

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date April 2, 1938

To Chairman Eccles

Subject:

From Ronald Ransom

C O N F I D E N T I A L

I have told you over the telephone of Mr. Berle's recent discussions with me. I attach a letter from him, under date of April 1st, with a memorandum thereto attached, and a copy of my acknowledgment.

I think it important that you communicate with him by telephone either this afternoon or Sunday, as I know that you should go over the items on the memorandum with him and that you probably will want to make some additions or omissions. I have so advised him, both orally and as you will see by the attached copy of my letter. If he is not in the State Department, you can probably find him at his residence (The Anchorage Apartments), Potomac 0338.



ASSISTANT SECRETARY OF STATE

WASHINGTON

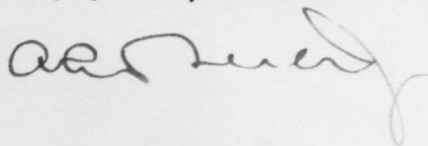
April 1, 1938.

My dear Mr. Ransom:

I promised to make up and send to you and Mr. Taylor a memorandum of the points we discussed last night. As it was left, I was to endeavor to talk over the program at the White House as soon as possible after the President's return, stating the program as the conclusions of the Treasury and the Federal Reserve, as well as my own; provided on further consideration, all of us were agreed to the main points.

If you have any comments or revisions of the memorandum, I should be glad to have them. I assume, of course, that the President will call in the corresponding departments if he takes to the idea.

Very truly yours,



The Honorable  
Ronald Ransom,  
The Federal Reserve Board.

April 1, 1938

MEMORANDUM

## I

Last night Mr. Wayne Taylor, Assistant Secretary of the Treasury, Mr. Ronald Ransom, Acting Chairman of the Federal Reserve Board, and I met at Mr. Taylor's house to consider the existing financial situation.

Among other factors, we had in mind (1) the present levels of production; (2) the relative absence of new capital financing; (3) the dropping of the stock market; (4) the fact that the Government bond market had recently required some support from the Federal Reserve; (5) the existing number of the unemployed and the need for relief.

It was generally agreed that the difficulties were as much moral as economic. Nevertheless, there seemed enough chance that the trend would continue to make it urgent that a program be evolved.

## II

It was suggested, as an immediate program, that the following might be scheduled for prompt initiation. It was assumed that the Glass Bill, extending the loaning powers of the R.F.C., would be passed within a few days. In such case, it was thought that the immediate situation would be stabilized if -

- (a) The public works program were reopened;
- (b) A railway equipment corporation were formed to order, finance and provide railway equipment to railroads needing it;
- (c) The making of capital loans for business, with special attention to planned employment and construction;

- (d) The extension of loans for housing construction, with special emphasis on middle class housing;
- (e) The reserve requirements, raised last May, might now be reduced. In the alternative, further sterilization of gold might be considered. This last would be more psychological than actual, since there is no present lack of excess bank reserves.
- (f) Adequate W.P.A. and relief appropriations would have to be asked. This requires legislation; but it appears essential.

### III

In view of the actual situation, the tactics are important.

They might include:

- (a) An appropriate speech, presumably on the occasion of the passing of the Glass Act, outlining the program;
- (b) Some forty-eight hours later, the announcement of some dramatic public works job;
- (c) Shortly after that, a campaign to form production committees to stimulate private construction financed, if necessary, under the Glass Bill. In that connection organized labor ought to be asked to assist, and ought to be made aware that labor groups are also responsible for creating production, as well as for making demands. In other words, make local labor leaders actually share in the process of putting the job through.
- (d) A day or two after that announcement, announce, if possible, some big piece of private construction or of railway equipment contracts, or both.
- (e) If possible push the negotiations between P.W.A. and Commonwealth and Southern. It would be desirable if some other negotiator than Wilkie could be found.

IV

Three points ought to be recognized:

- (a) Practically no business group in the country has escaped investigation or other attack in the last five years. Irrespective of their desserts, the result has been shattered morale. We have not, in the absence of a large Government ownership program, any class or group to whom we may turn for economic leadership. It is, therefore, necessary to make that group pull itself together.
- (b) There are some remote indications (notably in steel) of an upturn. If, therefore, we can weather the next sixty or ninety days, normal processes very well may "take us out". The next few weeks, however, may determine whether these processes can be set in motion.
- (c) It was noted as possible that the railroad bill might be so handled as to provide at least the hope that railroads would do better.

Since the next Presidential message scheduled has to do with monopoly and, (possibly), bank holding companies, it might be well to have that message so handled as to lead into a program of this kind.

April 2, 1938

My dear Mr. Berle:

I am in receipt of yours of April 1st, enclosing the memorandum which you promised to send to Mr. Taylor and me.


I note that in discussing this with the President you would like to state the program as the conclusions of the Treasury and the Federal Reserve. Any views that I might express on the subject would not be those of the Federal Reserve, so that I think it would be better to point out that it was discussed with me and that I had not had an opportunity to have the matter considered by the Board.

Chairman Eccles is returning today and I am giving him your memorandum, and I am sure he would like to discuss it with you before you see the President.

I feel that in referring to reserve requirements on page two, the reference could be restated to indicate that open market operations, a reduction in reserve requirements, or desterilization might become a valuable addition to the entire program, not for actual results that would be produced but for reasons explained in your discussion with Mr. Taylor and me.

I am suggesting to Mr. Eccles that he telephone you, as I think you may want to see the President promptly on his return.

Sincerely yours,



Ronald Ransom,  
Vice Chairman.

The Honorable  
A. A. Berle, Jr.  
Assistant Secretary of State  
Washington, D. C.

BC- Mr. Wayne Taylor