
and by the still high, though declining level of building. The general picture will become more pibald -- the black spots representing the textile, coal and other export trades tending to spread and deepen -- and the lighter shades representing industries affected by armaments holding their own, and in places improving. Unless there is an upturn in the United States by the autumn the accumulated momentum of the decline in the export industries may well bend the gradual downward curve to a precipitous drop. It is from the United States that the first impulse of revival is looked for and if it does not come there will be a sharp break in confidence. On the other hand if there is a sharp upturn in the United States the psychological effect here would be important and immediate. The direct actual effect on the export trades would be relatively small but the longer-range influence through increasing purchasing power in other export markets would come more gradually.

Meanwhile the prevailing terms of trade while affording some savings in the purchase of armament requirements carry an increasing disadvantage to British exporters whose order books reflect the competitive difficulties.
difficulties that can but be heightened by the widening margin between the indices of overseas purchasing power and of British production costs. This condition is due to spread from the now deeply depressed consumer goods trades to the longer delivery engineering export trades and is already evident in coal export markets. The Board of Trade index of average import values \((1935 = 100)\) fell from 124.5 in the third quarter of 1937 to 117.7 in the first quarter of 1938, while the index of average export values rose from 113.1 to 113.9 in the same period. Meanwhile, the index of volume of imports rose from 109.8 to 110.2 and the index of volume of exports fell from 111.6.

The city is on the whole favorably impressed by the speedy absorption of the French loan but awaits confirmatory evidence that it has been placed in firm hands.

Today was uneventful on the exchange market and very little business transpired even in the belga. However demand for sovereigns from Amsterdam was large.
PARAPHRASE OF TELEGRAM RECEIVED


DATE: May 17, 1938, 6 p.m.

NO.: 415

FROM BUTTENWORTH, FOR THE SECRETARY OF THE TREASURY.

The question has been raised by Waley whether, in view of statements by Marchandeau about the new French loan's success, this is not the proper time to urge upon the French that it would be desirable to bring the franc rate nearer to 175 francs to the pound. No hard and fast decision has been reached by the British authorities, Waley said, but they wanted you to know the direction in which their "minds are beginning to move". They were of the opinion that as soon as practicable the rate ought to go to 175.

I made reference to the fact that the City held the view that in this instance the French authorities, in contrast to previous crises on currency matters, had conducted their technical operations skillfully and in general the scene had been managed well. The question therefore came up as to whether the Bank of England and the British Treasury thought that a strengthening of the franc might produce an adverse reaction at this time.

Waley replied by saying that the question had been discussed with the Bank of England before it was raised with me. He said it was recognized that the French, in response...
response to any such representations, might reply by pointing out that if the rate moved away from 179 too quickly, the market might decide that the franc would slip back later and thus the flow of funds to France might be checked. The British authorities, Waley added, were by no means convinced that such would be the case. For his part, he believed the rate could be worked up to 175 gradually (repeat gradually) with impunity.

Ambassador Kennedy is of the opinion that any such move is a matter which should be left to the British if they feel sufficiently strongly to take action. The Ambassador does not think it either worth while or desirable for the United States to make such representations when the rate is within two francs of being 175 to the pound.

KENNEDY.
I called Bolton at noon time today. He was not very happy. He said two problems were facing Europe and the world; (a) the situation in Spain and (b) that in Czechoslovakia. Things seemed to be moving up to some sort of a crisis. Mussolini’s speech in Genoa last Saturday had once again brought a change in tendency, the feeling prevailing in Europe that his comments had been deliberate and intended to keep France on edge and thus give Hitler a freer hand on his eastern frontier. As a result, the move into francs had stopped and the French fund had been compelled yesterday and today to support the French currency at a probable expense of about £1,000,000 per day. All markets seemed anxious about the whole situation in Europe and little real business was done; the foreign exchange markets were dead. The sensitiveness of the French franc was illustrated by the fact that although it was undervalued it had turned weaker as a result of the increased tension in Europe. The total of foreign exchange and gold acquired by the French fund since May 4 Bolton estimated at about £100,000,000. The demand for gold, particularly for gold coin, was steady; yesterday’s rise in the gold price in London to 140s 1 1/2d was the result of the reaction to Mussolini’s speech that took several days to penetrate and finally culminated in a rush into dollars.

As regards the future of the belga, Bolton thought the Belgian government seemed determined to hang on to the present currency and might succeed if no further troubles cropped up in Europe during
the next few months. One of the difficulties of that currency was
the fact that the speculative position in it was large. The new
government was a reasonably good one. The new minister of finance,
Mr. Gerard, was favorably known and had held the same job under Van
Zealand.

Russian gold shipments to London since the beginning of
this year had totaled £15,000,000; little was known as to what the
Russians did with the money because they seemed to make it a habit
to ship their funds from one country to another for the purpose of
hiding their operations. We talked about gold movements in general.
I mentioned the Swedish shipments now on the water, or presently to
be shipped, to New York for earmarking purposes which so far amounted
to about $15,000,000. I stated that I understood that the Bank of
England contemplated shipping to Canada a total of more than £20,000,000
and Bolton thought they might do even more than that if they could
accomplish it without causing too much comment.

I mentioned that a New York bank had during the last few
days received selling orders from London for Chinese account totaling
about £400,000 and that in connection with this order it was rumoured
in the market here that the Chinese had succeeded in getting a loan
in London. Bolton thought that this might conceivably have to do with
the French franc 90,000,000 loan granted to China by the Lazard syndicate
a long time ago. This loan had originally called for expenditure
of proceeds in France for the purchase of ammunition but had not then been made use of. Recently it had been reported that original conditions had been waived and that the proceeds were now available according to the wishes of the Chinese and that possibly the loan had now been drawn against.

I gave Bolton some indication of the total of Japanese gold shipments now on the water; also of figures of capital movements as assembled by us every week.
Secretary of State,
Washington.

787, May 18, 5 p.m.
FROM COCHRAN.

Journal Official this morning carried decree closing as of evening of May 17 subscriptions to the national defense 5% loan. Decrees were also published, texts whereof are being forwarded by mail, which authorize the Minister of Finance to grant to the exchange stabilization fund, from the resources of the Treasury, advances without interest reimbursable at any time, and provide furthermore that the available assets of the rentes fund will be paid over to an account opened for this purpose for the amortization fund by the Bank of France or will be provisionally utilized in purchases of gold, which will be placed in the keeping of the Bank of France. A letter of explanation from Daladier and Marchandau to President Lebrun stated that the purpose of the foregoing was to render
REB

2-#787, From Paris, May 18, 5 p.m.

render the exchange fund more flexible than permitted by its original endowment of only 10,000,000,000 francs. Insisted that operations of transferring gold from the fund to the Bank of France or obtaining additional resources from the bank should be avoided.

(END SECTION ONE)

BULLITT

CSB
PARAPHRASE OF SECTIONS TWO, THREE AND FOUR,
TELEGRAM No. 797 of May 18, from Paris.

At half-past four this evening I visited at the Bank of France. I talked with my friend, who explained that considering the international situation, it was desired that the resources of the Bank of France be kept as liquid as possible, and it was not advisable to have the Bank lend francs to the stabilization fund. On the other hand, the position of the Treasury is quite easy, considering the issue of the five billion franc national defense loan. My friend tells me that in spite of the temptation to keep over-subscriptions, decision was reached to limit these over-subscriptions to five billion. A contributing factor to the Treasury’s easy position is recent subscription to short term Treasury paper. Therefore, the Treasury can readily, under the provisions of the above decree, advance to the Stabilization Fund the francs needed to take care of the gold received in excess of the fund’s franc resources. If repayment of the francs should be required by the Treasury, the fund could of course sell gold to the Bank of France and get the francs it needed.

Reference my telegram No. 713 of May 8, 12 noon. In that telegram I reported that the control fund contained at the end of business on the fourth of May, the night before the important change in monetary policy, 2,481,000,000 francs of gold and foreign exchange, and in paper francs it had 11,289,000,000. On Monday May 18, by the close of busi-
ness, the fund had gained about 3,500,000,000 francs of
gold in excess of its own franc holdings, or approximately
14,750,000,000 francs. To this amount should be added the
2,481,000,000 francs no longer held in gold and foreign
exchange before the May fifth devaluation.

During the past two days, however, the trend has turned.
In strictest confidence I was informed that yesterday the
control had not through direct sales but through the
intermediacy of other banks yielded between 700,000 and
800,000 pounds. The same demand for sterling existed this
morning. The control sold pounds at 177.65 through the
Credit Lyonnaise, Comptoir and Societe Generale. The control
was able to pick up a little sterling at the same rate
this afternoon, and thereupon moved to 177.65. Net loss
of sterling today will, however, come close to one million
pounds.

In the view of the Bank of France the present situation
is so precarious that the Governor has called upon Mar-
chandieu, Minister of Finance, to urge immediate forceful
decrees toward rectifying the labor and production con-
ditions, even if labor disturbances might be provoked thereby.
Officials of the Bank of France feel that unless immediate
advantage
advantage is taken of the several improvements achieved so far, upon the slightest pretense capital now back in France will move out again. In order to retain these funds and to encourage repatriation of genuine refugee money, it is urged that drastic measures be taken toward improving the outlook and affording safe opportunity for investment of these funds in France. It is feared by my friend, however, that such measures will not be risked before Parliament has again met and adjourned, and it may be too late then.

The situation in Belgium was mentioned, and my friend reminded me that the determination, technique, and gold resources of the Bank of France had not been sufficient to prevent successive French franc devaluations; he fears that it will not be possible for the Bank of Belgium to hold off belga devaluation indefinitely, in spite of its will and resources, for reasons quite like those which have obtained in France. My friend does not think the French franc depreciation will force a fall of the belga, but he believes it will be the consequence of the unsound economic situation in Belgium, and the inability of the political parties to submerge their differences and support a genuinely patriotic government which would represent the whole country of Belgium. Belga speculation had subsided somewhat yesterday, he said, and today for hoarding purposes
purposes Belgians are still making important purchases of gold coins in London. This is being done in Belgium because of fear for the currency. However, because of fear of war, political refugees in Switzerland and the Netherlands are the most active participants in the new gold buying movement in those two countries.

END MESSAGE.

BULLITT.
Gray
London
Dated May 18, 1938
Rec'd 3:30 p.m.

Secretary of State,
Washington.

420, May 18, 6 p.m.

FOR TREASURY FROM BUTTERWORTH.

Monick, French Financial Attache, called to inquire about a report published in London newspapers to the effect that plans for a world economic conference are being formulated in Washington and that Leith-Ross, who is in Rome attending the Control Committee meeting, will have discussions with the Italian Government and later, when he goes to Berlin for the Anglo-German payments negotiations, will have discussions with the German Government. I denied any knowledge of such a development at this time.

Monick also asked about the other report now current that Montague Norman will shortly leave for the United States to be joined by Leith-Ross after the Berlin negotiations are completed to discuss monetary matters. I said I knew of no such plan.

Monick
Monick said that until yesterday developments in France had been favorable but that Daladier was finding it difficult to deal with the production problem. His dilemma was that if he attempted to deal with the problem sufficiently drastically and dramatically to produce an important psychological effect and thus stimulate the flow of capital in substantial quantities back to France, he would automatically create open resistance from the Left. On the other hand if he attempted to work out the details of adjustment subterraneously — and that was his personal inclination he might well avoid open resistance on the part of the Left but he would also not make any immediate impression on capitalists with funds abroad.

Monick was not optimistic about the French outlook and he said that Ambassador Bullitt had called to see him when he was recently in London and he had gathered from him that at one time during the crisis Washington was considering whether a limited form of exchange control in France was not preferable to a further devaluation. He asked me to confirm this and I replied that Washington was a term which covered a great many individual
individual opinions and that I was not aware that the United States Government as such had ever reached any decision as to how the French Government had best solve its basic problems. Monick obviously has his eye on the future and as he is a personal partisan of Paul Reynaud it is interesting in the light of the above that the latter is arriving in London tomorrow.

I also had a few words with Clay, economic adviser to the Bank of England, who confirmed that on balance the flow had been from France both yesterday and today. Clay was also somewhat pessimistic about the French outlook on the score that no attempt had yet been made to deal with the production problem and that such political developments as Mussolini's speech of Saturday were having an adverse effect.

KENNEDY

KLP
PARAPHRASE OF TELEGRAM SENT

DATE: May 18, 1938, 4 p.m.
NO.: 221

FROM THE SECRETARY OF THE TREASURY. FOR BUTTERWORTH.

I make reference to your telegram No. 415.

In this regard, because of the extremely strenuous representations which Secretary Morgenthau made to the French Treasury the week before last, both in Paris through Cochran and in Washington through the French Ambassador, he feels that for the time being he would prefer to "rest on his oars".

You are requested to mail to Cochran a copy of your telegram No. 415, also a copy of this reply.

HULL.
May 18, 1938.
9:35 A. M.

GROUP MEETING

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

H.M.Jr:
Gaston, got anybody for lunch today for me?

Gaston:
Yes, Clapper and Mellett.

H.M.Jr:
I'm in a kind of a critical mood this morning, and I want to say this - and I'm not going to mention - but where is Oliphant; isn't he coming in?

(Over telephone:) Where's Oliphant? Please. All right.

While we're waiting for Oliphant, this thing from Brown which you (Upham) gave me, see, with an amendment to this so-called bond authority which we have, he asked at the hearing whether we'd accept any amendment, and we said we wouldn't. I didn't tell you people that - I think it was Senator Harrison said they are going to accept the House bill on this authority and simply substitute the House bill, if the Senate bill passed, and I think our position will be that we would accept it if we absolutely have to. Who's going to handle this for me - who wants to handle it - Bell or Taylor?

Bell:
I suppose Hester ought to handle it.

H.M.Jr:
The point is we are not accepting any amendment; they are going to take the House bill and pass it through the Senate.
(White House telephone.) Hello. Hello. Henry.
Yeah. Sure, what's he selling? Oh, that housing fellow. Let me just think - ah, tomorrow afternoon - yeah. Three o'clock. Three o'clock. What's his name? Frank .... oh, from Atlanta. All right, I'll be glad to see him. Thank you.

Well somebody - Harrison said they are going to take the House bill and substitute it. That means passing it. I don't know what he wants in there, but I won't even bother with it.

Upham: Senator Brown wants to know the Treasury attitude.

H.M.Jr: I'm not going to accept any amendments. I didn't read it - what did he say he wants to do in there?

Upham: Once you reach the twenty-five billion top on bonds, he wants bonds that are issued beyond that to be "callable" and redeemed at one half of one per cent premium, or something.

H.M.Jr: Well, - well, anyway, we're not accepting any amendments.

Oliphant: And I'll have Hester see the Senator.

H.M.Jr: Now, what I want to say here is this: I needn't tell all of you we're going through a very difficult time, and I'm doing all that I can and everything that I've got to help the President in this depression, and I think the thing that we've done last week, so far we've met with every success.

Now, I'm going to call a spade a spade. Out of this group, as far as I know - I am not going to mention a name because I don't want to embarrass you - I've gotten one suggestion on this thing, which I think I may be able to use - and only one, and if I may say so without being immodest about it, it's all mine. I think, out of this group, I ought to - I don't care whether it's in your field or not, but at this meeting I want suggestions, and I'm entitled to suggestions
as to how to help solve this depression. I don't care if you give me ten - let me turn them down; let me say they are no good - see?, but give me suggestions.

Now, I go to the President and tell the President, "This program that you've got up there didn't catch on." "What do you want?" And I tell him, and it looks as though we're going to get half of what I suggested, which is all you can get in this town anyway, and then everybody says, "All right, we'll spend the money, and make it available; now, it isn't going to last, and you're going to be worse off than you were before; and then what?" It isn't important, but still there are thirty-five hundred involved, and all. I've got to make a fight for it, and it makes the front page of every newspaper, and we're going to get these people, and the Treasury isn't going to get slapped down and have it said they are not doing a good job.

But I'm entitled to - with all of the money the Treasury is spending - to get constructive suggestions on how to lick this, and I'm not getting them - and I don't care - anybody in this room - I don't care who it is, let me decide whether they are any good.

I think that's a fair statement to make, and I'm not getting them. And, as I say, I've got one idea. I don't want to embarrass the person who came through, but - "Here's a suggestion, for what it's worth." That person's afraid now; he wants me to wait a little bit - but give me suggestions. Give me suggestions on the food question, and questions of handling surplus crops. Never mind for five years, ninety-four million dollar deficiency money down the rat hole for Commodity Credit. I want it to accompany a letter to the President pointing out the whole Agriculture policy.

I just don't want to sit here complacently, just because Mr. Wallace has a hundred fifty million dollars surplus wheat, and the fact that we continued, and own a loan on six hundred million.
bales of cotton - I mean just sit here and take the attitude - well, we can't do it. It isn't - I don't think we're doing our job. I don't think we're doing it. As long as I'm sitting here I'm going to continue to fight, and when I can't fight I'll quit - that's all - but just as long as I'm here I feel I owe it to the President.

Never mind whose toes - I'm willing to step on toes, but I want suggestions, and I'm not getting them.

Now, if I am unfair you people can talk back just as hard as you want.

Oliphant: I personally appreciate your saying 'whether inside your bailiwick or not.'

H.M.Jr: Well, I said that. If my statements are unfair, O.K. Now, that much for that.

Herbert, just to digress one second. Inasmuch as they picked up this thing of thirty-four hundred employees, couldn't you talk a little bit to some of the people - this fellow who writes this column for the Washington Herald - what's his name?

Gaston: Riley.

H.M.Jr: Couldn't you talk to him and talk to Friendly, who writes for the Washington News - couldn't you give them a little story today?

Gaston: Yes.

H.M.Jr: Will you do it?

Gaston: Yes, I will. I think the unions are getting into it, too.

Bell: ?

H.M.Jr: Bell, give me credit - if we hadn't done it, and gone through and got it on the first page, it would have been out - huh?
Bell: That's right.

H.M.Jr: What?

Bell: I agree with you.

H.M.Jr: Now, yesterday, for the first time, I learned there is a lot of people which may go off the pay roll on the first of July, and I asked McReynolds to give me a complete picture. Herman Oliphant comes and says, "What about my people - I've got seventy-five thousand dollars - and several people who may be out on the street the first of July." I asked McReynolds last night how many other people there were in the same situation. What's the story, Mac?

McReynolds: Total of two hundred sixty-two people in the Treasury on relief rolls.

H.M.Jr: Who are they working for?

McReynolds: Well, I say in the Treasury - between the Secretary's office and the White House, we've got on our rolls mostly of the secretarial staff ....

H.M.Jr: Have you got it broken down there so it makes sense?

McReynolds: I haven't indicated where the individuals are working; I've got them by offices here.

H.M.Jr: Well, let's see it.

McReynolds: Those are the ones that are now on the relief roll.

H.M.Jr: "Office of the Secretary, sixty-six, $114,000.00; Office of the General Counsel, thirty-five, $75,000.00; Division of Research and Statistics, thirty-five, $62,000.00; Division of Monetary Research, eight, $22,000.00."

White: I didn't know that.

H.M.Jr: Well, I didn't know any of this till yesterday.
"Division of Tax Research, seven, $16,000.00; Office of the Chief Clerk, fifty-five, $79,000.00; Superintendent of Treasury Buildings, thirty-four, $42,000.00; Division of Appointments, seventeen, $23,000.00; Division of Printing, five, $7,500.00."

McReynolds: Of course, those are all temporary employees, all non-civil service, all hired on a purely temporary basis.

H.M.Jr: Well, Mac, it's practically all - well, four hundred and forty-five thousand dollars. Well now, supposing Mr. Hopkins, if he wanted to be unpleasant - which he isn't; he's being very cooperative - supposing he asks me, "Will you please justify the four hundred forty-five thousand dollars. How many of those people of the two hundred sixty-two are working on unemployment problems?" You want to go up on the Hill and justify this memorandum? Now, I've taken the position that - with Bruce - that he couldn't have one dollar after the first of July. I took the position with Dr. Parran he couldn't have one dollar of unemployment money after July first. You know that.

McReynolds: Every one of those people have been put on notice, that there was no money after the first of July.

H.M.Jr: Except the Secretary of the Treasury. I haven't been put on notice. If I were Hopkins, well, I'd think - "Well, Morgenthau is fighting for this for his own people." I wasn't fighting for that - I was fighting for a principle that we were doing a job which was worth while for the people of America, but I didn't know we had four hundred forty-five dollars of unemployment - I mean, can you stand up and justify that amount? Can he?

Bell: No. Several of them can't be justified. It came to my attention to justify the twenty-one million, and we lumped all of those under Accounts and Deposits, under the eight million dollars. It certainly can't be justified - all those people in the General Counsel's office or in the Coast Guard and Superintendent of Treasury Buildings for emergency purposes, and
I don't think we'd get to first base before an Appropriations Committee; I don't think there's any need for them to go off the rolls on July 1, under any circumstances, because there are two million dollars in the Accounts and Deposits to liquidate, and it certainly would care for these people. I do think, before the next budget rolls around it ought to be taken care of.

H.M.Jr: What I'd like you to do for me, because I think that evidently the so-called Treasury's own budget committee has fallen down on the job, and I can't ask them to do it because they've let this thing creep up on me. I've got to answer directly to the Budget, to do this thing. Is he willing to do this for me, hold a hearing and anybody who isn't justified, give three months notice?

Bell: Yes, if you ask me to do it, I'm glad to do it. It's an unpleasant job.

H.M.Jr: I'm going to ask you to do it. Mac, this wasn't fair to me. I'm going to tell whoever is responsible .... I want them in here.

McReynolds: You'll have to tell me that, because I'm responsible for that roll.

H.M.Jr: All right. If Hopkins wanted to do me dirt, believe me he could blow me right out of the ocean, and I - how can I say to Dr. Parran that he can't have one dollar for the magnificent work he's doing, and have this - and here, these artists, ninety dollars a month - and I won't let them have fifteen thousand dollars to complete the work, and I won't let Dr. Parran have another dollar to do the work they are doing - but this thing here ....

McReynolds: Of course, Lonigan and her people are on that roll.

H.M.Jr: Well, she wrote Mrs. Morgenthau a note, and I was amazed. She wrote Mrs. Morgenthau about it. Everybody sits around here, and everybody seems to know about it except me.
I didn't assume they would go off in July.

But this is between McReynolds and me. I mean, Mac, supposing I was called up today, and Hopkins had this list, and I go up — "All right, Mr. Morgenthau, you've asked for this." He said, "You've asked for this — come up and justify that." I can't. Where would I be? I can't say, "Let McReynolds do it?" I can't say, "Let Bell do it." I'm supposed to know what's going on in my shop.

I'm sorry I didn't let you know of the details. I put it up to every office to reorganize, depending on what happened on the relief bill. Now if we are spending, and running through the Department's regular routine here, handling of personnel, four or five thousand people, I think it's only fair to utilize, as a part of the Department's proportionate part of the Department's overhead in service organizations, including their professional organization, a reasonable proportion of those funds, to keep your overhead going.

Who keeps the books?

Well, we keep the books; Herman has their legal problems to take care of.

I think that's a fair statement, Mr. Secretary.

What?

I think that's a fair statement, where the emergency agencies are involved, but I do think you'd have a hard time justifying thirty-four thousand people on the Treasury — eighty-nine thousand dollars to the Coast Guard.

What are they using that for?

I understand they were inspecting Coast Guard stations. I think Mac made a fair statement. The overhead in the Secretary's office certainly is burdened by this emergency work.

I'd like to know who the sixty-six people are, charged to the Office of the Secretary.
Oliphant: May I ..... 
McReynolds: I can give them to you now.

Oliphant: May I say now what I had in mind? Apropos with what Dan said, I agree with Dan. I'd like to take my office for an example. If we care to go ahead under this new program, and do substantially the same amount of work for the Government, without continuing to render the ancillary service incident to that ....

H.M.Jr: Such as what?

Oliphant: The continuous flow of legal problems.

H.M.Jr: Give me a case.

Oliphant: Public Buildings.

H.M.Jr: Public Buildings is not an emergency.

McReynolds: That isn't involved.

Oliphant: He has a special allocation.

McReynolds: Your Public Buildings is another.

Bell: There are some legal problems.

Oliphant: .... additional one hundred million dollars for buildings.

Bell: Particularly in connection with the purchasing - Admiral Peoples' purchasing organization for a permanent agency.

H.M.Jr: That's a good example, because we are doing the purchasing for Hopkins. If there is anything on that I would say that was a perfect example.

Bell: And there is some legal problems on it. There's a question in my mind whether it is justified from that angle.

Oliphant: Now, may I continue, you having supplied a better example than I did?

H.M.Jr: We buy the supplies for Hopkins. That's a perfect example.
Oliphant: Since I've been running that shop, I think I am handling twice the amount of work; I'm doing it with no more money. I can't operate that shop and provide all the legal services required if two things happen: First, thirty thousand dollars is cut off my regular budget when we went before Danny on the record budget here, in spite of our representatives; then, if you wipe out all the relief money, I just can't do it.

H.M. Jr: In the first place, you can't compare the amount of work you are doing, because we never had a General Counsel office.

Oliphant: The legal work was done though.

H.M. Jr: Sure it was being done. But how can you compare the General Counsel which never existed?

Oliphant: The total legal work of the Department.

H.M. Jr: If you say - I mean, we've put on, in overhead in the supervisory organization - the General Counsel over all the lawyers, a thing which we never had before. But the thing I want to know, if you ask - I mean, why, after five years, hasn't - if you need thirty thousand dollars - whatever you need - why hasn't that been put on the regular pay rolls?

Oliphant: That was the unsuccessful fight we had at the Budget hearing when they were cut.

Bell: And I think the Budget has treated the Treasury the same as anybody else, and where there is a number of ......

Oliphant: I'm caught on the horns of a dilemma. We have another bunch to feed from, and we cut our regular roll - so I'm caught on the horns of a dilemma.

Bell: But there is no budgetary control.....

Oliphant: I want it all on the regular rolls.

Bell: It's the fault of the whole Government service.
But I am not, as Secretary of the Treasury, going to be put in the position I've got to go up on the Hill and take one dollar away from somebody who should be doing a job - who is on the relief roll, and say I am excusing this many improperly - and you - the fellow who has to go up and defend it if we are in a hot spot is Henry Morgenthau, Jr., and with all the fight and everybody lying awake nights to find some good sharp horn to catch me on, I'm not going to be put in the position of using one dollar for relief money for overhead in the Treasury office, or General Counsel office that I can't justify.

I'm going to clear with McReynolds before he goes to the Hill; I'm going to give McReynolds the first crack at this thing, to see whether he will do it, because it's his job, and I'm going to give him just one week to do it in, and after you have done it, Mac, I'm going to ask Bell, as Assistant to the Secretary - but I'm going to give you the first chance, because it's your job. I'm going to ask you to do it first, and then if I'm not satisfied I'm going to ask the Director of the Budget to do it.

McReynolds: Yes sir.

H.R. Jr: What I want you to do is, I want you to have in mind so that nobody can say I am taking anything out of any starving person's mouth, like the money I am taking here. I want this to be put on the front page of any newspaper so I can justify it. I don't believe I can justify this. Now never mind who's told - you know perfectly well if we get in trouble, after five years, - "Well, McReynolds advised me badly," - I'd take it and protect you, the way I'll protect everybody.

And if the White House has got people on here, I'd just as leave write the President and tell him so.

McReynolds: Well, of course, they've got a roll on there, and always have had - had it when we came over here.
Bell: Fifteen people.

McReynolds: Yes, and it's been continued.

H.M.Jr: All right, let's bring it to his attention. All right. Let's get them off my roll.

Bell: I agree with Herman, Mr. Secretary, that the matter ought to be straightened out, and all these agencies ought to be put on permanent rolls. I don't think you'll get away with it if you sent this all up in one budget. I think Congress would just gasp — taking the whole Government service. We tried to help out George Haas by giving him his own money. He certainly took a riding. If we had them all up there at once the whole Treasury would take a riding.

H.M.Jr: It's just a question of who's going to take the riding, and let's say that after you and I walked back yesterday from the hotel, I said, "All right, we won't make this fight for this money," then let's just say, "All right, I think I'm wrong; I'll let it go; I won't make the fight." I mean, then it wouldn't be a question of talking about thirty thousand dollars for Oliphant; it would be a question of talking about seventy-five thousand dollars for Oliphant; it would be a question of talking about sixty-two thousand dollars for the Division of Research and Statistics. Then everybody would be on the street if I hadn't started this.

The amazing thing, everybody kept quiet about it until Oliphant asked me yesterday afternoon, "What about my seventy-five thousand dollars?" As I say, if I had entirely — and I did it without this thing, and thank God I didn't know this, because most likely I wouldn't have made the fight. Now I see why you felt the way you did.

Bell: It wasn't laid to that. I assumed these people would stay on the pay roll after after July first.

H.M.Jr: I thought you meant I should pull my punches on this thing.
Bell: Not in any connection with that.

H.M.Jr: All right, but I still say, if I hadn't made the fight we wouldn't be arguing about part of this - these people would be on the street; then, where would the Treasury be?

Bell: My only question yesterday was whether you were going contrary to the Administration policy - well, doing something the President, right down in his heart, didn't agree with.

H.M.Jr: Well, that was in the press conference yesterday?

Gaston: Yes. Yes.

H.M.Jr: Like all these things, if you know you're right, you've got a chance of winning. Well, I think we won on this thing, and if we haven't we'll get busy and - Mac knows some of these people - get busy - the President said it's all right. And on this thing, all right, but I still say this thing just makes me sick to my stomach.

Now, Mac! A week from today I want you to come in here and go over this thing, and then I'll take a half a day, see, after you make your recommendations - have Mr. Bell - he can sit on my side of the table, and we'll have you on the carpet first, see?

McReynolds: Yes sir.

H.M.Jr: And then after you've done it, and you've told everybody, we'll give each person involved a chance to come in for rebuttal. First, Bell and I will take you on first, alone. After that - I'm going to give you a chance to make good with me on this. After that we'll have another hearing and give the fellows a chance to appeal over what you do to them. Is that square.

McReynolds: Square - surely.

H.M.Jr: Anybody say that isn't fair.

Oliphant: It's all right. I've spoken so much on this. I have no interest in the retention of anybody
who isn't justified on the basis of merit. I hope that goes without saying. In fact, I am perfectly willing to leave that to the man who handles my personnel, and Mac.

E.M.Jr: You get what's bothering me?

McReynolds: I get what's bothering you, Mr. Secretary.

E.M.Jr: What I'm saying is that every dollar of relief money should be used in connection with the supervising of relief work.

McReynolds: Well, I've told everybody who has anybody on their roll that they couldn't stay on the roll beyond the first of July, except on the basis of not only a general but a specific justification on the basis of their connection with a relief activity. In other words, I want to be able to explain to the Committee, if the Committee asks, that John Jones does so and so, and that is the reason why he's paid from the relief roll, and that is the basis on which the people have been put on notice. Of course, there ....

E.M.Jr: I'll save two hours on Wednesday - I'll save the whole morning.

Now if that's the test, and you really go through with it, Mac, I think you will find you're going to drop a lot of people.

White: Mac, I presume I'm not in that; I didn't even know I had any on the relief rolls. I only have eleven people altogether, eight of them on relief, but I presume I'm not in this. I mean, I ....

Oliphant: Isn't this true? We've gone along, say back in January and February, assuming that the scope of Government activities would be less and less and less, and then there's suddenly a great shift in policy, and Government activity, and all that sort of thing's got to be - don't we have to take that in to account in doing our work next year?

E.M.Jr: We haven't.
Oliphant: We haven't. And our budget hearing's been on another basis.

H. M. Jr: All I am saying, Herman, I want to be a thousand per cent sure that the relief money is going for overhead on relief work.

Oliphant: That's right.

H. M. Jr: That's all I'm asking, and I can't say to Dr. Parran, "You've got to stop your magnificent work," and have somebody else on relief in the Office of the Secretary, whom I don't know about, who is doing something else, who has absolutely nothing to do with relief money—supervising of work in connection with so-called recovery bill—but the President can't turn around and suddenly, without increasing the amount of servicing the work to be done ......

Oliphant: (Inaudible.)

H. M. Jr: That's very nice, Herman, but supposing I, knowing nothing about this thing, but being motivated by one thought, that we should be—where would you fellows be with this program now again being stepped up?

Oliphant: Well, that is the thing. I may have spoken out of turn, but that's the thing that has been worrying me.

H. M. Jr: It's all very nice, Mac, putting these people on notice. I'll set aside two hours on Wednesday morning, and give you the first chance. O. K., Mac?

McReynolds: Of course, I've got the detailed list of assignment and that sort of thing all ready here, but I shall, in the next week, go over them with the head of every office where they are involved, and apply the test and see what answer we get, so that I can be ready for you next Wednesday.

Now, how much subsequent hearing you will have with the people I've already heard, in the meantime, I can't say.
Between now and Wednesday I don't want anybody to talk; I won't listen.

McReynolds: I understand that, but I don't know what answer I'll have to arrive at. Of course, many of these people are on temporary rolls and there's no question of them being on anyhow - many of them won't be on the first of July anyhow. But, of course - you have, of course, the outstanding case of a regular charge against that, ever since the relief probation was started, as the White House group, and we merely superimposed Mrs. Forbush's office on top of the White House. Her office is entirely supported by that fund.

McReynolds: The relief fund. It's never been any place else. Incidentally, most - the most of Mr. Gaston's staff, for instance, are on there, because they are the type of people we haven't been able to qualify them to Civil Service. We've got those problems, and those I'll work out this week. I'll have an answer, with a recommendation myself.

All right. I've never backed away when it's been one of my own - I mean I've never - never permitted myself a pet hobby or a pet project.

McReynolds: I don't consider it a hobby. Take Gaston's office ....

Well, you might call that a hobby. (Laughter.)

There's no question in my mind about the use of a Public Relations Department in connection with the relief organization and the relief activities.

Well, you can't justify that. I can't go up and say, "I don't know that Mr. X, who is working for Gaston, is doing any work to help people get jobs" - I can't do that.

That isn't your limitation - that isn't the point here, because you've got an organization that's got to operate if you're going to run these things. Well, I'll ....
I mean - you know the test is the money being spent within the spirit for which Congress voted it - that's the purpose, and if it isn't, then we'll just have to face it and that's all. It's just one of those ....

I think you've got to qualify that a little, Mr. Secretary. You take my office upstairs ....

Oh! (Laughter.) Well, you sit on the other side of the table. Now we're getting it down.

This applies to your office too.

I can work with the three or four people personally assigned to me.

I can talk about my own office.

Yes, Mr. Bell. Oh boy! Where is my knife?

It's all right with me to cut them;

This is going to be good.

Hearing number one - Mr. Bell.

We've got three or four people working in my office, working on relief, on preparing ....

Which do you mean, Mr. Bell - Dr. Bell. Excuse me.

A new degree conferred upon me. ....that are doing regular work on - in my office, but I also have three high priced, regular men doing nothing but relief work, and I am entitled to some substitution, am I not, because I lose the services of the three regular employees all the time. I think that's the situation here and in Herman's office. He's a regular Treasury employee, and he employs some of his time on relief work.

I can cite a case from just yesterday. We get a great long letter from the White House - from a Congressman, suggesting how to cure the depression by means of taxation. "All right, if you can do it that way, you don't need so much relief." People have worked on that days
and days together, and what he's really advocating is this undistributed profits tax. Anyway, there was a lot of work that had to be done on it.

White: Your point being that a good deal of work we have is a consequence of the lack of sustained prosperity. Is that it?

Magill: Well, what I'm suggesting is this: We ought to fight on these relief matters. I suppose half the correspondence I get is that sort of different kinds of tax ideas that are supposed to cure it. Well, Sharp (?) works on them - tax reserve. Gaston answers a great many letters.

Gaston: That's right.

Magill: And that's the way it goes - you get a large volume of that stuff - of that sort. I don't think I am paid from the relief appropriation.

H.M.Jr: But you're paid out of the ..... 

White: Of course, Mr. Secretary, I think that is a significant approach. The function of appropriations is, presumably, to take care of regular tasks and regular duties of the various departments. I don't think anybody in the Administration would be willing to accept or admit that the depression and recession is a normal accompaniment of the Government. Therefore, it's an abnormal characteristic, and, therefore, a great many of the problems in which we deal - this is a second removed - are a result of, and any attempt to allocate directly a relief policy, would leave one nowhere.

H.M.Jr: Now, the great humanitarian, Mr. McReynolds, will go to work and start on Mr. Bell's office first.

Bell: O. K. by me.

H.M.Jr: And use the rule of human reasons.
May I ask one question? This is on the assumption there can't be any reopening of the budget or a supplement appropriation. .... Mr. Secretary, that is part of the problems.

McReynolds: I don't think that - of course, the theory of that has been discussed with the budget time and again, and the theory on which the budget, I think properly, has held down the regular rolls and gone carefully toward advancing the regular rolls to take care of it, with the idea that you would participate in these things, is that we ought not to build the regular rolls to a level that when this thing is cured, the rolls would have to be reduced. You carry it by emergency appropriation - the extra duties that result from the extra activities that are carried out. That is the theory of this list.

H.M.Jr: The only thing I am familiar with is George Haas' shop. I've got all the sympathy in the world with Haas. He's got an organization which is necessary to help me do my work, and half the thing's on relief, and I think that whoever comes after Mr. Roosevelt and whoever comes after me - his problems are going to be greater when he tries to liquidate this stuff. And he will still need a statistical division. I know he hasn't been able to get his people on a permanent basis, and - but while we're doing that you'll have an entirely new organization come into existence, like resettlement, which is now on a permanent basis, with eleven or twelve thousand employees, and we are supposed to analyze that and let the President know whether he's doing a good job or not.

Well, anyway, this has been a good morning for me. I'll see you all later.

McReynolds: I do admit it's been a good morning for me. I'm delighted to have these things clarified.

Magill: Is that all?

H.M.Jr: That's all.
Magill: Rogge at eleven?

H.M.Jr: And Magill and Morgenthau at the White House at two.

McReynolds: Any you're going to see Blaisdell?

H.M.Jr: Yes.

Everybody's excused. Thank you.