

May 22, 1943

The following is a rough transcript of the telephone conversation between Secretary Morgenthau (who called Mr. Ransom at 11 a.m.) and Mr. Ransom:

Secretary: Ronald Ransom, this is Henry Morgenthau.

Mr. Ransom: Yes.

Secretary: Morgenthau, none other.

Mr. Ransom: Yes, Mr. Secretary.

Secretary: I am here at the Custom House in New York with Allan Sproul and wanted to talk with Marriner Eccles but his secretary does not know where he is and says he cannot be reached until 12:30.

Mr. Ransom: I have not the slightest idea where he is. I was in a meeting when you called and, as I came down the hall, I stopped in his office and I understand from his secretary that he went out of the building and she seems to think he is in a meeting, but, actually, she does not have a record as to where he is, and I do not know where he is.

Secretary: I take it you are familiar with the controversy that has been going on but let me tell you about it, and Allan Sproul is here and I told him it would be very difficult to report it and if I do not report it correctly he will talk with you when I get through. I guess Sproul reported the conference of yesterday to Eccles

Mr. Ransom: He may have. He did not to me, and I have not heard.

Secretary: We talked about it yesterday and got down to personalities. I told him, as far as the Washington end was concerned - Under Bell and me - we would have Gamble. I then suggested that we try to set up an organization here, and we got down to personalities and the name of Perry Hall came up and I said that I did not wish Perry Hall, that I would be glad to have him in the organization, that he could serve a useful purpose working with the larger or wealthier people, but that this was a matter of 43 weeks out of the 52, that we would be working with the smaller people, and I wanted somebody myself that I thought could do that better. I then suggested Madden, Executive Vice President of the Manufacturers Trust Company, and Sproul did not think

Secretary: did not think he would fill the bill. I then suggested Randolph Burgess and that did not seem to satisfy Sproul. Now, I then suggested that I bring to New York Saturday Bell, Gaston, and Gamble, and Sproul said he was not ready for that, that he wanted to think the thing over, particularly the Hall part. Then Allan and I have been sparring around this morning and, on my position that I want to make the suggestions and then let him -- and work it out in consultation with him -- and give him the right to say no, he does not want to say yes on that and thinks he can get a better man than Madden. On the other hand, I have pressed him very hard, and, if we took the position that I took Friday morning - where I said I wanted to take the initiative and say that is what we wanted - we have not got very far. On the other hand, if I am interpreting him right, Sproul has not said definitely that if it is not Perry Hall he will go ahead.

Mr. Ransom: In other words, he has not said he will not go ...

Secretary: He will not say he will go ahead if it is not Perry Hall.

Mr. Ransom: I'm afraid, Mr. Secretary, you have not made yourself very clear

Secretary: I said it would be difficult to report. To me, Perry Hall, in this case, becomes a symbol. I am standing by my position that I want to make the initial proposal and the presidents of the Federal Reserve Banks can say no. I proposed Randolph Burgess for a name or Madden. I feel Sproul will not say he will go ahead with either Burgess or Madden, and he will not say he will go along .. he will not go along unless Perry Hall .. I can explain it better by saying he has not given me the no signal yet. I was suggesting Friday that when Sproul and I got together, I wanted him to sell the other Federal Reserve Bank presidents, and he feels that that should be done in conjunction with the Federal Reserve Board.

Mr. Ransom: I think that would be better.

Secretary: I agreed with him. I told Sproul that I think he is making a major mistake. I think my past record and my attitude towards the Federal Reserve deserves cooperation. We do trust you and I am sitting here at the break of day trying to bargain. I do not like to bargain and I do not think I should have to, but this is one more effort to

Mr. Ransom: I should think you would want our cooperation and actually need it.

Secretary: I want it. It would be very useful, but, as I told Sproul, if this thing gets to the public, which it will eventually do, I think in the middle of the war with the support of the Commander in Chief behind me - I think the Federal Reserve will suffer. I think the public will back the President and me, and you people will suffer. I think the attitude expressed by Williams to Bell - that he would be helpful no matter what happened -- attitude reported to me by Bell -- that is Williams attitude, should be followed. I have asked Eccles and Sproul if I had ~~not~~ tried to play politics and they both have told me that I have not. What I am suggesting is one more last effort on my part. I would like on either Monday or Tuesday - if not Monday, the first thing Tuesday morning, I am inviting the full Federal Reserve Board to meet with me at the Treasury and as many presidents as they wish to invite - will leave that up to them. My wife is sick in the hospital here, but I will come down either Monday or Tuesday to suit your convenience, but I am inviting the whole Board and as many presidents as they wish to invite to come to the Treasury and I would like to know as soon as possible. I can be reached through the Treasury, but this is my last effort, and I am not anymore in a bargaining mood. I am inviting you gentlemen in to help me on my terms and you have got to help me raise this money, and I want you to know beforehand that, after my two discussions with Allan, I am no longer in a bargaining frame of mind. I would like him to talk to you and if there is anything I have not reported due to an honest misunderstanding I would like him to report it.

Mr. Sproul: I think the Secretary has reported the gist of our conversations. I have said there are fundamental differences and I think the Secretary in asking the presidents of the Federal Reserve Banks to act as chairmen of the district committees should have in them, as public servants, sufficient confidence to ask them to set up organizations which they could submit to him for approval, rather than for him to set up the organizations of which they are one part. Secondly, I have said to him that his having decided to put in Gamble as National Sales Director and saying that Mr. Hall cannot be the second man in this district has made it very difficult for me to go along. As of today, under those circumstances,

- Mr. Sproul: I would have to say I could not do it. It might be possible to find a man who would have experience and training and my confidence -- a man I could give the responsibilities I would have to give to the Sales Manager in this district -- other than Perry Hall, but it is a difficult thing to do under the circumstances.
- Mr. Ransom: The names that have been under discussion have not yet developed an individual that would be equally acceptable to both of you for this particular task?
- Mr. Sproul: That is the situation.
- Mr. Ransom: On the question of meeting with the Secretary on Monday or Tuesday, I take it for granted that that invitation would be accepted.
- Mr. Sproul: I should think it must be.
- Mr. Ransom: The question comes up as to which day suits the Secretary best, and, secondly, which one affords us the best opportunity to decide who, in addition to members of the Board who are all in Washington, should be asked in. Now you and Williams are immediately available, and I take it we could reach a number of the others. That, I should think would be a proper subject for discussion between you and Marriner as soon as I can report this conversation to Marriner, and I should think he would want to call you back for a discussion of the details in connection with that meeting. We could then advise the Secretary as promptly as possible.
- Mr. Sproul: Immediately, I can now ask the Secretary if he has any preference. (He left the phone a minute to ask the Secretary.) He would a little bit prefer Tuesday morning.
- Mr. Ransom: I imagine we would too. I cannot answer that, because I have had no chance to communicate with anyone. As soon as possible.... as soon as I can reach Marriner, who happens to have left no record as to where he is, but he will be back around noon, I will discuss it with him as soon as he comes in, and we can call you back and let you know the details of that meeting, and I will let the Secretary know, and I will express his preference for Tuesday.
- Mr. Sproul: You can let the Secretary know through the Treasury switch-board as soon as you reach Marriner and can arrange a meeting.