

PSF: *Senate*

MEMORANDUM WITH REFERENCE TO THE REFINERS'  
SECTION OF THE SUGAR BILL

The facts with reference to the refiners' section of the Sugar Bill requested in the memorandum of August 6, 1937 by Mr. Stephen Early, Secretary to the President, are as follows:

1. Section 208 of the bill prohibits the importation of liquid sugar from any foreign country except Cuba and Dominican Republic, which two countries are permitted quotas based on previous years' marketings in the United States, thereby limiting competition of foreign liquid sugar with refiners' products.
2. Section 210 (b) provides in effect that any liquid sugar marketed by the domestic areas shall be included in the sugar quotas, thereby limiting possible competition with seaboard refiners' products of liquid sugar which may be produced in domestic areas.
3. Under Section 207 (e) refiners receive the unusual protection of an outright embargo on any importations of direct-consumption sugar from the principal competing country (Cuba) in excess of 375,000 short tons, raw value, which represents a decrease, as compared with the 1936 quota, of 87,000 short tons of sugar, although the United States Tariff Commission, after official investigation of costs of refining in the United States and Cuba, reported to the President on January 22, 1934, that no change was warranted in the tariff differential between raw and refined sugar.
4. Under the provisions of the Philippine Independence Act the refiners are protected against importations of refined sugar, duty-free, from the Philippine Islands, where great expansion of refined sugar production would be possible if no restrictions were imposed. To the limitation of 50,000 long tons of duty-free refined sugar provided for in the Philippine Independence Act, there is added the provision in the pending bill in section 207 (d) that no more than 80,214 short tons, raw value, of direct-consumption sugar may be brought in from the Philippines in any calendar year, even with payment of full duty.

5. Under the quota provisions total supplies are adjusted to consumers' needs which stabilizes the sugar market in the United States, as operations under the Jones-Costigan Act have indicated. Refiners thus obtain at public expense, in legal form and under public safeguards the general market stabilization which they sought unsuccessfully to achieve at their own expense through control of sugar marketing practices under the Sugar Institute regime of 1928-30, which control was held by the United States Supreme Court in its decision of March 30, 1936, to be in violation of the antitrust laws of the United States.

6. Under the quota system the seaboard refiners increased their meltings from 4,129,000 tons in 1933, the year prior to the Jones-Costigan Act, to 4,514,000 tons in 1936.

7. The first three paragraphs of Section 207 discriminate against Puerto Rico, Hawaii and the Virgin Islands in the interest of the seaboard refiners by limiting or prohibiting refining operations in these areas without corresponding restrictions on other domestic areas.

The cost to American housewives and consumers of sugar in the continental United States of the protection accorded to sugarcane refiners under the bill is estimated at \$22,700,000 per annum.

The cost to American citizens in Puerto Rico (as consumers) of the protection given to the sugarcane refiners under the bill is estimated at \$324,000 per annum. (The additional income to American citizens in Puerto Rico which would result from marketing the entire Puerto Rican quota in refined form is estimated at \$10,600,000.)

The cost to American citizens in Hawaii (as consumers) of the protection given to the sugarcane refiners under the bill is estimated at \$94,000 per annum. (The additional income to American citizens in Hawaii which would result from marketing all of the quota in refined form would be \$5,350,000.)

The above estimates of the cost of protection to consumers are based on the difference in the margin charged by the seaboard refiners per pound of sugar to consumers in the United States and the margin charged by them on sugar sold to foreign consumers, allowance being made for the higher monetary loss of the refiners in melting sugars for the United States market as compared with the world market.

*Henry A. Wallace*  
Secretary of Agriculture.

*Harold Z. Fisher*  
Secretary of Interior.

Old Friendship w B

1 of my oldest, not only  
politically but I can <sup>personally</sup> say  
personally - <sup>tried</sup> <sup>to</sup> <sup>live</sup> <sup>together</sup>,  
banistered together & celebrated  
victories & defeats together.

I think every one of his Colls  
agree w me H A B is greatly  
distinguished for the things he does  
not say as well as for the  
things he does say. Whether he was  
born the way or acquired it thru  
many yrs of self discipline  
I do not know, but it is a  
fact that he has no rancor in

PSF: Senate

Tom:

Enclosed find several short memos:

1. Discusses and shows fallacy of proposed Senate "compromise"
2. Proposed true compromises
  - (a) Desirable minimum wages and working conditions clause
  - (b) Staggering increase of refining in insular areas
3. Criticism of clause suggested by Adams and O'Mahoney to limit benefit payments to any one producer to \$50,000. This is purely a punitive proposal directed at Hawaii and Puerto Rico

Items a and b under 2 might well both be adopted.

Ernest

Jerome

COMMENT ON SO-CALLED COMPROMISE SUGGESTED BY CERTAIN SENATORS

A compromise has been suggested which incorrectly claims to eliminate the discrimination against Hawaii and Puerto Rico. The proposal is that no producing area may increase its refining capacity except to that small amount necessary to make the aggregate of refining capacity throughout the United States equal consumption.

This is a fictitious rectification of the discrimination against Hawaii and Puerto Rico. Its practical consequence is practically the same as the present bill, for it leaves those areas exactly where they now are, except for a small increase in refining.

This purported effort to avoid discrimination against Hawaii and Puerto Rico, will create discrimination throughout the 48 States as well as in the insular areas.

It means the adoption of a new principle, that agricultural producers shall by law be put at the mercy of those middle men who happen at any given moment to own plants which process agricultural products. It would prevent agricultural producers from themselves building plants to process their own products.

It puts a premium on inefficiency and denies the right of any area to develop new and modern plants or to avail itself of its natural geographical advantages.

Such a provision would legislate the former members of the sugar trust into a legalized airtight monopoly. It would reward an industry for having heretofore flagrantly violated the Anti-Trust Laws.

Legally such a provision will prove dangerous and embarrassing. In aid of the national general welfare, restriction of production by legislation is justified--if the facts warrant it. And the Congressional determination that legislation will aid the national general welfare will be given weight by the courts. But where, as here, the facts undeniably demonstrate that the national general welfare not only will not be aided but will be thwarted by legislation, it is inconceivable that the courts will sustain such legislation.

To embody the proposed provision in this statute will be to present the right of the government to restrict production in so vulnerable a form as to invite a decision by the Supreme Court condemning that right in such sweeping terms as adversely to affect desirable and justifiable legislation of that character (i.e. a future A.A.A. statute or revised N.R.A. legislation).

2-A

RECOMMENDED LABOR PROVISIONS - COMPROMISE

To meet the argument that the compensation and working conditions of workers in new refineries the territories and island possessions will be below the standards existing in continental United States, and to eliminate such unreal labor opposition as the refiners have mobilized, there could be inserted in the bill a provision that such standards in Hawaii and Puerto Rico shall not be below the standards existing in cane and beet refineries in continental United States. A suggested draft of such a provision is as follows:

The standards of annual remuneration and working conditions throughout the United States (including Hawaii, Puerto Rico and the Virgin Islands) shall not be lower than the standards existing for similar work in refineries anywhere in continental United States.

2-5

PROPOSED REAL COMPROMISE ON REFINING--  
GRADUATED INCREASE IN TERRITORIAL REFINING

To meet the argument that the industry may be disrupted by too violent a transition from little or no refining in the insular area to increased refining, a compromise is suggested, viz, that the bill expressly provide that the increase in refining in the territories and island possessions be graduated so that the full amount of refining equal to full production of raw sugar in each of those areas will be reached only at the end of five years. This preserves the principle of non-discrimination. Moreover, as consumption is increasing (the mainland refineries refined 500,000 more tons last year than in the first year of the Jones-Costigan Act) and as the present bill has reduced by 85,000 tons the Cuban direct consumption quota, the increase in refining in Hawaii and Puerto Rico will probably have slight effect on mainland refineries.

The text of such amendment is:

Any area which has not in the year 1936 fully converted its raw quota  
cumulatively  
into direct consumption sugar may/increase its direct consumption sugar at  
a rate not to exceed 20% annually of its total raw quota not converted into  
direct consumption sugar in said year.

RE: LIMITATION OF BENEFIT PAYMENTS TO ANY ONE PRODUCER OR CORPORATION

It is understood that Senator O'Mahoney proposes an amendment which will limit benefit payments to any one corporation to \$50,000.

This is obviously directed against Hawaii and Puerto Rico, where sugar growing is largely conducted in large units--a condition made necessary by local conditions.

The bill which passed the House contained a scale of graduated payments. This scale was the result of careful thought and long consideration, and represents all that should be done in the way of reducing payments to large producers.

If there is any policy against corporations, large or small, engaging in agriculture, that should be dealt with in general legislation and not restricted to sugar.

It should be realized that the processing taxes are borne in large part by the producer. Therefore, unless a substantial amount is returned to the producer who pays the tax, the tax and payment provision, instead of being an aid to the producer, will be a penalty upon him.

It is intended through the proposed legislation to secure producer cooperation in limitation of production, and that labor, and adherent producers will benefit in increased wages and increased prices. These objects would be defeated by the limitation proposed.

UNITED STATES  
DEPARTMENT OF THE INTERIOR

OFFICE OF THE SECRETARY

DIVISION OF TERRITORIES AND ISLAND POSSESSIONS

WASHINGTON

August 10, 1937.

MEMORANDUM for the Secretary:

Herewith is the material for the President on compromises,  
true and false, in the pending sugar bill.

*Ernest Gruening*  
ERNEST GRUENING,  
Director.

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The bill which passed the House contained a scale of graduated payments. This scale was the result of careful thought and long consideration, and represents all that should be done in the way of reducing payments to large producers.

If there is any policy against corporations, large or small, **engaging** in agriculture, that should be dealt with in **general** legislation and **not** restricted to sugar.

It should be realized that the processing taxes are borne in large part by the producer. Therefore, unless a substantial amount is returned to the producer who pays the tax, the tax and payment provision, instead of being an aid to the producer, will be a penalty upon him.

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PSF: Senate

file

I have been given the following assurances by Senators representing the vast majority of continental sugar producers:

1. That their primary interest in sugar legislation is to afford protection to the growers of sugar beets and sugarcane in all domestic sugar producing areas of the United States and when the Sugar Act of 1937 comes up for renewal they will endeavor to deal with the question of refined sugar quotas in a separate measure.

2. That they recognize the fact that Hawaii and Puerto Rico and the Virgin Islands are integral parts of the United States and should not be discriminated against.

3. That when the refined sugar quotas for Hawaii, Puerto Rico and the Virgin Islands are terminated, they will endeavor to enact legislation providing that minimum labor standards in sugar refineries in these offshore areas shall not be lower than the minimum standards in refineries on the mainland.

4. That in future legislation they will see to it that the American housewife is protected ~~as adequately as is provided for in this bill.~~

MEMORANDUM

The problem before me raised by the enactment of HR 7667--the so-called Sugar Bill--is that the Bill, intended primarily to benefit the <sup>M/V</sup> hundreds of thousands of farmers who produce beets and sugarcane and those who, at the place of production, refine the raw material into sugar, has been seriously impaired in its value by the inclusion of a provision intended to legalize a virtual monopoly in the hands of a small group of seaboard refiners.

I am primarily concerned with the interests of the domestic beet and cane growers and of the cane growers in the islands which are under the American flag and the cane growers of some of our close neighbors, such as Cuba.

So far as all of these growers, domestic and insular, are concerned, the system of quotas provided in the Bill is <sup>in the whole, quite</sup> adequate and satisfactory. From this, the most important objective of the Bill, I have no reason to disagree.

The sole difficulty relates to a little group of seaboard refiners who, unfortunately, for many years were able to join forces with domestic producers in the maintenance of a continuing and powerful lobby in the National Capitol and elsewhere. This lobby has cost the stockholders of these refining companies millions of dollars and it has been wholly unnecessary so far as protection of the domestic beet and cane producers has been concerned.

It is with great regret, therefore, that I find that the Congress has accorded a status quo continuation of this seaboard refinery monopoly for two and a half years to come. The Bill in this respect gives only one ray of hope--for it provides that this refining monopoly shall terminate on March 1, 1940, whereas the beet and cane producers quota is extended to December 31, 1940.

Since the passage of the Bill, I have been given the following assurances by Senators representing the <sup>77%</sup> vast majority of continental



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Since the passage of the Bill, I have been given the following assurances by Senators representing the <sup>great</sup> vast majority of continental sugar producers:



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1. That their primary interest in sugar legislation is to afford protection to the growers of sugar beets and sugarcane in all domestic sugar producing areas of the United States and when the Sugar Act of 1937 comes up for renewal they will endeavor to deal with the question of refined sugar quotas in a separate measure.

2. That they recognize the fact that Hawaii and Puerto Rico and the Virgin Islands are integral parts of the United States and should not be discriminated against.

3. That when the refined sugar quotas for Hawaii, Puerto Rico and the Virgin Islands are terminated, they will endeavor to enact legislation providing that minimum labor standards in sugar refineries in these offshore areas shall not be lower than the minimum standards in refineries on the mainland.

4. That in future legislation they will see to it that the American housewife is protected ~~as adequately, as is provided for in this bill.~~

From the same source -- i.e. counsel  
for the Interior.

T.G.C.

*PSF*  
*Senate*

MEMORANDUM RE ESSENTIAL CONDITIONS OF AGREEMENT NECESSARY TO PROCURE  
THE PRESIDENT'S SIGNATURE TO SUGAR BILL

1. The agreement should be in writing or by telegram
2. It should be to the effect that, early in the next session, the Act will be amended in the following and only the following respects, namely the elimination, for the year 1938 and thereafter, of all restrictions on refining in Hawaii, Puerto Rico and the Virgin Islands, together with the inclusion of a provision that minimum standards of wages and hours in refineries in those areas shall not be less than the minimum standards in refineries on the mainland.

(The refinery labor provision is very important to wipe out objections from those who sympathize with organized labor.)

3. Such an agreement will be a mere sham and the President's signature will have been procured by an illusory commitment unless all the following persons sign up:

SENATORS

O'Mahoney	Smith, Chairman Agriculture Committee
Adams	Bankhead
Barkley	Caraway
Johnson of Colorado	Hatch
Pope	Bilbo
Thomas of Utah	Schwollenbach
Connally	Gillette
Bailey	McNary
Louderman	Frazier
Bulkley	Capper
Brown of Michigan	Vandenberg
Herring	La Follette
Thomas of Oklahoma	Shipstead
McDill	<i>Borah</i>

REPRESENTATIVES

Bankhead	Buck
Rayburn	Lea
O'Connor	Robinson
Jones	Murdock
Dorey	Lewis of Colorado
Mitchell	Martin of Colorado
Cummings	Kleberg
Hock	Hope
Coffey of Nebraska	Kinzer
Greover	Woodruff

The attached sheets give an explanation for the inclusion of the foregoing names.

EXPLANATION

I

The following Senators are necessary because they come from beet sugar states and are pivotal:

Adams  
O'Mahoney  
Johnson of Colorado  
Pope  
Borah  
McNary

II

The following Senators are members of the Finance Committee, some of whom are interested in the sugar beet industry and others in general labor conditions:

Barkley  
Connally  
Bailey  
Lonergan  
Bulkley  
Brown of Michigan  
Herring  
La Follette  
Capper  
Vandenberg

We can count on King and Clark, who are members of the Finance Committee, without their signatures. That means that if we can procure the signatures of the foregoing, we will have 12 members of the Finance Committee out of a total of 21. We need more than a slight majority to allow for absences, etc., and especially because of the fact that the Chairman, Harrison, is the most powerful enemy of the Administration policy and has strong backing from Senators George and Walsh; he will also almost surely be vigorously supported by Guffey, Byrd, Townsend and Davis.

III

Since the amendment, although it would be an amendment to a bill that was originally dealt with by the Finance Committee, might, since it involves no taxes, be sent to the Senate Agriculture Committee, we should have the signatures of a majority of that Committee. On that basis (in addition to the foregoing and allowing for overlappings in the Finance and Agriculture Committees) we should have the following Senators:

Smith  
Thomas of Oklahoma  
McGill  
Bankhead  
Caraway  
Hatch  
Bilbo  
Schwellenbach  
Gillette  
McNary  
Frazier  
Shipstead

(Several of the above named come from beet sugar states and therefore need to be included regardless of whether or not the bill goes to the Agriculture or to the Finance Committee).

IV

The following members of the House:

Jones  
Doxey  
Mitchell  
Hope  
Kinzer

(The above named were the conferees in the last session.)

The majority leaders, should be included as they can swing the non-interested members of the House:

Bankhead  
Rayburn  
O'Connor

The following are key spokesmen for the beet sugar industry; etc:

Cummings, Colorado beet leader  
Hook, organized labor spokesman  
Coffee of Nebraska, beet spokesman  
Buck, California beets  
Isa, California beets  
Robinson, Utah beets  
Murdock, Utah beets  
Lewis of Colorado, beets  
Martin of Colorado, beets  
Greever, Wyoming beets  
Kleberg, powerful advocate for Eastern refiners  
Woodruff, spokesman for entire Michigan beet group.

*file  
Presidential  
Senate  
(2) RSF*

UNITED STATES SENATE  
WASHINGTON

copy

My dear Mr. President —

The remembrance of my trip with you on the "Potomac" will be lasting.

I enjoyed of course the physical relaxation and the freedom from Senatorial duties. But far more I enjoyed the opportunity for unhurried talks with you and your most interesting guests. I came back relaxed and also stimulated -- paradoxical as this sounds.

Thank you a lot for this experience!

As I told you then - if ever I can be of service I am yours to command.

Sincerely,

(S) THEODORE FRANCIS GREEN

Aug. 13th '37.

UNITED STATES SENATE  
WASHINGTON

14 FEB 1900

Dear Mr President -

The remembrance of my  
trip with you on the "Poloma"  
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Sincerely

Franklin D. Roosevelt

Aug. 13<sup>5</sup> '37

29-3050-37-Bu

W.

**City of New York**  
OFFICE OF THE MAYOR

**OFFICIAL COMMUNICATION**

Date August 18, 1937

No.

From: The Mayor

To: Miss Marguerite LeHand

Subject:

I HOPE THE SKIPPER WILL  
GET A LAUGH OUT OF THIS.

*W.S.S.*

Referred for such action as the facts  
of the case may warrant.

F. H. LA GUARDIA,  
Mayor.

— eo

For  
Litho  
440

DATE

ОБЩИНАТЪ СЪВЪЩАВАЩА СЪБОРА

СЪВЪЩАВАЩА СЪБОРА

PSF  
file  
Journal  
Senate

COPY

*Reserve*

U.S. Senate

August 13, 1937.

Dear Senator:

Please accept my congratulations and bestwishes.

It is indeed a pleasant surprise to hear of the appointment of a real Liberal to the Supreme Court. It is the best news that has come around this way in a long time.

In extending my best wishes you have my fervent prayers that you will not be afflicted with "buttock-itis". So many men that I have known after having been elevated to the bench have become really afflicted with this malignant disease. The sad part of it is that it is also chronic once you get it. Science has yet been unable to identify the germ. While the diagnosis is very simple and the disease easily recognized, there seems to be no cure for it. So many fine, normal, clear-thinking men become afflicted with this disease about six months after sitting on the bench. The medical profession is still groping and endeavoring to find a remedy.

It is indeed a sad affair when the thinking goes to the wrong end of the anatomy, and the fat goes to the head.

Please, please take care.

Sincerely yours,

(signed) F. H. LaGuardia

(  
Honorable Hugo Black,  
United States Senate,  
Washington, D.C.  
)

August 20, 1937.

Memorandum to Mr. Corcoran:

Re: Sugar Bill.

Harrison's speech yesterday (August 19, 1937), Congressional Record, pages 12009-12010, explaining the new bill, was obviously designed as a direct slap at the President. While O'Mahoney has tried to make it appear that the refining provision was a compromise intended to meet the President's views, Harrison threw off the mask and openly stated on the Senate floor that he thoroughly believed in such a discriminatory provision as a matter of principle. He said that although the refining restriction expires at the end of 2 1/6 years - nine months before the bill as a whole expires - he wanted it thoroughly understood that no one should rely on that fact as any justification for believing that those restrictions would be removed in new legislation which would come before Congress in 1940 before the refining restriction terminated, and that the date March 1, 1940, was fixed designedly so that Congress would have an opportunity to re-enact the discriminatory provisions.

The sole justification advanced for the discrimination was the fact that labor <sup>refineries</sup> in the territories <sup>would be</sup> is cheap labor. That is plainly a disingenuous argument, in the light of the fact that the three departments urged on Congress the enactment of a provision to the effect that minimum standards of wages and hours in refineries in the territories should not be

lower than the minimum in refineries on the mainland, such a clause to be enforced by the use of a criminal penalty. Had the discrimination been removed and that labor clause included, any possible danger of unfair competition, through low wages in refineries in the territories, would have been completely eliminated.

In the light of the President's letter to Senator Harrison, and the Senator's remarks on the floor of the Senate, for the President to sign the bill would be for him to accept a signal defeat. I have already called your attention to the fact that in the Kiplinger letter of August 14, it was said: "Note that Pat Harrison, defeated as Senate leader by Roosevelt influence, now slaps Roosevelt with sugar. Again here, prestige is a big issue." In today's Wall Street Journal (August 20) the headline reads: "Roosevelt gets short end in sugar bill compromise. Measure approved in conference contains provisions objectionable to White House."

If the President decides not to sign the bill, the only remaining question of importance is whether he should return it with a veto message while Congress is in session, or use a pocket veto after Congress adjourns.

Because of the brief remaining period of this session, it would seem most unwise for the President to return the bill to Congress. If he sends it back just before adjournment, the refiners' group in all likelihood will be able to jam the bill through over the veto. For they will hold their allies together, while the opponents of the bill will be absent. If Rayburn, etc., could give absolute assurance that more than one-third of the House members present would vote to sustain the veto, the situation would be dif-

ferent. However, Rayburn seemingly has done little up to date to aid the President's views, and it would probably be almost impossible for him to organize his forces at the last minute.

The defeat of the President by Harrison on this issue would be incurable. It is not like the blocking of the wages and hours bill, which can be rectified at the next session.

If the President uses a pocket veto, he can write a ringing statement, explaining why he has done so, which will put men like Adams and O'Mahoney in a most awkward position. On the otherhand, if he signs the bill, or if he returns it and it is passed over his veto, those Senators, and others like them (Harrison, etc) who have been opposing the President, will doubtless crow over their victory.

I suggest <sup>that</sup> any ~~such~~ message <sup>issued after adjournment</sup> be issued promptly (this Sunday is best so as to reach Monday morning papers) so that it will reach the best farmers before returning Senators and Congressmen reach their homes and start building up excuses for their action.

Jeanne (Francis)  
(Interior Department)

PSF: Senate

Logan

August 20, 1937.

Memorandum to Secretary Iokes.

Re: Sugar Bill.

Harrison's speech yesterday (August 19, 1937), Congressional Record, pages 12009-12010, explaining the new bill, was obviously designed as a direct slap at the President. While O'Mahoney has tried to make it appear that the refining provision was a compromise intended to meet the President's views, Harrison threw off the mask and openly stated on the Senate floor that he thoroughly believed in such a discriminatory provision as a matter of principle. He said that although the refining restriction expires at the end of 2 1/6 years - nine months before the bill as a whole expires - he wanted it thoroughly understood that no one should rely on that fact as any justification for believing that those restrictions would be removed in new legislation which would come before Congress in 1940 before the refining restriction terminated, and that the date March 1, 1940, was fixed designedly so that Congress would have an opportunity to re-enact the discriminatory provisions.

The sole justification advanced for the discrimination was the fact that refinery labor in the territories would be cheap labor. That is plainly a disingenuous argument, in the light of the fact that the three departments urged on Congress the enactment of a provision to the effect that minimum standards of wages and hours in refineries in the territories should not be

lower than the minimum in refineries on the mainland, such a clause to be enforced by the use of a criminal penalty. Had the discrimination been removed and that labor clause included, any possible danger of unfair competition, through low wages in refineries in the territories, would have been completely eliminated.

In the light of the President's letter to Senator Harrison, and the Senator's remarks on the floor of the Senate, for the President to sign the bill would be for him to accept a signal defeat. In the Kiplinger letter of August 14, it was said: "Note that Pat Harrison, defeated as Senate leader by Roosevelt influence, now slaps Roosevelt with sugar. Again here, prestige is a big issue." In today's Wall Street Journal (August 20) the headline reads: "Roosevelt gets short end in sugar bill compromise. Measure approved in conference contains provisions objectionable to White House."

If the President decides not to sign the bill, the only remaining question of importance is whether he should return it with a veto message while Congress is in session, or use a pocket veto after Congress adjourns.

Because of the brief remaining period of this session, it would seem most unwise for the President to return the bill to Congress. If he sends it back just before adjournment, the refiners' group in all likelihood will be able to jam the bill through over the veto. For they will hold their allies together, while the opponents of the bill will be absent. If Rayburn, etc., could give absolute assurance that more than one-third of the House members present would vote to sustain the veto, the situation would be dif-

ferent. However, Rayburn seemingly has done little up to date to aid the President's views, and it would probably be almost impossible for him to organize his forces at the last minute.

The defeat of the President by Harrison on this issue would be incurable. It is not like the blocking of the wages and hours bill, which can be rectified at the next session.

If the President uses a pocket veto, he can write a ringing statement, explaining why he has done so, which will put men like Adams and O'Mahoney in a most awkward position. On the other hand, if he signs the bill, or if he returns it and it is passed over his veto, those Senators, and other like them (Harrison, etc) who have been opposing the President, will doubtless crow over their victory. It will unquestionably be said that the President was only bluffing and it will encourage his adversaries to say that in the future with respect to other measures, his bluff can likewise be called.

It is suggested that any veto message issued after Congress adjourns be issued promptly (this Sunday is best so as to reach Monday morning papers) so that it will reach the beet farmers before returning Senators and Congressmen reach their homes and start building up excuses for their action.

Attached hereto is a suggested draft of such a message.

*Ernest Gruening*  
Ernest Gruening

*Jerome N. Frank*  
Jerome N. Frank

Proposed Text of Sugar Bill Veto Message

I have found it impossible to sign the sugar bill which was presented to me one day before the adjournment of Congress.

I have been most desirous that adequate sugar legislation should be enacted at this session. On March 1, 1937, I sent a message to the Congress urging such a law. Since that time months have been spent in a controversy having nothing whatsoever to do with the interests of the sugar producers for whose benefit the legislation was designed. That controversy has related entirely to a provision intended to legalize a monopoly in the hands of a small group of seaboard refiners by discriminating unfairly against American citizens in Hawaii, Puerto Rico and the Virgin Islands engaged in producing sugar.

As Representative Cummings of Colorado (one of the important beet-growing areas) stated in the House debates, "This controversy does not make one penny's difference to the growers of beets". Everyone knows that the bill contains that discriminatory provision. The Finance Committee of the Senate, in its report, expressly so stated, and the Chairman of that Committee, the sponsor of this particular provision, frankly so acknowledged on the floor of the Senate. For the bill limits, for two years and three months, Hawaii to refining <sup>and</sup> ~~from~~ marketing on the Continent but 3% of its sugar production; Puerto Rico to 16%, and excludes the Virgin Islands from all such refining, and the Committee Chairman announced that he would in the future support legislation that would further continue such discriminatory restrictions.

Only one reason has been advanced in defense of that provision, namely that refiners in the territories might employ cheap labor which will compete unfairly with refinery workers of the mainland. It has not been

demonstrated that there is any such danger. But it is significant that those who advanced that argument in the Congress ignored a recommendation made by the Secretaries of State, <sup>Interior and</sup> Agriculture, ~~and Interior~~, that, to avoid any possibility of such danger, there be inserted a provision to the effect that minimum standards of wages and hours in sugar refineries in Hawaii, Puerto Rico and the Virgin Islands should not be less than the minimum standard in refineries on the mainland. That recommendation went unheeded.

It is therefore obvious that the danger to American labor standards was not the real issue. The real issue was whether the Congress should legalize a monopoly for sugar manufacturers whose practices have recently been condemned by the Supreme Court as violative of the anti-trust laws. Against every reason of principle and fairness those refiners were able to procure the inclusion in the bill of a provision, rewarding them for their previous violation of the laws, through the persistent efforts of one of the most remarkable lobbies ever known in the history of this government, the activities of which might well be made the subject of an investigation by the Congress.

It has been said that the discriminatory provision was contained in the Jones-Costigan Act and in the Joint Resolution which continued that Act for one year; and the Chairman of the Senate Finance Committee made the state-

ment that therefore he did not see how I could disapprove this bill. I might recall to the Finance Committee Chairman that in 1934, at the time I signed the Jones-Costigan Act, I stated, in his presence, my objection to that provision and that I signed the bill containing it only as an emergency measure and because otherwise highly necessary emergency legislation would be lost. So that there could be no misunderstanding as to my attitude, I have on various occasions, since March 1 of this year, stated that the refining provisions were no part of the recommendation in my message of March 1, and had no place in an agricultural measure. Consequently, no member of Congress had any justification for assuming that those refinery restrictions would meet with my approval. It is a curious argument that because injustice has been done to a group of American citizens in temporary emergency legislation, that injustice must be perpetuated.

Such a discrimination against citizens of the United States, merely because they dwell in our territories, is unfair and un-American and must be repugnant to everyone who cherishes our traditions. For the very reason that American citizens in our territories and island possessions have no vote in our national legislature, we owe them a solemn obligation to be scrupulously fair. Congress when legislating in matters affecting the territories acts as the legislature for the territories. Every member of Congress is therefore a representative of the American citizens residing in the territories. The power to legislate for the voteless is a power held in trust. The bill, if it became a law, would be a signal breach of that trust.

We must establish now and forever that there cannot be two categories of Americans, and that we shall not in a free democracy, in this year 1937, impose the outmoded colonialism of earlier centuries upon any part of America and upon any group of American citizens.

But beyond the discrimination against our territories, the Bill introduces into permanent legislation a dangerous principle - restrictions by law upon manufacturing in one part of our country to favor manufacturing in another part. It would be a precedent for legislation preventing the South from manufacturing the cotton it grows in order that mills elsewhere might not have such competition; or prevent<sup>ing</sup> wheat farmers from milling their own wheat; or prohibiting Texas oil producers from refining<sup>ing</sup> ~~into~~ <sup>their oil</sup> gasoline, that Seaboard oil refineries might profit ~~by the refining~~. That type of legislation can be justified only when it clearly aids the national general welfare. But, in this instance, the facts are patently such that the general welfare would be frustrated and not aided.

The Chairman of the House Agriculture Committee earnestly endeavored to have the refining provision modified so that it would expire at the end of 1938, two years before the law as a whole expired, thus providing for a short transition period and irrevocably eliminating discrimination thereafter. In answer to requests I made it known that I considered such a compromise favorably.

I recommend that when Congress convenes a bill be drafted on those lines. In that way the interests of the producers of sugar can be fully protected. It has been a source of amazement to me that certain Senators and Representatives in Congress of the domestic sugar producing areas appear to have been

persistently willing to sacrifice the interests of their constituents, the farmers, to further the interests of a small group of seaboard industrialists, when those representatives could have secured desirable and needed agricultural legislation months ago. To make the enactment of legislation for the benefit of a refining monopoly a condition of agricultural legislation is to sacrifice the interests of the farmers.

*PS Filenote*

THE WHITE HOUSE  
WASHINGTON

August 23, 1937.

MEMORANDUM FOR

THE ACTING DIRECTOR OF THE BUDGET

The Sugar Bill that passed  
seems obviously impossible for me  
to sign. Will you please have  
Agriculture, Interior and the State  
Department join in draft of memo-  
randum of veto?

F. D. R.

*BF Senate*

ALVA B. ADAMS, COLO., CHAIRMAN  
KEY PITTMAN, NEV.  
HENRY F. ABERNETHY, ARIZ.  
ROBERT F. WAGNER, N. Y.  
CARL A. HATCH, N. MEX.  
JOSEPH C. O'MAHONEY, WYO.  
JAMES H. MURRAY, MONT.  
PATRICK MCCARRAN, NEV.  
CHARLES O. ANDREWS, FLA.  
HERBERT E. HITCHCOCK, S. DAK.  
JOHN LEE, OKLA.  
WILLIAM H. SMATHERS, N. J.  
R. F. CAMALIER, CLERK

United States Senate

COMMITTEE ON  
PUBLIC LANDS AND SURVEYS

August 23, 1937

The President  
The White House  
Washington, D. C.

Dear Mr. President:

Sincerely believing that the sugar bill now in your hands deserves your approval and that its veto will be disastrous in many ways, I am submitting herewith a memorandum outlining the facts and reasons which lead me to this conclusion.

Sincerely,

*Alva B. Adams*

ABA/bhm  
enclosure

75TH CONGRESS } HOUSE OF REPRESENTATIVES { DOCUMENT  
1st Session } { No. 156

RECOMMENDATION REGARDING ENACTMENT OF THE  
SUGAR QUOTA SYSTEM

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A RECOMMENDATION FOR THE ENACTMENT OF THE SUGAR  
QUOTA SYSTEM, AND ITS NECESSARY COMPLEMENTS

MARCH 1, 1937.—Referred to the Committee on Agriculture and ordered to be  
printed

*To the Congress of the United States:*

The expiration on December 31, 1937, of the quota provisions of the Jones-Costigan Act and Public Resolution No. 109 of June 19, 1936, and the existence of the public problems which have arisen as a result of discontinuance of the processing tax on sugar and benefit payments to sugar beet and sugarcane producers, make it desirable that the Congress consider the enactment of new legislation with respect to sugar. The Jones-Costigan Act has been useful and effective and it is my belief that its principles should again be made effective.

I therefore recommend to the Congress the enactment of the sugar-quota system, and its necessary complements, which will restore the operation of the principles on which the Jones-Costigan Act was based. In order to accomplish this purpose adequate safeguards would be required to protect the interests of each group concerned. As a safeguard for the protection of consumers I recommend that provision be made to prevent any possible restriction of the supply of sugar that would result in prices to consumers in excess of those reasonably necessary, together with conditional payments to producers, to maintain the domestic industry as a whole and to make the production of

2 RECOMMENDATION REGARDING THE SUGAR QUOTA SYSTEM

sugar beets and sugarcane as profitable as the production of the principal other agricultural crops. In order to protect the expansion of markets for American exports, I recommend that no decrease be made in the share of other countries in the total quotas.

It is also highly desirable to continue the policy, which was inherent in the Jones-Costigan Act, of effectuating the principle that an industry which desires the protection afforded by a quota system, or a tariff, should be expected to guarantee that it will be a good employer. I recommend, therefore, that the prevention of child labor, and the payment of wages of not less than minimum standards, be included among the conditions for receiving a Federal payment.

I recommend that adequate provision be made to protect the right of both new and old producers of small acreages of sugar beets and sugarcane to an equitable share of the benefits offered by the program. In this connection I suggest also that you consider the advisability of providing for payments at rates for family-size farms higher than those applicable to large operating units.

Quotas influence the price of sugar through the control of supply; consequently, under a quota regulation of the supply of sugar, a tax may be levied without causing any adverse effect, over a period of time, on the price paid by consumers.

I recommend to the Congress the enactment of an excise tax at the rate of not less than 0.75 cent per pound of sugar, raw value. I am definitely advised that such a tax would not increase the average cost of sugar to consumers. An excise tax of this amount would yield approximately \$100,000,000 per annum to the Treasury of the United States, which would make the total revenue from sugar more nearly commensurate with that obtained during the period 1922-29. It is also estimated that the total income of foreign countries from the sale of sugar in the United States under the quota system would not be less than that obtained during 1935, and, like the total income of domestic sugar producers, it can be expected to increase in future years as our consumption requirements expand.

In considering the enactment of any tax the Congress has regard for its social and economic effects as well as its ability to raise revenue. The social and economic effects of an adequate excise tax on sugar are so important to the welfare of the various groups affected as to constitute a necessary complement to the quota system. For this reason I recommend that neither the quotas nor the tax should be operative alone.

FRANKLIN D. ROOSEVELT.

The WHITE HOUSE,  
March 1, 1937.

MEMORANDUM IN RE: SUGAR BILL

The President in his message on the sugar question sent on March 1, 1937, said:-

"The Jones-Costigan Act has been useful and effective and it is my belief that its principles should again be made effective.

"I therefore recommend to the Congress the enactment of the sugar-quota system, and its necessary complements, which will restore the operation of the principles on which the Jones-Costigan Act was based."

(I attach a copy of that message).

The sugar act which passed the Senate on August 13, 1937, is essentially a continuation of the Jones-Costigan Act. The Jones-Costigan Act is probably the most successful and best balanced piece of legislation enacted under the present Administration. It had the remarkable result of bringing prosperity to the sugar industry, not only in the United States, but in Hawaii, Puerto Rico, and Cuba without a substantial increase in cost to the sugar consumer. The processing tax provisions of the original act fell by reason of the decision of the Supreme Court in the AAA case, and have been replaced with excise tax and conditional payment provisions. The excise tax will not only provide for conditional payments but will leave in the Treasury many millions of dollars. The conditional payments will assure a fair profit to the growers of sugar cane and sugar beets and are conditioned on the elimination of child labor, reasonable wage and hour conditions, and the application of soil conservation principles.

The Secretary of Agriculture is given power, if necessary, to regulate quotas in order to see that the consumers should not be required to pay excessive prices for sugar.

This act, like the original Jones-Costigan Act, is not merely an agricultural measure, but affects and regulates the entire sugar industry from the preparation of soil and the planting of the beet seed through the processes of cultivation, harvesting, manufacture, sale, transportation, and disposal to the ultimate consumer. It seeks to control the quantity of production in every operation of the sugar industry. It is also a revenue measure. In addition, it is designed to improve economic and trade conditions in and with Cuba, Philippine Islands and to a small degree, elsewhere.

The only serious controversy which exists is as to the limitation upon the refining of sugar in Hawaii and Puerto Rico. The provisions of the act as introduced by Congressman Jones on this subject is substantially the same as those incorporated in the Jones-Costigan Act, and in the O'Mahoney-Jones Quota Act. Each of these acts received the approval of the President.

The sugar producers of Hawaii and Puerto Rico, prior to the enactment of the Jones-Costigan Act, had signed the sugar stabilization agreement which contained the identical limitation upon refining in the islands. These islands have profited enormously through the operations of the sugar control acts. The two islands are given a quota under this act which enables them, in addition to supplying all their insular needs, to furnish 46.73% of all sugar to be marketed in continental United States from domestic sugar producing areas, their combined quota being - - - - - 1,736,000 tons while the beet sugar quota is - - - - - 1,550,000 " and the mainland cane sugar quota is - - - - - 420,000 # and the Cuban quota is - - - - - 1,911,476 # and the Philippine quota is - - - - - 1,029,782 #

The evidence before the Senate Finance Committee showed that the quota on the amount of refined sugar which Hawaii and Puerto Rico are permitted to send to the United States under the bill is the maximum amount which either of the islands has ever produced. On the other hand the beet sugar factories in the United States produced, in 1936, 1,756,940 tons and have an actual capacity of over two million tons. That is, the quota on refined sugar produced by the beet sugar factories is only 76% of capacity.

The bill as introduced by Congressman Jones did not include in any direct terms a quota on American cane sugar refineries, but did impose a quota as a matter of practical operations because of the limitations placed upon the production and importation of raw sugar. Complaint having been made that this failure to impose a limitation on the American refineries, while one was imposed on Hawaii and Puerto Rico, was a discrimination as a matter of principle between different citizens and sections of the country, in the Senate Section 207 of the act was amended so as to impose a quota upon continental refineries. As in the case of Hawaii and Puerto Rico the quota imposed would restrict refining operations in the United States at the point of present operations, but cane sugar refineries in the United States by reason of the operation of the quota system have only been operating at 60% of capacity.

If the present act is approved by the President and becomes a law every sugar producing area in the United States and also in Cuba and the Philippines, will have the assurance of profitable operations of this great industry for the coming three years. The industry in each of the sugar producing areas will be maintained at substantially the levels established by the Jones-Costigan Act. With the exception of sugar beet areas all domestic sugar producing areas will enjoy an increased quota due to the increased sugar consumption. Hawaii and Puerto Rico, under the present act, are recognized for the purpose of distributing deficits and fixing quotas on an equality with the continental areas which was not true under the Jones-Costigan Act. Neither Puerto Rico nor Hawaii will be restricted so much as a single pound in their refining operations under their maximum at any time.

On the other hand, if the bill should fail to become a law by Presidential veto, disaster if not destruction will come upon the sugar producing areas. The tariff upon Cuban sugar having been lowered to ninety cents per 100 lbs., that island with its unlimited capacity to produce sugar at lower cost than can be produced in any domestic area, will flood our markets

and substantially destroy not only the beet sugar industry but the cane sugar industry on the mainland as well as in Puerto Rico and Hawaii. A million acres of land now devoted to sugar beet culture will be devoted to the production of crops which will compete with the production of many other crops in the United States, in many of which there is already a surplus. One million people dependent upon the beet sugar industry will be driven to look elsewhere for employment and support. Many thousands of these who are now self-supporting will be driven on to the relief rolls. The refineries, freed from sugar beet competition and supplied with increased quantities of raw sugar from Cuba, will again dominate the American sugar market.

If the sugar bill were amended by maintaining the quotas on raw sugar, but removing the quota on refined sugar from Hawaii and Puerto Rico, the result would be that refineries will be enlarged or built in Hawaii and Puerto Rico where they can be operated by cheap labor, and will gradually replace the continental refining industry with its well-paid workmen. It would seem neither desirable to permit the American refineries to be destroyed in this way by removing the quota on refined sugar from Hawaii and Puerto Rico, nor on the other hand, to allow them to dominate the American sugar field by destroying the quota system.

A comparison of the practical consequences that will flow from signing or vetoing the bill would seem to present a very clear conclusion as to what should be done. A veto and the consequent absence of sugar legislation cannot benefit any sugar producing area within a period of not less than a year, as neither Hawaii nor Puerto Rico can increase their production of refined sugar within that time. Unless the quota system were maintained neither Puerto Rico nor Hawaii, nor any continental sugar producing area would benefit. But, on the contrary, disaster and destruction would be the uniform fate of all the sugar producing areas of America from the unrestricted incoming of cheap sugar from Cuba. Only Cuba and the American cane sugar refineries would profit from a veto, and the absence of quota legislation.

If the present bill is vetoed the probabilities are that sugar legislation without limitations on the importation of refined sugar from Hawaii and Puerto Rico would be defeated in Congress. It is very doubtful if the sugar cane and sugar beet producers of continental United States could muster in Congress enough support to meet the usual opposition to sugar legislation, reinforced by the friends and supporters of cane sugar refineries and their Labor allies. It seems, therefore, that in the event of a veto the prospect of sugar legislation at a special or regular session of Congress would either be no legislation or legislation containing in some form a limitation on refined sugar from Hawaii and Puerto Rico.

Notwithstanding the statements which have been made, there has never been a compact or alliance between continental sugar producers and the refiners. The two groups have supported the present bill not because of any alliance or agreement, but solely because it seemed to afford to each of them a measure of protection against threatened dangers. The continental sugar producers have no interest in the cane sugar refineries, their interest is in maintaining the quota system and in establishing a sound system of benefit payments. They recognize that failure to secure sugar legislation means their economic destruction. The refiners, entirely happy without sugar legislation, were fearful that through removal of restrictions on Hawaiian and Puerto Rican

refined sugars and the maintenance of a quota system they would be denied a large portion of their present raw sugar supply, and prevented from producing a supply elsewhere to take its place.

The sugar bill does not meet in full the desire of any of those interested in the production or manufacture of sugar, but is a fair and acceptable adjustment and balancing of the various conflicting interests. No form of production or manufacture of sugar is free from effective limitations under the bill, yet not one of these very interests but what under the bill could operate at a fair profit and without oppressive prices on the consumer. The breaking down at any point of the structure raised by the Jones-Costigan Act means the ultimate collapse of the entire structure.

The sugar industry is probably the most efficient agricultural and manufacturing industry in the United States today. There is no product which reaches the consumer loaded with as small a charge for production, manufacture, and distribution as is true of sugar. A veto of this bill means the practical destruction of this industry which is a major industry in many states. Its destruction would not only damage the states where sugar is grown and manufactured, but practically every state of the Union is a beneficiary in some way through the operations of this industry.

It will, of course, not be overlooked that if sugar legislation fails the country will lose the great benefits of its provisions as to wages, bonus, and working conditions, as to soil conservation, and as to the elimination of child labor.

It may be not entirely without interest that if the act fails to become a law by Presidential veto, the Democratic Party will be held chargeable in sixteen states where beet sugar is produced, for having destroyed the beet sugar industry and the political consequences to the Democratic Party will be very grave. For many years, producers of beet sugar had been persuaded that the Democratic Party was their enemy. It was only after the enactment of the Jones-Costigan Act were these areas made to understand that the Democratic Party was friendly. The consequence has been the election of Democratic Senators, Congressmen, Governors, and a multitude of other Democratic officials in beet producing areas. If the bill fails to become a law through a Presidential veto it means that the Party in all beet areas will be discredited and not only will candidates for major offices suffer but candidates for county offices, state legislatures, and other offices will suffer and the Party organization will be impaired to such an extent that when 1940 comes, defeat will be the inevitable consequence in all beet producing states.

PS Fi Senate



TREASURY DEPARTMENT

WASHINGTON

AUG 23 1937

Mr. Daniel Bell,  
Acting Director,  
Bureau of the Budget.

Dear Mr. Bell:

Reference is made to your request of August 23, 1937, for an expression of the views of the Treasury Department relative to H. R. 7667, a Bill to regulate commerce among the several States, with the territories and possessions of the United States, and with foreign countries; to protect the welfare of consumers of sugar and of those engaged in the domestic sugar producing industry; to promote the export trade of the United States; to raise revenue; and for other purposes, which is now awaiting the action of the President.

The Department's only interest in the fate of this measure is purely fiscal in character. Should the Bill be approved on or before August 31, 1937, the estimated revenue receipts from the tax imposed by Title IV thereof would be 46.2 millions of dollars for the fiscal year 1938 and 69.3 millions of dollars for the fiscal year 1939. The expenditures for benefit payments, administrative costs, etc., for the fiscal year 1938 would probably exceed the estimated tax collections by several millions of dollars, but it is believed that this shortage would be made up within a reasonable period thereafter because the estimated receipts from the tax for the fiscal year 1939 should exceed the expenditures under the Bill for that year. Accordingly, there are no sufficient reasons of a fiscal character to warrant a recommendation by the Department that the Bill should be disapproved by the President.

If, however, the Bill should be vetoed by the President by reason of the features discriminating against off-shore refining and the President should recommend, as has been suggested, that, when the Congress again convenes, the Bill should be reenacted with the objectionable restrictions eliminated, there would be a discrepancy between the expenditures authorized by the Bill and tax collections for the fiscal year 1938 of possibly thirty-five millions of dollars. This deficit would be due to the fact that such subsequent reenactment of the Bill would not diminish the expenditures, since the

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AUG 23 1937

BUREAU OF THE BUDGET

DEPARTMENT OF THE TREASURY  
WASHINGTON, D. C.  
1937



benefit payments relate to production on or after July 1, 1937, but the Treasury would lose the opportunity of collecting any taxes with respect to sugar manufactured during a period of at least five or six months. The taxes imposed by Title IV of H. R. 7667 are effective with respect to sugar manufactured or imported on or after the date of enactment of the Bill. Presumably, if the present Bill should be vetoed and a similar measure be enacted early next year, the tax imposed thereby would take effect only as of its enactment date, since there appears to be no constitutional method of levying such a tax retroactively. All sugar manufactured during the intervening period, which would probably include virtually all of the 1937 beet sugar crop, would move into the channels of consumption free from tax. This heavy loss in tax collections would have to be made good out of other revenues or by additional borrowing.

Except for this analysis of the possible adverse fiscal consequences of a veto of the Bill, the Department takes no position with respect to its approval and has no comments or suggestions as to the form which any statement justifying a veto of the Bill should take.

Sincerely yours,

*Wayne C. Taylor*

Acting Secretary of the Treasury.

PSF: Senate

August 24, 1937.

Honorable D. W. Ball, Acting Director,  
Bureau of the Budget,  
Washington, D. C.

My dear Mr. Ball:

In response to your letter of August 23rd, requesting comments on the Enrolled Bill, H R 7667, I beg to advise as follows:

1. The fundamental reasons for vetoing the bill are set forth in the draft of veto message, approved by the Departments of State, Interior, and Agriculture, and transmitted to the President by the Secretary of State. In addition, there are the following considerations:

2. It is understood that representatives of the beet growers have stated that, if they succeed in procuring the approval of the present bill, containing the refining restrictions, despite the vigorous objections thereto made by the Administration, they will then know that the Administration's desires can be defeated and they will, in the near future, seek, and they believe successfully, amendments to the Act which will drastically reduce the raw sugar production quotas for Cuba, Hawaii, Puerto Rico, the Virgin Islands and the Philippines, and other amendments which the Administration has opposed. In other words, the failure to veto this bill may well lead to a successful undermining of the entire sugar policy of the Administration, with resulting sugar legislation which will be solely in the interest of the beet and sugar growers on the mainland and of the refiners.

Indeed, the effect of not vetoing the bill may be even more extensive; the future legislative program, relating to subjects other than sugar, may be seriously crippled.

5. He has just been advised of a letter written by the Treasury Department to the Acting Director of the Budget, commenting on the bill. In that letter it is stated that if the bill should be vetoed by the President and the President should recommend that, when Congress again convenes, the bill should be re-enacted with the objectionable refining restrictions eliminated, there would be a discrepancy between the expenditures authorized by the bill and tax collections for the fiscal year 1938, of possibly \$25,000,000. That statement is, of course, based on the assumption that there will be no change in the tax provisions of the bill. If enacted at the next session of Congress and the statement relates solely to the fiscal year 1938. It is to be observed, however, that under the bill, even in its present form, the tax will run until June 30, 1941, whereas benefit payments will cease six months prior thereto; accordingly, there will be taxes collected in the last six months, when no benefit payments are made; and therefore in the year 1941, the discrepancy, referred to in the letter of the Treasury Department would be made up.

Moreover, if the bill is enacted at the next session, the amount of tax for the entire period run, without serious effect (so we are advised by the expert of the Department of Agriculture), be increased in an amount which will far more than offset, for the entire period of the statute, the loss during the fiscal year 1938. The letter of the Treasury Department also assumes that no bill will be enacted until after the lapse of at least five or six months; accordingly, the estimated loss ignores the possibility of the enactment of a bill at a special session held during the latter portion of the calendar year 1937.

Through a misunderstanding, a copy of the letter of the Treasury Department, which was sent to the Department of Agriculture so that it might be read to the other Departments concerned, was not called to the attention of the representatives of the Department of Interior prior to the time when they concurred in the draft of veto message.

Consideration should therefore be given to a modification of the last sentence of the suggested veto message, to the effect that a bill to be enacted when Congress re-convenes, should contain appropriate provisions for an increase of the amount of tax, during the entire statutory period, sufficient to cover the discrepancy between receipts and disbursements for the year 1938 resulting from the veto.

Very truly yours,

Acting Secretary.

PSF: Senate



DEPARTMENT OF AGRICULTURE  
WASHINGTON

AUG 25 1937

The Honorable,

The Director of the Budget.

Dear Mr. Bell:

Acknowledgment is made of your letter of August 23, 1937, enclosing the enrolled bill H. R. 7667, "An act to regulate commerce among the several States, with the Territories and possessions of the United States, and with foreign countries; to protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry; to promote the export trade of the United States; to raise revenue; and for other purposes," and asking me to give my comments on this bill for presentation to the President.

The bill conforms to the President's message of March 1, 1937, "A recommendation for the enactment of the sugar quota system, and its necessary complements", in the following respects:

Protection to Consumers:

The President recommended that provision be made to prevent any possible restriction on the supply of sugar that would result in prices to consumers in excess of those reasonably necessary, together with conditional payments to producers to maintain the domestic industry as a whole and to make sugar beets and sugarcane as profitable as the production of the principal other agricultural products. Section 201 of the engrossed bill contains a provision which this Department believes will adequately protect consumers, although the standard of the profitability of production of the principal other agricultural crops contained in the President's message has been stricken from the bill.

Protection of Markets for American Exports:

The President recommended that no decrease be made in the share of other countries in the total quotas in order to protect

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AUG 25 1937

BUREAU OF THE BUDGET



the expansion of markets for American exports. The quota provisions of the act (Section 202-204 with respect to sugar and Section 208 with respect to liquid sugar) in the opinion of this Department are in substantial accord with the President's recommendation.

Prevention of Child Labor and Establishment of Minimum Wage Standards:

The President recommended that the prevention of child labor and the payment of wages of not less than minimum standards be included among the conditions for receiving a federal payment. Section 301 (a) establishes as a condition for payment for sugar beets and sugarcane growers the following:

"That no child under the age of fourteen years shall have been employed or permitted to work on the farm whether for gain to such child or any other person, in the production, cultivation, or harvesting of a crop of sugar beets or sugarcane with respect to which application for payment is made, except a member of the immediate family of a person who was the legal owner of not less than 40 per centum of the crop at the time such work was performed; that no child between the ages of fourteen and sixteen years shall have been employed or permitted to do such work, whether for gain to such child or any other person, for a longer period than eight hours in any one day, except a member of the immediate family of a person, who was the legal owner of not less than 40 per centum of the crop at the time such work was performed."

Section 301 (b) makes the payments to sugar beet and sugarcane growers conditional upon the payment of wages in the production, cultivation, and harvesting of sugar beets and sugarcane at rates no less than those which may be determined by the Secretary of Agriculture to be fair and reasonable after investigation and public hearing.

Protection to New and Old Small Producers:

In accordance with the President's message that adequate provision be made to protect the right of new and old producers of small acreages of beet and cane to an equitable share of the benefits offered by the program, Section 302 (b) provides that

...the Secretary shall, insofar as practicable, in determining the proportionate share of growers with respect to which conditional payments are to be made, protect the interests of new producers and small producers, and the interest of producers who are cash tenants, share tenants, adherent planters and share croppers.

the Secretary shall, insofar as practicable, in determining the proportionate share of growers with respect to which conditional payments are to be made, protect the interests of new producers and small producers, and the interest of producers who are cash tenants, share tenants, adherent planters and share croppers.

The bill differs from the President's message in the following respects:

Excise Tax on Sugar

The President recommended to the Congress the enactment of an excise tax at the rate of not less than .75 cent per pound, raw value. Title IV of the bill, however, establishes a basic rate of .50 cent per pound, raw value.

It is estimated that a tax at the rate of not less than .75 cent per pound of sugar, raw value, would raise approximately \$100,000,000 per annum of revenue to the Treasury of the United States, without causing an increase of price to consumers. Under the recommendations submitted to the House Agricultural Committee on April 8th by the Secretary of Agriculture the amount to be appropriated from the General Fund of the Treasury for payments to domestic sugar beet and sugarcane producers under the bill would not be in excess of the proceeds of any tax on that portion of the sugar produced domestically. It is estimated that the excess of the total income from a tax of .75 cent per pound over the total payments to growers to be made under the bill would be approximately \$32,000,000 per annum. This would constitute an appreciable item of relief of the burden borne by the taxpayers at the present time.

Under the tax of .50 cent per pound and the payments to growers provided for in the attached bill, it is estimated that only about \$15,000,000 would remain in the Treasury as an excess of total income from the tax over the total payments to be made to growers.

The President recommended that neither the quota nor the tax should be operative alone since the social and economic effects of an adequate excise tax on sugar were deemed by him so important to the welfare of the various groups affected as to constitute a necessary complement to the quota system. The bill does not contain any provision carrying out this recommendation of the President.



PSF: Senate

ELLISON D. SMITH, S. C., CHAIRMAN  
 BURTON K. WHEELER, MONT.  
 ELMER THOMAS, OKLA.  
 GEORGE McBILL, KANS.  
 JOHN H. BANKHEAD, ALA.  
 W. J. BULLOW, S. DAK.  
 HATTIE W. CARAWAY, ARK.  
 JAMES F. POPE, IDAHO  
 CARL A. HATCH, N. MEX.  
 THEODORE G. BILBO, MISS.  
 A. HARRY MOORE, N. J.  
 LEWIS B. SCHWELLENBACH, WASH.  
 GUY M. SILLETTE, IOWA  
 ALLEN J. ELLENDER, LA.  
 HENRIK SHUPETAD, MINN.  
 C. A. LAWTON, CLERK

# United States Senate

COMMITTEE ON  
AGRICULTURE AND FORESTRY

August 25, 1937

President Franklin D. Roosevelt  
The White House

Dear Mr. President:

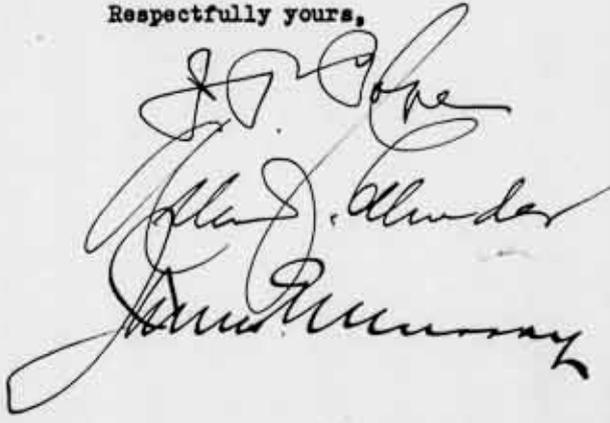
Pursuant to our conversation today with you, we are herewith attaching the names of those Senators with whom one or more of us have talked and who, in substance, assured us of support of the provisions of the memorandum which was tendered to you today, a copy of which is enclosed.

In addition to the above list we have been advised that several other Senators whom we have not seen because they are not in the city would be entirely favorable and would have joined had they been present. Among such are:

- Brown of Michigan
- Bulow of South Dakota
- Johnson of Colorado and
- Hayden of Arizona

We should say that the wording of the attached memorandum was made after discussion with most of the above Senators, but we believe it fairly represents the understanding of them all.

Respectfully yours,



Handwritten signatures of J. D. Jones, Allen J. Ellender, and James Murray.

United States Senate

MEMORANDUM

- ✓ Adams } Cal.
- ✓ Schwartz } N.Yo.
- ✓ O'Rahoney } }
- ✓ Murray } Mont.
- ✓ Thomas } Utah
- ✓ King } }
- ✓ Pope } Idaho
- ✓ Pittman } Nev.
- ✓ Hatch } N. Mex.
- ✓ Chavey } }

United States Senate

MEMORANDUM

- ✓ McAdoo } Cal
- ✓ McMill } Kan.
- ✓ Buckley } Ohio
- ✓ Ellender } La
- ✓ Overton } }
- ✓ Winton } Ind
- ✓ Schwellenbach } Wash

United States Senate

MEMORANDUM

Hitchcock } S. Dak

Ashurst } Ariz

Memoranda attached in accordance with  
the President's direction.

PSF: Senate

**BUREAU OF THE BUDGET**  
WASHINGTON

AUG 26 1937

My dear Mr. McIntyre:

By your memorandum of August 21, 1937 you referred to me, by direction of the President, for advice as to whether there is any objection to its approval, the following bill:

H. R. 7667, An Act To regulate commerce among the several States, with the Territories and possessions of the United States, and with foreign countries; to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry; to promote the export trade of the United States; to raise revenue; and for other purposes.

I have referred this bill to the Secretaries of State, Agriculture, Interior and Treasury. I am transmitting herewith a letter of the Secretary of Agriculture dated August 25, 1937 and a letter of the Acting Secretary of the Treasury dated August 23, 1937. No letters were received from the Secretaries of State and Interior in response to my request for their views on the bill. I understand that these two officials have acquainted the President with their views regarding the bill.

By his memorandum of August 22, 1937, the President advised me as follows:

"The Sugar Bill that passed seems obviously impossible for me to sign. Will you please have Agriculture, Interior and the State Department join in draft of memorandum of veto?"

In compliance with this request I contacted the Secretaries of State, Agriculture and Interior and conveyed to them the President's wishes. Enclosed is a letter of the Secretary of State dated August 24, 1937, with which he submits a suggested draft of a press release for the use of the President in case he should decide to withhold his approval of the bill.

It will be noted from the letter of the Secretary of Agriculture of August 25, 1937, above mentioned, that while he has joined with the Secretaries of State and Interior in the draft of press

release submitted by the Secretary of State, he advises: "Although all of the provisions of this bill do not conform to the recommendations of the President and this Department, it is acceptable insofar as the interests of agriculture are concerned."

It will also be noted from the letter of August 23, 1937 of Acting Secretary of the Treasury Taylor that should the President approve the bill it is estimated that the revenue receipts from the tax imposed by title IV thereof would be 46.2 millions of dollars for the fiscal year 1938 and 69.3 millions of dollars for the fiscal year 1939; that the expenditures for benefit payments, administrative costs, etc. for the fiscal year 1938, would probably exceed the estimated tax collections by several millions of dollars; but that the Treasury believes that this shortage will be made up within a reasonable period thereafter because the estimated receipts from the tax for the fiscal year 1939 should exceed the expenditures under the bill for that year. The Treasury does not find therefore that there are sufficient reasons of a fiscal character to warrant a recommendation for disapproval. However the Department calls attention to the fact that if the bill is vetoed and Congress should reenact it at the next session, with the discriminatory features eliminated, there would be a discrepancy between the expenditures authorized by the bill and the tax collections for the fiscal year 1938 of possibly 35 millions of dollars, due to the fact that the subsequent reenactment of the bill would not diminish the expenditures since the benefit payments would relate to production on or after July 1, 1937, but it would lose revenue for a period of at least 5 or 6 months because, for constitutional reasons, the tax levied thereunder cannot be made effective retroactively.

While I do not feel competent to make any recommendation with respect to the policy matters involved in this bill, from a purely budgetary viewpoint I can see no serious objection to it. If, however, the President should decide to withhold his approval of the bill and recommend its reenactment by the next Congress, with the features to which he objects eliminated therefrom, it would be my recommendation that the taxing provisions of the bill be so changed as to supply the deficiency in revenue for the fiscal year 1938 which would result from such reenactment.

The bill is returned herewith.

Very truly yours,

*Dwight Bill*  
Acting Director.

Mr. M. H. McIntyre,  
Secretary to the President,  
The White House.

Enclosures.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1201-S

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

# WESTERN UNION

R. B. WHITE  
PRESIDENT

NEWCOMB CARLTON  
CHAIRMAN OF THE BOARD

J. C. FINE  
FIRST VICE

(17)

SYMBOLS

- DL - Day Letter
- NM - Night Message
- NL - Night Letter
- LC - Deferred Cable
- NLT - Cable Night Letter
- Ship Radiogram

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination. Received at 234 Main Street, Poughkeepsie, N. Y. 1927 AUG 30 AM 10 20

NS68 33 GOVT=SN WASHINGTON DC 30 950A

MARVIN MCINTYRE=  
NELSON HOUSE

*(Branch 12)*  
*(Sugar Bill)*  
*(File 2)*

SENATOR BORAH AUTHORIZED ME TO SAY TO THE PRESIDENT HE IN FULL ACCORD WITH UNDERSTANDING CANE AND BEET SENATORS FOR SEPARATE VOTE REFINED QUOTAS STOP WOULD YOU BRING THIS TO PRESIDENTS IMMEDIATE ATENTION=

J P POPE USS.

*PSF*  
*Senate*

CANE AND BEET USS.

THE QUICKEST, DURABLE AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

*file*  
PSF; *Senale*  
*2)*

Aug. 30, 1937.

Telegram from Senator Borah in re-sugar bill

See---Sugar Bill folder-Drawer 2--1937

PSF: Senate

Paula  
file

THE WHITE HOUSE  
WASHINGTON

9/2/37

MEMORANDUM FOR MRS. LARRABEE

Paula:

The President said he wanted the  
attached filed in his office--I imagine  
he meant in your files--as he would want  
to refer to it from time to time.

TOI

WASHINGTON  
THE WHITE HOUSE

ADDRESS OFFICIAL COMMUNICATIONS TO  
THE SECRETARY OF STATE  
WASHINGTON, D. C.

PSF: Senate  
file



DEPARTMENT OF STATE  
WASHINGTON

August 24, 1937

My dear Mr. Bell:

In accordance with your oral instructions that the President desired the Departments of State, Interior and Agriculture to collaborate in the preparation of a public statement for possible issuance by him should he determine not to sign the sugar bill (H.R.7667), the three Departments have prepared a draft of such statement which, at the request of the other interested Departments, is submitted herewith.

Sincerely yours,

Enclosure:  
Draft Statement.

The Honorable  
D. W. Bell,  
Acting Director,  
Bureau of the Budget.

RECEIVED

AUG 25 1937

BUREAU OF THE BUDGET

RECEIVED  
DEPARTMENT OF AGRICULTURE



On March 1, 1937, I recommended the enactment of sugar quota legislation which would adequately safeguard the interests of consumers and producers. Since that time months have been spent in a controversy, having nothing whatsoever to do with the interests of the farmers for whose benefit the legislation primarily was intended. That controversy related entirely to a provision intended to legalize a virtual monopoly in the hands of a small group of seaboard refiners. Since that provision was included in the Bill which the Congress submitted to me for approval, I shall take no action on the measure. I sincerely hope, however, that as early as possible when Congress reconvenes a satisfactory sugar measure may be enacted. I regret that the interests of domestic beet and cane growers have been adversely affected by the intrusion of an issue with which they have no concern.

The bill submitted to me discriminates against American citizens. It drastically restricts the rights of citizens in our insular areas to refine raw sugar, while no similar prohibition is imposed upon the refining of sugar in other parts of our country. The effect of this discrimination gives a small corporate group the business of refining all but a small percentage of the cane sugar consumed in this country.

The

the price paid about 75% of  
the purchase of commodities and about  
about 100% registration which would  
on July 1, 1921, I recommended  
Department

The defense advanced for this discrimination is that the refiners in the islands could employ cheap labor which might enable unfair competition with refinery workers in the refineries on the mainland. To avoid the possibility of such a danger--if such a danger exists--the Administration recommended that a provision be inserted in the bill to the effect that the minimum standard of wages and hours in sugar refineries in Hawaii, Puerto Rico and the Virgin Islands should not be less than the minimum standard in refineries on the mainland. That recommendation went unheeded.

It is therefore obvious that the alleged danger to American labor standards was not the real issue. The real issue was whether a monopoly of sugar manufacturers whose practices, in 1936, were condemned by the Supreme Court as violative of the anti-trust laws, will be perpetuated.

The refiners were able to procure the inclusion of the provision to perpetuate their monopoly through the persistent efforts of a heavily financed and indefatigable lobby. It would seem that the producers have, perhaps unwittingly, been victimized by permitting their interests to be associated with efforts put forth by the refiners. Aside from the principles involved, I am convinced that approval of this bill would do much to encourage the small

but

but powerful groups who year in and year out bring relentless pressure upon the Congress and public officials in their effort to seize and retain special privilege.

One argument advanced for discriminating between citizens is that the Jones-Costigan Sugar Act, enacted in 1934, contained protection for the refiners against importations of refined sugar from Hawaii, Puerto Rico and the Virgin Islands.

At the time the Jones-Costigan Act was enacted in 1934 the situation of our domestic sugar producers was grave. Because of the emergency, and because the measures extended over a period of only three years, I gave my approval to the legislation. But on various occasions since March 1, 1937, I have stated that the refining provisions had no place in an agricultural measure. That injustice has heretofore been done to a group of American citizens in temporary emergency legislation is no excuse for perpetuating it.

The discrimination against citizens of the United States in the pending bill, merely because they dwell in our territories, is unfair, un-American and must be repugnant to everyone who cherishes our traditions. For the very reason that American citizens in our territories and island possessions have no vote in our national legislature,

we owe them a solemn obligation to be scrupulously fair. The Congress when legislating in matters affecting the territories acts as the legislature for the territories. The power to legislate for the voteless is a power held in trust. The bill, if it became a law, would be a signal breach of that trust. We must establish now and forever that there cannot be two categories of American citizens, and that we shall not in a free democracy, in this year 1937, impose the outmoded colonialism of earlier centuries upon any part of America and upon any group of American citizens.

But beyond this discrimination the measure would write into a bill whose principal aim is aid for agriculture provisions for the virtual perpetuation of a processors' monopoly.

I do not for a moment assent to the proposition that every piece of legislation primarily intended to benefit farmers or wage earners must in order to be accepted bestow rich favors upon other interests. The enactment of laws sorely needed by farmers, wage earners, and small business enterprises should not have to depend upon inclusion of favors to big corporate combinations. I earnestly recommend to the Congress that it reconsider the refining provisions of the bill and when it reconvenes that a bill should be

enacted

...to be passed  
...the bill  
...the bill  
...the bill  
...the bill

-4-

enacted eliminating the refining restrictions to which I  
have objected but containing the labor provision which I  
have described.

*file removed*

The Speaker's Rooms  
House of Representatives U.S.  
Washington, D.C.

*file Senate  
Drawer 2-1937*

Jasper, Alabama, THE WHITE HOUSE  
October 5, 1937. 9 08 AM '37

RECEIVED

The President,  
The White House,  
Washington, D.C.

My dear Mr. President:

I have been intending to write you for some little time, but on account of your Western trip, have delayed doing so until your return to Washington.

I have, of course, followed with the deepest interest the press accounts of your Western visit and I am gratified beyond measure to be assured, not only that you had a most generous and enthusiastic welcome, but also that the great masses of the people are still with you and your program.

I did not call to see you before leaving Washington because I was acting upon your personal advice to get home as soon as possible and get a good rest, which I have been doing greatly to my benefit.

I am naturally deeply concerned to learn your present views with reference to the necessity for an extra session of Congress. You intimated to me at our last confidential conference that you had in mind, under the then existing conditions, to call an extra session in November. If you still have that in mind, I would like very much indeed for you to indicate to me in the strictest confidence what your plans now are in that regard. It is most important to me because of my position as Speaker, as well as my local situation here at home, to have this information so that I can lay the necessary personal arrangements for a return to Washington prior to the convening of the session, if an extra one is to be called.

With assurance of my highest admiration and regard, I am

Sincerely, your friend,

*W. B. Bourkeheady*

*PSF; Senate*

COPY

December 9, 1937

PRIVATE BUT NOT TOO CONFIDENTIAL

Dear Jack:

I have read in the paper tonight you and twenty-four Members of the Senate are attending the funeral of my old friend Bessie. I knew her many years ago when I was hunting in northern Pennsylvania. She was the pet of the camp and would always come when you called and eat out of your hand.

I am sorry, indeed, that Mr. Guffey removed the tinkling little bell which was always worn around her neck. It makes me feel so chokey when I think of her untimely demise that I do not think that I could attend the funeral service tonight even if I had been invited.

I understand, of course, that this unfortunate hunting accident was no fault of yours and I am glad, too, that if Bessie had to go down, it was instead of whistling her up and cutting her through with a knife. Dear Bessie probably never knew what hit her.

Under all the unfortunate circumstances attending her death, I hope, nevertheless, that all of you will enjoy the wake.

As ever yours,

Honorable John N. Garner,  
The Vice President of the United States,  
The Raleigh Hotel,  
Washington, D. C.

BURTON K. WHEELER, MONT., CHAIRMAN  
ELLISON D. SMITH, S. C.  
ROBERT F. WAGNER, N. Y.  
ALBEN W. BARKLEY, KY.  
M. M. HEELY, W. VA.  
WILLIAM H. DIETTERICH, ILL.  
ALBERTINE LOEBENBACH, CONN.  
FRED H. BROWN, N. H.  
HOMER T. BONE, WASH.  
VSC DONAHEY, OHIO  
SHERMAN MINTON, IND.  
A. HARRY MOORE, N. J.  
HARRY S. TRUMAN, MO.  
CHARLES D. ANDREWS, FLA.  
EDWIN C. JOHNSON, COLO.  
HARRY H. SCHWARTZ, WYO.  
HENDRIK SHIPSTEAD, MINN.  
M. W. MITCHELL, CLERK

United States Senate  
COMMITTEE ON INTERSTATE COMMERCE

PSF  
Senate

Wallace H. White

December 10, 1937

To the President  
The White House  
Washington, D. C.

Dear Mr. President:

On my return to my office yesterday afternoon from a hurried trip to Maine, I found your gracious letter of the ninth in the matter of the Cairo Conference. I very deeply appreciate what you have said of me and your approval of me as Chairman of the American Delegation. In the light of what you say I feel that I ought to accept the appointment and I do so.

Believe me

Respectfully yours,

Wallace H. White

W/C

DEPARTMENT OF STATE  
WASHINGTON

December 22, 1937

My dear Mr. President:

Thank you for informing me of Senator White's acceptance of the Chairmanship of the American Delegation to the Telecommunications Conference at Cairo. His letter is returned herewith and a copy has been made for our files.

Faithfully yours,

*Cordell Hull*

Enclosure:

From Senator White,  
December 10, 1937.

The President,  
The White House.

*file  
personal*

Enclosure to  
Cordell Hull  
COMMISSIONER OF PATENT AND TRADE-MARK OFFICE  
WASHINGTON, D. C.

PSF: Senate, 1937

United States Senate

1937

MEMORANDUM

Dear F. D. R.

It was the best  
speech you ever  
made,

Sumner