

Office Correspondence

Date December 29, 1936To Mr. EcclesSubject: Personal memorandumFrom J. M. Daiger

G P O 16-852

When you recently discussed with me the bearing that housing and mortgage legislation and administrative policies still have on fiscal, credit, and recovery problems, and then brought up the question of whether my own arrangements were such that I could continue to work on housing and mortgage matters here a few months longer, I was somewhat uncertain as to just what it was advisable for me to do in the circumstances, even though, as I told you at the time, my natural inclination and desire was to see through the program that was frustrated during the first half of the present year.

It was because of this uncertainty on my part that I suggested your not proposing to the Board a continuance of my appointment for any definite period of months and that I later said I should like to write a personal memorandum to you. Your alternative suggestion of a month-to-month arrangement, which might be terminated at any time, seemed to me on reflection to remove the apprehensions that I felt, and accordingly, when you called me on the telephone yesterday and said that you were ready to take the matter up with the Board, I told you that I was quite willing to conform to any monthly arrangement which you proposed and that I would welcome the opportunity to do whatever I could to further the legislative and administrative changes which we had discussed.

There are two or three personal matters that I should like to relate to you briefly, however, in order that you may be informed of them at this time.

In the first place, I want you to know that, although the arrangement for terminating my appointment as of December 31 was made verbally on August 1, just before you left on your vacation, and was confirmed by a formal exchange of correspondence after your return in October, I purposely refrained until the early part of this month from making any

effort to further the plans that I had long previously mentioned to you, and also to Mr. Broderick, for my getting back into the mortgage-financing field through one of the larger banking institutions in New York.

My reason for this postponement was twofold. First, I felt that the plans which I had in mind would be far more likely to receive unprejudiced and favorable consideration in New York in December or January than would be the case if I broached them prior to or immediately following the election. You will recall my telling you, when we discussed the matter on August 1, that, having been identified with New Deal measures for three years, I particularly did not want to leave Washington until after the election.

The election did very much clarify the political atmosphere, of course, even beyond your expectations and mine, and the result was greatly to my advantage where my New York plans were concerned. But with the political atmosphere cleared another consideration impressed itself on me the more I thought of it. It was that, because of the importance and prestige of your office, I should not give to any New York banking institution even the appearance of trading on my position as one of your assistants. I therefore did not ask your help in furthering my plans and did not initiate any correspondence or conversations until the time set for my leaving Washington was close at hand.

Furthermore, I so arranged matters that no definite discussion or proposal with regard to a New York connection would take place before the last week in December or the early part of January. I had made some engagements in New York for Monday and Tuesday of this week, and had also said that I expected to be in New York again next week. Following my last conversation with you, I arranged to postpone these year-end engagements, but this will require my being in New York for a few days within the next week or two.

Another thing that I want to know is that, in such preliminary steps as I have taken thus far toward getting into the mortgage-financing field in New York, I have made it quite clear that I am greatly interested in certain legislation which is likely to be proposed during the forthcoming session of Congress, and that, if the opportunity should be offered for me to give some assistance to the

persons with whom I have worked here in furthering these measures, I should want to be free to spend as much time in Washington as the circumstances might call for.

None of these considerations that I have mentioned can be called unselfish, for I do not regard them as putting me under any disadvantage. On the contrary. Nevertheless, they will indicate to you the direction of my thinking and the nature of the course I have taken in order to avoid any misinterpretation of my actions or any possible embarrassment to you and others, as well as to myself.

I should also like you to know my personal attitude toward the FHA, particularly because of your suggestion that it would be desirable if I could be put into a position to work out some of the administrative and policy problems there from the inside. It is my candid opinion that the central-office personnel of the FHA, with very few, but important, exceptions, compares most favorably with that of any other governmental agency or department that I have come into contact with during the past six or seven years. It is my equally candid opinion that the essential solution of the FHA problems which you have chiefly in mind must in the long run--or preferably, of course, in the short run--come from the White House.

In fact, I think that the housing mess, to use the epithet that the President himself used at a press conference some months ago, is beyond solution by any of the agencies concerned until the President is fully informed of what the mess really is. I think that the FHA is accountable for only a relatively small part of the "mess" in housing, and that where the factors involved are not political your influence will carry more weight with McDonald during the next few weeks than anyone's else. Where the factors are political--and it must be remembered that McDonald did not create them and that he has made notable progress in spite of them--the release from the obligations which they represent must come from political sources, or else from the President.

As for myself, I feel that I may say without taking undue credit that McDonald and most of his principal associates have during the past year and a half continually sought my advice and assistance, have to a very considerable extent relied on it, and have acted in accordance with it in a great many particulars. I would go as far as to say that the altered conception of the Housing Act which McDonald and his staff have plainly acquired during this period is in large part due to the fact that when Moffett went out officially as Administrator I came in unofficially in an advisory capacity.

You probably do not know that, when I was acting as Frank Walker's financial assistant while the Housing Act was in the making, I deliberately avoided making any bid for place or preferment in the FHA set-up. I was in a position to witness at close hand the frantic scramble of a good many persons who I had thought would have more sense and more breeding than they then exhibited, and I was disgusted with the whole performance. There was only one condition on which I had any desire to go with the FHA; it was that, if Mr. Mortimer N. Buckner, with whom I had carried on the preliminary conversations for Mr. Walker, agreed to take charge of the mortgage-insurance program and organize the banking community in support of it, I should like to become his assistant if he asked me to do so. But Moffett bungled the negotiations with Buckner, and the latter told me frankly and confidentially why he changed his mind and refused the appointment.

At that time, as I learned subsequently, Walker told Moffett that I had shown a more practical grasp of the mortgage problems dealt with in the Housing Act than anyone else who was available to him as a financial adviser. You will perhaps recall that I had proposed and arranged the series of financial conferences which Walker called prior to the introduction of the Housing Bill, and also that Walker had me discuss the measure privately with a number of bankers in New York, Philadelphia, and elsewhere. In addition, he had me arrange the schedule of witnesses for the committee hearings and maintain various contacts on the Hill in connection with the bill.

All this accounts for Walker's suggestion to Moffett. But Moffett had much more ambitious notions as to who his financial adviser should be, though what he wound up with after numerous refusals was Howard Ardrey, whose conception of the Housing Act was as different from yours and mine as day from night. Win Riefler and I attended the first private meeting of industrial bigwigs called by Moffett shortly after his appointment, and when the meeting was over Win and I threw up our hands in dismay at the policies it foreshadowed. I did not go near the FHA afterward until I was invited by McDonald (whom I had never met) to join him and Riefler at luncheon at the time Riefler was making a confidential report on FHA for Secretary Morgenthau.

In my subsequent contacts with McDonald, a point I have always had to keep in mind is that he is one of Moffett's personal friends of long standing, and that Moffett was primarily responsible for McDonald's becoming his successor as Administrator. The relationship between the two men is one of great intimacy and cordiality. You will thus see one reason why I have never entertained the thought of going into the FHA as McDonald's assistant. This does not mean, however, that I do not fully concur in your view that McDonald needs a financial adviser who has a firmer and broader grasp of the mortgage-financing problem as a whole than anyone in his present organization has.

Now there is one more personal matter that I should like to mention, though I do it with some hesitancy, because I do not wish to risk being misunderstood. It has to do with my salary if the Board should adopt your suggestion to have me remain here a while longer. For the relatively short time that would be involved, an increase in my present salary, though by no means unimportant to me even for a short period, would not represent a great addition to my income. Nor would I put the question of an increase on the ground that a brief month-to-month arrangement ordinarily warrants a larger compensation than a longer arrangement; for the monthly arrangement is one that in the existing circumstances I greatly prefer.

On the other hand, though the Board as a whole naturally does not realize it, I have been doing a task that very few others in Washington would know how to do at all and that one person could not ordinarily, or as a matter of permanent occupation, do more or less single-handedly. At periods when Congress was in session, and at others when it was not, the work has occupied most of my nights as well as days, and nearly all my week-ends as well. Regardless of the barrenness of the legislative results thus far from the efforts of the present year, I went through a pretty severe ordeal both downtown and on the Hill until almost the very last day of the 1936 session; and it was from sheer physical exhaustion that my time subsequently dragged on the campaign speeches. As for my work last year on the Banking Bill, I think you would say that I did my full share while at the same time keeping up my other work on housing and mortgage matters.

If I were expecting to remain with the Board through the coming year, I should feel fully justified in asking that consideration be given to an increase in my salary to \$12,000, and as a reason for it I should relate in some detail the nature of the work I have been doing and the evidence of its results apart from legislation. However, the principal reason for my asking you to consider whether an increase might be made at this time is, frankly, that such a recognition and recommendation to the Board on your part would be extremely valuable to me both now and in the future.

I of course leave the matter of putting the question to the Board entirely to your wishes and discretion, except that if you do put it I should want it to be solely on the ground of merit and not as a personal favor. On the other hand, if the Board should be unwilling to grant an increase, I should have no reason to proceed any differently in what I have undertaken to do either here or in New York than if the increase were granted.

In other words, my willingness and desire to work with you on the impending housing and mortgage matters is in no way conditioned on the salary question. An increase

would not cause me to prolong my stay longer than the matters which you and I have discussed call for, nor would the refusal of an increase hasten my departure for New York. I am as much interested in seeing this housing and mortgage situation worked out as you are.

A handwritten signature in cursive script, appearing to read "J. W. D.", written over a horizontal line.