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QUADERNI DEL DIPARTIMENTO DI ECONOMIA POLITICA

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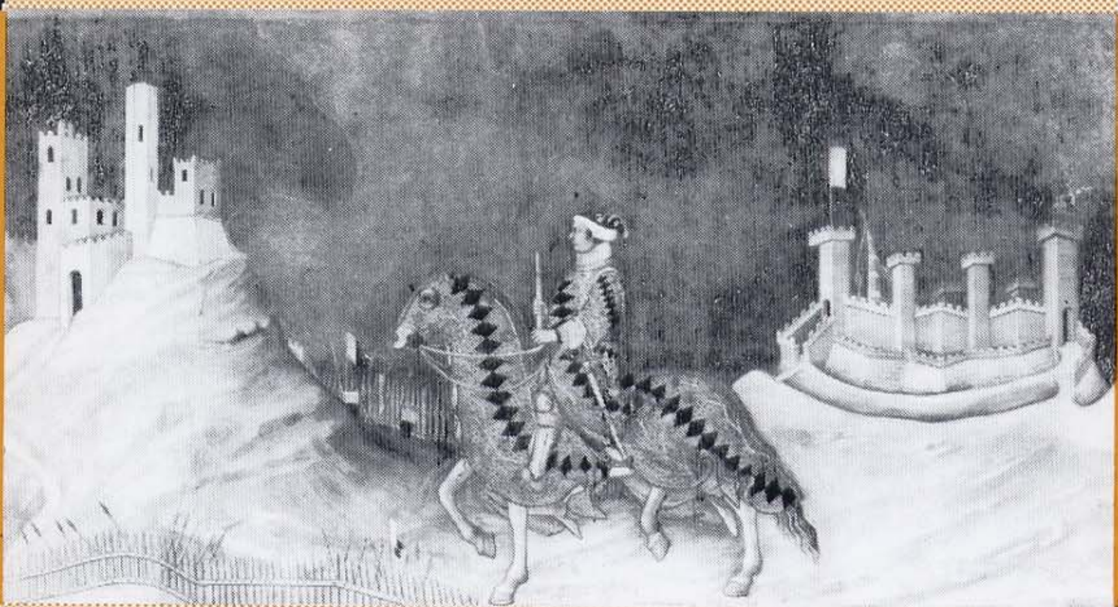
Jacob Viner's Reminiscences from the New Deal (February 11, 1953)

n.525 - Gennaio 2008



Abstract - This paper presents and reproduces an unpublished oral history interview given by Jacob Viner in 1953. The interview released by Viner for the Columbia Oral History Project gives us a valuable opportunity to throw light on his advisory activity during the New Deal Era. In our introduction we attempt to make a critical appraisal of Viner's reminiscences and to state the contribution they can provide to our general knowledge of the period. In addition, we also attempt to find out some biographical and interpretative elements useful to understand Viner's own vision and his contribution to important economic policy processes during the New Deal.

Jel Classification: A11; B31; H5; N01; N41

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Jacob Viner's Reminiscences from the New Deal (February 11, 1953)

Edited with an introduction by Luca Fiorito and Sebastiano Nerozzi•

Introduction

According to what reported by the *North America Oral History Association*, oral history was established in 1948 as a modern technique for historical documentation when Columbia University historian Allan Nevins began recording the memoirs of people who had played a significant role in American public life. While working on a biography of President Grover Cleveland, Nevins found that Cleveland's associates left few of the kinds of personal records – private correspondences, diaries, memoirs – that biographers generally rely upon for their historical reconstructions. Nevins thus came up then with the idea of filling the gaps in the official records with narratives and anecdotes from living memory. Accordingly, he conducted his first interview in 1948 with New York civic leader George McAneny, and both the Columbia Oral History Research Office – the largest archival collection of oral history interviews in the world – and the contemporary oral history movement were born (Thomson 1998).

Since then, oral history – defined by Ronald J. Grele as "the interviewing of eye-witness participants in the event of the pasts for the purpose of historical reconstruction" (Grele 1996, 63) – has become a precious methodology for twentieth-century historians. Scholars turn to oral history both for snippets of quotable facts and experience and as supplementary narrative providing general background. The use of memoirs as historical evidence makes available opportunities to explore aspects of historical experience that are rarely reported in published records, offering a rich evidence about the subjective or personal meaning of past events.

In spite of all this, however, historians of economic thought generally tend to ignore, or at least underutilize, oral history. Among the most notable exceptions, we may mention the interviews with leading American economists of the 1930s and 1940s on the coming of Keynesism in the U.S. conducted by David C. Colander and Harry Landreth (1996), and the fascinating "Chicago Economics Oral History Project" recently inaugurated by Ross Emmett (n.d.). Other significant, albeit sporadic, cases of utilization of oral history by historians of economics include: Craver (1986), Leonard (1995), Weintraub and Mirowski (1994), and Hammond (1996)[1]. But apart from these isolated cases we can affirm that, while oral history sources are consulted regularly by historians of several genres, their use in the history of twentieth-century economics has been quite limited.

There are several reasons for this neglect: oral history, we admit, is not an unproblematic source. Some critics, for instance, have pointed out the unreliability of recorded memoirs, arguing – not without a cause –that memory is often distorted by physical "decline" and nostalgia in old age, by the personal bias of both interviewer and interviewee, and by the influence of shared and established narratives of the past. Other critics have affirmed that the highly individual, personal perspective of an interview tend to overstate individual agency (Thomson 1998). Yet, even if we (at least partially) admit the cogency of these criticisms, it cannot be denied that oral history interviews remain valuable as sources of new knowledge about the past and as new interpretive perspectives on it. They have to be taken *cum granu salis*. The task of any scholar is to establish a dialogue among the different historiographic sources – including oral history – and set a clear hierarchy among them according to the different historical aspects and perspectives under examination.

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[1] Listed in Weintraub et al. (1998).

Clearly, the amount of oral history material available to historians of economics is not vast. The Economists' Papers Project at Duke University – the largest archive for historians of economic thought – lists only few recorded interviews: "the Arrow papers, for example, contain his 1985 Tanner Lecture and an interview with Arrow by George Feiwel, and the Patinkin papers contain a 1972 interview with Paul Samuelson, all on audiotape" (Weintraub et al 1998, 1499). As far as the U.S. is concerned, the richest collection of recorded memoirs of economists is to be found at the Oral History Research Office of Columbia University. This is not unexpected, given the pioneering role played by Allan Nevins in starting the oral history movement. What is surprising is the almost absolute neglect of these memoirs by historians of economic thought – even more surprising, we may add, if one thinks that the Columbia archives have been a proficuous source of inspiration for many scholars[2]. The bulk of interviews held at Columbia refers to economists who were particularly active in the U.S. during the interwar period and the immediate post war years. The people interviewed include, among others: Arthur E. Burns, Evelyn M. Burns (three interviews), Mordecai Ezekiel, Alvin H. Hansen, Alvin S. Johnson, Leon H. Keyserling (two interviews), Isador Lubin, Gunnar Myrdal, Henry C. Taylor, Rexford G. Tugwell, Jacob Viner and Leo Wolman.

Each interview differs substantially in length and method of conduct. As far as the content is concerned some of the memoirs primarily deal with the role played by the interviewee in connection to U.S. economic policy; others have a more marked autobiographical tone; while others focus on more general aspects of the political, intellectual and academic environment of the time. The Jacob Viner's reminiscences – reproduced below in their unabridged version – cover, to a certain degree, all three aspects. In terms of style this interview represents an exception with respect to the other documents held at Columbia, since it is essentially a long monologue by Viner with no interaction whatsoever with the interviewer.

The decision to publish Viner's memoirs is twofold. First of all, the interview has a specific interest in connection to Viner's contribution as an economist in public service during the New Deal. From 1933 to 1945 he served at the Treasury and, later, at the State Department, until 1952. In those years Viner was one of the few economists to be almost continuously engaged as adviser to the Federal Government while continuing his academic and research achievements which placed him at the top of the profession in U.S. at the time. Second, Viner's memories represent an excellent example of how oral history may be able to expand the information available to the researcher on the history of economic thought. It is our hope, therefore, that this publication may serve as a further stimulus a for other scholars to work on the several economists' interviews held at Columbia.

The Canadian born Jacob Viner (1892-1970) is certainly one of the outstanding "American" economists in the first half of the twentieth century. His contribution to the discipline covers an impressive amplitude of topics: public finance and welfare economics, international economics and politics, supply side microeconomics and price theory, history of economic thought and methodology.

Viner was especially involved in the debate which enlivened international economics in those extraordinary years of economic and theoretic turmoil which ran from the first war world to the second. His famous defence of a Marshalian type "real cost" approach to the theory of international trade against the "opportunity cost" approach held by Gottfried Haberler, Lionel Robbins and Frank Knight was coupled with a strenuous effort to maintain the importance of price changes and gold movements in the analysis of

[2] See Asso and Fiorito (2004) for a brief survey of the economists' papers at the Rare Book and Manuscript Library of Columbia University.

the balance of payments adjustment, though conceding relevance, in a world charged by growing trade barriers and exchange controls, to the new income-expenditures approach expounded by Olhin, Robertson and Keynes (Viner 1924a, 1937; Flanders 1989).

From the peaks of “high theory” Viner drew applications and analysis concerning specific issues of international economic policy: he gave important and path-breaking contributions on such topics as tariffs regulation and effects (1919, 1922, 1923a, 1923b, 1924b, 1925a, 1925b, 1926b, 1931b), dumping (1923b, 1923b, 1926a), international economic institutions (1943b, 1944), trade between free trade and state controlled economies (1943a), Customs Unions (1950), foreign trade and economic development (1952).

His contribution to the contemporary debate was solidly grounded on the examination of an astonishing amount of bibliographical sources from the Mercantilist era to his time, by which he was able to sign an enduring landmark in the history of international trade theory (1937) together with other important contributions especially to the history of the classical school of political economy (1927, 1949, 1960, 1965, 1976, 1978, 1991)[3]; moreover Viner punctuated his career with important methodological reflection concerning the status and the evolution of economics (1917, 1925c, 1925d,1950, 1955)[4].

This extensive scholarly activity was matched with his teaching at the University of Chicago: from 1920 to 1945 he trained Chicago’s graduate students in the fields of public finance, international economy and price theory. At the same time he served as co-editor of the *Journal of Political Economy* together with Frank Knight. In 1945 he moved to Princeton where he taught for the rest of his career, and where he received in 1962 the prestigious Frank Walker Medal.

Even from these sketchy biographical notes[5] we can appreciate that Viner was, first of all, an eminent scholar in the field of economics and history of economic thought. Anyway he was all but a pure theoreticians: he regarded himself as an epigone of the Marshallian type of economist and felt compelled to manage and adapt the tools of economic theory to the single economic and social problems of his time. Though he was not a social reformer in the Irving Fisher’s wave, he got deeply involved in the economic policy debate of his time and served as an economic adviser on many occasions, devoting much of his energies to this over long periods of time.

Viner’s first experiences in the government date back to World War I when he was still a graduate student at Harvard: it was his Ph.D. tutor Frank Taussig who recruited him into the economic staff of the Tariff Commission, designed to provide a rationale for a relaxation of U.S. tariff regime. Then, in 1918, shortly before the end of the WWI, he was entrusted by the U.S. Shipping Board and served there for a couple of years.

Yet it is with the onset of the Great Depression that Viner began a 20 years’ period of service into the government. In 1931-1933 many economists raised their voices against the laissez-faire creed and came to support a bold public intervention in order to stop the Depression: the Harris Foundation Conference held in Chicago in January 1932 concluded with a famous telegram, signed by 24 economists and addressed to President Herbert Hoover, which recommended a wide set of expansionary measures (Davis 1971: 107-131).Viner, who played an important role in the organization of the Conference and in the writing of the telegram, had been one of the first American economists to advocate fiscal

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[3] On Viner’s contribution to the History of Economics see Boulding (1979); Winch (1981, 1983); Groenewegen (1994).

[4] On Viner’s methodology see Hutchison (1994) and Stein (1995).

[5] A well written account of Viner’s career, though with no reference to his public service, is provided by Johan Van Overtveldt’s most recent work on the Chicago School (2007: 79-90). For a more complete biographical outline see Bloomfield 1992; recollections of his life and work have been gathered by some of his friends and students shortly after his death, see Robbins 1970, Samuelson 1972, Machlup 1972.

deficits and open market operations in order to rise prices and production and defeat the Depression[6].

In the summer of 1933 Viner was called up for economic counselling by Henry Morgenthau jr. who was at the time head of the Farm Credit Administration and one of the closest men to President Franklin D. Roosevelt. In January 1934 Morgenthau became Secretary of the Treasury and invited Viner to join him as his Special Assistant. During his first tenure at the Treasury in 1934, Viner was deeply involved in most of the wide range of activities of that Department, which was becoming more and more prominent in the economic policy of the government (Johnson 1939, Blum 1959). In the Summer he recruited a group of 15 young scholars, known as the “Freshmen brain trust” and entrusted them to work out an overall analysis of the fiscal, banking and monetary policies of the Administration in order to make proposals and recommendations for appropriate actions and reforms (Phillips 1994: 559; Metzler 2003: 470-473).

During the following years, from 1935 to 1945, Viner continued to act as Consultant assistant to Morgenthau, while carrying on his teaching and scholarly activity in Chicago: at the request of the Secretary he sent his comments and advised on the problems and proposals submitted to him and, from time to time, travelled to Washington to converse with the Treasury staff or examine particularly complex issues falling into his set of competence. Only in September 1939, at the onset of the war, and in January 1942, after the entrance of the United States into the conflict, he was recalled for a three months’ tenure as Special Assistant to the Secretary of the Treasury.

From 1939 on Viner also served as adviser to the State Department. This cooperation, which was mainly concerned with the plans for a new international economic order after the war, began informally: Viner was involved in the War and Peace Study Group Project, set up by the Council on Foreign Relations in close connection with the State Department (Nerozzi 2007b).

Within the War and Peace Study Groups Project, Viner was appointed, together with Alvin H. Hansen, as *rappourteur* of the Economic and Financial Group, formed by economists, bankers and businessmen. The group was entrusted to analyse the international economic problems related to the war, point out its desirable outcomes and make proposals and recommendations for a durable, pacific and stabilized economic order after its ending. Despite its private and informal character, the Economic and Financial Group is regarded to have played an important and timely role in supporting the building the foreign policy strategy which led to the Anglo-American official talks in 1943, the Bretton Woods Conference in 1944, the Havana conference in 1947 (Shoup 1975: 11-14; Domhoff 1990: 118-34; Ikemberry 1993: 165).

However, Viner’s cooperation with the Department of State was not limited to the Council on Foreign Relations. From 1943 to 1952 Viner was directly entrusted as Consultant expert, with a special concern on commercial policy and trade agreements. During this period, he was called up to give his comments, memoranda and lectures to the Department’s economic staff, headed by his former student Leroy Stinebower.

As we can see, Viner’s involvement in economic policy was neither superficial nor episodic. As we know from recent studies, economists’ recruitment into government activity became quite common during the New Deal (Bernstein 2003). Most of them, however, either lost their academic posts and became full time officers or covered only short-term appointments, without assuming any long-term involvement. Viner was probably one of the few economists who was able to couple academic life with almost continuous and occasionally highly visible public service.

[6] Different interpretations of Viner’s analysis and policy proposals in 1931-1933 are provided by Davis (1971: 39-46) Steindl (1995: 41-3, 83-5) and Laidler 1999: 236-9.

Unfortunately Viner's activity as economic adviser has received only a minor and fragmentary attention by both historians of economic thought and general historians of the Roosevelt and Truman Administrations. The absence of an intellectual biography providing an overall picture of his scientific contributions as well as of his teaching and public service is certainly a serious gap in the history of American economics. But Viner cannot be considered a lone wolf in this respect: such eminent economists as Irving Fisher, Frank Taussig, John H. Williams, John R. Commons share his obscure fate.

The interview released by Viner for the Columbia Oral History Project gives us a valuable opportunity to throw light on his advisory activity. In the following pages we'll refrain from synthesising the content of the interview, which is quite clear and enjoyable without any further support. We will try instead to make a critical appraisal of the story Viner tells us and to state the contribution it can provide to our general knowledge of the period and to the profile of the protagonists he talks about. In addition, we will also attempt to find out some biographical and interpretative elements useful to understand Viner's own vision and his contribution to important economic policy processes, especially during the New Deal.

A first perspective from which we can appreciate Viner's interview is represented by the insights he gave us about the general history of the United States. We can find references to the commercial policy of the United States and especially to the changes occurred during the 1920s, with the adoption of the most favoured nation clause in its unconditional form. Most interesting is the story Viner tells about the difficult negotiations between the Chang Kai-Shek government and the US Treasury, which has been essentially confirmed by later reconstructions (Blum 1965) but that was at the time of the interview almost unknown.

The interview is filled with anecdotes and reflections on the main protagonist of his time, i.e., President Roosevelt: Viner recalls his first meeting with FDR, his confidences about the administrative disorder he was trying to defeat; the various 'secret' meetings held by FDR with his closest affiliates and the rivalries between them. Many pages in the interview are devoted to criticism of Roosevelt's aides for their lack of competence, their arrogance and personal ambitions. Roosevelt himself is portrayed almost as an hostage in the hands of his generals, unable to impress a precise line of economic policy, unwilling to remove the less competent men from their posts, too proud to admit his errors and change his strategy. General historians and biographer perhaps may find some interest in some of Viner's recollections on Roosevelt and his staff.

Yet the main focus and interest of Viner's interview is Viner himself, his experience as economic advisor, his vision of economic policy, the influence he was able to exert on the process of decision making. Viner's recollections of his work at the Tariff commission and the Shipping Board, to cite just an example, provide us with information and inner insight which would have been difficult to attain from other sources. Concerning the Tariff Commission, it is of a certain interest his claim to have played an important role in converting the attitude of the Commission toward the unconditional most favoured nation clause, whose adoption was, as we noted, a fundamental turning point in the history of American commercial policy.

The bulk of the interview is devoted to the New Deal and the Treasury. Viner speaks at length about his first meetings with Morgenthau and Roosevelt, his 'secret' mission in Europe, where he had to report the reaction of the financial and political community to the policy of gold revaluation and managed flotation of the dollar in the currency markets engaged by the Administration during the fall of that year. Viner's recollections in this case are a very important element for assessing his role in this respect, to which only Morgenthau's biographer makes a short reference (Blum 1959: 120).

However, Viner fails to note Morgenthau's own commitment to the policy of dollar devaluation and, generally speaking, tends to defend his record as Secretary of the

Treasury. Viner's criticisms instead focus on the NRA and other policies undertaken by the Administration which, according to him, conflicted with the need to revive business confidence and restart the economy on the safer basis of new investments on the part of the private sector.

It is quite surprising how little attention Viner paid to his activity as Morgenthau's Special Assistant, from March to December 1934. Little information is provided on what was, as we noted earlier, the most intensive and prolonged period spent by Viner as a public servant.

A further important element which seems to emerge from Viner's interview is related to the general lack of a stable economic staff, not only in the Treasury but also in other Departments: economists were often consulted, but the development of economic staff was not at the top of the agenda, at least at the beginning of the New Deal.

Similarly, we can find some interest in pointing out the difficulties which Viner himself had to face within the Treasury: diffidence within Morgenthau's staff, lack of coordination, difficulties in formulating and implementing long-term programs in the organization of the Treasury, whose action appeared to be mainly based on a day-by-day agenda.

Also relating to the years following 1934, when Viner used to travel up and down from Washington to Chicago in order to carry on his strange 'double life', little information is provided by the Canadian-born economist. Nothing is said about another episode pointed out by the literature, i.e., the role he played in the preparation of the Tripartite agreement between the American, French and English government, which in September 1936 committed the three countries to stabilize the exchange rates of their currencies.[7]

The interview becomes particularly interesting when the causes and cures of the Recession occurred in 1937-1938 are discussed. Viner claims to have played an important "conservative" role in this concern which the literature mentions only superficially (for a short reference see Stein 1969: 102) and around which Viner provides many details and interesting reflections. The Chicago economist recounts providing Morgenthau with a set of critical arguments against the bold program of public expenditures and deliberate resort to fiscal deficits advanced by the "spending wing" of the Administration in April 1938. The problem, according to Viner, was not deficit spending or unbalanced budget (which in fact he advocated since 1931 as a proper cure for the depression); he criticized instead the ill-designed and improvised character of the expenses the administration was engaging in. This sort of deficit spending would have had a little if not a negative influence on private investments, especially as long it was not coupled with other measures able to foster business confidence and reduce the conflict between business and the Government. Yet Viner's arguments were dismissed by Roosevelt's staff, and on April14, 1938 he felt compelled to give his resignation from the Treasury.

Other interesting aspects of the interview are related to the period of World War II. First of all Viner points out, without providing many details, his initial cooperation with the Department of State and its role of liaison between that department and the Treasury. Secondly he claims to have played an important role in respect to the negotiations between the Chinese government and the U.S. Treasury concerning a huge request for Financial Aid, which was finally accorded in February 1942.

From this brief overview we can see that no mention is given to aspects which the subsequent literature has given a certain relevance. First of all Viner doesn't recall the set-up, under his own guide, of the so called "Freshmen brain trust" (Rees 1973, Sandilands 1990); and nothing is said about the role Viner played in the recruitment in Government service of two young scholars who were later to became very powerful into the Administration: namely Harry D. White and Lauchlin Currie.

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[7] References to Viner's role are provided by Blum 1959: 131, 144-5; Clarke 1977: 12-14; Metzler 2003: 534-536.

Both Currie and White received their Ph.D. training at Harvard under John H. Williams and Frank Taussig respectively. In 1932-1933, their common commitment to monetary expansion and budget deficits to combat the depression, exposed them to severe hostility on the part of the senior faculty which eventually prevented them from gaining a tenure at Harvard (Laidler and Sandilands 2002). In the Summer of 1934 Currie and White were recruited by Jacob Viner in his “freshmen brain trust”: Currie, whose monetary and banking studies Viner deeply appreciated, was entrusted to produce two important reports on “Monetary control in the United States” and “Deposit Insurance;” while White produced a memorandum on the analysis of different exchange rates systems for the United States. As a consequence of their technical expertise, both men were to start rapid careers within the Administration.

Currie was appointed shortly thereafter by Marriner Eccles as his personal adviser at the Federal Reserve Board, where he designed the 1935 Banking Act and continued to exert a strong influence over credit and monetary management. In 1934, together with Martin Krost, and under Viner’s suggestion, he developed the “pump-priming deficit series,” which estimated the impact of Government Expenses on the GNP. In 1938, by means of a refined version of these statistical series, he was able to convince many people within the Administration and Roosevelt himself of the need to counteract the sharp recession started in 1937 with of a massive increase of public expenditures and investments (Sandilands 2004, 179). Despite their relevant differences of point of view, especially concerning fiscal policy in 1937-1938, Currie and Viner continued a friendly relationship reinforced by their mutual esteem, which is testified by their correspondences and Currie’s own later recollections (Currie 2004: 201-202). Yet, quite surprisingly, Currie received one only passing reference in Viner’s interview.

White’s record with Viner is far less positive. Many pages of the Morgenthau Diaries testified how White held Viner in low esteem, especially on political grounds[8]. After the conclusion of the “Fresh men brain trust,” White was hired by the Treasury where he played a growing role in international monetary issues. In 1938 he became Director of Monetary Research and entered the group of Morgenthau’s closest officials (Rees 1973: 67). In December 1941, few hours after Pearl Harbor, he was appointed Assistant Secretary and entrusted to develop his “Suggested plan for a United States Nations Stabilization Fund and a Bank of Reconstruction of the United and Associated Nations.”

According to Domhoff (1990: 168-170) Viner would participated in the preparation of the plan for the IMF which Harry D. White was carrying out precisely at that time. Viner was called to the Treasury on January 1, 1942 and remunerated from the “Exchange Stabilization Fund”. A second version of the Plan was delivered to Morgenthau in March 1942, shortly after Viner’s departure from Washington.[9] Moreover according to Morgenthau Diaries, the Secretary of the Treasury urged Viner’s participation in White’s work: while rejecting Viner’s participation in domestic policy affairs where their contrasts were sharper, White guaranteed Viner’s involvement in any issue of international policy.

Thus, it may be quite surprising that in his 1953 interview Viner denies any involvement in the Bretton Woods Agreements or in their preparation. In addition he says nothing about his above mentioned intensive work as leader of the Economic and Financial Group set up by the Council on Foreign Relations in connection with the State Department, which exerted some influence in preparing the ground for the Bretton Woods Conference.

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[8] An outstanding example of White’s low estimation of Viner, is White’s opposition in December 1944 to Viner’s possible appointment as Secretary of State’s economic adviser (MD, book 804: 202).

[9] Some evidence of Viner’s assistance to White are in MD, book 483, 180 (quoted also by Domhoff 1990: 169); book 498: 111; book 504: 212.

In the absence of further documentary evidences, we shall trust Viner's own account as the most correct. Yet, even though he did not take any part in the preparation of the White's Plan nor exerted any positive influence on it, Viner was certainly well acquainted with it at a very early stage of its conception and could probably profit of these insights in order to write two influential articles related to the post-war monetary order (Viner 1942, Viner 1943). His deep knowledge of Treasury's Plan and objectives, allowed him, in the Summer of 1943, to play a role in convincing Keynes to put aside his "Clearing Union Plan" and accept the American one as a more realistic basis for Anglo-American negotiations (see Nerozzi 2007b).

On the possible reasons for Viner's silence about topics which are recalled by the literature we cannot make any clear-cut conclusion. In some case Viner's interview may correct overstatements contained in the literature which could have been based on partial or indirect information; in other cases, where the records of the literature or archival documents are more wide and precise, the exclusion, more or less intentional, from Viner's recollections calls for some tentative reflection.

It is noted that many of the 'censored' episodes are related to facts and projects where Lauchlin Currie and Harry D. White played an important role. While Currie is mentioned only once, White is cited only to be criticized for his selfish and ambitious attitude.

The time and context of the interview can provide some element to understand Viner's attitude: the interview took place in 1953 when the McCarthy's campaign was at its peak. Both Currie and White had been investigated as suspected communist spies and the latter died for a heart attack shortly after the process. The republicans were in the government and the New Deal was accused to have favoured a sort of communist conspiracy within the Administration.

Viner's silence may thus be regarded as an attempt to disassociate himself from any connection with that discredited environment. At the same time Viner defended Morgenthau and also Roosevelt from any involvement in the alleged communist conspiracy, and speaks about a different conspiracy, which certainly had involved White, designed to defend the New Deal from its opponents.

What emerges from Viner's interview is the testimony of an economist who, for almost two decades, from the Great Depression to the onset of the Cold War, was deeply involved in the process of economic policy making.

Viner's liberalism and his solid belief in the virtues of a well-functioning and open market economy, did not prevented him from acquiring an acute and disenchanted perception of its serious shortcomings and failures in a world of growing price rigidities, international monetary instability and social turmoil. Viner's commitment to devise and support effective cures for the economic and social diseases of his time, made him a moderate supporter of government intervention designed to provide economic stability and recovery, by means of wise fiscal and monetary policies.

In fact, his initially positive attitude towards the Roosevelt Administration was suddenly reversed by a very critical assessment of the New Deal: as long as increasing Government operations and deficit spending were coupled with ill-devised measures of monetary management, restriction of competitive markets, price regulation and heavy business taxation, any prospect of a strong and self-sustaining recovery would be indefinitely delayed. Yet Viner, not only offered his loyal and valid collaboration to the Treasury and other Federal Agencies, but unreservedly supported some of the measures and processes which were carried on by the Administration especially in the field of international economic relations.

Viner's interview is reproduced below as an interesting and relevant document. As long as the New Deal and interwar American economics continue to be researched, Viner's interview deserves careful consideration, especially by historians of economic thought and policy.

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Editorial note

Jacob Viner's reminiscences are published below with the permission of Viner's family and the Columbia University Oral History Research Office. We would like to thank Pier Francesco Asso, Warren J. Samuels, and Paul Oslington for encouraging publication, and Courtney Smith for much friendly cooperation during our research at Columbia. As we learn from the preliminary notice, this interview "is one of a series in which the subject was unable to edit, or to complete the editing of his work and it had therefore been submitted in this form." In order to present the material as it is currently available at Columbia, we have decided to reproduce it in its unedited and unabridged version, adding a *sic* between brackets whenever the sentence appears to be awkward or a word transcribed incorrectly from the tape recorded interview. Wherever necessary, brief information about people and specific events mentioned by Viner in his memoirs have been provided in the footnote.

Archival sources

JVP: Jacob Viner Paper, John Seeley Mudd Manuscript Library, Princeton University, Princeton, NJ

MD: Morgenthau Diaries, Franklin Delano Roosevelt Presidential Library Hyde Park, NY.

MP: Morgenthau Papers, Franklin Delano Roosevelt Presidential Library Hyde Park, NY.

Interview with Dr. Jacob Viner by Mr. Wendell H. Link on Wednesday, 11 February 1953 at Western Way, Princeton.

My first contact with Franklin Roosevelt was in, I believe, February 1933 before Roosevelt took office. I was asked to come down to Washington by an officer of the State Department just to thresh over the policy in respect to advice to the incoming administration.

My next contact was in July 1933 when I was on my way from Chicago to New York, motoring, and was about to go to Europe with my family. When I got to New York, I found that Henry Morgenthau, who was then head of the Farm Credit Administration[1], had been trying to reach me. I didn't know him. I didn't even know of him. I finally got in contact with him on a Saturday, I believe, and arranged to go up from New York to his home in Dutchess County on Sunday. I didn't have a clear notion of what this was about.

Morgenthau questioned me what I thought about this and what I thought about that. Finally, he said that President Roosevelt wanted to see me, and could I be in Washington Tuesday morning? I said yes. He also asked me if I would be receptive to a post in the government. I said that I wasn't interested in government work. That wasn't my line. In any case, I had commitments to spend the year teaching in Switzerland and was about to sail[2]. He said, "Will you come down to Washington anyway?"

I got to Washington, I think, on Monday night, ready for a Tuesday morning meeting. I was having breakfast at the Cosmos Club when I saw Irving Fisher[3], George

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[1] Henry Morgenthau, Jr., (1891-1967), Secretary of the Treasury from 1934 to1945, was one of Franklin D. Roosevelt's closest assistants during his campaign for the Governorship of the State of New York. Henry Morgenthau Jr., son of the diplomat Henry Morgenthau, had distinguished himself as a valuable "Conservation Commissioner" entrusted to managing a wide set of agricultural reforms directed to fostering farm productiveness and reforestation. Once at the White House, Roosevelt entrusted him to head the Farm Credit Administration, an agency designed to support farmers by converting their heavy debts to a lower rate of interest. Yet Morgenthau's influence went far beyond the FCA and extended to the overall economic policy, especially in the monetary field, where at the time Morgenthau was supporting the plan proposed by George Warren for a sudden depreciation of the dollar. In Viner's later recollections it had been Herman Oliphant (see footnote 25), to suggest his name to Morgenthau (Viner to Currie, July 9, 1966). During their meetings, Morgenthau and Viner discussed the policies of the Farm Credit Administration. In particular Viner blamed the establishment of the so called *Processing tax* which was designed to finance the farmers' relief under the Agricultural Adjustment Agency but, according to the Chicago economist, placed an excessive burden upon urban workers and the unemployed (Viner to Morgenthau, June 1933, MP, box 301, file Viner, Jacob). On Morgenthau's activities during the New Deal see John M. Blum, *Roosevelt and Morgenthau. A Revision and Condensation from the Morgenthau D*iaries, Boston: Houghton Mifflin (1970).

[2] Viner had been appointed Visiting Professor at the Institut Universitaire des Haute Études Internationales of Geneva for the academic year 1933 to1934. In those years eminent scholars such as Gustav Cassel, Paul Mantoux, and Frank Graham were teaching at the famous Institute founded by Michael A. Heilperin and William E. Rappard. Viner had also taught in Geneva from 1930 to 1931. The correspondence between Viner and Rappard from 1929 to 1958 is in JVP, box. 22 folder 4.

[3] Fisher, Irving (1867-1947) was probably at the time, the most popular American economist, well-known to the lay public not only for his studies on money and the business cycle, but also for his bestsellers on healthcare and eugenetics. Fisher had been campaigning for monetary management and reforms since 1911. Viner and Fisher had been cooperating quite closely since the summer of 1931 and together played an important role in preparing the manifesto of twenty-four economists, which was presented in Chicago during the Harris Foundation Conference in January 1932. The manifesto called for a sudden and wide monetary expansion, supported by public works and other measures of foreign economic policy. According to William J. Barber, it was Fisher who suggested Viner's name as worthy of a post in the Administration. See William J. Barber, *Designs Within Disorder: Franklin Delano Roosevelt, the Economists and the Shaping of American Economic Policy, 1933-1945*, Cambridge (MA): Cambridge University Press (1996): 29. Yet, once at the Treasury, Viner made a strong effort to contrast Fisher's influence on the administration, especially as the Yale economist was supporting further monetary inflation, 100% reserve banking reform and other radical measures which Viner felt scared businesses and hindered the needed recovery of private investments (Nerozzi 2007a). The correspondence between Viner and Fisher from 1929 to 1944 is in JVP, box 10, folder 14.

Warren[4] of Cornell, and I think also James Harvey Rogers[5] of Yale – although I'm not sure now that he was there. The other two were there, though. From the conversation I gathered that they also were going to be at this meeting at the Farm Credit Administration. So I dallied and sat around talking to them, thinking that they would know when the time was and we would go together. Sudden I found, through something one of them said, that they were not going there. I was already late. I still remember that when I got there, I got a thorough scolding for being late for my appointment. When I explained my mistake, Morgenthau said, "I've got nothing to do with Fisher and he has nothing to do with me."

I haven't got a vivid memory of what happened that day, I think it was on a Tuesday, but the exact date can be checked. All day I sat talking with various groups of the staff, in which they were asking me technical questions and I was saying what I thought. Morgenthau also told me that either that day or the next – I've forgotten which – I had an engagement with President and was to go to the White House for tea.

I went to the White House. The President wasn't there but his daughter received me. I had tea with her, waiting for him. He came late and was very gracious apologetic for being late, but he thought he had an adequate apology. He said he'd had a Cabinet meeting. He thought he'd accomplished something important. I said, "Yes, I know, I've seen the afternoon paper."

He said, "Is it already in there? They are quick, aren't they? What did the headlines say?"

I said, "The headlines said, 'President Appoints Super-Cabinet'."

He laughed and said, "I'll explain to you what it was."

When I was Assistant Secretary of the navy under Wilson, President Wilson could not be interested in administrative questions. Things were going in all directions – departments interfering with each other, duplicating each other, confusing each other. You never could persuade Wilson to give his attention to it, straighten it out and get a clean, efficient administration. When I took office, I made up my mind that that was not going to happen in my administration.

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4 George F. Warren (1874-1938). Professor of agricultural economics and farm management at Cornell University, Warren had been consultant to Morgenthau since the days of the New York State Administration. Along with Frank Pearson, Warren had proposed a program designed to raise the price level, especially farm prices, by devaluating the gold value of the dollar. The program was based on the alleged correlation between the price of gold and those of basic agricultural products. While Fisher endorsed the so called "Warren-Pearson doctrine" Viner was extremely critical. In Viner's opinion this program was erroneous in its economic foundations, ineffective in attaining its declared aims and dangerous for its international consequences. By devaluing the dollar in the currency markets, the program induced competitive devaluations and a raising of trade barriers against the United States which the Smoot-Hawley Tariff act had already induced on a large scale. Moreover, the destabilization of foreign exchange rates risked disrupting any prospect of international monetary cooperation. In Viner's view only an international stabilization of exchange rates could foster the recovery of international trade and foreign investments, which were absolutely necessary for the prosperity of the American economy (Viner to Morgenthau, November 27, 1933, MP, box 301, file Viner, Jacob).

5 James Harvey Rogers (1886-1939), economist, was a full time professor of political economy at Yale starting in 1930. His statistical studies in monetary economics and the business cycle, his collaboration with Irving Fisher and his 1931 bestseller, *America weight her gold*, prepared him for his deep involvement as a consultant for the Roosevelt Administration. In 1931-1932 Viner and Rogers along with Fisher, John H. Commons and others, collaborated quite closely in formulating proposals of monetary expansion. During his first term at the Treasury, and after having provided Morgenthau with a list of economist experts in monetary policy, Viner added the name of James. H. Rogers (Viner to Morgenthau, n.d., MP, box 301, file Viner, Jacob). In the summer of 1934 Rogers was consultant at the Treasury and together with Viner supported the need for measures of fiscal expansion in order to rise prices and employment (MD book I, September 12, 1934). The correspondence between Rogers and Viner is in JVP, box 22, folder 22. On Rogers' analysis of the Great Depression and policy proposals see Frank J. Steindl, *Monetary Interpretations of the Great Depression*, Ann Arbour, Michigan University Press (1995): 105-110.

"But the other night I wasn't sleeping very well, and so I thought I would just take a bird's eye view of my administration. I realized at once that exactly the same thing was happening to me that had happened to Wilson. I decided I had to find a cure. I think I've found it."

That's the anecdote of the story. For background, I believe that the super-Cabinet was the appointment of Frank Walker[6], who later on was made Postmaster general, who was to be in-between the President and the departments, and sort of co-ordinate them. That was the first of about five or six different attempts of the same sort, probably none of which did any good, but that's for a public administration expert who studies the regime to say. He never got confusion out of his administration.

It may also be that the confusion is inevitable, that the scale of the American government now is so great that you can't get order. Each remedy creates its new problems and new confusions.

In any case, what ought to go into the record in his feeling about it and his reference to his own experience under Wilson. That's something that probably nobody else has picked up.

Another time I had a contact with him, was when I was called, as a member of a joint group of State Department and Treasury, to go to the White House and present a problem to him, for which we hadn't been able to agree on a solution. I can't remember now what the problem was. I know that we had a sort of little document and weren't happy about it. It was in some international issue.

We presented it to him and he listened to us, saying, "Why don't you put it this way?" That just solved the problem. We were all agreed that it was just right. He had hit it and we had failed.

In either '37 or '38 he started to have a series of weekly evening meetings in the White House. It was quite then. He wouldn't be interfered with by the ordinary run of business. Moreover, the reporters didn't watch the White House in the evening, because they did not know that he ever met with anybody in the evening. So the press would not know who was there. The group was his group, was selected by him. As far as I can recall, Morgenthau was in it, Ickes[7], Harry Hopkins[8], Joseph Kennedy[9], later ambassador to

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[6] Frank Comerford Walker (1886-1959), politician, postmaster general, and businessman. In March of 1933 he was appointed executive secretary to the President's council to coordinate emergency relief efforts with cabinet agencies. In December of the same year Walker became director of the National Emergency Council (NEC). Walker also created the U.S. Information Service (USIS) to serve as a clearinghouse on information about relief and recovery programs. Taking a break from June 1934 to April 1935, Walker continued as joint director of the NEC and the USIS until 1936, when he returned to his family business, serving as occasional consultant or intervening during the electoral campaigns for Roosevelt's reelection. On Walker's career as administrator see Robert H. Ferrell (ed.), *FDR's Quite Confidant: The Autobiography of Frank C. Wa*lker. Niwot, Colorado: University Press of Colorado (1997).

[7] Harold Le Clair Ickes (1874-1952), secretary of the interior under Franklin D. Roosevelt and (briefly) Harry S. Truman. From 1933 to 1939 Ickes directed the Public Works Administration (PWA), one of the spending agencies entrusted to enroll unemployed workers and carry out important building projects all over the country. Recurrent conflicts with Wallace and Hopkins did not prevent Ickes from acquiring a growing power within the Administration and accumulating a wide set of administrative prerogatives under his Department.

[8] Harry Lloyd Hopkins (1890-1946), New Deal administrator and presidential adviser. Hopkins headed the Federal Emergency Relief Administration (FERA) starting in 1933, which was designed to provide direct relief to the unemployed, while the following year he proposed and attained the institution of the Civil Works Administration (CWA) to provide work relief for all able-bodied unemployed workers. With the establishment of the Work Progress Administration (WPA) in 1935, Hopkins managed a wide set of public works projects. After a three year term as Secretary of Commerce (1938-1940), Hopkins devoted his last years to organizing the Lend and Lease Program, designing and managing a system of allocation for American material among the Allies during the war, and fostering the realization of a post-war peaceful order with the establishment of the UN. Suffering from serious health problems caused by stomach cancer, he died in 1945, a few months after Roosevelt's death.

England – I don't remember what his position in the government was then – and Jesse Jones[10], I think. That was the group. Morgenthau apparently asked whether he could bring me along and the President said yes. For a while I was there – I believe at about four of them. Then the President said he didn't want me there anymore. There was an air of mutual confidence and privacy about this and I have a suspicion that he wasn't too happy about my being there. I wasn't an intimate of his. Probably it was spoiling the atmosphere a little, although if he had had any notions that these other men all mutually trusted each other and were cooperative, then he had gross illusions. They were watching each other like hawks, disliked each other, and were unscrupulous, I believe, in dealing with each other.

He was a most gracious host. We had drinks. He served them and mixed them, and did it very graciously. The atmosphere was very nice, but the whole group were [*sic*] either silent or yessing him. In all those four meetings not once did I think that I heard a useful suggestion being made to him by the group. He was doing the initiating and the thinking. They were saying, "That's fine. That's splendid," and so on. I was somewhat overawed, as I always was in his presence. Moreover, I knew that I was there sort of by sufferance, didn't belong, and wasn't here on their status. I don't believe that in the four meetings I said more than four of five sentences. Two of the sentences perhaps are interesting.

In one instance, he tried out on the group an idea he had of renewing his warfare against business, prodding business. They all agreed that what he suggesting was clever, would be effective politically, and so on. I spoke up and said that I didn't think that was exactly what the country needed, that while he felt things were quiet, it still was true that there had been no reconciliation between the New Deal and business. Business still was suspicious and hostile. There still were anywhere from six to nine million unemployed after three of four years of the New Deal. He had failed to produce real recovery. I said that my own guess as an economist was that the major reason was that business men just were living in an atmosphere of lack long-run confidence, and therefore were not investing and were not optimistic. Therefore, what he was thinking of doing was a mistake.

He said, "Viner, you don't understand my problem. If I'm going to succeed and if my administration is going to succeed, I have to maintain a strong hold on my public. In order to maintain a firm hold on public I have to do something startling every once in a while. I mustn't let them ever take me for granted."

The other case in which I spoke out was this. As many people know, he didn't always follow his departmental lines of organization. If something was bothering him, he was likely to pick up the 'phone and 'phone some old Groton friend, or some acquaintance, and ask them for advice. Very often he'd go off on a tangent, follow the advice, without considering the department, and then get into trouble with the department. Very often he would have to retreat and be apologetic.

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[9] Joseph Patrick Kennedy (1888-1969), businessman and public official. Profiting from his huge fortune and his manifold connections, Joseph Kennedy had been a major contributor to the Democratic party and a powerful supporter of Franklin D. Roosevelt. In 1934 Roosevelt rewarded him with an appointment to the Securities and Exchange Commission (SEC) and a brief term of service as chairman of the U.S. Maritime Commission. In 1937 Kennedy persuaded Roosevelt to appoint him ambassador to Great Britain. In this role, at such a crucial time, he supported appeasement toward Nazism and isolationism after the breakout of the war. This unhappy record led to his removal in November 1940 and prevented the continuation of his political ambitions, which were later to be pursued by two of his nine sons, John and Robert.

[10] Jesse Holman Jones (1874-1956), businessman, federal agency head, and cabinet member. A member of the board of the Reconstruction Finance Corporation since its establishment in 1932, Jones was entrusted to its chairmanship by Roosevelt and ran this powerful agency, directly or indirectly, until 1945. Initially designed to provide financial support to banks involved in industrial credit, the RFC had progressively extended its powers during the Roosevelt Administration, strengthening its prominent role in direct federal lending, especially in connection with the war mobilization effort. In 1939, after a formal resignation from the RFC, Jones was appointed head of the Home Loan Credit Corporations and, in 1940, he became Secretary of Commerce.

At one of these evening meetings he read a long letter. I still remember it. It was on folio paper in two sheets, at least, which were typewritten. It was a long letter from Russell C. Leffingwell[11], the New York banker. I think, on the whole, as I recall it, it was a very good letter and was on the lines of what I had said at the previous meeting about the fact that full recovery would not come until peace was made between business and New Deal. Most of it was soberly written, courteously written and not provocative. But there was one unfortunate sentence in this letter in which he personally blamed Roosevelt for the state of nerves, and so on.

The President read the whole letter in a monotone. He made it sound flat. He certainly wasn't reading it in order to win approval for it, but when he came to that sentence, he put venom into his voice and malice into it, and made sound it pretty bad. As I recall it, it was a pretty bad sentence, although not necessarily untrue. When he came to the end of the letter, he turned to the group and said, "What can you do with people like that?"

Nobody said a word. I couldn't keep silent. I said, "But Mr. President, except for that one sentence, I believe that's a very helpful, very wise, very fair letter. I think you ought to give that letter very careful consideration."

What he then said to me, or what I replied, I don't know, but my vague recollection is that Morgenthau received instructions not to bring me along after that second time that I spoke up.

These evening sessions usually lasted, by the way, from about eight to ten. We sat in his study in the executive part, as I recall it, not in the White House proper. I'm not so sure, though. I think we came in through that underground way from the Treasury, rather than from Pennsylvania Avenue. The sessions lasted two hours or so. They were leisurely. There was no rush, no agenda.

Coming back to my first meeting with him in 1933, as I recall it, he didn't ask me questions, but said, "What would you like to talk to me about?" I talked to him about the NRA[12]. That was the one thing I talked to him about that I can still recall. NRA was still a project and he still was supposed to be threshing whether to adopt it or not. I spoke very strongly against it, both on the grounds of economics and on the grounds that it was not in the American pattern, that it would work badly and that he would regret it.

He listened very politely. I got the impression that I was possibly even impressing him with my views. He said he had not made up his mind and that he didn't know what the outcome would be of his thinking about the matter. He asked me if I would be willing to accept a post in the administration. I said no and I told him about the year in Europe[13]. He said Morgenthau had told him about that and he was sorry, but he said, "I've a mission for you. Something I want you to do for me in Europe. I want you to send me a weekly letter, telling me what my administration looks like looked at from Europe. I want your view and also your view of what Europe sees it like." He told me to send it directly to him and to keep it confident.

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11 Russell Cornell Leffingwell (1878-1960), banker. He was partner and then chairman of JP Morgan, and trustee of the Carnegie Corporation. During War World I he served as Assistant Secretary to the Treasury.

12 The National Recovery Administration (NRA) was established in July of 1933 by Title I of the National Industrial Recovery Act (NIRA), with the task of fostering recovery in industrial prices and employment. The new agency, guided by general Hugh Johnson and supported by a highly qualified staff of economists and officials, promoted the voluntary acceptance of special codes of fair competition designed to keep industrial prices and wages stable, maintain employment and improve labor conditions. On May 27, 1935, the U.S. Supreme Court declared the mandatory codes section of NIRA unconstitutional. Despite new attempts to revitalize its role as a promoter of industrial cooperation and a source of economic studies, the NRA was abolished at the end of 1935. For an early appraisal of the NRA see Leverett S. Lyon et al., *The National Recovery Administration*, Washington, D.C.: The Brookings Institution (1935).

13 See footnote 2.

About two days later we sailed for Europe – this was in July 1933. The ship newspaper, while we were crossing, announced the NRA. I was mad as hell. I didn't do anything at all about this mission I'd accepted, which I must say, for selfish reasons, I wasn't enthusiastic about. I wasn't so happy about the responsibility of writing a letter each week, keeping tab without the facilitation and conveniences. I had no confidential private secretary. As a matter of fact, the only letter I wrote, I wrote it by hand because I was afraid of leakage. I just didn't write at all.

My wife kept on saying, "You can't do that. The President of the United States has asked you to write and you've undertaken to write. You at least have to tell him why you're not writing." Finally, just before we were to leave England to go to the continent, though I would have been happier not writing, I sat down and wrote a long letter by hand. As far as I can recall, I didn't even make a copy of it. I told him I hadn't written because I didn't like what was going on.

I complained about two things. One was the NRA that I complained about. I said, "You'll rue the day you ever got involved in it. You may think that it's working well and that these parades, and so on, are good, but they look too much like a cheap imitation of what the Nazis can do better."

It was a very sharp, long letter. I never heard a word about it from anybody, except later on I think it was Morgenthau who told me that the president had received it. There was no other word.

During the early period, the administration was going in every possible way. Nobody, as far as I know, had yet gathered it together. However if you see the statements of some people like Rexford Tugwell[14], Adolph Berle[15] or Henry Wallace[16], you see that they

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[14] Rexford Guy Tugwell (1891-1979). Professor of Agricultural economics at Columbia University and member of Roosevelt's Brain Trust. Quite a prolific writer he devoted much of his studies to the American agricultural system and to the maladjustments it was suffering after World War I. In 1932 Raymond Moley, senior professor at Columbia and member of Roosevelt's electoral staff, asked him to join what was later known as the Brain Trust. After Roosevelt's election, Tugwell was deeply involved in the Administration's economic policies: as Assistant Secretary of Agriculture (1933-1936) he was engaged in the implementation of the Agricultural Adjustmnent Act, especially with his Agriculture allotment plan which intended to promote a huge reallocation of land use. Moreover he was involved in the formulation and the review of the National Recovery Administration (NRA) (see), and suggested a host of programs to replace the NRA when the Supreme Court declared its unconstitutionality in 1935. His continuous support for strong government intervention and overall economic planning aroused a strong opposition from liberal sides within and outside the Administration and caused his marginalization after 1936. On Tugwell's life and career see Michael V. Namorato, *Rexford G. Tugwell: A Biography*, New York: Praeger (1988).

[15] Adolf Augustus Berle (1895-1971), lawyer and statesman. Together with Gardner C. Means, he was the author of the influential, *The Modern Corporation and Private Property*, New York: Macmillan (1932). In 1932, the Columbia University professor Raymond Moley invited him to join Roosevelt's "Brain Trust." After Roosevelt's inauguration, Berle preferred to return to his New York business and accepted only brief appointments as consultant or assistant to other members of Roosevelt's staff. In 1938 Berle accepted Roosevelt's request to became assistant Secretary of State with the responsibility of economic policy. For Berle's life and career see Jordan A. Schwarz, *Liberal: Adolf A. Berle and the Vision of an American Era*, New York: Free Press (1987).

[16] Henry Agard Wallace (1888-1965). Secretary of Agriculture since 1933 and vice president of the United States since 1940. By the Agricultural Adjustment Act of 1933 Wallace promoted an increase in farm prices by restrictions in output and centralized accumulation of stocks. The Commodity Credit Corporation financed farmers in exchange for the storage of their crops . With the Farm Security Administration (1937) he provided relief to poor farmers and promoted their move to more fertile lands or to urban areas. By these and others policies he grew more and more popular among farmers as well as urban people. In 1940, Roosevelt, overcoming a strong opposition in the party, chose him as Vice-President. During the war years Wallace enlarged his vision to foreign policy and supported a cooperative effort with the Soviet Union to build up a new economic and political international order. His peaceful and optimistic vision, along with its radicalism in economic and social issues, hindered Roosevelt's attempts to nominate him to the party in the 1944 Presidential Campaign. The choice made by the Democratic Convention fell upon Harry Truman. When Truman became President upon Roosevelt's death in April 1945, he appointed Wallace, who was still largely popular, as secretary of Commerce. Yet Wallace expressed strong criticism of the Truman's Foreign policy

were deliberately freeing themselves from all anchors, from all stereotypes, and they said so – including democracy, freedom of enterprise and everything else. They were just going to look at the problem and work out solutions fresh.

That's a very dangerous position. It disregards history. It disregards basic non-emergency values, and so on. They acted like firemen at a big fire, and definitely got their minds set that way. The NRA was one of the aspects of that. They hadn't thought it through in its implications. It did turn out to be dangerous in some ways, except it became a sick cat. The resistance of the American individual and the chiseler [*sic*] helped to break it down. I still think I was absolutely right, and, of course, it did turn out to be a net loss to the New Deal. There was no profit to it. They had to abandon it.

It was at the end of August or the beginning of September that I wrote the President this letter. Then we went over to Geneva where I was going to teach. I heard nothing.

I got a request from the State Department to act as deputy for James Harvey Rogers, who was the American representative at the economic committee of the League of nations[17], in order to present certain views of Cordell Hull's[18]. There had been a World Economic Conference at London[19], which the President had blown up. If I remember rightly, I mentioned that in my letter as another serious mistake on his part, in his way of handling it, and so on. The conference practically collapsed and one of the few things that lived was a resolution of the conference that the economic committee of the League of Nations should execute certain resolutions with respect to raw materials, including silver particularly and copper. So silver survived. Silver survived because it was a

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toward the USSR and resigned in September of 1946. During the presidential campaign of 1948, Wallace ran for President against Truman and the Republican candidate, enjoying the support of old New Dealers and communists, but attained poor electoral results. On his life and career see: Edward L. and Frederick H. Schapsmeier, Henry A. Wallace: *The Agrarian Years, 1910-1940*, Ames: Iowa State University Press, (1968); *Prophet in Politics: Henry A. Wallace and the War Years, 1940-1965*, Ames: Iowa State University Press (1970).

17 James Harvey Rogers (see footnote 5) was a member of the League of Nations' Economic Committee From 1933 to 1937. In 1934 he was also a special representative of the U.S. Treasury in China, Japan, and India.

18 Cordell Hull (1871-1955). Democratic Congressman and Secretary of State from 1933 to 1945. After a longstanding political career in the Democratic Party, while he sat on the House of Representatives from 1906 to 1933, Hull was appointed Secretary of State by Roosevelt. Hull's first foreign mission was the World Economic Conference in London, where the US delegation was blamed by other countries for its lack of initiative and the sharp contrasts within it. In the following years Hull devoted his appointment to opening up a new era in the U.S. tariff policy by promoting and signing the Reciprocal Tariff Act in 1934, which entrusted the government with inedited powers to concede tariff reductions and apply the most favored nation clause in its unconditional form.

19 When the World Economic Conference opened in London on June 12, 1933, with the participation of 64 countries, it was widely looked upon as the last opportunity to foster economic recovery on an international basis. The most important problems at stake were the reduction of trade barriers, the settlement of war debts, the stabilization of exchange rates, and the coordination of monetary policies in order to further an increase in price levels. Yet strong national interests and divergent points of views were not easy to overcome. While France and Belgium were not willing to give up their peg to gold and urged other countries to return to the old standard, Great Britain had built up a moderate level of protectionism within the Commonwealth by means of the "Imperial preference system" and was willing to inflate its price level without being bound to new external constraints. After the abandonment of the Gold Standard, Roosevelt followed quite an uncertain policy, letting the dollar fluctuate in the foreign markets and addressing proposals of stabilization to France and Great Britain. After having preliminarily attained the exclusion of war debts from the Conference's agenda, the US delegation was offering the stabilization of the dollar in the foreign markets in exchange for the abolition of the Imperial preferences and the reduction of French and Belgian trade barriers. An agreement seemed to be in sight, when the message from President Roosevelt on July 3, brought the conference to an end. Following the Warren-Pearson Doctrine, Roosevelt was determined to re inflate the price level by manipulating the gold value of the dollar and disrupting the conference by stating that he was not willing to sacrifice the American people to the "fetish" of the Gold Standard or fixed exchange rates.

pit [*sic*] interest of Key Pittman's[20], who was a leader in the Democratic party and had some powerful hold on the President. He got what he wanted.

I didn't believe in the silver and I didn't believe in the proposal for an international cartel on copper.

I went to this meeting in Geneva. The economic committee was hostile to this, largely on free trade grounds, anti-cartel grounds. It was a little funny that Hull's should have been pressing them in that direction and they should have been resisting him on the other direction. While I participated in other matters in which I could follow my free trade prejudices freely, without feeling that I was going to counter to American policy, on these matters I made it perfectly clear that I was acting under instructions and that my views were not involved.

There were two economists, at least, there in the committee who knew me by reputation, if not otherwise. They prodded me, trying to get me to admit that I didn't believe in what I was propounding. I said, "I am a deputy here and I have been asked to submit certain views to you. That's all I am willing to do at an official meeting on this topic. If you want to stay over afterwards, I'll give you a lecture on my personal views on these matters."

I reported back on the copper, as I recall, particularly. The present wheat agreement (1953), which was developed after a lot of delay, stemmed from these meetings. I believe nothing came of the copper, however.

About two months later, in November of '33, I believe, we were at a dinner party in Geneva at which there were some distinguished Swiss, a Belgian who had been in the government in Belgium and a diplomatic officer, and a former important official in the French Foreign Office. It was a mixed group of that sort. While we were sitting at the table, the butler came in and said in French that, "Washington wishes to speak to Professor Viner." This was a trans-Atlantic 'phone call. 1933 was early for trans-Atlantic 'phone calls. I'm not sure it wasn't the first one that had reached Geneva. Everybody there was excited. The 'phone was in the hall and when I went out there, some of the group followed me.

It was Morgenthau talking. He said that this was very secret. I tried to tell him that circumstances in which I was in were not such that I could talk freely if it was very secret. He told me he wanted me to go to Paris and to London to get information on certain things and to report to him with utmost secrecy. I was to report from embassies, to report from London preferably and to report in a secret code, because he didn't trust the open 'phone. He thought that the French and the English would be listening in.

He also said, "I suppose you know the news?" The news was, apparently, that in that morning's *New York Times* it had been announced that he had been made Acting Secretary of the Treasury, because William Woodin was sick[21]. He assumed I knew. I didn't

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[20] Key Pittman (1872-1940), U.S. senator and lawyer. A Senator from Nevada and leader of the silver bloc in the Senate where he sat from 1912 to his death in 1940, supporting measures sustaining the price of silver. In 1934 and 1939 he played a key role in the passage of the Silver Purchase Acts. An effective supporter of Roosevelt during the 1932 electoral campaign, Pittman was rewarded with membership to the U.S. delegation at the World Economic Conference in 1933, were he managed to secure an international agreement designed to stabilize the international price of silver.

[21] William Hartman Woodin (1868-1934), business executive and secretary of the Treasury. A personal friend to Franklin D. Roosevelt since the 1920's, notwithstanding his Republican connections, Woodin was asked by Roosevelt to support his campaign for Presidential election and, later, to serve as his Secretary of the Treasury. In the first hundred days he played a paramount role in managing the banking crisis and implementing a set of financial and monetary measures designed to stop the decline in prices, output and employment. In the fall of that year Woodin's health rapidly deteriorated. He was compelled to resign in December 1933 and died after a few months. On his work at the Treasury see Jules I. Bogen and Marcus Nadler, *The Banking Crisis: The End of an Epoch*, New York: Dodd, Mead & company (1933); and G. Griffith Johnson, *The Treasury and Monetary Policy, 1933-1938*, Cambridge, Mass.: Harvard University Press (1939).

have any idea. It hadn't reached Geneva. I didn't get any afternoon papers in Geneva and in Geneva that wasn't a big news as it was in New York or Washington. He did tell me that.

He also assumed that I would know just what he had in mind. He spoke very cryptically to me. What was going on at that time was that they were manipulating the dollar. They were playing with the rubber dollar. As best I could judge, what he wanted me to do was to go to London and Paris, to use my own contacts, not going with official credentials of any sort, to talk to people, and find out what they thought about what was going on in the United States. He wanted me to go at once – even that night. I said, "That's impossible. The best I can do is to go tomorrow night."

The next morning I went down to the American Consulate in Geneva. We weren't recognizing the League of Nations[22].

I went to the consulate, told them the story and said, "I'm not clear at all as to what my instructions are. I want to 'phone to Morgenthau to have them repeated."

They said, "All right, but you'll have to put down the money. Until we're sure that we'll be reimbursed we can't let you use the 'phone." The cost was about seventy-five dollars.

I said, "That's all right. I'll take the risk and will back on the bill if the State Department, or Treasury doesn't meet it."

I got through to him on the 'phone. He didn't tell me much more. He said, "I'm afraid of being overheard. You'll just have to use your own judgment as to just what it is I want you to do." He didn't tell me very much more.

I went to Paris and saw a few key people – bankers, a big official at the Banque de France – using my contacts. I saw a State Department officer, H. Merle Cochran[23], who's now (1953) American Minister to Indonesia. He had been reporting to the Treasury. I found him very well-informed and very wise but, nevertheless, in my two days in Paris, I picked up a lot of material that he hadn't known about such as [*sic*] views, and so on.

I then went to London and there also saw people in various places, including banks, using my own contacts. There I did get in touch with embassy and I sent over a cable. I was worried about cable charges, and that, in terms in which they were operating, was foolish. I clipped it and shortened it. Really, given the expense of my travel, it was all ridiculous.

The pattern was repeated two or three times that autumn. I would got these sudden calls. Then I'd have to go to Paris and London, making these reports. I never got any response as to whether they were interesting or not, or whether they were of any use. I did it without enthusiasm. Travel was difficult. The French railway system was not very good. Once I had to go to London on the 23rd or 22nd of December, stay there a little while and try to get back for Christmas. The trains were jammed. The cross-channel ships were jammed. There was a sleet storm and fog. The whole railway system of southeastern England and northern France net on the rocks. There was a terrible accident – one of the worst railway accidents in history. About 125 were killed on a train. All trains were out of schedule. I worked my way back and got back to Geneva at noon, instead of the

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[22] The League of Nations was born as a consequence of President Woodrow Wilson's fourteenth point, and its statute had been largely drawn up by him during the 1919 Peace Conference. Yet the Republican majority in Congress refused to adhere to the League of Nations, asking for substantial modification of its statute which was resolutely opposed by Wilson. After a negative vote in Congress, the victory of the Republican candidate Warren G. Harding in the Presidential election of the same year killed any further chance of ratification. Thus, while having played such a paramount role in its foundation, the United States, quite paradoxically, failed to became a member of The League of Nations.

[23] Horace Merle Cochran (1892-1973), foreign Service officer. Cochran was Consul in Paris from 1929 to 1932 and then moved to Basel where he remained until the onset of World War II. In 1949 he was appointed to U.S. Ambassador in Indonesia.

evening before, which was pretty good in terms of what things were like. As I say, for me it was no fun. I didn't know really what it was all about, or whether these cables of mine were of any use.

In one cable I said, "Everybody here says they can't make me head or tail out of what you're doing over there. If it interests you, neither can I." That was the last time I heard from them.

When Morgenthau had been made Secretary of the Treasury instead of acting secretary, probably in January '34[24], he 'phoned me again. He wanted me to come over to the Treasury as his adviser. I said I couldn't say yes at once. I was tied there. I couldn't leave them in the lurch, unless I could find a substitute. I wanted to know more about it. I said, "I even, unfortunately, have to be a little interested in finances, because I live on my salary." We negotiated. I find a substitute – an English economist – and made my peace with the institute, although they weren't happy about my leaving and thought I was making a mistake.

I went to Washington, leaving my family on Geneva for the rest of the year. We had an apartment. The children were going to school and I saw no point in bringing them to Washington. I agreed to come for six months – that was for the spring and the summer. Then I planned to go back to Chicago for a quarter, or three months, and then to come back for another quarter. Later on, Morgenthau persuaded me to stay for nine months, or until the end of the year, and then released me from my promise to come back for a quarter. That's all I agreed to. I didn't agreed to come as anything like a continuing adviser.

When I got to Washington, I resisted all the attempts to build me into staff with administrative responsibilities. All I was, or wanted to be, was an adviser on call. If they wanted to consul me on anything, all right, but I didn't want any other duties. I operated that way, except that Morgenthau and Herman Oliphant[25], who was general counsel, forced me really into organizing two study groups that summer on problems of the Treasury.

When I came to the Treasury in March '34, there was a little research and statistics staff there. John Kieley[26], regarded himself as economic advisor to the previous secretary of the Treasury under Hoover[27]. He had curried over, but Morgenthau didn't trust him and didn't like him. He never saw him and there was no contact between them. He made no contact with me when I came. I never went there and he never came to me, except when I had been there about two weeks, he said he wanted to know where he stood and where I stood. He wanted me to know that he regarded himself as the economic advisor to the Secretary of the Treasury. He wanted to know where I belonged and make it clear that he would not accept any orders from me.

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[24] Morgenthau's appointment as Undersecretary of the Treasury in mid November 1933, was to be rapidly followed by his promotion to Secretary in January 1934, when the dying William Woodin resigned. Morgenthau's rapid rise to the head of the Treasury, was partially due to the gold devaluation program of the dollar in the foreign exchange markets, which he had supported since its very beginning, while former undersecretary of the Treasury Dean Acheson had opposed. See John M. Blum, *Roosevelt and Morgenthau*, Boston: Houghton Mifflin (1970): 48-53.

[25] Herman Oliphant (1884-1939), legal educator and government officer. After his studies in philology and philosophy, Oliphant graduated from the University of Chicago Law School and in 1915 became an instructor. In a few years he attained a full professorship at the Chicago Law School and moved to Columbia Law School in 1921. Embracing the movement of legal realism, he promoted the use of quantitative and statistic analysis in law studies and the use of law as a means to foster social reforms and public policy. Involved in government service since World War I, Oliphant was appointed general counsel to the Farm Credit Administration in March 1933, under Henry Morgenthau and held that post when the latter became Secretary of the Treasury. In 1938 Oliphant had a heart attack and died a few months later.

[26] We could not find any information on this Treasury Officer.

[27] Herbert Clark Hoover (1874-1964), thirty-first President of the United States (1928-1932).

I said, “All right.” I told him the circumstances under which I came. I wasn’t looking for a career. It wasn’t up to me. I said, “I may ask you to do things for me. If you don’t want to do it, just say no. I will not attempt to give you any orders. You can go on as you please and I’ll act as I please.” There was no contact really between me and his office, nor between the secretary and his office. That little group was in isolation. The only thing that I know that they did was to forecast the revenues, the tax yield. It was, of course, a thoroughly unsatisfactory state of affairs. I think there were then 56,000 employees in the Treasury and he and Miss Burr[28], who later on went to the Federal Reserve, were the only economists in the whole staff of the Treasury.

I had no staff and refused a staff. I borrowed one young man, a former student of mine, from the State Department when the silver issue came up and I needed help on working to advise the secretary on it. I borrowed him sort of by force from the State Department. They were reluctant to yield him. They needed him and they went to Hull. Hull raised a stink about it and made Morgenthau give him back. It was just a borrowing arrangement, anyway. I was very reluctant to hire people, because I didn’t intend to stay any longer than I wanted to and I didn’t want to build up into it. I also didn’t want anybody of the staff there to feel that they had to maneuver me in terms of their own careers in any way. I wanted them to realize that I was sort of extraneous, with no ambition inside the Treasury, and just there temporary so that they could deal with me without feeling that they had anything at stake. Moreover, I didn’t regard myself as an administrator, and moreover, I thought it was foolish for me, as I didn’t intend to stay, to start anything. So I was very careful to avoid that building up of staff.

One of the things that they talked to me about was staffing, however, so that the Treasury would have an adequate economic staff. I made out a plan for them which they rejected[29]. I made out a plan for a tax research group and another plan for a monitoring debt policy group. No, Morgenthau, wanted one man to be his economic adviser and the head of his staff after I left, and that man to have these as subdivisions. He had the man in mind, which I didn’t know. The man was George Haas[30], who had been his economic adviser over at Farm Credit.

After that my connections with the treasury were intermittent. Every once in a while he’d ask me to come, and I’d come for a quarter. I think that’s the longest I was at the Treasury continuously after 1934, but I kept on coming when asked and pressed. I’d come for summers, and I’d come occasionally for another quarter. I could leave Chicago, because they were on the quarter system.

I was in on a variety of things. In fact, most of the things that the Treasury had to deal with during that period, I participated in as a member of a group, as an adviser, At times Morgenthau sort of forgot I was there and wasn’t using me heavily. At other times he used me very heavily.

On silver, which came up I believe in ’34 during my first stay, I was definitely hostile to the silver purchase proposal[31]. Morgenthau was hostile to it on my advice, but

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28 We could not find any information on this Treasury employee.

29 A three page memo containing proposals for the establishment of an economic staff, sent by Viner to Morgenthau on September 27, 1934, is preserved in MP, box 301, folder Viner Jacob & Family 1933-1934.

30 George C. Haas, was one of Morgenthau’s closest aides since he had been with the Farm Credit Administration. Once at the Treasury he was appointed Director of Research and Statistics. Along with Herman Oliphant, Roswell Magill and Viner himself, Hass took part in the Tax Study Group and was involved in the negotiations for the Tripartite Agreement.

31 The Silver Purchase Act signed on June 19, 1934 authorized the Treasury to purchase silver until it either constituted one fourth of the national gold reserves or reached the price of $1.29 per ounce (while in 1933 the international price was about $45). Morgenthau had opposed the requests on silver purchases since January 1934. He tried to weaken the strong “silver block” in Congress by compiling a list of silver speculators among the supporter of the silver purchases, and by making inquiries on the actual conditions of silver in foreign markets and reserves. In February 1933 he sent James Harvey Rogers to China to assess the likely impact of

Morgenthau was pressed into just going along. He went along at first not even graciously, then later graciously enough, but saying all along that he didn't believe in it, but it was the will of Congress and it became the will of the President.

There Oliphant[32] was a silver crank himself, and intriguing. He had direct access to Senators and possibly to the White House. He was really circumventing Morgenthau somewhat. So there was support from the Treasury for the Silver Purchase Act, but never from Morgenthau himself. I was known to be an opponent. When the bill was finally presented by Pittman, I believe in his first paragraph he gave thanks to Morgenthau for his cooperation, and said the thanks was owing even more to Morgenthau because it was notorious that his economic staff were hostile and advising strongly against it. The only economic staff was me. There was nobody else there. That's a valuable part of my record, because knowing that I was the economic adviser to the Treasury, and knowing that this became an administration measure, people wanted to know what I had to do with this foolish measure, which turned out to be fatal. I think that's the explanation of what happened to China. One of the arguments against the bill was that it was unfair to China, that China had never been on anything except a metallic currency basis and that she would be squeezed if she stayed on metal and have a deflation. The government was too weak to stand that. If they went on paper, they wouldn't be able to manage it. It would lead to inflation and corruption. Standards of integrity and honesty were not high enough there for a paper currency to operate respectably. It all turned out to be true. The corruption of the government came largely from the collapse of their traditional, historical currency system. There was easy money in all directions. There was disorganization, economically and otherwise. It was easy to steal and the stealing became quite general. Moreover, the inflation squeezed certain elements of the population, which were sober, decent and useful, and made them critical of the existing government, so that the Communists were working not against the peasant class, but with the business class. It created frictions and tensions there. It created contempt for the government, because there was notorious dishonesty.

So, in that sense, the Silver Purchase Act was an important factor. Moreover, I know that at that time the Chinese experts in the State Department were forecasting that China couldn't take that. In other words, they kept on agreeing with me that the Chinese could not handle a paper currency and that it would create all sorts of disaster. I felt, at times, that they were somewhat hysterical, but now I see that they were even more right than I was. They knew China and I didn't. I was just using my general knowledge as an economist not any special knowledge of Chinese social life, culture and so on.

The fairly light[33] recession of '37 or '38 has never been written up as to what the issues were within the government, or what took place. I was somewhat central in it, so I

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such a program on its economic and political stability (see footnote 5). Viner was deeply involved in these monetary inquiries and was particularly concerned with the inflationary consequences of huge silver purchases on the national economy as well as its international repercussions (Viner to Morgenthau 25 April and 7 May, 1934, MP, box 301, file Viner, Jacob). Forced to compromise with the silver block, Morgenthau attained the freedom to make such operations "at such rates, at such times, and upon such terms and conditions as he may deem reasonable and most advantageous to the public interest" from Congress. After the passage of the bill, Morgenthau managed to enact his provisions in order to limit as much as possible its inflationary impact.

[32] Herman Oliphant (see footnote 25).

[33] Viner's account of the 1938 recession does not seem to be accurate, the recession being "in terms of speed if not duration [...] the most serious in the nation's history." In the nine months between September 1937 and June 1938, industrial production declined by a third, industrial stock averages by 50 per cent, profits by 78 per cent, payrolls by 35 per cent. Unemployment rose from 14.3% in 1937 to 19% in 1938. See Patrick Renshaw (1999). Was there a Keynesian Economy in the USA between 1933 and 1945, *Journal of Contemporary History*, 34, 3: 337-364.

think my story might go in the record. It was more subtle and more complicated than the outside public knew, and even more so than my insiders knew.

Morgenthau had turned quite conservative on the fiscal, monetary side. It's quite possible that that was largely a response to my influence. I was concerned constantly with the failure of the New Deal to bring about what I regarded as genuine recovery. I was concerned all along with the fact that the New Deal was using more machinery, and even more money, than any American had ever used, even in proportion to the size of the economy, and yet was the biggest failure in American history in bringing about restoration from a depression. Unemployment was lasting as it had never lasted before in American history. The historians still don't go that straight. There were eight million unemployed in 1940. It took the rearmament to clear up that situation. Even when we entered the war, there were at least six or seven million unemployed , which was major. So in that sense the New Deal was a tremendous failure, or something had happened in history.

I was constantly concerned with that. My constant effort was to try to keep Morgenthau, the Treasury, and indirectly the President, from claiming that the New Deal was a success and boasting about what they had done. Of course, I couldn't do that. The President was never able to admit a failure. For instance, and I don't know if anyone has written up the story of NRA, he kept on refusing to admit that NRA was a failure. When everybody was agreed that it was a sick cat, he still struggled to find a rehabilitation of his own record on it. His way of doing it was to appoint different men , one after the other, to first try and salvage it, and to investigate its record, so that there would be, as he said, a sober, thorough and objective appraisal before it was condemned outright.

He tried to get Robert Hutchins[34] to rescue it. Hutchins came to consult me about advice. He was then beginning to have some trouble at Chicago and would have been glad for an escape, if a proper opening were made for him. He was offered the headship of the NRA to succeed Hugh Johnson[35] and was to decide whether to continue it in a reformed way, or to close it up. He came to me for advice. I was then on the staff of the Treasury. I advised him strongly not to take it, except on his own terms. I advised him in detail to make conditions. I didn't tell him not to accept. I said, "Maybe it's your duty to accept." I told him it would probably be a dirty job. I said, "My guess will be that your advice will be to end it. But even if you continue it, it must be reformed. You have to iron out the question of your authority." There was an NRA board and I insisted that he insist [*sic*] not only on the powers that general Johnson had had on the board, but on more. So he would be practically the board.

One of the men on the board was Donald Richberg[36]. Richberg would have been made, on my advice, a sort of an adviser, or a message boy, but not co-ordinate with him. My own hunch is that Richberg pressed hard that Hutchins should not be appointed

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34 Robert Maynard Hutchins (1899-1977), university administrator and philanthropic foundation executive. Hutchins' national reputation grew in the 1930s. He was considered for various New Deal posts under Franklin D. Roosevelt.

35 Hugh Samuel Johnson (1882-1942), army officer and government administrator. During the war he served as the Army's representative in the War Industrial Board and headed the new Purchase and Supply Branch. In 1927 Johnson became Bernard Baruch's assistant, dealing mostly with economic matters. In 1932 he was involved in Roosevelt's brain trust and, later, took part in the drafting of the National Industrial Recovery Act. Entrusted to administer the system of fair-trade codes under Title 1, Johnson carried out his mission with great vigor, arousing a strong and diffuse opposition against him and the NRA. After the suppression of the NRA Johnson became an outspoken critic of Roosevelt's fiscal and anti monopoly policies. On his life and service, see John Kennedy Ohl, *Hugh S. Johnson and the New Deal*, Dekalb, Ill.: Northern Illinois University Press (1985).

36 Donald Randall Richberg (1881-1960), lawyer and government official. He worked for Roosevelt in the 1932 presidential campaign and was later recruited by Hugh Johnson to help draft the National Industrial Recovery Act, giving special attention to the labor clauses. When Johnson became head of the National Recovery Administration, Richberg was appointed general counsel.

after Hutchins had stated his conditions. He made his conditions in writing and I advised him strongly to say that he would not accept the appointment unless it was made in the light of these conditions, and that these conditions should be stated in the letter in which he would receive his appointment, or the offer of the appointment.

He never heard from Roosevelt after that. Roosevelt never replied. Roosevelt asked him to take it. His reply was that he would take it, with these conditions. Roosevelt never replied. For some weeks Hutchins didn't know whether it was yes or no and then the newspapers announced that Richberg had been appointed.

L.C. Marshall[37], who was a former professor at Chicago, was appointed to carry out an investigation as to NRA. Leon Henderson[38] was also appointed. There was a whole series of people appointed to try and rescue that sick cat, or else to try to study its record and bring out an appraisal. In one case, I know, although I couldn't approve it, that the persons appointed to make the study got a distinct impression from Roosevelt that the longer they took, the better he'd like it. In other words, he was just postponing having to admit that it was dead.

Finally the thing just evaporated, with Supreme Court adverse decisions and so on[39]. He never really had to say it was a mistake, because the Supreme Court took him out of a jam. He never did admit that it was a mistake.

The recession of '37-'38 seemed to be fairly serious. There had already been a lot of unemployment. There was a pressure from the New Deal elements in the administration for a spending program. There was resistance from the Treasury to a spending program alone. The Treasury's position was that we had been spending, running deficits, the unemployment had been pretty severe even before the recession, so there was something wrong, something lacking. Therefore, if we were going to launch on a spending program, we were going to scare the conservative parts of the country. They were already scared and we were going to scare them still more. It was not likely to work, and therefore the President had to sake peace with the business world. We had to consult with them, had to try to get a joint program, had to try to get a program which would have a lot of support on both sides of Congress.

We also felt that we hadn't been spending enough. Deficit financing obviously hadn't sufficed. It might be possible to engage in much heavier deficit financing than before, and yet to alarm the public and the conservatives much less. That was the Treasury position.

The President would have nothing of any admission that there had been anything wrong before. This recession was an act of God and not due to anything he'd done. The way to get rid of it was to spend it out. There were good things to be done with money.

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[37] Leon C. Marshall (1879-...), economist. Viner refers to Leon C. Marshall et al., *The National Recovery Administration*, Washington, D.C.: The Brookings Institution (1935).

[38] Leon Henderson (1895-1986), economist and government official. In 1934 Henderson entered NRA as adviser on consumer problems, becoming within two months its chief economist and head of the Research and Planning Division. Operating within the NRA, Henderson repeatedly objected to unnecessary price increases in many industries. As early as 1934 Henderson called for an antitrust investigation to uncover monopolistic practices that resulted in inflexible prices. After NRA's cessation, Henderson was hired by Harry Hopkins (see footnote 8) as economic adviser to the Work Progress Administration. Validly siding with the "spending wing" within the Administration, Henderson foresaw the 1937 recession and urged the adoption of a massive program of Government expenditures. From 1938 to 1941 Henderson guided the National Economic Committee (TNEC) entrusted to make a wide ranging inquiry into the structure of the American financial and industrial systems, which, however, failed to produce substantial legislative action. In 1941 Henderson was put in charge of the Office of Price Administration (OPA), designed to foster the War mobilization effort and curb inflation on civilian commodities. By stubbornly enacting an almost complete system of price ceilings and controls, Henderson caused a wide spread hostility in Congress and was forced to resign in December 1942.

[39] On May 27, 1935, the U.S. Supreme Court declared the mandatory codes section of NIRA unconstitutional. Remainder of Title I was extended until April 1, 1936, by joint resolution (49 Stat. 375), June 14, 1935.

There was no limit at all to the useful things on which money could be spent in order to drown out the unemployment. So the President thought.

I advised Morgenthau that I didn't believe that was so, or at least if it were, the administration didn't know what these ways to spend money were and wasn't ready for them. I said, "You, as the Secretary of the Treasury, ought to insist that you will not give your approval to any enlarged spending program unless a very detailed program of the projects, the allocations, the methods and the purposes is submitted to the Treasury."

It was made pretty clear that if the President turned this down, Morgenthau would resign. The President never liked resignations. He liked Morgenthau. He knew that Morgenthau was perfectly loyal to him. He knew that a resignation by Morgenthau, whom the public, and particularly Wall Street, insisted on regarding as just his message boy, his yes man, which he wasn't, would be taken very seriously. People would feel that if even Morgenthau couldn't take it, the program must be very bad. So the President, probably with some resentment, felt that he was being held up, but he said, "All right. It can be done." He turned to Hopkins and Ickes, at a meeting at which I was present, and said, "How long will it take you? You know my programs and you're ready."

They both said, "Oh yes, we have no problem at all in building up a big spending program on good things."

He gave them two weeks. In two weeks they came in with a spending program. It was sent over to the Treasury. It was a big, mimeographed document. The Secretary of the Treasury met him with the staff and said, "How about that?" We only had one copy. We were to study it and then to break up the parts and write separate memoranda to the secretary on them. I was assigned to the task of writing a memorandum on the general economic philosophy of this thing as a whole.

I got the first shot at a the document. When I began going through it, I discovered it was a mechanical joining of two documents that had obviously been prepared by two different groups. There was contradiction and overlapping between the two – lot of it. This was rushed and crude work. It gave all signs of being hasty. Any claims that the President made, and that Hopkins and Ickes made, that this had all been ready beforehand and these were projects all carefully worked out, I was able to show, in a short and pungent memorandum, were fraudulent. There were all sorts of things jumbled together with some difference in the general character of Hopkins's projects and of Ickes's. Ickes's were longer and more durable. Hopkins's were more of leaf-raking character, but nevertheless there was much overlapping. There was much question as to whether these things had been planned, as to whether engineers had worked out any of these things. Some of them were really silly.

I wrote a sharp memorandum, intended as an internal memorandum. Others did their piece in other parts of it. Morgenthau liked my memorandum. He read it aloud to the group. I was a little embarrassed. It was not only an internal memorandum, but I had thought it was a personal one from me to Morgenthau. He read it before the group and said. "I'm going to take it to the Cabinet meeting tomorrow and I'm going to read it to the Cabinet." There were fourteen of us there – I remember that because there was a vote – and there was unanimous feeling, including myself, that he should not take it to the Cabinet. I insisted that it wasn't written in such a way as to be taken. I said, "You can't do it. It's not polite. It's not a courteous document. I wrote it as an internal document. It would at least have to be re-written and stated in another way if you're going to present that as a Treasury document going to the Cabinet."

I had a copy of it and he had a copy. There were only two copies. I had one, and he had one. He folded his copy, put it in his pocket and said, "Well. I'll probably follow your advice, but I want to have it in my pocket at the Cabinet meeting. We'll see what turns up there."

Morgenthau was not a good debater and was not quick and nimble with words. He was probably being overridden by the President, by Hopkins and by Ickes at the Cabinet meeting. In defense he took this document out and read it[40]. Apparently the President went through the roof. He was furious! This was on Thursday I believe. I have never found out to this day, and I have never recognized the voice, but somebody 'phoned me that night and said, " Have you got your trunk packed?"

I said, "I haven't, but what is this'"

He said, "Well, you might as well."

II didn't know what it was all about. Friday evening in the newspapers there came out the notice of a seventeen billion spending program, or maybe more than that, that was Ickes-Hopkins thing. The President had accepted the Ikes-Hopkins document. Morgenthau offered his resignation and the President refused it. What he told Morgenthau about me, I don't know, but I knew at once that I didn't want to stay anymore. I said, "To hell with it" and I did start to pack.

I didn't want to stay in the Treasury. Something had leaked out to the press, as I recall it, and I knew there had had been a big discussion there. Nobody knew, I believe, that Morgenthau had offered his resignation, and that the President had insisted he mustn't resign, but must carry on. Why Morgenthau did come to office on Monday, or what happened I don't know, but I couldn't get to him personally. I wanted to resign on Monday and wanted to resign to him personally. So on Monday I just killed time.

On Tuesday I went in with my letter of resignation[41]. It was a short letter. I explained that I was not against the spending program. On the contrary, I was for it, but I thought a spending program alone would not solve the problem, and might even deepen the problem. In other words, what was needed was a reconciliation with business. I said I was resigning and I gave a letter to Morgenthau. He said, "I should leave too, but the President persuaded me to stay. It would be very difficult for you to stay, however."

What that meant, I don't know. But my assumption has been all along that FDR told him to get rid of me, because he had presented this thing to the Cabinet as a memo written by me.

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[40] A very similar episode is quoted in Ickes's diaries, but it referred to the Autumn of 1934: "With great unction Morgenthau then started reading a statement prepared by Jacob Viner [...]. He had not gotten very far before the President began to laugh and I could not help joining him. I don't pretend to be an economist, but the argument presented was so ridiculous to be absurd. [...] Morgenthau was willing to desist, but the President told him to go ahead as he wanted to hear what Viner had written. [...] It was clear that the Viner argument had made no impression at all on the President. In fact, it hadn't on any of us, although undoubtedly Morgenthau had thought it was perfectly devastating. After he had concluded, Morgenthau swung clearly around. He was in favor of the public works program and was willing to do anything he could put it into effect ," *The Secret Diary of Harold Ickes*, New York: Simon and Schuster (1953), 2 vol.: I, 223-4, 15 November 1934. Since Ickes's dates seem difficult to contest and we can not find any other references in either Viner or Morgenthau's papers about this 1938 Treasury meeting, we can suppose that in the 1953 interview Viner merged his recollections from two different (and perhaps similar) episodes that actually occurred in 1934 and 1938.

[41] Viner's letter of resignation is preserved in Morgenthau papers: "My dear Mr. Secretary. It is with the deepest regret and distress that I find myself impelled to submit you my resignation as a member of the Treasury staff to take effect immediately. [...] I have for a long time [...] had serious misgivings as to aspects of the Administration's financial and economic policies which have not been under your control, and what I just learned as to the financial program of the President for the coming year convinces me that these misgivings were more than justified. I believe that heavy deficit spending, at this time, if unaccompanied by genuine and courageous effort to eliminate the factors which made our recovery only a halting and incomplete one, and which now have forced us into a renewal of severe depression, and if unaccompanied also by willingness on the part of the President to acknowledge the existence and importance of these factors, will involve serious danger for the political as well as the economic health of our country" (Viner to Morgenthau, April 14, 1938, MP, Folder 2, Viner Jacob and Family, 1935-1943).

Nevertheless, before long they were pulling me in again. They used me particularly when the war broke out. It was in Norway at the time. The [missing word] was in Sweden[42]. We came back together on a cutter when the war broke out. I went into the Treasury, doing my duty as a citizen, but again not wanting to be there. There was nothing to do. There was no program. I cooled my heels for three months. Still there was no plan, no program, and really no preparedness of any account.

The one thing I did was to get the technical people there, such as the government accounts people, to make an analysis of our military budget. As this crisis was supposed to be developing, you would have supposed that we were building our strength. As I recall the figures that they showed from their accounts, and there would be an important margin of error because they had to classify these things in certain ways, [missing words] from the time FDR took over in '33 to the end of 1939 the percentage of our army appropriations – I leave the Navy out – that could be said to be going to fighting weapons had grown from three percent to seven percent. The bulk of it went on salaries, uniforms, homes for officers, homes for sergeants, lawnmowers, obstetrical instruments for the army stations, officers' cars – just junk and paraphernalia, really impediments, to a military force.

While the army had been asking for more, as the Budget Bureau or White House cut their request, the army would cut their expenditures on military weapons and spend on these impediments. So in 1939 they were building things on the following scale. I still remember the scale that was allowed -- $22,000 for a colonel's house, $20,000 for a major's, $18,000 for a captain, and so on, going down to about $12,000 for a sergeant's house. They were still building, and re-building, these army camps at political locations, or at historically obsolete ones.

The President, in all his leadership, never used military strength as one of the item of leadership, unless he used the navy, and I never studied the navy. He did that in part because he had the illusion, until very late, that If he could only get to talk to the Germans or Mussolini, he could win them over to decency.

Of course, I think one of the funniest pieces of diplomatic history was the mission of Sumner Welles[43], in which they were both foolish – the President was foolish for sending him and Sumner Welles was foolish in thinking he was on an important mission, where he thought he could go over and talk to Mussolini and win him over. The President still thought that blandishments would work, particularly with Mussolini.

It must be remembered that the President congratulated England and the world on Munich. FDR there again gets a little lop-sided. His leadership was intermittent and I think never very carefully thought out.

The State Department under Hull[44] wasn't much better. Hull was a fanatic on trade and other things. He usually wasn't much good, nor very understanding.

When we entered the war, again they called me in[45]. Unenthusiastically I came. I had no very important function to perform. I worked a little on the E-bonds[46]. Some of the

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[42] When the German Army invaded Poland on September 1, 1939, Viner was attending the International Conference of International Studies in Bergen (Norway): "When the war broke out, I was in Norway for the international Studies Conference, and was summoned immediately by the Treasury. I came back from Bergen to New York in a U.S. coast guard vessel of small destroyer type and size. In spite of bad weather, it was a delightful experience, as I am a good sailor ." (Viner to Robertson, November 16, 1940, JVP, box 22, folder 16).

[43] Sumner Welles (1892-1961), diplomat and author. In February 1940 Roosevelt sent Welles to Rome, Berlin, Paris, and London to meet with European leaders and explore possibilities for peace.

[44] Cordel Hull, see footnote 18.

[45] From January to March 1942, Viner served as Special Assistant to Morgenthau. Looking at the Morgenthau Diaries we can state that Viner's role was wider than he was to recall in 1953, and he was actively engaged in activities such as stabilization agreements with various countries [MD 491, 237, Mr. Dietrich to Morgenthau, February 2, 1942, Stabilization Agreements] and financial aid to China (Jan. 12, 1942, MD 485: 93; Feb. 3, 1942, MD 491: 270). He also worked on taxation and public finance with Herman Oliphant, Daniel Bell and Roy Blough (Jan. 7, 1942, MD 483: 9). In February the negotiations with England for the signing of the Mutual Aid

people attribute to my part in that the fact that they were not a marketable bonds. I had become the Treasury liaison man when I was in Washington with the State Department. When I was in Washington I would represent the Treasury, sometimes alone, for a time with Marriner Eccles[47], on interdepartmental, international committee in Washington.

I had become unhappy at the Treasury. I wasn't built to be a routine civil servant. I wanted to get back always to the campus. My relations with Morgenthau were always fine, and, for that matter, with the rest of the Treasury staff. Haas[48] had become very powerful and important. I never felt that he was very solid or wise. I thought he was always building himself in permanently, going with the wind, and always thinking in terms of "What makes my tenure secure" rather than other considerations. I also thought he was incompetent. I still think it.

Harry White[49] had also grown in power. I was always ill at ease with him, although I had brought him originally to the Treasury. I hadn't known him, but had brought him on the strength of his books and publications. I always felt there was intrigue in the air. I'm not saying that I smelt out communism, because the intrigue that I felt was a different kind of

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Agreement (February 23, 1942) were being discussed and Viner took part in many interdepartmental meetings. On February 18, he met British Ambassador Lord Halifax and Sir Fredrick Phillips, economic representative to Washington.

46 The E-Bonds were issued by the Treasury in May 1941and raised a huge amount of money to support the War effort. At the same time, by drawing purchasing power from circulation, they were an effective means of keeping inflation under control. Their non marketability increased their anti-inflationary effects and helped keep interest rates relatively low. From 1941 to 1946, more than $185 billion dollars worth of bonds were sold by the Government to a mass of 85 million Americans. It was one of the most successful experiments in the history of war finance.

47 Marriner S. Eccles (1890-1970), banker and public officer. After a brief service as adviser in the FCA and the Treasury, Eccles was appointed Governor of The Federal Reserve Board in November 1934 and, profiting from Lauchlin Currie's assistance, designed the 1935 Banking Reform which provided the Board with undivided authority and strengthened its control on the national money supply. Eccles enjoyed Morgenthau's esteem, which was a determining factor in his appointment. Yet after his appointment as Governor, their relationship worsened: different points of view regarding monetary and fiscal policy, coupled with their strong personalities, led to frequent conflicts between them. Viner's role was often that of conciliator and liaison between them. This can be seen, for example, in his in role in 1936 regarding the strategy preferred by the Treasury and the FED in order to prevent inflation or his attempts to have the FED acquainted with the secret negotiations leading to the Tripartite Agreement (MD 230: 135-137; John M. BLUM., *From the Morgenthau Diaries: Years of Crisis*, 1933-1938, Boston: Houghton Mifflin [1959]: 164-165: 377). In December 1936, Viner was personally invited by Eccles to give his advice to the FED: "Dear Dr. Viner, I greatly appreciated your coming to Washington on December 18th for the purpose of discussing certain matters and giving your opinion. I hope to be able to keep in touch with you in the future and have the benefit of your counsel. [...]" (Eccles to Viner, January, 5, 1957, JVP, box 27, folder 1). In June 1941, Viner mildly supported Eccles's proposals for a Tax Anticipation in order to control inflation, facing Morgenthau's and Harry D. White's opposition. (MD 416, 36). On Eccles's action at the Fed see Allan H. Meltzer, *A History of the Federal Reserve, vol. 1: 1913-1951*, Chicago and London: University of Chicago Press (2003).

48 George Haas see footnote 30.

49 Harry Dexter White (1892-1948), economist and public officer. White, like Viner, had been previously trained at Harvard, completing his Ph.D. training under Taussig's guidance. White's doctoral dissertations, as well as Viner and John H. Williams', are commonly regarded as among the best empirical studies on the workings of the balance payments adjustment mechanism during the period of the classical Gold Standard. Arriving at the Treasury as a member of Viner's Freshmen Brain Trust, White was hired on a regular basis in the autumn of that year and was especially involved in international monetary affairs. His 1935 European mission provided an important background to the negotiations culminating in the Tripartite Agreement of September 1936. He had advocated measures of outright monetary expansion and budget deficits to combat the Depression since 1932 and continued to support these ideas within the Treasury, though with little success. Appointed Director of Monetary Research on March 25, 1938, White entered the "9,30 Group", which included the senior officials of Morgenthau's staff. In December 1941, a few hours after Pearl Harbor, he was appointed Assistant Secretary in connection to his "Suggested plan for a United States Nations Stabilization Fund and a Bank of reconstruction of the United and Associated Nations." On Viner's participation in the first revision of the Plan and his relationship with White see references in the Introduction. White's biography is provided by David Rees, *Harry Dexter White: A Study in Paradox, New York: Cowgan, McCann & Geoghegan* (1973).

one. I now think I know that the other intrigues were going on. But of any entanglements of White's with the Communists I just know what I read in the papers. I saw nothing of that.

However, there was a sort of a conspiracy to protect the New Deal and FDR against internal sabotagers. I suspect I was one of the men regarded as a sabotager. They had people practically all over Washington in every department. Lauchlin Currie[50] was one of the men in that group. Harry White was one. Tommy Corcoran[51] was the telephone operator, probably brought them together at meetings and so on. I found quite a few people had sensed that. Later on, I spoke to Morgenthau and he said yes, he knew of that. I don't know at what stage he knew, but he knew it was going on.

I also didn't like the relations between Morgenthau and Harry White, because Harry White always began to operate as if he had something up his sleeve, as if he had some strength somewhere. Morgenthau acted as if he disliked him, and would beat him down and slap him down at a large staff meeting. Relations were very unpleasant. Yet, Morgenthau kept on following his advice.

Morgenthau was aware of the internal group that was protecting the President and the New Deal, but I wouldn't say he was aware of the communist group. On my own knowledge I never had any suspicion or idea of the communist group. Of course, I wasn't there all the time. I don't know when the ones who had suspicions had those suspicion start. By 1942 I was practically out of the Treasury. I hardly ever came there. Once in a while I went back. I vaguely remember going to a tax conference, and occasional things of that sort.

Moreover, my relations with Harry White had become very strained. Our views weren't quite the same on pre-Bretton Woods. When it came to Bretton Woods, the Treasury didn't even ask me to participate for them. I had nothing to do with Bretton Woods.

The State Department had asked me to become a consultant for them, so I moved over and worked on their planning for post war work. I did not move over as an employee,

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50 Lauchlin Currie (1902-1993), economist and public official. Born in Canada, he attended his economic training at the London School of Economics and in 1927 arrived in Harvard, where he served as assistant to Allyin A. Young, John H. Williams, and Joseph. A. Schumpeter. In the Summer of 1934 he was recruited by Jacob Viner in the Treasury's "freshmen brain trust ." Shortly thereafter he was called by Marriner Eccles (see footnote 47) to serve as his adviser at the Federal Reserve Board and to design the Bill for the 1935 Banking Act. In 1939 Currie was the first to be appointed as FDR's White House economist. In 1941 he was sent on a special mission to China and then joined the Lend-Lease administration. He ran the Foreign Economic Administration from 1943 to 1944 and took part in negotiations for the Bretton Woods Agreements and the US loans to the British and the Russians. After the war he was accused of being a communist spy and of having passed on secret information to the USSR. His longstanding friendship with Viner is demonstrated by their correspondence preserved in JVP box 7, folder 22. On his activity at the Treasury see references in our Introduction. A comprehensive biography of Currie is Roger J. Sandilands, *The Life and Political Economy of Lauchlin Currie: New Dealer, Presidential Adviser, and Development Economist*, Durham (NC): Duke University Press (1990). See also Roger J. Sandilands, "Guilt by Association? Lauchlin Currie's Alleged Involvement with Washington Economists in Soviet Espionage ," *History of Political Economy*, 32, no. 3 (Fall 2000): 473-515; and James M. Boughton and Roger J. Sandilands, "Politics and the Attack on FDR's Economists: From Grand Alliance to Cold War," *Intelligence and National Security*, 17, no. 2 (Summer 2002). On his work as the Head of the first World Bank's General Mission in Columbia in 1949, see Michele Alacevich (2005), "Post-war economic policies for development: Lauchlin B. Currie and the World Bank in Columbia ," *Storia del Pensiero Economico* 1: 73-92.

51 Thomas Gardiner Corcoran (1900-1981), government official and presidential adviser. He graduated as valedictorian from Brown University, and worked under the influential Professor Felix Frankfurter at the Harvard Law School. From 1927 to 1932 he practiced law in Wall Street. He then entered the newborn Reconstruction Finance Corporation, where he served until 1940. His expertise in finance and security law, together with his writing ability, made him one of the closest men to the President, and author or reviewer of many of his most famous speeches. His involvement in many of the most delicate and controversial policy issues associated with the first and second Roosevelt Administration, arose wide spread hostility in Congress, which led to his career in the Administration coming to a sudden end in 1940.

but just came in for a few days once in a while. I was a consultant without remuneration. I worked with Clair Wilcox[52], Paul Nitze[53], Winthrop Brown[54]. I never mastered their set-up and it was changed with each Secretary of State.
What would happen was that they'd all call me. They'd send me some documents, sometime a briefing me beforehand. For two or three days I would sit in conferences, or they would move me around, as they were operating their own staff conferences. I would listen to what was going on. If I had anything to say, I would advise them. I never had to solve any of their administration problems.

Some of the important figures there were Harry Hawkins[55], Leroy Stinebower[56] and Willard Thorp[57]. These were the men I dealt with. They were the top economic staff there, from the Assistant Secretary, Willard Thorp, down. I'd meet with varying numbers. Sometimes they'd ask me to talk on some technical problem. There might be fifteen, twenty or twenty-five even gathered there for the purpose. Again, I had no administrative responsibilities, no authority of any sort. I was happier in my relations with them and those I had had at the Treasury.

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52 Clair Wilcox (1898-1970), economist and public officer. Professor of economics at the Swarthmore College from 1927 to 1965. In the mid of 1940's he was Head of the Office of International Trade Policy. In 1947 Wilcox headed the U.S. Delegation and chaired the Havana Conference. Substantial correspondence with Viner is preserved in JVP, box 28, folder 17 (1931-1952, 1966).

53 Paul H. Nitze (1907-2004), public officer. From 1941 to 1944, Nitze served as Financial Director for the Coordinator of Inter-American Affairs, Chief of the Board of Economic Welfare's Metals and Minerals Branch, Director of the Foreign Procurement and Development Branch within the Foreign Economic Administration. He was also appointed special consultant to the War Department.

54 Winthrop J. Brown (1907-1987), public officer and diplomat. From 1941 to 1945 he served as executive officer of the Mission for Economic Affairs to the U.S. Embassy in London.

55 Harry C. Hawkins (1894-?), economist and public officer. After a tenure as Assistant Professor of Commerce at The University of Virginia, he accepted a post as economic adviser in the State Department in 1927, where he remained for more than two decades. Regarded as "Hull's right hand" for commercial affairs, in 1942 he was appointed Chief of the Division for Commercial Policy and then of the Trade Agreements Division. In this role Hawkins was deeply involved in the set-up of the U.S. plans for a post war commercial order and in Anglo-American negotiations for the establishment of ITO and GATT.

56 Leroy D. Stinebower (1904-1976), economist and public officer. From 1934 to 1952 he served in the State Department as economic adviser for international economic affairs. A former student of Viner in Chicago, Stinebower was introduced to the State Department's economic adviser Herbert Feis by his teacher, who at the time was looking for an economist to take in part in the U.S. delegation to the World Economic Conference in London (see footnote 19). In 1943 he was appointed chief of the Division for Economic Studies working on Post War-Planning and took part in most of the U.S. delegations to the International Conferences of those years, such as Bretton Woods, San Francisco, Havana, Quebec and Paris. His longstanding friendship with Viner is testified by their correspondence preserved in JVP box 25, folder 9. Viner began his cooperation with the State Department in 1943 working especially with Stinebower at the Division for Commercial Policy. In 1952 both Viner and Stinebower left the State department, the latter taking a position in the Standard Oil Company (Viner to Stinebower February, 1 and 8, 1952).

57 Willard L. Thorp (1899-1992), economist and public officer. Member of the NBER staff and Professor at Amherst College starting in 1927, Thorp was called to Washington in 1933 in order to reorganize the gathering of statistical data within the Department of State. In 1934 he took part, along with Rexford Tugwell, Herbert Feis and others, in the drafting of the Reciprocal Trade Agreements Act. During the 1930's he received other appointments in the NRA, the Department of Commerce and the TNEC. In 1944 he was invited by Edward Mason and Will Clayton to join the States Department's Economic Staff. He served as Assistant Secretary of State for Economic Affairs from 1946-1952, was a member of the U.S. delegation serving as special adviser on economic matters at the Paris Peace Conference in 1946 and was the American representative to the United Nations General Assembly from,1947-48. The first contact between Thorp and Viner was in 1940. Their relationship intensified from 1945 onward: Thorp invited Viner to send his comments on a memorandum and took part in meetings held in Washington. Substantial correspondence from 1940 to 1952 is preserved in JVP, box 26, folder 10.

When I was at the Treasury Department something had blown up in China – aid to the Generalissimo[58], or something like that. I got word from the secretary that I was to go to the White House and be there at nine o'clock on Monday morning. What the exact matter was, I don't know, but I think it was an urgent call for financial help from the Generalissimo.

We were shown up to the President's bedroom. It was as simple room as a boy's room at college. What touched me was that I saw his braces standing in the corner, and I saw how formidable they were – tremendous. He had three or four newspapers spread over his counterpane. He'd had his breakfast and we were talking business. There had been a weekend guests at the White House and I know that Eleanor[59] was busy fussing with them. I know that the Herbert Lehman's[60] were there. They were making their farewells. Some point would come up and Eleanor would come into the room every once in a while, breaking in about some household affair. I thought at he time that we were dealing with a major business and it was trifles that she was interrupting with. Finally, I felt that the President thought that too. He said: "Eleanor, can't you leave us alone for a few minutes? This is important business that we have to discuss." That's just a little home touch.

Many analyses of the recession on '37-'38 blame it on the Federal Reserve and on the Treasury, who had become afraid of the inflation and had gone too far with controls. Actually, I don't recall the period enough to remember my 1936 or '7 psychology, or whether I had any important part in those affairs. I do recall vaguely that there was some friction between the Treasury and the Federal Reserve as to who would do the restricting. They were both agreed that there should be restriction.

As far as I was concerned, I was always during that period unhappy about mere restriction, because I was always conscious of the fact that there were these eight, or nine, or ten million unemployed. That was not health. I felt myself that as long as the President kept on fighting business, he couldn't cure the unemployment. Therefore, what you might get was inflation and unemployment. If I had any part in it – I don't recall now – and if I supported the restrictions by the Federal Reserve and by the Treasury before that, it would be on those grounds.

I was in Washington also during the first World War. I was a youngster then. I was doing some of the same things I did in World War II. I was working at the Tariff Commission, under Frank Taussig[61], who had been my teacher at Harvard. He had brought me there.

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[58] Chiang Kai-shek (1887-1975), Chinese statesman. During the inter war period he led the Chinese resistance against Japanese expansionism and, later, the civil war against the communist movement. After his final defeat in 1949, he retired in Taiwan were he ruled as President of the "Republic of China" until his death.

[59] Anna Eleanor Roosevelt (1884-1962). Political leader and wife of President Franklin Roosevelt. A very popular figure, she was effective in building consensus to Roosevelt's New Deal and played an important role, especially in the establishment of the UN and in the drafting and approving of the Universal Declaration of Human Rights.

[60] Herbert Henry Lehman (1878-1963), banker and politician. After serving as acting governor under Roosevelt's New York State governorship (1928-1932), Lehman was elected governor in his own sake for three terms from 1932 to 1942. Under his leadership New York adopted a set of relief and reform measures known as the "Little New Deal". During World War II Lehman was appointed Head of the Office of Foreign Relief and Rehabilitation Operations (OFRRO). In November 1943 Lehman was elected as director general of the newly created United Nations Relief and Rehabilitation Administration (UNRRA). In the postwar years Lehman sat in the Senate and tried, with little success, to implement Truman's Fair Deal by making its provisions more progressive. While supporting Truman's anticommunist foreign policy, he became a resolute opponent to McCarthyism in the 1950's.

[61] Frank William Taussig (1859-1940), economist. Taussig spent his entire academic career at Harvard, where he had attended completed his education. For more than four decades he served as editor of the *Quarterly Journal of Economics* and was among the founders of the Harvard Business School. Specializing from the beginning in international trade, Taussig wrote the fundamental *The Tariff History of the United States* (New York: G. P. Putnam's Sons, 1888) and *International Trade* (New York: Macmillan, 1927). His *Principles of Economics* (New York: Macmillan, 1911) had several editions and was widely adopted in American Universities.

Most of the time at the Tariff Commission I was working on historical material. The work that I was doing there, with others, laid the ground for a reversal in the historical American policy with respect to the most favored nation clause[62]. I worked mainly with Stanley Hornbeck[63], who later on was a Chinese expert of the State Department. We were a team. Until the last stages we were co-ordinate. Or sometimes I worked independently. Somehow or other I worked with Walter B. Palmer. He had done his doctor's thesis on the most favored nation clause and he had defended the traditional American practices. He still defended it at that time[64]. The material that I mostly dug up, and also my free trade views helped to change his mind. He had a lot of material to deal with that I was preparing which seemed to shake his convictions. Actually, we didn't write the conclusions, or if we did, we drafted them for the commissioners to sign. They were not my conclusions and I take no responsibility in that document.

The conclusions, as I recall them, asked for a serious consideration as to whether a change of policy was appropriate, but didn't actually recommend it. One of the commissioners was W.C. Culbertson[65], who later on was our minister to Rumania. He was a Republican of the William Allen White[66] group, a Kansan. Culbertson was put to thinking about it and he became a convert to what was my position. The Republicans came in 1920 and he was still a tariff commissioner. He got the ear of Secretary of State Charles Evans Hughes.[67]

The State Department negotiated a commercial treaty with Germany, as well as a couple of agreements with other countries. In this treaty we departed from our so-called conditional most favored nation interpretation to the unconditional. I don't need to go into the technicalities here. The external history of this I've written up and it is published[68], but not any internal history.

Culbertson persuaded Hughes. Hughes persuaded the Senate, with neither the Senators, nor Hughes, knowing what it was all about or understanding at all about it. Hughes admitted that and said that Culbertson knew more than anybody else in the world about this most favored nation clause. He had him testify and also present a brief on this matter. That was in 1922, I believe. That later on was to became a basic element in the

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From 1917 to 1919 Taussig served as Chairman of the newly created U.S Tariff Commission, providing it with a highly qualified staff. Viner had been a graduate student of Taussig since 1914 and, under his tutorship, wrote a Ph.D. thesis covering the workings of the balance of payments adjustment mechanism under the classical gold standard (see reference in the introduction). Correspondence between Viner and Taussig is preserved in JVP, box 26, folders 1-2. On Frank Taussig, see Joseph A. Schumpeter et al. (1941) "Frank William Taussig," *Quarterly Journal of Economics* 55 (2): 337-63. See also Viner's, "Professor Taussig's Contribution to the Theory of International Trade ," in *Explorations in Economics: Notes and Essays Contributed in Honor of F.W. Taussig*., edited by E.S. Mason, New York, Mac Graw-Hill Book company (1936): 3-12.

62 Stanley Kuhl Hornbeck; Jacob Viner; Clive Day; Walter B Palmer, *Reciprocity and Commercial Treaties*. Washington, Government Printing Office (1919).

63 Hornbeck, Stanley Kuhl (1883-1966), diplomat and public officer. As a State Department official he was deeply involved in east Asian affairs.

64 Walter B. Palmer, 1919, "American Industries and Foreign Trade Following the War," *Annals of the American Academy of Political and Social Science*, Vol. 83, International Economics (May): 118-132.

65 William Smith Culbertson (1884-1966), diplomat and public officer. He graduated from the Yale Law School and was an expert in international trade legislation devoting many books and articles to the subject. Since its creation in 1916 he served as a member of the U.S. Tariff Commission and in 1922 became its president. In the following years he was U.S. Ambassador to Romania (1925 – 1928) and Chile (1928 – 1933). In later years he became Colonel of the U.S. Army. Correspondences between Viner and Culbertson from 1919 to1935 is preserved in JVP, box 7, folder 21.

66 William Allen White (1868-1944), journalist and author. A Republican from Kansas, then allied with Theodore Roosevelt, White supported the foundation of the Progressive Party in 1912.

67 Charles Evans Hughes (1862-1948), governor of New York, secretary of state, and chief justice of the U.S. Supreme Court.

68 Jacob Viner (1924), "The Most-Favored-Nation Clause in American Commercial Treatise ," *Journal of Political Economy*, February: 101-129.

Cordell-Hull program in the new Deal foreign relations program. It is our policy now (1953) – non-discriminating unconditional most favored nation treaties.

So in the World War I period I had a hand in that. Also at that time President Wilson was working on his Fourteen Points. He asked Taussig to help him on his point three, which was supposed to be unconditional most favored nation treatment. He asked Taussig whether our country in any was then in a position of violation of a point of that he would make in his fourteen Points. Taussig asked an international lawyer on the Tariff Commission staff and myself to worked [*sic*] on this. We worked from the State Department secret file and prepared, as I recall it, a fifty-five page memorandum, of which we had a number of copies, though neither of us retained a copy. As I understand it, one copy went to the State Department, one copy went to Taussig or to the Tariff Commission files, and one went to the White House. Now I have no copy of that document.

This document showed that our major departure from this idea was in respect to Brazil where the history was filthy. It dated back to about 1908 or'09. A flour concern, the Pillsbury people, who had contributed to the Republican campaign fund, was being paid in pressure on Brazil to give a preference to American flour, as against Argentine and neighboring countries. It was an outright preference. It was dressed up with other concessions on cornets [*sic*], windmills and other things that didn't matter. The pressure on the Brazilians was that otherwise we'd put a penalty duty on their coffee. Coffee was their major export, their source of livelihood, and so on.

That created a lot of sensation in Latin America. Each year the thing had to be done. The Brazilian Congress wouldn't accept it and therefore it was done by executive degree. Each year it created a sort of little political crisis in Brazil. The Argentine press was always very angry about it. It was a violation of all comity and decent international relations. I insisted that the President, on the strength of that memorandum, in a speech, while discussing postwar peace, acknowledged our sinfulness with respect to that Brazil thing and said, "If Brazil wants to abandon it, there'll be no protest from this country." I have told this to a number of Woodrow Wilson scholars, and I'm sure I'm right, and yet they cannot find that reference in a speech. My guess is that it could be found if one were to search the newspaper reports of the speech, but it was taken out of the official record. It was Mobile speech on foreign policy in which he said it. The newspapers of the next day would have it, but it was taken out in the official record.

Harding[69] later on made a similar statement. Again Culbertson, through Hughes, got that across. The Brazilians thought it was too good to be true. They moved very cautiously and took some years to eliminate the preference in our favor because they were scare to take the President's word. I've always felt sad that the credit for that should have gone to Harding instead of to Wilson, because it was much more in the spirit of Wilson than of Harding to clean up that spot.

There is a general impression that I have, which is relevant to certain events of the last month or so (January 1953) in the United States, that the record of business men in the World War I was very bad when they were dealing with their own industries. I got tired with what I was doing at the Tariff Commission. Taussig, to whom I was devoted, had gone off to many important missions, things of one sort or another, and had lost track of me. I got lost in the shuffle, even on salary. I felt that what I was working on wasn't important enough to keep me out of the army and that I ought to enlist. So I got unhappy and finally resigned from the Tariff Commission. I was very tired and it was very hot in this summer of 1918.

69 Warren Gamaliel Harding (1865-1923), twenty-ninth president of the United States.

The war, I felt, was going badly. It seemed to be at its worst in the summer. I decided I would go for a two week's vacation and then I would enlist. I went on my vacation. I was in New Hampshire. It was hot there, so I fled to Maine.

I got two telegrams from two different agencies working on war things, hearing that I was free and wanting me to work for them. They'd heard I was going to enlist, and both telegrams told me I was a darn fool if I did that. I wouldn't be much good as an average soldier, but I had skills, and so on. I said "All right. I'll come back and talk to you."

I went back and I found that the two things were really related. One of them released me to the other. I went to work for the Shipping Board[70] in its division of research and statistics on import controls in wartime in order to conserve shipping. That was the important consideration. I not only had some interesting assignments there, but we all shared our work together. We had staff meetings and talked about each other's problems. So I saw the whole sweep of it.

There was a lot of dirty work going on. We had a lot of shipping on perfectly trivial and safe operations, while England was just on the edge because of the U-boat campaign. We were getting frantic messages from England – from Americans over there and from the British government. The American Merchant marine was being protected by officials in Washington who were from the industry, but were protecting their own firms.

Finally, through the work of our group, its London agencies, the English, and others – some of these people being business men: not all professors, but business men working on something that had nothing at all to do with their routine business – we explained that we got a statistical statement of the situation and a very, very severe statement of the military risks we were taking and of the abuses. It was pushed to the President, so that we all signed a resolution that our chief, who was Edwin F. Gay[71], who later became editor of the New York Post, and was a Harvard professor who later went out to Cal Tech[72], had a duty to get to the president, to get the President interested and to get action from him. Gay was the spark plug of this whole movement. Gay broke through and got action from Woodrow Wilson.

My memory is a little hazy and I don't remember exactly who the main offender in all this was, but whoever he was fired. He was fired without newspaper scandal. He was just sort of superannuated and told to stay out of the Shipping Board. A deputy was appointed to take charge of his allocation function. He had been in charge of the authority to allocate ships. He was allocating them to carrying Brazil nuts, rubber for chewing gum from the Dutch East Indies, and saving valuable ships for purely unnecessary civilian purposes when there was need for a military function.

I was also with the League for International Cooperation[73], which was not of any importance. It was like UNESCO, and I don't think UNESCO was of any importance from

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70 The Shipping Board was established in 1916 with the aim of regulating and developing maritime trade and ensuring its security during the war. In 1933-1934 the Board was abolished and most of its functions absorbed by the Department of Commerce. Viner's correspondence regarding his appointment and work with the Shipping Board is preserved in JVP, box 37, folder 8.

71 Edwin F. Gay (1867-1946), economic historian and co-founder of the National Bureau of Economic Research. Gay was the first dean of the Harvard Business School (1908-1919). In 1919 he became editor and president of the *New York Post*, which had just been purchased by Thomas W. Lamont. In 1924 he returned to Harvard. Gay was the first president of the Economic History Association and a president of the American Economic Association (1929). Correspondence with Viner between 1930 and 1933 is preserved in JVP, box 11, folder 13. Other correspondence, related to Viner and Gay's activity within the Council on Foreign Relations in 1932-1933, is in box 7, folder 14. He was among the directors of the CFR from 1921 to 1945. For Gay's life and career see Herbert H. Heaton, *A Scholar in Action, Edwin F. Gay*, Cambridge, MA: Harvard University Press (1952).

72 California Institute of Technology, founded in 1891 in Pasadena.

73 International Institute of Intellectual Cooperation (1922-1946). The Institute was established by the League of Nations with the aim of promoting intellectual work and international relationships between members of

what I know. I don't know much about it. For most of participants it was a junket. A lot of countries would be represented. They'd come all intent on making a speech so that they could report home to their countries that they made a speech. The speech might be irrelevant and mediocre.

I went to a conference of that organization in May 1933[74]. I went on a short trip just to go to that conference and the economic conference[75] was under way then also. They were both underway in London. The League for International Cooperation Conference worked in two panels. One panel dealt with the role of the state in economic life. The Nazis were represented. The Fascists were represented. The English were compromising and appeasing [*sic*] at this conference. Some of the Americans were on what the economic conference was dealing with – imperial preferences, discrimination and most favored nation clause. That was discussed in our panel.

The other panel, in which the Nazis and the Fascists performed, I wasn't in. In fact, I didn't discover what was going on there until when by accident later on I found there was a printed record of it, including my own participation. I found that there Americans and English were saying to the Nazis, "Perhaps there's something in what you're doing. We have to find a new way of life. Your system perhaps goes too far. Ours has been too much in the other way," and so on. They did that instead of standing up firmly. It just showed their general confusion in the light of the world depression and of the rise of vigor on the part of fascism in Italy and vigor on the part of this new Nazi regime in Germany.

It's difficult to tell whether my group such as the International Cooperation group brings any pressure to bear on the government that result in action. The process of education is always a very diffused one and you never can tell about that. Ideas spread, whether they're good or bad. I think in the United States now (1953) if you want ideas to spread fast, you must get a business group to sponsor them. You have to educate a business group and then let the business group present them as its ideas. If I had zeal for spreading views, getting them to government, getting government, and particularly Congress, to respond, and getting the press to respond, I think I'd choose the CED – Council for Economic Development[76] – and try and work through them if possible. I would not only try to convert them, but would have them absorb the ideas adopt them as their own, possibly changing them somewhat in the process. Because at the present time if there are any good ideas that you want to get accepted, get a prominent business man to get them across. He's got the prestige and he's got the confidence in himself.

This may just be temporary. Business men were in the dog house not so long ago, but at the present moment I'd say that even in public health, a cure for cancer, if you want almost any major action in a hurry, try and get a business man. What I would try and do is get a very wealthy one and a very reactionary one who still could be convinced on

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intellectual professions and improving their working conditions. Its Committee enjoyed the membership of such personalities as Henri Bergson, Albert Einstein, Marie Curie, Béla Bartók, Thomas Mann, and Paul Valery.

[74] The Sixth International Studies Conference was held in London from May 29 to June 2. In that occasion Viner expressed the United States' willingness to play an international leading role in promoting economic and monetary cooperation and fostering a general lowering of trade barriers based on the application of the most favored nation clause. At the same time he defended the U.S. point of view against the Imperial Preference System established by the Ottawa conference in 1932. Viner's contribution to the Conference and a partial account of the discussions are published in *The State and Economic Life*, Paris, International Institute of Intellectual Cooperation (1933).

[75] See footnote 19.

[76] The Committee for Economic Development (CED) was created in 1942 by a group of business leaders. The CED's first aim was to foster the transition of the American economy to a peace-time production, avoiding the post-war depression which was foreshadowed in many parts. At the end of World War II, the CED's support was effective in fostering business for the Bretton Woods Agreements and later for the Marshall plan. For CED's origins and activity see Karl Schriftgiesser, *Business and Public Policy: The Role of the Committee for Economic Development, 1942-1967*, Englewood Cliffs, NJ: Prentice-Hall (1967).

something, because he would have the most powerful influence at the present time with Congress and with the press. However, this is probably temporary.
Farm organizations and trade union organizations, within limits, are powerful. They'd be still more powerful if they had more educated leadership that used skill and subtlety and watched their public relations. I'm not criticizing them. I think they've done very well on the whole. I'm saying that they could do still better. They have lost out, I think, in the last few years, because they've been pursuing things clumsily and things probably not to their good. That has lost them a lot of support from outside.

On the other hand, I think that business has gained in wisdom and in public spirit tremendously. They are serving their self-interest that way. It was urgent for them that they become enlightened, because that way they'll get much more of what's good for them than remaining the way they did in the 1920s.

Charges were made against Leo Crowley[77] on the ground of the record of his family, himself and his brothers, with respect to a bank which under pressure of the depression was in trouble. The charge was made by another high officer of the government. The matter was brought to the President. The President set up a little ad hoc committee to investigate it, of which Morgenthau was a member, I think. They found that instead of Leo Crowley's record being doubtful in any way, he was the man who had cleaned up the trouble. His brothers were involved. In order to clean up the family name, he had thrown in everything he had, had worked and rescued the bank.

Crowley was a very devout Catholic. The Crowley family in Wisconsin were very prominent in Catholic circles. Leo thought he had a religious obligation to clear a well-known, notorious, if you like, Catholic family from this blot on them. Apparently, no debtor lost a dollar in the bank. That's how I recall the story. I had part of it from Morgenthau and part of it from Crowley. I haven't mentioned the name of the man who made the attack, because, while it might be interesting, I don't see any point in it.

I was asked to go to Hyde Park by Morgenthau, while the President was resting up there. Again, my guess is that if FDR had been left to his own pleasure, he never would have met me and I never would have met him. My guess is that I was always being pressed on him by Morgenthau. In any case, Morgenthau told me that I was to go up with him to Hyde Park on a Saturday.

When we got there, The President had an interesting little room. He had a tiny little study right near the door. It was all cluttered-up and crowded, but the most modest little thing. That was his room. It was his mother's house, not his, and apparently this was his room.

He was very much upset. He greeted us and then he said he wanted to speak to Morgenthau privately. What they talked about was that Lewis Douglas[78], who had been Director of the Budget, had been sulking for a long time. He didn't like the New Deal's program. He had been thinking about whether he should break openly with them or not. He finally decide to resign. He had sent a note to the President, saying he wanted to see

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[77] Leo T. Crowley (1889-1972), banker and public officer. After a rapid business career and a financial collapse following the 1929 crisis, Crowley gained reputation as NRA administrator in Wisconsin and was selected by Roosevelt as Chairman of the Federal Deposits Insurance Corporation in 1934 (see footnote 81). In 1943 he was appointed Head of the Foreign Economic Administration (1943-1945) designed to administer the Lend and Lease Program. Some correspondence with Viner from 1934 to 1943 is preserved in JVP, box 7, folder 19.

[78] Lewis Williams Douglas (1894-1974), businessman and government official. Elected in 1926 as House Representative to Arizona and confirmed in the 1928, 1930 and 1932 elections, Douglas promoted a policy of small government and free market. During the 1932 presidential campaign he became close to Roosevelt, who at the time was promising to balance the budget and reduce government economic dimension. In early 1933 he accepted Roosevelt's invitation to become his Director of the Budget. Yet the New Deal's policies turned out to be incoherent with a balanced budget and Douglas resigned in August 1934.

him. The President had said, "Come up to Hyde Park and spend a weekend with me." As I recall the story, Lewis Douglas said that he couldn't spend a weekend, but he would come up on Friday.

He came up and abruptly presented his resignation. He couldn't it any more. He was leaving. It upset FDR very, very much. Apparently, FDR had beseeched him not to resign, to postpone the resignation. He told Morgenthau that and he said that the newspapers very soon would probably have Lewis Douglas's resignation and a blast by him against FDR's program. He regretted it very much.

So far as I know that was representative. Even if a man was fighting him inside, the President didn't want a man to resign. Also, he could be influenced by the threat to resign if men knew that. Whether anybody used it effectively against him, I don't know. I do feel that he was so concerned that a person shouldn't resign that he would have compromised on his position at time to keep a man from resigning if they pressed him hard.

We had lunch there. Of course, Mrs. Roosevelt, Sr.[79], presided. I sat on her left. She said to me, "They tell me you're an expert on the budget. Some of my friends tell me and write that my son, Franklin, is doing very funny things about he budget. Will you explain it to me?"

Unless they embarrassed him seriously with the public, Roosevelt enjoyed fights. He really was almost like a referee, umpire(D), or just a spectator, watching with interest to see who would win out. He let the fight go on and not settle it.

One case is most amusing, although I don't think it was good governmental administration. There was a lot of pressure on the administration to develop a system of industrial loans to small business on the ground that there was a shortage of credit at the banks, and that the banks were scared to lend and were discriminating in favor of big business, and so on.

Without any zeal for it probably, Jesse Jones, nevertheless, moved in and developed a program whereby RFC [Reconstruction Finance Corporation][80] would do such lending – not because he believed it, but because if there was something to be done, he wanted to do it, whether it was a good thing or a bad thing. The Federal Reserve also was interested – not because they believed in it, or had any enthusiasm for it, because when FDIC [Federal Deposit Insurance Corporation][81] was set up some of the Federal Reserve money was used as their beginning capital or reserve fund. The Federal Reserve had cooked up a scheme whereby they'd lend Treasury money, but repayments would be used to restore to the Federal Reserve $194,000,000, as I remember the figure. All of this, of course, could be checked in the accounts and histories of the RFC. So they developed a bill for lending to the federal reserve regional banks.

There was absolutely nonsense in two nationwide systems being set up for making industrial loans and working autonomously and independently of each other. It was obvious that one or the other should be dropped. The President wouldn't move. He wasn't going to offend Jesse Jones He wasn't going to offend Eccles. He was interested to see who would win with Congress.

The result was that they both won. They were both set up. There was no sense to that. I don't suppose any justified, assuming that the whole scheme had any sense, setting up two parallel agencies like that. The Federal reserve was really not only not interested,

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79 Sara Ann Delano Roosevelt (1854-1941). Wife of James Roosevelt and mother of Franklin D. Roosevelt.

80 See footnote 10.

81 Federal Deposit Insurance Corporation (FDIC), an independent U.S. federal executive agency designed to provide insurance coverage for bank deposits. The corporation, designed to prevent a repetition of the financial panic and chains of bank failures incurred during the Great Depression, was established on June 16, 1933 by the Glass-Steagal Act.

but was cold to the whole idea. However, its purpose was to get back, and I think it did, some of that money that had been sort of impounded for FDIC use.

I was called from Chicago on the special problem of helping with the debt with China[82], the Generalissimo and his demand for aid. I have tried my story on Herbert Feis[83], who is writing a book on the Chinese things[84]. He wrote a book on Pearl Harbor[85] and now he's writing a book on the Chinese thing. He couldn't fit this story into the records, and yet I know absolutely that I'm telling the truth and that my memory isn't playing me any tricks. I just can't fit it as to the year. I could if I start digging up records or newspaper files, however.

This involved a request from the Generalissimo for $500,000,000. It was not to be called a loan. There was to be no discussion with him as to whether it was to be ever repaid, or if so, the conditions of repayment. He gave a clear hint that he'd stop fighting the Japs if we didn't come through. This was before we were in the war. That I know. He needed this for prestige and it had to be given to him in such a way that his prestige would be augmented and not diminished.

He sent this message over the Chinese Ambassador in Washington[86]. I can't even remember his name. I know that it was not Hu Shih[87]. Feis says that he probably occurred earlier than the period he's worked on. He doesn't deny it. The whole story gets so circumstantial that I could not possibly have cooked it up.

Anyway, the Chinese Minister come to the Treasury instead of the State Department. He said that he know that the Treasury was a friend of China and that the State Department was not. Therefore, he came for advice. He knew that this would be turned down and that the United States wouldn't accept it. He thought it was his duty to protect the Generalissimo, his superior, by not following his instructions, but instead telling him why, in its present form at least, he was sure that he would be turned down, and therefore he had not followed his instructions of presenting it.

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[82] On December 30, 1941, a few days after the U.S. War declaration on Japan, Chiang Kai-shek asked President Roosevelt for a 500 million dollar loan in order to stabilize the Chinese currency and support his people's war effort. While Roosevelt, Hull and Assistant Secretary Berle were inclined to accept the Chinese request, Morgenthau was unwilling to concede the loan, unless some form of control over its usage was accepted by the Chinese Government, whose financial and moral reputation was very low at the time. See John M. Blum, *Roosevelt and Morgenthau*, Boston: Houghton Mifflin (1970): 159-168.

[83] Herbert Feis (1893-1972), economist and historian. A Harvard Ph.D. laureate in economics, he was appointed instructor in that university (1920-1921), associate professor at the University of Kansas (1922-1925), and professor at the University of Cincinnati where he also served as Department head (1926-1929). In 1931 Secretary of State Henry L. Stimson called Feis to the State Department and appointed him economic adviser. Feis kept that post for more than a decade, devoting most of his work to international economic affairs such as the World Economic Conference, the Tripartite Agreement, the reduction of international debts, tariff negotiations with Brazil and economic cooperation within the Western Hemisphere. In 1943 Feis moved to the Department of War where he served as special consultant to the Secretary until 1947. In his later years he returned to academic life, teaching at the prestigious Princeton Institute for Advanced Studies. His friendship with Viner is testified by their correspondence between 1916 to 1943 preserved in JVP, box 10, folder 7.

[84] Herbert Feis, *The China Tangle: The American Effort in China from Pearl Harbor to the Marshall Mission*, Princeton, NJ: Princeton University Press (1953).

[85] Herbert Feis, *The Road to Pearl Harbor: The Coming of the War between the United States and Japan*, Princeton, NJ: Princeton University Press (1950).

[86] Viner is probably referring to Tse-ven Soong (1894-1971), personal emissary of his brother-in law Chiang Kai-shek. In June 1940 Soong was sent to the United States to foster Chinese-American cooperation. Soong graduated from Harvard and upon returning to China engaged in private business. From 1928 to 1931 he served as Governor of the Bank of China and in 1932-1933 he was Minister of Finance. He acted as Minister of Foreign Affairs from 1942-1945, taking part in the founding of the United Nations at the San Francisco Conference.

[87] Hu Shih (1891-1962), Chinese philosopher and diplomat. A student of John Dewey at Columbia University and expert in Traditional Chinese cultures, he served as Chinese Ambassador to the United States from 1938 to 1941.

The minister came to Morgenthau and at that stage the secretary phoned me and asked me to come down at once. As I recall it, I came down. It was a Friday afternoon, I think. I know that I had a reservation on the Capitol Limited, the B&O train from Chicago, which left Washington, going back to Chicago at five o'clock that afternoon. I was going back and therefore anything I was going to do had to end by five o'clock[88].

The minister came with a draft letter for advice. He was going to send this letter to the Generalissimo. The question was, "What shall we tell him?" Morgenthau wanted to tell him not to send the letter and to start talking to the minister to see what could be worked out, and also to go to the President and find out what could be done. I insisted that Morgenthau had absolutely no right to operate that way. This was foreign relations, foreign policy. To do these things without informing the State Department, I said, was just bad administration. I said I wasn't even sure that it wasn't illegal. Later on I was convinced that it was illegal and that he could have been impeached. There's the Logan Act, for instance. He was not empowered to carry on high diplomacy with China. That was the function of the Secretary of State or the President. In any case he oughtn't to do it unless he had direct authority from the President. The President couldn't do anything without doing the equivalent of asking Cordell Hull to resign. I said, "You must at once inform the State Department of what's going on."

Morgenthau a number of times called me the ambassador of the State Department at the Treasury. He called me that that time but he followed my advice, 'phoned Cordell Hull, and told him there was an important matter concerning China up which involved the State Department. He wanted the State Department to be informed. Would Mr. Hull want to come up or would he want to send some of his staff? Mr. Hull said, "Well, I think I'll send you my Chinese experts." Hull sent Maxwell Hamilton[89] and Hornbeck[90] was the man I had worked with in World War I.

At the Treasury we were all agreed that the letter saying that there was no hope and no chance should not be sent to the Generalissimo. We felt that the Chinese Minister should be told something that would be rather encouraging to the Generalissimo – not necessarily that this would be accepted, but that he should be told that the American government was willing to talk to him and help him. That was the Treasury position.

When the two men came over from the State Department, Hornbeck was concerned about the protocol. The minister of China had absolutely no business to disobey the order of his superior. Secondly, he had no business in coming to the Treasury. He should have come to State Department. This went on in detail. Moreover, the Generalissimo was correct. If aid should be given, it should be doled out with strings attached. The Generalissimo had foreseen just that and said, "I won't have it that way." Some of it would probably be stolen. So thought Hornbeck.

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88 If Viner's account is correct, this meeting between Soong and Morgenthau would have occurred before December 30, 1941 when the Chinese request for a 500 million dollar loan was transmitted to Roosevelt by the U.S. Ambassador in China. If Viner's reference to Friday is also correct, the first meeting with the Chinese emissary must be placed on December 19, or, most likely, December 26. Viner's third appointment as Morgenthau's Special Assistant on January 1, 1942, could be dictated by these circumstances. From January 5 to February 7, Viner took part in several staff meetings devoted to the China affair. See for example MD 482: 22; MD 491: 95, 270, MD 494: 67; MD 496: 36.

89 Maxwell McGaughey Hamilton (1896-1957), diplomat. In 1920 Hamilton entered the Foreign Service and spent seven years in China, where he distinguished himself for his skillful activities. Between 1927 and 1943 he served in the State Department's Division of Far Eastern Affairs, playing an important role in shaping U.S. policy in East Asia. Working under Stanley Hornbeck (see footnote 63), he became increasingly critical against his policy advices; he especially opposed the imposition of economic sanctions against Japan on the ground that they increased its military aggressiveness. After Pearl Harbor Hamilton supported the need for financial aid to China and the opportunity of its rising role as a regional power in the Pacific. From 1943 onward his role in American Foreign Policy decidedly diminished.

90 See footnote 63.

I kept on urging that the question of discipline in the Chinese foreign service was not the Treasury's business, nor probably even the State Department's business. In any case, this discussion of the protocol was going on and on and on. I finally said, "I'm sorry, but I'm going to catch a five o'clock train. I'd like to do something to come out of this discussion before I leave, if it's possible. We haven't really come to discuss the substance of it."

The Hornbeck said, "In any case , why are we involved? This isn't our war."

I said, "Would you object if I take those words down and record them, because if that's the case and that's the attitude in which we're going to operate, I know that nothing is going to come out of this conference..."

Hamilton broke in and said, "I bet that if Viner would come to me and would give us another room here, in half an hour we could work out a procedure that would meet the view of both departments."

Hornbeck said, "All right, go ahead and try it."

We worked out something. It was accepted, and even Hornbeck accepted it. Don't ask me now what the particulars were, but it was, I'm sure, that the letter drafted by the Chinese Minister should not go back. Another letter was sent, indicating that there was a hope. Something would be done. It would have to be worked out. Powers of the President and the Treasury were not unlimited and that the State Department and Congress would have to operate also. Whatever was worked out would have to be presented in a way acceptable to Congress. But we were certainly sympathetic to his needs and sympathetic to helping him.

Actually he didn't quite got the $500,000,000, but he got the $500,000,000. It wasn't called a loan or a grant. It was called aid. Nothing was said in the appropriation about repayment. His major conditions were met, but the one thing he didn't get was just $500,000,000 deposited to his credit in a bank, it was to be deposited in sections of $100,000,000. The first $100,000,000had no strings really, but in respect to the second "100,000,000, if too much had been stolen from the first $100,000,000, we still had strings on the second, and so on. He never got all the $500,000,000. I can't recall now, but I think we got into the war and the whole thing got swamped out in something else[91].

When the thing was worked out, I was called to work out the actual terms of it. Then it was to be presented as a bill to Congress. We had to meet with the committees. I stayed over as they regarded as being a major event to present this difficult thing to the committees and get the agreement to sponsor it on the floors of the two houses. In the morning we went to the House committee. I think it was the foreign affairs committee. In the afternoon, it was the Senate committee.

I went in the morning, thinking I would go in the afternoon. But it was like a wet firecracker. It was a dud. I was told then that there probably was the most impressive array of Cabinet that ever had appeared to support a measure before a committee. Morgenthau was there. James Dunn[92], I believe, was there for the State Department – not

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[91] On February 7, Congress passed the joint resolution proposed by the Treasury, with the support of the other Departments, stating that: "The Secretary of the Treasury, with the Approval of the President, is hereby authorized on behalf of the United States to loan or extend credit or give other financial aid to China in an amount not to exceed $500,000,000 at such time or times and upon such terms as the Secretary of the Treasury, with the approval of the President shall deem in the interest of the United States." (cited in Rees p. 157). See David Rees, *Harry Dexter White, A study in Paradox*, , *New York: Cowgan, McCann & Geoghegan* (1973): 157-159.

[92] James Clement Dunn (1890-1979), architect and diplomat. Member of the U.S. delegations to the Conference for Disarmament in Geneva (1932) and to the World Economic Conference in London (1933). In 1946 he was appointed chairman of the Council of Foreign Ministers in Paris.

Hull. Henry Stimson[93], as Secretary of War was there, as Jesse Jones, of the RFC and the financial wise man. There was a fifth – another Cabinet member. Each one of them got up and made a speech. All of them were rotten except Stimson's. Stimson's was fine in his manner, delivery relevance and punch. They particularly expected trouble from a woman Congressman. She was supposed to be an isolationists and a Republican. I think It was Jeanette Rankin[94]. However, she was the one who said, "What's all this talking about? It's obvious that we have to do it. You don't have to convert us, but just tell us what are the arguments we should present to Congress on the floor."

It went through both houses that way. The administration was scared to death about it. They thought it was a daring thing and there would be tremendous opposition, but there wasn't.

93 Henry Lewis Stimson (1867-1950), lawyer and statesman. After graduating from Harvard Law School he started a successful business as a Wall Street lawyer. Involved with the Republican party, he was recruited by Theodore Roosevelt and acted as Secretary of War from 1911-1914. After taking part in World War I in Europe and having returned to his business in New York, Stimson led a special mission in Nicaragua in order to end civil war there and in 1930 he was appointed Secretary of State. In 1940 Roosevelt was aiming at building a bipartisan consensus upon intervention in War World II and asked Stimson to join his staff as Secretary of War (1940-1945).

94 Jeannette Pickering Rankin (1880-1973), first woman in Congress and peace activist.