

October 30, 1937.

Personal

MEMORANDUM TO MR. ECCLES

Dear Marriner:

I am giving you this material in writing because I am afraid I may not have an opportunity to see you before you leave.

May I suggest that no one else should see these memoranda.



Chester C. Davis

Enclosures (2)

October 30, 1937.

Personal and Confidential

MEMORANDUM FOR MR. ECCLES

I had a very interesting talk with Secretary Wallace yesterday and read the memorandum which he presented to back up his verbal recommendations when he discussed the business situation a few days ago.

The memorandum opened with an introduction which traced the course of commodity and securities prices, steel activities, etc., since signs of decline appeared last April, and it points out that while the "slow" indices have appeared showing reasonably satisfactory business conditions since that time, the fast-moving indices have warned of trouble ahead. The introduction points out that the great need is for the adoption of policies that will stimulate maximum of private initiative.

The memorandum then sketches briefly several fields in which action should be taken.

I. the first heading is HOUSING, and points out that increased activity is required in housing, railroad equipment, public utility equipment, factory building and equipment. He does not present specific formulas.

II. LABOR. He suggests that the leaders of organized labor must be brought to recognize the necessity for labor policies which will increase production and secure larger returns for labor,

on a yearly basis rather than on a unit wage, and suggests that a way must be found to put an end to labor disputes which stop production, suggesting that compulsory arbitration will have to be arrived at sooner or later.

III. MONEY. His only suggestion there is for a reiteration by the President of the determination to pursue policies keeping money abundant and cheap; policies that will look toward vigorous revival of the investment market.

IV. TAXATION. Without suggesting the answer, he raised the question, Can our tax laws be changed so as to stimulate private activity and initiative.

V. BUDGET. Agreeing with the ultimate goal of a balanced budget, he warns that the budget should be balanced only as fast as private initiative takes the place vacated by government expenditures and insists that our budget policy must not permit men to be thrown out on the streets again.

VI. AGRICULTURE. Aim must be to maintain an agricultural income of not less than ten billion dollars a year; and he refers to his own program of agricultural legislation now under consideration.

The memorandum concludes with reference to the manner in which England has coordinated its activities along the line of maximum stimulation of private activity with minimum government expenditures and responsibilities. It recognizes, however, that difficulties

may be had when rearmament expenditures cease.

Since the Secretary never circulates a document which has been used as this one was used, it is necessary to treat this as strictly confidential.

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MEMORANDUM FOR MR. ECCLES

As I talked to Secretary Wallace I developed a clear picture of his idea of how your own presentation might be made in what he considers the most effective manner. Please understand that he was not attempting to advise; but in the light of his own considerable experience as an adviser, I am taking the liberty of setting down certain points for such value as they may have.

1. At the outset, ask for an opportunity to proceed with a ten-minute outline in order to lay the entire subject on the table without diversion or interruption.

2. It is very important to establish at the outset the basis of warm personal partnership and teamwork. Thinking out loud he sketched something like this: Many men in the Administration ranks who came from the active business field firmly believe in the President and are proud of what he has done. They are anxious that nothing develop to discredit his Administration. Forces are now in the making that could have that result. They feel that the President and they have too much at stake to permit that if it can be avoided. Everything revolves around having private business expand and private investment funds available to replace government activities as fast as the latter are withdrawn. Presently a brief summary

driving home all of the main points in outline, avoiding technical or detailed discussion, in the ten-minute period; at the conclusion of that time, it may be possible to go into some of the subjects in greater detail.

He thinks it is important that you do not mention until you have completed the summary outline statement, that you do have a memorandum. Privately, the Secretary feels it is not impossible for conditions to develop which would make this second Administration end like Hoover's. This is an extreme view, and he feels that such a development will not take place if proper steps are taken. He feels that if the problem is met positively and if the President "quits scaring business and public utilities to death," the situation can change rapidly for the better.