

## GROUP MEETING

February 16, 1938.  
9:30 a.m.

Present: Mr. Magill  
Mr. Taylor  
Mr. Oliphant  
Mrs Klutz  
Mr. Upham  
Mr. Haas  
Mr. Gaston  
Mr. McReynolds  
Mr. Bell  
Mr. Foley (last ten minutes)

H.M.Jr: Do you (Upham) want to take this? This was given me by Mr. Jesse Jones - quite confidential. That's the study that he made of the banks in the bank holding companies - their position, you see. /

Now, what I wanted to talk to you about was this, Cy. I gave you a job to do, to study these various rules and regulations of the various organizations that have to do with banks. You gave me a chart.

Upham: That's right.

H.M.Jr: And I asked you to check it. Is that ready?

Upham: That's being made up now in better form. I checked it back with the three agencies and it's being revised.

H.M.Jr: When will it be ready?

Upham: I can have it ready today.

H.M.Jr: Now, what I wish you'd be ready - I may want you and Gus Folger - is the Chief Examiner?

Upham: That's right.

H.M.Jr: I may want you to come up and spend Monday on the farm with me, and possibly Tuesday - the two of you. Don't want it advertised. I just want to go to school on this whole question of bank examinations. I can do it up there. Bank holding companies. And you talk to - between you and Mac, fix it up so ....

Upham: So it's done.

H.M.Jr: I want Gus Folger. Monday and Tuesday. Stay at

Poughkeepsie over night, if necessary. I want to take enough time to study that thing, and this question of examinations and question of bringing everything together - the suggestions which Burgess made, and what we might or mightn't do to get banks to help in this question of new money. I mean people keep shooting things; I just haven't been able to assimilate it. I figured if I worked at it up there I could assimilate it, see?

Upham: Yes.

H.M.Jr: I mean this whole question, are there rulings making it difficult for the banks to - the kind of securities they have to buy. I take it Folger has that stuff.

Upham: Yes indeed.

H.M.Jr: What?

McR: Nobody can tell you better than he.

H.M.Jr: The two of you - I'd be prepared to go up to New York Sunday. There's a train leaves New York Central 9 o'clock, gets up to Beacon 10:30. But I'll talk to you before I go.

Upham: Yes, sir.

H.M.Jr: But if I had you up there for a couple days, on tap, so I could work a couple hours at a time, I could assimilate it. I can't do it - I can't do it and do the other things, see?

Upham: Surely.

H.M.Jr: Now, who's going to give me a progress report on what I see in the papers is going on in Morgenthau's office? I'm sort of curious. What's it all about?

Haas: I thought we made good progress.

Gaston: We got good publicity, don't you think?

H.M.Jr: Yes, if you can deliver. What? Come on, somebody.

Haas: Well, I can tell. We left here about 1:30 last night, but I'm not sure we have anything.

H.W.Jr: That's what you told Mrs. Hess.

Hess: She believed it, and I thought you would.

Bell: Now he wants to put it in the record.

H.W.Jr: Well, anyway, when I came home there was Mr. and Mrs. Taylor checking me in at my front doorstep. "All right, he went home." They checked me off. They were at the Tydingses next door.

Taylor: Car drives up; I was just about to turn in the driveway to back around so I ....

Glutz: You met one man sure.

Hess: We've got something; will have at 11 o'clock. We had a draft last night. Made a few changes in it this morning. But frankly, I am not enthusiastic about what we have got and I think that what he's already said is nearly the whole story, afraid almost anything will be anti-climax on Friday. That's my fear. But we'll have something for you at 11 o'clock. But I don't want to work up your hopes very much.

Gaston: May I supplement that? George doesn't know about this, but I wrote some sort of a general synopsis of the thing, several pages, last night. Then I was working up a short summary, just a review of the thing.

H.W.Jr: What time did you tell Mrs. Gaston you left the Treasury?

Gaston: She knew. I was at home.

H.W.Jr: All right. And I knew that Oliphant was having supper with Ed Bruce.

Oliphant: That's a good story.

Hess: Well, here last night when we left were Jake and Lubin and Ezekiel and Harry and Currie and Hinrichs. They all left the same time - 1:30 - around then.

H.W.Jr: There's no use going into it now, then, is there?

Reast: No, I don't think so.

H.M.Jr: You'll have something?

Quas: Yes, sir.

H.M.Jr: Now, who in the office has been talking to Duffield? Don't all raise your hands at one time.

Upham: Why, I have.

Gaston: I've been.

Upham: Not about anything of importance.

H.M.Jr: Well, where did he get all this stuff, that "revelation in high official circles..."

Upham: That isn't me.

H.M.Jr: "... that Treasury's virtual abandonment of gold sterilization was primarily undertaken in hope that it might buoy commodity quotations."

Gaston: I think that's Duffield's own deduction.

H.M.Jr: I see.

Gaston: He attacked the thing early yesterday morning, he told me, from the price angle. He thought that was the proper point of view. Went over and talked to somebody at Federal Reserve and came back here pursuing that theory, and saw this group coming out of the office and he said, "Ah-ha! What they're talking about is just that very thing - prices." Just because Lubin was here, and so on.

Upham: Well, he told them ....

Gaston: So then he wrote this story that went on the ticker. When the rest of the group, Sandy Kline and Friedheim and somebody else, came rushing up to Cy's office and said, "Now, tell us what you told Duffield," and that worried Duffield.

H.M.Jr: That worried Cy.

Upham: No.

- Gaston: No, Duffield came in; he was worried about it. Duffield came in to tell me that he thought that was unfair to Cy; that every time he got a story, Cy was held to blame. But it was his own dope.
- Upham: Sounds too good, doesn't it?
- Gaston: I'm telling you only what Duffield told me yesterday.
- Upham: You throw me down too.
- H.M.Jr: Well, one more question and then we'll stop playing "truths."
- "Secretary Morgenthau was represented as more than willing to see an improvement in raw material quotations as a result of the Treasury action, to let 'gold have its normal effect on prices'" - end quote. In quotations: "gold to have its normal effect on prices."
- Gaston: Well, I think that's based on something I said to him.
- Taylor: My only contribution was saying "counter-deflationary," and I don't know that he used that one.
- H.M.Jr: "Gold to have its normal effect." I've said it in this room; didn't say it to them.
- Haas: One paper spelled gold wrong, had it "god."
- H.M.Jr: I sent for Duffield. I said, "Now the plan has to work." I said, "As long as it's Eccles and Treasury and God, it's all right." So he said, "That was as good as Landon getting on the bank wagon."
- Klotz: Bank wagon!
- H.M.Jr: Well, that's all right.
- Now, the thing that I'm really worried about, and I'll have - well, I'll wait and I'll have Foley in on this. I want to get this first-hand thing. I'll have him in on this thing that's going on across the street on the housing. There's another meeting this

morning between Jimmy Roosevelt and Stewart McDonald and Straus.

Taylor: Who is Mr. Edward Livingston?

H.M.Jr: I don't know.

Taylor: White House called up, wanted me to see him yesterday, and then did it again this morning, and this is - has something to do with slum clearance, apparently.

H.M.Jr: Well, I'll get into that when Foley comes.

Now, Mr. Magill and Mr. Gaston, I had Mr. Harold Graves at 8:30 this morning, and I told him to see you (Gaston).

Gaston: He did.

H.M.Jr: Subject to your veto or approval or lack of it or not, my suggestion is that I'd have Mr. Harold Graves and Mr. Helvering at 10:30 tomorrow, at which time I thought that we could explain why Harold is going out West.

McR: You mean to the press.

Magill: Oh, to the press.

H.M.Jr: So will you talk that over with Gaston?

Magill: Yes, sir.

H.M.Jr: Because I'd frankly like to explain it. I think it's correct that it happens to be my thought, and I'm particularly interested in it, and I'd like to give it as good a send-off as possible.

Magill: I think that's a good idea.

H.M.Jr: What?

Magill: I think that's a good idea.

H.M.Jr: Do you (Gaston) see any reason why not?

Gaston: No, I think that's the right idea. I think that probably we ought to have - in addition to your talking it to the boys here, that we also ought to have a release which we can send out and which we can give to them at the time of the press conference and send out, because a good many papers will miss the press conference story.

H.M.Jr: Well, you work it out. I lay great importance on it. I want it done well and I'd like to do it.

Gaston: You'd like to have me ask Helvering to come over?

H.M.Jr: I want - yes; I mean - well, you and Magill fix it up, that's all.

Gaston: Right.

H.M.Jr: You and Magill. So we have a smooth working thing for 10:30 tomorrow. See, Herbert?

Gaston: Yes.

H.M.Jr: Don't have me read a four-page thing and then say, "You can't quote me." I mean have it all smooth and ready.

Gaston: Yes, all right. I was going to let them quote you, though.

H.M.Jr: And the only other thing that I got is, I called up Bell this morning and - first place, I wanted to deposit those silver certificates now just as rapidly as we can. That's Number One. And then Number Two, very much in the room, is, I've thought right straight along that the Federal Reserve should lower their reserve requirements in country banks. Well, they're not going to do it, so we've done this gold business. All right, that still doesn't get to the country banks. So during the night - I didn't sleep awful well - I got an idea, which may not be awful good, but you fellows can chew on it; and that is that possibly we can do one of two things. If and when we have to call for money, we only call for new money from New York, instead - don't call from the other 11 districts at all, just call on New York, draw our account down there. The other is the possibility of transferring

our account money on deposit with the Federal to the country banks, increase our deposits - just deposit the money in the country.

Now, I don't expect it, but it's a thought. The fact it's never been done doesn't bother me a bit. But I - you can't - no one is going to be able to tell me that - we fellows know that for the next year they're not going to have - how much of the money locked up, is it? - the country banks. What proportion is locked up in excess reserves? What proportion? I mean that they have to keep?

Bell: It's 7 percent.

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

Upham: 14 percent on demand deposits / <sup>in</sup> country banks.

H.M.Jr: How much?

Bell: That's right.

Upham: 14.

H.M.Jr: All right, they know that - if they knew that our policy was going to be that we take money out .... What's the matter, Cy?

Upham: I just didn't catch you, that's all; 14 is right. I was slow in thinking of it.

H.M.Jr: That's right, you were.

I mean I think they ought to cut that thing right in half so these fellows would know where they are. I don't think they're going to do it. All right, maybe I can shame them into it. See?

Now, I want some of you fellows to do a little original thinking. We got 150, 200 million dollars on deposit with the Federal. Let's just take a hundred million out, put it right in the country. Then the people say, "Well, why doesn't the Federal Reserve do it?" the more they keep asking, "Why does the Treasury have to do this?" Maybe after a while they will do it.

Now, I'm not asking for an answer today.

Does that shock you, Wayne?

Bell: About 350 million dollars excess reserves in the country banks.

Upham: That's the figure I thought you were interested in.

Bell: Opposed to a billion four for the total; 450, 460 million in the reserve city banks; about 550 million in New York and Chicago.

H.M.Jr: Could I take a hundred million dollars and deposit it in these country banks?

Bell: Well, that's a little difficult. The law is peculiarly worded. We can deposit in the banks proceeds from the sale of Government securities and we can deposit income tax payments. That's the extent of our authority.

H.M.Jr: Well, income tax period isn't so far off.

Bell: That's right. You can do that during March. It is a question whether you could take other tax receipts or call money from the banks as a whole and redeposit it. Might conceivably work that out.

H.M.Jr: Well, supposing you people think about it seriously, will you? And when I come back right after - let's say ....

Bell: Wednesday.

H.M.Jr: ... the 23d, let's have an answer.

Oliphant: Wednesday.

H.M.Jr: Yes. I think it's worth thinking about.

Oliphant: I'll go into the law on it.

H.M.Jr: What?

Oliphant: I'll go into the law on it.

H.M.Jr: George, does it shock you?

Haas: No, and I think the idea might be very good. I think before letting you do it, they'd do something.

H.M.Jr: Well, I frankly - I'm not going to do anything behind Eccles' back. I mean I'm not going up on the Hill or anything like that and get things started to have them called. But I think I can shame them into it, see? Because - I mean I don't care if Eccles - now, for instance, he made a statement at lunch yesterday and I just was amazed. I said that as the Government bonds went higher and higher, I felt that with this big spread between Governments and non-Governments it would have a tendency to pull the non-Government bonds up, which it always has. Eccles made a flat statement: "Nothing will pull them up except earnings." So Jake Viner said, "Well, on that basis, we'd never get out of the depression."

Haas: That's right.

H.M.Jr: What?

Haas: That's right.

H.M.Jr: I mean I just can't follow him these days.

But I'm just going to throw that out. After you have all thought it over, maybe you'll say I'm all wrong, but it's - I think we've just got to do original thinking around here, that's all. I mean we can't just sit here. And frankly, I don't think the Fed's doing their job, and in the meantime they're just scaring me to death.

Now, does anybody, before I have Foley come in - I want Foley to give us the word-of-mouth tone of what happened over at the White House. He was present at that meeting. You (Magill) all right? Anybody want to shoot at me?

Oliphant: One thing. Farm Credit - Peyton Evans - calls up and says they have a report ready to go down to the Senate, investigating those old cotton loans.

H.M.Jr: Yes.

Oliphant: And Mac and I talked it over. They wanted to send it over to us for us to look over. We talked it over, decided the best thing to do is let it go down, and then if - remember, involves what you and I did in connection with the seed loans - let it go down and if any question arises we'd go into it.

H.M.Jr: ACCA?

Oliphant: ACCA and the seed loans.

H.M.Jr: That's all right.

Oliphant: But I didn't want to do that without mentioning it to you.

H.M.Jr: That's right. All right.

Oliphant: It's the old fight - ACCA.

H.M.Jr: They still fighting that?

McR: They had a Senate resolution.

Oliphant: Yes.

H.M.Jr: That's all right.

What else? Anybody else got anything special?

Oh, incidentally, I saw Senator Guffey last night at the Mexican Embassy and I asked him please to get hold of Barkley and tell him the longer he waited the more difficult he was making the thing for himself, and it was perfectly ridiculous holding it up.

Gaston: You saw Alsop and Kintner last night?

H.M.Jr: I did.

(To Kieley) Mr. Foley - ask him to come in.

Upham: I talked to Kintner yesterday too.

H.M.Jr: Did you? Like a Dutch uncle?

Upham: I was trying to take the blame for that story.

(Foley comes in)

H.M.Jr: Hello, Foley. Foley, give us the word-of-mouth - I read your two pages on what took place at the White House in that meeting. I just - I mean frankly I'm terribly worried about it, and I wondered whether I was worrying too much or too little or what.

Foley: Mr. Secretary, there was a very wide difference of opinion as to what could be done or what should be done. I gathered that Colonel Roosevelt was merely throwing out ideas to see how different groups that were represented there would respond. He was trying to grasp at something that would get this building program started quickly and would create employment. I thought from the way Aubrey Williams and Colonel Harrington responded that he was leaning more toward the direct construction and spending side than he was toward the private financing side, but he didn't commit himself definitely, and the thing was left that Williams and Harrington and the group from the Farm Security Administration would get together and make a survey of costs and the number of men that might be employed and possibly needs of small housing construction, and have a further meeting possibly Friday of this week.

H.M.Jr: Well, this statement, for instance, that if they didn't do something like this they'd have to spend two billion dollars for relief - was that said in a sort of flip way, or did you get - was that a kind of a - I mean I want to get the tone. See what I mean?

Foley: Yes. The conversation, as I remember it, was between Colonel Roosevelt and Mr. Jones, and it was rather obvious that Mr. Jones wasn't very receptive to Colonel Roosevelt's suggestion, and his reply was that if this didn't take, if the people weren't employed, the only alternative, as he saw it, was to go down to Congress and ask for an appropriation of two billion dollars for relief, and, faced with that, he thought that the idea should be given a little more sympathetic consideration. I gather that was the spirit in which it was said.

H.M.Jr: Kind of a blackjack?

Foley: Kind of a blackjack.

H.M.Jr: Did Jesse Jones stand up at all against this?

Foley: Well, I had the very definite impression, watching the play that went on there in the room, being entirely disinterested, that both Jones and McDonald were opposed to anything like this on the ground that they thought that it would hamper and interfere with their program.

H.M.Jr: What about Straus?

Foley: Well, I couldn't tell how he stood. I gathered that he thought (a) that it wasn't necessary, and (b) it didn't sound very practical to him. But I didn't talk to him after the meeting and he didn't have an awful lot to say.

H.M.Jr: Well, I've done a lot of figuring and I think I've got to the bottom of the thing, finally. I called Jimmy last night and told him how I felt about it. I mean I'm a hundred percent opposed, I'm going to do everything possible to see that Stewart McDonald at least gets a chance to show what they can or cannot do, which he is entitled to. I mean why try to undermine the fellow before he's even got started? It's perfectly outrageous. And I finally got to the bottom of the thing, and that is that Harry Hopkins is having cat fits down at Palm Beach because he doesn't think they've got enough projects, you see, to put the people to work, and that Harry Hopkins is back of this whole thing. Jimmy said so. We're talking very confidentially here. So I had previously sent for Harrington, see, and asked him point-blank did he have enough projects to put people to work up to the amount of two and a half million people, without going into the housing business, and he says, "Absolutely" - that he doesn't need any self-liquidating projects, doesn't need anything he hasn't got now. He can put the people to work and put them to work promptly, so there isn't any excuse for this, see? Just isn't any excuse for this.

And after all, here - I want you (Foley) to get

this - the policy in the Treasury is to try and encourage private capital to go to work. Now, that's what this whole bill is. I had nothing to do with the - I mean all this crowd that's over there and sitting around and carrying on like a lot of fighting children. They wrote this bill. This is their bill. Why not give it a chance? They don't even give the thing a chance.

The only thing that would interest me would be if Harrington said, "I can't put these people to work." Now, he assured me definitely he can, see? And all of these modifications - I mean anywhere from the Government building the houses, from the Government subsidizing a builder by giving him so much unemployed labor free, and all of these various wrinkles - I mean it's just - well, I'm just going to use all the influence I've got to stop it and give this fellow McDonald a chance.

I wanted you (Foley) to get it straight from me, see? And I've told this to Jimmy Roosevelt, so he knows how I feel. And they've got a new wrinkle which - oh, this morning he sent for Straus and Stewart McDonald alone. Well, by this afternoon I'll know what that is. But I really think - I mean if what McDonald says is true, and he's been very much down - see, he started to get low last April - I mean his stuff got kicked last April; he said it's just beginning to come back now. And he said, "If you want to kill it, just let any of this stuff leak out that the Government is going to have a little TVA in housing."

I mean just - "Well, we'll just limit it to 750,000 houses, we'll just build that to get out" or something like that, see? Now, it's time enough if McDonald falls down and fails, but he hasn't - which he hasn't shown any signs of doing yet. The man is almost hysterical because they've hounded him so. He ought to be tending to his work and everybody ought to leave him alone. But instead ...

Inasmuch as you represent me over there, I want you to know how I feel, and if you get anything .... I want to talk to Jesse at 10:30. I want to do everything I can in order - I mean I have not reached the point now - got nothing to do with the state of

business - that a thing like Stewart McDonald's organization can't go to work through private capital.

And Eccles has completely flopped - I mean around. He used to say the way to put people to work was to start housing. Now he says that as long as we've got a depression we can't get any housing. He's completely reversed himself. Told us this twice now.

So don't hesitate to get it to me fast if you hear anything.

Foley: Well, I'll give you, Mr. Secretary, everything I hear.

H.M.Jr: That's right, and I'm giving you most confidentially what I'm hearing.

Olyphant: The basis on which he is over there - he is over there to give them any information about the law - land involved, so forth. I take it for granted that he is not there for an expression of departmental policy.

H.M.Jr: No, but he wants to know where I stand.

Olyphant: For his own background, yes.

Foley: I didn't think that the group over there had the impression that I was representing the Treasury in any way, because Jimmy Roosevelt was quite careful to say that he had asked me to sit in because I knew something about the laws in the different states.

H.M.Jr: I got all that. I still say, you've been in other fights like this, and you can keep your ears open and let me know. I'm not saying that you should take part in the fight, but, after all, you must have seen the fights of Mr. Hopkins and Mr. Ickes and all that, and all I want to know - I want information so I can work fast. And I'm telling anybody that hears anything to let me know, because I think if the - that the President would be making a terrible mistake - I can't over-emphasize it - at this time, and he'd have to ask Bell and I to lie down and let them roll over us before we'll give in. Is that right?

Bell: Yes, sir.

H.M.Jr: So that I just want to let everybody know that they can listen. Because this is the first time that Stewart McDonald thinks - said he thinks he can make this work, and he's showed me figures yesterday - constantly increasing business; now he's beginning to go places. And if you kill this, I don't know how you're going to explain anything.

The only other thing that Taylor wants to add - he attended a meeting yesterday and we've got a new - using Taylor's language - a new "unbalancer" joining the group over at Mr. Eccles' office, and I give anybody a guess who the man was, unless you know, who joined this group. You can't guess, so I'll save time - Mr. Homer Cummings.

Oliphant: An unbalancer.

H.M.Jr: He's an unbalancer. Now, try and figure that one out. But I swear, if you didn't laugh it would make you cry.

Bell: Not afraid of going to jail, are they, or something like that?

Taylor: That wasn't brought up.

Bell: That's the only purpose he could be there for, to keep them out of jail.

H.M.Jr: Alcatraz isn't any too pleasant a place.

Will you (Upham) see the Chief Examiner, have him get himself ready?

Upham: Yes indeed.

H.M.Jr: And in that thing - if you can stop a minute behind, I'll tell you particularly what I want. And you be ready for me and Bell and Taylor be here at 10:30.

Haas: When's this meeting?

H.M.Jr: Eleven.

NAME OF BANK	LOCATION	NO. OF BANKS	GROUP BANKS		(000 omitted)		TOTAL SOUND	DEPOSITS
			PAR VAL. COMMON	SOUND VALUE COMMON	P R E F E R R E D A	P R E F E R R E D B		
Albours Securities, Inc.	Jacksonville	9	2,550	4,669	-	-	4,669	49,722
American National Bank	Nashville	8	3,430	4,149	4,095	-	8,244	57,284
Anglo-Natl. Corporation	San Francisco	9	11,075	12,875	5,000	-	17,875	218,875
Atlantic National Bank	Jacksonville	7	3,850	4,840	-	-	4,840	51,506
Bancohio Corporation	Columbus	16	7,440	11,232	-	-	11,232	108,227
Citizens & Southern Holding Co	Savannah	7	6,200	10,086	46	-	10,132	109,596
Commerce Trust Co.	Kansas City	4	6,700	12,020	-	-	12,020	180,384
First Bank Stock Corp	Minneapolis	79	19,185	41,282	-	-	41,282	390,447
Old Colony Trust Associates	Boston	14	36,293	106,481	1,000	-	107,481	643,786
First National Bank	Chicago	7	32,400	73,165	396	-	73,561	945,449
First National Bank Trustees	Louisville	6	2,450	7,202	225	-	7,427	43,555
First Security Corporation	Ogden	5	1,869	6,166	1,290	15	7,471	67,503
First Trust & Deposit Co	Syracuse	12	2,543	398(R)	6,836	1,172	7,410	64,071
Hamilton National Assoc. Inc.	Chattanooga	18	3,745	5,794	1,941	100	7,825	75,797
Hartford-Connecticut Tr. Co	Hartford	5	325	675	-	-	675	5,424
Marine Bancorporation	Seattle	3	2,625	6,463	-	-	6,463	73,952
Marine Midland, Inc.	Buffalo	18	22,800	52,018	1,920	-	53,938	399,635
National Shawmut Bank	Boston	7	10,925	29,045	297	150	29,492	186,439
Transamerica Corporation	San Francisco	7	56,300	109,905	450	-	110,355	1,499,042
Northwest Bancorporation	Minneapolis	94	17,563	30,226	9,017	-	39,243	394,363
Trust Co. of Ga. Associates	Atlanta	6	3,850	22,872	-	-	22,872	38,520
Union Tr. Co. & Mellbank Corp.	Pittsburgh	24	20,675	225,278	1,415	100	226,795	726,136
Wisconsin Bank Shares Corp.	Milwaukee	18	8,005	14,769	11,162	-	25,931	261,523
			282,589	790,807	44,890	1,537	837,234	6,590,255

Report made to Secretary Morgenthau  
by Mr. Jesse Jones, referred to in 9.30  
group meeting Feb. 16, 1938.

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March 8, 1938

My dear Mr. Chairman:

I have before me your letter of February 16th enclosing a copy of your letter of the same date to the Central Bank of Oakland, California, which you were kind enough to send me voluntarily for my information.

In the letter to the Oakland bank, you state with respect to the bank's application for approval of the establishment of branches in Alvarado, Niles, and Irvington, California, "We feel, therefore, that action by us upon your current application should be postponed until public policy on this point has been clarified. When the current uncertainty concerning public policy on this matter has been settled, we shall give consideration to your application."

I am writing to inquire whether there has been any change in the policy of the corporation on this matter since February 16th.

Sincerely yours,

(Signed)

H. Morgenthau, Jr.  
Secretary of the Treasury.

Hon. Leo T. Crowley,  
Chairman, Federal Deposit  
Insurance Corporation,  
Washington, D. C.

CBU:pm

## GROUP MEETING

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9:30 A. M.

Present: Mr. Magill  
Mr. Oliphant  
Mr. Gaston  
Mr. Gibbons  
Mr. Haas  
Mr. Taylor  
Mr. Lochhead  
Mr. Upham  
Mr. Bell  
Mr. McReynolds  
Miss Chauncey

H.M.Jr: The French Ambassador is not coming this morning at eleven-thirty.

(Telephone rings.) Hello. Thank you. Put in a call for him.

(Looking at newspaper clipping Mr. Upham submitted.) I don't get this. Do you?

Upham: Yes.

H.M.Jr: Shall I read the whole editorial from him?

Upham: Yes. The last paragraph particularly.

H.M.Jr: I'll read the whole thing.

Upham: It's a very intelligent defense of the New Deal.

H.M.Jr: I'll read it. You haven't heard from across the way? Wayne, I thought this - that before Mr. O'Connor left I thought you might see if we can't fix up a meeting on banking for 11:00 tomorrow, see.

Taylor: (Shakes his head "Yes.")

H.M.Jr: (To Mr. Upham.) You want to get them around for the banking committee at 11:00 tomorrow?

Upham: Surely.

H.M.Jr: Jones, O'Connor - Eccles is going today, isn't he?

Upham: I think so.

H.M.Jr: Well, let Eccles send someone.

Upham: To do specifically what?

H.M.Jr: Discuss bank holdings. The President definitely - the President is going to send a message before March 20, and he is - it's part of his message on monopoly, and I think we've got to do something. And then I want to particularly discuss the bill as how, if at all, it affects the ---

Upham: Trans-America.

H.M.Jr: No. Trans-America, yes. (Mr. Oliphant, I'd like your people to examine Mr. Glass' bill from the standpoint "does it control Trans-America?" Will you please, also, Mr. Oliphant, find out what, if anything, S. E. C. is doing in regard to Trans-America, see? Does it do anything on Trans-America?)

Upham: The S. E. C. started an investigation from the standpoint of investment trusts. I haven't seen anything except that report they sent over here.

Taylor: You mean the bill?

H.M.Jr: Does the Glass bill do anything to Trans-America?

Upham: Oh yes, it stops any bank in the group from adding a branch.

H.M.Jr: How about regulations?

Upham: It subjects Trans-America to all regulations.

H.M.Jr: What about the S. E. C. - they don't keep their word.

Upham: They are given plenty power under this bill.

H.M.Jr: But what is the use of giving an organization power if they don't keep their word?

Oliphant: You want to know what S. E. C. is doing?

H.M.Jr: I'd like to know what they are doing. I'd like to have this meeting at 11:00 in the morning.)

Oliphant: Eleven o'clock.

H.M.Jr: And I want you at it, Herman.

Oliphant: That's bank holding companies?

H.M.Jr: Yes, and this is - this message I've got here, who wrote this message?

Upham: Gaston, I think.

Gaston: I wrote an original, and I think it was revised a good deal. (Looks at reference memorandum) Yes, this is the one I wrote.

H.M.Jr: All right, you'd better be here at 11:00 tomorrow too.

(To Mr. Oliphant) Do you want to take a look at it? Want to see it?

Oliphant: Yes, please.

H.M.Jr: Ask Robert Jackson if he is working on the President's monopoly message. You see, time's getting short and he wants this before the twentieth.

Oliphant: And he says "yes" ---

H.M.Jr: Excuse me. Well, let's get together. When is Bob Jackson going to be ready?

Oliphant: Ready?

H.M.Jr: I think we'd better clean this up inasmuch as the President said two or three times he wants it before the twentieth.

Oliphant: Bob has a big case to argue tomorrow and then he said he'd be free. I'll talk to him today.

H.M.Jr: (To Mr. Magill) I see you did all right except on your salaries ---

Magill: Yes.

H.M.Jr: --- Didn't you? No change, as I read it, except on salaries.

Oliphant: They are going to find out what Magill and I are earning.

H.M.Jr: Will they find that out?

Magill: Oh yes - and Upham's.

Upham: That's a change in the bill.

H.M.Jr: Everything was voted down except that.

Magill: The Committee agreed on some amendments yesterday that they would put in, but I think there were no amendments from the floor.

H.M.Jr: What else have you got?

Magill: Nothing more. They seem to feel reasonably confident on 1-B which is coming up today.

H.M.Jr: If things don't get any worse than they are I expect I can go up to Amherst this week end. Herman?

Oliphant: Homer was wrong on his Post Office figure by a million and a third. You are right. The amount on the contract is, roughly, four and a third million.

H.M.Jr: That hasn't been changed?

Oliphant: No.

H.M.Jr: The question of the price - that is the whole question.

Oliphant: There is no change in that at all. He's wrong on his figure - a million and a third. He said three million and it is exactly four million, three hundred fifty-four thousand. I can give you a memorandum on it.

H.M.Jr: No. Anything else? How about that personal matter that Homer drew my attention to?

Oliphant: Our man involved is trying some important cases in Florida and they agreed he should not be disturbed until he finishes those cases and then he is coming back.

I have a letter here to Dr. Abbot which you may want to sign. We made a number of suggestions about fixing their by-laws, all of which they have adopted, and ---

H.M.Jr: What else?

Oliphant: And I have a draft of a letter to Morrison Shafroth.

H.M.Jr: Will you two gents (Mr. Magill and Mr. Oliphant) stay behind a minute?

Oliphant: I'll just step out and have it (draft of letter to Morrison Shafroth) sent down to me.

H.M.Jr: Herbert?

Gaston: I haven't anything.

H.M.Jr: Well, that meeting will be this afternoon at three on prices. Did you (Haas) let Mr. Stewart McDonald know?

Haas: I didn't, but I will.

H.M.Jr: Will you. And you be here.

Gaston: Two visitors.

H.M.Jr: Three o'clock?

Gaston: One o'clock - two visitors.

H.M.Jr: What else?

Gaston: Nothing I think of.

H.M.Jr: Steve?

Gibbons: Nothing.

H.M.Jr: Did you clean up your Baltimore stuff you called me on yesterday?

Gibbons: I'll clean up on that this morning. I still don't know where it originated.

H.M.Jr: When you get that report from Samoa I want to see that myself.

Gibbons: The one they are on now?

H.M.Jr: The one Gruening went on.

Gibbons: I've got that on my desk and I am going to send it in to you. If we are to continue this thing the Coast Guards are short of a lot of information to do a good job, and I am making some suggestions that may be helpful.

McReynolds: I thought they were going to write a letter to Interior.

H.M.Jr: I don't want a letter to go to Interior without it going across my desk, please.

Gibbons: At the same time I'd suggest a lot of improvements. For instance, they started out apparently without an itinerary. They were about out of gasoline and they tried to get more from a ship of the Mattson line and a naval base.

H.M.Jr: One of these blind dates, huh?

Gibbons: It looks very very stupid.

McReynolds: I thought the boss suggested they write a letter ---

Gibbons: That is coming through, but I wanted to analyze this thing and - it will be on your desk tomorrow.

H.M.Jr: George?

Haas: I had a long talk with Walker and he told me to tell you he's sorry but he can't talk before a large group, because of his connections. He doesn't know everybody. He's got some ideas I think we should have.

H.M.Jr: (Over telephone) Tell Mr. Walker I'll see him at ten o'clock.

Maas: Particularly on organization.

H.M.Jr: I'll see him alone.

Maas: There's one figure came in this morning, but it's a good one. (Hands Secretary book.)

H.M.Jr: Just one?

Maas: It's so good I had it checked, but I guess it is all right.

H.M.Jr: All right.

Maas: There are some construction figures here. You want to take a look at those?

H.M.Jr: Please.

Maas: Total construction figure is off; the residential is up more than seasonable. The total is down.

H.M.Jr: Stewart McDonald's figures are perfectly amazing figures.

Oliphant: Are they?

H.M.Jr: Perfectly tremendous. It looks as though - continued a week or so this spring - there will be considerably more business than last spring.

Oliphant: That's the best news I've heard.

H.M.Jr: Well, his approved basis was seventeen million, which is better than anything before. He only finished his application blanks on February 15. They really haven't yet begun to get the kick. It is bigger than - if it continues for another - I would say that he will do more business this spring than he did last. That's the way it looks now. And he really hasn't got rolling yet. And he hasn't yet approved any big projects. This is all small homes; none of these are big stuff.

Oliphant: He's got a lot of small stuff, has he?

H.M.Jr: It's all small stuff. On the renovation Sears Roebuck said last year on Title One they had the biggest week they have ever had. It is almost unbelievable.

Gibbons: Does anybody follow this used car proposition?  
They've got a big campaign on it now.

Geston: The story is they are going to cut prices on  
new cars as soon as they finish sale of used cars.

Gibbons: They're going to revamp the whole thing.

Haas: There are rumors about changing ---

Gibbons: It's all on the radio and in the newspapers.

Haas: They are ---

H.M.Jr: Wayne?

Taylor: Nothing.

H.M.Jr: (Looks at Lochhead.)

Lochhead: The French lost about four million dollars in  
gold yesterday, - but the pressure is probably  
just strong.

H.M.Jr: (Looks at Mr. Upham.)

Upham: I've nothing.

H.M.Jr: (Looks at Mr. Bell.)

Bell: You want to give an hour this morning to discuss  
that Comptroller's ---

H.M.Jr: An hour?

Bell: Well, I meant an appointment.

H.M.Jr: Well, I'm holding some time for Bullitt -  
depending on that - it may be after lunch.

Bell: Whenever you are ready.

H.M.Jr: I'd like you here when Jesse Jones --- He's  
going to take up more legislation.

Bell: More legislation?

H.M.Jr: That is just exactly what I said. He will be here  
at ten-thirty.

Oliphant: What is the legislation about?

H.M.Jr: I don't know.

Taylor: Broadening powers.

Oliphant: We'll get some warning on it?

Taylor: I guess so.

H.M.Jr: We will after we hear what he is going to do - after he tells us what he's going to do, we'll tell you.

Oliphant: After it's been done, huh?

H.M.Jr: Yes.

Oliphant: We want to be sure it doesn't affect some of our stuff.

H.M.Jr: (To Mr. Bell) Will you come in at ten-thirty?

Bell: Yes.

H.M.Jr: Mac, what have you got there?

McReynolds: Survey reports on projects.

H.M.Jr: I'll fool you - I'll take it. I'll keep this on my desk until I get a chance to look at it. This is the first time I've seen it.

McReynolds: I've had it on my desk in approximately that form for about a year and a half. We broadened it since you made the request before. We broadened it to cover the other shops - that last section. We started of course just on the emergency projects. The white sheets are on regular appropriations and the colored ones are on the emergency.

H.M.Jr: What's that, Mac?

McReynolds: The white sheets are on the regular appropriations and the colored ones are on emergency.

H.M.Jr: All right, if Mr. Oliphant and Mr. Magill stay.

Mr. Oliphant

Mr. Foley

Re: Effect of S. 3575 (Glass-McAdoo Bank Holding Company Bill), if enacted, upon Transamerica Corporation. (Giannini Holding System.)

SUMMARY OF S. 3575.

The Glass-McAdoo Bank Holding Company Bill (S. 3575; H.R. 9702) may be briefly summarized as follows:

The Bill defines "control" as the ownership of more than 10 per centum of the outstanding shares of capital stock or voting rights for electing directors, or the domination of the election of a majority of electors, of an insured bank or any other company.

A "holding company" of an insured bank is (1) any company which "controls" the insured bank, (2) any company which "controls" any other company which in turn "controls" the insured bank, and, (3) every company in a system of "controlling" companies in which any company or combination of companies "control" the insured bank.

An "affiliate" of an insured bank is (1) any holding company of the insured bank, (2) any company in a system of "controlling" companies in which any company is "controlled" by the insured bank or by such holding company or by any company or combination of companies in such system, and, (3) any company having one or more shareholders who own more than 50 per centum of the outstanding capital stock or voting rights of both the company and insured bank.

The following restrictions are placed upon the operation of an insured bank with respect to "holding companies" or "affiliates" of such banks

(1) The insured bank may not make loans or extend credit to its "affiliates" or invest its funds in securities issued or guaranteed by any of its "affiliates.";

(2) The insured bank may not purchase any securities from any of its "affiliates";

(3) The insured bank may not make a loan or extend credit to any person, secured by securities issued or guaranteed by any of its "affiliates." (Such loans, extensions of credit, and investments now held must be disposed of within three years after enactment of the Act.);

(4) An insured bank controlled by a "holding company" may not establish new or additional branches; and

(5) An insured bank may not pay dividends on any of its capital stock to any "holding company" so long as that "holding company" holds any capital stock or voting rights of such insured bank, or of any company which is a "holding company" of such bank, in violation of the Act.

The Bill places the following further restrictions upon the operation of "holding companies":

(1) No company may acquire capital stock or voting rights of an insured bank or of any "holding company" of an insured bank if such company is, or by such acquisition would become a "holding company" of any insured bank. (This proviso would prevent the extension of holding company activities with reference to insured banks but would not prevent further extension of their activities with reference to non-insured banks.);

(2) Under existing legislation no holding company which controls a majority of the capital stock of a member bank of the Federal Reserve System or more than 50 per centum of the shares voted at the last directors' election may vote such stock without a voting permit issued by the Federal Reserve Board. Under S. 3575, such permits could only be issued after the additional approval of the Board of Directors of the Federal Deposit Insurance Corporation.

Summarizing S. 3575 very generally, it may be said that it provides that an insured bank, 10 per cent of the capital stock of which is controlled by a "holding company", may not make loans to or purchase securities from "affiliates" in the holding company system, or establish new or additional branches; and further prohibits any company in the future from acquiring 10 per centum or more of the capital stock of any insured bank, or any "holding company" of any insured bank from acquiring any additional capital stock of any insured bank. Accordingly, the Bill prohibits the extension of operation of holding companies with respect to insured banks, but does not liquidate the existing situation except in so far as that might be induced by the prohibitions upon the establishment of new branches by controlled insured banks, the making of loans to "affiliates" by insured banks, and the purchasing of securities from "affiliates" by insured banks.

EFFECT OF E. 3575 UPON TRANSAMERICA CORPORATION.

The banking operations of the Transamerica Corporation being conducted largely through insured banks (for example, the Bank of America National Trust and Savings Association, which represents more than 60 per cent of the total net assets of Transamerica, is a member of the Federal Reserve System and of the Federal Deposit Insurance Corporation), the entire system would appear to be subject to the restrictions contained in E. 3575. It is inconceivable that the banks in the Transamerica System could withdraw from the Federal Deposit Insurance Corporation and thereby remove themselves from the operation of the Act. The effect of the restrictions contained in E. 3575 upon the operations of the Transamerica Corporation may be briefly summarized as follows:

(1) Transamerica and its affiliates would be under no legal compulsion to dispose of any capital stock which they now hold in any bank insured or non-insured.

(2) Transamerica and its affiliates could not acquire any additional capital stock of any insured bank although stock in non-insured banks, outside the Transamerica System, might be acquired. (Approximately 10 per cent of the operating banks in the United States are non-insured.)

(3) No insured bank in the Transamerica System (which would appear to include the great majority of the banks in the system since most of the banks are either insured or branches of insured banks) could establish any new or additional branches. (Thus the growth of the Transamerica System would be greatly checked since the method of growth has been by the process of first getting control of a bank through stock ownership and then converting that bank into a branch of one of the top banks. For example, as of December 31, 1936, the Bank of America N.Y. & S.A. operated 466 branches in 285 communities. The effect of this restriction upon the National City Bank of New York should also be noted. The Transamerica System owns slightly more than 10 per cent of the stock of the National City Bank. Accordingly, the National City Bank could establish no new or additional branches either in the United States or in any foreign country. Of course, this obstacle could readily be overcome if the Transamerica System gave up control of sufficient of its stock to reduce its holdings in the National City Bank below 10 per cent.)

(4) No insured bank in the Transamerica System (which would include most banks in the system) could make a loan to or invest in securities issued or guaranteed by any company in the Transamerica System. (This restriction would be somewhat embarrassing to the System, but as indicated below there would still remain methods of evasion. On pages 13 and 14 of the confidential summary of the investigation of Transamerica Corporation by the Securities and Exchange Commission it is pointed out that at present the Corporation is in a somewhat unliquidated position and because of its depleted cash position it may be necessary for it to borrow from its various affiliated banks.)

(5) No insured bank in the System could purchase any securities from any of its affiliates in the System.

(6) No insured bank in the System could make any loan to any person secured by any securities issued or guaranteed by any of its affiliates in the System.

(7) The restrictions contained in (4), (5), and (6) above would tend to obstruct somewhat the siphoning of funds from local banks in the System. However, the restriction could be rather readily evaded. For example, a loan could be made by an insured bank in the System to some officer in the System or to a dummy outside the System and the loan then diverted to the desired use, such as facilitating manipulative trading in stock of the Transamerica Corporation. Such loans outside the System might be secured merely by the personal guaranty of some officer in the System. The effecting of this type of loan could be made more difficult if a provision were put into the Bill to the effect that no insured bank in the System could make a loan to, or guaranteed by, or induced by, any officer or director of any affiliate of such insured bank, regardless of the security for such loan.

(8) One of the easiest methods by which a holding company could siphon funds out of a local bank would be by a service contract entered into between the holding company, or one of its affiliates, and the board of directors of the local bank, controlled by the holding company. Under this type of contract the local bank would pay an exorbitant fee for service rendered, such as advice in matters of management or investment. Such contracts could probably be controlled if a provision were put into the Bill to the effect that the rates paid by insured banks for services rendered under such contracts would have to be in accord with a schedule of rates prepared by the Federal Deposit Insurance Corporation, or that the contracts would be subject to revocation by the Federal Deposit Insurance Corporation which could determine reasonable compensation for such services.

(9) With reference to the permit, issued under existing legislation, authorizing a holding company of a member bank of the Federal Reserve System to vote stock of that bank, under S. 3575 such permit could only be issued by the Board of Governors of the Federal Reserve System with the consent of the Board of Directors of the Federal Deposit Insurance Corporation. This provision does not appear very restrictive with reference to Transamerica Corporation since the Bank of America N.T. & S.A. does not control the subordinate banks by stock ownership but by converting them into branches which obviates the necessity for voting the stock of such banks.

(10) S. 3575 would undoubtedly facilitate the obtaining of more accurate information with reference to the operations of the Transamerica System since it gives the Federal Deposit Insurance Corporation rather broad powers to investigate the relation between insured banks and their holding companies or affiliates. In addition, every insured bank, holding company, and affiliate would have to file with the Federal Deposit Insurance Corporation such reports, answers to questions, and minutes of meetings, as the Corporation might prescribe as necessary for a proper supervision of the deposit insurance system.

Notes typed 3.10.38

GROUP MEETING

March 18, 1938,  
9:40 A. M.

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

H. S. Jr: I just told Harry White I am on a twenty-four hour basis - all the arguments are going to be with me from now until Saturday - I can't take any today. (To Mr. Upham) Give this (a letter) to Gibbons, will you?

Upham: Gibbons?

H. S. Jr: Yes.

Upham: Surely.

H. S. Jr: I think I'd give that to Mr. Gruening - I was going to give it to Mr. Ickes but I'd give it to Gruening.

Gibbons: All right.

H. S. Jr: Waesche is coming in at ten-forty-five; I think you (Gibbons) and Mac had better both be here.

(To Mr. Magill) The President has that letter by now, asking for an appointment.

Magill: Good.

H. S. Jr: What's on your mind?

Magill: I don't know that it's worth bringing this up here. One rather odd item in connection with my appearing before the Finance Committee Monday at the public hearing on this tax matter, and that is

Senator Vandenberg and Senator Harrison agreed between them, at that public session, I am to present the Treasury's estimates on all these various hypothetical changes in the revenue laws which they have been suggesting. As you know usually these estimates are presented in executive sessions. I don't know how much difference it makes because if you present them in the executive session in the Senate they are out on the streets five minutes after you present them anyhow, but I thought I would note it for the record. They also want us to present Monday - Senator Vandenberg - the complete reconciliation of the estimates given by the Treasury in 1936 on the undistributed profits tax and what we actually got, which I presume will give Senator Vandenberg the opportunity he craves.

H.M.Jr: Any other pleasantries?

Magill: Oh, I could give you a few more, but I think I'll pause this morning.

H.M.Jr: Just to check around, Mr. Douglas sent me yesterday, a draft which he said he hadn't read, of this proposed industrial bank. I shot it back to Mr. Oliphant. Mr. Oliphant's handing me something now.

Oliphant: (Handing Secretary letter) That is just a formal acknowledgment of it.

(Mr. Gaston sneezes.)

H.M.Jr: God bless you, Herbert.

(To Mr. Oliphant) I think that the people who ought to see that, Herman, in this shop are Mr. Taylor, Mr. Haas, Mr. Bell, and Mr. Upham, see? So those people could all take a look at it.

What I thought I was going - would do - I'll call Doughlas now and find out what he's doing about Mr. Jones. (Over telephone) Mr. Douglas, at S. E. C., please.

The newspapers are sore because he went out of this office and said he'd see me about the bank holdings.

Gaston: He could have made a perfectly truthful statement that wouldn't have told them anything.

H.M.Jr: It's been done.

Taylor: Don't think he'd talked to Jesse about it up until yesterday - I caught him .....

Olipphant: I can tell from the Internal Revenue there was one section drafted in Jones' shop, or they drafted Jones' legislation - phrasing rather.

H.M.Jr: From what I gathered I don't think he has shown this to Jones.

Olipphant: They may have copied Jones' letter. I might say that preliminary examination indicates it is a very good job.

H.M.Jr: Good.

Olipphant: It's an important question to be discussed.

H.M.Jr: Good. While waiting on that - anything else?

Olipphant: No. The Rearmament in the House and Reorganization in the Senate.

H.M.Jr: Anything else?

Olipphant: No.

H.M.Jr: Herbert?

Gaston: I don't think I have anything.

Olipphant: You're getting those reports on bills involving ....

H.M.Jr: Yes, occasionally I see one on my desk. They sort of come in, and I look at it.

I find the way for me to get a story in the Times is to be the official Administration spokesman and a big piece is in the front - they put it on page seven, but if Henry Morgenthau, Jr., says something they put it in the back. It's the truth - they've got a wonderful story up in the front of the Times - "Administration spokesman ----" but "Henry Morgenthau said so-and-so ----" and it's back in the classified.

Caaton: That's the kind of reputation you have. If you say it that way it's really hot news - if you say it for the record it can't amount to anything.

H.M.Jr: Mrs. Morgenthau told me "Remember, if you ever want to run for office - which you don't -" she said, "think of all the people who have income tax trouble who would vote against you. Just don't forget that."

Gibbons: You haven't been after her have you?

H.M.Jr: Well, as much as anybody else.

Oliphant: Barton is seeing you, as a result of his talk with me. If you see him, I'd like to see him.

H.M.Jr: He hasn't asked to see me.

Oliphant: He asked, tentatively, at eleven.

Klotz: Who?

H.M.Jr: Barton.

Klots: (Nods "No.")

H.M.Jr: Blaisdell's coming in at ten-thirty - but they are not on the same committee.

Oliphant: It would be worthwhile for you to see him.

H.M.Jr: If he asks I'll see him, but he won't get in this morning, I'll promise you that.

George?

Haas: I have nothing. (Hands Secretary notebook)  
The first figures here are the most important ones.

H.M.Jr: What's that?

Haas: The first figure is the most important.

H.M.Jr: Don't you get the whole automobile picture today?

Haas: I didn't think of the automobile figure. Yes, we get them.

H.M.Jr: (Telephone conversation with Chairman Douglas of S. E. C. follows:)

March 18, 1938.  
9:50 A. M.

Operator: Chairman Douglas.

H.M.Jr: Hello.

Douglas: Morning Mr. Secretary.

H.M.Jr: How are you?

Douglas: Fine.

H.M.Jr: Ah, Douglas, I got your report on that .....

Douglas: That's pretty crude.

H.M.Jr: What?

Douglas: That's a pretty crude .....

H.M.Jr: Ah, well .....

Douglas: ..... job, but it's a, it's a starter.

H.M.Jr: I understand. Well, Oliphant took a look at it last night and he said at first blush it looked pretty good.

Douglas: Yeah - well what I mean by pretty crude is that there - it has to be fixed up and safeguards and what nots put in, running through the thing and I've just been so busy I haven't had a chance to do it myself, and - ah - I thought that - ah, ah, ah - in your hands it would - ah - your staff would, ah, put a lot of analysis on it and we could polish it up later. I'm having one of my boys - ah, ah - go through it for the same objective.

H.M.Jr: Thank you. Now let me ask you - ah, ah - are you going to let Jones see this - Jesse?

Douglas: Well - I don't know. Now, ah, I was about to, ah - I had completed the, ah, the ah, errand, so to speak, that I was running for the boss.

H.M.Jr: Yeah.

Douglas: He asked me to see you and Marriner and Jesse.

H.M.Jr: I see.

Douglas: I have now seen, ah, ah, the three of you and I was just going to report back on that. Now, I didn't, ah - I hesitated to, to send it to Jesse, ah, for the reason that, ah, as I talked to him - this is strictly confidentially - I felt considerable resistance to it.

H.M.Jr: I see.

Douglas: Ahh .....

H.M.Jr: Yeah.

Douglas: Therefore, I didn't think it would be very productive.

H.M.Jr: Supposing we do this then. Ah, when we're through, and understand it, and adjusted, let's just S. E. C. and the Treasury get together first.

Douglas: All right.

H.M.Jr: How would that be?

Douglas: That'd be swell.

H.M.Jr: See?

Douglas: Fine.

H.M.Jr: Then we can decide after that - would that be all right.

Douglas: That'd be swell.

H.M.Jr: But I didn't want to, ah, talk to anybody inasmuch as it's your work, without first talking to you.

Douglas: Well now, you can just, ah, you can just cut me out of it completely because this is, ah - I, I was, ah, just reviewing - going over with the President as a part of the Administration, the, the problem that lies ahead of us, and passing on such ideas as, ah, as occurred to me. There's no - nothing in this thing that - ah - officially affects us or should officially affect us at all.

H.M.Jr: Well, I understand .....

Douglas: It's not my "baby" in that sense.

H.M.Jr: Well, but anyway, as long as you feel that way it's, it's - we'll sit down with you first before we discuss it with anybody else.

Douglas: Well we - I'd be very happy - you just call on me day or night and I - we'll give you all the time and, and, ah, what not that needs to - needs for polishing this thing out.

H.M.Jr: Fine. Now one other thing. Ah, if it would be agreeable to you, I'd like my Mr. Upham to contact, in your shop, whoever is doing the investigation of, ah, Trans-America.)

Douglas: Yeah. The man for him to see is, ah, David Schenker.)

H.M.Jr: Well, would you send him a little note .....

Douglas: I'll do it.

H.M.Jr: ..... that he should open up and let Upham have whatever he could, because Upham is contacting the Comptroller's office for me.

Douglas:  
Douglas:

Yep.

H.M.Jr: See?

Douglas: Yep.

H.M.Jr: And, ah, these cross transactions .....

Douglas: Yeah.

H.M.Jr: ..... and if we could get available, ah, what you're doing there, then I'd have the whole picture.

Douglas: Fine. That's U - p - h - a - m?

H.M.Jr: U - p - h - a - m.

Douglas: Yep. O. K.

H.M.Jr: Thank you .....

Douglas: I'll handle that.

H.M.Jr: Thank you.

Douglas: Good bye.

H.M.Jr: (Points to Mr. Upham.)

Upham: (Nods "Yes.")

(H.M.Jr: (To Mr. Oliphant) I want you to assign some very good lawyer that Upham could call on when necessary, to advise him - advise me - on this particular thing, see? Somebody - will you? I want somebody who'd do this and the Comptroller's office - someone person, see, so it would be just between you (Mr. Upham) and one person - so that nobody but you and one person .....

*mit* (Brief conversation with Mrs. Morgenthau over telephone.)

H.M.Jr: All right, Cy?

Upham: Yes, fine.

H.M.Jr: I want you to tie this thing together and then as we go along you keep Mr. Taylor and myself advised what you are doing, see, but that is a big enough job for anybody - I mean the Comptroller's end plus the S. E. C. end, and tie the thing together. I am not at all satisfied with what's going on. I mean I'm not going to wait until we have a potential T. V. A. on our hands, or something like that. I mean, it is just every time I take a nibble at it, it gets worse - smells worse - so if you can get what those boys are doing over there, then the thought - I've got an idea besides that.)

Oliphant: The last word I had from Bill was they had made that report they had given me and then quit work on it.

H.M.Jr: Pardon me.

Oliphant: The last I heard they had made that report they gave me and then quit work on it.

H.M.Jr: I think you're wrong. The last I heard, it would take them six weeks. They have started an entirely new investigation.

Oliphant: That's news.

H.M.Jr: What?

Upham: I don't know.

H.M.Jr: Yes, they've gone into it - I can't remember the man's name - Spennelli - something like that - it's the Half-Moon Produce Company this fellow owns and he was financed by fourteen thousand shares of Trans-America - by Trans-America - a subsidiary of Trans-America, and they gave him around one hundred eighty thousand dollars to buy this stuff. They are going to find out how many more fellows like that they have financed to go in and buy this stock, and they said it would take about six weeks to do that.

(Triple confidentially, the thing I had in mind was this: This thing is sour as it is and the New York Stock Exchange - if we could hit the New York Stock Exchange, "Here's the Trans-America listed, and if you fellows want to do something - have you got the guts to go after Trans-America and kick them off?" That's what I've got on my mind. "Have you got the guts to do that?" That is their job. "Have you got the guts to go and investigate Trans-America, and if it's as sour as I know it is, to give them a delisting?" )

There would be nothing better for us, but for God's sake don't mention it. It is the interest of the country to have the New York Stock Exchange in good order. It doesn't do us anything - I mean, as far as I'm concerned, I can sit back - it isn't one of our boys, but it doesn't help - and that is what I've got in the back of my mind. What do you think?

Magill: Good.

H.M.Jr: And I think right now if somebody tipped them off to this thing they'd go after it and do it, knowing that the Government would back them up. What do you think, Wayne?

Taylor: Oh, I think they would come running.

H.M.Jr: Don't you think it's a swell thing?

Taylor: If they don't .....

- H.M.Jr: If they don't they should be simply taken apart and put out of business.
- Gibbons: One fellow you could talk to is a member of this exchange. It's a swell idea.
- H.M.Jr: I'd rather do it through Mr. Gay, who is at the head of the New York Stock Exchange.
- Gibbons: I mean let it be his idea - but somebody do it.
- H.M.Jr: If I do it through Harry Durning that gives it a political flavor. I'd rather do it officially through Mr. Gay or let Mr. Douglas do it through Mr. Gay.
- Oliphant: It will be official through Douglas and the exchange.
- Gibbons: It's a great idea.
- Taylor: And it might be they'd save it for their new President, or whatever it may be. They are in process of reorganizing at the present time.
- H.M.Jr: Like it?
- Gaston: Fine.
- Oliphant: Very interesting.
- Gibbons: Douglas might get the credit of the thing.
- H.M.Jr: I don't care .....
- Gibbons: I know you don't care.
- H.M.Jr: The reason fellows like these are made to pat themselves on the back - the reason they work with me, they know their shop gets the credit and that is why Douglas and all the rest of them will throw the stuff in my lap - Jesse Jones - and they - all the rest know now, after five years, - that is why they all come here. After all, the control we have over these boys is purely a mental one. I mean it's ---
- Gibbons: You haven't any official ---

H.M.Jr: The only reason they keep coming here all the time is because they know I am square with them.

Haas: You mentioned the automobile figures, Mr. Secretary. Ward's figures usually are here before noon today.

H.M.Jr: This is old, huh?

Haas: Yes, that is old - that isn't any good. That's old.

I've nothing additional.

H.M.Jr: Wayne?

Taylor: This letter to Fahey. You'd better read it.

H.M.Jr: I'd better read it. We've been doing things this week.

"Dear John: On Tuesday when you were in my office in connection with the proposed amendments to the Federal Home Loan Bank Act, you stated that there were three questions upon which you were primarily interested in obtaining my views.

"These questions were as follows:

"Shall the Treasury guarantee Home Loan bank debentures? Shall the Treasury be authorized, but not required, to purchase Home Loan bank debentures?

"Shall the premium rate charged by Federal Savings and Loan Insurance Corporation be reduced from 1/8 to 1/12 of one per cent?

"Shall Federal Savings and Loan shares be given complete exemption from local taxes?

"At that time I agreed to ask my people to consider these questions and to have an answer for you by Friday. Full consideration has now been given to these questions and I regret to advise you that we are of the opinion that all of them must, from the Treasury's standpoint, be answered in the negative. I am enclosing, for your information, a memorandum setting forth these three

questions and a summary statement of the reasons for the negative answer.

"I realize that you have serious problems in working out a long range program for the Home Loan bank system and I assure you that my opposition to your three proposals should not be taken as an indication of any unwillingness on my part to give further consideration to these problems.

"It occurs to me that, pending a working out of such a program, the \$93,000,000.00 which, I understand is approximately what the Home Owners' Loan Corporation has available for purchase of shares of member institutions and for purchase of banks debentures, now might be set aside and maintained as a fund for the purchase of bank debentures should an emergency arise making it necessary to provide a market for debentures of Home Loan banks."

H.M.Jr: Now I have just one objection - instead of saying \$93,000,000.00 I would say \$75,000,000.00 of that.

Taylor: I think I'd start with the ninety-three and then let him say the other one. The way that's worded you are just suggesting - as it occurred to you rather than putting it as a requirement.

Bell: As a matter of fact that ought to stop purchasing shares completely.

H.M.Jr: (Signing letter.) All right; that's a good job.

Taylor: Hungary.

H.M.Jr: I'm not. (Laughter)

Taylor: You will.

H.M.Jr: Are you?

Taylor: Most important thing is the last paragraph, which reads as follows:

"I believe the proposal of the Hungarian Government should receive the most careful consideration of the Congress. They represent a noteworthy wish and effort of the Hungarian Government to meet its obligations to this Government."

H.M.Jr: Who wrote that?

Taylor: This is written in the State Department.

H.M.Jr: All right, I'll sign it. Have you (Bell) seen it?

Bell: You don't sign it.

Taylor: They sent it over to us to look it over. We have a couple of rather minor suggestions in the wording. Dan and I went over it last night. You - with your permission .....

H.M.Jr: Right.

Taylor: .....We think it ought to go back to them and say we have no objections.

H.M.Jr: All right.

Taylor: But making the notations.....

H.M.Jr: All right, get it back today to the State Department. Swell. Fine. What else?

Taylor: That's all.

H.M.Jr: All right, Gibbons?

Gibbons: I told Ros I was up with the issue last night, and Old Man King came around in the crowd - and I'll have to agree with him - telling me what a swell fellow Ros was and that everybody in the Finance Committee - and said everybody had such great confidence in him. I don't know whether it was a compliment or not.

Magill: They have such confidence that they do exactly the opposite things.

H.M.Jr: I don't want Ros to get a swell head - they told me too - I don't want Ros to get a swell head though.

Magill: We are all great guys.

Gibbons: I want to talk to you - to thank you for Walter Doyle.

- Wegill: Now we're getting down to earth.
- Bell: Mine is in the Congressional Record - his reference to me is in the Congressional Record last week.
- H.M.Jr: What else Mr. Gibbons:
- Gibbons: I got a request from Secretary Ickes, on the Coast Guard, and I sent a letter - I couldn't get shold of you - as Acting Secretary, granting permission to fly .....
- H.M.Jr: To fly?
- Gibbons: ..... to fly some fellow in the National Park Service down along the Border, and I told him what we had the Coast Guard down there for - to patrol - law enforcement.
- H.M.Jr: Did you see ----
- Gibbons: Yes.
- H.M.Jr: Let Ickes go to the Army and Navy. I'm fed up with the Department of the Interior - you can't please him. We're not going to do it - it isn't convenient. I'm serious. You can't do anything for those people.
- Gibbons: That would be my inclination - not to do it, but I couldn't get to you.
- H.M.Jr: You'd better have Mac check with .....
- McReynolds: Herman?
- H.M.Jr: No, with Forster - look up the President's Executive Order on flying and you will find that the Department of Interior is assigned - and they can't do it without getting the approval of the White House. Now why should Ickes go around and come here to us and - you look it up, will you, for me, Mac?
- McReynolds: (Nods "Yes.")
- H.M.Jr: And if this is in conflict with the President's order, write a letter and say that this is in conflict with the President's order and you are very sorry to have to withdraw it. Will you do that, Steve?

Gibbons: Yes.

McReynolds: In that letter - fly to -- (inaudible)

H.M.Jr: I know, I know. I am just ....

McReynolds: (Inaudible.)

H.M.Jr: All right - even then if it is in conflict with the Executive order - please. I read this thing about Gruening and the rest of the thing, and I am just mad - believe me before Gruening gets a ride for a month in one of our Coast Guard boats he will have to wait about three years. The Captain of this boat, out of his own money, bought Gruening a mattress and a pillow so he could lie in the shade on this boat in his shorts.

Gibbons: And then he turns around and says there is no discipline.

McReynolds: I wasn't willing to lay down - it was terrible.

H.M.Jr: I'm glad you told me.

Mr. Bell?

Bell: The newspaper boys are trying to find out how much gold has been deposited under this hundred million dollar order. Well, they can figure it out pretty accurately on the daily statement. I should think it might be better to let Herbert give it to them once in a while rather than have them figuring it out.

Gaston: They haven't been asking me - they've been asking Bartelt instead of you (Bell).

Bell: We wouldn't give it to them, but they have a way of figuring it out which is pretty accurate.

Gaston: (Inaudible)

H.M.Jr: Did you get that "burr" Mr. Gaston?

Gaston: That "burr" was directed at the newspaper men and not at Dan Bell.

H.M.Jr: Somebody is outside. Tell him I'll be with him in a couple minutes. Wayne, what do I call him - do I call him something?

Taylor: No, I'd just call him Trentham.

H.M.Jr: I'll be with him in a couple minutes - just two minutes.

All right. Well, you got your answer?

Bell: No.

Gaston: Yes, yes, I'd like to have it.

H.M.Jr: Talk to him (Bell) if you will.

Bell: I really think that Herbert ought to have it so he can give it out - it is just like the old scheme of depositing gold - only you don't give them any information.

H.M.Jr: Talk it over with Archie Lochhead.

Gaston: We'll give it to them the first day.

H.M.Jr: You and Archie talk it over.

Anything else, Dan?

Bell: No.

H.M.Jr: (Looks at Mr. Upham)

Upham: I have nothing.

H.M.Jr: You've got plenty of what I gave you.

Upham: Yes. I have some emergency banking matters too.

H.M.Jr: (To Mrs. Klotz) Everything we have on Home Owners' Loan is in there (large brown envelope) - (inaudible) file it.

Klotz: All right.

H.M.Jr: Mac?

Bell: Filed but not read.

McReynolds: (Points to charts on lap.)

H.M.Jr: You keep that on your desk and I'll do that sometime today.

McReynolds: I've got some rooms marked.

H.M.Jr: I'll get around to that today. I won't do it now.

Well, Mrs. Klotz is standing up .....

(COPY)

GC:CTL X

Feb. 11, 1938 *J. Lane*

William H. Neblett, Esq.,  
McAdoo, Neblett & Warner,  
Transamerica Building,  
Los Angeles, California.

Dear Mr. Neblett:

This will refer to your letter of February 4, 1938, advising this Commission of the proposal of Transamerica Corporation to file a registration statement under the Securities Act of 1933, as amended, covering its outstanding stock. It appears from this letter that certain questions may arise as to the number of shares which may be covered by such statement and as to the financial data to be included therein. When the facts upon which such questions arise have been fully gathered by Transamerica Corporation, I shall be glad, through Mr. Judy, to arrange a conference thereon between representatives of Transamerica and the appropriate members of the Commission's staff.

Your letter further indicates that pending the effectiveness of such a registration statement Transamerica Corporation, which you represent, and its subsidiary, Bank of America, are extremely anxious that H. R. Baker & Co. shall proceed with the sale over-the-counter of 18,000 shares of Transamerica stock originally purchased in the name of A.H. Paganucci and held as collateral security for certain loans made to him and to Half Moon Fruit & Produce Co. by Bank of America, Transamerica Service Corporation and Transamerica General Holding Corporation. As the discussion in your letter of the legality of such a sale without registration under the Securities Act indicates some misconception of the views which have been expressed to you by Mr. Lane and myself at our several conferences on this matter during the past few days, I should like to take this opportunity to recapitulate our understanding of the facts and of the application of the relevant statutory provisions.

At the outset it should be clearly understood that no "stop order" or similar legal restriction has been imposed by this Commission upon the proposed sale of Transamerica

stock by H. R. Baker & Co. The fact is that on January 17, 1938, Mr. Baker, who had on previous occasions discussed with this office the legality of contemplated distributions of Transamerica stock, approached Mr. Howard Judy, this Commission's Regional Administrator in San Francisco, and asked Mr. Judy whether in his opinion a sale of 18,000 shares of Transamerica stock pledged by A. H. Paganucci could be effected over-the-counter by his sales organization without violation of law. Mr. Judy explained that whether such a distribution could legally be effected without prior registration under the Securities Act would depend upon the manner in which the shares had been acquired, the relationship between the seller and the issuer and its affiliates, and the purposes for which the sale was to be effected. In order to be in a position to answer Mr. Baker's question, Mr. Judy undertook an informal inquiry into the circumstances of the proposed distribution, following which he informed Mr. Baker that many of the facts elicited by him in his inquiry pointed to the conclusion that the sale, if made, would be one instigated and carried out for Bank of America and its affiliates, rather than for Paganucci. Mr. Judy further pointed out that, if this were the case, Baker, in selling the shares for Bank of America, a person controlled by Transamerica Corporation, would be an "underwriter" of the shares sold, within the meaning of that term as defined in Section 2(11) of the Securities Act, and that sales by him would be in violation of the Act unless the stock sold were first registered thereunder. Accordingly, Mr. Judy stated that he could not give Mr. Baker any opinion that his proposed transaction would not involve any violation of law.

As you know, the facts elicited by Mr. Judy have been thoroughly reviewed in this office, and I concur entirely in the conclusions reached by Mr. Judy. At the risk of unnecessary repetition I think it may be desirable to restate the more significant of these facts, and the reasoning upon which my conclusions have been based.

As I understand the situation, Paganucci has for many years maintained continuous banking relations with Bank of America, and in the early part of 1935 was indebted (together with Half Moon Fruit & Produce Co., the corporation through which his business is carried out) to the Bank in

the amount of approximately \$125,000, such indebtedness being secured by the pledge of certain securities (including Transamerica stock) having a then market value substantially less than the face amount of the loan. At the same time Paganucci was also indebted to Transamerica General Holding Corporation--a wholly owned subsidiary of Transamerica Corporation--in the amount of approximately \$250,000, and had pledged to secure that loan an additional 15,000 shares of Transamerica stock. The loan from the Bank being insufficiently secured, Paganucci, in about March 1937, at the request of the Bank and Transamerica Corporation, executed an agreement by which the 15,000 shares pledged with Transamerica General Holding Corporation were subordinated to the loan from the Bank. Shortly thereafter an additional 10,000 shares were purchased for Paganucci's account and pledged as security for the Bank and Transamerica General Holding Corporation loans. These loans, and the collateral therefor, remained substantially undisturbed until the middle of 1937; and it appears that on August 30, 1937, the indebtedness of Paganucci to Bank of America and to Transamerica General Holding Corporation and/or Transamerica Service Corporation (another wholly owned subsidiary of Transamerica Corporation) aggregated \$478,525.29, and was secured by collateral (consisting principally of 12,010 shares of Transamerica new stock--i.e. stock issued following the recapitalization of Transamerica effected in June, 1937) having a then aggregate market value of \$327,932.00.

I further understand that between October and December, 1937, the aggregate amount of Paganucci's indebtedness was increased by the sum of \$181,661.97, consisting of advances from Transamerica General Holding Corporation and Transamerica Service Corporation for the purchase of 14,000 additional shares of Transamerica stock purchased in Paganucci's name by Transamerica Service Corporation through brokers on the San Francisco, Los Angeles, and possibly New York, exchanges. The shares thus purchased were pledged as security for notes executed by Paganucci for the amount of the purchase price plus brokerage commissions and taxes. Certain of these advances were made at or about the time that Bank of America, on the basis of a specially prepared credit report, was refusing to grant an application by Paganucci for a loan of an additional \$10,000 for use in his business, such loan apparently to be evidenced by notes endorsed or guaranteed by Paganucci personally.

The proposal which has been made is that E. H. Baker should sell over-the-counter 18,000 of the shares of Transamerica stock held as above set forth, the proceeds of such sale to be applied to the reduction of the loans of the Bank and, to the extent of any surplus, the loans of Transamerica General Holding Corporation and Transamerica Service Corporation. Such distribution is proposed to be effected without prior registration under the Securities Act.

In my opinion it is not possible for this office to advise you, upon the basis of the facts now known, that such a distribution would not involve a violation of the Securities Act.

In reaching the foregoing conclusion I have not disregarded the fact that the Transamerica stock was issued in 1937 upon reclassification of Transamerica stock which was outstanding prior to 1935, and that the new stock itself may therefore be claimed to have been "sold or disposed of by the issuer or bona fide offered to the public" prior to the effective date of the registration requirements of the Securities Act. However, the exemption prima facie afforded by Section 3(a)(1) of the Act is by express terms made inapplicable to "any new offering of any such security by an issuer or underwriter" subsequent to July 27, 1935. As Baker's proposed offering, never having been made before, is clearly a "new offering", the sole question at issue is whether Baker, in making such offering, is acting as an "underwriter" of the stock offered.

The term "underwriter" is defined in Section 2(11) of the Securities Act as including "any person who . . . sells for an issuer in connection with, the distribution of any security". As used in this clause, the term "issuer" includes "any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer". I do not understand you to question the validity of my assumption that for all practical purposes Transamerica, the issuer of the stock in question, controls not only Transamerica General Holding Corporation and Transamerica Service Corporation, but also Bank of America. Those three institutions, then, are "issuers" of Transamerica stock for the purpose of determining whether Baker is an underwriter thereof. And I believe that the facts so far as they are now known compel the

inference that in effecting the proposed distribution Baker would be selling the shares involved "for" one or more of these institutions, and would therefore be an underwriter of such shares.

The factors which lead me to this conclusion are various. I recognize that the transaction is in form one for the account of Paganucci, and that, at least some of the shares involved are shares which have long been pledged to secure loans apparently made in the course of bona fide banking transactions. However, I do not think it reasonable to disregard the further fact that Paganucci's loans have long been in bad condition, that the loans are represented by demand notes and have as collateral therefor securities with a market value at the present time of little more than 60% of the face amount of the loans, and that at least some of the shares involved have been recently acquired with funds of and by use of facilities of Bank of America or its affiliates. Under such circumstances it is clear that the creditor institutions, including the Bank of America, are in a position of complete practical domination over the securities involved and also that the proceeds of any such sale will inure directly to the benefit of such institutions. If the creditors were first to reduce the collateral to possession, and were then to offer it to the public through H. R. Baker & Co., it is obvious that the latter would be an "underwriter" as defined in the Act; and I fail to see that any material distinction arises from the fact that in this instance the transaction is to be permitted by the creditors to take the form of a transaction by H. R. Baker & Co. for the account of Paganucci.

Although I have laid some emphasis upon the manner in which the recent purchases of 14,000 Transamerica shares were effected, the principal significance of this factor lies merely in the light which it casts upon the general relationship existing at this time between Bank of America and its affiliates and Paganucci. So far as the necessity for registration under the Securities Act is concerned, I do not believe that any distinction can be taken between the shares purchased in 1937 and those which have been held in Paganucci's account for a longer period of time.

I must therefore reiterate my opinion that upon the facts disclosed this office cannot render any opinion that the proposed distribution may legally be effected without prior registration under the Securities Act.

Very truly yours,

Allen E. Throop,  
General Counsel.

C.C. to A.J. Scampini  
CTLane:vhl

Return to Room 285

## GROUP MEETING

March 21, 1938.  
9:30 A. M.

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

H.M.Jr: (To Mr. Magill) Yes sir.

Magill: Good morning.

H.M.Jr: What do you know?

Magill: Should I get some assistance around here on the subject of this increase in the liquor tax?

H.M.Jr: Well, that's number one. (Hands news clipping to Mr. Magill.) Mr. McReynolds ..... (Reading paper received from Mr. McReynolds.) All right.

McReynolds: That's all.

H.M.Jr: Fine.

The person who knows the most about that and can give you some help on it in an hour or two - he could give you more than anybody else - would be Harold Graves.

McReynolds: He's in Newark.

H.M.Jr: Well, he'll be back. Next would be Berkshire. Gaston feels very strongly, next, from statements in the New York Herald. (To Mr. Gaston) Can you get emotional on it?

Gaston: Not very. I can though. (Laughter)

H.M.Jr: All right. Well, between this fellow and Berkshire - does that answer your question?

Magill: Have we got anybody that could appear before the Committee?

H.M.Jr: Yes. Berkshire.

Magill: Would he be good?

H.M.Jr: Yes.

Magill: He would? Well, I'll get him over this morning. All I can say is that I'm opposed to it.

H.M.Jr: Well, you and Gaston stay out of it - or do you like the liquor tax?

Magill: No.

H.M.Jr: Well, get Berkshire. What else?

Magill: If you are agreeable, after I see him then what I had contemplated would be getting him set and getting him before the Committee, because I think that the increase will, in all reasonable probabilities, go through unless we put up a pretty tough battle on it.

H.M.Jr. Let's put Berkshire on that; I am strongly opposed to the two dollar tax. You know the Rockefellers - no matter how much they spent, said two dollars was too high, and they hired people and everything else, and had the greatest difficulty to keep it at two dollars, and I'd be very much discouraged if they raised it, but Berkshire should do a good job.

Magill: Then second, do you understand that we have any instructions at all in regard to this Phillipine situation?

H.M.Jr: No. I'd say use your judgment. What else?

Magill: That's all. I'm completing the preparation of a statement to give the Committee. I'd like you to go over it as soon as I can get it typed, and I wish you (Mr. Haas) would have one of your people check it over pretty carefully, George, because I've got some figures in it.

Gaston: I have two tables from George.

H.M.Jr: Have you seen it?

Magill: No, not yet. I've seen the form but I haven't seen the figures.

H.M.Jr: Did you get the stuff over to the President Saturday?

Magill: Yes.

H.M.Jr: Did the boys get it out all right?

Magill: Well, this boy (Hickman) gave us quite a bit of help in typing it, and the girls in my office .....

H.M.Jr: What about Bob McHugh?

Magill: Well, he helped proof-read and assemble it.

H.M.Jr: I am getting awfully fed up on Morris Tremaine (handing Mr. Magill news clipping) and "Why don't we do the way New York State does?" and I'd like somebody to take a look at New York State taxes.

Magill: I'd like to see somebody take a look at Morris Tremaine.

H.M.Jr: Would you have somebody take a look at <sup>the</sup> New York State situation.

Magill: I'll see if we can't. I think I know what the New York State situation is. I'd like to train a couple big guns on this fellow if we could.

H.M.Jr: You and me both - English anti-aircraft and six inch guns.

(Handing Mr. Magill news clipping) What about David Cushman Coyle, is he a help?

Gaston: In this situation, I'd say "Yes."

Magill: Well, I'd say "Neither pro nor con." He intends to be a help but he is pretty pale, it seems to me, as an assistant in this particular fracas.

H.M.Jr: I see they are not going to have any processing tax. How are they going to pay for this program?

Magill: Well, their story is that - Doughton's story is they must keep within the five hundred million. That's enough. Too much money's being spent in North Carolina already.

H.M.Jr: Will I get a little notice before the due processing tax?

Magill: I think so.

H.M.Jr: Mr. Bell, how much will that cost you and me?

Magill: If the Senate won't do processing taxes I don't think the House will. The Ways and Means don't want to touch it, and the Finance Committee don't want to touch it either.

H.M.Jr: I'm going to get rid of my stuff first. Did that fix you up?

Magill: Yes.

H.M.Jr: George, just look over my shoulder once, will you? It's a matter of simplifying this thing. It says, "Net outflows were recorded for Switzerland, Canada," etc., and then it gives the money. If they say "Net outflows of Switzerland was twenty-two million; Canada was seven million," - it's impossible - it would be two, three, four, five figures, and the same thing here: "For Latin America it was two million; for France was this."

Haas: The construction is bad.

H.M.Jr: See what I mean? I want to take it over to the White House. It's just impossible the way it is now.

And George, this stuff that you are trying to help Miss Lonegin on, I get this every Tuesday, I get it every Tuesday; I get that from Mr. Ross.

Haas: Uh huh. O. K., it's the same stuff.

- H.M.Jr: Now the interesting thing, if you are going to do anything on this sort of thing; for instance, the New York papers carry the fact that the allotment under the two hundred fifty million dollars has put twenty thousand people to work, and up to date they've only put five thousand five hundred people to work, and still have vacancies for fourteen thousand five hundred. They haven't furnished them the people. Now what Mr. Bell and I'd like to know is how many other places are like that? It would be most useful in considering the next appropriation. I mean, are they going to fill it or aren't they? Is that right?
- Bell: Well, the next appropriation will be a billion dollars.
- H.M.Jr: I'd like to know what is the matter. Here they give twenty thousand jobs to New York and only filled five thousand five hundred of them. -- But just to give me a chart like that.
- Incidentally, you'd better send it out tonight to Chicago.
- Haas: Go out tonight to Chicago?
- H.M.Jr: Well, tomorrow.
- Viner: I think I'm right in saying there the newspapers have been talking "too many assigned to work." They've gone over their allotment.
- H.M.Jr: Particularly I'd like to find out about that, George.
- Bell: Tom Smith says that the situation in St. Louis - they gave them more people than they needed. They insisted on fifteen thousand people, so he said they gave them to them.
- H.M.Jr: What does that mean about the C. C. C.?
- Bell: This is the same hundred thirty million dollars been talking about all the time. Sixty-five million dollars taken from the year '38-'39, taken from the Customs money. The only thing this does, as I understand it, is advance the payment date about two months.

H.M.Jr: Is this what Senator Smith wanted and Mac's friend, the Comptroller General, ruled it couldn't be done.

Bell: Yes.

H.M.Jr: And now they are doing it another way.

Bell: Wallace objected to the Smith Amendment, and I don't know whether they accepted his proposal or not, but he submitted one.

H.M.Jr: Can you find out.

Bell: I'll find out about it this morning.

H.M.Jr: He advanced it?

Bell: Instead of going out in June it will go out in July and August.

H.M.Jr: Dan, my tax figures as of Saturday ran fifteen million behind the sheet that comes down with your initials on it, which are contrary to the figures that Mr. Gaston gave out.

Bell: Well, I think the figures that Mr. Gaston gave out, he got from Mr. Helvering. They were based on collection figures up to the sixteenth, many of which were estimated, and certainly the subsequent figures were estimated, and I think they are way high.

H.M.Jr: I was very much surprised to see Gaston take the chance to give that out. I didn't know he was so flighty, but when I read it in the paper I was quite surprised. Huh?

Bell: I am afraid even of the lower figure now - seven forty-six.

H.M.Jr: Well, the President asked us and I said there was a divergence between the two figures, and we said we were somewhere between seven hundred and seven-fifty - that's as near as I could make it. That's what we told him Saturday. Somewhere between seven hundred and seven-fifty.

Magill: I've been trying to hold down the Finance Committee. They've got the idea from the press release that we are .....

H.M.Jr: Have Gaston .....

Magill: They think we have more income taxes than we had estimated.

H.M.Jr: Weren't you surprised?

Magill: I was worse than that. I have been doing all I can to hold them down, with respect to figures. I told them I'd give them only official stuff that the Treasury has which was prepared by Mr. Bell, and give them that today. I won't give it to them until tomorrow now.

H.M.Jr: Gaston and Guy Helvering must have been going around kicking these mail bags, and depending on the echo of it, they estimate it.

Magill: That is what I told the Committee.

Viner: They ought to use the Sears Roebuck technique. At nine-ten each morning they weigh the bags as they come in and that tells them how much they will sell that day and how they will set their machinery.

Magill: That's about the way the Finance Committee suggested too. I know it doesn't work.

H.M.Jr: You and I don't have to make up our minds until Thursday what we are going to do with the next bill issue.

Bell: Well, it ought to be Wednesday afternoon so we can send it out Thursday morning. We can Thursday morning.

H.M.Jr: We'll see. Herman?

Oliphant: I'd like to see you a moment after the meeting on that matter the Attorney General spoke to you about at the Cabinet. Personal matter.

H.M.Jr: Guilty or not guilty?

Oliphant: Not guilty.

H.M.Jr: Who? The Attorney General?

Oliphant: Me.

H.M.Jr: All right. Well, the Attorney General was in Miami at that time. Anything else?

Oliphant: No, nothing.

H.M.Jr: (Nods to Mr. Gaston.)

Gaston: You asked me to clear that memo for the President on Self-Help and Production for Use. I cleared it by sending it to McIntyre and by telling him "This memo was prepared by Miss Lonegin."

H.M.Jr: What else?

Gaston: I think that's all.

H.M.Jr: I read about my statement on baby bonds this morning. I give you, as a suggestion only to think about, the possibility of getting out a letter to every holder of the baby bond thing, if this propaganda continues. If it continues only.

Gaston: Yes, I think that will probably stop it. You notice we have had two pretty good stories on baby bonds - one yesterday morning and this morning.

H.M.Jr; If it continues - anything else?

Gaston: That's all.

H.M.Jr: How's your golf?

Gaston: Not bad.

H.M.Jr: George?

Haas: A letter from Crocker Brown.

H.M.Jr: He says you have been all over that.

Haas: If other comments are as accurate as I think about the whole letter, it is out.

H.M.Jr: Write me a memo and say that the scheme either is or isn't worth my while.

Haas: He misquoted me.

H.M.Jr: I haven't got time to do it now. I just haven't got time.

You, Herman, and Barton have been trying to see me, but should I see anybody before our ten-thirty meeting?

Oliphant: It's not necessary.

H.M.Jr: Will you stay behind and tell me what it's all about? Is this in shape for the President to sign? Transporting the purchases of cement over?

McReynolds: I presume it is.

Haas: I was assembling it Saturday afternoon with Blaisdell. I think we have it all together.

H.M.Jr: In order for the President to sign?

Haas: I think so.

H.M.Jr: Has McReynolds seen it?

Haas: I don't think so, unless Oliphant's shop showed it to him.

Oliphant: Blaisdell has it all, and it will be in Haas' office by ten o'clock.

H.M.Jr: (Points to Mr. Haas)

Haas: Cement meeting at ten o'clock. Are you going to have a business meeting this morning?

H.M.Jr: I doubt it.

Haas: There are some developments there I'd like to talk to you about.

H.M.Jr: Come in at ten-fifteen; just come in yourself.

Haas: O. K.

H.M.Jr: Come in yourself. (Points to Mr. Gibbons)

Gibbons: (Nods "No.")

H.M.Jr: (Nods to Mr. Viner)

Viner: (Nods "No.")

H.M.Jr: (To Mr. Viner) I'd like you to sit in on the ten-thirty meeting.

Mac, have you got that to take to the White House?

McReynolds: I told the boys to have it out this morning. I haven't seen it yet. I've no doubt it will be up.

H.M.Jr: (Nods to Mr. Lochhead)

Lochhead: Butterworth has assembled more data on building. It just arrived this morning. Incidentally, he said those weekly reports of business are very helpful.

H.M.Jr: Anything else?

Viner: May I ask a question? Is the Treasury represented on that Interdepartmental meeting that is discussing the question of state price-fixing legislation - starting the big survey?

Oliphant: I never heard of it.

H.M.Jr: I never heard of it. The Federal Government?

Viner: This was given to me. I came down with one of my colleagues and I asked him where he was going. He said he's been retained for, he thinks, three to six months to work on that. He thought it was Justice, and he mentioned Justice and Agriculture and Commerce and Labor.

Gibbons: Retained and doesn't know where he's going?

H.M.Jr: What's he going to do?

Viner: He is going to study - his job at least in that general picture was to study state price-fixing legislation.

Oliphant: Millard Tydings.

H.M.Jr: Millard Tydings - well .....

wondering. It seems to me that there are some interests there too.

ring it up at the ten-thirty?

ere ought to know about it. Do you know about it?

I know. He didn't know much about it - was coming with his trunks. He was .....

trunks. (Laughter)

It's funny; he's coming down here and now where he's going.

know who invited him?

ask him. I asked him a couple questions but he wasn't giving me much information. I was on his guard.

am) Did you get the report on the companies?

about noon Saturday.

ng to go to work today?

ng of the principle of their report.

of the Trans-America?

g firm puts in so many exceptions - didn't see this and they didn't see on the basis of what was presented to looks all right.

u got it?

tion the holding companies of Trans- doesn't it list those?

H.M.Jr: You could check that against the bank.

Upham: Surely. )

H.M.Jr: Dan?

Bell: There are the Saturday figures.

H.M.Jr: Does it include Saturday?

Bell: Yes sir - twenty-five million behind.

H.M.Jr: We are losing ground.

Bell: Yes. We lost ten million dollars Saturday.

H.M.Jr: Fourteen million - thirteen million.

Bell: Fifteen million behind Saturday, and we are now twenty-five.

H.M.Jr: Well, fifty-two from sixty-five is thirteen.

Bell: We picked up some in the mail reports. Last year we picked up a hundred and forty-four million dollars from this point out. If we collect a hundred forty-four million from here out we'll get about five thirty - I mean seven thirty. But I don't believe we've got as much uncollected now as we had this time last year, so that probably will come down somewhere near seven twenty.

H.M.Jr: Well, will you, Wednesday after you get this, have an estimate of our financial needs from now on until the first of July?

Bell: Yes sir.

H.M.Jr: Will you have it on Wednesday, Dan?

Bell: That is the main thing I want to get.

H.M.Jr: (Points to Mr. McReynolds)

McReynolds: Well, I didn't lose ten million dollars Saturday, but I don't owe a million at all. I have nothing.

H.M.Jr: All right. That's all I've got.

Hon. Leo T. Crowley, Chairman,  
Federal Deposit Insurance Corporation,  
National Press Building,  
Washington, D. C.

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Dear Mr. Crowley:

I have been advised of the action of your Board on March 24th, 1938 requiring additional capital in the Central Bank of Oakland, California as a condition to establishing branch offices at Alvarado, Niles, Irvington and Marysville, California.

In view of the fact that negotiations have gone so far with reference to these small unit banks, all of which are already insured by your Corporation, and there is no additional liability therefor created, I would appreciate it if you would advise me that it will be satisfactory to the Corporation to establish these branches, and I will be glad to discuss with you in May, when you come to the California State Bankers Association meeting, the question of additional capital.

California Statutes fix a ratio to capital structure which is more liberal than that suggested by the national banking agencies. It is difficult to discuss this question except in a personal interview.

If the above meets with your approval, would you be good enough to wire me so that negotiations can be completed.

Cordially yours,

---

A. P. Stansel

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April 1, 1938

Mr. A. F. Giannini  
Chairman of the Board,  
Bank of America  
San Francisco, California.

Dear Mr. Giannini:

In response to your letter of April 1st regarding the application of the Central Bank of Oakland, California, for branch offices at Alvarado, Niles, Irvington and Marysville, California, in order that we may not embarrass you in this situation we will agree to permit you to proceed with your program of taking over these four banks and making them branches of the Central Bank of Oakland with the understanding that this bank does not acquire any more banks without first getting the permission of this office; further, that the capital readjustment will be discussed with me when I am in California for the bankers convention in May as our analysis of this bank shows its capital ratio to be much below the desired ratio.

Sincerely yours,

(Signed)

Leo T. Crowley  
Chairman

July 8, 1938

At 10:30 a.m. Mr. Taylor, Mr. Diggs and Mr. Upham met with Mr. Morgenthau in his office.

Mr. Diggs broached the subject of the Bank of America, N.T. & S.A. of San Francisco and mentioned the fact that a number of applications for branches have been pending for some time and that Mr. Giannini is intermittently pressing for action. He stated that he has been trying to get the Giannini interests to put additional capital into the Bank and that it looks now as if he could secure another \$25 million, which would bring the ratio up to 1:10. He stated that they were paying dividends at a higher rate than they should but that if his Office could have success in having them charge off certain assets and increase their capital by \$25 million, he thought there would be some improvement. Mr. Diggs was of the opinion that the Bank of America is charging off the amount insisted upon by the Comptroller in so far as German credits are concerned, and he stated that that is the most important of the items which have been in controversy between them.

( Mr. Morgenthau said that he was sick and tired of hearing about Giannini and the German credits and the fact that he wouldn't do what the Comptroller wanted him to do and said that he thought the Comptroller's Office ought to handle it without bringing it to him. He expressed the opinion that the people in the Comptroller's Office and the FDIC as well were "sissies," or they would do something about it. He said that he felt that Mr. Giannini was awfully smart from his own standpoint but he thought the bank supervisors ought to be equally as smart. Mr. Morgenthau gave as his off-hand opinion that the Bank ought either to increase its capital or cut its dividends in half. ) Mr. Diggs said he had been working along that line for some time. Mr. Taylor expressed the view that there might be some difficulty in insisting on the 1:10 ratio, and he regarded the key to the whole situation as being the insistence upon charging off estimated losses. Mr. Upham thought that an increase in their capital was not enough in itself, particularly in view of the fact that they expected to borrow the money from the RFC to finance the capital increase. He thought that the Bank should be required

to take the actions insisted upon by the examining forces, including a substantial reduction in the dividends.

( Mr. Morgenthau said on second thought that he was inclined to the view that the Comptroller ought to insist on the Bank taking whatever house-cleaning steps were felt to be necessary and that if they do, he would then treat them just like any other bank and agree to RFC money going into the Bank on the same basis that they put it into other institutions. If not, he said he would personally be inclined to "sit still until Hell freezes over" before doing anything in the way of permitting additional branches. In any event, he said he would make no promises on branches but let them come to see us when they have complied with our requirements.

Mr. Upham reminded Mr. Morgenthau that he had requested the Comptroller's Office to bring in a program of minimums that they would insist upon. Mr. Diggs said that this program was not ready but that it would be in three or four weeks when the latest report of examination comes in. )

Mr. Diggs brought up the matter of a research division for the Comptroller's Office and expressed the view that they ought to begin operations at once with an eye to the next session of Congress. He said that Mr. Folger and Mr. Kelly, one a bank examiner and the other a lawyer, have to do the economist's work for the bureau, and neither of them is trained in that line. Mr. Morgenthau said that he would prefer to let that go until after the California primaries and after his return from France but that he would be willing to go into it seriously right after Labor Day. He told Mr. Diggs that Mr. Taylor is conducting a study of banking and banking agencies during the summer months. Mr. Taylor said that it was not so much for making recommendations as to catalogue the various alternatives of things that can be done.

Mr. Morgenthau gave to Mr. Diggs a copy of a letter and accompanying memorandum sent by L. K. Roberts, chief national bank examiner for the New York district, to other chief examiners and bankers asking that they urge with the President and with the Secretary and with members

of Congress the appointment of Mr. Diggs as Comptroller of the Currency. Mr. Morgenthau asked Mr. Diggs what he thought of the propriety of a bank examiner doing that, and Mr. Diggs said that he thought it was improper. He said that he had not seen the letter or the memorandum before. Mr. Morgenthau said that he hoped Mr. Diggs would tell Mr. Roberts that he, the Secretary of the Treasury, was greatly displeased by it. Mr. Diggs said that when he came back from Texas, Mr. Roberts told him that a Comptroller was going to be appointed within a few days and that he planned to contact a few people with the suggestion that they urge the appointment of Mr. Diggs, because he felt it important that someone who was familiar with the problems of the Office should have the job, particularly at this time when it is of importance in the fight for the life of the Office itself. Mr. Diggs said that he told Mr. Roberts that it was a matter for him to decide for himself--that he wouldn't tell him that he couldn't do it but that he expressed some doubts about the value of the bankers' endorsements, and that he said, moreover, he was not sure that he would take the office

if it were offered to him. He further expressed the opinion to Mr. Morgenthau that Mr. Roberts wants the job himself and was urging the name of Mr. Diggs to get him out in front where he could be eliminated from the race. The internal evidence of this, Mr. Diggs said, is the build-up in the memorandum about the necessity for a career man. Mr. Roberts, he said, thinks that he would be next in line if Mr. Diggs were eliminated.

Mr. Diggs reported on the latest poll in the California gubernatorial primaries, and indicated that Jefty is now running second.

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The fact that no successor has been appointed to succeed Honorable J. F. T. O'Connor who resigned April 18, 1938 as Comptroller of the Currency has caused unusual anxiety among national bankers, not by reason of any failure of the Comptroller's organization to function properly as heretofore, but because of expressed concern over the possible designation of a successor who may not be equal to the task of meeting the responsibilities of that office in the face of existing economic and financial conditions, proposed changes in the policies of the office also other current problems with which it is daily confronted.

Several months ago when Mr. O'Connor expressed his intention of resigning as Comptroller, rumors and speculation became rife as to his probable successor.

Since his resignation became effective, such rumors and speculation have crystallized into extensive activities resulting no doubt from aggressive solicitation on the part of certain ambitious aspirants to the office.

No one of the aggressive aspirants publicly mentioned, according to reliable expressions of opinion, is recognized or regarded as being qualified to fill properly the important office in question and these opinions have been particularly emphatic because of existing circumstances and conditions well known.

Many national bankers of high standing have expressed definite apprehension over the possible appointment of a new Comptroller without the capacity or understanding to administer properly the affairs of the office.

Bankers and others have uniformly expressed the belief that with economic and financial conditions unsettled, sound but sane supervision of banks also careful yet practical administration of banking laws and regulations are both important and imperative, and that no man with even good training and successful experience in a given locality who is unfamiliar with the nation-wide operations of the Comptroller's Bureau and the Federal Deposit Insurance Corporation could be as well qualified to discharge the duties devolving upon these offices as would a competent man with complete knowledge and understanding of the two agencies gained from actual association and experience with them.

Close observing and well informed national bankers have voluntarily expressed the unqualified belief that the National Banking System and the interests of all concerned therein would be best preserved and protected by the nomination and confirmation of Acting Comptroller, Honorable Marshall B. Diggs, as the next Comptroller of the Currency.

Mr. Diggs is in the prime of life and is blessed with good health and superior intelligence. He was born in Tennessee, however, his youth was spent in Texas and Oklahoma. He graduated from Spworth University, now Oklahoma City University, and from Yale Law School. He practiced law both in Chicago and in Minneapolis and after discharge from the Army, he established himself in business at Dallas, Texas, where he remained for several years.

For nearly five years he served as Executive Assistant to the Comptroller of the Currency in the Bureau of the Comptroller and in the Federal Deposit Insurance Corporation. In this capacity he gained both executive experience and intimate knowledge of the operations of these agencies. Subsequently, with the approval of the Secretary of the Treasury, he was selected and appointed First Deputy Comptroller of the Currency. Prior to and since Comptroller O'Connor resigned, he has served as Acting Comptroller and as a member of the Board of the Federal Deposit Insurance Corporation.

Mr. Diggs has been successful in both private and public life and has displayed exceptional understanding and rare ability in the performance of his duties with the Bureau of the Comptroller and the Federal Deposit Insurance Corporation.

May 25, 1936

There is enclosed herewith a memorandum dealing with the fact that no successor has been appointed to succeed former Comptroller J. W. T. O'Connor, discussing the anxiety or apprehension prevailing in that connection, also referring to a well established conclusion on the part of prominent national bankers and others that Honorable Marshall B. Diggs would be perhaps the safest, best qualified and otherwise most desirable person available to succeed Mr. O'Connor.

It is needless to suggest that what might be considered by conservative bankers as vitally important to the National Banking System might well be considered by the national bank examining staff as equally important to it.

Because of continued activities on the part of certain persons ambitious for appointment as Comptroller but not known or believed to be qualified for the place also because of the possibility of some such person being nominated for the place before the present session of Congress adjourns, it is believed to be of extreme importance to the Bureau of the Comptroller, its examining staff and to the National Banking System, for the reasons indicated by the enclosed memorandum, that action along the lines hereinafter suggested be taken with a minimum of delay. A communication similar to this and a copy of the enclosed memorandum are being sent to each District Chief Examiner by Air Mail and a few extra copies will follow by regular mail. For your strictly confidential information and satisfaction, this communication and the enclosed memorandum are not being sent you without the knowledge of Mr. Diggs.

It is believed that if each District Chief Examiner will induce from a half dozen to a dozen representative and responsible national bankers of each state embraced in his district to wire immediately Honorable Franklin D. Roosevelt, President, also Honorable Henry Morgenthau, Secretary of the Treasury, recommending the nomination of Mr. Diggs and at the same time wire their two United States Senators requesting them to recommend to President Roosevelt and Secretary Morgenthau the nomination of Mr. Diggs, that his nomination and confirmation will be promptly and definitely assured, otherwise, some other person less qualified and less desirable for the place may be nominated.

Allow me to state that my own impressions of and confidence in Mr. Diggs, based on my contacts with him, convinces me that he is the best man available to serve the interests which have prompted me to address you thusly.

Sincerely yours,

L. E. ROBERTS

September 21, 1938

MEMORANDUM

TO: Mr. Oliphant  
FROM: Mr. Upham  
Attention: Mr. Foley  
Mr. Sherbondy

I think the chronology of incidents indicating the continuous interest of the Secretary in the Bank of America situation over the last several months should include this statement by me:

There have been many occasions between March, 1938, and September, 1938, when Secretary Morgenthau has asked me to inquire about one or another aspect of the situation and has requested me to press for action based on examination reports. There have been many occasions upon which I have brought to the attention of the Comptroller's Office these requests.