

● PSF TREAS. Dept. Henry Morgenthau Jr.

1933-38



HENRY MORSENTHAU, JR.  
COMMISSIONER

STATE OF NEW YORK  
CONSERVATION DEPARTMENT  
ALBANY

January 21, 1933

Dear Franklin:

I am glad to be able to report to you that my mission to Ottawa was even more successful than I had hoped for. I found ~~the~~ Prime Minister Bennett a real fellow and keenly interested in the wheat situation and he and I hit it off beautifully.

After our arrival Mr. Huff and I called on the Prime Minister and he agreed that for the time being our mission must be kept confidential and invited us to have lunch with him at his apartment. At the luncheon the Prime Minister had besides us, Premier Brownlee of Alberta who is a prominent Liberal and Mr. John McFarland, General Manager of the Canadian Wheat Pool. The Prime Minister served delicious oysters of which I ate six and they were all good and also some very fine Port of which I did not drink too much.

I decided that the best kind of diplomacy was to be direct and to the point. After explaining my mission I asked the Prime Minister whether he was favorable to the idea of having a World Wheat Conference called in Washington shortly after the 4th of March. On learning that the Prime Minister thought this an excellent idea I then went one step further and asked him whether he would be willing to communicate with the other countries involved and sound them out as to whether or not they would care to join in such a conference. The Prime Minister willingly consented to this suggestion and attached to this letter you will find a copy of his cable which he sent to the Canadian High Commissioner in London on Friday afternoon. Mr. Bennett is going to let me know the results from his cable through the Canadian Legation at Washington. On account of the weekend intervening he doubtless will not have an answer before Tuesday or Wednesday.

I hope that you will be pleased with the results of this conference.



HENRY MORSENTHAU, JR.  
COMMISSIONER

STATE OF NEW YORK  
CONSERVATION DEPARTMENT  
ALBANY

- 2 - January 21, 1933

Professor Myers was asked to come to Washington Sunday to help complete a draft of the bill covering the Joint Stock Land Banks. It was my thought that Elinor and I will go to Washington Wednesday and if there is room at Warm Springs we would like to come down there. We would arrive either Thursday or Friday morning depending on whether Washington takes one or two days and would like to stay there long enough to be with you on your birthday. I would greatly appreciate your having Missy telegraph me quite frankly whether or not there is room for us at Warm Springs.

I will continue to try to keep my mission to Ottawa absolutely confidential and hope that before coming to Warm Springs I will have a favorable answer to the cable sent by Prime Minister Bennett.

With best regards, I am

Yours sincerely,

A handwritten signature in cursive script that reads "Henry".

Hon. Franklin D. Roosevelt,  
President-elect,  
Warm Springs, Ga.



HENRY MORGENTHAU, JR.  
COMMISSIONER

STATE OF NEW YORK  
CONSERVATION DEPARTMENT  
ALBANY

CABLE FOR HIGH COMMISSIONER

Cipher.

It has been suggested that a conference of the four great wheat-producing countries - United States, Canada, Australia, and Argentine - should be called by the United States as soon after the inauguration of the President-elect as possible. One of the most important question that might be considered would be the lessening of wheat production. I am heartily in accord with the suggestion, and desire that you should ascertain from Mr. Bruce whether or not Australia would be favourably disposed. You might also ascertain from the Argentine Ambassador in London the attitude of his country. Having regard to your experience with the London Conference, would it be possible for you to ascertain and advise the attitude of Roumania and Bulgaria

I would greatly appreciate your dealing with the matter as promptly as possible for I have reason to believe that if the four countries first named were favourable to such a suggestion the United States would probably not be unwilling to act.

Bennett.

January 20th, 1933.



CANADIAN LEGATION  
WASHINGTON

January 28th, 1933.

Dear Mr. Morgenthau:

In accordance with our telephone conversation this morning, I am enclosing a copy of the letter which I sent to you by mail yesterday.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "M. H. Morgan".

Henry Morgenthau, Esq., Jr.,  
Warm Springs,  
Georgia.

(C O P Y)

Personal and  
Confidential

January 27th, 1933.

Dear Mr. Morgenthau:

The expected message for you arrived late yesterday, but I was unable to get in touch with you before you left for Georgia. I have telegraphed to say that I am sending it on by mail, since it is fairly long and you will want to study its exact text. The following paragraphs are a paraphrase of the code telegram which I have received.

Immediately after the discussion in Ottawa last Friday a cable was sent to the Canadian High Commissioner in London, stating that a definite possibility had arisen that the four chief wheat producing countries would shortly hold a conference. The High Commissioner was asked to ascertain through Mr. Bruce, who is the resident member of the Australian Cabinet in London, what the attitude of Australia would be; and he was also asked to discuss the question in general terms with the Argentine representatives who took part in the London Wheat Conference.

The preliminary reports received in reply show that there is much sympathy with the idea. A complication has been caused, however, by the action of the preparatory committee of experts for the World Economic Conference in definitely placing on the agenda of that conference the question of "agreements between producers for regulating production or exports of certain products, particularly wheat."

The Argentine Government suggested to the preparatory committee that the World Economic Conference should enquire into the possibility of the chief wheat exporting countries reaching an agreement to restrict production or exports by a method of regulation based on their average

production/

Henry Morgenthau, Esq., Jr.,  
Warm Springs,  
Georgia.

production, their present surplus, and their average exports in recent years. They proposed that this regulation should involve an undertaking by the main wheat importing countries in Europe to refrain from extending their production of wheat, and also that it should include some settlement of the question of surplus production arising from particularly good harvests.

Information received by the Canadian authorities indicates that the representatives of the United States on the preparatory committee favoured in principle the proposal for the restriction of wheat production.

The action of the preparatory committee has thus raised an issue as to whether the question of wheat restriction would best be dealt with by the World Economic Conference or by a separate and earlier discussion in Washington; this development has caused some delay in securing replies to our preliminary enquiry. I hope, however, that we shall be in a position to transmit further information to you in the very near future.

With warm regards,

Yours sincerely,

H. H. WRONG

*PSJ*  
*H.M.J.*

March 8, 1933.

*Memo for H. Morganthau Jr*

It is reported that there is a connection between Perrin and Washburn-Crosby people and that the government contemplates sale of wheat to him and others under terms not to advantage of the government. Such sale should be considered very carefully or possibly deferred until the exchanges are opened.

*This is for your information*

P. D. R.

PSF: AM 20.

*Revised*

CONFIDENTIAL

October 18, 1933.

MEMORANDUM FROM THE PRESIDENT  
FOR THE SECRETARY OF THE TREASURY

I have confidential information, for which I do not vouch, that the Bank of America, the Chase National, and the Guaranty Trust Company had sent a very large sum -- perhaps as high as \$8,000,000.--abroad in the last few weeks.

Is there someone in whom you have complete confidence, who can check on this for you and me?

---

PSF  
Treasury

COINAGE OF SILVER

---

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, by paragraph (2) of section 43, Title III, of the Act of Congress approved May 12, 1933 (Public Number 10), the President is authorized "By proclamation to fix the weight of the gold dollar in grains nine-tenths fine and also to fix the weight of the silver dollar in grains nine-tenths fine at a definite fixed ratio in relation to the gold dollar at such amounts as he finds necessary from his investigation to stabilize domestic prices or to protect the foreign commerce against the adverse effect of depreciated foreign currencies, and to provide for the unlimited coinage of such gold and silver at the ratio so fixed, \* \* \*"; and

WHEREAS, from investigations made by me, I deem it essential in aid of the stabilization of domestic prices and in accordance with the policy and program authorized by Congress, which are now being administered, and to protect our foreign commerce against the adverse effect of depreciated foreign currencies, that the price of silver be enhanced and that the principle of bimetallism be maintained by providing increased coinage of silver; and

WHEREAS, a resolution presented by the American Delegation was unanimously adopted at the World Economic and Monetary Conference in London on July 20, 1933, by the representatives of sixty-six Governments, which in substance provided that said Governments will abandon the policy and practice of melting up or debasing silver coins; that low valued silver currency be replaced with silver coins and that no legislation should be enacted that will depreciate the value of silver;

NOW, THEREFORE, finding it necessary to take the initiative in order to enhance the price of silver throughout the world by the example of our Government, to assist in increasing and stabilizing domestic prices, to augment the purchasing power of peoples in silver-using countries, to protect our foreign commerce against the adverse effect of depreciated foreign currencies, to carry out the spirit of the understanding between the sixty-six Governments that adopted the resolution hereinbefore referred to, and to maintain the principle of bimetallism, as also by virtue of all the power in me vested by the Act of Congress above cited and other legislation designed for national recovery;

I, FRANKLIN D. ROOSEVELT, President of the United States of America, do proclaim and direct that any silver, the product of mines situated in the United States or its possessions, produced

subsequent to this date, shall be received at any United States Mint for coinage into standard silver dollars of the present weight and fineness. The Director of the Mint, with the voluntary consent of the owner, shall deduct and retain of such silver so received \_\_\_\_\_ per cent as for seigniorage and for services performed by the Government of the United States relative to the coinage and privilege of circulation thereof. The balance of such silver so received, that is, \_\_\_\_\_ per cent thereof, shall be coined into standard silver dollars and the same, or an equal number of other standard silver dollars, shall be delivered to the owner or depositor of such silver. The \_\_\_\_\_ per cent of such silver so deducted shall be retained as bullion by the Treasury and shall not be disposed of prior to the thirty-first day of December, 1937, except for coining into United States coins.

The Secretary of the Treasury will by regulation similar to the regulation made pursuant to the Pittman Act, approved April 23, 1918 (40 Statutes at Large, page 535), prescribe how silver produced in the United States from ores mined after this date shall be identified as entitled to coinage under the terms and conditions of this proclamation.

This proclamation shall remain in force and effect until the thirty-first day of December,

1937, unless repealed or modified by Act of Congress or by subsequent proclamation.

The present ratio in weight and fineness of the silver dollar to the gold dollar shall, for the purposes of this proclamation, be maintained until changed by further order or proclamation.

Notice is hereby given that I reserve the right by virtue of the authority vested in me to revoke or modify this proclamation as the interest of the United States may seem to require.

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the United States to be affixed.

DONE at the City of Washington this     day  
of November, in the  
year of our Lord  
nineteen hundred  
and thirty-three,  
and of the  
Independence  
of the United  
States of America  
the one hundred and  
fifty-eighth.

By the President:

Secretary of State.

1937, unless repealed or modified by Act of Congress or by subsequent proclamation.

The present ratio in weight and fineness of the silver dollar to the gold dollar shall, for the purposes of this proclamation, be maintained until changed by further order or proclamation.

Notice is hereby given that I reserve the right by virtue of the authority vested in me to revoke or modify this proclamation as the interest of the United States may seem to require.

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the United States to be affixed.

DONE at the City of Washington this      day  
of November, in the  
year of our Lord  
nineteen hundred  
and thirty-three,  
and of the  
Independence  
of the United  
States of America  
the one hundred and  
fifty-eighth.

By the President:

Secretary of State.

RSF  
Treasury

Treasury  
not sent  
J. C.

On January 11, 1934, I recommended to the Congress legislation which was promptly enacted under the title, "The Gold Reserve Act of 1934". This Act vested in the United States Government the custody and control of our stocks of gold as a reserve for our paper currency and as a medium of settling international balances. It set up a stabilization fund for the control of foreign exchange in the interest of our people, and certain amendments were added to facilitate the acquisition of silver.

As stated in my message to the Congress, this legislation was recommended as a step in improving our financial and monetary system. Its enactment has laid a foundation on which we can organize a currency system that will be both sound and adequate. It is a long step forward, but only a step. I have asked the Secretary of the Treasury to initiate the detailed and technical studies needed in developing further steps in improving our monetary structure, including a study of the utility of the various forms of our currency and a consideration of the type of permanent authority in which the control of major monetary measures should ultimately be vested.

Some things are already clear. One is that we should move forward as rapidly as conditions permit in making broader and more stable the metallic base of our monetary system.

The Congress has conferred on the President ample powers for the acquisition and monetary use of silver. These powers are being used in the public interest. They were used to place this nation among the first to carry out the London Agreement on Silver by providing for the acquisition of all our current production of this metal; and we have since acquired other silver, which we shall continue to do as that may be required in the effective control of foreign exchange and in the development of proper metallic reserves for our monetary system. These measures are based on a recognition of the utility of both gold and silver as a reserve for paper currency.

We can proceed with this program of increasing our store of silver for use as a part of the metallic reserves for our paper currency without seriously disturbing those adjustments in foreign exchange which serve our interests in world trade, but independent action on its use as a component of a more stable and dependable standard of value than gold alone provides would be attended with more difficulties because of the effects of such action on foreign exchange in the markets for our surplus products. Moreover, the world's store of silver is of such magnitude and its production, tied as it is with that of other metals, is so difficult for any one nation to control that concerted action is needed in dealing with this phase of the problem.

It may turn out that this nation will ultimately have to take such independent action as its interests require, but, before

doing so, the possibility of international agreement should be exhausted.

The success of the London Conference in consummating an international agreement on silver, which has now been ratified by all the governments concerned, makes the present an opportune moment for seeking further international agreement. The ebb and flow of values in almost all parts of the world have created many points of pressure for readjustments of standards of monetary value. At no time since the efforts of this nation to secure international agreement on silver began in 1878 have conditions been so favorable for attaining joint action.

Accordingly, I have begun to confer with some of our neighbors with a view to securing an agreement for the use of both silver and gold, preferably on a fused or other coordinated basis, as a standard of monetary value. Such an agreement would constitute an important step forward toward a monetary unit of value of greater stability in its purchasing and debt paying power.

The Congress has already conferred upon the Executive all the powers now needed in dealing with the problem of silver, and until our conferences with other nations are ended, and their success or failure known, any further legislation on the subject would not be helpful.



TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY  
WASHINGTON

October 4, 1934.

*file  
PSF Morgenthau  
(5) (1)*

Dear Mr. McIntyre:

At the Secretary's request I am  
sending you Mr. Berle's memorandum on  
Certain Phases of the National Policy  
in 1934 and 1935.

Sincerely,

*Gabriele E. Forbush*

Mr. Marvin H. McIntyre,  
Asst. Sec'y. to the President,  
The White House.

Enclosure.

PSF: Morgenthau

Treas.

September 18, 1934.

Memorandum on Certain Phases of

National Policy, 1934-35.

1. The Dominant Problem.

As matters now stand, the entire policy of the federal government almost of necessity revolves around the fiscal problem. This in turn rests on the relief and melioristic activities of the United States government.

Briefly, the United States revenues for the next year probably cannot exceed \$4,500,000,000. This would allow for a very large increase indeed in taxation for the fiscal year 1935-36 (the actual collections for the fiscal year ending June 30, 1934, were \$2,656,000,000; exclusive of ordinary expenses, the emergency grants and allotments for the same fiscal year were \$3,521,000,000. Assuming that the same rate were continued, or that there were any increases to provide relief; or that (and this seems almost certain) there will be increases to take care of localities which either do not or cannot fulfill their own contracts to share in the situation, and it is at least fairly probable that the emergency grants and allotments will be at least 75% uncovered in the next budget. The financial community knows this, which accounts for the steady weakness in United States government bonds.

Briefly, this situation points to one of three possible courses:

- (A) An extremely drastic reversal of policy. I doubt if this is possible; or indeed, in many areas, safe or desirable.
- (B) An inflation of the currency. The dangers of this are so well known as to need few, if any comments.
- (C) In the alternative, or in combination, a certain amount of social reorganization, or a certain amount of reorganization of the credit system, with the idea of either

- (1) Stimulating productivity and distributing the results for relief, or

- (2) Creating bank credit for the purpose of capital development adapted to work relief and for making provision for its amortization.

On the solution of this major problem, of course, hangs the effectiveness of much of what has been done and can be done.

In foreign affairs, reciprocal trade treaties mean little if they are followed at once by a currency inflation which would upset the parities; and any economic arrangements with foreign countries must depend upon at least temporary internal currency stability, or more accurately, at least a known condition. This in turn affects agricultural prices, particularly in the case of cotton, and to a less extent wheat, corn

and hogs; and likewise affects the policy with regard to railroads and the like.

A secondary problem of major importance consists of the simplification of government procedure. Within limits, the charge of "bureaucracy" is a fair one, based on the multiplication of regulations, the difficulty of doing business with the government, the overlapping of bureaus, and the large amount of administrative discretion in many instances which, on the basis of experience now had, could be reduced to something like a real rule. There is likewise the absence of any central group which can undertake to coordinate regulations and act as an appellate bureau. At present, if a man or an interest does not get what he wants through a bureau, he is at once remitted to political appeals.

Finally, there is a certain amount of complaint, which seems legitimate, to the effect that policies are largely an unknown quantity. It would seem possible within limits to lay down now, at least tentatively, the general program for, let us say, a year ahead, so that something in the nature of a claim chart might be given. This is no way involved reversing any of the policies heretofore carried out by the government: it merely argues for their definition for the coming months.

## II. The Fiscal Problem.

(A) The budget. It seems fairly plain that the budget will be unbalanced in any event by not less

than \$2,000,000,000 nor more than \$5,000,000,000 -- this including the relief and emergency expenditures along with the regular expenditures.

A suggested policy might be to announce this fact coldly and simply; announcing, among other things, that all regular charges would be paid currently; that relief charges would be handled separately. From these relief charges may be deducted those cases in which federal credit is merely used to replace other credits, as in the case of the H.O.L.C. and the R.F.C., and to a less extent the F.C.C. Here, money borrowed or bonds issued by the federal government merely replaces money borrowed or bonds issued by private debtors; the effect is not to add to the total debt structure of the country; and the United States government has the underlying security. To date, these operations have been conspicuously successful; and the bulk of the United States indebtedness occasioned by them is balanced by assets which should amortize the United States indebtedness soon. These can, it would seem, be dismissed from the total.

The straight relief expenditures might be split into two distinct categories:

- (1) Credits extended on which some payment is expected, but which cannot be reimbursed or repaid in full. This, in many cases, has constituted the cheapest form of relief: notably in the agricultural field. In practice,

5.

this amounts to keeping a man at work on his particular farm or what not, financing him by loans which he pays back to the extent that he can, with the full knowledge and realization that part of the loans cannot be recovered. Investigation of an individual for credit purposes is no detriment to his self-respect; investigation for purposes of relief, however, throws him at once into the pauper class.

(2) A very considerable increase in work relief projects, provided these are financed by the creation of a credit-emitting mechanism capable of creating bank credit against long term, non-interest bearing local and United States government bonds. This is a distinct departure from the existing credit system. It is not orthodox finance. It is infinitely preferable, however, to inflation of the currency, and in terms of financing, it obtains much the same result. It depends for its soundness upon a sound amortization program to be carried out both by the United States government and by the localities which are, in effect, borrowers from a central credit-emitting agency of some kind.

(3) Conceivably also taxes in kind might be levied, whose effect would be merely to take a

part of the additional and at present unused productivity of the country. This could be used --

- (a) To supply fiscal needs for relief, and
- (b) To supply raw materials for work projects (this last a very important possibility.)

Some such program, or indeed any other similar program, would offer some sure ground for estimating the probable budgetary currency and credit situation in the United States, and as a matter of necessary result would clarify the situation of all departments, including the State Department.

There have herein been consolidated the problems of the fiscal and relief situations. Analyzed, they are one and the same in terms of financing. In terms of organization, of course, relief is a problem by itself; but the emphasis should be, so far as possible, on developing work relief and employment on a national scale, so that the whole job may be done, at the same time throwing the organization and responsibility as far back on the localities as possible. In this case it might conceivably be possible to delay unemployment insurance, etc. for the time being, the gap to be filled by supplying work relief.

This program might be supplemented by undertaking to assume out of the regular federal budget a portion of the relief burden -- say a billion dollars, more or less, as seemed desirable.

In the event of the adoption of some such program, it could be stated that beyond the changes necessarily involved

in the credit machinery, no further change was contemplated in the currency organization. There would be an attack on the credit feature in any event; but it would probably be less than an attack on an inflationary scheme, and certainly no greater than if the federal government were to withdraw considerably from the relief field, leaving the localities to handle the situation, which they are ill equipped to do.

If possible (it may not be), the program should be laid out for a period of time, say three, five, or seven years.

### III. The Program of Recovery.

This program also might be re-defined; possibly in the following terms:

(A) The promotion of advantageous foreign trade, through

(1) Extension of reciprocal treaties and an understanding that the Export-Import Bank of Washington follow up the opportunities offered by such treaties. In any event, the Export-Import Bank ought to work very closely in conformity with the foreign policy developed in the State Department. Otherwise the two lines could be easily crossed and the two agencies work at cross purposes.

(2) The question might be considered as to whether the time had yet come to re-convene the London Conference or some similar agency; This depends on technical consideration of the recent developments, as to which I have no opinion.

- (B) The creation of capital activity, centralizing on
- (1) Housing. In this respect the mechanism is developed, but it has not yet got very far; it would have to work in connection with private capital and probably would have to aim not merely at the lowest cost housing, but at the lower middle class housing as well;
  - (2) Public works activity, preferably of the self-liquidating variety (for example, a toll East Side drive in New York City; toll bridges and the like). Assuming an extension of the credit creating facility in public hands, these works would now have to amortize a loan without having likewise to carry a current interest charge.
- (C) The railroad recovery program is at present being developed by Mr. Eastman, and presumably will be made public before long.

IV. Industrial and Financial Reorganization (Commonly called "Reform").

Plainly, the country is in no mood to abandon the attempts at a reformation of the system. For one thing, despite talk of lack of "confidence" in the government, the public has even less "confidence" in its former financial and business leaders; and probably would have less if it knew the full facts. To the extent that the program could be clarified, it might be certain that:

- (A) The financial reform reorganization as embodied in the Securities Commission was designed to be

permanent, subject to simplification of procedure. My private opinion is that the Securities Act will probably have to be overhauled, not because of its inherent difficulties, but because of a certain quality of futility; unless there is some change in the system of marketing securities, so that an investor buys securities only through some trained agency acting in his behalf, as in England. But this is a matter which should be developed out of the financial district itself, and I hope will be.

(B) The reorganization of the N.R.A. in progress could be brought to a point sufficient to allow effective statement of aims and of mechanism; in which should be included as soon as practicable some clarification of the collective bargaining clause. The experience of the past year demonstrates both the necessity of such a clause and the necessity for its clarification. It likewise seems to demonstrate the necessity of a limitation of the functions of Code Authorities and of some government supervision of them and, perhaps most important of all, a reduction to very clear principles of the area which N.R.A. desires or proposes to cover. The difficulty is not with the N.R.A. but with the indefiniteness of its scope and the fact that it is not easy to discover exactly what it means. Plainly, also, there should be some delimitation between big business and small business: on the whole, the country is more interested

Substitute Corporate Suggestion.

In lieu of federal licensing of corporations which would call for vast federal agencies to carry out the policy and the law, it has in the past been suggested by John Sharp Williams and others that interstate corporations can be effectively dealt with in a more simple manner; that such plan would not mean either a federal license or federal regulation or an extension of federal government; but that it would mean an exercise of the restrictive power of the federal Congress. This would mean a federal law, so far as possible self-operating; an effective prohibitory law, stating in detail the conditions of incorporation, management, and governing laws, necessary to enable a corporation to depart from the state of its birth, to engage in interstate commerce, prescribing adequate penalties and making void and unenforceable by a corporation any contract made in violation of its provisions.

Such a law would be partly self-operating and completely enforceable in the courts. There would be, as stated, no federal commissions or license. It would be in some respects analogous to the 10% state bank tax imposed in 1866 to reform the national evil due to reckless state legislation.

Such a law would cause immediate amendment of its non-resident corporation statutes by every "corporation state", and the radical reform, if not reincorporation, of every interstate corporation.

I have thus stated the proposal as it was presented by a number of able persons, including Senator Williams, in 1907 to 1912.

in small business than in large, and must be so unless it proposes to socialize commercial activity.

(C) I should advocate as a reform measure a relatively simple federal corporation law, applicable only to corporations of national scope--say corporations of \$25,000,000 capitalization or over. This would mean in practice a federal incorporation law covering not to exceed 2,000 corporations, or thereabouts, whose work has already plainly transcended state lines.

V. Agriculture.

No attempt is here made to suggest any general plan of handling the agricultural situation. I am not well enough informed to undertake a memorandum on that score. If discussion is to be had on the score of the agricultural problem, a specialist in agricultural economics generally would have to be called in.

VI. The Simplification of Government Mechanisms.

Of this there seems a plain necessity. The thousands of pages of regulations of all of the various government agencies, any one of which may mean life or death, a net loss or tremendous profit, to various units of business, do constitute a very real danger in the situation. It would seem possible that:

(A) A survey of the entire field be undertaken, with a view to determining how far administrative discretion is necessary in the light of experience, the object being to put into terms of permanent or orderly law

in small business than in large, and must be so unless it proposes to socialize commercial activity.

(C) I should advocate as a reform measure a relatively simple federal corporation law, applicable only to corporations of national scope--say corporations of \$25,000,000 capitalization or over. This would mean in practice a federal incorporation law covering not to exceed 2,000 corporations, or thereabouts, whose work has already plainly transcended state lines.

V. Agriculture.

No attempt is here made to suggest any general plan of handling the agricultural situation. I am not well enough informed to undertake a memorandum on that score. If discussion is to be had on the score of the agricultural problem, a specialist in agricultural economics generally would have to be called in.

VI. The Simplification of Government Mechanisms.

Of this there seems a plain necessity. The thousands of pages of regulations of all of the various government agencies, any one of which may mean life or death, a net loss or tremendous profit, to various units of business, do constitute a very real danger in the situation. It would seem possible that:

(A) A survey of the entire field be undertaken, with a view to determining how far administrative discretion is necessary in the light of experience, the object being to put into terms of permanent or orderly law

so much as can be put there. This will in large measure diminish the more dangerous areas of administrative discretion;

(B) Inaugurate a like survey with a view to codifying the various regulations involved;

(C) Inaugurate a like survey with a view to seeing whether a considerable part of the work may not be centralized or combined. For instance, it ought to be possible for a bank reporting to the Comptroller of the Currency to have this report accepted by the F.D.I.C. and possibly also by the R.F.C. In practice there are three sets of staffs doing three overlapping pieces of work.

(D) An attempt, wherever possible, to replace criminal compulsion with a better understood and less drastic form of sanction---for example, taxation. The country understands taxes as a penalty for violating administrative orders; it resents a criminal proceeding.

(E) Possibly, the creation of a central Appellate Board, so that anyone being aggrieved by an administrative ruling could have his case heard by a group or department other than that which promulgated the regulation. Ultimately it might even seem desirable to establish an administrative court and various branches. Continental countries which have administrative systems as complex as ours has become tend to develop a quite separate system of administrative courts. We do the same thing, except that it is haphazard and accidental.

(F) The problem of personnel in administrative positions ought to be overhauled. Ultimately the success of administrative bureaus must depend on securing technicians who are also disinterested. As it stands, we are only able to command men who are unsuccessful in private business or whose principal training has been theoretical; the only exception to this is in the legal departments, where the technician with theoretical training and practical experience is commonly available.

VII. The Mechanism for Creating Policy.

There is a real difficulty in the policy making mechanism as it stands now. In the first place, a collection of individual rulings by minor administrative officials may create a situation which forces a policy, even though this may not have been determined upon by the President or the Cabinet. This may be done by design, and is oftener done without design.

In the second place, each individual experiment carries in its wake implications. The C.W.A. experiment of last year, for example, automatically involved the country in a train of circumstances; there is no criticism of this, but it is advisable to endeavor to foresee these circumstances and be prepared to meet the implications as they appear. The fiscal problems of today follow almost directly from the decision to create the C.W.A.

To that end there might be created a small Committee, which need not be featured publicly, but which might

- 13 -

have referred to it various experiments now in progress and to be tried; might call in experts for the purpose of reviewing the situation; might endeavor to advise and, if possible, coordinate.

A. A. Berle, Jr.

File private

PSF

File Morgenthau (S) (U)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: November 2, 1934.

To: The President

FROM: Secretary Morgenthau

I. THE PLAN:

As a primary step looking to better coordination and perhaps ultimate consolidation of functions of bank examination and supervision resting with Federal agencies, it is proposed immediately to

- (1) Merge the Office of the Comptroller of the Currency with the Board of the Federal Deposit Insurance Corporation by making the Comptroller of the Currency the chief executive officer of the Corporation. (This can be done by amendment to the by-laws of the Corporation).
- (2) Amalgamate the administrative and examining personnel of the two agencies by
  - (a) combining the fifteen district offices of FDIC with the twelve field offices of the national bank examining force in the twelve Federal Reserve cities,
  - (b) selecting staff for these offices from the combined personnel, after careful analysis and consultation with the twelve Federal Reserve agents,
  - (c) giving FDIC examiners appointments as national bank examiners and vice versa,

- (d) having the Comptroller appoint the FDIC as receiver for all national banks now in receivership,
  - (e) reorganization of the Washington offices to put them on an efficient, economical and businesslike basis.
- (3) Consolidate the functions of the two units, as completely as is feasible without Executive Order or legislation. (Some functions of the Comptroller, such as issuance of national bank notes, would not concern the FDIC).

## II. ADVANTAGES:

Advantages to be gained by the above are:

- (1) Closer cooperation and harmony of policy with the Federal Reserve System and the R.F.C. through consolidation of two most important Federal examining agencies.
- (2) A step toward uniform supervision of National and State banks (yet with preservation of the dual system).
- (3) Uniform examination methods and policies for the 90 per cent of all commercial banks now in F.D.I.C. (See attached table).
- (4) Unity of administration of bank examinations as to this 90 per cent in the field, one corps of examiners in each district replacing two, making possible more efficient distribution of work.
- (5) Reduction of complaints from bankers about multiple supervision.

- (6) Authority in the F.D.I.C. for enforcing bank standards which will do much to prevent bank failures and which will so serve to protect the corporation from losses to the insurance fund.
- (7) A united front on legislative proposals -- and the good will of Members of Congress who are committed to developing and strengthening the F.D.I.C.
- (8) Better statistical data on banking.

III. COMMENT:

- (1) Attention will be given to perfecting and crystallizing the merger through legislation or Executive Order.
- (2) All banks should in time become members of the Reserve System and should be examined by the F.D.I.C. The details of control of the banking system and the examinations are closely interrelated and should either head up in the same group or methods of more than ordinary cooperation be devised.
- (3) If the present Comptroller accepts the position of Federal Reserve Agent at San Francisco, two new appointments to the Board of the F.D.I.C. must be made and these two cannot be of the same political party. The member who is the Comptroller and Executive Officer cannot be Chairman of the Board.

*Wm. W. W. W.*

FEDERAL DEPOSIT INSURANCE CORPORATION

PERCENTAGE BY NUMBER AND DEPOSITS  
OF ALL LICENSED COMMERCIAL BANKS INCLUDED IN  
THE THREE FEDERAL BANKING SYSTEMS

	NUMBER (3)	% TO TOTAL COMMERCIAL Banks Licensed	DEPOSITS (1) (2)	% TO TOTAL DEPOSITS IN COMMERCIAL BANKS
NATIONAL	5,460	35.82%	19,895,897	54.65%
STATE MEMBER	969	6.53%	11,116,470	30.54%
TOTAL MEMBERS FEDERAL RESERVE SYSTEM	6,429	42.18%	31,012,367	85.19%
NON-MEMBER INSURED	7,660	50.28%	4,746,053	13.04%
TOTAL INSURED	14,089	92.44%	35,758,420	98.23%
NON-MEMBER NOT INSURED	1,152	7.56%	643,888 (4)	1.77%
TOTAL	15,241	100.00%	36,402,288	100.00%

NOTES

1. Deposits in Thousands.
2. Deposits figures as of Call Report June 30, 1934.
3. Number of banks figures as of October 1, 1934..
4. For the most the deposit figures included in this total are of December 31, 1933..

DESIRABLE CHANGES IN THE ADMINISTRATION  
OF THE FEDERAL RESERVE SYSTEM.

1. Relation of monetary management to business stability. Fluctuations in production, employment and the national income are determined by changes in the available supply of cash and deposit currency, and by the rate and character of monetary expenditures. The effect of an increased rate of spending may be modified by decreasing the supply of money, and intensified by increasing the supply of money. Experience shows that without conscious control, the supply of money tends to expand when the rate of spending increases and tends to contract when the rate of spending declines. Thus, during the depression the supply of money instead of expanding to moderate the effect of decreased rates of spending, contracted, and so intensified the depression. This is one part of the economy in which automatic adjustments tend to have an intensifying rather than a moderating effect. If the monetary mechanism is to be used as an instrument for the promotion of business stability conscious control and management are essential.

2. Present possibilities of monetary control. At the present time main reliance must be placed upon increased governmental and private expenditures to bring about a rise in the national income. The most important rôle of monetary control at the moment is assuring that adequate support is available whenever needed for the emergency financing involved in the recovery program.

3. Rôle of monetary control in the future. Two supremely important duties are likely to devolve upon the reserve administration in the near future. The first is assuring that a recovery does not result in an undesirable inflation. The second is assuring that a recovery is not followed by a depression.

4. Desirable changes in the administration of the Federal Reserve System. In order to endeavor, with some prospects of success, (a) to render prompt support for the emergency financing in case of need, (b) to prevent the recovery from getting out of hand, and (c) to prevent the recurrence of disastrous depressions in the future, it is, in my opinion, essential that the authority of the Federal Reserve Board should be strengthened in the following ways:

1. Complete control over the timing, character and volume of open market purchases and sales of bills and securities by the reserve banks should be conferred upon the Federal Reserve Board.

2. Governors of the individual Federal Reserve Banks should be appointed annually by their Boards of Directors subject to the approval of the Federal Reserve Board.

5. Necessity for strengthening the authority of the Federal Reserve Board. Although the Board is nominally the supreme monetary authority in this country it is generally conceded that in the past it has not played an effective rôle, and that the system has been generally dominated by the Governors of the Federal Reserve Banks. As a consequence, the Board has not commanded the respect and prestige to which its position would apparently

entitle it, nor has membership on the Board been as highly desired as it should be to attract the necessary talent. The great disparity in salaries has also contributed to this condition. This has led to the unfortunate result that banker interest, as represented by the individual Reserve Bank Governors, has prevailed over the public interest, as represented by the Board.

The relatively minor rôle played by the Board can, in my opinion, be attributed to its lack of authority to initiate open-market policy, and to the complete independence of the Reserve Bank Governors.

6. Open market operations. Far and away the most important instrument of reserve policy is the power to buy and sell securities in the open market. In this way reserves, on which deposits are based, may be given to or taken away from member banks. It is not too much to say that who possesses this power controls the banking system, and, in large measure, the supply of money.

In the present administrative organization the power to initiate open market policy rests with the reserve banks. The Federal Reserve Board possesses only the power to approve or disapprove. Thus, the effective power over money rests with the individual reserve banks and not with the Board. However much the Board may desire an energetic buying or selling policy it is powerless to initiate such a policy. On the other hand, the reserve banks' ability to carry out the policy is dependent on the Board. It should be noted that the Bank Act of 1933 effected no real change in this respect. From 1930 to 1933 the Open Market Policy Committee was composed of the twelve Federal Reserve Bank Governors. At present the Federal Open Market Committee is likewise composed of the twelve Governors and hence is dominated by the same men who were responsible for the policy followed during the depression. The Governors, by the very nature of their appointments, duties and associations, cannot help but be profoundly influenced by a narrow banking rather than a broad social point of view.

There is no reason to suppose that this administrative organization which functioned so badly in the past, will function any better in the future. The diffusion of power and responsibility, the root cause of the trouble, remains. Over one hundred individuals are responsible, in various degrees, for the formulation of policy. Obviously the more people there are who share the responsibility, the less keenly any one of them will feel any personal responsibility for the policies adopted. It is therefore almost inevitable that such a loosely knit and cumbersome body as the Federal Reserve Administration should be characterized by inertia and indecisive action generally. Moreover, a complete stalemate resulting from a disagreement of the reserve banks and the Board is always possible. To correct this condition reform must be in the direction of concentrating authority and responsibility for control into the hands of a small policy formulating body.

7. Appointment of Governors. As the System has developed the Governors, who are not even mentioned in the Act, have attained positions of major importance in influencing policy. Moreover, they are entirely independent of the Board. If the power of approval of appointments of the Reserve Bank

Governors were conferred on the Board, the possibility of lack of cooperation and friction would be obviated in the future, while the prestige of the Board would be enhanced.

8. Agitation for central banking. The adoption of these suggestions would introduce certain attributes of a real central bank capable of energetic and positive action without calling for a drastic revision of the whole Federal Reserve Act. Private ownership and local autonomy are preserved, but on really important questions of policy authority and responsibility are concentrated in the Board. Thus, effective control is obtained, while the intense opposition and criticism that greets every central bank proposal is largely avoided.

THE WHITE HOUSE  
WASHINGTON

December 11, 1934.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

With a view to personal feelings, etc., I think it would be just as well for you not to instruct Jesse Jones as you did in regard to the interest rate. He is after all the head of an independent agency. If you had told him that I had told you that I wanted the Treasury to charge the R.F.C. approximately what the Treasury has to pay for its money, that would have been enough. I know you will understand.

F. D. R.

*File  
PSF: Monaghan  
(5) (1)*

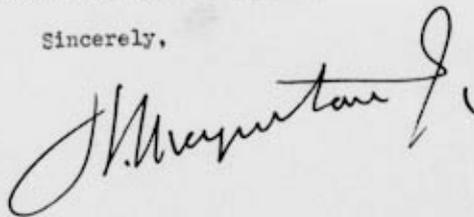
THE SECRETARY OF THE TREASURY  
WASHINGTON

December 10, 1934.

My dear Mr. President:

I am enclosing herewith for your reading  
and information a copy of my letter of  
December 7th to Honorable Jesse H. Jones of  
the Reconstruction Finance Corporation.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. M. W. [unclear]", written in dark ink.

The President,

The White House.

Enclosure.

December 7, 1934.

Dear Jesse:

I took up at Cabinet this afternoon the question of reducing the interest rate on the money that RFC borrows from the Treasury. I told the President that I was ready to reduce your interest from 3 per cent to  $2\frac{1}{2}$  per cent. He asked me what the average interest rate was that you were receiving for money loaned and I told him  $3-8/10$  per cent. He instructed me to inform you that he did not wish the RFC to have more than  $\frac{1}{2}$  per cent spread on the money which it loaned; that he wanted the RFC to reduce its average interest rate to  $3\frac{1}{2}$  per cent and wished the Treasury to charge the RFC approximately what the Treasury has to pay for its money.

I am sending a copy of my letter to you to the President.

Sincerely,

Hon. Jesse H. Jones,  
Reconstruction Finance Corp.,  
Washington, D. C.

BSF  
HMJ

MEMORANDUM

February 4, 1935.

To: The Secretary

Subject: Anti-smuggling Negotiations

British: The latest development of importance is a communication from Mr. Osborne, Counselor of the British Embassy, informing us that the London foreign office is in cable communication with the Governor of Newfoundland as to what they will see fit to do. In our reply to Mr. Osborne's communication we pointed out several important facts as follows:

(a) Landing certificates are being required on all exports from St. John's except liquor. (We had previously made this point).

(b) Landing certificates are being required on exports of liquor everywhere else in Newfoundland, except St. John's. (St. John's is the only port used by the rum boats).

(c) There is a regulation which applies to everywhere else in Newfoundland except St. John's that a boat with liquor under 200 tons is not allowed to clear. (The rum-running boats are all under 200 tons).

French: The French Ambassador informed the State Department this morning that the French Government would put a landing certificate bond, (in a substantial amount), into effect at St. Pierre on two conditions:

(1) That the British do the same thing at St. John's, Newfoundland, and

(2) That the United States Lines, in the cruises to St. John's, Newfoundland (which they are inaugurating next summer) will make St. Pierre a port of call. No reply has been made to this as yet.

Thompson  
Thompson

Pg 5  
Treas. Morg

TREASURY DEPARTMENT

Office of  
Assistant General Counsel  
for the  
Bureau of Internal Revenue

627 New Federal Building  
Pittsburgh, Pennsylvania  
February 22, 1935

Hon. Herman Oliphant  
General Counsel to the Secretary  
Treasury Department  
Washington, D. C.

My dear Mr. Oliphant:

I abandoned my plan to go to Jamestown for a rest over the week-end. The case is in such a state that pressing on now is vital, so I am putting in the week-end in intensive preparation to batter them to pieces next week.

The results to date are most satisfactory. The change in attitude of the Board members, of our own people, of the press and of the opposition is very marked. When we came here nobody took the Government's case seriously. The opposition made the mistake of being over-confident. The press was either hostile or openly skeptical. At the end of our week of waiting, the boys on the press had gotten acquainted with us, I think were convinced of our sincerity and disposed to treat us fairly. We had not overcome their feeling, however, that there was nothing to the case.

In the opening statement on Monday, I made no effort to answer the charges of persecution and announced our determination to hold this case to the issues. Hogan, of course, was more colorful and painted a persecuted man who was on the verge of giving America its greatest art institute. The first day's atmosphere was not very good. We came dangerously near being in the position of having something to hide, and when I saw the trend in that direction I waived our legal objections, which I still think were perfectly good, and let into the record the most embarrassing thing we had to face, namely, the rubber stamp which some idiot put on the letter. We closed that day with an unfavorable atmosphere.

When Mellon's financial secretary testified, Hogan made what I consider a serious mistake in tactics. He was intent on getting a headline that Mellon was a savior of Pittsburgh banks and he went ahead and had his witness testify that large sums were borrowed and handled through the subsidiaries of Coalesced to save Pittsburgh banks. Ofcourse, he got a wonderful headline in Pittsburgh but he also opened the door of cross examination

to the whole bank situation. When I started to go into it, the Board was obviously inclined to stop me and to hold that we must go into it on our direct case. It would have deferred showing our strength a couple of weeks and it would have put us to the disadvantage of calling the witness as our own. We were loaded for them, however, with page and citation of the record where Hogan had opened the door. (We are getting daily copy of the testimony.) The result was the Court ruled that we may go to the bottom of it on cross examination, and are we going?

I think there is another day at least of cross examination of Johnson, with as good material in reserve as that which we have used. After that, we are not sure what Hogan's tactics will be. He may swing to the McClintic-Marshall transaction, in order to get a breathing spell on the adverse publicity from stock transactions. He may give away another art gallery. It is now a joke around here that every time we bring out a bad point Hogan brings out a picture. I think their supply of art is about gone.

If the case were to close tonight, we would be entitled and would certainly get the tax, a fraud penalty of fifty per cent and probably in addition a delinquency penalty of twenty-five per cent because no valid return was ever filed.

From the beginning, I have tried to put myself in the other man's place and see what could be done to break down the Government's case. There is no hope left that I could see except that Mellon take the stand, play the part of an aged and more or less disinterested man who left his affairs to subordinates, hopes they have done no wrong and if there is any tax due say he is ready to pay it. This might save the fraud penalty, and they are laying some foundation for that plan. I am laying some plans to demolish such a claim if it is made.

I do not know whether they will be foolish enough to persist in their claim of political persecution. This claim, which brought him so much sympathy at first, is rather ridiculous now. I am not a bit alarmed about any claims they can make.

I notice a very marked difference in the attitude of the press. I have been entirely frank and honest with the fellows who are covering the case and they have certainly played square with us. They are convinced that we know where we are going, and I think the change in atmosphere is well illustrated by the New York Times. Strangely enough, the Hearst papers are giving us a splendid break here, saying today that the score for the week is all with the Government.

Hon. Herman Oliphant

-3-

This has been a tough assignment from the beginning. We have had to take an awful lot of "gaff." It was a mighty uncomfortable week getting ready, and the first two or three days to face the incredulity of this entire gang and keep up a cheerful and confident attitude has not been easy. If we no more than held our own during the rest of the trial, we would retire from the field without discredit to the Treasury Department. I feel sure, however, that we will crash through with an even better score, as the weeks roll on.

It is hard work but great fun, and the knowledge that you and the Secretary are with us through thick and thin was, at times, about the only thing we had to fall back on.

I think you may depend on the New York Times from now on for an accurate, intelligent and disinterested account. Daniel is a very intelligent reporter and our relations are very friendly.

With best regards, I am

Very sincerely yours

(Signed) Bob

Copy

*file  
personal*

*PSF  
file  
myself  
(5) (1)*

THE SECRETARY OF THE TREASURY  
WASHINGTON

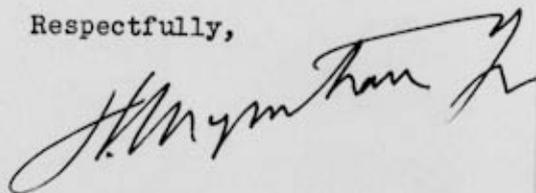
February 25, 1935.

Dear Mr. President:

I am enclosing herewith photostat copy of a letter which I have to-day received from Mr. Osborne in regard to the Newfoundland situation.

I am also enclosing a copy of a letter from Robert Jackson in regard to the Mellon case. I thought you might like to see both of these letters.

Respectfully,



The President,

The White House.

Enclosures.

BRITISH EMBASSY,  
WASHINGTON.

25th February, 1935

Dear Mr. Secretary,

I am pleased to be able to inform you that we are now authorised to advise you that action is being taken by the Government of Newfoundland which will ensure: (A) that clearance for "the high seas" with exports of liquor be prohibited, (B) that no liquor may be exported from St. John's in a vessel of less than 200 tons (this prohibition already applies in regard to other Newfoundland ports), and (C) that a bond be required in respect of liquor exported from, or transhipped in, Newfoundland, whether in the case of St. John's or other ports of Newfoundland.

Believe me,

Dear Mr. Secretary,

Yours very sincerely,

*D. G. O'Connell*

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

1935

PRESIDENT'S COPY

RSF HMP

RECEIVED

Private  
File

India

"Mangamthan"

---

This was an emergency entry for  
possible use on my Nonmahal trip  
March 26 - April 7<sup>th</sup> 1935

JBR

Y

MEMORANDUM

The attached documents are lettered from A to E. All but E require the President's approval, which you can get now, leaving the date blank. You can then take all of them with you and sign them if and when required, or sign them and leave them with Coolidge with instructions for him to date and issue them when you telegraph or telephone him to do so. This instruction to Coolidge follows the plan we used in nationalizing silver and is Document A, attached.

The other attached documents are as follows:

- B. Amendment to Gold Reserve Act Regulations, authorizing the Secretary of the Treasury to suspend or restrict the authority of the mints to purchase imported gold.
- C. Letter to the President asking for notation of his approval at the foot thereof to either or both of the following:
  - 1. Discontinuing or suspending purchases of gold; or changing the purchase price of gold.
  - 2. Discontinuing or suspending sales of gold; or changing sales price of gold.
- D. Letter to the President requesting his approval to an authorization to the Federal Reserve Bank of New York to purchase and sell for the account of the Stabilization Fund, at home or abroad, gold bullion and gold coin other than United States gold coin.
- E. Amendment to Regulations of November 12, 1934, under foreign exchange Executive Order of January 15, 1934. The amendment restores the restrictions in effect before November 12 except for transactions under \$100 during any 7-day period.



THE SECRETARY OF THE TREASURY  
WASHINGTON

A.

Dear Mr. Coolidge:

There are attached hereto the following documents:

- "B." A draft of amendment to the Provisional Regulations issued under the Gold Reserve Act of 1934, authorizing the Secretary of the Treasury to suspend or restrict the authority of the mints to purchase imported gold; and
- "E." A draft of amendment to the Regulations of November 12, 1934, issued under the Executive Order of January 15, 1934, Regulating Transactions in Foreign Exchange, Transfers of Credit, and the Export of Coin and Currency.

These documents have been approved by the President. I have signed each of the documents subject to the condition that each one shall bear the date of, and become effective on, the day on which you deliver them as herein provided. You are authorized to deliver each of the documents when, in your judgment, the public interest requires that the amendments therein contained should become effective; and, it is understood that you will deliver the documents or one of them in accordance with advice communicated to you from me.

Delivery shall be made by dating the document the date it is to become effective and filing the document so dated in the official files of the Treasury Department.

Faithfully yours,

HENRY MORGENTHAU, JR.,  
Secretary of the Treasury.

Hon. T. J. Coolidge,

Under Secretary of the Treasury.

Enclosures.

B.

TREASURY DEPARTMENT,  
Office of the Secretary.

\_\_\_\_\_, 1935.

AMENDMENT TO PROVISIONAL REGULATIONS

Issued under the  
GOLD RESERVE ACT OF 1934.

The Provisional Regulations issued on January 30, 1934, under the Gold Reserve Act of 1934, as amended, are further amended in Section 35 by substituting a semicolon for the period at the end thereof and adding the following:

"And provided further, That the authority of the Mints to purchase gold imported into the United States may be withdrawn, suspended, or restricted at any time by the Secretary of the Treasury without notice other than by notice of such withdrawal, suspension, or restriction mailed or telegraphed to the Mints."

HENRY MORGENTHAU, JR.,  
Secretary of the Treasury.

APPROVED:

FRANKLIN D. ROOSEVELT.



THE SECRETARY OF THE TREASURY  
WASHINGTON

C.

The President,

The White House.

Dear Mr. President:

On January 31, 1934, with your approval, I issued statements announcing that I would, until further notice, buy imported gold at \$35 an ounce (less 1/4 of 1%), and sell gold for export to foreign central banks at \$35 an ounce (plus 1/4 of 1%). Sections 3700 and 3699 of the Revised Statutes, as amended by the Gold Reserve Act of 1934, authorized these purchases and sales at rates and on terms and conditions deemed by the Secretary of the Treasury most advantageous to the public interest. It is possible that there may be disturbances in the foreign exchange markets such that the public interest will require (1) alterations in the rates, terms, and conditions under which such purchases and sales are made, or (2) the discontinuance or suspension of some or all of such purchases and sales.

If you approve of such discontinuance or suspension or alteration in the rates, terms, and conditions of some or all of these purchases or sales as the Secretary of the Treasury deems most advantageous to the public interest, I shall appreciate it if you will signify such approval by signature of the notation at the foot of this letter.

Faithfully yours,

HENRY MORGENTHAU, JR.,  
Secretary of the Treasury.

APPROVED:

FRANKLIN D. ROOSEVELT.



THE SECRETARY OF THE TREASURY  
WASHINGTON

D.

My dear Mr. President:

On September 4, 1934, with your approval, I authorized the Federal Reserve Bank of New York, as fiscal agent of the United States, to purchase or sell, or agree to purchase or sell, at home or abroad, for the account of the Stabilization Fund established in Section 10 of the Gold Reserve Act of 1934, foreign exchange (including foreign coins and currencies and/or coins or bullion into which the same may be convertible) for present or future delivery. A copy of this letter of authorization is attached. In order that there may be no question of the authority of such bank to purchase or sell, at home or abroad, gold bullion and gold coins (other than United States gold coins situated in the United States or exported therefrom contrary to law) I propose to send to the Federal Reserve Bank of New York a letter confirming its authority to make such purchases and sales. The proposed letter is attached.

If the proposed letter and the purchases and sales therein authorized to be made or agreed to meet with your approval, I should appreciate it if you would signify such approval by signing the notation at the foot hereof.

Faithfully yours,

HENRY MORGENTHAU, Jr.,  
Secretary of the Treasury.

APPROVED:

FRANKLIN D. ROOSEVELT.

September 4, 1934.

Gentlemen:

CONFIDENTIAL: This letter is not to be shown to, or referred to in paraphrase for, any one but the officers of the Federal Reserve Bank of New York and the Federal Reserve Board.

Pursuant to the authority vested in the Secretary of the Treasury by Section 10 of the Gold Reserve Act of 1934, for the purpose of stabilizing the exchange value of the dollar, I hereby authorize and request you, as fiscal agent of the United States, acting directly or through such agency or agencies as you may from time to time select, to deal in foreign exchange for the account of the fund established in said Section 10 (herein referred to as the "Fund"), as follows:

To purchase or sell, or agree to purchase or sell, at home or abroad, for account of the Fund, foreign exchange (including foreign coins and currencies and/or the coins or bullion into which the same may be convertible) for present or future delivery. The kinds of such foreign exchange to be purchased or sold, or agreed to be purchased or sold, the rates at which such purchases and sales are to be made or agreed to, and the maximum amounts to be purchased or sold within designated times and at designated places, will be specifically authorized from time to time by the Secretary of the Treasury and

advised to you by the Secretary of the Treasury or on his behalf by an official of the Treasury designated for that purpose by the Secretary of the Treasury. The giving of each such specific authorization and advice shall constitute a determination that the transactions specifically authorized therein are authorized under Section 10 of the Gold Reserve Act of 1934.

Effective until further notice, I have designated the Under Secretary of the Treasury, Thomas Jefferson Coolidge, as such official of the Treasury who may advise of specific authorizations in my behalf under this letter.

It is agreed that in consideration of your acting in accordance with this authorization:

- (1) The Secretary of the Treasury will provide you (for yourselves and any agency or agencies you select hereunder) with
  - (a) funds in United States dollars equal to the total of the purchase price of all foreign exchange purchased or agreed to be purchased in accordance with this authorization;
  - (b) foreign exchange as required to fulfill commitments, contracts, and agreements, for the sale of foreign exchange made in accordance with this authorization; and
  - (c) all out-of-pocket or other necessary expenses, and customary charges (including, where loss of interest is sustained, debit interest at rates current at the place where such loss is sustained), incurred by you, or by any agency or agencies selected by you hereunder, in connection with transactions authorized hereunder;

(2) You are authorized, as fiscal agent of the United States, to pay or agree to pay to yourselves, and to any agency or agencies you may have from time to time selected hereunder, the funds referred to in subparagraph (1)(a) above, the foreign exchange referred to in subparagraph (1)(b) above, and the expenses and charges referred to in subparagraph (1)(c) above; and to charge the amounts so paid to the account on your books designated "Secretary of the Treasury Special Account";

(3) No liability will be incurred by you in connection with any acts, arrangements, or agreements entered into or performed in accordance with this authorization, except for your own negligence;

(4) Enclosed is a form of letter which has been approved by the Secretary of the Treasury, and which you, as fiscal agent of the United States, are authorized to write to each of the agencies selected by you to carry out transactions authorized by this letter and by specific authorizations received by you hereunder. You are also authorized to advise each such agency that it may rely upon the agreements made by you as fiscal agent of the United States in this form of letter and the specific authorizations given by you thereunder, as binding upon the United States;

(5) You are authorized, as fiscal agent of the United States, to agree with every agency selected by you hereunder, in consideration of its acting in accordance with your authorization to it, that no liability will be incurred by it in connection with any acts, arrangements,

or agreements entered into or performed in accordance with your authorization to it granted in accordance herewith, except for its own negligence;

(6) You are authorized, as fiscal agent of the United States, to pay or agree to pay to any agency selected by you hereunder a commission of not in excess of .00125¢ per French franc and .005¢ per Dutch guilder and Belgian belga, on all purchases and sales of, or agreements to purchase or sell, foreign exchange made under this authorization through such agency (which commissions will be in addition to any reasonable and customary commissions paid through such agency to brokers for the execution of such purchases or sales); and

(7) You are further authorized to make such incidental arrangements or agreements with any such agency as may be necessary or reasonable in connection with the purchases or sales or agreements to purchase or sell herein authorized and requested to be made.

The operations authorized by this letter have been approved by the President.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Federal Reserve Bank of New York,

New York, New York.

Enclosure.

APPROVED:

(Signed) Franklin D. Roosevelt.

THE WHITE HOUSE

SEPTEMBER 21, 1954.

JGL:es



THE SECRETARY OF THE TREASURY  
WASHINGTON

CONFIDENTIAL: This letter is not to be shown to, or referred to in paraphrase for, any one but the officers of the Federal Reserve Bank of New York and the Federal Reserve Board.

Gentlemen:

Reference is made to my letter to you of September 4, 1934. The authority therein conferred related expressly to "foreign exchange (including foreign coins and currencies and/or the coins or bullion into which the same may be convertible)". This will confirm that such authority includes authority to purchase or sell or agree to purchase or sell, at home or abroad, for account of the fund established in Section 10 of the Gold Reserve Act of 1934, gold coins and gold bullion. Accordingly, wherever the term "foreign exchange" appears in that letter, it shall be construed to include such gold coin or gold bullion, whether acquired at home or abroad. This authority does not include, however, the sale of any United States gold coin or the purchase of United States gold coin situated in the United States or exported therefrom contrary to law.

This confirmation meets with the approval of the President.

Very truly yours,

Secretary of the Treasury.

Federal Reserve Bank of New York,  
New York, New York.

TREASURY DEPARTMENT,  
Office of the Secretary.  
, 1935.

## REGULATIONS

Amending the Regulations of November 12, 1934, Relating  
to Transactions in Foreign Exchange, Transfers of  
Credit, and the Export of Coin and Currency.

Article 2 of the Regulations of November 12, 1934, Relating to  
Transactions in Foreign Exchange, Transfers of Credit, and the Export  
of Coin and Currency, and the general license therein granted are  
amended to read as follows:

"Article 2. Licenses may be granted, and a general license is hereby granted, to all individuals, partnerships, associations, and corporations, authorizing any and all transactions in foreign exchange, transfers of credit, and exports of currency (other than gold certificates) and silver coin, involving amounts not exceeding in the aggregate \$100 in any seven-day period for the account of any one individual, partnership, association, or corporation or by any one individual, partnership, association, or corporation acting, directly or through an agent or agency, for the account of himself or itself. The general license herein granted authorizes transactions to be carried out and exports to be made within the maximum amounts herein provided which are permitted by the Executive Order of January 15, 1934, under license therefor issued pursuant to such Executive Order; but does not authorize any transaction to be carried out which, at the time, is prohibited by any other order or by any law, ruling, or regulation."

The regulations of November 12, 1934, and the general license therein granted, as amended, may be modified or revoked at any time.

H. MORGENTHAU, JR.,  
Secretary of the Treasury.

APPROVED:

FRANKLIN D. ROOSEVELT.

*PSF: Morgenthau*

THE WHITE HOUSE  
WASHINGTON

CONFIDENTIAL

Hyde Park, N. Y.  
June 10, 1935.

*file 7*

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

Will you speak to me about  
this at your convenience?

F. D. R.

Letter from Miss Mary W. Dewson to Mrs. Roosevelt in re Miss Vining of the Federal Housing Administration. Miss Dewson recommends Miss Lavinia Engle for this position. Attaches report on conditions in F.H.A.

PSF  
THE WHITE HOUSE  
WASHINGTON

PRIVATE [REDACTED]

June 19, 1935.

By Deputy Archivist of the U.S.

MEMORANDUM FOR

By H. J. Stewart Date

MAR 10 1972

THE SECRETARY OF THE TREASURY

Two or three days ago the Secretary of the Interior gave me a memorandum from Mr. Glavis stating that he had received information alleging irregularities in the construction of the San Jose Post Office. As this building is constructed wholly from Treasury funds and by the Procurement Division, I asked the Secretary of the Interior whether Mr. Glavis was investigating the work of another Department.

The Secretary of the Interior now informs me that neither Mr. Glavis nor any member of his staff made any investigation of this Post Office construction but that the information was given to him voluntarily but in confidence. It, therefore, appears that Mr. Glavis was conforming strictly to the previous directions to confine his work to the Interior Department and that he was doing the right thing in passing this information on to the Treasury Department.

Will you, therefore, have the matter looked into?

F. D. R.

THE WHITE HOUSE  
WASHINGTON

June 19, 1935.

MEMORANDUM FOR

THE SECRETARY OF THE INTERIOR

Your note of June eighteenth wholly clears up the matter of Mr. Glavis' memorandum in reference to the San Jose Post Office. All I wanted to be sure of was that Mr. Glavis' office is not investigating matters relating to other Departments.

The fact, as stated, that the information was given him voluntarily makes it all right. This being so, and it being clear that Mr. Glavis undertook no investigation of another Department's work, there is no reason why he should disclose the source of his information.

F. D. R.

RECEIVED BY THE DIRECTOR  
FOR ATTENTION

JAN 20 1952

RECEIVED  
THE PUBLIC NOTICE

REASURY DEPARTMENT  
OFFICE OF THE SECRETARY

EXPEDITE

*"file  
Rosen"*

U. S. GOVERNMENT PRINTING OFFICE: 1952 O-10774

EXBEI  
REVENUE DEPT

THE SECRETARY OF THE TREASURY  
WASHINGTON

June 24, 1935.

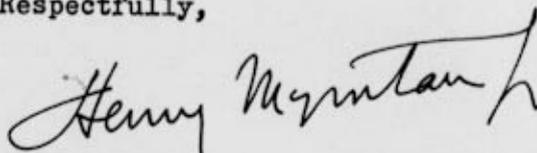
My dear Mr. President:

I am sending you herewith, with reluctance and only after you insisted that I do so, photostats of three memoranda:

- (1) Your memorandum to me of June 19th.
- (2) My memorandum to Harold Ickes, and
- (3) His answer to me.

Inasmuch as Ickes' organization has raised a question about graft in connection with the post office at San Jose, I naturally want to get to the bottom of any charges and, therefore, would appreciate your securing for me a photostatic copy of Glavis memorandum that has to do with alleged graft at the San Jose post office.

Respectfully,



The President,

The White House.



THE SECRETARY OF THE INTERIOR  
WASHINGTON

June 21, 1935.

My dear Mr. Secretary:

I have your letter of June 20. If there has been any lack of courtesy relating to the matter concerning which you write, it is contained in your letter to me and not in anything that I have done or neglected to do with respect to you. This is not the first occasion when you have assumed the right to address me discourteously.

I do not understand why you should have thought that there was any obligation on my part to send you a photostatic copy of Mr. Glavis' memorandum with reference to the San Jose, California, post office, or that I should have known that you would want a copy. I reported the incident to the President and in doing so I felt that I had done my full duty except to carry out whatever orders he might choose to give me. Since he gave me no order, I consider the incident closed so far as I am concerned.

Sincerely yours,

*Harold I. Peters*

Secretary of the Interior.

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

June 20, 1935.

My dear Mr. Secretary:

The President has sent me a memorandum dated June 19th which says in part:

"Two or three days ago the Secretary of the Interior gave me a memorandum from Mr. Glavis stating that he had received information alleging irregularities in the construction of the San Jose Post Office.

"Will you, therefore, have the matter looked into?"

To date you have not done me the courtesy of sending me a copy of this memorandum.

As I am leaving this afternoon, to be gone the balance of the week, I would appreciate it if you could send me, before Cabinet, a photostat copy of Mr. Glavis' memorandum in order that I may have the alleged irregularities looked into promptly.

Sincerely,

The Honorable

The Secretary of the Interior.

THE WHITE HOUSE

WASHINGTON

PRIVATE

June 19, 1935.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

"Two or three days ago the Secretary of the Interior gave me a memorandum from Mr. Glavis stating that he had received information alleging irregularities in the construction of the San Jose Post Office." As this building is constructed wholly from Treasury funds and by the Procurement Division, I asked the Secretary of the Interior whether Mr. Glavis was investigating the work of another Department.

The Secretary of the Interior now informs me that neither Mr. Glavis nor any member of his staff made any investigation of this Post Office construction but that the information was given to him voluntarily but in confidence. It, therefore, appears that Mr. Glavis was conforming strictly to the previous directions to confine his work to the Interior Department and that he was doing the right thing in passing this information on to the Treasury Department.

"Will you, therefore, have the matter looked into?"

*FDR*

F. D. R.



THE SECRETARY OF THE TREASURY  
WASHINGTON

August 6, 1935

*cf*  
*PSF*  
*H.M.P.*

*Jr.*  
*:6*

My dear Mr. President:

For your information, I am sending herewith a statement of allocations for certain projects under the \$4,000,000,000 relief appropriation. I would like to point out the following facts:

- (1) Total allocations for these projects amount to \$1,220,000,000;
- (2) To complete these projects it will take an additional \$671,000,000;
- (3) Out of the total sum allocated, it has been estimated by the Treasury that \$655,000,000 will be spent in the fiscal year 1936 and \$565,000,000 will be spent after June 30, 1936.

Faithfully yours,

*Henry M. Vincent*

TABLE 1  
WORKS PROGRAM ALLOTMENTS TO JUNE 1, 1935

ITEM	DESCRIPTION	DISTRIBUTION OF FUNDS	EMPLOYMENT	AVERAGE TOTAL COST PER PERSON
TOTAL APPROPRIATION		\$4,800,000,000	3,500,000	\$ 1,390
ESTIMATED REDUCTIONS FROM THIS APPROPRIATION TO JULY 1, 1935	SEE FOOTNOTE 1/	945,000,000 1/		
AVAILABLE FOR FISCAL YEAR, 1935		3,934,391,000	3,500,000	1,120
ASSUMING \$200,000,000 FOR RURAL RESETTLEMENT AND \$300,000,000 FOR RELIEF IN FISCAL YEAR 1935		500,000,000		
AMOUNT REMAINING FOR WORKS PROGRAM		3,434,391,000	3,500,000	980
AMOUNTS ALREADY ALLOTTED OR AGREED TO				
CCC, FISCAL YEAR 1935	INCLUDES \$120,000,000 TO BE USED IN PREPARATION FOR NEW CAMPS. EMPLOYMENT REPRESENTS PLACEMENTS AND ADEP STRENGTH OF JUNIORS, VETERANS, AND LOCAL MEN			
HIGHWAYS AND GRADE CROSSINGS	IMPROVED BY PRESIDENT	\$720,000,000	328,570	\$1,200 2/
ARMY	\$107,186,500 APPROVED BY PRESIDENT PLUS \$5,000,000 RECOMMENDED BY ADVISORY COMMITTEE	400,000,000	248,210	1,610
NAVY	APPROVED BY PRESIDENT	112,186,500	50,847	2,210
INTERIOR	APPROVED BY PRESIDENT	8,410,000	7,373	1,170
AGRICULTURE	FOREST SERVICE AND BUREAU OF ENTOMOLOGY, APPROVED BY PRESIDENT	5,446,500	1,287	4,260
NON-FEDERAL, FWA	RECOMMENDED BY ADVISORY COMMITTEE	750,000	670	1,120
TOTAL ALLOTTED OR AGREED TO	EXCLUDES \$249,880,000 FOR HOUSING AND \$100,000,000 FOR WISCONSIN	1,270,158,800	649,361	1,960
AMOUNT REMAINING FOR BALANCE OF WORKS PROGRAM		2,164,232,200	2,850,739	760

FOOTNOTES

1/ \$945,000,000 ARRIVES AT AS FOLLOWS:

GENERAL REDUCTIONS

FARM CREDIT ADMINISTRATION  
RELIEF FISCAL YEAR 1935  
CCC, FISCAL YEAR 1935

HIGHWAYS

ADMINISTRATIVE ALLOTMENTS  
TOTAL, GENERAL REDUCTION  
AMOUNT CHARGED TO OTHER APPROPRIATIONS

ESTIMATED REDUCTIONS FROM THIS APPROPRIATION TO JULY 1, 1935

SEED LOANS

INCLUDES \$140,000,000 FOR JUNE  
EXCLUDES \$100,000,000 TO BE USED IN PREPARATION FOR NEW ENROLLMENT  
COST OF THESE FUNDS HAVE BEEN OBLIGATED AND THE 48% IS ALREADY UNDER WAY

CHARGED TO IMPROVED FUNDS NOT INCLUDED IN \$4,800,000,000

\$40,000,000  
722,000,000  
10,004,000  
100,000,000  
6,125,000  
940,000,000  
45,000,000  
945,000,000

2/ TOTAL COST PER ENROLLEE FOR 600,000 ENROLLEES.

TABLE 2

CONFIDENTIAL

## AMOUNT AVAILABLE FOR WORKS PROGRAM, FISCAL YEAR 1936

EXCLUDING AN ASSUMED \$200,000,000 FOR RURAL RESETTLEMENT AND \$300,000,000 FOR RELIEF

BY STATES

	QUOTA FOR WORKS PROGRAM BASED ON CASES RECEIVING RELIEF AND CASE RATES <sup>1/</sup>			ALLOCATIONS OR AGREEMENTS TO JUNE 1 FOR WORKS PROGRAM <sup>2/</sup>			REMAINDER AVAILABLE FOR BALANCE OF WORKS PROGRAM <sup>3/</sup>		
	AMOUNTS	PERSONS	AVERAGE AMOUNT PER PERSON	AMOUNTS	PERSONS	AVERAGE AMOUNT PER PERSON	AMOUNTS	PERSONS	AVERAGE AMOUNT PER PERSON
UNITED STATES	\$1,434,391,000 <sup>4/</sup>	3,500,000	\$ 390	41,270,158,910	645,261	\$ 1,160	\$7,164,232,200	2,050,739	\$ 760
ALABAMA	33,875,300	44,500	761	22,627,700	12,404	1,824	11,247,600	32,056	350
ARIZONA	13,999,100	14,500	966	7,065,900	3,489	2,025	6,933,900	11,011	630
ARKANSAS	34,079,100	45,500	749	18,045,100	10,114	1,788	15,993,000	35,376	452
CALIFORNIA	213,421,000	194,500	1,097	1,283,800	19,204	7,611	163,137,100	175,296	931
COLORADO	47,667,000	42,000	1,102	13,466,800	6,011	2,240	26,601,600	35,989	795
CONNECTICUT	37,754,200	34,400	1,098	11,319,900	5,767	1,963	26,444,300	28,633	924
DELAWARE	3,711,800	3,700	1,003	5,132,500	3,330	1,541	-1,420,700	370	-
DIST. OF COL.	17,126,700	17,100	1,002	4,460,300	2,470	1,814	12,646,400	14,630	864
FLORIDA	34,262,300	45,000	761	21,059,000	12,682	1,727	12,364,300	32,318	383
GEORGIA	39,928,000	51,300	749	25,914,900	14,146	1,835	13,963,100	39,152	357
IDAHO	11,740,400	12,800	917	6,700,700	3,459	1,937	5,039,700	9,341	540
ILLINOIS	261,193,300	249,000	1,047	70,853,400	37,227	2,011	190,336,100	213,773	891
INDIANA	98,332,300	94,800	1,037	28,572,400	14,700	1,944	69,759,900	80,100	871
IOWA	39,343,500	44,100	890	29,527,300	12,829	2,302	8,816,200	31,271	282
KANSAS	44,405,200	53,300	833	23,751,200	12,625	1,854	20,654,000	40,475	510
KENTUCKY	31,375,400	44,000	713	22,700,700	12,497	1,816	8,674,700	31,503	275
LOUISIANA	32,454,100	40,100	809	19,873,900	8,241	1,920	16,630,200	31,859	522
MAINE	11,603,600	12,400	932	16,893,700	10,308	1,636	-5,060,100	2,092	-
MARYLAND	35,179,100	35,900	953	14,445,000	7,771	1,859	20,732,100	29,129	712
MASSACHUSETTS	155,745,100	140,400	1,109	40,036,700	21,053	1,902	115,708,400	119,347	969
MICHIGAN	145,123,500	139,300	1,049	42,772,600	20,367	1,623	102,340,900	111,933	914
MINNESOTA	78,699,000	81,500	966	32,352,600	12,945	2,499	46,346,400	67,555	680
MISSISSIPPI	25,399,400	37,500	677	17,739,000	9,263	1,780	7,659,400	27,237	278
MISSOURI	102,054,500	119,000	857	43,495,600	23,208	1,874	58,558,700	95,792	611
MONTANA	15,707,600	16,700	941	24,998,700	13,065	1,913	-9,290,900	3,635	-
NEBRASKA	30,910,000	35,600	870	17,247,200	8,433	2,045	13,713,700	27,167	505
NEVADA	2,707,500	3,000	903	3,730,300	2,035	1,472	-1,022,800	465	-
NEW HAMPSHIRE	9,535,400	9,300	1,025	107,700	7,225	1,711	9,727,700	7,075	810
NEW JERSEY	141,632,600	130,500	1,085	33,608,600	16,575	2,036	108,024,000	113,995	948
NEW MEXICO	16,953,100	18,500	916	7,836,700	3,966	1,960	9,116,400	14,514	628
NEW YORK	465,016,900	419,300	1,109	118,459,700	64,520	1,836	346,554,200	354,780	977
NORTH CAROLINA	25,381,000	35,600	713	24,164,100	12,025	2,011	1,216,900	23,575	51
NORTH DAKOTA	11,424,000	14,100	810	11,166,700	5,509	2,027	255,300	6,591	30
OHIO	266,325,200	249,500	1,069	61,371,000	33,181	1,849	204,954,300	212,317	966
OKLAHOMA	51,732,400	71,300	726	27,225,400	15,072	1,798	24,507,000	55,728	440
OREGON	25,374,000	28,000	906	10,412,800	4,917	2,120	15,961,200	23,088	691
PENNSYLVANIA	374,656,700	353,100	1,061	88,921,900	50,327	1,767	285,724,900	302,773	944
RHODE ISLAND	15,595,900	14,400	1,110	5,166,900	2,162	2,018	10,417,000	11,836	914
SOUTH CAROLINA	27,014,400	36,500	742	17,211,000	9,019	1,723	9,803,400	20,511	344
SOUTH DAKOTA	22,818,700	26,600	798	13,065,900	5,270	2,479	9,752,800	23,330	418
TENNESSEE	24,407,900	33,100	737	20,694,400	11,339	1,825	3,713,500	21,762	171
TEXAS	110,024,900	153,900	715	71,400,900	33,819	2,318	40,624,000	120,081	338
UTAH	21,772,800	27,000	806	6,935,900	2,092	2,310	14,836,900	19,008	781
VERMONT	5,938,800	6,300	943	3,094,200	1,963	1,576	2,844,600	4,337	656
VIRGINIA	19,654,100	28,000	702	17,466,900	8,157	2,144	2,187,200	19,843	109
WASHINGTON	47,666,300	44,900	1,062	16,531,200	7,106	2,325	31,135,100	37,791	824
WEST VIRGINIA	56,434,200	59,700	945	24,101,300	12,767	1,888	32,322,900	46,933	689
WISCONSIN	67,966,000	85,800	1,026	32,127,000	14,856	2,163	35,839,000	70,944	707
WYOMING	5,237,900	5,700	919	4,710,000	2,771	1,726	458,900	2,930	157

<sup>1/</sup> BASED ON AVERAGE CASE LOAD LESS FARM OPERATORS FOR JANUARY, FEBRUARY, MARCH, 1935. INCLUDES 311,576,200 AND 1,000 MEN NOT DISTRIBUTED BY STATES.<sup>2/</sup> DETAILS SHOWN ON TABLES 3 AND 4. 2249,860,000 FOR HOUSING AND 100,000,000 FOR FISHERIES EXCLUDED; 11,576,200, NOT DISTRIBUTED BY STATES, INCLUDED IN TOTAL.<sup>3/</sup> SEE TABLE 1. REPRESENTS \$4,880,000,000 LESS \$945,609,000 ESTIMATED DEDUCTIONS FOR FISCAL YEAR 1935, \$200,000,000 FOR RURAL RESETTLEMENT AND \$300,000,000 FOR RELIEF IN FISCAL YEAR 1936.<sup>4/</sup> TOTALS INCLUDE \$1,576,200 AND 1,560 MEN NOT DISTRIBUTED BY STATES.

TABLE 2

AMOUNTS ALLOTTED OR AGREED TO FOR WORKS PROGRAM, TO JUNE 1, 1935

EXCLUDING \$246,860,000 FOR HOUSING AND \$100,000,000 FOR WISCONSIN, RECOMMENDED BY ADVISORY COMMITTEE

STATE	TOTAL	CCC	HIGHWAYS AND GRADE CROSSINGS	ARMY	NAVY	INTERIOR	Non- FEDERAL P&A	AGRICULTURE
UNITED STATES	\$1,270,158,000 <sup>1/</sup>	\$720,000,000 <sup>2/</sup>	\$400,000,000	\$112,166,500	\$6,610,600	\$5,446,500	\$23,165,200	\$750,000
ALABAMA	22,627,700	14,400,000	6,185,700	42,000	-	-	-	-
ARIZONA	7,065,500	3,240,000	3,625,500	-	-	-	-	-
ARKANSAS	16,086,100	11,160,000	6,926,100	-	-	-	-	-
CALIFORNIA	50,283,400	30,960,000	15,234,200	2,100,000	1,289,600	-	-	-
COLORADO	13,466,800	7,440,000	6,026,800	-	-	-	-	-
CONNECTICUT	11,319,500	7,920,000	3,131,400	75,000	30,000	-	163,500	-
DELAWARE	5,132,500	1,080,000	1,316,500	2,734,000	-	-	-	-
DISTRICT OF COLUMBIA	4,480,300	3,120,000	1,360,300	-	-	-	-	-
FLORIDA	21,419,000	12,000,000	5,425,000	4,474,000	-	-	-	-
GEORGIA	25,964,900	16,080,000	6,684,900	-	-	-	-	-
IDAHO	6,700,700	2,760,000	3,697,200	-	-	-	43,500	-
ILLINOIS	70,853,400	45,960,000	19,001,000	5,525,000	-	-	367,000	-
INDIANA	28,572,400	16,120,000	10,052,400	-	-	-	400,000	-
IOWA	29,527,300	11,400,000	10,592,300	7,500,000	-	-	35,000	-
KANSAS	23,781,200	11,040,000	10,241,200	2,500,000	-	-	-	-
KENTUCKY	22,700,700	15,240,000	7,398,700	-	-	-	62,000	-
LOUISIANA	15,823,900	9,720,000	6,103,900	-	-	-	-	-
MAINE	16,863,700	3,720,000	3,103,700	10,040,000	-	-	-	-
MARYLAND	14,446,000	8,040,000	3,812,500	2,993,500	-	-	-	-
MASSACHUSETTS	40,036,700	25,560,000	7,473,700	5,650,000	1,307,000	-	-	-
MICHIGAN	42,782,600	29,400,000	13,066,600	295,000	-	-	21,000	-
MINNESOTA	32,352,600	16,460,000	10,672,600	5,000,000	-	-	-	-
MISSISSIPPI	17,739,000	11,040,000	6,699,000	-	-	-	-	-
MISSOURI	43,495,800	21,600,000	12,154,800	6,684,000	-	-	57,000	-
MONTANA	24,558,700	3,600,000	6,398,700	15,000,000	-	-	-	-
NEBRASKA	17,247,200	7,320,000	7,427,200	2,500,000	-	-	-	-
NEVADA	3,730,300	600,000	3,130,300	-	-	-	-	-
NEW HAMPSHIRE	3,807,700	2,040,000	1,767,700	-	-	-	-	-
NEW JERSEY	33,608,600	23,640,000	7,113,600	2,843,000	12,000	-	-	-
NEW MEXICO	7,836,700	3,240,000	4,596,700	-	-	-	-	-
NEW YORK	116,456,700	75,480,000	24,623,700	6,420,000	3,301,000	-	6,545,000	-
NORTH CAROLINA	24,184,100	14,640,000	9,544,100	-	-	-	-	-
NORTH DAKOTA	11,166,700	5,040,000	6,074,700	-	-	-	54,000	-
OHIO	61,374,000	42,720,000	16,110,800	2,500,000	-	-	40,200	-
OKLAHOMA	27,225,400	17,640,000	9,565,400	-	-	-	-	-
OREGON	10,412,800	5,040,000	5,372,800	-	-	-	-	-
PENNSYLVANIA	88,526,900	58,440,000	20,831,500	7,650,000	1,464,000	-	223,400	-
RHODE ISLAND	5,166,900	3,480,000	1,686,900	-	-	-	-	-
SOUTH CAROLINA	17,211,000	11,260,000	5,762,000	168,000	-	-	-	-
SOUTH DAKOTA	13,065,500	6,640,000	6,225,500	-	-	-	-	-
TENNESSEE	20,696,400	12,600,000	8,096,400	-	-	-	-	-
TEXAS	78,400,900	35,520,000	22,645,300	-	-	5,000,000	15,035,600	-
UTAH	6,935,900	3,600,000	3,297,900	-	-	-	38,000	-
VERMONT	3,094,200	1,440,000	1,654,200	-	-	-	-	-
VIRGINIA	17,486,900	9,960,000	7,426,900	100,000	-	-	-	-
WASHINGTON	16,531,200	8,520,000	6,121,200	757,000	1,057,000	-	36,000	-
WEST VIRGINIA	24,101,300	11,640,000	4,909,300	7,506,000	-	-	44,000	-
WISCONSIN	32,127,600	16,800,000	9,646,600	5,481,000	-	-	-	-
WYOMING	4,760,000	1,200,000	3,560,000	-	-	-	-	-

<sup>1/</sup> INCLUDES \$11,576,200 NOT ALLOTTED TO STATES MADE UP OF  
 \$750,000 ALLOTTED TO DEPARTMENT OF AGRICULTURE  
 \$446,500 TO ALASKA THROUGH DEPARTMENT OF THE INTERIOR  
 \$1,376,700 TO HAWAII FOR HIGHWAYS, AND  
 \$5,000,000 FOR HIGHWAY ENGINEERING AND ADMINISTRATIVE EXPENSE

<sup>2/</sup> \$720,000,000 DISTRIBUTED BY STATES IN ACCORDANCE WITH BASIC QUOTAS  
 AS OF 600,000 ENROLLEES.

TABLE V

CONFIDENTIAL

5416

## AGENCY ESTIMATE OF PERSONS TO BE EMPLOYED ON WORKS PROJECTS ALLOTTED OR AGREED TO, JUNE 1, 1935

## EXCLUDING HOUSING PROJECTS AND WISCONSIN PROJECTS RECOMMENDED BY ADVISORY COMMITTEE

STATES	TOTAL	000	HIGHWAYS AND GRADE CROSSINGS	ARMY	NAVY	INTERIOR	Non- FEDERAL PSA	AGRICULTURE
UNITED STATES	649,261 <sup>1/</sup>	326,570	246,210	50,847	7,373	1,280	17,311	470
ALABAMA	12,404	7,177	5,210	17	-	-	-	-
ARIZONA	3,489	959	2,530	-	-	-	-	-
ARKANSAS	10,114	5,714	4,366	-	-	-	-	-
CALIFORNIA	19,204	7,447	5,692	913	1,154	-	-	-
COLORADO	6,011	2,121	3,890	-	-	-	-	-
CONNECTICUT	5,767	3,630	1,566	25	22	-	130	-
DELAWARE	3,330	512	880	1,938	-	-	-	-
DISTRICT OF COLUMBIA	2,470	1,060	910	-	-	-	-	-
FLORIDA	12,682	7,483	3,430	1,769	-	-	-	-
GEORGIA	14,149	7,848	6,260	-	-	-	-	-
IDAHO	3,489	914	2,575	-	-	-	25	-
ILLINOIS	35,227	20,840	11,440	2,164	-	-	268	-
INDIANA	14,700	8,150	6,370	-	-	-	190	-
IOWA	12,829	2,775	6,480	3,360	-	-	14	-
KANSAS	12,825	4,744	6,480	1,605	-	-	-	-
KENTUCKY	12,497	7,730	4,700	-	-	-	67	-
LOUISIANA	8,241	4,351	3,850	-	-	-	-	-
MAINE	10,308	1,973	1,860	6,415	-	-	-	-
MARYLAND	7,771	3,496	2,400	1,875	-	-	-	-
MASSACHUSETTS	21,053	13,306	4,670	2,039	1,038	-	-	-
MICHIGAN	24,367	17,960	8,280	105	-	-	12	-
MINNESOTA	12,945	4,420	6,770	1,755	-	-	-	-
MISSISSIPPI	9,963	5,663	4,270	-	-	-	-	-
MISSOURI	23,208	10,414	7,710	5,617	-	-	67	-
MONTANA	13,005	1,205	4,143	7,720	-	-	-	-
NEBRASKA	8,433	2,788	4,740	1,605	-	-	-	-
NEVADA	2,535	405	2,106	-	-	-	-	-
NEW HAMPSHIRE	2,725	1,660	1,130	-	-	-	-	-
NEW JERSEY	16,905	10,022	4,400	1,123	10	-	-	-
NEW MEXICO	3,986	974	3,010	-	-	-	-	-
NEW YORK	64,520	34,853	15,430	3,203	3,034	-	8,000	-
NORTH CAROLINA	12,025	5,975	6,050	-	-	-	-	-
NORTH DAKOTA	5,509	1,663	3,830	-	-	-	16	-
OHIO	33,183	22,500	10,170	500	-	-	13	-
OKLAHOMA	15,572	9,522	6,050	-	-	-	-	-
OREGON	4,512	1,442	3,070	-	-	-	-	-
PENNSYLVANIA	50,327	33,115	13,060	2,517	1,244	-	300	-
RHODE ISLAND	2,562	1,492	1,100	-	-	-	-	-
SOUTH CAROLINA	9,989	6,297	3,630	62	-	-	-	-
SOUTH DAKOTA	5,270	1,340	3,930	-	-	-	-	-
TENNESSEE	11,338	6,178	5,160	-	-	-	-	-
TEXAS	33,819	15,201	14,600	-	-	1,600	3,418	-
UTAH	2,992	727	2,160	-	-	-	35	-
VERMONT	1,963	883	1,070	-	-	-	-	-
VIRGINIA	6,157	3,415	4,710	32	-	-	-	-
WASHINGTON	7,109	2,042	3,660	277	871	-	30	-
WEST VIRGINIA	12,767	6,775	3,080	2,890	-	-	22	-
WISCONSIN	14,856	6,655	6,240	1,021	-	-	-	-
WYOMING	2,770	430	2,340	-	-	-	-	-

<sup>1/</sup> INCLUDES 1,860 NOT ALLOTTED BY STATE, MADE UP OF  
 670 FOR THE DEPARTMENT OF AGRICULTURE  
 280 FOR ALASKA UNDER THE DEPARTMENT OF INTERIOR  
 910 FOR HAWAII UNDER HIGHWAYS AND GRADE CROSSINGS

INFORMATION WITH REFERENCE TO CERTAIN ITEMS OF THE \$4,000,000,000 APPROPRIATION - July 23, 1935.

Agency and Projects	Location	Estimated	Allocation	Additional	Est. Expend. from Allocations	
		Cost to Complete		Funds Required	1935	Beyond 1935
<b>Agriculture</b>						
Public Roads - Highways	All States	500.0	500.0	-	290.0	290.0
Other	All States	54.8	54.8	-	44.8	10.0
----- Total Agriculture -----		554.8	554.8	-	294.8	290.0
<b>Interior</b>						
Reclamation-Continuation of Projects	11 States	127.0	64.2	62.8	31.7	32.5
" New Projects	7 States	413.8	35.8	178.0	8.4	27.4
----- Total Interior -----		540.8	100.0	240.8	40.1	59.9
<b>Navy</b>						
Yards and Docks - Miscellaneous	19 States	15.8	15.8	-	12.0	3.8
<b>Treasury</b>						
Coast Guard - Vessels and Boats	24 States	2.0	2.0	-	2.0	-
Shore Facilities		3.3	3.3	-	3.3	-
----- Total Treasury -----		5.3	5.3	-	5.3	-
<b>War</b>						
Corps of Engineers-Cont. of Projects	All States	251.8	88.1	173.7	48.3	39.8
" New Projects	6 States	90.8	33.8	57.0	17.1	16.7
----- Total Corps of Engineers -----		352.6	121.9	230.7	65.4	56.5
Quartermaster Corps-Camp & Cemetery Imp.	40 States	10.0	10.0	-	8.0	2.0
----- Total War Department -----		362.6	131.9	230.7	73.4	58.5
<b>P. W. A.-Housing Division</b>						
Alabama	1 Project	2.5	2.5	-	-	-
Calif.	1 "	5.0	5.0	-	-	-
Colo.	1 "	1.5	1.5	-	-	-
D. C.	2 "	4.6	4.6	-	-	-
Fla.	3 "	3.5	3.5	-	-	-
Georgia	1 "	.7	.7	-	-	-
Illinois	3 "	28.7	28.7	-	-	-
Indiana	1 "	1.0	1.0	-	-	-
Ky.	2 "	3.3	3.3	-	-	-
La.	2 "	5.0	5.0	-	-	-
Md.	1 "	3.0	3.0	-	-	-
Mass.	1 "	5.5	5.5	-	-	-
Minn.	2 "	10.0	10.0	-	-	-
Mo.	1 "	7.0	7.0	-	-	-
Nebr.	2 "	4.0	4.0	-	-	-
N. J.	3 "	7.3	7.3	-	-	-
N. Y.	4 "	38.5	38.5	-	-	-
N. C.	1 "	1.0	1.0	-	-	-
Ohio	7 "	25.1	25.1	-	-	-
Okla.	3 "	4.4	4.4	-	-	-
Pa.	3 "	20.0	20.0	-	-	-
S. C.	2 "	1.9	1.9	-	-	-
Tenn.	5 "	7.9	7.9	-	-	-
Texas	3 "	5.5	5.5	-	-	-
Wisc.	1 "	2.2	2.2	-	-	-
P. R.	1 "	2.0	2.0	-	-	-
Virgin I.	1 "	.5	.5	-	-	-
----- Total P. W. A. Housing Division -----		201.6	201.6	-	50.0	151.6
<b>Loans and Grants</b>						
High School Building	New York City	1.1	1.1	-	.5	.6
Sewage Disposal Plant	"	11.4	11.4	-	4.0	7.4
High School Building	"	1.6	1.6	-	.5	1.1
Brooklyn College Buildings	"	2.5	2.5	-	1.0	1.5
Kings County Nurses Home	"	1.0	1.0	-	.4	.6
Flood Control, Irrigation, Power	Bluffton, Texas	15.0	15.0	-	3.0	12.0
Miscellaneous (120) Projects	35 States	10.2	10.2	-	5.9	4.3
----- Total Loans and Grants -----		42.8	42.8	-	15.3	27.5
<b>Rural Electrification Administration</b>						
Works Progress Administration -		1.3	1.3	-	1.3	-
Miscellaneous Small Projects	15 States	147.1	147.1	-	147.1	-
Other		20.0	20.0	-	15.1	3.9
<b>GRAND TOTAL</b>		1,892.1	1,220.6	671.5	655.4	565.2

See Treasury Statement 7-23-35  
 Loans and Grants 42.8  
 Highways 500.0  
 Rivers and Harbors 121.9  
 Rural Electrification 1.3  
 Works Progress Adm. 147.1  
 Housing 201.6  
 Other 205.9  
 Total 1,220.6

THE WHITE HOUSE  
WASHINGTON

PSF  
HMJ

~~CONFIDENTIAL~~

August 26, 1935.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

Will you let me know the  
status of the case of former  
Senator Jim Watson?

F. D. R.

THE WHITE HOUSE  
WASHINGTON

CONFIDENTIAL

August 26, 1935.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

This is an amazingly interesting story. I am inclined to think that that part of it which relates to keeping Jules Bache's money in Nassau is well worth investigating as a possible tax evasion. Also, who else besides Bache has money or income in Nassau.

Of course, you cannot let anyone see this letter, as it came to Louis Howe in confidence.

F. D. R.

THE WHITE HOUSE  
WASHINGTON

August 23, 1935

MEMORANDUM FOR: Miss LeHand.

Dear Missy:

This has not been shown to Mr. Howe, nor do I intend doing so. However, it is rather interesting.

He includes Barney Baruch in his list which makes the story hold ~~up~~ little water.

Mr. Hickok suggests sending it to the President, but I doubt if you want to bother him with it on these very hectic days. How about the Secretary of the Treasury?

M.A.D.



THE SECRETARY OF THE TREASURY  
WASHINGTON



OCT 24 1935

*file*

My dear Mr. President:

Reference is made to the information transmitted to you and in turn passed on by you to the Treasury Department to the effect that one Jules Bache had transferred substantial parts of his fortune to Nassau for the purpose of putting it beyond the reach of the taxing authorities. The matter was promptly referred to the Bureau of Internal Revenue for investigation and report.

I have since been advised that similar charges involving persons connected with J. S. Bache and Company were made to the Bureau of Internal Revenue during the year 1933 and after careful investigation by internal revenue agents and officials of the customs were found to be erroneous. Substantial gold withdrawals made by these persons were traced and satisfactorily accounted for, they having been in all instances redeposited in the banks. Charges of evasion of income taxes were likewise determined to be without foundation in fact. A copy of the memorandum of Deputy Commissioner Russell summarizing the investigation and its results is appended hereto.

Since there appears to be a possibility, however, that the information transmitted to you may refer to transactions involving Mr. Bache other than those covered by the prior investigation, the agents of the Bureau have been directed to make a supplemental investigation to determine whether there is any basis in fact for the present charges. A further report will be made to you in due course as to the results of this investigation.

Faithfully yours,

*Wm. P. C. Maguire*  
Secretary.

The President

The White House.

three copies to accompany letter.

---

**ENCLOSURE**

---

From  
OFFICE OF THE GENERAL COUNSEL  
BUREAU OF INTERNAL REVENUE  
WASHINGTON

---

C  
O  
P  
Y

MEMORANDUM

SEP 18 1935

IT:E:RRR

Mr. Robert H. Jackson,  
Assistant General Counsel,  
Bureau of Internal Revenue.

In re: Jules Bache, et al.

Reference is made to your memorandum dated September 1, 1935, stating as follows:

"It has been stated that Jules Bache has transferred substantial parts of his fortune to Nassau for the purpose of putting it beyond the reach of taxing authorities. It is also stated that associates of his have done likewise.

"This information was transmitted to the President, who passed it to the Treasury, which has assured the President that the statement would be investigated.

"I do not know whether the Bureau already has adequate information or whether special investigation will be desired.

"Will you advise me of your progress in the matter?"

You are advised that similar information was submitted to the Bureau of Internal Revenue during the year 1933 and after a careful investigation by this office it was found that the charge was erroneous. For your information the following letter, dated June 5, 1933, from the Bureau of Customs, is quoted:

Treasury Department  
Bureau of Customs

Customs Agency Service  
Supervising Customs Agent  
420 Customhouse

New York, N.Y.  
June 5, 1933.

The Special Agent in Charge,  
Intelligence Unit,  
Bureau of Internal Revenue,  
New York, N.Y.

Sir:

There is cited below for your information and such action as you may deem appropriate, a copy of a letter addressed to the Secretary of the Treasury and by him referred to the Bureau of Customs for action thereon,

Memorandum for Mr. Robert H. Jackson  
In re: Jules Bache, et al.

with respect to checking of the information that the Nathan and Ruby Kann mentioned in the letter were leaving the United States, taking with them some \$300,000 in gold currency. The matter of checking the income tax returns of the above mentioned persons is submitted to you:

'Nathan and Ruby Kann leaving on steamer ROMA May 31, 1933 from New York City has concealed about \$300,000 in gold currency and also has \$100,000 in vault in Switzerland as he is an American citizen and a true Jewish patriot and has failed to comply with your order for the return of gold currency I call this matter to your attention for any action you may deem proper from the information I have received I believe his income tax returns will not stand up under an honest check up Some interesting facts might be disclosed by examination of his accounts with J. S. Bache & Co. and Cassel Strupp & Co., of New York City.

(Signed) Harry J. Betts, Accountant'.

I would thank you to advise this office of the result of any action taken by you in the premises.

Respectfully,  
(Sgd.) G. W. O'KEEFE  
Customs Agent in Charge,  
Smuggling Investigations.

Respectfully forwarded:  
Approved:  
(Sgd.) L. W. BEAN,  
Acting Supervising Customs Agent.  
No enclosure. "

Under date of July 14, 1933, the following letter was addressed to the Internal Revenue Agent in Charge, 17 Battery Place, New York, New York:

"IT:E:CTS  
PERSONAL AND CONFIDENTIAL

July 14, 1933

Mr. J. R. Baradel,  
Internal Revenue Agent in Charge,  
New York, New York.

My dear Mr. Baradel:  
I am enclosing a copy of a memorandum from the Chief of the Intelligence Unit dated July 10, 1933 and

Memorandum for Mr. Robert H. Jackson  
In re: Jules Bache, et al.

copies of letters from the Special Agent in Charge of the New York Division and G. W. O'Keefe, Customs Agent in Charge, New York City, dated July 7 and June 5, 1933, respectively. The informant in this case, Mr. Harry J. Betts, indicates that Nathan Kann, c/o J. S. Bache, 42 Broadway, and Ruby Kann, 1125 Fifth Avenue, New York City, may have evaded the payment of income taxes.

The 1931 return filed by Nathan Kann was transmitted to you with my personal and confidential letter of June 5, 1933.

Please consider the attached information in connection with your examination and mark your report for my personal attention when forwarding it to the Bureau.

Sincerely yours,

(Signed) Chas. T. Russell,

Deputy Commissioner."

Enclosures.

On October 25, 1933, a revenue agent reported as follows:

"Internal Revenue Agent in Charge  
New York, N. Y.

Reference is made to Department letter IT:E:CTR, dated July 14, 1933.

Your examining officer interviewed and examined the books and records of Nathan Kann and Ruby Kann relative to information contained in Department letter, whereby it is stated that 'Nathan and Ruby Kann leaving on steamer Roma May 31, 1933 from New York City has concealed about \$300,000 in gold currency and also has \$100,000 in vault in Switzerland.'

The examination disclosed the following:

That on December 28, 1931 J. S. Bache and Co. withdrew for the accounts of Nathan and Ruby Kann, \$100,000 in gold; on December 29, 1931 J. S. Bache & Company withdrew for the same accounts \$3,000 in gold; on December 30, 1931, J. S. Bache & Company withdrew for the same accounts \$3,000 in gold; on December 31, 1931 J. S. Bache & Co. withdrew for same accounts \$4,000 in gold and on February 27, 1933 withdrew \$800 in gold for the same accounts, making a total of \$110,800.

The above \$110,800 in gold was returned as follows:

Memorandum for Mr. Robert H. Jackson  
In re: Jules Bache, et al.

That on March 13, 1933 \$10,000 was returned by Nathan & Ruby Kann to the Bankers Trust Co. See Exhibit A.

That on March 14, 1933 \$23,000.00 was returned by Nathan and Ruby Kann to the Bankers Trust Company. See Exhibit A. That on March 15, 1933 \$32,800 was returned by Nathan and Ruby Kann to the Bankers Trust Co. See Exhibit A.

The total amount of gold returned by Nathan and Ruby Kann to the Bankers Trust Company amounted to \$65,800 as shown in Exhibit A.

That on December 31, 1931 Nathan & Ruby Kann had delivered through J. S. Bache & Co. to the Central Hanover Bank and Trust Company \$45,000. See Exhibit B.

The \$65,800 delivered to the Bankers Trust Co. and \$45,000 delivered to the Central Hanover Bank Accounts for the \$110,800 withdrawn by J. S. Bache & Co. for the account of Nathan and Ruby Kann.

On June 2, 1932 F. Dietrich & Co. withdrew \$25,000 in gold for the account of Nathan Kann. However, this \$25,000 was returned to F. Dietrich & Co. by Nathan Kann on March 11, 1933. See Exhibit C.

The taxpayer contends that he has no gold in any vault in Switzerland or any other country.

Enclosures:  
Exhibits A,B,C,D,E.

(Signed) Winant P. Gough  
Internal Revenue Agent."

Exhibits A, B, C, D, and E consist of letters from the respective banks confirming the deposits.

The following letter dated May 31, 1933 from the Inspector of Customs, shows that the charge was without foundation:

"The Surveyor of Customs,  
Port of New York.

May 31, 1933.

Sir:

Relative to a communication received by the Secretary of the Treasury stating that one Nathan Kann and wife would depart on the S.S. ROMA on May 31, 1933, with \$300,000.00 in gold currency in their possession, and which was referred to the Gold Embargo Unit for Action, I have to report as follows:

Memorandum for Mr. Robert H. Jackson  
In re: Jules Bache, et al.

Acting under Executive Order of April 20, 1933, which prohibits the exportation of gold coin, gold certificates, or gold bullion, I, this day, proceeded to Pier 97, North River, where the S.S. ROMA lay docked, and found that a Mr. and Mrs. Nathan Kann with their two children, a boy and a girl, and a maid, Mlle. Burgundes, were listed as first-class passengers. Upon their arrival at the pier they were asked by me if they had any gold currency or gold bullion in their possession at the time, and all answered in the negative.

Mr. Kann, in replying to my questions, stated that he is an American citizen; that his home address is 1125 - 5th Ave., New York, N.Y.; that he is a retired banker; that he was familiar with the embargo on gold; that he was taking his family abroad on pleasure and expected to return in the fall; that during the last two years he had withdrawn \$115,800.00 in gold coin and \$46,000.00 in gold certificates from the banks of J. S. Bache & Co., Federal Reserve, and Bankers Trust Co., of this city; that upon learning of the Government requirement that all gold currency should be returned to the banks, he had re-deposited same with the above institutions during the latter part of March, of this year, in his own name, except \$10,000.00 which was deposited in the Bankers Trust Co., to the credit of one Andrew J. Smith.

Mr. Kann insisted upon a personal search of himself and party, and an inspection of their baggage, consisting of 18 pieces. I searched Mr. Kann and found \$354.00 in lawful currency of the United States, and \$2,000 Italian lira in paper money on his person. Inspectress Walsh, who searched the females of the party, reported finding no money which would come within the prohibited class. The baggage was searched by Customs Inspectors Quinn, Seale, and myself. As a result of the questioning and the search of the persons and baggage of the party, it was not disclosed that any gold coin, gold certificate, or gold bullion was in their possession.

Mrs. Kann stated that a cook, who had recently been discharged from her household as incompetent, had boasted of her political connections and threatened to make trouble for herself and family.

Respectfully,  
(Signed) ARTHUR W. MORSE  
Inspector of Customs\*

Memorandum for Mr. Robert H. Jackson  
In re: Jules Bache, et al.

On May 16, 1933, the following anonymous letter dated May 15, 1933, was received in the office of the Internal Revenue Agent in Charge, 17 Battery Place, New York, New York:

New York, N.Y.  
May 15, 1933.

Internal Revenue Agent,  
Second District of New York,  
Customs House Building,  
New York, N.Y.

Dear Sir:

The general public is now becoming aware of manifold and vast frauds committed in high places. As is well known to many who have had much experience in dealing in financial and brokerage channels, one of the principal victims of these gigantic swindles was the United States as witness the revelations in the Mitchell case and others.

Recently I noticed the action taken to effect the dissolution of the firm of Logan and Bryan, #42 Broadway, New York, N.Y. and to have the assets of this firm absorbed by J. S. Bache & Company of the same address. This was one of the firms known in stock trading channels as private wire houses. By tricky bookkeeping and evasion our Government has been defrauded of taxes running into large sums. Perhaps you may be interested enough to investigate the system indicated below.

If you will have reliable accountants from your Bureau check short selling accounts for the years 1929-30-31 and 1932 conscientiously you may be surprised at results. Names and addresses of such accounts and how they were closed (profits taken out) would reveal much if care was taken to check these names and addresses to see if the persons carrying the accounts were actual living persons or dummies or entirely fictitious names used by members of the firm to conceal profits. Many of the large 'short' accounts are probably dummies or wholly fictitious and profits are stated as paid to non-existent persons and no tax paid to the United States by anybody.

The general ledger usually shows profit and loss, but the money ledger should be thoroughly looked into for the dummy or fictitious accounts. Clues may be obtained from the securities ledger or open trade ledger. These should show dates of short sales and accounts showing large profits on same. Checks in settlement may be traced and they often show someone's O.K. which signature may be traced. Also short accounts started without margin should be checked so as to locate owner or dummy. There were many of such short accounts started in the Spring and Summer of 1929 when they were getting ready to pull the string on the public which included our Uncle Sam.

Memorandum for Mr. Robert H. Jackson  
In re: Jules Bache, et al.

Sometimes the bookkeeping shows margin paid, but if you trace you will find no margin on most shorts accounts, because the accounts were fictitious and used as a book-keeping blind. Many accounts bear no names but only numbers. I know you have power to go behind the numbers. Many of these accounts from May 1929 to December 1931 show large profits.

The absorbing firm J.S. Bache and Company are also guilty of many practices of like nature. You might also examine the books of Fenner, Beane, & Ungerleider, 60 Beaver Street, New York, N.Y. in similar fashion.

If any real activity is shown in this matter now called to your attention specific information will be sent you in size and substance to shock our Government Officials just as those taken for a financial ride were shocked. The writer will be in a position to know if any activity is shown by the Government Examiners.

I am very familiar with many devices used to defraud by stock and commodity houses, but for good reasons, one of which is to be useful to the Government Bureau, must for the present remain anonymous. I would prefer it the other way, but mature consideration suggests that just now my name be omitted.

I trust this will be useful to the Department and if any action shows that it is valued, data will be supplied that will recover much revenue for the United States."

Under date of June 5, 1933, the Internal Revenue Agent in Charge was requested to have the matter investigated, and on March 12, 1934 Internal Revenue Agent A. L. Bradley reported as follows with respect to Logan and Bryan:

"Examining officer found no evidence of numbered or 'dummy' accounts, in year under review, whereby partnership, or individual partners might have defrauded the government of taxes rightfully due, as charged in letter, dated May 15, 1933 and forwarded by Bureau, under date of June 5, 1933, symbols IT:E:WTS."

On January 31, 1935, a revenue agent reported as follows with respect to the partnership of Logan and Bryan and the individual members thereof:

"Internal Revenue Agent in Charge,  
17 Battery Place,  
New York, N.Y.

In reply to departmental letter dated June 5th, 1933 - symbols: IT:E:WTS: - and also IT:E:CTS; , dated December 1, 1933, the following information is submitted:

Memorandum for Mr. Robert H. Jackson  
In re: Jules Bache, et al.

The 1931 returns for the above-named partners and partnership were previously examined in connection with these departmental letters, and inasmuch as no adjustments were found necessary, it was recommended, in report dated March 12, 1934, that these returns be accepted as correct.

The year 1932, which shows a loss of over one million dollars (\$1,000,000.00), without deduction for salaries or interest paid to partners, has now been examined and it is recommended that the partnership return filed for this year be accepted as correct.

No partners except B. L. Taylor Jr., and E. V. Stebbins have any substantial income outside the partnership and even in the case of these two individuals their outside income is only a small fraction of their partnership loss. There is no conceivable adjustment of the partnership income of the partners by which any tax could be shown to be due in the year 1932, and therefore no partners except B. B. Bryan Jr. and J. T. Bryan have been reported on. Inasmuch as the 1932 returns of these two partners were furnished no change reports are submitted on them under even date.

Trial balances as of October 31, 1929, showing short positions as well as money balances were taken off all Customers ledgers except those kept in the Chicago office for the customers of the western branches. Short positions as of September 30, 1931 are also shown on the trial balances taken off the New York customers' ledgers. Trial balances as of October 31, 1929 of all other Logan and Bryan ledgers (except the customers accounts kept by the Chicago office, all of which are still in that office) were copied and checked against ledger accounts. Trial balances of the New York customers' ledgers showing short positions as well as money balances as of December 31, 1930, were also taken off.

The various trial balances together with comments on the short positions are submitted as Exhibit "E".

The only large short accounts on the books of this firm, four in number, are described in Exhibits "A", "B", "C", and "D".

It is noted that the apparent short selling in account #625, (Exhibit "C", L. G. Kaufman) really represented sale of long stock because on December 30, 1931, 54,200 shares of General Motors were transferred from account number 414, another L. G. Kaufman account, at a figure of \$2,021,418.89, thus wiping out the short position and credit balance in account #625. The 54,200 shares transferred were long in #414 account when number 625 was opened in April, 1931.

Memorandum for Mr. Robert H. Jackson  
In re: Jules Bache, et al.

As a result of this examination, it is the opinion of the examining officer that the informant's statement to the effect that the firm of Logan and Bryan concealed profits made through short accounts is not in any way supported by the facts and it is not recommended that any further change should be made in the taxable net income of this partnership or its partners for the years 1929 to 1932, inclusive.

The returns and the Revenue Agent's reports for the years 1929 and 1930 on the above-named partnership and partners are recommended to be returned to the Bureau inasmuch as the facts in this case do not warrant any changes in the years 1929 and 1930 which would result in additional tax liability.

Report on J. S. Bache and Company in connection with Bureau letter dated June 5, 1933 - symbols IT:E:WTS - has previously been submitted by Agent W. Gough and reports on S. Ungerleider and Company and on Fenner and Beane in connection with this same letter will be submitted at a later date.

(signed) A. Bradley  
Internal Revenue Agent."

It will be noted that the revenue agent states that the informant's statement to the effect that profits were concealed through short accounts is not in any way supported by the facts.

On November 29, 1933 a revenue agent reported as follows with respect to J. S. Bache and Company:

"Reference is made to Dept. letter dated June 5, 1933, IT:E:WTS, signed by Acting Deputy Commissioner W. T. Sherwood.

"A thorough audit of the books and records of J. S. Bache and Co. was made for the years 1929 and 1930 by Revenue Agent J. F. O'Neill. Your examining officer made a complete review for the years 1929 and 1930, recommends that the reports submitted by Agent O'Neill be accepted as correct.

"A thorough audit of the books and records of J. S. Bache and Company was made for the year 1931.

"Logan and Bryan had about sixty-two connections all over the United States and Canada, made up of correspondents and Branch offices.

"These various points were taken over by various houses. J. S. Bache & Co. acquired three (3).

"J. S. Bache and Company did not acquire any assets. They simply had accounts transferred to them as contracts will show.

Memorandum for Mr. Robert H. Jackson  
In re: Jules Bache, et al.

"On January 17, 1933, J. S. Bache and Co. took over the Washington office of M. J. Meehan & Co. This was the only office J. S. Bache & Co. took over from M. J. Meehan & Co."

The partnership return and records of J. S. Bache and Company for the year 1933 have been examined by a revenue agent and his conclusions are set forth in a report dated August 10, 1935. An examination was also made of the returns and records of the partners for the year 1933 and any deficiencies in income tax for that year have been assessed in accordance with the agreements in writing executed by the individual partners.

Although the source of the charge referred to in your memorandum is not stated, it appears that it may have been submitted by the same party or parties who made the above-mentioned charges which appear to be similar. For the reasons stated, this office has found no evidence to support either of the charges, namely, the exporting of gold from the United States or the evasion of income taxes.

/s/ Chas. T. Russell  
Deputy Commissioner.



THE SECRETARY OF THE TREASURY  
WASHINGTON

*file  
"Confidential"*

AUG 29 1935

My dear Mr. President:

On the basis of a letter from Mr. Hickok to Louis McHenry Howe of August 9, 1935, the Treasury proposes to investigate at once the statement that Jules Bache has transferred substantial parts of his fortune to Nassau for the purpose of putting it beyond reach of the taxing authorities. We will ascertain whether others have done so.

Faithfully,

The President

The White House.



*Very  
Personal & private*

THE SECRETARY OF THE TREASURY  
WASHINGTON

*Strictly  
Personal*

*PSF  
HMP*

September 4, 1935

My dear Mr. President:

When you mentioned to me, last Sunday, that you were considering announcing some plan to pay the bonus before you left on your Western trip, I almost literally "passed out."

I have been thinking of nothing else since and I have come to the very definite and positive conclusion that from the standpoint of the welfare of the country and yourself that you should not make any announcement on the payment of the bonus prior to your message to Congress in January.

The reason for my feeling so strongly on this subject is largely based on your magnificent and courageous veto message on the bonus bill. That message in itself seems to me to absolutely preclude any announcement on your part as to a method of paying the bonus now. Furthermore, we are just in the midst of a \$1,750,000,000 Government financing and an announcement on your part in regard to the payment of the bonus either during this financing or immediately afterward might well prove to be disastrous in its effect on the Government bond market, because it certainly would be considered by every holder of a Government bond as a breach of good faith.

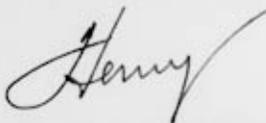
Certainly any private corporation which had filed its statement with the Security Exchange Commission and then came out with a financing and immediately after that incurred a large additional debt would be subject to the severest chastisement from the Security Exchange Commission. I fail to

see any difference between this example and an announcement now that the bonus will be paid.

I most strongly urge you, first as your Secretary of the Treasury and, second, as one of your true and tried friends, to do nothing about the bonus for the balance of this year. My own conviction is that the bonus should not be paid until maturity, and the reasons are covered so admirably in your veto message that it would be impossible for me to add anything further.

However, if you feel that politically it is necessary to do something about the bonus, then it seems that the time and the place for you to make a statement about the payment of the bonus would be in your message to Congress when it meets in January and subsequently explain how you propose to finance the bonus payment in your budget message.

Faithfully and sincerely yours,



Honorable Franklin D. Roosevelt,  
Hyde Park, New York.

1

*BSF HMP*

CABLE RECEIVED BY CHASE NATIONAL BANK OF NEW YORK FROM THEIR LONDON BRANCH

December 9, 1935

Bullion dealers have met and requested you convey following message your special client:

"Whilst desirous cooperating with you to fullest extent respectfully point out practical difficulties carrying out your suggestion because of the rules of London silver fixing known throughout the East and elsewhere for upward of 50 years that the official price is the price at which all silver offered for sale can be absorbed. This fixed price is paid for all effective sales even if their limit was lower therefore impossible make firm offers before fixing as later orders both buying and selling may be received. Also until time of fixing impossible to know how much is spot and how much forward also lowest price not ascertainable as some selling orders are at best. Suggest you might give scale orders as on previous occasions and ultimately today. Or if this does not suit suggest your getting into telephonic communication at around 2 P. M. daily during fixing through your agents, when we can cooperate in fixing price on basis of latest information."

This Cable indicates that:

- (1) U. S. Treasury is the only buyer of silver at the present time.
- (2) U. S. Treasury must either bid at the fix or there will be no fix.
- (3) U. S. Treasury must bid for all the silver offered at the fix as a bid for a limited amount would not be sufficient.

(4) The price of silver may be fixed by the U. S. Treasury at one level or on a scale down according to the amount of offerings.

If the United States Treasury does not put a bid in the London market today it is possible that trading may have to be suspended there as it would be practically impossible to fix a price. If a price was fixed without our bid there would probably be a wide open break which would carry prices well below 60¢ an ounce.

Preliminary advices from London indicate that about 18 million ounces of silver are for sale, about 5 million of which is for spot delivery, but no doubt a certain part of the forward delivery will also be offered for spot.

The market in Bombay this morning was panicky and silver sold at about the equivalent of 60¢ per ounce with a later recovery to about 60 1/2¢ per ounce.



(76)

BF  
HMV

THE SECRETARY OF THE TREASURY  
WASHINGTON

December 10, 1935.

My dear Mr. President:

We have taken no action in London pending your arrival. We are holding open the London silver market until I can talk to you. Naturally our delaying several hours longer than usual is causing anxiety in the silver market all over the world.

I would greatly appreciate your calling me immediately upon your arrival at the White House so that we can decide what is the best move to make in silver to-day.

Yours sincerely,

Henry Morgenthau  
Secretary

The President,  
The White House

BF  
File Morgenthau

May 12, 1936.

Letter from H. Morgenthau to Pres. enclosing  
draft of Proposed agreement furnished us by  
the Chinese.

SEE--China--Foreign Countries File-Drawer 2--1936

BF  
H.M.G.

March 19, 1936.

Dear Henry:-

I am greatly disturbed by the enclosed from Herbert Lehman. It comes just as I am leaving. I do hope you will write him and get pressure to bear from any source you can. He simply cannot be permitted to withdraw.

You and I know what a mess would be caused by trying to find a successor, quite aside from the fact that the State and its citizens need him as Governor.

Always sincerely,

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

(Enclosure)



Some Observations on the Effects of the Proposals Before  
the Finance Committee Outlined on the Foregoing Page

It would impose added tax burdens on all corporations having incomes over \$3,400. It would substitute for the present graduated taxes of 12½ to 15% on corporate income a flat tax of 18% on corporate earnings. The direct burden upon corporate business would be increased whereas, under the President's proposal, this direct burden would be greatly reduced or eliminated.

Since, when dividends are distributed, they would become subject, under the Committee plan, to the 4% normal tax, and when they are not distributed this tax would not be levied, the net added tax on account of non-distribution is not 7% but 3%. This is 1% lower than the lowest rate of surtax, which is 4% on surtax incomes from \$4,000 to \$6,000. Any stockholder having an income in any surtax bracket would, therefore, in the case of retention of earnings in which he has an interest, avoid some share of taxes. The larger his income, the greater would be his tax avoidance when earnings are withheld.

In contrast, the tax burden borne by stockholders with small incomes would be increased directly or indirectly both by the higher corporation rates and by the imposition of the normal tax on dividends.

The existing inequality in the tax treatment of stockholders in corporations pursuing liberal dividend policies, as compared with corporations pursuing niggardly policies, would remain substantially unchanged.

The plan departs further from the principle of ability to pay than the present law. Instead of raising the additional revenue by equitable taxation of those who are now using the corporate form to avoid payment of surtaxes on their individual incomes, it creases the burdens of the great number who are now bearing more than their just share. This unjust increase would apply both to individuals with small incomes and to that large body of small corporations not compensated by the exemption.

It is futile to have an income tax law under which large incomes are subject to progressive surtaxes, if we continue to permit these surtaxes to be avoided by the retention of earnings in corporations, without compensatory taxation on such retained earnings.

PSF  
HMG

May 22, 1936.

FINANCE COMMITTEE'S TAX PLAN AS OF NOON TODAY

I. The Finance Committee's Plan vs. the President's Message.

A. The Committee's plan would:

1. Exempt from corporate income and undistributed earnings taxes \$1,000 of income of corporations having incomes of \$15,000 or less. No such exemption was ~~needed~~ needed under the plan recommended by the President.

Why

House Bill?  
in 1930. 75,000?

2. Retain corporation income tax and raise it to 18% flat. The President's message recommended repealing this and the other two corporate taxes.

Abolish  
12 1/2 to 15%  
Principle

3. Levy a flat 7% tax on undistributed earnings, regardless of size of corporate income and of per cent of earnings retained. The President's message in substance recommended a tax on undistributed earnings equivalent to personal income normal and surtaxes, with no corporate tax if full distribution.

What is effect.

4. Place the individual normal tax of 4% on dividends. The message recommended its imposition, but only in conjunction with the repeal of all present corporation taxes.

Principle involved.

5. Retain the present capital stock and excess profits taxes indefinitely at full present rates. The message recommended their repeal.

Principle involved.

B. This attempt to nullify the President's recommendations can be easily defeated. The Finance Committee can't realize how bad its plan really is as the following statements indicate. When it and the country do, there will be a hasty retreat to the House Bill.

1. The \$1,000 exemption to corporations with incomes under \$15,000 lowers the total tax bill only on corporations with incomes of \$3,400 or less. All other corporations, relatively few of which have been used for surtax avoidance, would have their tax bills increased, the increase ranging up to a maximum of 66 2/3% over present rates.

2. All of John Smith's savings are invested in corporations. His total taxable income is less than \$4,000, and would be though all earnings were distributed to him. The Finance Committee would take from 21 to 25% out of his share in these corporate earnings depending on what was distributed. Even the 21% would make Smith's tax rate on his share of the corporate earnings more than the tax rate of a bank president whose salary yielded him a surtax net income of over \$50,000.

3. Stockholders, under the plan recommended in the message, would pay the 4% normal and surtaxes. Under the Finance Committee's plan, stockholders with incomes up to about \$8,000 in corporations with incomes of \$10,000, for example, would have taken out of their share a tax increase of 40% over present law, although earnings were fully distributed; and if 30% of earnings were reinvested, the increase would be about 52%.

4. The plan increases the tax of the great body of corporations, which are not operated to enable stockholders to avoid surtaxes. The increase in their tax, assuming full distribution of current earnings, would be from 20 to 44%; and, apart from the \$1,000 exemption, the smaller the corporation the bigger the increase, such larger increase affecting a vast body of the corporations of the country. And they pay this increase even though they distribute all their earnings. If they add to their reserve 30% of their statutory net income, their taxes would be increased from 34 to 61%.

UK.

Private

Use  
little follow

Wills

5. If the 7% supertax would encourage the distribution of earnings, the 4% normal (which the Finance Committee would put on dividends) would discourage such distribution. So the real penalty on surtax avoidance under the Finance Committee's plan would not be 7% but only 3%.

OK

6. The Finance Committee's 7 per cent supertax will stop surtax evasion -- by the little fellow whose total taxable income reaches only that high in the surtax brackets. It is the elite surtax avoiders whom the Finance Committee's plan leaves untroubled.

OK

7. The Finance Committee's alleged supertax to stop surtax avoidance would impose a 7% rate, which is less than 1/10th of the present highest surtax rate of 75%.

not clear

8. The Finance Committee's supertax of 7% means that any stockholder controlling dividend distribution and having a surtax net income of any amount above \$6,000 would have every reason to leave earnings in the corporation and thereby avoid surtax.

OK if Time

9. Under the Finance Committee's plan, a stockholder in control would, by leaving earnings in the corporation, escape more than he escapes under present law because he would escape both the present surtaxes and the 4% normal tax on dividends, and the price he pays for escaping both of these would be 7%.

?

10. The rates on undistributed earnings in the House Bill are only equivalent to our present surtax rates. If the House rates seem too high, it can be only because our surtax rates are too high and nobody is making that contention. The rates must be as high as those in the House Bill to stop surtax avoidance and that was pointed out to the Finance Committee -- and pointed out in public hearings.

OK.

11. The President recommended putting the normal tax on dividends only because he recommended repealing the corporate income tax. Does the Finance Committee propose to put the normal tax on dividends because it is increasing the corporation income tax?

not clear

12. Originally the corporate income tax was supposed to be the counterpart of the normal tax on individual incomes and hence, dividends were exempt from the individual normal tax. The Senate proposal, by lifting the corporation income tax to a new all time high while putting the normal tax on dividends without raising it, drastically increases the already excessive spread between these two taxes thus establishing a new high in the disregard of the principle of equality.

*not clear*

13. The Finance Committee had the choice of stopping surtax avoidance by some 60,000 individuals or adding to the tax burden of hosts of stockholders in all kinds of corporations throughout the country. It chose the latter.

*OK.*

14. The President told the country that all the additional permanent revenue required could be obtained by stopping surtax evasion. The Finance Committee instead would get it from the treasuries and stockholders of all corporations with incomes over \$3,400. The President's disclosure has made any such tax law indefensible when that body of stockholders realizes what it really does.

*o*

15. The Finance Committee by increasing the corporate income tax adds to the inequality of tax treatment of business profits from individual businesses and partnerships on the one hand and from corporations on the other. Under existing law the stockholder with a small income in effect pays part of the tax burden of the stockholder with a large income. The Finance Committee would make him pay yet more of it.

*OK*

16. The corporate tax recommended by the President was constructive from a business point of view since its direct burden would fall more largely on stockholders. The Finance Committee's plan would throw the burden more largely upon corporate business and might well be adverse from a business point of view.

*OK*

17. The President's recommendations for revision of the tax on corporate earnings were underlain by a purpose to improve the tax structure while getting the money by stopping surtax avoidance. The Finance Committee's proposal is planless and purposeless except to raise revenue regardless of injustices done and tax avoidance ignored.

18. The plan of the Finance Committee is indefensible because it is unjust. It departs even more than present law from the principle of ability to pay. It is an expedient rooted in what the country will interpret as a desperate attempt to avoid facing the responsibility of getting the needed money by stopping tax avoidance.

his cover given to Mr.  
Inglis for Mr. Forester  
May - 27 - 36 -

Returned without Report -  
Report returned to  
Commerce Dept -

PSF  
HML

May 22, 1936

Letter to Pres from H. Morgenthau  
Attached is book-"A Permanent Monetary Policy"  
Letter from Roper ~~and report on Monetary Policy~~  
~~by H.S.E.~~

SEE--Treasury Folder-Drawer 1--1936

BF  
Hill Morgenthau  
1936.

Memo to Pres.  
June 19, 1936  
from H. Morgenthau  
In re-emergency expenditures for relief of unemployment  
Remarks about statement Ickes made in re-applicants  
seeking grants only

SEE--Folder marked  
"Relief and Public Works allotments for  
fiscal yr.-1937--in drawer 2--1937 file.

PSF: Morgenthau

THE WHITE HOUSE  
WASHINGTON

Sec - Morgenthau  
Drawer 1-36

Hyde Park, N. Y.,  
August 5, 1936.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

Is E. G. Bennett still the  
Republican member of the F.D.I.C.  
Board? I understand he conferred  
with Landon at Topeka and may manage  
his western campaign. If this is  
true, I cannot see how he can justify  
remaining.

F. D. R.



THE SECRETARY OF THE TREASURY  
WASHINGTON

PSF  
HM, J

September 5, 1936

My dear Mr. President:

Friday, September 4, we received through the State Department an inquiry from Paris in which Cochran, after seeing Auriol, put up the following proposal to me: that Auriol wished to know whether they should present a note on stabilization first to the United States Government or simultaneously to the United States Government and England. I am inclosing herewith copy of Cochran's cable to me and my answer to the same.

This morning, Saturday, September 5, I received the following cable:

"On Tuesday, September 8, at 10:30 A. M., the French Minister of Finance will hand to me the English text of draft document for cabling to you. Therefore you should have it at the latest on Wednesday morning. A copy of the text will be given to Monick in France, to take to London for delivery there to the British Treasury not earlier than September 9, next Wednesday."

I am looking forward to my visit with you at 9:15 Tuesday morning, September 8.

Respectfully,

The President,  
The White House.

COPY

September 4, 1938

TO: COCHRAN  
FROM: SECRETARY OF TREASURY

IN REPLY TO YOUR CABLE EIGHT THREE ONE PLEASE  
INFORM MINISTER OF FINANCE AURIOL THAT YOU HAVE BEEN  
INSTRUCTED BY YOUR GOVERNMENT TO INFORM HIM THAT WE  
WOULD PREFER THAT DRAFT DOCUMENT MENTIONED IN CABLE  
EIGHT THREE ONE BE PRESENTED SIMULTANEOUSLY TO BOTH  
TREASURIES AND IN THE CASE OF THE UNITED STATES BE  
TRANSMITTED THROUGH YOU PERIOD FOR YOUR INFORMATION  
AND GUIDANCE PLEASE BEAR IN MIND THAT MONDAY SEPTEMBER  
SEVEN IS LABOR DAY AND ON TUESDAY SEPTEMBER EIGHT  
UNITED STATES TREASURY IS OFFERING TO THE PUBLIC A  
NINE HUNDRED MILLION DOLLAR BOND ISSUE PERIOD KEEP  
ME INFORMED BY CABLE OR TELEPHONE IF NECESSARY ON ANY  
DEVELOPMENTS

HENRY MORGENTHAU JR

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 4, 1936, 5 p.m.

NO.: 831

FOR SECRETARY OF THE TREASURY.

FROM COCHRAN.

~~UNCLASSIFIED~~

I called upon Minister of Finance Auriol this afternoon, at his request. Rueff and Baumgartner were present also. Auriol said that the United States had been the first to offer cooperation to him; but that "the way was barred" at the time we had our conversations - shortly after he had become Minister of Finance.

Minister Auriol said that now, through the conversations which Monick had in Washington and London, it had been ascertained that there seemed a good chance for agreement of a type that could be found acceptable to his country. Therefore his Ministry had drawn up a provisional draft of a pre-stabilization agreement for submission to us and to the British. Should the United States, Great Britain and France agree, then France would try to procure the adherence of the Netherlands and Switzerland, the other two gold-bloc countries.

The Minister of Finance said the immediate question is to know whether Secretary Morgenthau would prefer that the draft text be submitted to him through me secretly and unofficially in advance of a copy thereof being submitted

through Monick secretly and unofficially to the British Government, or whether Secretary Morgenthau may prefer simultaneous submission of the two copies.

The Minister told me that he would be glad to tell the British that before submitting the proposal to them he had obtained the approval of the United States. However, on the other hand he does not want to give the British any cause for criticism of the approach he makes.

The Minister is anxious that the whole matter be expedited so that if the agreement is consummated a decision may be reached with regard to drafting the French monetary law that would be required. On Monday September 7 a meeting of the Council of Ministers is to be held, and Auriol would be very appreciative if before then he could have an indication of the wishes of Secretary Morgenthau on this one point. Official submission of the propositions would be taken up only if and after unofficial approval of them.

Baumgartner and Rueff talked more freely with me in regard to the nature of the so-called agreement after we left the Minister's office. It appears that it is what might be called an "agreement of intention", and would involve a declaration by the governments of the United States, Great Britain and France. It would be expected

that

that approximately the present rates would be maintained for the currencies of the British and the Americans. There would be envisaged a lowering of the French franc. In the agreement the second point calls for cooperation between the three banks of issue of the contracting countries. Each central bank would assume the task of holding its respective currency within certain limits subject to certain conditions.

The third point in the agreement would be something in the way of declaration that this step having been taken toward monetary stability, the way would be open to a lowering of the barriers to trade.

I have not seen the text of the agreement, so please do not accept the above as an entirely accurate description of the component parts. I asked the two permanent members of the Ministry for this information so that I might give Secretary Morgenthau enough of a description of the document to enable him to determine what his attitude should be in regard to the immediate question put to him.

In answer to my query Baumgartner informed me that the part of the agreement with regard to commercial policy matters is not interdependent with the point of fixing rates and supporting the currencies of the respective countries. The French have drafted something which they

- 4 -

think would meet the approval of the Secretary of State whose interest in lowering trade barriers has of course been well known to them, and which was conveyed fairly recently by the French Ambassador in Washington. Auriol's idea, as I have indicated in previous telegrams, is to have a scheme of "world monetary peace which would lead to world economic peace" include French devaluation.

END MESSAGE.

WILSON.

EA:LWW

THE SECRETARY OF THE TREASURY  
WASHINGTON

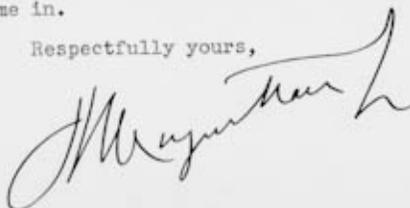
September 8, 1936.

*PSF  
HMP*

My dear Mr. President:

I am enclosing herewith a  
very important cable from Cochran  
which just came in.

Respectfully yours,



The President  
The White House

(Telephoned from Dr. Feis, September 8, 1936, 4:25 P. M.)

PARAPHRASE OF CABLE FROM COCHRAN

No. 843 from Cochran

September 8, 1936 - 8 P. M.

I refer to my telegram No. 833 of September 5 noon.

At 6 o'clock this evening the French Minister of Finance handed to me the French text of the document in question; I am making an English translation of the document and tonight Rueff will check it with me. Therefore I may not be able to telegraph the text until tomorrow morning.

This evening Monick was at the Ministry of Finance. Tomorrow he leaves for London with the text for the British. He will not be able to deliver the text before late Wednesday evening or the morning of the 10th.

WILSON

THE WHITE HOUSE  
WASHINGTON

September 9, 1936.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I suggest you read Krock's article of Tuesday morning. The time has come to prepare a complete list of assets. We want first of all tangible assets - money coming back. Second, a list of some intangible assets.

Get in touch with Morton Milford of NEC who has some data on the subject.

F. D. R.

PSF  
File Morgenthau  
Drawer 1 - 1936

THE WHITE HOUSE  
WASHINGTON

*BF  
Morganthau  
Treas.*

September 17, 1936.

MEMO FOR THE P. S.

Will you give this confidential  
information to H. M., Jr., personally?

F. D. R.

*Memo: I thought I had better  
make a copy for us to  
keep here as a "check-up".  
Sent original, by hand,  
to Sec Treas - Sept 18, 1936*

New York, Sept. 12, 1936

Miss Marguerite Le Hand  
The White House  
Washington, D. C.

Dear Madam:-

I was present at a conference yesterday, that I thought you should know about. It should interest the President.

A lawyer, one of the greatest in New York, and close to Senator Nye, had in his possession, a Photostatic copy of a report made by a Mr. Ralph Read, of the Internal Revenue Bureau, about a huge evasion of income taxes by the Mellons of Pittsburg. This, I understand, has no relation with anything the Government now has under prosecution in the way of income tax evasion. Something much bigger, and if Mr. Jackson is correct in the quotation, which accompanied a report on Mr. Reed's recommendations; "This is much worse than anything I have against the Mellons."

Prosecution on Mr. Read's report was to start immediately by making attachments, when Mr. Helvering interfered and blocked the whole thing. The whole thing was referred to Mr. Nye, and he in turn sent it on here.

The conference here yesterday, was to decide whether it had political value in the Presidential Campaign. The lawyer here thought by all means it would, especially in Pennsylvania where there will be a close election. He argue, in contrast to Sen. Nye big business is lost, and they would be the only ones sore if the matter was brought up now, and especially in view of the fact, that Mr. Morgenthau and Mr. Jackson were determined to prosecute, till Helvering objected. Sen. Nye, thought it would be of no use in this Campaign, it was too technical to be understood in the heat of a campaign, that he had already sent copies of Read's report to two other Senators, who already ~~sent copies of Read's report to~~ had agreed with him, the proper procedure, was either a Congressional Investigation, or Impeachment proceedings against Helvering, when Congress convenes. Nye also wrote, he was thoroughly convinced of the complete sincerity of Mr. Morgenthau, in his prosecution of Mr. Mellon for income tax evasion. I understand there is Fifty million dollars involved, also that a copy of Read's report is in the hands of Bruce Kremer, A Washington Attorney.

Sept. 23, 1936

HOPEWELL JUNCTION  
DUTCHESS COUNTY, NEW YORK  
TELEPHONE: BEACON 211

11.15 A.M.

File  
Presidents  
Personal  
Magnolia  
PSF

my dear Mr President:

I am

enclosing herewith two letters.

I would greatly appreciate  
your going over my letter  
to Senator Vanderberg and  
making any suggestions  
you deem wise. If you  
approve of the letter I want  
to release it as soon  
as possible as the French

are ~~still~~ still talking  
of putting through their  
devaluation Friday night  
and I believe it would be  
very helpful to release  
the Vandenberg letter before  
the French devalue.

The messenger will wait  
for an answer.

Sincerely,

Henry

*file  
Confidential*

*PST  
Magnelbar  
Dramer 1-36*

LMS  
This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone. (C)

Paris

Dated September 23, 1936

Rec'd 12:30 p. m.

Secretary of State,  
Washington.

RUSH.

908, September 23, 1 p. m.

FOR SECRETARY OF THE TREASURY FROM COCHRAN.

Reference to my telegram No. 907, September 22,  
8 p. m., I saw Undergovernor Fournier at Bank of France  
at 10:15 this morning. He raised two questions.

(One.) It is envisaged that the French stabilization  
fund will be operated by the Bank of France for the  
account of the French Treasury and Fournier will presum-  
ably be in charge thereof. He said that the plan would  
be to hold the franc from the beginning within the limits  
specified by the authority which will be granted the  
Government by Parliament to fix the new gold value of  
the franc by decree. The convertibility of the French  
franc into gold will be entirely suspended by the  
monetary legislation. Gold transactions would be only  
those between the stabilization funds that are agreed  
upon. The franc will not be immediately reattached to gold.  
The French stabilization fund would operate, however,  
during the transition period toward holding the franc

at

*Strictly Confidential*

U -2- #908, Sept. 23, 1 p.m. from Paris

at the middle rate between the two limits. The French fund would in its operations purchase dollars and sterling. It would desire to convert such currencies into gold and avoid the French error which Fournier says was made in 1926 of building up tremendous holdings of foreign exchange. Therefore could the American monetary authorities assure the French at this juncture that if a common declaration is issued the French stabilization fund could be permitted to exchange the dollars which it acquires against gold? The French would be willing on a reciprocal basis to give (END SECTION ONE)

WILSON

CSB

U  
This telegram must be  
closely paraphrased  
before being communicated  
to anyone. (C)

Paris

Dated September 23, 1936

Rec'd 11:45 a.m.

Secretary of State

Washington

RUSH

908, (SECTION TWO), September 23, 1 p.m.

the American fund gold against the francs which it acquires. The latter operation would involve determining a price as long as the franc is not definitely attached to a fixed weight of gold. The price might be day to day or over a certain period. I told Fournier that I would raise this question immediately and that my personal impression was that if we find it possible to agree to the simultaneous declaration now being negotiated we presumably would grant the desired reciprocity.

(Two) It is anticipated that a call for special convoking of the French Parliament would be made at the time the declaration is issued. At that same time the French would (\*) the closing of their stock market and exchange market. That is from the time of making such announcements no exchange transactions would be permitted until after the monetary law had been passed and announced. They do not contemplate closing the banks. They hope for such a period to begin with Saturday and probably terminate

wich

U -2- #9-0, Sec. 2, Sept. 23, 1 p.m. from Paris

with Monday. Fournier had talked with Cobbold of the Bank of England on this point seeking similar action by the British. Cobbold said according to Fournier that the British were considerably perturbed lest the interim period between convoking Parliament and passing the law might see a tremendous attack upon the Swiss franc and the florin. Consequently Cobbold thought that the British might look with favor upon taking action similar to that contemplated by the French but that this would not be worth while unless the (END SECTION TWO)

WILSON

CSB

U  
This telegram must be  
closely paraphrased  
before being communicated  
to anyone. (C)

Paris

Dated September 23, 1936

Rec'd 12:20 p.m.

Secretary of State  
Washington

RUSH

908, September 23, 1 p.m. (SECTION THREE)

Americans followed the example. Fournier asked what we would be willing to do. I told him I would submit the question but that I had considerable doubt as to whether we would risk shocking our public to the extent that this might involve.

Fournier subsequently talked with Governor Labeyrie. The question was raised by the latter as to whether the Bank of France should communicate with the Federal Reserve Bank of New York in regard to technical cooperation. I told them that for the present negotiations were being handled entirely in Washington. They will utilize present channels, therefore, until they may receive further suggestions from us. They both impressed upon me the necessity for haste in view of the nervous condition of the French market. As I left the bank I stopped to see Cariguel who had been consulted by the Governor and the Undergovernor before I arrived. I told Cariguel of my uneasiness over suggesting that our markets be closed.

He

U -2- #908, Sept. 23, 1 p.m. Sec. 3, from Paris

He suggested, personally and most confidentially, as an alternative, that we might give our word that the Treasury or Federal Reserve would ask the important American banks to refrain from trading in the French franc or possibly other currencies during the period under reference. He thought cooperation of the banks in the United States most likely to engage in important transactions in foreign exchange could thus be achieved without upsetting the public.

I think it would be well when I next see the Governor and Undergovernor of the Bank of France to make it clear that if an (END SECTION THREE)

WILSON

CSB

U  
This telegram must be  
closely paraphrased  
before being communicated  
to anyone. (C)

Paris  
Dated September 23, 1936  
Rec'd 12:40 p.m.

Secretary of State

Washington

RUSH

908, September 23, 1 p.m. (SECTION FOUR)

embargo is placed upon the export of gold those American banks which may have sold dollars against francs in practice such as followed by the Guaranty and National City Bank should be entitled to obtain gold therefore. That is, we should not desire to see an American bank suffer loss through an embargo especially since the banks particularly under reference have been instrumental in maintaining the stability of the franc through their operations.

President Trip telephoned me this morning from Amsterdam that Labeyrie had requested that he postpone his visit to Paris until Friday noon instead of Thursday noon. Trip agreed to this and will call on me at 9:30 Friday morning.

Without mentioning Trip's plans I asked Fournier whether the French had notified any other countries of present negotiations. He replied in the negative but added that as soon as agreement might be reached governing declaration by the three powers the French would send

three

U -2- #908, Sept.23, 1 p.m. Sec. 4, from Paris

three agents to the Netherlands, Belgium, and Switzerland, to inform the monetary authorities respectively as to the declaration and solicit these countries joining after.

Gold losses of Bank of France yesterday amounted to 370 million francs. By 11 o'clock this morning the Bank had lost 60,000,000 francs gold.

At 12 noon Baumgartner was still in conference with Minister of Finance so I have not talked with him since he received British reply.

Please provide me with answer to points one and two. END MESSAGE)

WILSON

CSB

THE WHITE HOUSE  
WASHINGTON

*PSF  
Treas.  
Mary*

Hyde Park, N. Y.  
September 24, 1936.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

This is for you in  
confidence. Please keep  
until we discuss the subject  
later on.

F. D. R.

Unsigned memorandum in re  
McCarl, Yates and Baity in the  
Comptroller General's office.

# TELEGRAM

Over Private Wire  
from The White House:

The White House  
Washington.

September 24, 1936.

Memo. to Col. McIntyre,  
PK.

From Secretary Morgenthau:

The following cables are for the President. These are ultra-confidential. Please see that they are sent at once by special messenger to the President.

PARAPHRASE OF TELEGRAM RECEIVED.

From American Embassy, Paris, France.

September 24, 1936. Noon.

No. 915. From Cochran, For the Secretary of the Treasury:

I refer to my telegram of September 23, 1 p.m. No. 908.

At 9:30 this morning according to arrangements I called at the Ministry of Finance. While I was there, Baumgartner was in telephonic conversation with Monick who is in London. It was 11 o'clock before I was handed the document I set forth below. I translated the document into English, and Rueff checked the translation. A compromise draft of declaration which the French have drawn up after receiving last night a British draft is contained in this document. On several points the French Government found the British draft unacceptable. The draft herein reproduced has not yet been accepted by the British, since it was telephoned to Monick only during the time I was at the Ministry of Finance. I give below my translation:

Paris, Dated September 24, 1936. Received 11:40 a.m.

Secretary of State, Washington. RUSH.

9:15, September 24, Noon (Section Two).

ONE. The Government of the United States, after consultation with the Governments of France and of Great Britain, joins them in an affirmation of a common desire to safeguard peace, to foster those conditions which will best contribute to the restoration of order in international economic relations, and to pursue a policy tending to promote prosperity in the world and improve the standard of living of the people.

ASF: Morgenthau  
Confidential file

TELEGRAM

The White House  
Washington

-2-

TWO. To this end, but naturally reserving the right, as do the Governments of France and Great Britain, to give, insofar as concerns international monetary relations, full consideration to the requirements of its national program, the Government of the United States is ready to follow the policy which it has practiced over recent years and which has for its purpose the maintenance of the maximum of stability for the dollar on the exchange markets and thereby to contribute to the general exchange stability. It is convinced, as are the Governments of France and of Great Britain, that a continuation of this policy will serve the general purposes which all governments should share.

(end Section Two.)

WILSON.

Paris, September 24, 1936, Received 12:24 p.m.

Secretary of State, Washington. RUSH.

9:15, September 24 Noon.

SECTION THREE. The French Government considering that the desirable stability of exchanges cannot be seriously assured without there being first reestablished an enduring equilibrium between the various economies, has decided to propose for this purpose to its Parliament an adjustment of its currency on the basis of world prices. The Government of the United States, as that of Great Britain, considers this decision as susceptible of establishing more solid foundations for the stability of international relations in the interest of peace and trade. It affirms its intention of using all appropriate resources for maintaining stability in international exchange on the new basis. It will collaborate with the Governments of France and Great Britain for this purpose; the respective monetary authorities of the three countries have already been invited to ensure among themselves the necessary technical collaboration.

Wilson.

Paris, Dated Sept. 24, 1936. Received 12:40 p.m.

Secretary of State, Washington. RUSH.

9:15, September 24, Noon. (Section Four).

FOUR. The Government of the United States, as well as the Governments of France and of Great Britain, is moreover convinced that the success of the policy above defined is bound up with the

TELEGRAM

The White House  
Washington

-3-

development of international trade. It considers it particularly important that action be undertaken without delay toward progressively lightening, if not suppressing, the present system of quotas and exchange control.

FIVE. The Government of the United States, as well as the Governments of France and of Great Britain, hopes for and invites the collaboration of other nations in the achievement of the program formulated in this statement, and it expects that no nation will attempt to derive an unreasonable competitive exchange advantage and thereby threaten to disrupt the international stability which the Governments of the United States, France, and Great Britain seek to promote by their constant and confident collaboration.

(Eng Message). WILSON.

Paraphrase of Telegram received:

From: American Embassy, PARIS, France,  
Date: September 24, 1936, 1 p.m.

No. 916 RUSH.  
From Cochran,  
For the Secretary of the Treasury:

This morning at the Ministry of Finance Baumgartner told me that authority would be sought in the proposed monetary law for the Government to devalue the franc from 25 to 34.35 per cent by decree.

The table which Monick has worked out shows that, on the basis of the dollar of present gold content, a devaluation of 25 per cent would make the dollar-franc rate 20.151. A devaluation of 34.35 per cent would make the dollar-franc rate 22.962. The 25 per cent devaluation, calculating on five dollars to the pound, would give a pound-franc rate of 100.75. The 34.35 per cent devaluation, on the same calculation, would give a pound-franc rate of 114.811. The 25 per cent devaluation, against a pound worth \$4.86372, would make the pound-franc rate 98.067. The 34.35 per cent devaluation, similarly, would make the pound-franc rate 111.75.

WILSON.

TELEGRAM

The White House  
Washington

-4-

PARAPHRASE OF TELEGRAM RECEIVED:

From: American Embassy, Paris, France. September 24, 1936m  
2:00 p.m.

No. 917 RUSH.  
From Cochran,  
For the Secretary of the Treasury:

At noon to-day Rueff at the Ministry of Finance told me that the following British proposal had been accepted by the French.

FIRST: The following will be the basis on which the monetary authorities in charge of the management of the French equalization fund will proceed with the formal authorization of the French Government, to an exchange of letters with leading authorities of the equalization fund of the British, with the British Government's formal authorization:

END SECTION ONE. WILSON.

Paris, dated Sept. 24, 1936. Received 4:04 a.m.

Secretary of State, Washington. RUSH.

917, Sept. 24, 2 p.m. (Section Two).

TWO. The two equalization funds will consult day by day to assure as much as possible the maintenance of the adopted average parity of exchange (105 Francs for instance).

If it should later on appear that the chosen figure would not correspond to the exceptional requirement of the internal needs of credit, of the tendencies of prices or of the tendencies of supply on the exchange market, it is understood that an act corresponding to the new economic and financial situation will not be opposed from either side.

I asked Baumgartner if using 105 as the example for that agreement meant that the British were anticipating a cross rate of 4.86 for the dollar since this appears the average for such a basis. He emphatically insisted that this should not be inferred.

Talking with you by telephone at 12:30 it was understood that you would speak to the British directly on this point. (END MESSAGE)

WILSON.

TELEGRAM

The White House

Received over Private  
wire from The White House, Washington

September 24, 1936.

*file  
Confidential  
Secretary* **BSF**

Memo. for Colonel McIntyre:

I am sending you by telegraph the following ultra-confidential memoranda from the Chancellor of the Exchequer in England which have just been handed to me by Mr. Mallet, Charge' of the British Embassy. There will be a fourth message coming soon which they have not yet delivered.

I would appreciate if you would send a special messenger to Hyde Park with the following three messages.

May I again impress upon you that the utmost secrecy must be used in handling these messages.

~~is~~

(A) Please communicate following at once to Mr. Morgenthau.

The Chancellor of the Exchequer asked the French Government for a precise statement of their proposals and yesterday received oral explanations of the outlines of what is proposed. He was disturbed to find that it is not the intention, as he had previously understood, to remain on a free gold standard though at a lower level but within wide upper and lower limits in terms of gold to attempt a managed currency.

The Chancellor felt considerable hesitation in agreeing to declaration of his attitude in regard to proposal of a totally unexpected character and one as to the effects of which in restoring French confidence he has grave doubts. He would have liked further time for examination and for consultation with Mr. Morgenthau.

However last night M. Blum sent a pressing appeal for an immediate decision in which he represented in humble terms the gravity of the situation and the necessity for prompt demonstration of cooperation between the three democratic nations. In view of the critical position in France and the necessity for immediate action, the Chancellor felt he could not refuse Monsieur Blum's appeal. Accordingly he communicated to French Government for their consideration provisional draft aide memoire based on Mr. Morgenthau's draft though somewhat different in wording. The draft represents the furthest to which the Chancellor felt it possible to commit himself in the circumstances described above. The text follows in my immediately following telegram.

The Chancellor hopes that Mr. Morgenthau will agree that the above action was the best in the circumstances and he would like in particular to know whether the

TELEGRAM

The White House  
Washington

-2-

references to the United States' attitude in his draft are assented to by Mr. Morgenthau. They are of course inserted provisionally and subject to his approval and this was explained to the French Government. The Chancellor invites particular attention to the reference to quotas etc at the end of the draft.

- (B) French Government having communicated to His Majesty's Government the proposals which they are submitting to their parliament for the realignment of French currency on a new basis His Majesty's Government after consultation with the Government of the United States of America have made the following declaration to the French Government.

His Majesty's Government desire to associate themselves with the wish of the French Government and of the Government of the United States of America to safeguard peace and to foster those conditions which will best contribute to the restoration of order in international economic relations. It shares with the others the common will to pursue a policy tending to improve the standard of living of the people and to promote prosperity in the world.

The policy of the British monetary authorities since the United Kingdom was forced to leave the gold standard and the stability of sterling during the past two years afford practical evidence of the desire of His Majesty's Government to maintain the greatest possible amount of equilibrium in the structure of international exchange and to avoid to the utmost extent the creation of any disturbance of that system by the British monetary action. A continuance of this policy should serve the general interest of the world.

The requirements of the prosperity of the Empire will of course always continue to be taken into full consideration by His Majesty's Government as corresponding considerations will be taken into account by the others governments in the development of policy and decisions in the field of international currency relationship.

ELEGRAM

The White House  
Washington

-3-

His Majesty's Government trust that the decision of the French Government will help to establish a more stable equilibrium between the various parts of the international economic structure. Should this, as they hope, prove to be the case, it will be their intention so to direct their monetary policy by the use of appropriate available resources as to avoid, as far as possible any disturbance of the basis of international exchanges resulting from the proposed realignment and they will arrange for consultation either directly with the other two governments, or between the Banks of issue.

Monetary exchanges however are linked with the exchange of goods and the above policy can only be successful if it is accompanied by a revival of international trade. His Majesty's Government, therefore, attach the greatest importance to action being undertaken without delay to relax and as soon as possible to abolish the present system of quotas and exchange controls.

His Majesty's Government hope that the other nations, though not making a similar declaration, will nevertheless collaborate in achieving the programme here set out.

- (G) This morning Chancellor received an alternative proposed draft from French Government. While some of the alterations in new draft were not material certain passages appeared to Chancellor to require reexpression. Accordingly Chancellor has amended new French text and in view of great urgency has intimated that he would be prepared to issue a statement in form so amended if French Government decide to introduce the plan in form which has been explained to him and provided United States Government are willing to make a statement on similar lines.

In this Chancellor had in mind Mr. Morgenthau's suggestion that each government should issue a statement in form of a declaration and that the statement should be as identical as possible to achieve maximum impression. Chancellor does not suppose that precise identity is attainable but hopes that his text is of such a kind that a closely analogous one would not present difficulty to the United States Government.

TELEGRAM

The White House  
Washington

-4-

The Chancellor's redraft follows in my immediately following telegram.

(D). Following upon the decision of French Government to propose to their parliament an adjustment of their currency His Majesty's Government after consultation with the United States Government and the French Government join with them in affirming a common desire to safeguard peace to foster those conditions which will best contribute to the restoration of order in international economic relations and to pursue a policy which will tend to promote prosperity in the world and to improve the standard of living of peoples.

2. While of course His Majesty's Government must in its policy towards international monetary relations take into full account the requirements of internal prosperity of the countries of the Empire, as corresponding considerations will be taken into account by the Governments of France and the United States, they are ready to continue the policy which they have pursued in the course of recent years one constant object of which is to maintain the greatest possible equilibrium in the system of international exchanges and to avoid to the utmost extent the creation of any disturbance of that system by British monetary action. His Majesty's Government share with the Governments of France and the United States the conviction that the continuation of this policy will serve the general purpose which all the governments should pursue.

3. The French Government recognizing that the desired stability of the principal currencies cannot be ensured on a solid basis except after the reestablishment of a lasting equilibrium between the various economic systems have decided with this object to propose to their parliament the adjustment of their currency on the basis of world prices. His Majesty's Government as also the United States Government welcome this decision in the hope that it will establish more solid foundations for the stability of international economic

TELEGRAM

The White House  
Washington

-5-

relations. His Majesty's Government, as also the Government of the United States of America, declare their intention of using appropriate available resources so as to avoid as far as possible any disturbance of the basis of international exchanges resulting from the proposed adjustment. They will arrange for consultation for this purpose as necessary with the other two governments and between the Banks of Issue.

4. His Majesty's Government are moreover convinced, as are also the Governments France and the United States of America, that the success of the policy defined above is linked with the development of international trade. In particular they attach the greatest importance to action being taken without delay to relax progressively the present system of quotas and exchange controls with a view to their abolition.

5. His Majesty's Government, in common with the Governments of France and the United States of America, desire and invite the cooperation of the other nations to realize the programme laid down in the present declaration. They trust that no country will attempt to obtain an unreasonable competitive exchange advantage and thereby hamper the effort to restore more stable economic relations which it is the aim of the three governments to promote.

END.QUOTE

Henry Morgenthau, Jr.

The White House

Over private wire from Washington  
The White House.

For Colonel McIntyre:  
BY

TELEGRAM

*[Faint, mostly illegible handwritten notes on the left side of the page, possibly bleed-through from the reverse side.]*

The President has asked me to  
thank you <sup>very much</sup> for your Telegram.

~~The Pittsburgh speech <sup>date</sup> and the broad-  
cast were ~~not~~ <sup>arranged</sup>  
without any knowledge that you  
had ~~absolutely~~ <sup>previously</sup> engaged time  
from 9 to 10 the same evening.~~

The President's duties make it  
necessary for him to ~~not~~ defer  
decisions as to trips or speeches  
until the last possible moment.  
When he decided to speak in Pittsburgh  
earlier he had of course  
no knowledge that you were  
speaking that evening.

RECEIVED  
TELEGRAM

## The White House

Over private wire from Washington  
The White House.

September 25, 1936.

For Colonel McIntyre:  
PK.

Will you please send the following ultra-confidential message by special messenger to the President of the United States.

We have taken the British message which I sent you last night and was marked "D" and have made certain changes in it which we believe are an improvement. This corrected message has been shown to Secretary Hull and meets with his entire approval.

After you have read the following message, I would greatly appreciate it if you would telephone me and give me your own suggestions.

Henry Morgenthau, Jr.

"Following upon the decision of French Government to propose to their parliament an adjustment of their currency His Majesty's Government after consultation with the United States Government and the French Government join with them in affirming a common desire to foster those conditions which safeguard peace and will best contribute to the restoration of order in international economic relations and to pursue a policy which will tend to promote prosperity in the world and to improve the standard of living of peoples.

2. His Majesty's Government must of course in its policy towards international monetary relations take into full account the requirements of internal prosperity of the countries of the Empire, as corresponding considerations will be taken into account by the Governments of France, the United States; they welcome this opportunity to reaffirm their purpose to continue the policy which they have pursued in the course of recent years, one constant object of which is to maintain the greatest possible equilibrium in the system of international exchanges and to avoid to the utmost extent the creation of any disturbance of that system by British monetary action. His Majesty's Government share with the Governments of France and the United States the conviction that the continuation of this twofold policy will serve the general purpose which all the governments should pursue.

3. The French Government informs us that recognizing that the desired stability of the principal currencies cannot be ensured on a solid basis except after the reestablishment of a lasting equilibrium between the various economic systems have decided with this object to propose to their parliament the readjustment of their currency. His Majesty's Government has as also the United States Government welcomed this

TELEGRAM

The White House  
Washington

-2-

decision in the hope that it will establish more solid foundations for the stability of international economic relations. His Majesty's Government, as also the Government of France and of the United States of America, declare their intention to continue to use appropriate available resources so as to avoid as far as possible any disturbance of the basis of international exchanges resulting from the proposed readjustment. They will arrange for such consultation for this purpose as may prove necessary with the other two governments and their authorized agencies.

4. His Majesty's Government are moreover convinced, as are also the Governments of France and the United States of America, that the success of the policy set forth above is linked with the development of international trade. In particular they attach the greatest importance to action being taken without delay to relax progressively the present system of quotas and exchange controls with a view to their abolition.

5. His Majesty's Government, in common with the Governments of France and the United States of America, desire and invite the cooperation of the other nations to realize the policy laid down in the present declaration. They trust that no country will attempt to obtain an unreasonable competitive exchange advantage and thereby hamper the effort to restore more stable economic relations which it is the aim of the three governments to promote."

Respectfully yours,

Henry Morgenthau, Jr.

TELEGRAM

The White House

Over private wire  
from White House:

Washington

September 25, 1936.

~~ULTRA CONFIDENTIAL~~

For the President From Secretary Morgenthau.

A personal and confidential message from Mr. Chamberlain for Mr. Morgenthau.

"As Mr. Morgenthau knows the Chancellor has no legal power to fix the pound within the gold points. His policy has been as often stated to let the pound find its natural level and to ~~prevent~~ smooth out fluctuations. This he would continue to do. It may be that the natural level of the pound will in the new circumstances be \$5, as Mr. Morgenthau appears to assume but Chancellor would have expected it to be decidedly lower. Adverse balance of trade somewhat increased this year and if the flow of refugee capital from Europe which has been for a long time past strengthening the pound were reversed it seems most likely that the pound will weaken. He had understood that this view of probabilities was implicit in the discussions which took place at Washington between the United States and French treasuries last June and he knows that it is the view of the French as well as of the monetary authorities at London.

The Chancellor understands the proposed declarations to mean that there will be no deliberate depreciation either of the pound or of the dollar as a reprisal for the devaluation of the franc to a reasonable legal level. He has always understood that it was not Mr. Morgenthau's policy to use his resources deliberately to depreciate the dollar and similarly it would continue to be the Chancellor's intention not to intervene in the market in order deliberately to depreciate the pound. On the contrary he would hope if need arose to be able as in the past to check any landslide. While no one can foresee the precise rate at which the exchange can hold itself the Chancellor would not expect in the immediate future such a heavy depreciation as would be likely to give the United Kingdom any competitive advantage. But the future must be entirely reserved by His Majesty's Government as by the United States Government in the interest of their national property. He is convinced that any attempt to peg the pound artificially at an unnatural level would be both futile and contrary to the real interests of both countries.

The French Government have informed him that proposal will be that the new franc will have gold content of not more than 49 and not less than 43 milligrammes of gold nine-tenths fine. He regards these limits as unnecessarily wide and the mean point between them as representing probably a somewhat greater depreciation than is really justified but in the circumstances he has not objected to the French proposal on this score. *End.*

September 24, 1936.

*Will PSF  
Morgenthau  
(S) - 36*

Memo sent to McIntyre  
From Henry Morgenthau

Ultra-Conf. memo from  
Chancellor of the Exchequer in England  
In re-France going off the Gold Standard and her  
oral explanations and outline of proposals.

SEE--Treasury Folder-Drawer 1--1936

# TELEGRAM

Private wire from  
The White House:

The White House  
Washington

WX 9-25-36  
610pm

For Col. McIntyre,  
PX.

Would you please send the following ultra-confidential message by special messenger to the President of the United States:

"The following is a draft which we handed Mr. Mallet of the British Embassy for Mr. Chamberlain at 4:00 o'clock Eastern Standard Time.

'The Secretary of the Treasury is glad to have Mr. Chamberlain's note. The Secretary can be in full accord with paragraphs Two and Three, but with respect to paragraph One, it is a matter of opinion as to whether under the new circumstances the natural level of the pound would be at \$5.00, as he thinks is justified, or lower as Mr. Chamberlain says he expected. However, as long as Mr. Chamberlain understands that we believe the \$5.00 level to be the appropriate one, the future operations can be conducted after suitable conference and therefore reserving every right to state our position as it develops in the future and, without agreeing to Mr. Chamberlain's present thought of a lower rate between the dollar and the pound, the Secretary of the Treasury believes that this is not an obstacle which need prevent the issuance of the simultaneous statements in order to carry out their broad, useful and indeed essential objective.'

"And the following Mr. Auriol's declaration to me which was read to me over the telephone by Mr. Cochran:

'The French Government, while thanking Mr. Morgenthau for all that he has already done, wants to give him the assurance that it intends in no way on its side to depreciate its money beyond the limit which will be sought under monetary law.

'After simultaneous declaration despite the reservation which this country has been obliged to make to take account of its public opinion, they will consolidate effectively the stability of the major currencies and will constitute the starting point for a trustful cooperation between the three great countries. It insists on the urgency for its country of a final decision, the Council of Ministers being already in session since 4:00 o'clock. It is now ten till six.'"

Respectfully, H.M. Morgenthau, Jr.,  
Secretary of the Treasury.

*Confidential file*

*PSF:*

*File in appropriate*

*Shawcross - 31*

# TELEGRAM

The White House  
Over private wire  
from Sec. Morgenthau: **Washington**

Sept. 29, 1936  
920am

Washington D.C. Sept. 28, 1936.

From Spagent, Shanghai. China.

Secretary of the Treasury:

Message from Professor Buck. Triple Alliance has pleased manager of Central Bank and adviser Lynch. They state China will be helped by it in stabilizing her currency.

China is reluctant to meet Japan's demands for the following:

- A buffer state of the five northern provinces,
- Economic cooperation,
- Stationing troops in important centers in Yang-Tze Valley.

Control on text books in relation to anti-Japanese propoganda.

For this reason Chiang wishes to avoid meeting the Japanese Ambassador. Therefore Ministers of Education and Industry went to Canton by airplane and brought back instructions for Minister of Foreign Affairs in his future negotiations.

The following, for you and the President, is highly confidential:

"An armed conflict depends entirely on aggressiveness of Japanese. It is evident that China's increased strength is having its effect on Japanese policy in China and a stiff attitude on part of other nations at right moment should help curtail Japan. China is organized practically on a Fascist basis through secret societies and this includes increasing state control of industry as part of war preparations and permanent industrial system. Chiang is the dictator and he is making every preparation for resisting Japanese. Sung Che Yuan, chairman Hopei-Chahar Political council, and Han Fu Chu, governor of Shantung, will support Chiang in armed resistance against Japan. Their soldiers are anxious to fight as they cannot stand Japanese arrogance much longer. Strategy will be long line of defense along coast and drawing out large forces of Japanese.

"Saturday Mayor Wu of Shanghai was held up in his car by Japanese police for inspection. He told his guard not to resist, now is not the time.

"I have another confirmation that if conflict does come every Japanese in China will be massacred."

*file  
confidential*

*PSF: Morgenthau -  
Kramer - 36*

-----

PSF: Morgenthau

~~CONFIDENTIAL~~

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: October 6, 1936, noon.

NO.: 971

FROM COCHRAN.

FOR THE SECRETARY OF THE TREASURY.

I saw Minister of Finance Auriol at ten o'clock this morning. My visit this morning was the first since the issuance of the simultaneous declarations.

Minister Auriol reiterated his appreciation of American cooperation in this move, and insisted that passage of the French monetary law would have been absolutely impossible if the three power agreement had not accompanied it.

The method of direct communication with Secretary Morgenthau had especially pleased the Minister, and he hoped that in the future the same could be done. He mentioned, incidentally, that at one stage of the negotiations Monick had exceeded his authority, causing the Minister serious embarrassment.

Minister Auriol told me that there was nothing France could do <sup>now</sup> on the war debt question. He said that after restoration of internal order and some degree of prosperity is achieved, he hopes it may be his pleasure and opportunity, say in another year or year and a half, to make spontaneously to the United States an offer of final

*File Morgenthau  
Drawer 1-36*

*file*

final settlement of the war debt of France. All phases of the question would have to be studied before such an offer is made - including a study of the Hoover moratorium, the Lausanne agreement, and the character of the constituent parts of the indebtedness.

The three power declaration, the Minister said, had meant a big step forward. He expressed great pleasure at the manner in which this declaration had been received by most of the European countries, the principal exception being Germany. He was particularly gratified by the action which the Italian Government took yesterday.

Minister Auriol asked me what I thought Schacht was going to do. I said that this week-end I might have occasion to see Schacht. The Minister told me that he had not wanted Schacht to be in the original negotiations principally because he and Norman were so close that there might have been Anglo-German collusion in the negotiations which would have made it difficult to arrive at agreement. He is sending word to Schacht by Labeyrie that France will be ready to cooperate with Germany toward stabilizing her currency and toward reduction of barriers whenever Germany may see fit to follow France's precedent. Auriol told me he will insist, though, that the financial burden which the armament policies now being followed in Europe entail will prove to be unbearable by the various treasuries involved.

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE  
Monday, October 19, 1936.

Press Service  
No. 8-70

J  
PSE  
H.M.J.

STATEMENT BY SECRETARY MORGENTHAU

The receipts and expenditures of the Government are frequently made an important issue in Presidential campaigns. In the heat of these campaigns, it is not uncommon for political speakers to criticize the expenditure programs of the party in office and in many instances the facts are presented for political purposes in a manner which confuses the public mind as to the real situation.

The Treasury does not ordinarily attempt to check the accuracy of such statements nor to take official notice of partisan criticism directed at its methods of bookkeeping and financial reporting. When, however, a former President of the United States in a public address charges the Treasury of the United States with "intellectual dishonesty" and "pernicious deceit" the public interest demands that these charges be not ignored.

The citizens naturally impute to a former President intimate knowledge of the financial operations of the Government, and when Mr. Hoover attacks the integrity of the public accounts, his statements, if permitted to go unchallenged, might tend to impair the confidence of the public in its financial officials, with consequent detrimental effect on the Federal credit.

What are the facts?

The facts are that the Treasury accounts are kept strictly in accordance with law, and are not based upon any partisan political considerations. The Treasury submits to the Congress in accordance with the law an annual report on the state of the finances, and a detailed report of receipts and expenditures of the Government for each fiscal year. Furthermore, it publishes for every

business day a statement showing the condition of the public Treasury. These reports are from time to time supplemented by special reports. The Treasury is constantly studying the form of its reports, with a view to making them more informative to the public, and I believe it can truthfully be said that this Administration has furnished the public more detailed information on the financial operations of the Government than any preceding Administration.

Mr. Hoover set out in his address three "formulas" which he claims the present Administration has adopted for the purpose of making a distorted presentation of the expenditures of the Government.

"FORMULA NO. 1: The Roosevelt Administration has made some beautiful economies by just omitting certain items from its regular expenditures before it comes to the totals announced to the people. They appear only in an appendix."

In illustrating the application of this formula he cites "the expenditures for Government trust accounts and for the District of Columbia paid by the residents", and says these items "have been deleted from totals under President Roosevelt".

The public record shows that up to July 1, 1930, the Federal Government did "put down all of the money spent on one side of the ledger and every cent taken in on the other side of the ledger", including trust funds. But on May 1, 1930, President Hoover's Director of the Budget wrote the Secretary of the Treasury, stating:

"The President has asked me to see if appropriate arrangements can be made for exhibiting the receipts and expenditures of the Government in the Budget and in the daily Treasury statements, separately under the captions GENERAL FUND, SPECIAL FUNDS, and TRUST FUNDS."

Beginning July 1, 1930, the Daily Treasury Statement was changed in this respect to meet the wishes of President Hoover.

Here are President Hoover's own words on this subject as contained in his 1932 Budget Message to the Congress:

"In preparing the detailed statements of receipts and expenditures contained in this Budget, I have segregated trust funds from general funds and special funds. This has been done for the reason that trust funds do not belong to the Federal Government, but to the beneficiaries of the trust; and, in summarizing the financial condition of the Government, trust funds should therefore be excluded."

He went on to say that only general and special funds represent true Government transactions.

I am not in disagreement with the changes thus effected by direction of President Hoover. On the contrary the segregation of trust fund transactions from the financial transactions of the Government is in my opinion a distinct improvement in budgetary procedure and the reporting of financial data.

But when Mr. Hoover ascribes responsibility for this change to the present Administration he misstates facts.

"FORMULA NO. II: It has always been a rightful principle of Government accounting under the old commandments to pay all receipts or all final recoveries from revolving accounts into the Treasury. Then Congress appropriates them out and thus holds control of the expenditures."

It becomes pertinent to inquire what were the "old commandments." Neither the use of revolving funds nor the Treasury's accounting procedure in connection with them is new in Government finance. In Secretary Glass' annual report for 1919, he called the attention of the Congress to the Treasury's objection to this method of appropriating funds. He said in part:

"By such appropriations the revenues of the Government affected never become unconditionally available to meet general expenditures, but are appropriated automatically for special purposes without further control by the Congress and without any new consideration of the merits of the additional expenditure. These appropriations by their very nature tend to produce expenditures, which, if considered anew, might not be authorized by the Congress and I believe that their discontinuance, to the utmost limit possible, is an essential condition of any program for rigid economy in Government expenditure."

Secretary Houston in his annual report for the fiscal year 1920, repeated the same objection.

There has been no change in the method of handling revolving funds in the Treasury Daily Statement and in the Budget since 1920. The procedure today is the same procedure that was followed throughout President Hoover's own administration. For instance, under authority of the Agricultural Marketing Act of June 15, 1929, Congress, on the recommendation of President Hoover, appropriated \$500,000,000 as a revolving fund for use of the Federal Farm Board. The repayments received up to February 28, 1933, of more than \$650,000,000 on account of loans made from this revolving fund were credited back to the fund and thereby operated to offset expenditures in the fiscal years 1930-33. It will be seen that "under the old commandments" repayments to revolving funds were not, as alleged, covered into the Treasury and subsequently appropriated by the Congress.

The operations of all revolving funds have been handled in a similar manner. For instance, the operations of the Reconstruction Finance Corporation during Mr. Hoover's administration reflected a net expenditure of \$1,572,000,000; yet in arriving at this figure a credit of \$368,000,000 was taken for repayments on loans previously made, as an offset to gross expenditures.

Had Mr. Hoover followed the principle underlying his so-called "old commandments", he would not have taken credit for the repayments of

\$368,000,000 and would have reported the gross expenditures of \$1,940,000,000 instead of a net of \$1,572,000,000.

Thus, in criticizing the method of accounting for revolving funds used by the present administration Mr. Hoover is condemning his own practice.

One important change, but in the direction of a more complete reporting of these funds has been made by this administration. The Daily Statement of the Treasury has since December 1, 1934 shown separately the gross expenditures of those corporations and credit agencies of the Government which operate on revolving funds, as well as the repayments received on account of loans made from such funds.

FORMULA NO. 3: "And this is a much more potent formula for juggling scoreboards. In the days of the old-time arithmetic the President and the Director of the Budget yearly fought each of the Federal bureaus over every item of expenditures. Congress fought at the items and finally made a detailed appropriation for each of them, down to the salary of every clerk."

In discussing formula No. 3, distinction must be made between the manner in which the Congress had made available for expenditure lump-sum appropriations for recovery and relief, on the one hand, and, on the other hand, the accounting and reporting procedure of the Treasury Department in connection with such expenditures.

As to the former, the Congress authorized President Roosevelt to utilize the established departments and agencies of the Government in meeting the unemployment problem. The primary object was to put people to work and projects were not rejected simply because they were of a type that had been carried on by established Federal agencies.

In accounting and reporting with respect to recovery expenditures the Treasury followed the same detailed system of accounting and reporting as has been followed in connection with the handling of

the annual appropriations of the various departments and establishments.

The Treasury considers it fundamental that expenditures from the lump-sum appropriations made available to the President for recovery and relief be accounted for separately from the funds granted by the Congress to the departments in the annual appropriation acts. It is to be noted, however, in this connection, that the Treasury Department in its annual reports and once each month in the Daily Treasury Statement (published as of the 15th of the month) reports the same information with respect to expenditures from recovery and relief funds as it does with respect to the expenditures from annual appropriations, ordinarily referred to as general expenditures,

From the statement made by Mr. Hoover, one would be led to believe that expenditures from the recovery funds are concealed through the use of small print in the Budget statements. This is not true. The fact is that the detailed expenditures from recovery funds are printed in the Budget statements in italics of the same size type, immediately following the related item payable from regular funds. For example, on page A-47 of the 1937 Budget in the estimated expenditures for the year 1937, there appears an item of \$1,000,000 in Roman type under the caption "Gila Project Arizona" and immediately following this item is another item in the same size type, but in italics for the purpose of fund identification, under the caption "Gila Project Arizona-Emergency Expenditures (Emergency Relief Act of 1935) \$1,400,000." This method of presentation conveys to the public the information that the estimated expenditure on account of the Gila Reclamation Project in 1937 is \$2,400,000, of which \$1,000,000 is

payable from an annual appropriation and \$1,400,000 from the appropriation provided in the Emergency Relief Appropriation Act of 1935. I know of no clearer, simpler or more straight-forward way of presenting figures.

Not only has President Roosevelt made available in the most convenient form detailed information concerning the expenditure of funds under the recovery and relief appropriations in the annual budget, but the Treasury has made such information also available in various administrative accounting reports, which give far greater detail than was customary in earlier practice. In the annual statement of receipts and expenditures submitted to the Congress pursuant to Sec. 15 of the Act of July 31, 1894, the Treasury has reported detailed information concerning expenditures under both annual and recovery appropriations in the same manner as has been employed over a long period of years. In addition, the Treasury has made available as of June 30, 1936, a 500 page report showing the allotments and expenditures made under the Emergency Relief Appropriation Act of 1935. This statement shows not only the organizations to which the allotments were made, but the type of work for which the allotments were made and the States in which the work was done.

Mr. Hoover charges that the Treasury has resorted to "double bookkeeping" and, in speaking of his Formula No. 1, states that one of the easiest methods of reducing Government expenditures is "just don't put them in before you announce the total."

There has been much loose talk about the use of a double budget and double bookkeeping. There is no such thing in the United States Government as a double budget, nor is there any system of double

bookkeeping. Probably no government in the world and no business enterprise, no matter what its size, is more meticulous than the United States Treasury Department in keeping and making public accounts of the money it receives and pays out.

In order that the public may be informed as to the uses made of the funds appropriated, the Treasury classifies its expenditures into two divisions, namely, "general" and "recovery and relief." These classifications do not indicate double bookkeeping or in any sense a double budget. They were adopted by the Treasury on July 1, 1933, so as to show the public the purpose for which the appropriations were used.

Probably the nearest approach that this Government has ever made to the system of double budget was under President Hoover in 1932 with the application of the policy of showing the net expenditures of the Reconstruction Finance Corporation over and above the amount of capital stock as "public debt" transactions. Such expenditures were not included in the analysis of receipts and expenditures of general and special accounts either in the daily Treasury statement or in the Annual Budget, and the deficit of the Hoover administration was thereby understated by this amount. This method of treating the net expenditures of the Reconstruction Finance Corporation was changed by the present administration on July 1, 1933, so as to include them along with other expenditures in the Budget statement.

No effort has been made here to reply to all of Mr. Hoover's charges. But the facts do not support any of his criticisms of Government accounting and reporting methods. On the contrary they reveal that every change made by the present administration has been in the direction of greater clarity and completeness in reporting the receipts and expenditures of public funds.

ooOoo

PLEASE DESTROY

PSF: Morgenthau

THE SECRETARY OF THE TREASURY  
WASHINGTON

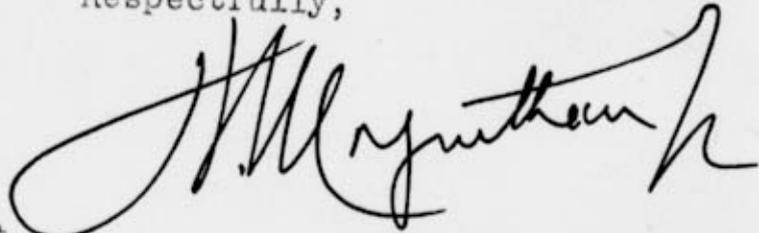
December 17, 1936

My dear Mr. President:

I am sending you herewith two memoranda on the Chinese situation, one prepared by Mr. Haas and the other prepared for me by Captain Puleston. I would appreciate it very much if you would return to me the memorandum from Captain Puleston, for obvious reasons.

If there is any additional information that we can furnish you, please call on us.

Respectfully,



The President,  
The White House.

OK  
FUP