

DIARY

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Sept 18, 1936

RELIEF AND WORK RELIEF - NEW YORK CITY

Summary

People on established work-relief projects in New York City feel so secure that they refuse to take Civil Service examinations. Some of them have been on work relief now for six years.

On the other hand, workers in the WPA central office, and on projects not well established, are subject to continuous shifting, and espionage. They are the buffers in the struggle of various groups for power within WPA. They are in a bad state of the jitters.

Operating control of projects and workers is far better than it was a year ago. The army has done an excellent job. Interference with operations by non-operating people struggling for power is much worse than a year ago. Contests for political power, contests of jurisdiction between local, regional, and national officials, and internal office politics, keep the staff in constant turmoil. Bitter racial and religious rivalry is now added.

Engineering projects, which are the solid substructure of WPA, are in good shape, but they are not additional employment for the needy. They entirely replace normal plant maintenance work of the city. They have eliminated one branch of the contracting industry.

Engineering projects employ skilled and unskilled workers in about equal numbers, except for road and sewer projects. No plans have been made for more unskilled worker projects to meet the diminishing supply of skilled labor. It would take at least six months to complete such a shift because of difficulty in changing large construction projects.

Relief rolls are rising because

WPA took so many workers who were not on relief,  
Publicity about the Works Program gave people the  
sense that relief was the only road to a job,  
People's standards about relief-taking have changed.  
People who formerly needed relief and would not ask  
for it, are now asking for and getting it.

Methods for investigation of need are improving. Nevertheless, the number of people on relief or work relief, but not in absolute need, is very high. Social work methods of interviewing were never adequate to discover deliberate fraud, or to find other means of family support than relief. Even these methods were lost to sight from 1931 to 1936.

The ERB is now doing a good job, checking relief lists against private pay rolls, to find unreported evidence of substantial private income. This discourages systematic chiseling.

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The ERB is under good administrative control. Its directors have, however, no conception of the relation between relief policy and employment. They assume that the Government must indefinitely take care of large numbers of people on relief or WPA, because private employers are not "socially minded." There is no reason to hope for substantial decline in relief rolls under such controls.

ERB is virtually subsidizing the seasonal industries in New York City. Most employment in New York is seasonal. The effect of subsidizing wages is to reduce wages.

ERB is now spending more State and local money on relief than a year ago. The total city budget has been reduced, however, because of savings on plant maintenance through WPA.

Security of work-relief

The Bureau of Statistics in the New York Labor Department has been providing works projects since CWA.

When Civil Service examinations were announced for clerical jobs at \$1120 a year other workers suggested to WPA workers that they take the examinations. The WPA workers refused to apply. They were getting virtually that amount, they were working only 30 hours a week, and they felt as secure as the Civil Service people. Some of them had been on work relief since 1930.

One of the women was the daughter of an executive statistician in another State labor department. She stayed on relief in New York because she did not want to go back home.

Most of the WPA workers do good work for the Labor Department. They were carefully selected in the beginning. Also, Dr. Patton, the Director, refused absolutely to permit WPA supervision of his workers. When they insisted he told them they could withdraw the projects.

Dr. Patton said he would be "tickled to death if they were all out." They have a particularly demoralizing effect on the regular staff, because they work only 30 hours instead of 38, for the same or more money.

(WPA is a great advantage to people who desire leisure time. One woman was using a WPA job in the Public Library to complete her Ph.D. Her husband was employed on the WPA staff. She passed as unmarried by persuading her landlady to lie to visiting investigators.)

(Relief "investigation" is now fairly efficient for the average case. It is practically useless against deliberate attempts to misrepresent. It is also quite inadequate in uncovering other forms of support which a family or individual may possess. Some of the people who have been working since 1930 had never been truly in need, without any other resources.)

Engineering projects

The engineering division of WPA, under Captain Peckham, provides work for about 150,000 of the 200,000 workers employed. It has two main divisions, City-Wide, which operates departmental projects under the Mayor or his bureau chiefs, and Five-Borough, which operates projects coming under the borough presidents.

The City-Wide projects include repair of schools, hospitals, docks, and other city buildings. New York City buildings were in shocking disrepair. These projects are about evenly divided between skilled and unskilled labor. The supply of dock-builders, carpenters, and steel workers, is about dried up. They have drawn most of such skilled workers from the Emergency Relief Bureau.

No effort has yet been made to devise projects requiring less skilled labor to meet the shortage. It would take all of six months to make a shift, because there are large projects which cannot be left half finished.

Under the Five-Borough division, there still remain many projects for streets and sewers, requiring a large amount of unskilled labor.

The work of the engineering division is almost complete duplication of normal employment. WPA is doing the "kitchen work" for the city. The city itself is doing the spectacular new construction (with FWA funds).

The city budget saved \$1,000,000 last year and increased the salaries of its school teachers because of economies due to WPA contributions. WPA is spending about \$20,000,000 a month in New York City.

That part of the building contractors industry which used to do public construction is now non-existent.

#### Professional and white-collar work

The director of professional and white-collar work virtually refused to be interviewed.

The arts projects are undoubtedly furnishing interesting work to a large number of unemployed people. Most of them had never applied for relief. Many of them had never been seriously engaged in the arts.

It is highly desirable that this sort of work should be encouraged. It is highly questionable whether amateurs interested in the theater or the arts should be paid full time wages for their experiments, and whether these payments should come from relief funds, while needy workers are attempting suicide, because their projects are closed down.

White-collar and professional workers have been subjected to frequent changes of administration and policy from Washington, as a result of personal conflicts at the central office. One day an administrative worker will have forty subordinates. The next day her telephones will have been taken away from her.

The result is that increasingly numbers of the local staff are developing what security they can through office politics, through connections with the city departments, through party politics, and through organized racial and religious competition.

They are completely demoralized for productive work. Waves of fear spread through the staff at each sign of a visitor from "Washington." The uncertainty is highly communicable among people united in insecurity. Nothing could be more ironic than to say that such work builds "morale."

In interpreting the present situation it is important to remember that white-collar work was operating smoothly in New York City in 1930 - 1931.

Administration of WPA - New York City

Colonel Somervell has now completed the clearing of all paper work on WPA workers. Those workers found not to have been certified have been referred to ERB for reinvestigation.

They are also completing a new and reliable classification of occupational skills of WPA workers, including regular employment and WPA experience.

There is every indication that Colonel Somervell will do the best possible administrative job. He is highly intelligent, completely honest, and trained for administrative precision.

Regional organization

A brief visit to the New York regional office raised again the question whether the regional offices are not refuge for paper workers and "administrative" officials who spend their time thinking up rules, reports, and records.

Some of the field people are excellent. But the regional set-up must include far more administrative officials than are needed. Its chief purpose is to increase the control of "Washington" over operating people in the State offices.

Public Relations Department

The WPA maintains a speaker's bureau to "contact" employers and "sell" the WPA program and WPA workers. They make speeches before organizations of employers, and other business men. It places no individuals.

This bureau replaces the individual placement bureau formerly maintained by WPA. All individual placements are now made by U. S. Employment Service workers attached to WPA.

One phase of this work is excellent, the attempt to make employers see that many WPA workers are well qualified for private industry. It is likely to have important cumulative effects in time.

The bad feature of the work is the emphasis on selling WPA, and the need for a continuation of the present WPA program. The efficiency of the unit would probably be greatly increased if the "Public Relations Department" in Washington were abolished, and this department were put directly under operating men, to be operated without any ballyhoo.

#### Emergency Relief Bureau

The city Emergency Relief Bureau is taking care of about as many families as WPA, just under \$200,000. It spends about \$9,000,000 a month.

The ERB has used the transfer of workers to WPA to get administrative control of its own work. Its organization is undoubtedly much better than it has been since it was first organized.

The ERB expected a much greater decline in its work with WPA. The total number of families under care is higher than a year ago. Families who had never applied for relief came in when the works program was announced. Then they stayed. Also many families who were "in need" but managed to survive lost their hesitation about applying for relief.

The WPA is supplementing wages for practically all the seasonal industries in New York City. There is still a large population living precariously on irregular earnings which will filter on to relief rolls if the policy of supplementation of private earnings continues.

#### Industrial Survey Department

This department is obtaining from employers lists of all employees with their wages, and checking them against relief rolls. They have uncovered a number of families with unreported earnings. Some of them have had earnings over a long period. They prosecute if the deceit has been flagrant.

This not only affects the families where other income is discovered, but has an excellent effect on all the systematic chiselers.

How much double income exists is indicated by the fact that the taxicab companies which report to the Bureau find that drivers are boycotting their companies, in favor of taxicab firms which do not report earnings to the ERB.

This department also maintains occupational interviewers in each relief precinct who work with the U. S. Employment Service in transferring workers to WPA and ERB.

This department is entirely free from the ballyhoo which surrounds the Industrial Relations Department of WPA.

### Expenditures

Salaries and wages of the ERB staff for twelve months ending May 30th amounted to \$20,000,000. The Bureau purchased \$1,700,000 of materials and equipment. Direct expenditures for relief amounted to \$96,000,000.

### Economic policy

Most workers in New York City have only seasonal employment and irregular earnings. If relief and work relief policy are not based on a sound knowledge of the labor market, it will be easy to draw the bulk of the wage-earning population of the city onto relief.

The ERB is dominated entirely by social welfare philosophy which assumes that employers could employ more workers, but will not, because they are not "socially minded." Their statistician was asked if he really believed that an employer with three men should take on three extra men if he could not meet the extra pay roll, and all six would soon be unemployed. He replied, "I do not mean that any individual employer should do it, but employers in general should."

The effect of this underlying belief is to blind welfare officials to the effects of their own policies in increasing relief rolls.

They are quite unaware that relief rolls have risen because relief benefits were increased, and because the attitude toward relief taking became more tolerant. They will never be able to see the effects of their own policy so long as they can blame "the blindness of business men."

They state in a public report that "the failure of recovery to affect labor as fully as it has business explains the paradox of a continuing heavy relief load although business has improved greatly." Their interpretation of employment and business statistics is naive and inexperienced, but their conclusions are more sweeping than those of the people in the Labor Department who are thoroughly familiar with this material.

This belief that the only remedy is "a new social order" blinds its followers to all possibility of immediate practical steps which may help employers to hire more people.

There is no likelihood that remedies for the excessively high relief rolls can come from any agency, however competent, which is dominated by this "welfare complex" in its employment policy.

PRINCIPAL PERSONS INTERVIEWED

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WPA - Regional office

Miss Joyce - Social Work Division

WPA - New York City

Col. Brebon Sommervel

E. G. Sabine - Executive Assistant

Capt. H. Peckham - Assistant Administrative Engineer

Forde Eaton - Five-Borough Engineer

W. Burroughs - City-Wide Engineer

W. Moran - City-Wide Engineer

Miss Henrietta Hart - Division of Coordination

Raymond Beck - Industrial Relations

Mr. Winters - Division of Employment

Miss Dempsey - Occupational Classification

Emergency Relief Bureau - New York City

Miss Charlotte Carr - Director

Mr. Rosner - Statistician

Miss Dexter - Family Division

Miss Esther Simone - Family Division

New York State Labor Department

Dr. Palton - Director of Statistics

Field visit,  
September 9-12, 1936  
EL

September 18, 1936

September 18, 1936

HM, Jr. spoke to the President this morning at 8:53. The President is in Cambridge, Mass., today attending the Harvard Tercentary Celebration.

The Secretary said to the President: "We all worked until 12 o'clock last night and could not come to any agreement. Then Feis said he thought I ought to have a telephone conversation with Cochran and Wilson and inform them how I feel, telling them that this putting back the gold standard is ridiculous and before we go any further we would like to know what percentage of devaluation in mind. That may be so high that the whole thing may just fall by the wayside. We just could not put the note across to the American people the way it is now. Is that agreeable to you? We will try to draft a formal note today."

The President, in substance said, Tell them that this note is impossible the way it is. Before we would attempt to answer it, they would have to redraft it, leaving out any reference to the gold standard.

The President did not think well of asking them how much they wished to devalue.

HM, Jr. then said to the President, "Would you like me to stay here and discuss it with you tomorrow at 9:30? Inasmuch as you are coming back, I do not feel like going away. This is so important I would rather be close to you where I can discuss it with you."

The Secretary then talked to Cochran in Paris. The following is a record of their conversation:

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Friday  
September 18, 1936  
9:03 a. m.

H. M.  
Cochran: Hello

HMjr: Is Mr. Wilson with you?

C: No, he isn't here.

HMjr: Can you get him?

C: Yes, I think so.

HMjr: Well, send for him while I'm talking to you.

C:  
Overseas  
Operator: All right.  
One moment, please, sir.

HMjr: Hello -  
  
(Short Pause)

HMjr: Hello -

Operator: Yes, sir

HMjr: What's the matter?

Operator: I asked Mr. Cochran if he was there and he said he was.

HMjr: Is this the Overseas?

Operator: No, this is Miss Spangler, sir.

Overseas  
Operator: One moment, sir, they advised us both parties were available. We getting a different report. Now, just a second, sir.

Operator: I'll call you back, Mr. Morgenthau.

HMjr: What?

Operator: I'll call you back.

HMjr: Does the Overseas Operator listen in?

Operator: Oh no, that was she who just came on the line.

HMjr: Sure, but she heard me say, 'Is Mr. Wilson there?'  
And then when they said no why she broke in. - Hello -

Operator: Yes

HMjr: I mean, you see I told her I wanted to talk to Mr. Cochran and Mr. Wilson -

Operator: Yes

HMjr: I started, 'Hello, Mr. Cochran, is Mr. Wilson there?' And then the Overseas Operator comes in and says - breaks off the call.

Operator: I know she did.

HMjr: Sure - I wonder - it shows that they supervised it.

Operator: She did supervise it for - at least to start off with.

HMjr: Yes - are they getting Wilson on there?

Operator: I think Mr. Cochran sent in for him.

HMjr: O. K.

Operator: I asked him when I got his voice on the line if Mr. Wilson was there and he said he was.

HMjr: Yes - all right, tell - I'll stand by - and tell - if Taylor is in tell him to come in.

Operator: All right.

(Short Pause)

HMjr: Hello

Operator: They're both there now.

HMjr: Thank you.

H. M.

Cochran: Hello

HMjr: Hello

C: Hello, Mr. Morgenthau

HMjr: Now, is Mr. Wilson there?

C: Yes, he's here with me now.

H.M.Jr: Can he hear?

C: No, he can't hear. There's no way to listen in on this phone here.

H.M.Jr: All right, well, you can tell him.

C:

H.M.Jr: Now, Cochran, we worked for three hours last night on that cable, do you have - have you got it on your desk?

C: I have it on my desk, yes.

H.M.Jr: And after three hours we decided that we just couldn't answer it. It was too difficult to answer. Now, in the first place, I was terribly disappointed in the cable.

C: Yes.

H.M.Jr: Hello -

C: Yes

H.M.Jr: In the second place I just can't understand why twice they bring back the question of the gold standard.

C: That was the thing I had in mind last night when I told you there were one or two points.

H.M.Jr: Yes - well, it's - Now, the thought that we have in mind is this, that you should go back there and see them and tell them that I am disappointed.

C: Yes.

H.M.Jr: Tell them that there is no use our trying to answer it as long as those references to gold standard are in the statement, see?

C: No use your trying to answer it as long as those references to gold standard are in the statement?

H.M.Jr: That's right. - Hello?

C: Yes

H.M.Jr: That they should try to redraft it.

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C: Yes.

H.M.Jr: Furthermore, would they care to indicate at this time what percentage they have in mind.

C: I see.

H.M.Jr: See - hello

C: To ask confidentially. Hello

H.M.Jr: I'll send - well I'll send you instructions on that - hello - hello - hello

Operator: Yes?

H.M.Jr: He was - he faded out.

Operator: Oh.

H.M.Jr: Is he there?

Operator: Hello Mr. Cochran? Hello Mr. Cochran. He's gone.

H.M.Jr: Hello - hello -

Operator: Mr. Cochran's voice has faded away.

O.O: Hello New York.

H.M.Jr: I'll hang up.

Operator: All right.

H.M.Jr: Hello

C: I heard nothing after you said - after you inquired as to whether they could tell us the percentage.

H.M.Jr: Yes. I'll send - I mean when they get that - handle that very confidentially will you?

C: Oh surely - no one but Mr. Wilson and I will see it.

H.M.Jr: All right. Now let me tell you I've got to take a chance on this telephone. I can't help it but I'll have to take a chance. In paragraph one -

C: Yes.

H.M.Jr: You see that thing starts out as though it was a treaty, see?

C: Yes.

H.M.Jr: And we feel - well I won't go into this thing now. I think I won't try to analyze it over the telephone. The main point is this. The whole thing - it - it just couldn't go with the American public see - the way it's drafted.

C: It's drafted in too much of a joint form.

H.M.Jr: It's well not only that but I mean paragraph after paragraph is for French consumption and the thing - the thing just couldn't go in this country - I mean the workman's standard of living of all social classes.

C: That's right.

H.M.Jr: I mean a reference like that. Hello?

C: Yes.

H.M.Jr: And I'm going to try to-day again to tell you in great detail what we don't like about it but I can tell you now that there's practically nothing that we like about it.

C: I see.

H.M.Jr: See?

C: Yes.

H.M.Jr: And --

C: I knew there were a number of points that you wouldn't like. But my point last night was that they yielded on the matter between the fluctuation.

H.M.Jr: That's right.

C: And also on the matter of having a formal agreement.

H.M.Jr: That's right.

C: And I raised the point last night with the man who checked the translation. I said I don't like the thing where it says "the undersigned".

H.M.Jr: Yes. Well that - that - that - that makes it a treaty. The way the thing would have to start out is something like this - hello.

C: Yes.

H.M.Jr: The government of the respective country, you see? I better put that into cable form.

C: All right.

H.M.Jr: But I think the thing is this. We're just as anxious as we ever were to be helpful.

C: Yes.

H.M.Jr: We very much want to see this brought about.

C: Yes.

H.M.Jr: But they'll have to get somebody who knows American psychology and American sentiments to help them draft this.

C: Yes.

H.M.Jr: Because they can't draft it just for the French people - they've got to draft it so it will be acceptable here and in England.

C: Yes - yes.

H.M.Jr: Now the English note and ours are practically identical.

C: See they took some phrases out of the English note.

H.M.Jr: I know.

C: And they have there an English note which they quoted to me last night.

H.M.Jr: Yes.

C: I mean about that eventual return.

H.M.Jr: Yes.

C: When the proper conditions exist.

H.M.Jr: Yes.

C: Because the British are willing that that should be in.

H.M.Jr: Well we're not - we're not - and that will have to be left out. Well now if they can leave that out I should think that there are people over there who know enough about American psychology and American sentiments could help them draft the thing.

C: Yes - yes.

H.M.Jr: See?

C: Oh there are people here who could help. I had two or three suggestions which I couldn't make last night when they read me this thing.

H.M.Jr: Yes.

C: So it was a question as to how far we should go in making direct suggestions to them in their drafting.

H.M.Jr: Now - well if they want suggestions - but you can tell them the way it is now they'll have to do it over again.

C: Yes.

H.M.Jr: Now we'll attempt in the next twenty-four hours--

C: We'll what?

H.M.Jr: I'm going to try between now and tomorrow noon --

C: Yes.

H.M.Jr: to - to draft a cable which will give you in greater detail what we have in mind.

C: You'll give me some definite suggestions, then?

H.M.Jr: Yes between now and noon tomorrow but you see the President is up at Harvard to-day.

C: Yes I know he left last night.

H.M.Jr: See?

C: Yes.

H.M.Jr: So it makes it rather difficult but I doubt if I'll have anything for you before noon tomorrow.

C: Yes.

H.M.Jr: Now of course I'm anxious to know whether they get any answer from the British.

C: I see.

H.M.Jr: But -

C: They haven't been in touch with them to-day.

H.M.Jr: Well now what I'm telling you - does that sound too pessimistic?

C: No it doesn't.

H.M.Jr: It doesn't.

C: The only thing will be that eventual return and I don't think the British will insist on that being in it but I think we can certainly get some other phrases worked up which won't look such an appeal solely to the French public.

H.M.Jr: Yes. Well why should the British insist on that? They never have.

C: I say I do not think they will.

H.M.Jr: No.

C: No - it may be that they've assumed that in a rather defensive attitude.

H.M.Jr: I appreciate that they've given way on two things and they'll have to give way on the third and then, as I say again, they may have a percentage in mind which will make the whole thing impossible and then we can forget about the drafting.

C: Yes - yes - right.

H.M.Jr: See?

C: Now I'll sound them out and tell them they've got to - to put their cards a little down on that.

H.M.Jr: Yes. Now, has Mr. Wilson got any suggestions?

C: I'll speak to him just now.

H.M.Jr: Right.

C: He's been following - I've been making notes here and he sees clearly the point which you make.

H.M.Jr: Yes.

C: He hasn't any suggestions to make for the -

H.M.Jr: Hello

C: Hello

H.M.Jr: Let me talk to Wilson a minute

C: Surely. All right.

Wilson: Hello

H.M.Jr: Hello Mr. Wilson.

W: Yes, Mr. Secretary.

H.M.Jr: I just want you to know what we're doing.

W: Yes.

H.M.Jr: And if you have any ideas why we'd be glad to have them, see.

W: Well I've been following - Mr. Cochran's been keeping me fully informed right along here and I've been following it carefully.

H.M.Jr: Well, as I see it now your problem is to get this draft written and see that it'll go down better at home.

W: Oh, I audited a                    here that Cochran thought that you said you are going to get in touch with him within the next twenty-four hours.

H.M.Jr: Yes.

W: I think that will be very helpful.

H.M.Jr: But in the meantime he'd better go and see them.

W: To try to get them to accept them here and put them over.

H.M.Jr: You see if I try to draft in a hurry I'd simply have to say no to everything.

W: Yes.

H.M.Jr: And I don't want to do that.

W: Naturally.

H.M.Jr: So to do it in diplomatic language it will take me at least twenty-four hours.

W: No - Cochran can get that to them right away.

H.M.Jr: Yes.

C: and - they - they held things up here for a few days

H.M.Jr: Yes.

W: and I think they'd understand perfectly that the problem isn't only one to satisfy their public opinion but to satisfy other opinions too.

H.M.Jr: Well now, let me talk to Cochran again please.

W: What? All right.

H.M.Jr: May I speak to Cochran?

C: Hello.

H.M.Jr: Hello Cochran

C: Yes.

H.M.Jr: Now I think - you go over and see them and then get me on the telephone.

C: I'll telephone you back.

H.M.Jr: After you've seen them.

C: After I've see them - all right.

H.M.Jr: Now am I giving you a task which you feel you can carry out to-day?

C: Are you giving me what?

H.M.Jr: A job - I mean a commission - can you carry out this commission as I'm giving it to you?

C: I certainly can if - if the man is in town.

H.M.Jr: Ah ha.

C: That's the only thing and I think he is. I'll get to him sometime this afternoon.

H.M.Jr: Well

C: It's just a quarter past three now. I'll go over there.

H.M.Jr: Well don't you think - feeling the way I do - it's about the only way we can handle this?

C: Yes.

H.M.Jr: What?

C: Then there's just one question.

H.M.Jr: Please.

C: - willing to have it in a form of a joint declaration?

H.M.Jr: No.

C: Not a joint?

H.M.Jr: No, each - each country should make a simultaneous statement of it's own.

C: A simultaneous statement of it's own?

H.M.Jr: And - but it reads something like this you see? The government of the United States - hello

C: Yes, government of the United States

H.M.Jr: after consultation

C: after consultation?

H.M.Jr: Yes. with Great Britain and France

C: Yes.

H.M.Jr: declares

C: Right

H.M.Jr: Etc., etc., etc., see?

C: Yes.

H.M.Jr: Otherwise this thing is going to be a treaty.

C: Well, it's not just that, but really it's pretty close.

H.M.Jr: But we could make simultaneous declarations of purpose - those declarations being as near alike as possible, you see?

C: Yes.

H.M.Jr: But not a joint statement.

C: suggestion I in in London remember?

H.M.Jr: Pardon me?

C: I say I made that restriction to London.

H.M.Jr: Well I don't remember but I'll take your word for it. But that's the only way we can do it you see?

C: Yes, but this thing on the joint declaration is definitely out.

H.M.Jr: Out?

C: With reference to eventual return to the gold standard.

H.M.Jr: That's right.

C: The other thing - I - I think there is a chance of getting together on this.

H.M.Jr: Yes.

C: They'll accept those two things.

H.M.Jr: Now do you feel that the - what we're doing is known in France generally?

C: No I do not.

H.M.Jr: You do not?

C: No. You see, a reference in the Press, oh, there is one in the London Times to-day.

H.M.Jr: Yes.

C: To going on for sometime was in the paper - have been I say that

H.M.Jr: Well there's nothing on this side. They don't know what's going on over here.

C: No.

H.M.Jr: No.

C: All right. It's been kept very quiet.

H.M.Jr: Well, I hope that no one has listened in on the telephone but I had to do it this way.

C: Yes this was the only way.

H.M.Jr: All right.

C: as quickly as I can and then I'll call you back if I - if I get any results from them.

H.M.Jr: Yes. And the Department sort of likes to have Wilson sit in when I telephone so I thought it - be glad to do it sec?

C: Very good.

H.M.Jr: So I'm sure that's agreeable to you.

C: On yes because we always go over everything here.  
I having Mr. Wilson  
Don't worry, if I had a telegram I'd  
show him the draft.

H.M.Jr: Fine. Well they feel this is so important and they're  
fine and Phillips sat in with us last night.

C: Yes.

H.M.Jr: So he knows what's going on.

C: Surely.

H.M.Jr: All right.

C: I'll give you a ring as soon as I can get some  
permanent result.

H.M.Jr: Fine, thank you.

C: All right.

H.M.Jr: Goodbye.

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September 18, 1938

Feis, Taylor, Oliphant, Haas, Mr. White, Dr. Viner and Mr. Lochhead were present in the Secretary's office.

The Secretary said, "I have talked to Cochran and also talked to the President this morning." He read to the group that part of the conversation with Cochran that was already typed up and told them about the rest of his conversation.

Feis said, "Last night, Mr. Oliphant made the suggestion that the President might be willing to consider a clause something like 'looking forward to the development of an international monetary system,' but Mr. Oliphant said, "That was not my suggestion." The Secretary said, "No. I don't think well of it. I think the note should start off, 'The Government of the United States after consultation with Great Britain and France declares that it is anxious to safeguard the peace, etc. etc.'" The President said that we should have a simultaneous statement instead of a joint statement, each Government speaking for itself, thus keeping it from being a treaty."

The Secretary then asked Dr. Feis, "Could we get a copy of the Belgian statement, when they devalued?"

Dr. Viner said, "I think Eccles ought to be invited," but HM, Jr. replied, "Eccles is not in town." He said, "In the first draft of the message from the French they spoke of the three central banks. The President cut that out himself and changed it to read 'the three Treasuries'. In the cable which they sent yesterday they again spoke of the banks and the President said again to cut that out. I would not trust half of that Board to keep these negotiations secret." Viner then said, "I think they ought to be at least informed. It will be a mark of lack of confidence if the President does not trust his own Federal Reserve Board."

HM, Jr., however, disagreed with Dr. Viner, saying "I just cannot see that. At the London Economic Conference, George Harrison was the mouthpiece and whenever there was anything on international monetary matters George Harrison handled it. Now Harrison is not doing it. I am. Do you think he should be here?" Viner

answered, "He should be kept reasonably informed." HM, Jr. then said, "Why, the Federal Reserve System is a privately owned banking system." Viner said, "The President appoints the Board."

HM, Jr. then said, "Well, I don't trust Eccles. He is a liar. He lied about that statement of the reserve requirements of the Federal Reserve Banks. I would rather have this thing a success and be technically wrong in history. Let's say that Eccles is a swell person and he is in town. Under this emergency why should I, as head of the United States Treasury, keep him informed?" Viner answered, "I think the President should. If the President has forgotten there is an Eccles, you might take it up with him as to whether he wants you to keep him informed." Oliphant inquired, "After the whole thing is settled, could we not then inform Eccles?" To this Mr. Viner answered, "I do not think that is right. I would be happier if Eccles were not in, but I think you are making a joke of the Federal Reserve Board if you do not adhere to the general principles."

HM, Jr. then asked Dr. Viner, "But as to the success of the immediate thing?" Viner answered, "I would still call him on the 'phone and inform him even if he is in Utah. You certainly are safe if he is in Utah." Continuing, he said, "The Federal Reserve Board is a very important Government agency and the Treasury should not decide within its own walls whether they should include them or not, but it is up to the President to decide."

Dr. Feis gave his opinion, as follows: "I would not have the Federal Reserve Board take part now, but before the final decision is made I would call them in."

The Secretary said, "When I have made up my mind and just before we give it out to the press. I am not going to let anybody interfere on this thing. If I left the State Department out, that would be one thing, but I do not feel that way about the Federal Reserve Board. We all agree that about five minutes before it is given out to the press that they see it and not let them read it in the newspapers. When this emergency is over and we have this set up, they can take it all away from me and give it to the Federal Reserve Board. They can also take my

Stabilization Fund, but in the meantime I have a job to do."

Turning to Dr. Viner, the Secretary asked, "Are you satisfied?" Viner answered, "No, I am not." HM, Jr. then said, "Well, that's all right. Now, Jake, will you go into conference with the rest of the crowd and work on redrafting this note. I think Taylor has an idea. Instead of taking the French note to pieces, let us give them the kind of a statement that we ought to make and say that we hope they will draft a statement that will fit ourselves." Dr. Feis agreed, saying, "That, accompanied by a paragraph explaining what is in the back of our minds."

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HM, Jr. then called Cochran on the phone at about 11:30. The transcript of this conversation begins on page four (following this) of this report.

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Friday  
September 18, 1936  
11:25 a. m.

HMjr: Tell all the gentlemen who are in that room to  
come in now. (Spoken to someone in Secretary's  
office)

HMjr: Hello -

Operator: Go ahead.

HMjr: Hello

H. M.  
Cochran: Hello, Mr. Morgenthau

HMjr: Yes

C: I talked with you at three o'clock.

HMjr: What's that?

C: And saw Baumgartner at four o'clock.

HMjr: Who did you see at three?

C: I talked with you at three.

HMjr: Yes

C: Then I saw Baumgartner at four.

HMjr: Good -

C: I put in a call for you but Wilson has had to go to  
the foreign office on another matter.

HMjr: Yes

C: So he is not with me now.

HMjr: Yes

C: - what I have found out and  
heard.

HMjr: Yes, now just wait one minute, will you? Just -  
just wait one second.

C: All right.

HMjr: Just wait one minute.

C: Yes

HMjr: All right, now go ahead.

C: Baumgartner said that he felt that most of your points could be met.

HMjr: Now, say that again.

C: Baumgartner said that he felt that most of your points could be met by them.

HMjr: Could do what?

C: Could be met.

HMjr: Could be met?

C: Yes

HMjr: Yes

C: We're sure there is no question about the phraseology between our respective situation and --

HMjr: Wait a minute, Cochran, do it over again - I don't get it.

C: We're sure that there would be no question about arriving at a phraseology - at a phrasing of a declaration -

HMjr: Yes

C: - which would take into consideration our respective situation and our respective purpose.

HMjr: Good -

C: I first talked with him, then talked with the Minister.

HMjr: Yes

C: - then telephoned me.

HMjr: Yes - wait a minute - who telephoned you?

C: Me?

HMjr: Who telephoned you?  
C: Baumgartner -  
HMjr: Yes  
C: Then I talked with him in person.  
HMjr: Yes  
C: He has said that he thought they could meet your point -  
HMjr: Yes  
C: - under form of a declaration -  
HMjr: Yes  
C: - that is simultaneous after a consultation.  
HMjr: Yes  
C: But not joint.  
HMjr: But not what?  
C: But not jointly.  
HMjr: Yes  
C: That is not over the names of all of you.  
HMjr: Good -  
C: - Then he saw the Minister -  
HMjr: Yes  
C: The latter had some reservations on this -  
HMjr: Yes  
C: And wants to think it over a little further.  
HMjr: Yes  
C: I insisted that you were extremely anxious to cooperate in every way.

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HMjr: Right

C: - that you wanted to go ahead.

HMjr: Right

C: That we want to find a way out that will take into consideration all our several

HMjr: I don't get that, repeat that.

C: I said that we must consider one situation -

HMjr: Yes

C: - as to the difficulty in most phrasing - such as that one about improving the standard of living -

HMjr: Yes

C: - of all social classes.

HMjr: Yes

C: I told him especially - (Buzzing noise)

HMjr: What?

C: - that we will mark that out entirely.

HMjr: Yes

C: And he said anything like (Squealing noise) he'll be delighted to have our recommendation on.

HMjr: Good.

C: He reminded me that they could draft the document after a look at the French psychology -

HMjr: Right

C: - that my translation was purely literal in not offering any suggestions. See? So now they think the time has come and they welcome suggestions from you as to phraseology.

HMjr: Fine

C: The Minister agreed with Baumgartner that it might be better -

HMjr: I don't get that.

C: - not to make that reference to the ultimate return to the international gold standard.

HMjr: You mean, wait a minute, they're going to leave that out?

C: Leave that out.

HMjr: I see. Good.

C: And, it covers your point with one exception. I'll just do that.

HMjr: Yes

C: Number eight

HMjr:

C: I asked him how they were going to work their operations.

HMjr: Yes

C: He said they would probably follow the Belgium system.

HMjr: The Belgium system?

C: The Belgium - Belgium -

HMjr: Yes

C: system -

HMjr: I know - and leaving a five per cent margin?

C: Leaving a certain limit, you see? - safe.

HMjr: Yes

C: And setting up a stabilization fund.

HMjr: Good

C: So their first opportunity to know better how to make a statement -

HMjr: Yes

C: On that same day declare an embargo -

HMjr: Hello? - hello?

C: Hello -

HMjr: Yes

C: On that same day declare the embargo -

HMjr: Yes

C: And probably about that same time they would want to make this statement.

HMjr: Yes

C: Then they would ask Parliament's authority to revalue their currency -

HMjr: Yes

C: - within limits -

HMjr: Yes

C: See?

HMjr: Yes

C: Those limits

HMjr: What's that?

C: I say, the limits which the technical people -

HMjr: Yes

C: - within the limits - and the Minister himself now contemplates asking for -

HMjr: Yes

C: - involves a \_\_\_\_\_ of the present \_\_\_\_\_ from -  
konnensie Deutsch sprechen?

HMjr: What's that?

C: Konnen sie Deutsch verstehen?

HMjr: Ja -

C: Von vier und zwanzig bis zwei und dreiszig -

HMjr: Yes, I got that.

C: So, it would be between those two percentages.

HMjr: (Laughs) Excuse me, Cochran, I suppose nobody else in the World speaks German eigher. (Laughs) (All those in the Secretary's office laugh with him)  
Hello -

C: Yes

HMjr: I couldn't help but laugh, but it's all right. Next time try Turkish, will you?

C: - Chinese -

HMjr: What? (Laughs) Chinese!? You said vier und zwanzig?

C: Yes, vier und zwanzig bis zwei und dreiszig.

HMjr: Yes, yes, I got it.

C: And, so those would be the limits.

HMjr: Yes

C: And that would make the value of them - of our neighbor across the Channel thirty, -

HMjr: Yes

C: - as related to theirs - from one hundred to one hundred ten to the pound.

HMjr: Yes

C: Those would be the limits.

HMjr: One hundred to one hundred and ten?

C:

HMjr: Yes

C: And the man who went to China - or our neighbor - and who is still here, Brown -

HMjr: Yes

C: Said that they could stand one hundred all right -

HMjr: Yes

C: But would be a little limited beyond that point.

HMjr: Yes

C: Yes

HMjr: Well, a hundred equals twenty-five, doesn't it?

C: Tomorrow morning -

HMjr: Twenty-four?

C: Tomorrow morning -

HMjr: What's that?

C: I say, the man who went to China -

HMjr: I know.

C: - will have a conference here tomorrow morning.

HMjr: Yes

C: - with my friend Baumgartner

HMjr: Yes

C: And I am to see Baujgartner afterwards.

HMjr: What was that last thing?

C: Then Baumgartner is going to tell me what was said, -

HMjr: Yes

C: - later in the day.

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HMjr: Good

C:

HMjr: What - yes

C: No

HMjr: I understand.

C: - who is out of town -

HMjr: Yes

C: - will not be consulted by his technical officials, -

HMjr: Will not what?

C: Will not be consulted - will not have this proposition placed to him -

HMjr: Yes

C: - by his technical staff until Monday morning.

HMjr: Oh, oh -

C: So -

HMjr: Yes

C: sometime on that day.

HMjr: In other words, nothing could interfere with an English weekend?

C: Yes, that's the idea.

HMjr: I see.

C: And so my contact here suggested that we might wish to consult with them.

HMjr: That we might want to consult with them? - You mean, in Paris or here?

C: Over there -

HMjr: In Washington?

C: Yes

HMjr: Who suggested that?

C: Baumgartner - But I mean, it's not essential at all. He said, well you might want to discuss with them some of this phraseology.

HMjr: You mean, consult with the British here?

C: Yes

HMjr: With Mallet?

C: Beg pardon?

HMjr: You mean I should talk to Mallet?

C: That's what he said, but he didn't feel that had a direct -

HMjr: Yes

C: - effect. He thought we might want to.

HMjr: Yes

C: He said he had no objection if we did.

HMjr: But the Chancellor doesn't get back until Monday, huh?

C: He doesn't get back until Monday.

HMjr: Yes

C: And I said, 'Well, how quickly do you want to push this?'

HMjr: Yes

C: I said, 'There's this delay now'.

HMjr: Yes

C: - 'And they would like to do the whole job next week if possible'.

HMjr: I see. Well now, we're working on a statement which, as I said before, I think we can get off at noon tomorrow.

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C: Yes

HMjr: Now, I think in order - that this is so important -  
I think you'd better put this what you've told me  
now into a cable. Just a min - wait a minute. -

C: All right.

HMjr: I think you'd better put this into a cable.

C: All right.

HMjr: And get it right off. Now, will you be seeing  
anybody else today?

C: No, no - No, I'm not making any visits while this  
thing's going on, you see? I'd rather just see  
the people after --

HMjr: Yes - well, now just hold the wire a minute.

C: All right.

HMjr: Now, those numbers that you gave me, see?

C: Yes

HMjr: Leave them out of the cable.

C: All right.

HMjr: Don't put those in.

C: No, no

HMjr: I've got them. There's a difference - the points  
that you told me - their's eight per - eight  
points difference, isn't there? Is there eight or  
seven?

C: Eight - eight - there's a spread of eight.

HMjr: Oh eight?

C: Yes

HMjr: A spread of eight?

C: Yes

HMjr: I got it. Now, have you got a copy there of the Belgian Declaration?

C: No

HMjr: Well, we have one, you'd better get one and read it because we're studying it here.

C: I could find it I think, all right.

HMjr: Oh, sure, it must be in the newspapers.

C: Oh, I have the clippings - I reckon I have the Federal Reserve Bulletin

HMjr: Well, you get it and be studying it, because we're studying it here.

C: I see.

HMjr: Because I thought that they'd want to follow that.

C: All right.

HMjr: And - what you've told me now is - I feel a little bit better.

C: Oh yes, I mean, my reaction when I read the thing last night was fixed -

HMjr: Yes

C: - happy that they had suited on those two points.

HMjr: Yes

C: I didn't like, well, their - their diction, which was impossible. But I didn't, I was not at all sanctioned as to what your reaction was to that same old thing.

HMjr: Yes

C: But I don't believe anyone wants that in.

HMjr: Well, we'll get something off tomorrow showing you what kind of a statement that we think would be helpful all around.

C: All right.

HMjr: We'll have something -

C: We'll see whether - I mean, should we all agree on one statement -

HMjr: Yes

C: - there'd be no objection to its being identical.

HMjr: Oh no, the nearer they are alike, the better.

C: As I say, I mean, work towards that end.

HMjr: Yes - and - what I may do, I'll look at it, I may send you the two statements that we got out in connection with China - we got out one and they got out one, see?

C: Yes

HMjr: And - if they'd be of any use I'll send them over to you.

C: Yes - all right. Mr. Wilson just came on -

HMjr: Yes

C: - this minute. He's been to the foreign office.

HMjr: Yes

C: So I'll draw up my telegram now.

HMjr: Yes - Has he gotten anything new to tell me?

C: - reporting what I told you.

HMjr: Has Wilson got anything he wants to say?

C: Just a moment - No, he says he has nothing.

HMjr: All right.

C: Fine - and I'll get this off yet tonight.

HMjr: Yes, please

C: And I'll be here tomorrow and they said there that they would be on duty in the afternoon too.

TFF

HMjr: They would be?

C: Yes - so I could get anything through someone there.

HMjr: All right.

C: Fine

HMjr: Thank you.

C: Goodnight.

HMjr: Goodnight.

After this telephone conversation was concluded, HM, Jr. called Secretary Hull and said to him, "We worked until 11:45 last night and got nowhere and the consensus of opinion was that I should 'phone Cochran this morning. Bullitt and Feis were both at my house last night. I told Cochran that we were disappointed in the French note and particularly with reference to the gold standard. I am having a copy of my conversation made and I will send it over to you.

"I just got a telephone call from Cochran and he told me that he went over to see them, gave them my message, and they said they would take out the reference to the gold standard and will re-draft their note and ask us to send over the suggestions that we would like. I am much more hopeful now. And they now say that they want to clean this thing up next week, but can't do anything over the week-end because the Chancellor of the Exchequer will be away for the week-end.

"I told Cochran that we would get him off a suggested note by noon tomorrow and I would like you to see this before it goes. I would like very much to have your suggestions. I want all the support I can get and I appreciate the support that I am getting from your Department.

"Feis will tell you all about what happened last night. Last night I was very discouraged. I do not know the French. Perhaps they will go back again. Incidentally, the figures they gave us on devaluation are not impossible. I do not want to trust the 'phone, so Feis will give you all the details."

HM, Jr. also told Mr. Feis to ask Secretary Hull whether he wants Ambassador Bullitt to sit in on the meetings and if he does that he felt it was up to Mr. Hull to tell Bullitt so. HM, Jr. also told Feis that he could work a little better if Bullitt were not here and that Bullitt really does not contribute anything. Feis replied that Bullitt was busy getting ready to get away and that he thought he was satisfied with what we were doing.

8  
Friday  
September 18, 1936  
12:52 p. m.

HMjr: Hello

Operator: Mr. Straus

HMjr: Hello

Percy  
Straus: Mr. Morgenthau -

HMjr: Yes

S: You may remember some weeks ago you called me about  
a - a trouble with the Customs.

HMjr: Right

S: Now, I haven't called you back all this time because  
one of the men in the Department here is ill -

HMjr: He is?

S: And it was only, I think, Tuesday or Wednesday of  
this week that we finally had our discussions.

HMjr: Yes

S: Now, it appears -

HMjr: Yes

S: - that Mr. Manning who is here -

HMjr: Yes

S: - says that he is convinced that there was some  
wrong doing.

HMjr: Yes

S: He said he is equally convinced that it was done  
entirely without the knowledge of anybody here.

HMjr: Yes

S: Now then, I told him that we wanted to pay to the  
Government -

HMjr: Yes

S: - every cent we owed the Government.

HMjr: Right

S: And we're very anxious to do it -

HMjr: Yes

S: - in the promptest possible way.

HMjr: Yes

S: I said we could not pay to the Government penalties -

HMjr: Yes

S: - for action which he himself said we are in no sense responsible for.

HMjr: Yes

S: Because that would involve us in - that would practically be involving us in - in those actions.

HMjr: In what?

S: That would be involving us in those actions.

HMjr: Yes

S: - which, as he calls them, indicate moral turpitude

HMjr: Yes

S: And which he admits we had nothing to do with.

HMjr: Yes

S: So I said to him - I wanted to call you up at that time when he was here -

HMjr: Yes

S: - but they didn't have all the information and asked me - so now I have all the information - not to -

HMjr: Yes

S: And I've - we have his statement.

HMjr: Yes

S: Now, Mr. Manning said that he would not recommend that a settlement be made on that basis.

HMjr: Yes

S: So I said I would call you up.

HMjr: Right.

S: And tell you just that -

HMjr: Yes

S: And tell you exactly my feeling in the matter -

HMjr: Yes

S: - that we wanted to settle. Naturally we don't want anything from the Government that's not our due.

HMjr: Yes

S: At the same time we cannot afford to permit ourselves - to be put in the position in which we tacitly or in any manner admit guilt, which, the Department itself says we have not - we are not participants in.

HMjr: Well, I read Manning's report and I gathered that he wanted your man there to assist the Government.

S: To what?

HMjr: To assist the Government.

S: Well, we are perfectly willing to assist the Government in any way.

HMjr: Yes

S: That - that question was brought up by him, but that - there's no doubt about that.

HMjr: Yes

S: - We are very anxious to have this matter settled because I am not at all satisfied that if

-4-

the Government proves that these people, who up to the time that we - up to just now have had the highest reputation -

HMjr: Yes

S: - according to Mr. Manning. If they have fallen from their highest state I don't want to keep them as our brokers.

HMjr: Yes

S: At the same time I don't feel justified in just dropping them on a - unless the Government has made its case.

HMjr: Yes

S: So that I'm very anxious to have this whole thing settled.

HMjr: Yes

S: Now, if - I don't know whether you saw all their statements -

HMjr: No, no

S: But they had a statement from a young man who was formerly in the employ of these brokers -

HMjr: Yes

S: - in which he claims to have seen one of our men accept some money from one of the - one of the brokers.

HMjr: Yes

S: Now, I had that young man up here -

HMjr: Yes

S: Because we have the highest opinion of him in the organization - to face Manning and prove it.

HMjr: Yes

S: And, if I am any judge of guilt, I mean he was called up, I had never mentioned the matter to him before -

HMjr: Yes

S: And he was called up without knowing what he was called up for to face these men and if I am any judge of a man's innocence or guilt that man is innocent.

HMjr: Yes - well, Mr. Straus, I'll - I don't know whether Manning's in town or not, but I'll have a talk with him and with Mr. Oliphant, see?

S: Yes

HMjr: And familiarize myself with it. I'm not - I haven't got it at my finger tips.

S: Oh, I'm sure you haven't.

HMjr: And, I - as I say, I'll look into it and I'll have Manning communicate with you, see?

S: Well, now Manning said to me, that, in view of the fact that the Government has been defrauded, as he put it, he would not recommend the sort of settlement that I said we were very anxious to make.

HMjr: No -

S: So I said to him, 'It amounts to me as distinctly unfair' -

HMjr: Yes

S: - 'in view of the fact that you admit that we are not in any sense guilty' -

HMjr: Yes

S: - 'that you are trying to use us to harbor the other man'.

HMjr: Yes

S: I said, 'It doesn't look to me like the sort of thing the Government should participate in'.

HMjr: Well, give me a chance to look into it.

S: Yes, sir, without question. Now, if - I apologize, I know you are very busy.

HMjr: No, this was all right.

S: But I wanted to call you back because you had been kind enough to call me.

HMjr: That's right.

S: And, now I am going on a two weeks vacation.

HMjr: Yes

S: I'll be up at Saratoga, if you're going to be up in that part of the World -

HMjr: Yes

S: - at your farm why I can come and see you there if you want me to.

HMjr: I see.

S: But until the fifth of October I expect to be away.

HMjr: Well -

S: Even that can be stopped if it is necessary, I can come back if it's necessary.

HMjr: Well, things don't usually move that quickly.

S: Yes

HMjr: May I ask how your brother Jesse is?

S: Well, Jesse - I was with him on Wednesday night.

HMjr: Yes

S: And he was weak -

HMjr: Yes

S: - but he was perfectly cheerful and we had a very nice talk both before and after dinner.

HMjr: I see.

S: But yesterday and today he's not so well.

HMjr: Well, I'm sorry. If you speak to him the next day or two would you say I was asking after him?

S: I'll see him tomorrow morning on my way up to Saratoga and I surely will tell him so.

HMjr: Thank you. - And on this matter I'll get in touch with them and when I have something - either I or Mr. Manning will communicate with you.

S: All right.

HMjr: We'll try not to interfere with your trip to Saratoga.

S: Well, if it's necessary why you can always get me.

HMjr: All right, thank you very much.

S: That's all. Much obliged for

HMjr: Thank you.

Friday  
September 18, 1936  
2:45 p. m.

16

HMjr: Hello

Operator: Mr. Keenan

HMjr: Thank you.

Operator: Go ahead.

HMjr: Hello

J. B.  
Keenan: Mr. Secretary

HMjr: Talking -

K: Keenan -

HMjr: Yes

K: The Editor in Chief of the Scripps-Howard papers  
down in Cleveland, there's six of them -

HMjr: Yes

K: - Louis Seltzer -

HMjr: Yes

K: - by telephone made arrangements for a Mr. Keenan,  
one of his newspaper reporters, to come and see  
me about a matter that he thought might be of  
interest to somebody in Washington.

HMjr: Yes

K: It turns out that it has to do with some checking  
up that has been done by the newspaper recently -

HMjr: Yes

K: - about some large contributions made to Governor  
Davey.

HMjr: Yes

K: And, I didn't want to do anything about it, I  
knew it's important - it involves the head of a  
sovereign State and I know that it's something  
that isn't absolutely new.

HMjr: Yes

K: But I thought I'd call you up and see where I would send these people before anything was done.

HMjr: He's a newspaper reporter?

K: Yes

HMjr: Well, there's only one place to send him, that's Herbert Gaston.

K: Who is - to - ?

HMjr: In my office.

K: Is he your assistant?

HMjr: He's my - he's Assistant to the Secretary in Charge of Public Relations.

K: Yes - well, now they have to do with some information that they say that they've gathered in this matter.

HMjr: Well, Herbert Gaston has been with me for years -

K: Yes

HMjr: And he's been with me and Mr. Roosevelt in Albany.

K: Yes

HMjr: So, I mean -

K: Well, then, if necessary, I think I'll bring him over to him if I --

HMjr: I mean, when I had something of a similar nature why sent Mr. Gaston and the reporter over to see Mr. Cummings about a couple of months ago.

K: Yes

HMjr: So - his name is Keenan?

K: Yes

HMjr: I won't hold that against him.

K: Well, I hope you don't hold it against him too much.

HMjr: All right. - Well -

K: By the way, you promised that you and I were going to get together one of these days -

HMjr: Yes

K: And I've never heard anything more from you.

HMjr: Well -

K: I think we ought to anyway.

HMjr: I think so too. I tell you, I'm away next week I hope, because the President is going to be away, up in the country and I am going to the country.

K: Yes

HMjr: When I get back I'll give you a ring.

K: If you do that I'd appreciate it a lot.

HMjr: That stuff - you mean, up on the Hill, you mean?

K: Yes

HMjr: Well - You want to talk about it? (Laughs)

K: No, but I - I wouldn't be adverse to discussing some other matters.

HMjr: I see. All right - well, then -

K: Let me know when you get back.

HMjr: I'll let you know, yes.

K: And I'll bring him over to Mr. Gaston.

HMjr: That's right.

K: All right.

HMjr: Thank you.

September 18, 1936

Dr. Feis, Taylor, Haas, White and Viner were present at the Secretary's home this evening. They met at 8:30 o'clock.

HM, Jr. read cable 892 from Cochran, confirming their telephone conversation of this afternoon. (Copy is attached.) He then read the draft of the message to Cochran replying to the French note. This is the draft which the group had worked on all day. (Copy is attached.)

The Secretary said, "The first thing after reading this, I want to have the London Economic Conference, my radio talk and the statement on the Chinese, for the President. I know the things he calls for. He will say, 'What did I say in London? What did you say in your radio talk? What did we put in the Chinese thing?' I know how he works. The other thing -- you fellows may have to step on it a little bit -- I want a time table on how the Belgians did it."

Feis said, "This is going to have a substantially different emphasis from the President's 1933 message." The Secretary said to him, "But put yourself in my place. That's the first thing he will call for."

Feis then said, "He must present it as of this policy and the general shift in three years. In 1933 the whole American situation and the whole world situation required a shift in the dollar and in other currencies. That's behind; gone through. Subsequently we have maintained stability for the past two years. Now the French are making what they hope may be the final step in that change that was required."

HM, Jr. said, "What you people have done here, I know the President can accept it -- there will be words he won't like -- because you have taken what he said to me over the 'phone." The Secretary said he also wanted to have with him, when he went to see the President, copies of the French note to us and copy of our reply.

The Secretary began to read the draft of reply to Cochran. (See next page.)

When the Secretary read the first sentence in the second paragraph -- "It is our understanding that statements by the three Governments will be made only when the specific limits of a mutually acceptable alignment of the three currencies have been determined. -- he said, "mutually acceptable -- is that the technical language? I don't like the word 'alignment'." Viner answered, "They don't like devaluation." Referring again to the words 'mutually acceptable' the Secretary said, "I know what the President will say. He will say, Give me some word the fellow on the street understands for the word 'alignment'." Feis said, "This is not a part of the public statement." HM, Jr. agreed, saying, "You're right."

HM, Jr. continued reading. When he came to the last sentence in the third paragraph -- "From the account of your conversations of Friday, I understand that this procedure is agreeable to the French Government! -- it did not say so in that message." White explained, "He said it over the telephone."

The Secretary referred again to 'I understand that this procedure is agreeable to the French Government,' and questioned this statement. Haas said, "I would say 'likely to be'." The Secretary Feis for his opinion and Dr. Feis answered, "You are all right on that. It won't do any damage."

The Secretary concluded reading the draft and said, "I can't change it. I think it is swell."

The Secretary then began reading the draft of the suggested statement.

He read, "The United States Government, after consultation with the Governments of France and of Great Britain, joins them in an affirmation of a common desire to safeguard peace and liberty ...". He questioned "safeguard peace and liberty," and asked, "At home here is peace at stake?" Feis answered, "Domestic peace is not at stake. It is adapted from the French draft for the purpose of clinging on to something they had. I think there is general recognition here as well as elsewhere that there is grave risk that there might be war -- not war in which we would be involved, but something in which

DRAFT OF REPLY TO COCHRAN AS SUBMITTED TO THE PRESIDENT.

For your guidance in the continuation of your discussions with the Minister of Finance, I would like to confirm and re-state more fully my statement on the position of this Government as explained to you over the telephone Thursday night and Friday morning.

It is our understanding that statements by the three Governments will be made only when the specific limits of a mutually acceptable alignment of the three currencies have been determined. If I read the British reply to the French note correctly, the British Treasury has the same expectation.

In considering the most practical way of advancing with the matter it seems to us that what should be envisaged is not a joint statement bearing the signatures of officials of the three Governments, but rather that the three Governments simultaneously issue statements, each of the statements being in the form of a declaration on its part. From the account of your conversations of Friday, I understand that this procedure is agreeable to the French Government.

For greatest effectiveness it is desirable that the three statements be as nearly identical as possible in all fundamental points. Otherwise they may leave an impression of divergence of policy instead of the impression of harmony of policy and of close cooperation, upon which so much of the effectiveness of the whole move depends. Each country, while completely observing the identity of fundamentals, might wish slightly to adapt the presentation to its domestic situation, but my judgment is that if there are to be any such variations they also should be the subject of prior understanding and agreement. It is my firm judgment, however, that the more complete the identity, the more effective the impression will be and the more satisfactory the results achieved.

In the text of the French draft there are several points, both of phraseology and content, which from our point of view would require elimination or modification. The most important of these I touched upon in our telephone conversations. It is nevertheless apparent that there exists an ample basis for that substantial identity of statements necessary to assure that the French action would have a healthy and stabilizing influence throughout the world. But under the circumstances of the moment, the statement should be restricted solely to points essential for that purpose and should avoid raising matters not immediately essential and on which an actual or apparent divergence of views might possibly develop.

In an effort to facilitate the formulation of mutually satisfactory statements, I suggest herewith the terms of such a statement as this Government would be prepared to make. I have attempted to incorporate and build upon those elements in the French and English presentations with which all three Governments are, I feel, in complete accord.

DRAFT OF SUGGESTED STATEMENT FOLLOWS:

QUOTE The United States Government, after consultation with the Governments of France and of Great Britain, joins them in an affirmation of a common desire to safeguard peace and liberty and to foster those conditions which will best contribute to the restoration of order in international economic relations. It shares with these other countries a common will to pursue a policy tending to promote prosperity in the world and improve the standard of living of the people.

It is, and has long been, the purpose and constant effort of the American Government to maintain stability of the dollar in international exchanges, and thereby to contribute to continued exchange stability, and during a large part of this period substantial stability has been achieved. The American Government is convinced that a continuance of this policy will serve the general purposes which the three Governments share. Each Government in the continued development of its policy and decisions in the field of international currency relationships will of course always give full consideration to the requirements of its domestic economy.

The French Government has now decided to proceed to realign its currency on a basis which will establish a more solid foundation for the maintenance of international stability. The American Government takes this occasion to reaffirm its intention of using appropriate available resources for maintaining stability in international exchange on the new basis, and will collaborate with the Governments of France and of Great Britain for this purpose.

We hope for and invite the collaboration of other nations in the achievement of the program formulated in this statement UNQUOTE

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*Final note  
9-18.*

Friday night,  
Sept. 18, 1936

For your guidance in the continuation of your discussions with the Minister of Finance, I would like to confirm and re-state more fully my statement on the position of this Government as explained to you over the telephone Thursday night and Friday morning.

It is our understanding that statements by the three Governments will be made only when the specific limits of a mutually acceptable alignment of the three currencies have been determined. If I read the British reply to the French note correctly, the British Treasury has the same expectation.

In considering the most practical way of advancing with the matter it seems to us that what should be envisaged is not a joint statement bearing the signatures of officials of the three Governments, but rather that the three Governments simultaneously issue statements, each of the statements being in the form of a declaration on its part. From the account of your conversations of Friday, I understand that this procedure is agreeable to the French Government.

For greatest effectiveness it is desirable that the three statements be as nearly identical as possible in all fundamental points. Otherwise they may leave an

*Jens Ruffin*

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We believe that they will recognize that their interest will be served by its success.

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In pursuit of its high purpose and specifically in furtherance of healthy internal conditions upon which the maintenance of international goodwill depends, this Government solemnly pledges itself to adopt the policy of the English week-end, somewhat lengthened at each end, so that it almost meets in the middle.

the three Governments, all of which have a concern in peace -- we have a concern that there shall be peace everywhere. The President and the Secretary of State have both said so recently." HM, Jr. said, "I just raised the point." Feis said, "Yes. And I am explaining why it is all right to take that much from the French draft." HM, Jr. said, "All right," and continued reading.

When he came to the first sentence of the second paragraph, "It is, and has long been, the purpose and constant effort of the American Government to maintain stability of the dollar in international exchanges, and thereby to contribute to continued exchange stability, and during a large part of this period substantial stability has been achieved," the Secretary said, "That's where the President is going to get in 'utmost stability.' He's going to say, 'utmost stability of the purchasing power of the dollar'." Feis said, "He jumps the road completely then. He takes all sense out of the statement." Haas said, "That's the internal aspect of the dollar." Feis' comment then was, "And the internal aspect we have at the close of the letter. Leave out 'continued' and make it 'general'." HM, Jr. agreed and continued reading.

At the end of the statement, the Secretary said, "I wonder if there isn't something to this thought -- We will do this always, provided first, last and foremost, that this thing does not react too far against our own internal balances." Haas said, "That's what this statement says." Feis said, "If that is not clear enough, let's bring it out more." HM, Jr. said, "It is not enough. I think you ought to do it twice." Taylor suggested the use of the word 'this' before 'new basis' and said, "I think that may help it a little."

HM, Jr. however disagreed. He said, "No, I want to say something about internal price level. Right in there you ought to have another sentence. The British have said it again and again. You have to put something in there about basis." Taylor thought "requirements of its domestic economy," the last sentence in the previous paragraph, covers everything, but HM, Jr. said, "Well, take it from me, let's see if we can put it in there again. Feis suggested it be worked into the last sentence of the previous paragraph, making it read "Each Government in the continued development of its policy and decisions in the field of international currency relationships 'will of course always give full consideration to the cost of internal prices and requirements of its own domestic economy.'" He said,

"Wouldn't that be enough?". HM, Jr. inquired, "How did the British say it?" Taylor read, "\*\*\* it would not be possible for the Chancellor to guarantee that the pound sterling should be linked to gold between fixed points. The Chancellor is not therefore prepared under present conditions to limit his power of independent action by a formal agreement such as that proposed in the French note. In any undertaking he may give, the Chancellor must be governed not only by the considerations set forth in the French note (the weight of which he fully realizes) but also by the view he may have to take from time to time of the credit policy needed for domestic recovery and the prospects of stable international relations." We looked at it a long time and we produced this and thought it was much broader."

White suggested the following: "You can enumerate two or three price levels." Viner said, "I would say all right, just so there is no spelling out of what you want." Haas' opinion was, "That's a drafting problem." Taylor said, "You say American interests come first under any circumstances and that's what we are trying to say. You are not trying to price levels and to various other things." Viner added, "Or to volume of credit or interest rate, which the British have in mind. White suggested, "Probably the use of 'requirements of domestic prosperity'."

The Secretary said, "The more you argue, the better I like what you have here." Taylor suggested "national prosperity" instead of "national economy," and Viner commented, "And then people will think they know what that means." HM, Jr. said, "I like 'national prosperity'. I think that's a big improvement."

HM, Jr. read through to the end. Then he said, "Now, I am going to give you a bomb shell. I'll put it in the form of a question mark. What would you people say if right here we put in a little threat as a notice to those countries -- if you try to wreck this agreement, look out?"

White expressed his opinion as follows: "I question its wisdom from this point of view -- they won't try to wreck it. If it happens, it will be because their economic forces are more powerful than they could control."

HM, Jr. said, "Don't just shove this aside. I would say something like this: 'We hope for and invite the collaboration of other nations in the achievement of the program formulated in this statement, but we feel that the three countries are strong enough to resist the interference of any other nation.' In other words, we ask you to get on board, but look out -- don't try to wreck this thing or we will be on your neck. This is a threat to Italy and Germany -- don't try to undervalue because you are going to go under. The three of us are together."

Viner said, "This is a program for the entire world."

HM, Jr. continuing his remarks, said, "I like the idea of inviting them. The French and English have told me at different times that they are worried if we do this thing we don't know that the Germans won't go under us."

White said, "We invite you, although the strength of the three Governments here gives us hope, or expectation, or certainty that the stability can be maintained."

HM, Jr. said, "This is notice to Japan, Germany and Italy that we won't stand any monkey business. Schacht has told the people at Basle that he is just waiting for something like this to happen to go down to 40. This is notice to the boys -- Achtung! (Beware!) You boys toy with this."

Fels inquired, "Does the rest of it get by?" HM, Jr.'s response was, "I am tickled. I hope the President will be just as well pleased. But I have just this one thought that I have given you. I think you have done a grand job. On my thought you might say something like 'We hope that no single country will be so reckless as to attempt to undermine the measure of stability hereby achieved by the Governments of United States, France and Great Britain'."

Haas said, "It has the disadvantage of entangling alliances." Taylor's thought was, "We just got through saying we reserve freedom of action. It ties your hands." Fels' reaction was, "The tone is something like a chip on the shoulder."

HM, Jr. said, "But you all think the idea is worth

while?" Viner said, "If you can find the phrasing for it, which will not be easy, but possible." Feis agreed with Dr. Viner, saying, "It is a delicate problem of phrasing, in view of the large measure of freedom of action which we keep for ourselves under that statement."

At this point, Secretary Hull called the Secretary. H.M.Jr. said to him, "I want you to be entirely satisfied with this entire thing. When this thing first started and the President wanted to rush it, my idea was to go slow. Much to my surprise, he O. K.'d that thing that night and much to my surprise he said, 'Send that tonight' and his attitude right along has been 'Don't hold this thing a minute' and he has felt very strongly about it. I haven't felt strongly that we shouldn't, so I have been swept along and I think he's right. The thing that happened today just took my breath away and I was just dumbfounded. We will get this thing through and show it to him in the morning and if he approves, this could be with the French, say, Sunday. We will show it to the British here so that they could send it. They would have this before they answered the French. My thought was to show this to the British tomorrow. Then they would have our note before they answered, the way they did the last time. Is that all right? My thought was to show it to the British tomorrow.

"This was to Wayne Taylor, because they thought I had left town: 'Dear Wayne: As I think you know Mallet immediately telegraphed to the Foreign Office the substance of the conversation which he had with the Secretary of the Treasury on the 14th instant. We have now received a telegram from Sir Warren Fisher asking us to thank Mr. Morgenthau for the summary of the reply which you sent to the French Government. Sir Warren has noted with much pleasure its similarity to the British reply. The French draft declaration, which has been communicated to His Majesty's Government and also, as they understand, to your Government, has not yet been considered by the Chancellor of the Exchequer who is in Scotland until Monday. We have been promised a further message for Mr. Morgenthau as soon as possible."

After this conversation was concluded, the Secretary said to Dr. Feis, "He is entirely satisfied and sweet when I said I was going to show it to the British." Feis answered, "He did not discuss that question of tactics with me at all." H.M.Jr. inquired, "Can you explain it, knowing the way he thinks? Why does he change?" Feis said, "I saw him at 4:50 and he has had a little time to think over tactical matters." H.M.Jr. again asked, "But why does he suddenly change so?" Feis replied, "I tried this afternoon to give him a very full account. It looks all right to him. The mere fact that he had not thought when he was

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BRITISH EMBASSY,  
WASHINGTON, D.C.

Personal.

September 18th, 1936.

Dear Wayne:

As I think you know Mallet immediately telegraphed to the Foreign Office the substance of the conversation which he had with the Secretary of the Treasury on the 14th instant. We have now received a telegram from Sir Warren Fisher asking us to thank Mr. Morgenthau for the summary of the reply which you sent to the French Government. Sir Warren has noted with much pleasure its similarity to the British reply.

The French draft declaration, which has been communicated to His Majesty's Government and also, as they understand, to your Government, has not yet been considered by the Chancellor of the Exchequer who is in Scotland until Monday.

We/

Honourable  
Wayne C. Taylor,  
Assistant Secretary of the Treasury,  
Washington, D.C.



BRITISH EMBASSY,  
WASHINGTON, D. C.

We have been promised a further  
message for Mr. Morgenthau as soon as possible.

Yours sincerely,

*John P. Swadlow*

talking to me, 'What are you going to do with the British?' placed it in his mind now that you are going to show it to the British." HM, Jr. added, "The President has pushed me like hell on this thing; on everything to date."

Resuming the discussion on the preparation of the last paragraph, Feis said, "May I express a curious note and say it a little bit dramatically. We have numerous potential causes of war now. I don't like to bring into the arena as another cause of war national action as regards the value of currency and I think if you bring it out in such terms you are directing public opinion to regard these words as so vital ..." HM, Jr. interrupting said, "Let's go back. Shall we be very frank with each other?" Feis answered, "Please."

HM, Jr. said, "There is a distinct policy. When I wanted to go with China, you people blocked me openly. The thing was postponed and at the final session that Mr. Hull and I had with the President, Mr. Hull went definitely on record that I was making a great mistake -- it was monetary -- and begged the President not to let me do it for fear of bringing on war with the Japanese. The President decided in my favor. We did it and luck was with us. The Chinese are getting along beautifully as far as their currency goes. And we took a chance. If I had failed you people would have been in position to say, 'We went as far as we could; we begged the President not to let Morgenthau do it and Morgenthau, in face of the State Department, did it. I took that risk. Now again, nothing personal.'" Feis answered, "No; no. And you would want me to express these thoughts."

Continuing, HM, Jr. said, "But there is a difference of approach on these things. I am not saying I am going to do this thing. What I am trying to forestall is particularly Germany and I am thinking also of Japan. It's very easy for them to change their yen rate and the only country that does not suffer through this is Japan. We definitely suffer temporarily and so does England."

Viner remarked, "I think we are going to get a substantial advantage." HM, Jr. said, "I think we are at an immediate disadvantage until the realignment takes place. Now, why not at this time simply serve notice to any country,

but don't let's mention any country, that the three countries who are trying to accomplish something in monetary peace won't brook any interference. Now let's say some country thumbs its nose at us and you say this will be 'casus bellum' -- cause for war. We have had plenty of warfare -- keen competition -- as far as devaluation is concerned and, if I may just finish, nobody said we should go to war because they had selective devaluation and have 40 different kinds of marks. And again using Germany, if Germany should immediately devalue 40% this is notice to her that we will all get together and take steps to protect ourselves. I want to be very impassionate about this. I recognize that it is the State Department's job to see that we stay at peace and when you present that I feel that ...

Dr. Feis interrupting said, "Henry, I don't think I made myself clear. The minute you mentioned the idea of working into the statement something that would have as its purpose the nature of warning against an attempt to disrupt, I agree. It's against the form of presentation because -- and this is what I did not make quite clear -- it's not that I anticipate that any particular action a month from now or three months from now would not in itself become an actual cause of war. It's because the trend of that particular presentation in a document of this importance would bring the peoples throughout the world to attach a certain new type of importance to move in the currencies field -- a new type of importance; a sharpening of their feeling that it is a matter of vital interest; the type of vital interest in the defense of which they might be led to use arms. I am dealing entirely with the presentation."

HM, Jr. said, "There is no question when three countries agree on one thing, if it is monetary stabilization, it can't help but bring out the importance of that kind of an agreement. We have not agreed on anything else. We have not agreed on disarmament. Here's something else. So this goes through. Immediately you make it the most important thing in the world. Let's say that immediately after this thing, Germany devalues 40% and then we go into action. Germany might very well say that we did not know that you were going to crack down on us. Why didn't you tell us or we would never have done it."

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 18, 1936, 10 a.m. Rec'd 3:30 p.m.

NO.: 892 RUSH

FROM COCHRAN.

FOR THE SECRETARY OF THE TREASURY.

Following the telephone conversation at 3 o'clock with you, at 4 o'clock I saw Baumgartner. I give the following in confirmation of the message which I then telephoned to you at 5:30.

It was felt by Baumgartner that most of the points which you had orally instructed me to raise with respect to the draft declaration communicated to you last night could be met by the French Government. The draft, he reminded me, was purely French, with the exception of a few phrases taken from the replies of the American and British, and that I had made a strictly literal translation thereof.

Baumgartner said that they would welcome suggestions as to rephrasing, with the view to arriving at a common declaration which, in each of the three countries, would be fitted for domestic consumption.

My contact told me that they were entirely willing to delete such phrases as the one you cited about improving the standard of living of all of the social classes.

Baumgartner

- 2 -

Baumgartner consulted with Auriol, Minister of Finance, after the conversation with me, and then he telephoned to me saying that the Minister was not willing to concede entirely on the form of the declaration as introduced by the preamble. He said that if they accept the idea of three simultaneous declarations but in the form which we suggested, i.e., "the Government of the United States, after consulting with the Governments of France and Great Britain

END SECTION ONE.

WILSON.

Paraphrase of section two of telegram No. 892 of September 18, 1936, from the American Embassy, Paris.

declares, et cetera" then Auriol essentially insists upon a common text; toward that end they will continue to work, and they will be receptive to any ideas we put forth.

I was told by Baumgartner that Minister Auriol agreed with him that it might be to the French advantage to omit any reference to a return to the international gold standard eventually. I made the suggestion that the British, when pressed for a statement of monetary policy, had only used the phrase defensively.

The French, Baumgartner said, would probably follow the Belgian system in devaluing the currency. They would declare an embargo upon the export of gold, and exchange operations would be put under temporary control at the time a call is issued for Parliament to meet in special assembly. At that time the declaration of policy might be made. Authority to revalue the franc within certain limits would be sought from Parliament by the Government, as well as legislation creating a stabilization fund.

My contact indicated to me the limits that would be recommended, i.e., the percentage of devaluation of the present franc, and he also translated such percentages into terms of francs per pound. Baumgartner told me that

it

it was Leith-Ross's opinion that the British could accept the lower limit, but that if the rate moved toward the upper limit the British might become nervous. The Belgian system is favored by Baumgartner, since before fixing the final gold content of the revalued franc, they will want to watch developments in relationship between the dollar and sterling.

I was told by Baumgartner that Chamberlain would not be in London for consultation with his assistants before Monday morning, so before then the French expect no British reply. I was also told that they, of course, had no objection to our consulting with the British if we desired to do so.

Baumgartner hopes that agreement on a common declaration may be reached early next week, so that before the end of the week the complete monetary operation may be consummated.

END SECTION TWO AND MESSAGE.

WILSON.

EA:LWW

Feis said, "I am in favor of it, but not the wording. I am completely with you, but we ought to find something to put in. All I am attempting to discuss is what to put in. I am absolutely with you that it ought to be in."

Viner said, "May I try out a suggestion: 'If the international stability aimed at by this country should be disregarded by other nations, we will advise with the other collaborating countries, etc.'."

White suggested, "We hope that no nation will attempt to obtain an unreasonable competitive advantage and thereby threaten to disrupt the international stability which the countries of Great Britain, France and England are determined to promote."

This met with the Secretary's approval.

III

My dear Mrs. Klotz:

Tell Taylor to return  
this draft to H. Feis.

It is O.K. Keep a <sup>copy</sup> for  
our file.

after 3 months, I have  
won against the career  
diplomats. Three cheers!

Wm J.

D R A F T

Sept. 18, 1936  
~~102~~

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To Ambassador Bingham

My dear Mr. Ambassador:

When Ray Atherton was back home he talked at length with both the Secretary of the Treasury and myself about the prospect of regular informal meetings between representatives of the Embassy and the British Treasury. In the judgment of the Treasury these should serve a most useful purpose and my opinion is the same. The arrangements for carrying on these discussions naturally connect with the general task of regular reporting on monetary and financial developments from London.

These arrangements were recently interrupted because the reports submitted did not always meet the Treasury's sense of need for knowing precisely the source of the opinions or information transmitted. I want to facilitate the arrangements for the conversations and for the resumption of regular reporting. I understand that Atherton is ready to take his share in the conversations but that it seemed to him natural and desirable that Butterworth should likewise participate and also again resume responsibility for regular reporting work. This seems to me feasible, and after talking with the Secretary of the Treasury and in

agreement with him, I wish to request you to instruct Atherton and Butterworth to undertake these duties. In doing so, I wish to urge them to meet in every possible way the Treasury's judgment as to the nature and form of the reporting work. - which as heretofore will be for the Treasury, and at Treasury expense. It can be made wholly clear to the circles in London in which information would come that this is official and regular work for the Treasury and that all information will be most zealously guarded. On that basis it is important that the reports give exact sources. There may be instances where important information cannot be secured except by an actual or implied promise that the source will not be revealed even to the Secretary of the Treasury. In such instances we will trust to Atherton and Butterworth's judgment.

Recent events have clearly improved the measure of understanding between the American and British Treasuries and I think that circumstances will be favorable for the resumption of this work.

EA:HF:DJW

~~104~~

September 18, 1936

Miss Le Hand had received an anonymous letter which she sent over via Paula Tully to Mr. Morgenthau.

The letter stated that there was an income tax evasion by the Mellons of Pittsburgh and that Helvering tried to interfere and block it. A Mr. Ralph A. Reed was referred to in this letter, and HM, Jr. sent for him to come to the office.

The Secretary said to Mr. Reed, "I got an anonymous letter and you are supposed to have a report on the new Mellon tax case." Mr. Reed answered, "I have not seen it. The Secretary then read a portion of the letter to Mr. Reed.

Mr. Reed's comment was, "I wonder if you are not referring to Ralph R. Read, of Intelligence, who worked on the Mellon case and who is now in California? His name is spelled R-e-a-d and mine is R-e-e-d, and our names are both Ralph R."

Mr. Ireys was called in and HM, Jr. showed him the anonymous letter. Ireys said the Mr. Read referred to in this letter investigated the Mellon case under Mr. Jackson. HM, Jr. inquired, "Where is your Mr. Read?" Ireys replied, "In Los Angeles. He is our agent in charge and a very high-class fellow." The Secretary then said to Mr. Ireys, "I suggest that you call him and ask him if he has any case on the Mellons and whether he has been blocked."

Mr. Ireys then said to the Secretary, "Ralph Read had a man by the name of Peck who worked with him on this Mellon case and who was fired because he drank and it may be possible that he is stirring up some trouble."

THE WHITE HOUSE  
WASHINGTON

23  
HS

September 17, 1936.

Memorandum for  
The Secretary of the Treasury

This is the letter I just spoke  
to you about over the telephone.

P. Tully Larrabee

New York, Sept. 12, 1936

Miss Marguerite LeHand,  
The White House,  
Washington, D.C.  
Dear Madam:-

I was present at a conference yesterday, that I thought you should know about. It should interest the President.

A lawyer, one of the greatest in New York, and close to Senator Nye, had in his possession, a Photostatic copy of a report made by a Mr. Ralph Read, of the Internal Revenue Bureau, about a huge evasion of income taxes by the Mellons of Pittsburg. This, I understand, has no relation with anything the Government now has under prosecution in the way of income tax evasion. Something much bigger, and if Mr. Jackson is correct in the quotation, which accompanied a report on Mr. Read's recommendations; "This is much worse than anything I have against the Mellons."

Prosecution on Mr. Read's report was to start immediately by making attachments, when Mr. Helvering interfered and blocked the whole thing. The whole thing was referred to Mr. Nye, and he in turn sent it on here.

The conference here yesterday, was to decide whether it had political value in the Presidential Campaign. The lawyer here thought by all means it would, especially in Pennsylvania, where there will be a close election. He argue, in contrast to Sen. Nye, big business is lost, and they would be the only ones sore if the matter was brought up now, and especially in view of the fact, that Mr. Morgenthau and Mr. Jackson were determined to prosecute, till Helvering objected. Sen. Nye, thought it would be of no use in this Campaign, it was too technical to be understood in the heat of a campaign, that he had already sent copies of Read's report to two other Senators, who already had agreed with him, the proper procedure, was either a Congressional Investigation, or Impeachment proceedings against Helvering, when Congress convenes. Nye also wrote, he was thoroughly convinced of the complete sincerity of Mr. Morgenthau, in his prosecution of Mr. Mellon for income tax evasion. I understand there is Fifty Million Dollars involved, also that a copy of Read's report is in the hands of Bruce Kremer, a Washington Attorney.

C  
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P  
YTHE WHITE HOUSE  
Washington

September 19, 1936

Dear Mr. Taylor:

The government's long time drought and land use program should be completed and put into operation at the earliest possible moment and immediate steps are to be taken with this objective.

I am appointing two committees of representatives of Federal agencies to head up this work, to confer with farm organization leaders and others on the problems and to develop specific programs.

One committee is to work out a plan of crop insurance. The other, which is to succeed the temporary Great Plains Drought Area Committee, is to work out plans for a land use program for better permanent protection against drought.

The Crop Insurance Committee will consist of yourself, Honorable Henry A. Wallace, Secretary of Agriculture; Dr. A. G. Black, Chief of the Bureau of Agricultural Economics, H. R. Tolley, Administrator of the Agricultural Adjustment Administration; and Ernest G. Draper, Assistant Secretary of Commerce.

The Crop Insurance Committee is directed to prepare a report and recommendations for legislation providing a plan of "all risk" crop insurance. In preparing its report, the Committee should utilize the extensive crop insurance studies now being made in the Department of Agriculture. Final recommendations for legislation should be formulated with the advice and assistance of national farm organization leaders so that the plans can be submitted to Congress with the approval and support of the representatives of the farmers. I suggest that it may be found wise for the first year to limit the application of the plan to one or two major crops as a start. My general suggestions to your Committee follow:

In the past three and one-half years, the government has helped farmers to meet emergencies of two kinds. The first was a collapse of prices resulting from huge surpluses for which the foreign markets disappeared. The second was a failure of crops in wide areas resulting from drought. Each of these emergencies, except for government action to assist farmers, would have had devastating consequences to consumers and business as well as to farmers.

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The time has come to work out permanent measures guarding farmers and consumers against disasters of both kinds. Crop insurance and a system of storage reserves should operate so that the surpluses of fat years could be carried over for use in the lean years.

Measures of this kind should make three important contributions to the general welfare of the country as a whole; first, protection of the individual farmer's income against the hazards of crop failure or price collapse; second, protection of consumers against shortages of food supplies and against extremes of prices; and third, assistance to both business and employment through providing an even flow of farm supplies and the establishing of stability in farm buying power. Since 1933, the AAA payments have proved their usefulness to agriculture as well as business in assuring farmers some income both in time of price collapse and in time of crop failure.

I have been impressed by the work of the Department of Agriculture in developing actuarially sound methods for affording farmers the use of the insurance principle in protecting them against hazards which for centuries have handicapped their occupation. I am especially interested in its studies of a plan providing for the payment of premiums and insurance in commodities. This should make it possible to base the premium rates on the productivity of the individual farms as shown by records of past production, a large number of which the AAA county committees already have on file. This method should avoid making farmers of one region pay for the risks of another region. By making this insurance available only to farmers cooperating in farm and soil conservation programs, the plan would be safeguarded from the price dangers which the Federal Farm Board operations invited in the years from 1929 to 1932. By using existing records of cooperating farmers and farm committeemen it would appear that premiums based on risk experience could be as fairly assessed as with existing forms of private insurance.

The expense in the past to Federal, state and local governments of burdens caused by drought shows it is time to begin using the economical principle of insurance to lessen the financial and human costs of drought in the future.

There should be no question that the welfare of the entire nation would be served by including, as keystones of our agricultural policy, crop insurance and storage of reserves along with conservation of soil and water, better land use, and increased farm income.

Crop insurance properly worked out should give adequate abundance to consumers even though there are several years of severe drought while at the same time farmers would be protected from the low prices like those of 1932 which might result from several years of good weather.

I am sending similar letters to Secretary Wallace, Administrator Talley, Assistant Secretary Draper, and Dr. Black.

Very sincerely yours,

(Signed) Franklin D. Roosevelt

Honorable Wayne C. Taylor,  
Assistant Secretary of The Treasury,  
Washington, D. C.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 19, 1936, 11 a.m.

NO.: 893

RUSH.

FROM COCHRAN.

FOR THE SECRETARY OF THE TREASURY.

I refer to my telegram of September 18, 10 p.m.,  
No. 892.

This morning Baumgartner telephoned me that Leith-Ross had also objected to the inclusion of a reference to eventual return to the gold standard. He had also indicated that in order to satisfy the British public, certain revision in phraseology would be necessary. Before Leith-Ross left for London, in the final interview between him and Minister Auriol, the latter stressed to him his insistence upon a common declaration, made simultaneously.

Arrangement has been made for me to communicate to Baumgartner tonight or tomorrow morning any suggestions which in the meantime may be received from you.

WILSON.

EA:LWW

Sept. 19th

Viner, Haas, White and Lochhead were present in the Secretary's office, just before the Secretary left to go to the White House with the draft of the reply to the French note.

The Secretary said to the group: "Let's have a little talk about the percentage of devaluation."

White said, "We ought to stick to 100 francs to the pound. They will be much more likely to settle at 30%."

H.M.Jr. told the group, "From the standpoint of the American public, it is distinctly to our advantage to keep the pound around \$5.00. If they devalue 32% and get 100 francs to the pound, the pound sterling rate would be \$4.53. We cannot stand a \$4.53 pound. On the other hand, if they go to 110 - 32%, the pound-dollar rate is \$4.98. I want to look at it from the British standpoint for a minute. Am I asking something of them which is impossible? Cochran told us yesterday that they want to go from 84% to 32% and from 100 to 110 francs to the pound. If we take 110 - 32%, that gives us \$4.98. If I hold out for a \$5.00 pound, am I asking something of the British which is impossible from their standpoint?"

White answered, "Let us take the upper limit. I think the dollar-sterling rate is more important to the British." H.M.Jr. inquired, "Can they stand a \$5.00 pound?" White said, "Yes." Viner remarked, "The British are looking for a 2% range each way."

H.M.Jr. then said to the group, "While I am with the President, I want you to be discussing this thing. Ask Feis to come over. I have implied to Bewley very definitely that if this thing goes through, we are willing to give up gold to England. Whatever we do for England, we will do for the other countries who have asked us, during the last couple of months, whether they could get gold in our market. In other words, if sterling goes above \$5.00 we give up gold, and when it goes below \$5.00 I told the English that their Government has to guarantee that we can get gold there. Whether I get it, I do not care; but I want them to say that I can have it when it goes below \$5.00."

The Secretary left for the White House with the draft of our reply to the French note to keep a 10:15 appointment with the President. When he returned, the same group was again present with the addition of Dr. Feis.

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(Note: Original of this with corrections made in President's handwriting is filed in folder of papers bearing President's signature.)

For your guidance in the continuation of your discussions with the Minister of Finance, I would like to confirm and re-state more fully my statement on the position of this Government as explained to you over the telephone Thursday night and Friday morning.

It is our understanding that statements by the three Governments will be made only when the specific limits of a mutually acceptable alignment of the three currencies have been determined. If I read the British reply to the French note correctly, the British Treasury has the same expectation.

In considering the most practical way of advancing with the matter it seems to us that what should be envisaged is not a joint statement bearing the signatures of officials of the three Governments, but rather that the three Governments simultaneously issue statements, each of the statements being in the form of a declaration on its part. From the account of your conversations of Friday, I understand that this procedure is agreeable to the French Government.

For greatest effectiveness it is desirable that the three statements be as nearly identical as possible in all fundamental points. Otherwise they may leave an impression of divergence of policy instead of the impression of harmony of policy and of close cooperation, upon which so much of the effectiveness of the whole move depends. ~~Each country,~~  
~~while completely observing the identity of fundamentals,~~

-2-

might wish slightly to adapt the presentation to its domestic situation, but my judgment <sup>it is</sup> ~~is~~ <sup>there should</sup> ~~be~~ that if there are <sup>at no</sup> ~~to be any~~ such variations they also should be the subject of ~~prior understanding and agreement.~~ It is my firm judgment, however, that the more complete the identity, the more effective the impression will be and the more satisfactory the results achieved.

In the text of the French draft there are several points, both of phraseology and content, which from our point of view would require elimination or modification. The most important of these I touched upon in our telephone conversations. It is nevertheless apparent that there exists an ample basis for that substantial identity of statements necessary to assure that the French action would have a healthy and stabilizing influence throughout the world. ~~But~~ under the circumstances of the moment, the statement should be restricted solely to points essential for that purpose and should avoid raising matters not immediately essential and on which an actual or apparent divergence of views might possibly develop.

In an effort to facilitate the formulation of mutually satisfactory statements, I suggest herewith the terms of such a statement as this Government would be prepared to make. I have attempted to incorporate and build upon those elements in the French and English presentations with which all three Governments are, I feel, in complete accord.

DRAFT OF SUGGESTED STATEMENT FOLLOWS:

QUOTE: The United States Government, after consultation with the Governments of France and Great Britain, joins them in an affirmation of a common desire to safeguard peace and liberty and to foster those conditions which will best contribute to the restoration of order in international economic relations. It shares with these other countries a common will to pursue a policy tending to promote prosperity in the world and improve the standard of living of the people.

It is, and has long been, the purpose and constant effort of the American Government to maintain <sup>reasonable</sup> stability of the dollar in international exchanges, and thereby to contribute to general exchange stability. The American Government is convinced that a continuance of this policy will serve the general purposes which ~~the three~~ <sup>all</sup> Governments <sup>should</sup> share. Each Government in the continued development of the policy and decisions in the field of international currency relationships will of course always give full consideration to the requirements of its national prosperity.

The French Government has now decided to proceed to realign its currency on a basis which will establish a more solid foundation for the <sup>increase</sup> ~~maintenance~~ of international stability. <sup>in the interest of peace and commerce</sup> The American Government takes this occasion to reaffirm its intention of using appropriate available resources <sup>in behalf of</sup> ~~for maintaining~~ stability in international exchange on the new basis, and will collaborate with the Governments of France and of Great Britain for this purpose.

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We hope for and invite the collaboration of other nations in the achievement of the program fomulated in this statement UNQUOTE

a more solid foundation for the maintenance of international stability. The American Government takes this occasion to reaffirm its intention of using appropriate available resources for maintaining stability in international exchange on the new basis, and will collaborate with the Governments of France and of Great Britain for this purpose.

We hope for and invite the collaboration of other nations in the achievement of the program formulated in this statement and we sincerely trust that no nation will attempt to derive an unreasonable competitive exchange advantage and thereby threaten to disrupt the international stability which the Governments of Great Britain, France and the United States <sup>seek</sup> ~~are determined~~ to promote. UNQUOTE

*F.D.R.*

a more solid foundation for the maintenance of international stability. The American Government takes this occasion to reaffirm its intention of using appropriate available resources for maintaining stability in international exchange on the new basis, and will collaborate with the Governments of France and of Great Britain for this purpose.

We hope for and invite the collaboration of other nations in the achievement of the program formulated in this statement and we believe that they will recognize that their interest will be served by its success.

In pursuit of its high purpose and specifically in furtherance of healthy internal conditions upon which the maintenance of international goodwill depends, this Government solemnly pledges itself to adopt the policy of the English week-end, somewhat lengthened at each end, so that it almost meets in the middle.

H. M. Jr. told the group that the President was very well pleased with the draft and made only the following changes. He said that on page 2, where it read "Each country, while completely observing the identity of fundamentals, might wish slightly to adapt the presentation to its domestic situation," the President said, "No; out." because that gives them a chance to put their gold standard clause back; it gives them an out.

The Secretary then said, "You suggest variations. I will read you his substitute. He says, "It is my judgment that there should be no variations," and starting a sentence, "The more complete the identity, the more effective the impression will be and the more satisfactory the results achieved." Feis said, "That's all right. We were trying to give the French a little leeway." H.M.Jr's answer was, "That's what he does not want to do."

Continuing, the Secretary said, "On the draft of the statement, where it reads 'It is, and has long been, the purpose and constant effort of the American Government to maintain stability of the dollar in international exchanges,' the President included the word 'reasonable' stability. And in that same paragraph, where you said 'The American Government is convinced that a continuance of this policy will serve the general purposes which the three Governments share,' he has changed it to 'the general purposes which all Governments should share." All of the group thought that was a fine suggestion and a good improvement.

The Secretary also told the group, "He was tickled to death with 'national prosperity.' He loves it."

Referring to page 2 of the suggested statement, the Secretary said, "At the top of page 2, where it reads 'The French Government has now decided to proceed to realign its currency on a basis which will establish a more solid foundation for the maintenance of international stability,' he says, 'for the increase of international stability' and added 'in the interest of peace and commerce.'

Viner and Feis both commented, "Good. Very fine."

Continuing, the Secretary read, 'The American Government takes this occasion to reaffirm its intention of using appropriate available resources for maintaining stability in international exchanges on the new basis,' and said, "He substituted 'in behalf of' for maintaining."

The President likes 2-A, the Secretary said. H.M.Jr. said, "I asked him what it meant to him," and he said, "Stop. Look. And Listen." It reads this way: 'We hope for and invite collabor-

ation of other nations in the achievement of the program formulated in this statement and we sincerely trust that no nation will attempt to derive an unreasonable competitive exchange advantage and thereby threaten to disrupt the international stability which the Governments of Great Britain, France and the United States seek to promote.' He changed 'are determined' to 'seek'. Feis said, "We had it 'are determined to promote.' H.M.Jr. said, "Yes. And he changed it to 'seek to promote.' That softens it a little bit."

The Secretary said, "He just howled when we came to 'the British week-end.'" Viner asked, "Did you hand it to him without any comment?" H.M.Jr. said, "No. I had, in a way, to spoil it. When he read the whole answer he said, 'The damn English -- they would have to have their week-end.'" And I said, "If you feel that way, read this."

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H.M.Jr. then called Secretary Hull and said, "I just left the White House and the President spent considerable time on the note and made some suggestions which distinctly improved it. I will give it to Feis just as soon as it is typed. I think it is all right. I am a little bit shaky in the knees about the whole thing because it is so important. We will send it this afternoon to Cochran. Tomorrow, Taylor and Feis will see whoever is in the British Embassy and ask them to send it on to the Chancellor of the Exchequer. I think that we ought to give the French at least a day's leeway on this note. I think you will like it. We have gone over everything that the President has said since 1933 on money and there is nothing in conflict. Feis will bring the note over immediately and I will not leave for my farm until you have had a chance to go over it thoroughly."

The group resumed the discussion of the possible operations of the various stabilization funds if an agreement should be reached.

Viner said, "One general issue that I see is that the English will want to manipulate the exchange within the limits. Supposing they want to draw gold out of here when the pound is \$5.00 instead of \$4.90." H.M.Jr. answered, "They will only want to take it out when it goes above \$5.00. Let them begin at \$5.00 and go to \$5.10." Viner said, "That's the solution. We have been having an argument about it for an hour, but you gave me the answer." Viner also said, "They can begin at \$5.00 and go up to \$5.10."

The Secretary said to the group, "As I told Bewley, we will have to have a gap of ten points." Viner said, "It is to the general advantage that the limits be wider than the old gold standard. I would say that a 2% range is enough, but they will want to have 4%." Taylor explained, "Two each way." Feis' comment was, "There are advantages and disadvantages to both."

Viner said, "The appropriate resources are to be an important part of the agreement."

H.M.Jr: then said, "My idea was to have each country put up \$100,000,000. What I would like to do is to say that whatever profit they get out of devaluation, that that should go into the stabilization fund."

The group left the Secretary's office after this discussion.

Feis left to go to the State Department.

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After Secretary Hull had digested the reply to the French note, he called H.M.Jr. on the telephone at 12:45 and suggested that "concurrent action" be substituted for the words "close cooperation." referred to in the first sentence of the paragraph reading, 'It is desirable that, for greatest effectiveness, the three statements in all fundamental points should be as nearly identical as possible; otherwise they may leave an impression of divergence of policy instead of the impression of harmony of policy and of close cooperation upon which depends so much the effectiveness of the whole procedure. He also suggested with reference to the first sentence of the "Draft of the Suggested Statement" which reads, "The United States Government, after consultation with the Governments of France and of Great Britain, joins them in an affirmation of a common desire to safeguard peace and liberty and to foster those conditions, etc." that we strike out the word 'liberty'.

H.M.Jr. told Mr. Hull that he would call the President immediately and convey his suggestions and would 'phone Mr. Hull back in a few minutes.

H.M.Jr: telephoned the President and the President did not think well of Mr. Hull's suggestion of 'concurrent action'. He said it was too strong, but he approved of leaving out the word 'liberty'.

H.M.Jr. called Hull back and Hull's comment was, "That's all right. That keeps me in line." Mr. Hull said that he liked the message.

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Paris, France

DATE: September 19, 1936, 3 p.m.

NO.: 359

STRICTLY CONFIDENTIAL.

FROM THE SECRETARY OF THE TREASURY.

FOR COCHRAN.

I would like, for your guidance in the continuation of your discussions with Minister Auriol, to confirm and re-state more fully my statement on the position of this Government as explained to you Thursday night and Friday morning over the telephone.

This Government understands that statements by France, Great Britain and the United States will be made only when the specific limits of a mutually acceptable alignment of the three currencies have been determined; the British Treasury has the same expectation, if I read the British reply to the French note correctly.

Upon consideration of the most practical way of proceeding with the matter, it seems to us that what should be envisaged is not a joint statement bearing the signatures of officials of the three Governments, but rather that the three Governments issue statements at the same time, each of the statements being in the form of a declaration on the part of each Government. I understand that this procedure is agreeable to the French Government, according to the account of your conversations of Friday.

It

- 2 -

It is desirable that, for greatest effectiveness, the three statements in all fundamental points should be as nearly identical as possible; otherwise they may leave an impression of divergence of policy instead of the impression of harmony of policy and of close cooperation upon which depends so much of the effectiveness of the whole procedure. There should be no variations, in my judgment; the more complete the identity, the more effective the impression will be, and the results achieved will be the more satisfactory.

There are several points, both of phraseology and content, in the text of the French draft which would require elimination or modification from our point of view. I touched upon the most important of these in the telephone conversations I had with you. Nevertheless it is apparent that there exists an ample basis for that substantial identity of statements necessary to assure that throughout the world the action of the French would have a healthy and stabilizing influence. The statement, under the immediate circumstances, should be restricted solely to points essential for that purpose and should avoid raising matters not immediately essential and on which there might possibly develop an actual or  
apparent

- 3 -

apparent divergence of views.

I suggest herewith the terms of such a statement as this Government would be prepared to make in an effort to facilitate the formulation of mutually satisfactory statements. In this statement I have attempted to incorporate and build upon those elements in the French and English presentations on which all three Governments are, I feel, in complete agreement.

DRAFT OF SUGGESTED STATEMENT FOLLOWS:

QUOTE: The United States Government, after consultation with the Governments of France and of Great Britain, joins them in an affirmation of a common desire to safeguard peace and to foster those conditions which will best contribute to the restoration of order in international economic relations. It shares with these other countries a common will to pursue a policy tending to promote prosperity in the world and improve the standard of living of the people.

It is, and has long been, the purpose and constant effort of the American Government to maintain reasonable stability of the dollar in international exchanges, and thereby to contribute to general exchange stability. The American Government is convinced that a continuance of this policy will serve the general purposes which all

Governments

Governments should share. Each Government in the continued development of the policy and decisions in the field of international currency relationships will of course always give full consideration to the requirements of its national prosperity.

The French Government has now decided to proceed to realign its currency on a basis which will establish a more solid foundation for the increase of international stability in the interest of peace and commerce. The American Government takes this occasion to reaffirm its intention of using appropriate available resources in behalf of stability in international exchange on the new basis, and will collaborate with the Governments of France and of Great Britain for this purpose.

We hope for and invite the collaboration of other nations in the achievement of the program formulated in this statement and we sincerely trust that no nation will attempt to derive an unreasonable competitive exchange advantage and thereby threaten to disrupt the international stability which the Governments of Great Britain, France and the United States seek to promote.  
UNQUOTE.

HULL.

EA:LWW

**WORKS PROGRESS ADMINISTRATION**

WALKER-JOHNSON BUILDING  
1734 NEW YORK AVENUE NW.  
WASHINGTON, D. C.

HARRY L. HOPKINS  
ADMINISTRATOR

September 19, 1936

Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury  
Washington, D. C.

Dear Mr. Secretary:

We are in receipt of applications from the Bureau of Internal Revenue for continuation of the Retail Liquor Dealers Inspection Program, Survey of Miscellaneous Taxes and Income Tax Survey for the months of October, November and December.

We have been informed by the Bureau of the Budget that funds to continue any Federal project, for which funds have not already been set aside, must be allocated from the amount set aside by the President as available to the Works Progress Administration for the balance of the year. Inasmuch as this amount is not sufficient to employ the number of persons currently engaged on W.P.A. projects, we are unable to approve these project applications or to assume responsibility for the continued employment of persons now engaged on these or other Federal projects.

Sincerely yours,

Corrington Gill  
Acting Administrator

Sunday, September 20, 1936

Cable 898 from Cochran was received today. It is as follows:

Sept. 20, 1936 11 a.m.

This morning at 10 o'clock I read to Baumgartner telegram No. 359 of September 19, 2 p.m., from the Department. I handed to him a copy of our draft of suggested statement.

Baumgartner will now try to obtain reactions of Minister of Finance Auriol to this draft, and he will confer with Monick with regard to it. At 3 o'clock this afternoon Monick leaves Paris for London. He has an appointment to see Chamberlain tomorrow morning before the conference on the French draft proposal between the Chancellor of the Exchequer and his assistants.

Today Mr. Taylor and Dr. Feis called on Mr. Broadmead, who is in charge of the British Embassy, and gave him a copy of Secretary Morgenthau's cable to Cochran containing draft of suggested statement.

Taylor today also sent to the President, at four o'clock, a letter explaining to him that the Secretary had instructed him to hand to the President a copy of cable 898 just received from Cochran and informing the President also that he had delivered to Mr. Broadmead the text of our cable to Cochran.

**PARAPHRASE OF TELEGRAM RECEIVED****FROM: American Embassy, Paris, France****DATE: September 20, 1936, 11 a.m.****NO.: 898****RUSH****FROM COCHRAN.****FOR THE SECRETARY OF THE TREASURY.**

This morning at 10 o'clock I read to Baumgartner telegram No. 359 of September 19, 2 p.m., from the Department. I handed to him a copy of our draft of suggested statement.

Baumgartner will now try to obtain reactions of Minister of Finance Auriol to this draft, and he will confer with Monick with regard to it. At 3 o'clock this afternoon Monick leaves Paris for London. He has an appointment to see Chamberlain tomorrow morning before the conference on the French draft proposal between the Chancellor of the Exchequer and his assistants.

**WILSON.****KA:LWW**

September 20, 1936.

Dear Mr. President:

Secretary Morgenthau has asked me to hand you the enclosed cable which we have just received from Cochran in Paris.

At four o'clock this afternoon I showed Broadhead of the British Embassy the text of our message which Cochran delivered to the French authorities this morning. Broadhead is cabling his Government this evening so that the Chancellor of the Exchequer will have complete information on the situation when he returns tomorrow morning.

Faithfully yours,

(Signed) Wayne G. Taylor

The President,

The White House.

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Memorandum of questions and answers for radio interview with Secretary Morgenthau.

The Announcer - Mr. Secretary, you have been kind enough to consent to answer some questions on a matter that is of vital interest to every citizen -- Federal taxation and Federal tax policy. May I begin by asking one or two questions on a subject that has aroused a great deal of controversy? You wrote a letter to the President a short time ago, I believe, stating that we did not need any additional taxes. Can you give us some light on that statement?

Secretary Morgenthau - Yes, I did write such a letter and nothing has occurred to change my opinion. It is not generally realized that we now have the strongest tax structure, from the standpoint of revenue yield on any given level of productive activity, that the nation has ever had. Our revenue has grown steadily since the fiscal year 1933. Our income and profits taxes which were only 746 millions in 1933, based on incomes of 1931 and 1932 -- the lowest point since 1917, were more than a billion in 1935; close to a billion and a half in 1936 and are estimated to yield \$2,303,000,000 in 1937. Our entire revenues in 1936 were \$4,116,000,000 and we now anticipate revenues close to six billions in the fiscal year 1937. We are now very close to a level of business activity which will yield revenues which will equal or exceed the combined expenditures both for the normal purposes of Government and for recovery and relief for any year of the depression.

The Announcer - That will mean, will it not Mr. Secretary, revenues will in excess of seven billion dollars a year? Will not this addition of three billion dollars or more to Government receipts be a very heavy burden on American taxpayers?

Secretary Morgenthau - I am very glad to have that question brought up. The answer is no, it will not be an added burden at all. The increase in Federal revenues will come from taxes based on ability to pay. This means that the American taxpayer will only pay greater taxes as his own net income and profits increase. He can not pay more without having a great deal more for his own use and for investment.

The Announcer - When you speak of taxes based on ability to pay, I assume you mean income taxes of individuals and corporations, estate and gift taxes. Are not a large proportion of our taxes now indirect taxes on consumption?

Secretary Morgenthau - Yes, our indirect internal revenue taxes in the last fiscal year yielded about a billion and a half as compared to \$1,900,000,000 of yield from the direct taxes, but these indirect taxes which the taxpayer pays in making purchases are almost wholly on luxuries. The tobacco and alcoholic liquor taxes made up two-thirds of the total.

The Announcer - That leads, Mr. Secretary, to a crucial matter in tax policy. What is your position as to direct and indirect taxes as a source of Federal revenue?

Secretary Morgenthau - I think the answer to that is shown very plainly in the record of this administration. The only substantial addition to indirect taxes has been the tax on alcoholic beverages, which yielded this last year \$500,000,000 and is expected to yield \$589,000,000 in 1937, but we have increased very materially the yield of the direct

taxes and have done this in two ways. We have increased the surtax schedules in the higher brackets of income, that is, making a larger tax levy on those best able to pay, and we have reformed our corporation tax system to prevent the use of corporations as a device for avoiding individual income surtaxes.

The Announcer - Has there then in the past been large evasion of individual income surtaxes by the use of corporations and how was that done?

Secretary Morgenthau - Yes. the evasion was on such a large scale that it went a long way toward nullifying the principle of taxation according to ability to pay. We have made very careful estimates of it in the Treasury Department and we have found that by the shrewd use of this avenue of escape from income taxes through corporations, the avoidance of surtaxes in the fiscal year 1936 was no less than \$600,000,000. As to your question: "How was it done?", the answer is very simple. Under the income tax law and decisions of the Supreme Court, a man who is a large holder of corporation stock does not pay income taxes on his share of that corporation's earnings but he pays individual taxes only on the amount distributed to him in dividends. His share of the earnings for one year of one or more corporations may amount to a million dollars or more, but he may receive only one hundred thousand dollars in dividends. He pays taxes only on that one hundred thousand dollars; the rest of the earnings simply have gone to make his stock more valuable and if he sells part of his stock to realize some of the increased value, he gets special treatment, depending upon the length of time he has held the stock. So, he pays taxes only on a fraction of the actual addition to its value.

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The Announcer - Does the man who has invested in an unincorporated business or a partnership have any such privilege?

Secretary Morgenthau - No he does not. The individual in business for himself, or a member of a partnership, is required to pay income taxes on his full share of the earnings of the business during the taxable year.

The Announcer - I understand from your remarks a moment ago that the administration and Congress had done something to correct that situation. Can you explain simply what has been done?

Secretary Morgenthau - What we have done is embodied in the Revenue Act of 1936, which has been the subject of a great deal of criticism both by those who have been deprived by it of an unfair tax advantage and by some others who do not understand the effect of the law. The Revenue Act of 1936 imposes a tax on that portion of a corporation's net income which is not distributed to stockholders in dividends. The tax is on a graduated scale, depending upon the proportion of net earnings that is withheld from distribution to stockholders. If not more than ten per cent of the net income was withheld from stockholders, the rate of tax is seven per cent on that portion. The rate rises to twenty-seven per cent where more than sixty per cent of the revenue is withheld from stockholders.

The Announcer - How were these rates arrived at, Mr. Secretary?

Secretary Morgenthau - The underlying purpose was simply to bring about equity in the tax system by levying rates which would yield revenue from corporate profits approximately equal to the revenue that would be derived from the same amount of profits of individual partnership. In other words, the idea was to devise a system of taxes on undistributed corporation profits which would yield about the same amount of revenue

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as would be yielded through individual income taxes if the profits were fully distributed to the stockholders of the corporations. It is too early, of course, to say that that result will be exactly reached but our estimates indicate that the result will be approximately that. This will mean simply that the great loophole in the income tax system will have been corrected.

The Announcer - You spoke of criticisms of the new act, Mr. Secretary, and I have noticed that one of these criticisms is that it will impose a severe hardship on small corporations by preventing them from accumulating the necessary funds for expansion and for paying off debts. Is there an answer to this objection?

Secretary Morgenthau - The law, as a matter of fact, makes special provision for small corporations by reducing the rate of tax where the net income is less than fifty thousand dollars. There are also special provisions for corporations which are under contract to make definite payments against debt. Aside from this there is no reason why any corporation can not continue to accumulate necessary funds for expansion. This can be done either by a full distribution of income, or the sale of additional stock or securities to the corporation's own stockholders or to the public, or by retaining in the corporation's treasury any desired portion of the cash earnings and distributing the dividends in the form of securities that will be subject to tax as income when they are received by the stockholders. Through that method the corporation may escape any tax on undistributed income so long as the stockholders pay taxes based on their full share of the corporation's earnings for the year. The Government under the new law does not dictate what the policy of the corporation shall be; it merely

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insists that those who receive their incomes from corporations shall pay taxes on the same basis as those who receive their incomes from other sources.

The Announcer - I have read somewhere the statement that the effect of this law will be to force corporations to make full distribution of their earnings and that this coupled with the higher taxes which individual stockholders will have to pay is in effect a penalty on thrift. Do you think this is true?

Secretary Morgenthau - I have already explained how it will be possible for a corporation by any one of certain methods to obtain new capital or reserve cash earnings for expansion - which are in effect the same thing - without paying any undistributed profits tax. It must be added that there is no change in the system of permitting corporations to set up reserves for depreciation and obsolescence of plant and to include appropriations for these purposes as a part of operating expense. The whole question is whether a corporation should have the privilege, which is denied to the individual, of accumulating earnings for investment in expanding business without having to pay taxes on them on the same basis that unincorporated individuals pay. If there is any reason why there should be a special tax advantage granted to the incorporated form of business, I am unable to see it. Take the case of an individual who is buying a house, or laying by funds for the education of his children or for a rainy day. These are truly thrift programs surely as advantageous to the community and to the nation as the investment of additional funds in manufacturing plants. But, the United States Government has never given any special tax advantage to its citizens who wish to practice these most

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laudible forms of personal thrift. If we believe that special bonuses should be paid to encourage thrift, then we ought to apply the principle consistently in our whole tax system, but if we did we might as well abandon the whole principle of taxation according to ability to pay. It would be very easy for taxpayers to prove that everything they earn beyond the necessary expenses of living was being used for a thrifty purpose.

The Announcer - Assuming as you have said that the new corporation tax plan is merely putting into effect the principle of ability to pay which, as I understand it, means taking in the form of taxation a greater proportion of the earnings of those who have large incomes than of those who have only very small incomes, how do you justify the principle itself?

Secretary Morgenthau - I think the principle is so well established and has so long been a matter of governmental policy of this and other nations, that it hardly needs justification. The justification is on the grounds of equity and justice and of benefits received. The man who is receiving an income far beyond his necessities is profiting from the resources of the nation, from our system of government which enables him to carry on the operations which result in these earnings and from the labors of his fellowmen. The effort to impose higher taxes on all individuals would depress the standard of living, cause the most severe hardships, make the rich richer and the poor poorer and it seems to me would ultimately stifle our whole economic life.

September 21, 1936

The Secretary spoke to Cochran from the Farm today and Cochran told him that the French called him up three times today and they said they liked the first and fourth paragraphs of the note best; that they got the significance in the fourth paragraph and they liked it.

HM, Jr. told Cochran to have a telephone put in his house which would be a direct long-distance 'phone and which the Treasury would pay for. The Secretary said it would come in useful a couple of weeks from now.

Monday  
September 21, 1936  
9:50 a. m.

Operator: Hello

HMjr: Mr. Taylor, please

Operator: All right

HMjr: And then, ask anybody if they want to talk to me,  
either Oliphant or Bell or McReynolds.

Operator: All right.

HMjr: - whether they want to talk to me.

Operator: All right.

H. S.  
Klotz: I want to listen, Miss --

Operator: All right.

K: How's the weather?

HMjr: Overcast, but --  
(Pause)

Operator: Mr. Taylor -  
W. C.  
Taylor: Hello

HMjr: Hello, Wayne

T: Yes, Henry

HMjr: Good morning -

T: Good morning -

HMjr: Now I got that letter - proposed answer to Vandenberg -

T: Yes

HMjr: But they didn't send me Vandenberg's letter to me.

T: Well, that's quite an ommission, isn't it?

HMjr: So, would you have - send in a copy of it to Mrs.  
Klotz and she'll send it up to me.

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T: Right

HMjr: Now, Vandenberg's letter to me - and the answer - I'd like it to be shown to Goldenweiser at the Federal Reserve.

T: All right.

HMjr: I'd like it to be shown to whoever the head of the Foreign and Domestic Commerce is, over at the Department of Commerce.

T: Yes

HMjr: See?

T: Right

HMjr: And ask them for a fairly quick reply.

T: Right

HMjr: And I would like it also shown to Herbert Feis.

T: Right

HMjr: Those three -

T: All right, we'll do - we'll take care of that very quickly.

HMjr: And their comments - it's a very very tricky letter.

T: Oh, absolutely.

HMjr: Yes - so -

T: All right, I'll take care of that today.

HMjr: All right, now is there anything you want to tell me?

T: One thing which isn't important.

HMjr: Yes

T: Do you want me to sign the Bell notice or do you want - to have you do it? - In other words the question of your being out of town or not.

HMjr: Oh, I'd rather let - I'd rather sign it.

-3-

T: Right

HMjr: Yes - what else?

T: That's all, that - but you'll notice that that letter that - or rather that cable that I - copy of the cable that I sent up to you -

HMjr: Which one?

T: - which is the one about Cochran's having shown the stuff to --

HMjr: That hasn't come yet.

T: Well, I did want to explain one thing - that reads as a paraphrase.

HMjr: Oh -

T: The reason for that was that they only had two copies.

HMjr: That's all right.

T: Yes

HMjr: Now, did you get one to the President?

T: I did. - I sent it to him with a note saying that you'd asked me to do it. And then I told him also in that letter that I had given the information to Broadmead, et cetera.

HMjr: You don't know whether he got it?

T: Well, I delivered it to the man at the door who said that the President was there and that he would send it up to him immediately.

HMjr: Thanks, Wayne - what else?

T: I find I'm a crop insurance expert.

HMjr: Yes - I told you I couldn't tell you what committee to put you on.

T: Well, I gathered that that was what it was. (Laughs)

HMjr: Yes - but I thought that you could serve there better than Steve Gibbons.

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T: Well, as a matter of fact I like to think I know something about that subject.

HMjr: Good

T: I probably don't, but I like to think so.

HMjr: No, I'm - I was - I am perfectly serious, I think you could definitely contribute something.

T: Well, I - it does happen to be something I've thought about a little bit so I'm rather pleased to be on it.

HMjr: I think from the way Wallace talked that he'd be very pleased if you called him up and said you'd like to come over and get his ideas on it.

T: Right

HMjr: See?

T: I'll do that. I'll call him up and tell him I'm very glad to serve with him and --

HMjr: Has he raised the question about your - this is strictly between us - about your friendship with Peek?

T: Yes

HMjr: And I said your first loyalty was with the President and never mind Peek.

T: Right

HMjr: So I think if you would just see Wallace I think it would - well, you get it.

T: Right

HMjr: - would help a little bit.

T: Fine - I'll call him up. - Well, that's about all I know.

HMjr: All right, Wayne, thank you.

T: Right

(Mr. Taylor hangs up)

HMjr: Hello - hello?

Operator: Hello

HMjr: Mr. Gaston

Operator: All right  
(Pause)

Operator: Mr. Gaston

HMjr: Hello

Herbert E.  
Gaston:

Hello

HMjr: Good morning, Herbert

G: Good morning, Henry, how are you?

HMjr: I'm much better, thank you.

G: That's good, you're getting rid of that are you?

HMjr: Well, I'm not getting rid entirely, - but I - it  
will be by the time I get back.

G: Fine

HMjr: Herbert -

G: Yes

HMjr: Two things -

G: Yes

HMjr: Yesterday's financial column of the Tribune -

G: Yes

HMjr: - answered my release of Monday -

G: Yes

HMjr: - in regard to the bonds.

G: Yes

HMjr: - which I think is pretty sly.

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G: Yes

HMjr: Take a look at it.

G: I will.

HMjr: And then the copy that I got of the Tribune today - which is - makes no reference whatsoever to the release.

G: Yes

HMjr: Although they definitely answered and referred to it in the financial news -

G: Yes

HMjr: - of Sunday's Tribune.

G: Yes

HMjr: What?

G: Yes

HMjr: That's not very good -

G: No, that isn't.

HMjr: The Times ran it in full.

G: Yes, I saw the Times story - very good.

HMjr: Now, the other thing that I had --

G: Oh, by the way - about the Herald Tribune - I did see the story in the Herald Tribune, they had a short story about it.

HMjr: Oh -

G: About

HMjr: Well, just take a look at yesterday's financial news in the financial section.

G: Yes, that isn't according to Hoyle to - of course they could get in - they could make a general answer to it without referring to it.

HMjr: No, they referred to it.

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G: They refer to it?

HMjr: Well, I'll leave it to you.

G: Yes, all right.

HMjr: Now, the other thing - Yesterday's Times carried a vicious attack by Hoover on Secret Service.

G: By J. Edgar Hoover?

HMjr: Yes

G: Yes

HMjr: A speech that he made before some Catholic organization.

G: Yes

HMjr: Have you seen it?

G: I saw - I saw a story about this speech that he made before a Catholic organization in one of the local papers - a very short story.

HMjr: Well, the Times runs it at a great length - yesterday's Times.

G: Yes

HMjr: I wish you'd read it and try to digest it.

G: Yes, yes

HMjr: I don't know what to do.

G: Well, I suppose anything that could be -

HMjr: What?

G: I suppose anything that could be done would have to be done through Homer.

HMjr: Yes, but you might cut the story out and think about it.

G: Yes, I will.

HMjr: Yes

G: Yes

HMjr: That's all.

G: - I was up at New York yesterday.

HMjr: Yes

G: I met my daughter - who came in on the Bremen.

HMjr: She came in?

G: Yes, she came in.

HMjr: That's nice.

G: And she had - they had a rough passage but enjoyed it.

HMjr: That's good.

G: Yes

HMjr: All right.

G: Oh, she's fine, yes.

HMjr: All right, Herbert.

G: All right.

HMjr: Thank you.

G: Goodbye.

(Mr. Gaston hangs up)

HMjr: Hello

Operator: Hello

HMjr: Miss Spangler?

Operator: Yes, sir

HMjr: Anybody want me?

Operator: Yes, Mr. Bell would like to talk to you.

HMjr: And after that I want Mrs. Scheider at the White House.

Operator: All right.

HMjr: After that -  
(Pause)

Operator: Mr. Bell -

HMjr: Hello -

Dan  
Bell: Good morning -

HMjr: Hello, Dan

B: I just wanted to tell you that --

HMjr: A little louder, Dan -

B: I say, I just wanted to tell you -

HMjr: Yes

B: - that the President has approved a million eight hundred thousand dollars --

HMjr: How much?

B: A million eight hundred thousand -

HMjr: Yes

B: - for that prison project in Kentucky which he has been talking about for some time.

HMjr: A prison?

B: Yes - a public works project.

HMjr: Yes

B: - He sends a man over to the Public Works Administration with the idea that they would do the work and then every Saturday night we'd give them a check -

HMjr: Oh, well, you spoke to me about it.

B: Yes

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HMjr: And you were pleased -

B: Yes, yes

HMjr: You were pleased because you thought he'd turn it down.

B: Yes

HMjr: Yes

B: Well, he's approved that project now, the funds for which --

HMjr: I don't hear you.

B: The funds for which will specifically come from the three hundred million revolving fund.

HMjr: Yes

B: That's the part I hate.

HMjr: He specifically says so?

B: Yes, in a letter which he signed, to Ickes. He said that this shall come from the fund - three hundred million dollars provided in the recent appropriation.- And I got a copy of the letter on Friday evening. -- What do you think of that?

HMjr: Well, what about his word to you and me?

B: Well, that - that's what I'm thinking. He offered to put it in writing.

HMjr: What?

B: And he said he would put it in writing.

HMjr: Yes

B: Well, I don't know, I think Ickes goes over there and gets about what he wants.

HMjr: Yes

B: Well, that - (Laughs) I thought you'd like to know that. I thought I'd tell you --

HMjr: Oh yes, that - that cheers me up wonderfully.

- E: And I was going to tell you Friday evening and then I didn't think I'd spoil your weekend.  
(Laughs)
- HMjr: Well, what are you going to do?
- B: Well, I can't do anything until I see the President - but there isn't anything we can do I think. He's approving projects all the time and now up to the fifty- about fifty-two million.
- HMjr: Yes
- B: And he's gradually exceeding the fifty million. Now, I don't believe that I can find funds other than out of the billion four - when he goes over the fifty million.
- HMjr: Well, let me think about it. I don't know whether there is anything I can do, but I'll think about it.
- B: Yes, well I -
- HMjr: How do you feel?
- B: Well, I - I feel rather badly about it to tell you the truth.
- HMjr: No, but I mean, how do you feel physically?
- B: Oh, all right.
- HMjr: Yes
- B: I feel all right. Now, I hate to see this thing come along.
- HMjr: Well -
- B: I was hoping that --
- HMjr: Let me think about it and I'll talk to you this afternoon.
- B: All right, well, no hurry. There isn't anything we can do about it as I see. It will have to go through.
- HMjr: All right. Dan.

B: Goodbye  
HMjr: Goodbye  
(Mr. Bell hangs up)  
Operator: Hello  
HMjr: Yes  
Operator: Mrs. Scheider - go ahead.  
Mrs. Scheider: Hello  
HMjr: Hello  
S: Yes, Mr. Morgenthau  
HMjr: How are you?  
S: Pretty good  
HMjr: Mrs. Morgenthau and I would like to know how Mrs. Roosevelt is.  
S: Well, she's ever so much better.  
HMjr: Ever so much - ?  
S: Yes, the Doctor said she can try getting up if she wants to.  
HMjr: Oh, grand -  
S: But just for a few minutes, you know.  
HMjr: Yes - how's her temperature?  
S: It's been normal now since Saturday.  
HMjr: Grand!  
S: And she's feeling very much like herself.  
HMjr: Good  
S: Good spirit and everything.  
HMjr: Fine  
S: So I think by tomorrow she will be up.

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HMjr: Yes

S: And she said she was going to Hyde Park Wednesday but I doubt if she can make it.

HMjr: Yes, well, tell her Mrs. Morgenthau and I send our love.

S: I will. I'd let you talk to her but they're busy with her.

HMjr: What?

S: The nurse is busy with her and I'll tell her when I go in.

HMjr: All right.

S: All right, thank you very much.

HMjr: Goodbye.  
(Mrs. Scheider hangs up)

H. S.  
Klotz: Hello - hello?

Operator: Hello

K: Hello

HMjr: Anybody else want me?

Operator: No, that's all Mr. Morgenthau.

HMjr: Then I'll talk to Mrs. Klotz.

Operator: All right, just a second.  
(Pause)

Operator: Go ahead.

H. S.  
Klotz: Hello

HMjr: Hello

K: Yes, sir

HMjr: You got all the news.

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- K: Yes - gosh, that - I wouldn't try to do anything about that Ickes thing.
- HMjr: Oh, I'm not. I've just burnt myself out to fool with it --
- K: That - that - that's the idea. You've done everything you possibly could -
- HMjr: Yes
- K: And I certainly wouldn't lift my little finger to change it.
- HMjr: And Ickes evidently has made it a personal issue between the President, himself and myself.
- K: That's right - well, let him have it.
- HMjr: Of course, the President hasn't kept his word, but I can't help it.
- K: No, you can't.
- HMjr: And I'm not going to get/wrought<sup>all</sup> - there's too many other things.
- K: No, that's right. I think you're perfectly right, you've done all you possibly could. It'll come to - he'll know it sometime, but I really wouldn't - I wouldn't fight.
- HMjr: I'm not going to -
- K: If Bell feels so badly about him let him go ahead and put up a fight, that's all.
- HMjr: I'm surprised Bell didn't bring up the Corrington Gill matter.
- K: Oh -
- HMjr: I'm going to let that ride.
- K: I would too.
- HMjr: And -
- K: Well, they can't do anything, I mean - they wanted to see you and I guess they'll just wait until you get back.

HMjr: Yes

K: So - anything else I can do for you?

HMjr: I did have something in my mind, I'm trying to think. - How's the weather down there?

K: It was oh, sort of cloudy this morning, but the sun's trying awfully hard to come through.

HMjr: Well, that's the way it is here.

K: Yes

HMjr: Did you get my word I arrived here all right?

K: Yes, I did.

HMjr: Yes

K: How was it - bumpy?

HMjr: No

K: Yes

HMjr: No - I slept forty-five minutes - immediately I got in I lay down and went to sleep.

K: Oh, good -

HMjr: Immediately -

K: Well, that's fine - this week comes so timely for you.

HMjr: Doesn't it?

K: Yes

HMjr: But, how - tell me honestly how you are.

K: Honestly, I mean, I didn't get any - hardly any rest over the weekend but I feel surprising, well.

HMjr: You do?

K: Yes, I do.

Monday  
September 21, 1936  
3:00 p. m.

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HMjr: Hello  
W. C.  
Taylor: Hello - hello -  
HMjr: Hello, Wayne?  
T: Yes, Henry  
HMjr: Anything you want to tell me?  
T: Preliminary - preliminary reaction on Feis was -  
on that letter was very good.  
HMjr: I see.  
T: They've got some rather small changes -  
HMjr: Yes  
T: - that I have with me, but I don't think it's  
necessary to bother you with them until we get the  
rest of them in.  
HMjr: All right.  
T: And we're seeing Goldenweiser and the other man.  
HMjr: Good - I have nothing, - I'll talk to you in  
the morning.  
T: O. K.  
HMjr: Goodbye  
T: Goodbye

September 22, 1936

The Secretary telephoned from the Farm at one o'clock. He said, "Cochran called me up. Cochran said that Mr. Chamberlin did not get back to England until today and that he (Cochran) may have something later tonight, but he does not know. He also said that Reynaud has done a lot of talking about devaluation and, as a result, the stock exchange went up. Then the other thing he said was that Governor Norman's assistant was over to try to find out from the French to try to find out from us if we would give up gold and I told Cochran that I had already told Bewley that we would. I gather that Chamberlain's assistant -- I guess Cochran means Sir Warren Fisher -- likes our note better than the French. And Cochran said maybe tonight he will phone me again. I told Cochran to put all of this in a cable."

September 22, 1938

Cable 904 was received from Cochran today. It contained the information that Chamberlain did not get back until today and that Monick would not see the Chancellor until late this afternoon.

Cochran also said if a report is received from London and if the French have any message for us, Baumgartner will communicate with him later tonight.

Cochran also reported that he had received a telephone from Amsterdam from President Trip that he is coming to Paris. Cochran's thought was this visit might give rise to reports that conferences on the alignment of currencies are being held by gold bloc countries.

**PARAPHRASE OF TELEGRAM RECEIVED**

**FROM: American Embassy, Paris, France**

**DATE: September 22, 1936, 5 p.m.**

**NO.: 904**

**RUSH. FROM COCHRAN FOR THE SECRETARY OF THE TREASURY.**

This afternoon at 4:30 Baumgartner told me that Chamberlain had not returned to the British Treasury until today. He said that Monick was not to see the Chancellor of the Exchequer until late this afternoon; if any report is received from London, and if the French have any message for us, Baumgartner will communicate with me later tonight.

This afternoon I had a telephone call from Amsterdam from President Trip of the Netherlands Bank and of the BIS. Trip told me that he was coming to Paris to repay Labeyrie's call, and that he would arrive Wednesday night. At half-past eleven Thursday morning Trip will go to the Bank of France, and he will have lunch at the Bank. He wants to talk to me about the BIS, he said, and on Thursday morning at 9:30 would come to see me.

This visit in Paris of Trip's, coming at this time, may give rise to reports that conferences on the alignment of currencies are being held by gold bloc monetary leaders.

**WILSON.**

**EA:LW**

September 22, 1936

Cable 907 was received from Cochran at 4:45, confirming his telephone conversation with the Secretary today, to the effect that no reply had yet been received from the British; that Cabbold of the Bank of England was in Paris conferring with the Bank of France on operations of the three stabilization funds and inquiring if French had arrived at agreement with Americas as to whether the U.S. Stabilization Fund would be willing to yield gold; that Baumgartner regrets Reynaud's return which had upset Paris stock exchange; that initial report from Monck that English prefer American draft.

Cochran also reported that if agreement can be reached, French hope to have the declaration made some time Friday night and French Parliament convene perhaps on Sunday.

LMS

This telegram must be closely paraphrased before being communicated to anyone. (C)

Paris

Dated September 22, 1936

Rec'd 4:04 p.m.

Secretary of State,  
Washington.

RUSH.

907, September 22, 8 p.m. (SECTION ONE)

FOR SECRETARY OF THE TREASURY FROM COCHRAN.

Baumgartner called me to the Ministry of Finance at 6 o'clock this evening. No reply had yet been received from the British. He told me, however, that Cabbold of the Bank of England was in Paris conferring with the Bank of France. Cabbold has raised the question as to how the stabilization funds of our three countries would operate in case the transaction which we have been discussing is consummated. He particularly asked the French as to whether they had arrived at any agreement with the Americans as to whether the stabilization fund of the latter would be willing on a basis of reciprocity to yield gold to the stabilization fund of France in exchange for dollars which the French fund might acquire. Baumgartner informed me further that Fournier Undergovernor of the Bank of France would ask me to come to the Bank of France to-

morrow

*Confidential*

LMS 2-No. 907, September 22, 8 p.m., Sec. 1, from Paris.

morrow morning on this question. I asked Baumgartner what the French attitude would be towards yielding gold to the British fund and our own in case we purchased francs and desired gold after the franc had once left the present gold standard. Baumgartner replied that the French fund would be willing to ignore gold on a reciprocal basis. (END SECTION ONE)

WILSON

CSB

LMS  
This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone. (C)

Paris  
Dated September 22, 1936  
Rec'd 4:45 p.m.

Secretary of State,  
Washington.

RUSH.

907, September 22, 8 p.m. (SECTION TWO)

At 7 o'clock Cariguel telephoned me from the Bank  
of France that Fournier wants me to call on him tomorrow  
morning at 10 o'clock.

Baumgartner remarked to me about the unsatisfactory  
state of the Paris market today and regretted that Rey-  
naud's return had spoiled the period of calm within which  
they had hoped to finish their arrangements. Although  
no final report has been received from Monick since he is  
still conferring with Chamberlain, the initial report  
was that the British were more disposed to accept the  
American draft of a common declaration as a basis than  
they were to utilize the French draft as a basis. If  
agreement on the various points can be reached the French  
would hope to have the declaration made some time Friday  
night and the French Parliament convene, perhaps on  
Sunday September 27. I remarked that New York has a  
stock market on Saturday. (END MESSAGE)

WILSON

NPL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 22, 1936, 8 p.m.

NO.: 907

FROM ROCHRAN. RUSH.

FOR THE SECRETARY OF THE TREASURY.

At 6 o'clock this evening Baumgartner called me to the Ministry of Finance. The British had as yet not sent a reply. However, Baumgartner said, Cabbold of the Bank of England was conferring with the Bank of France here, and had raised the question as to how the stabilization funds of our three countries would operate in case of consummation of the transaction under discussion. Cabbold asked in particular whether the French had arrived at any agreement with the Americans as to whether the stabilization fund of the latter would be willing on a basis of reciprocity to yield gold to the stabilization fund of France in exchange for dollars which might be acquired by the French fund.

I was further informed by Baumgartner that Fournier, the Undergovernor of the Bank of France, would ask me to come to the Bank of France tomorrow morning with regard to this matter. I questioned Baumgartner as to what the French attitude would be towards yielding gold to our fund and to the British fund, in case we purchased francs and  
 wanted

wanted gold after the present gold standard had been left by the franc. In reply Baumgartner said that the French fund would be willing to ignore gold reciprocally.

I had a telephone call from Cariguel at 7 o'clock, from the Bank of France, telling me that at 10 o'clock tomorrow morning Fournier wants me to call on him.

During my conversation with Baumgartner, he remarked about the unsatisfactory state of the Paris market today. He regretted that the return of Reynaud had spoiled the period of calm within which they had hoped to finish the arrangements under discussion. Monick had as yet sent in no final report since he is still conferring with Chamberlain, but the initial report was that the British were more disposed to accept the American draft of a common declaration as a basis than they were to utilize the draft which the French prepared. The French would hope to have the declaration made some time Friday night if agreement on the various points can be reached; the French Parliament would perhaps convene, then, on September 27 - Sunday. I remarked to Baumgartner that on Saturday New York has a stock market.

END MESSAGE.

WILSON.

EA:LWW

**PARAPHRASE OF TELEGRAM RECEIVED**

**FROM:** American Embassy, Paris, France

**DATE:** September 23, 1936, 1 p.m.

**NO.:** 908 RUSH

**FROM COCHRAN.**

**FOR THE SECRETARY OF THE TREASURY.**

I refer to my telegram of September 22, 8 p.m., No. 907. This morning at 10:15 I saw Undergovernor Fournier at the Bank of France. Two questions were raised by him:

First. The Bank of France, it is envisaged, will operate the French stabilization fund for the account of the French Treasury. Fournier will presumably be in charge of the fund. He told me that according to their plans, they would hold the franc from the beginning within the limits specified by the authority which Parliament will grant the Government to fix by decree the new gold value of the franc. The monetary legislation will entirely suspend the convertibility of the French franc into gold. The only gold transactions that would take place would be those between the stabilization funds upon which there is agreement.

The Undergovernor told me that the franc will not be immediately reattached to gold, but the French stabilization fund would operate, during the transition period, toward holding the franc at the middle rate between the two limits. Dollars and sterling would be purchased by

the

the French stabilization fund in its operations. The fund would desire to convert such currencies into gold, and avoid the error which Fournier said the French made in 1928 - that of building up tremendous foreign exchange holdings. The French therefore ask whether the American monetary authorities could assure them at this juncture that the French stabilization fund could be permitted to exchange the dollars which it acquires against gold if a common declaration is issued. Willingness was expressed by the French to give the American fund gold, on a reciprocal basis, against the francs acquired by them. As long as the franc is not definitely attached to a fixed weight of gold, the operation just mentioned would involve determining a price, which might be over a certain period, or on a day to day basis. I said to the Undergovernor that I would raise this question immediately, and that my personal impression was that we presumably would grant the desired reciprocity if we find it possible to agree to the simultaneous declaration under negotiation now.

Second. According to expectation, at the time the declaration is issued a call for a special session of the French Parliament would be made. The French at the same time would (omission) that their stock market and exchange market be closed; i.e., from the time of making such

such announcements, and until the monetary law had been passed and announced, no exchange transactions would be permitted. Closing of the banks is not contemplated. It is hoped that such a period would begin with Saturday and terminate on Monday, in all probability. On this point Younker had a discussion with Gobbold of the Bank of England in an effort to have the British take similar action. Younker told me that Gobbold said the British were considerably perturbed lest the interim period between convening Parliament and passing the law might see a tremendous attack upon the florin and upon the Swiss franc. Because of this Gobbold thought that the British might look with favor upon taking action similar to that contemplated by the French, but unless the Americans did the same, the action would not be worth while. The Undergovernor asked what the United States would be willing to do in the circumstances. I said I would submit the question, but I told him I had considerable doubt as to whether we would risk shocking our public to the extent involved by such action.

The Undergovernor had a talk with Governor Labezzole after his talk with me. The Governor raised the question as to whether the Bank of France should communicate with the Federal Reserve Bank of New York regarding cooperation on technicalities. For the present, I told them, Washington was handling all of the negotiations.

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Therefore until they receive further suggestions from us, they will utilize the present channels of communication. Both Fournier and Labeyrie impressed upon me the necessity for haste in view of the French market's nervous condition.

I stopped to see Cariguel as I left the Bank. He had been consulted by the Governor and the Undergovernor before I arrived at the Bank. I told Cariguel that the suggestion that our markets be closed made me feel uneasy. As an alternative, he suggested, personally and most confidentially, that we might give our word that the Treasury or Federal Reserve would ask the important American banks to refrain from trading in the French franc or possibly other currencies during the period which has been discussed. It was his opinion that the cooperation of the banks in the United States most likely to engage in important transactions in foreign exchange could thus be achieved without having the public upset by the action.

I believe that it would serve a good purpose if, when I next see the Governor and Undergovernor of the Bank of France, I made it clear that should an embargo be placed upon the export of gold, American banks which may have sold dollars against francs should be entitled to obtain gold for them, according to the practice followed by the Guaranty and National City Bank. In

other

- 5 -

other words, we should not want to see an American bank suffer loss through an embargo especially since the banks particularly referred to through their operations have been instrumental in keeping the franc stable.

This morning I had a telephone call from President Trip, from Amsterdam. He told me that Labeyrie had requested that he postpone his visit to Paris until Friday noon instead of at noon on Thursday; Trip agreed to this, and he will see me on Friday morning at 9:30.

I asked Fournier whether the French had notified any other countries of present negotiations - without making mention of President Trip's plans. Fournier said he had not, but added that as soon as the three powers might reach agreement concerning a declaration, the French would send three agents to the Netherlands, Belgium, and Switzerland for the purpose of informing the respective monetary authorities regarding the declaration, and soliciting these countries to join in the declaration after it is made by France, Great Britain and the United States.

Yesterday the gold losses of the Bank of France amounted to 370 million francs; the Bank had lost 60,000,000 francs gold by 11 o'clock this morning.

I have not talked with Baumgartner since he received the British reply, since at 12 noon he was still in conference

ference

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ference with Minister of Finance Laurier.

I would ask that you provide me with answers to  
points one and two discussed in this telegram.

END MESSAGE.

WILSON.

RA:LNW

Tuesday  
September 22, 1936  
9:55 a. m.

Operator: Mr. Taylor

W. C.  
Taylor: Hello -

Operator: Go ahead - hello?

T: Hello

Operator: Hello, Mr. Morgenthau - just a second - hello?

(Pause)

Operator: Just a second - (Pause) Just a minute, Mrs. Klotz, the Secretary's been cut off.

H. S.  
Klotz: Yes

HMjr: Hello, Wayne

T: Yes, Henry

HMjr: Good morning

T: Good morning to you.

HMjr: Two things - I think it's perfectly ridiculous that the RFC doesn't close that one hundred and fifty million commodity credit note, see?

T: Yes

HMjr: They're making a laughing stock of themselves. And I would tell them that I think that it should be closed at once and they should stop selling it.

T: All right.

HMjr: Now, they're selling a four months note at one half of one per cent and we borrow money for nine months at decimal one five - and it's perfectly stupid.

T: Right - I'll get that to them.

HMjr: And tell them, I mean, well, you needn't use quite as emphatic language, but say I feel very strongly they should close it and close it today.

T: Right

-2-

HMjr: The longer they keep it open the more they make themselves a laughing stock.- Hello?

T: Yes

HMjr: That's that. Number two: - On the Vandenberg letter, I'd like the last and final corrections to leave in the mail tonight.

T: Well, that's just what I was going to talk to you about. We've got - Guy is working on it this morning -

HMjr: Yes

T: - and we will have all that for you by tonight.

HMjr: Well, will you give me a new copy?

T: We'll give you a new copy with all the changes in it.

HMjr: And I think before you do it you'd better read the changes over the phone to Jake Viner.

T: All right.

HMjr: As a final check.

T: We'll do that.

HMjr: Because, I tell you, there's a particular sentence which you might remember, this thing that I say that I'd be glad to see gold leave the country. Well, if I am going to say it the time to say it is this week. (Buzzing noise)

T: Yes

HMjr: Hello?

T: Yes

HMjr: See?

T: Right

HMjr: Do you get me?

T: Yes

-3-

HMjr: As a matter of fact it may be very good for record to say it this week that we're going to - if the President okays the letter - that we're glad to see gold leave the country.

T: Right

HMjr: And not - and not say it after it begins to leave, see?

T: Correct

HMjr: Now -

T: That -

HMjr: That's all I've got.

T: Yes - Now, that CCC thing isn't - the Commodity Credit isn't quite as bad as it sounds, because these inquiries were unsolicited on their part. In other words a couple of people wrote in and wanted to find out what they could buy them for.

HMjr: But, my dear Wayne -

T: Yes

HMjr: Why should the Government sell a four months bill with a half of one per cent interest?

T: Well, there's a different - there's a different tax situation on this you know.

HMjr: I know, but this - even then a four months bill.

T: Yes, I agree.

HMjr: When - when we in the Treasury can borrow the money for them for nine months for an eighth -

T: Yes - No, I agree, but I was just saying it's not - it isn't quite as bad as it sounds.

HMjr: No, but the longer they leave it open the more they criticize them.

T: Right

HMjr: And they ought to close it.

-4-

T: I'll get that to -

HMjr: - Read this week's American Banker - that fellow's article on Thursday, see?

T: Yes

HMjr: Just read what he says about it. He says, at - I think as I remember it it was right at the end of his column - you know once a week he writes on Thursday in the American Banker called, "This Government" or something like that.

T: Yes

HMjr: And it seems that they made another bulletin announcement. I'd like to get it out of the way.

T: All right, I'll get that to him rightaway.

HMjr: All right, I have nothing else.

T: Well, there is nothing new here, no news at all from the other side.

HMjr: Yes

T: I'm going over on this insurance thing this morning.

HMjr: But you will clean up that Vandenberg letter?

T: You bet.

HMjr: And then, when it's finished give it to Mrs. Klotz and she'll mail it for me.

T: Right

HMjr: And before you send it you check the changes with Jake Viner.

T: That's right.

HMjr: Thank you.

T: All right, Henry.

HMjr: Thank you.

T: Goodbye.

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Operator: Are you through?  
HMjr: Any - hello?  
Operator: Hello -  
HMjr: Anybody want me?  
Operator: No, no one else asked for you, Mr. Morgenthau.  
HMjr: Yes - well, Mrs. Morgenthau talked directly to  
the White House so I won't need to talk to her.  
Operator: All right.  
HMjr: Let me have Mrs. Klotz.  
Operator: All right.  
H. S.  
Klotz: Hello  
Operator: Just a moment. - Go ahead.  
K: Hello - hello?  
HMjr: Yes, mam -

September 23, 1936

HM, Jr. today asked Lochhead to get in touch with Mr. Knoke and Dr. Williams of the Federal Reserve Bank of New York and ask them to come to the Treasury tomorrow for a conference. The nature of the conference was not disclosed to them.

When Governor Harrison learned that the Secretary had asked these men to come to Washington, he called the Secretary at the Farm at four o'clock. He did not want to release the men unless he knew why they were wanted. HM, Jr. told Governor Harrison some of the reason and put him under oath to tell no one on his Board of Directors. Governor Harrison promised that he would not tell anyone.

September 23, 1936.  
9:20 a.m.

Operator: Mr. Oliphant.

H.M.Jr: Hello

H.O: Hello - how are you?

H.M.Jr: Oh I'm pretty well - how are you?

H.O: Well we got the boy all settled away.

H.M.Jr: Did you get your boy settled?

H.O: Yes.

H.M.Jr: Now are you coming up to Washington?

H.O: Yes I'm at Annapolis now - we drove back by way of Annapolis.

H.M.Jr: When would you come up?

H.O: Why - what - what's on your mind? Whenever you say.

H.M.Jr: Well there's a lot on my mind and this whole question now of the drafting stage. This whole question now of the drafting stage has started.

H.O: Yes.

H.M.Jr: There's a cable on the way now - they want - I mean I don't want to tell it over too many 'phones.

H.O: Yes I know.

H.M.Jr: But it ought to be there by noon.

H.O: Yes.

H.M.Jr: And I don't want anybody on this drafting but yourself.

H.O: All right I'll be there at noon.

H.M.Jr: And you see the French have put up this straight to us if they go off and devalue and devalue

H.O: Yes

H.M.Jr: can they still get gold.

- 2 -

H.O:            Yep.

H.M.Jr:        And the English have put up the same thing.

H.O.            I see.

H.M.Jr:        And I want the drafting and the licensing on that to start at once.

H.O.            All right.

H.M.Jr:        Because, very confidentially, they hope to do this thing Friday night.

H.O.            Yes.

H.M.Jr:        Now that doesn't give us very much time.

H.O.            That's right.

H.M.Jr:        And I haven't yet let the Federal Reserve of New York know but I thought I'd have to let them know tomorrow.

H.O.            Yes. - That's right.

H.M.Jr:        But the question - they go off the gold standard, see?

H.O.            Yes.

H.M.Jr:        Then they want to be able to get gold at - they say that in 1926 the mistake that they made was that they loaded up with foreign exchange.

H.O.            Yes.

H.M.Jr:        And this time they want to get gold.

H.O.            Yes. And the

H.M.Jr:        Hello

H.O.            And the British want to too.

H.M.Jr:        And the British want to do the same thing.

H.O.            Yes.

H.M.Jr:        So I want that end of it begun and I don't want anybody to handle it but you.

H.O. That's right. Well I just drove in now and as soon as I get organized here I'll drive on into Washington and I'll be there by noon.

H.M.Jr: Herman - hello -

H.O. Hello

H.M.Jr: If you get up there by 2 o'clock it's time enough.

H.O. All right.

H.M.Jr: I mean you can have your lunch and then come.

H.O. That's fine.

H.M.Jr: If you're at the Treasury by two it's time enough.

H.O. That's fine.

H.M.Jr: But I'd - I'd like to have you stay there now.

H.O. Oh yes - until - until the thing is all cleaned up.

H.M.Jr: Yes that's the idea.

H.O. That's right.

H.M.Jr: And if you'll get there by two why - and - and this is something that I don't want anybody to do but you yourself.

H.O. Oh yes.

H.M.Jr: I mean I don't care how many assistants you have.

H.O. Yes I understand that.

H.M.Jr: But I want the thing - your own personal work please.

H.O. That's right. Now when will I see you.

H.M.Jr: Well I don't know. It all depends - you see

H.O. I think it's really better that you're up there.

H.M.Jr: And the President's here.

H.O. Yes - that's what I mean.

H.M.Jr: And I - I - I don't just know how to handle myself but I'm going to have a plane here.

H.O. Yes.

H.M.Jr: So I'm only an hour and a half from Washington either way.

H.O. Well we got the telephone and I think it's better that you're up there.

H.M.Jr: Well I don't know. I haven't made up my mind. It depends the way the thing breaks.

H.O. Yes.

H.M.Jr: But they're terribly nervous abroad and this fellow - this Frenchman was trying to spill the whole beans.

H.O. Yes.

H.M.Jr: What?

H.O. Yes.

H.M.Jr: So if you'll be at your office at two.

H.O. Yes sir.

H.M.Jr: And by that time the cable will be here and then you know what I want and then you could start on it.

H.O. I'll do it. I'll take care of it and then we've got the telephones and also got the White House telegraph wire and I've --

H.M.Jr: What's that?

H.O. I think it's better that you're up there.

H.M.Jr: Well we can't tell yet.

H.O. Yes. All right. Well then I'll be there before two.

H.M.Jr: Thank you.

H.O. Goodbye.

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Mrs. Klotz: Mr. Taylor just walked in now Mr. Morgenthau.

H.M.Jr: All right.

H. S.K. Do you want to talk to him?

H.M.Jr: Please.

Taylor: Hello

H.M.Jr: Hello Archie.

K: No this is Wayne

T: Yes.

K: Mr. Taylor

T: Good morning.

H.M.Jr: Good morning. You've got me all upset this morning because my envelope missed the train and it isn't here and I promised the President to get it to him at 9:30 this morning daylight saving time.

Operator: Interrupted to say something.

K: Oh stay off here operator please. No, stay off.

T: Well he left in plenty of time to get on it.

H.M.Jr: What?

T: He left in plenty of time he said.

H.M.Jr: Hello.

Annapolis  
Operator: This is Annapolis.

K: Mr. Morgenthau - Mr. Oliphant - they haven't disconnected that call yet.

Our  
Operator: Hello. Hello.

K: Miss Spangler the Annapolis operator is still on this line. Will you please disconnect it and change it.

Our Operator: All right.

Annapolis Operator: I'm cut off from Washington.

Our Operator: Washington is through.

Annapolis Operator: I'm putting another connection on here.

Our Operator: Hello (pause) Hello

Operator: Are you talking to anyone on this line.

T: Yes.

K: No the operator is on here Miss Spangler.

Our Operator: Hello - hello operator.

Our operator: Hello.

K: Yes.

Our operator: Are you still talking long distance?

K: Why I'm talking to Mr. Morgenthau and you're - the Annapolis operator kept coming in.

Operator: Just a second.

K: (Aside to the group) He'll be fit to be tied.

Operator: I didn't know you were through with Annapolis - you see I don't get any signal on it.

H.M.Jr: Hello - Bell or Wayne?

T: Yes.

H.M.Jr: Well of course the answer is <sup>it didn't</sup> ~~this~~ - because it isn't here.

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T: Well I'm awfully sorry about it because they tell our - the boy said that if he left by 7 o'clock he'd get on the 7:25 train.

H.M.Jr: What boy was that?

T: Simmons or something like that.

H.M.Jr: Well - a colored boy?

T: Yes.

H.M.Jr: Well of course he didn't have any judgment and it isn't here. And the trouble is you see if you get these things to the President before he goes into conference and he can read them.

T: I'm awful sorry about it.

H.M.Jr: Well I am too because it has completely upset me and I hate to tell the President that something will be there and then it doesn't get there. By special messenger he should have got on the train but it's over the dam now and I'm going to fix it so that these things go into McReynolds' office and I'm going to hold him personally responsible because I was awfully anxious to get this thing.

T: Well I'm awful sorry about it.

H.M.Jr: Well, as I say, it should have been taken by a man on the train and brought up here. Now I talked to Cochran and the French are pressing him for an answer in case they go off gold can they get gold here, see?

T: Yes.

H.M.Jr: The British want to know the same thing. I've sent for Oliphant. He'll be in at two. I want him to start drafting that thing, see?

T: Yes.

H.M.Jr: I mean get the forms ready. Because the French do say that they are going to do this thing Friday night.

T: Yes.

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H.M.Jr: Now furthermore they want to know whether we'd close our Stock Exchange Saturday and, fortunately, Cochran told them that he doubted it but he thought that we could fix it so there would be no dealing in the exchange - hello.

T: Yes.

H.M.Jr: I think I can take care of that personally. Now Cochran said the French are getting awfully nervous on account of this fellow who just got back there doing all this talking and I know now where he got his stuff too and so there ought to be a cable coming in now any minute and - is Archie there?

T: Yes.

H.M.Jr: Can he hear me - Archie

Lochhead: Yes Mr. Morgenthau.

H.M.Jr: I want you to call up the Federal Reserve of New York and tell them that I want Professor Williams and Mr. Knoke here tomorrow morning.

L: Right - Williams and Knoke.

H.M.Jr: They'll have to take my word what it's for.

L: Right.

H.M.Jr: I don't want "No" and tell them it's only a 50-50 chance that I'll need them.

L: 50-50 that you'll need them but you want them here tomorrow morning.

H.M.Jr: I want them here tomorrow morning.

L: Right.

H.M.Jr: There's only a 50-50.

L: Yes.

H.M.Jr: Now please Mrs. Klotz telegraph Viner that I want him here tomorrow morning.

K: All right.

H.M.Jr: That is when I say 'here' I mean Washington.

K: Yes well I mean - I'd better 'phone him don't you think?

H.M.Jr: I'd 'phone him.

K: Yes.

H.M.Jr: And make sure Herbert Feis is going to be in town.

K: Yes. I will.

H.M.Jr: And - Archie?

L: Yes sir.

H.M.Jr: Don't you think that both Knoke and Williams would be helpful on the - if this gets down to a two day matter.

L: Well I certainly think so because Knoke can handle the technical matters and Williams can go into the broader points and those are the two men there who would really know something about it.

H.M.Jr: Yes. Now I talked to Mrs. Klotz last night to Governor Harrison and told him that I wanted to keep in touch with him but I didn't tell him why.

K: Yes.

H.M.Jr: And he's going to be again in Washington Friday.

K: Yes.

H.M.Jr: So that's good.

K: Yes.

H.M.Jr: And I talked to the President last night.

K: Yes.

H.M.Jr: And brought him up to date on this thing and told him about the French wanting gold.

K: Yes.

HMjr: Well, he is kind of confused in his mind and - then I told him that this Vandenberg letter would be particularly useful to release it Thursday or Friday.

K: Yes

HMjr: Because it explains the whole gold business -

K: Yes

HMjr: And particularly I told him it was useful because in it it says that I'd be glad to have gold go out of the Country.

K: Yes

HMjr: Now the time to say that is before it goes.

K: That's right.

HMjr: And that's why I'm so terribly anxious to get it - to get him to O. K. it.

K: Yes

HMjr: Because the whole thing is to get that out in the newspapers before gold begins to leave.

K: That's right - that's right.

HMjr: And - well, the only thing that I want the men in the office to do now, as soon as Oliphant gets there, is to begin to draft licenses -

K: Yes

HMjr: - so that both England and France could get gold if we wanted - to them and under what conditions.

K: Yes

HMjr: See?

K: Yes - all right.

HMjr: Archie -

Lochhead: Yes, sir

HMjr: Have you been thinking any more about the dollar sterling rate?

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- L: Yes, I've been working that over and in fact I've more or less made up a memorandum on that in regard to this gold proposition, one way or the other.
- HMjr: Yes
- L: Of course I think it'll only be tentative just now but I think we have to have some assurances on our side.
- HMjr: Yes - well, the French are willing - of course whatever agreement we make, after they devalue they're willing to be - to do it both ways.
- L: Yes, the French will be willing to do it both ways.
- HMjr: Well, so will the British.
- L: Well, the British did say - they asked us if we'd let go of gold on a reciprocal basis I think.
- HMjr: Yes
- L: So that would show that they are willing but of course we have to get that translated down into some kind of an agreement even though it is only a tentative agreement.
- HMjr: Now, the main thing that Cochran says that we shouldn't have - he is sending a cable in which he is asking certain questions for the French.
- L: Right
- HMjr: I told him we could answer that tonight.
- L: Right
- HMjr: But, he said he questioned whether we should try to answer it until we heard from the British - and so you people can be turning that over in your minds.
- L: Right, we'll do that.
- HMjr: See?
- L: Yes - and so far we haven't heard anything from the British.
- HMjr: No

L: Oh, I see.

HMjr: And there is such a thing as moving too fast.

L: Yes, because of course the trouble is that those two over there are conferring and their Central Bank people are conferring and we haven't gotten in on that yet. And I think until we know a little bit clearer what their arrangements are -

HMjr: Yes

L: - that we ought to be a little bit cautious.

HMjr: Yes, now - are you going to get me Williams - Knoke - ?

H. S. Klotz: Viner -

HMjr: - and Viner - ?

K: That's right.

HMjr: And - thank you.

L: All right.

HMjr: This thing just came now.

H. S. Klotz: Oh - well, it's ten thirty - yes, ten thirty your time.

HMjr: No, it is marked 'Washington, 7:30'.

K: I see - yes

HMjr: Well, it's here.

K: Yes

HMjr: Now, does anybody there want to talk to me?

K: Unless - do you want Haas? He may be --

HMjr: No, but they ought to sit in on this.

K: Well, we'll see that they do.

HMjr: Yes - they ought to sit in --

K: I'll give them the gist of this telephone conversation.

HMjr: Pardon me?

K: I'll give them the gist of this telephone conversation.

HMjr: Right - Now, Mrs. Klotz -

K: Yes

HMjr: I'm going to talk a minute to McReynolds.

K: Yes

HMjr: And I'll ask him to go into your office.

K: Right

HMjr: And -

K: I've rung for the Operator -  
(Spoken to Operator: Get - tell Mr. McReynolds to come in.  
Operator: All right.)

HMjr: Into your office.

K: Oh -  
(Spoken to Operator: Hello -  
Operator: Yes  
HSK: Into my office  
Operator: All right.)

HMjr: Thank you.

K: All right, sir, -

HMjr: Thank you.  
  
(Pause)

K: All right.

HMjr: And while he is coming ask him -

K: (Spoken to Operator: Have him come in here instead.  
Operator: All right.)

HMjr: And ask if Tollaksen is over at Coast Guard, I'd like to talk to him.

K: All right.

HMjr: Please -

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HMjr: Pardon me?

K: I'll give them the gist of this telephone conversation.

HMjr: Right - Now, Mrs. Klotz -

K: Yes

HMjr: I'm going to talk a minute to McReynolds.

K: Yes

HMjr: And I'll ask him to go into your office.

K: Right

HMjr: And -

K: I've rung for the Operator - (Spoken to Operator: Get - tell Mr. McReynolds to come in. Operator: All right)

HMjr: Into your office.

K: Oh - (Spoken to Operator: hello - Operator: Yes HSK: Into my office Operator: All right)

HMjr: Thank you.

K: All right, sir

HMjr: Thank you.

(Pause)

K: All right.

HMjr: And while he is coming ask him -

K: Have him come in here instead, all right.

HMjr: And ask if Tollaksen is over at Coast Guard, I'd like to talk to him.

K: All right.

HMjr: Please -

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K: Right now?

HMjr: Yes - while I'm waiting.

K: All right.

(Pause)

K: (Spoken to Operator: The Secretary wants to talk to Lieutenant Tollaksen now.)

HMjr: I want Mrs. Klotz to listen in.

Operator: All right.

K: It'll work itself out. I know that you, I mean, you --

HMjr: What?

K: I know it's terribly important and I know how tense you are about these things but they'll really work out.

HMjr: All right.

K: You've got yourself to think about, I mean you're up there for a week -

HMjr:

K: And, well I really think - I think everything can be done from the phone. I think you can get your men up there and let them travel up and back.

HMjr: Yes

K: You've got the telephone there. You've got the President close by.

HMjr: Yes

K: Here's Mac now, do you want him to wait until you've talked to Tollaksen?

HMjr: Yes, if Tollaksen is there.

K: Right -

(Pause)

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Tollaksen: The Secretary's on the line.

K: Hello

Operator: Lieutenant Tollaksen.

Tollaksen: Hello

H.M.Jr: Hello - Tollaksen.

Tollaksen: Good morning Mr. Secretary.

H.M.Jr: Good morning. I've got a number of things I want you to take care of for me.

Tollaksen: All right sir.

H.M.Jr: I want you to send one of those four radio trucks to New Hackensack.

Tollaksen: Yes sir.

H.M.Jr: Hello

Tollaksen: Yes sir

H.M.Jr: And to stay there till further orders. They may be there for two or three days.

Tollaksen: Yes sir - I'll do that.

H.M.Jr: There's a small hotel right nearby the field where they can stay if they want too.

Tollaksen: All right fine. Now they'll stay right at the New Hackensack field.

H.M.Jr: Yes - that's number one.

Tollaksen: Yes sir.

H.M.Jr: No. 2 - I want a 75 foot cutter to go to Peekskill and stay there until further orders.

Tollaksen: All right sir I'll do that.

H.M.Jr: At the railroad dock.

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Tollaksen: I'll have the same one that always does that.

H.M.Jr: And stay there - and for heaven's sakes tell them to have a radio on it.

Tollaksen: (laughing) Yes sir I will.

H.M.Jr: And then have - what's his name - Burke come to Anacostia - hello

Tollaksen: Yes sir.

H.M.Jr: He ought to be there - let's see just 10:30 - suppose he gets there by - well I'm just trying to think - well let him get there in about two hours - what time is it now

Tollaksen: I think he's right there now sir - he's been ferrying Secretary Gibbons and he was going to leave shortly.

H.M.Jr: What's that?

Tollaksen: I think he's in town right now. He brought up Secretary Gibbons. Of course he was using the Northrup.

H.M.Jr: Where from?

Tollaksen: From Philadelphia Navy Yard. Or from Philadelphia rather. He got in this morning and was going to take off for Cape May shortly. I don't know whether he's left or not.

H.M.Jr: I gave explicit instructions yesterday to Captain Munter that I wanted my plane ---

Tollaksen: Oh this is the Northrup sir \*

H.M.Jr: But how can he get the other plane back?

Tollaksen: Well he'll have to fly over and get it and bring it back I guess.

H.M.Jr: Well is - is - is Captain Munter there.

Tollaksen: No sir the - all the government employees are off until one o'clock by Presidential order for the G A R but I can get him.

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H.M.Jr: Well I gave Captain Munter explicit instructions that Burke should stand by with the Northrup to be able to take off on a minute's notice.

Tollaksen: You mean the Electra.

H.M.Jr: Ah the Lockheed.

Tollaksen: Yes sir.

H.M.Jr: And my orders have not been carried out.

Tollaksen: Ah ha.

H.M.Jr: I mean - you get Captain Munter to call me. I talked to him personally yesterday.

Tollaksen: Yes sir.

H.M.Jr: And I don't see what Burke has to run around with that other plane. I gave explicit orders yesterday.

Tollaksen: I guess maybe Secretary Gibbons must have ---

H.M.Jr: My orders come above anybody else's except the President.

Tollaksen: Yes sir. Well I'll have Captain Munter call you then, sir, if you wish.

H.M.Jr: Well I - I want - I want this - I want the Lockheed in Washington. I'm going to order it there at 12 o'clock and if it's not there I want to know why.

Tollaksen: Yes sir it'll be there.

H.M.Jr: I want it there at 12 o'clock.

Tollaksen: Yes sir. At our Naval Airstation at Anacostia.

H.M.Jr: Yes and I want to get Captain Munter and I want him to call me right away.

Tollaksen: Yes sir - at your home.

H.M.Jr: Yes.

Tollaksen: Yes sir. You're at New Hackensack now.

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H.M.Jr: No I'm at Beacon 211.

Tollaksen: Beacon 211 - yes sir.

H.M.Jr: And then also have a car stand by at New Hackensack in case we need it.

Tollaksen: A car and a truck.

H.M.Jr: A truck and a car.

Tollaksen: I see.

H.M.Jr: Is Admiral Waesche in?

Tollaksen: No sir - he's with Mr. Graves and Commander Parker out in Chicago and is due in here tomorrow.

H.M.Jr: Now just what did Burke do?

Tollaksen: Why from what I can judge from the messages here - why he took Secretary Gibbons to Philadelphia yesterday and they stayed overnight and got back here this morning at 8 O'clock and I think he is probably just about now leaving for Cape May.

H.M.Jr: Well I gave explicit orders to Captain Munter.

Tollaksen: Ah ha. I know he was ordered out from here.

H.M.Jr: Well where do you suppose Captain Munter is?

Tollaksen: I think he's home. I could get him very easily.

H.M.Jr: Well I'll have my board - switchboard try to get him.

Tollaksen: I see. I'll give you his telephone number if you like or give the operator the telephone number.

H.M.Jr: Well give - give Mrs. - when I hang up give it --

Tollaksen: To Miss Spangler?

H.M.Jr: Yes.

Tollaksen: Yes.

H.M.Jr: Hello

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Tollaksen: Yes sir. Those - those - those four things, sir.

H.M.Jr: I'm going to order them there at 11 o'clock standard time.

Tollaksen: 11 o'clock standard time.

H.M.Jr: Yes I want them there at 11 o'clock standard time with my plane at Anacostia.

Tollaksen: All right sir.

H.M.Jr: And I'm giving him an hour and twenty minutes.

Tollaksen: Yes sir. Well I'll get those orders right out, sir. Get the boat and the truck and the car and tell Miss Spangler Captain Munter's number and get the plane up here at 11 o'clock.

H.M.Jr: All right.

Tollaksen: Anything else sir?

H.M.Jr: Well that's enough. I want to know why my orders aren't carried out.

Tollaksen: (Laughter) I would too.

Tollaksen: All right. Well I'll tell Miss Spangler as soon as you ring off what Captain Munter's telephone number is.

H.M.Jr: All right. Hurry up now.

Tollaksen: Aye aye, sir. Goodbye.

K: Hello

H.M.Jr: Yes

K: Yes sir. Hello

H.M.Jr: Yes

K: Did you want Mr. McReynolds?

H.M.Jr: Please.

Mc R: Hello Secretary.

H.M.Jr: Mac.

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McR: Yes.

H.M.Jr: From now on, when I'm away, my mail is going to your office and I'm going to hold you personally responsible to see that it gets to me.

McR: I'd be delighted to have that done.

H.M.Jr: Thank you.

McR: Yes sir.

H.M.Jr: And I mean - I mean I've got to have somebody and it goes from your office and it's up to you to see or designate somebody in your office that the thing comes to my place.

McR: I will assume personal responsibility for it.

H.M.Jr: What's that?

McR: I will assume personal responsibility for it.

H.M.Jr: All right. Well now if you do that I'll stop worrying in the future.

Mc R: All right.

H.M.Jr: Thank you, Mac.

McR: Terribly sorry.

H.M.Jr: Thank you.

K: Hello - yes.

H.M.Jr: Don't you love Gibbons taking Burke?

K: (Hearty laughter) Well of course they don't know what's going on you see.

H.M.Jr: I told Captain Munter, who was Acting Commandant, --

K: Yes.

H.M.Jr: Now see if you can get him.

K: You'r on the loud speaker. Do you want to get him now.

H.M.Jr: Pardon me?

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K: I say you're on the loud speaker. Do you want to get Captain Munter now?

H.M.Jr: Yes. But just you listen - nobody else.

K: All right.

H.M.Jr: Hello

O: Yes

H.M.Jr: Captain Munter

O: All right. Go ahead.

Capt. M: Hello

H.M.Jr: Captain Munter.

Capt. M: Yes sir.

H.M.Jr: Secretary of the Treasury.

Capt. M: Good morning sir.

H.M.Jr: Would you mind repeating to me the orders that I gave you yesterday about Burke and about the Lockheed plane?

Capt. M: Yes. It was not to be touched under any circumstances; that you didn't want it put out of commission and to make sure that nothing would be done to lay it up in any way.

H.M.Jr: What else did I tell you? I told you I wanted it ready and have Burke ready to come out on a minute's notice.

Capt. M: Well I told them to have it ready. Yes sir, have it ready but I don't know about the minute's notice.

H.M.Jr: I told you I wanted it ready so it could come out and be on an emergency basis so I could have it on minute's basis.

Capt. M: Well that was the understanding, yes sir.

H.M.Jr: Well Burke isn't there now.

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Capt. M: How is that, sir?

H.M.Jr: Burke is not at Cape May now. He cannot come.

Capt. M: Well then he's not doing what he was told.

H.M.Jr: Well somebody did not carry out my orders and if there's any place they should be carried out it's Coast Guard.

Capt. M: I should think so too.

H.M.Jr: Now you're Acting Commandant and I gave you explicit orders; Burke is not at his post; the plane is not ready to go and there's a great emergency and I have to have messages carried from Washington up here.

Capt. M: (Pause) Well I don't understand how that could happen, sir.

H.M.Jr: Well I certainly want --

Capt. M: I certainly gave very plain instructions in accordance with your ideas yesterday.

H.M.Jr: I told you personally, as Acting Commandant, I wanted my plane and Burke ready so I could have him on a minute's notice.

Capt. M: Well I certainly did tell him that. I might not have said a minute's notice. I don't remember that part of it.

H.M.Jr: Well to have them ready.

Capt. M: Yes I said have it ready.

H.M.Jr: Well he's not there --

Capt. M: Having it ready means having it ready you know.

H.M.Jr: Well he took Mr. Gibbons up to Philadelphia.

Capt. M: Well I understood that would be the Northrup plane.

H.M.Jr: Yes but where's Burke?

Capt. M: Well of course I don't know who would fly the plane.

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H.M.Jr: Well I can't - I mean I've been all through this with Coast Guard before and I should think there's one thing they could understand is an order - take it and carry it out. And Burke should have stayed at his post.

Capt.M: Well of course you know his name didn't come up yesterday and you realize that and if I had heard Burke was to be the man to be ready to fly that plane I certainly would have said so.

H.M.Jr: Oh well the next time I'll have to write it out.

Capt. M: Oh well you asked me to have that plane ready and I said it would be ready --

H.M.Jr: Well the plane - who's there to fly it now?

Capt. M: Well --

H.M.Jr: Whose there ready to fly it now?

Capt. M: (Pause) Well I'll have to find that out for you.

H.M.Jr: Well there's nobody there.

Capt. M: Is that so? That isn't right.

H.M.Jr: What's that?

Capt. M: Of course that isn't right and the plane is ready.

H.M.Jr: Well I certainly want an investigation made as soon as Admiral Waesche comes back. I want - I want this - I want to go to the bottom of this.

Capt. M: I see.

H.M.Jr: I mean I work day and night and this is an emergency - and I said it was emergency and I wanted the plane ready with Burke yesterday and it's not ready.

Capt. M: Well I'm certainly very sorry.

H.M.Jr: Well - it's - it's - -

Capt. M: Well it's my fault and I'm certainly very sorry.

H.M.Jr: Coast Guard is supposed to be ready on an emergency basis and whenever I want it they practically always fall down.

Capt. M: Well that's too bad of course.

H.M.Jr: Well I'd like to know who gave the order that Burke should leave Cape May.

Capt. M: Well I'll find that out for you.

H.M.Jr: Well did it clear through your office?

Capt. M: It was cleared through the head of aviation yesterday.

H.M.Jr: The head of what?

Capt. M: Through the head of aviation yesterday - Lieutenant Olson.

H.M.Jr: Well I wish ----

Capt. M: Captain Chalker is away.

H.M.Jr: What's that?

Capt. M: Captain Chalker, I say, is away.

H.M.Jr: Well it's perfectly all right. Well I wish - my messages can wait.

Capt. M: How was that again sir?

H.M.Jr: What's that?

Capt. M: I didn't quite understand that.

H.M.Jr: Well I mean I've got these cables from abroad. I want to get them to the President of the United States and I can't get them.

Capt. M: I see. Well suppose I kind of do - what can I do now that would please - clear up the situation.

H.M.Jr: I - I want my plane and I want Burke and I want it at Anacostia and I want him ready to carry a message so that he can bring up --

Capt. M: You want him there as soon as possible - is that it?

H.M.Jr: That's the idea.

Capt. M: Well I'll see what I can do and shall I call you back?

H.M.Jr: No. Call back Mrs. Klotz.)  
Capt. M: Yes sir. All right I'll go right after that, sir.  
H.M.Jr: Please.  
Capt. M: Yes.  
H.M.Jr: That's all.  
Capt. M: Is that all?  
H.M.Jr: That's all.  
K: Hello  
H.M.Jr: Yes.  
K: You know they're just dumb enough to get the plane ready without anyone to fly it.  
H.M.Jr: Now if Gibbons is in I want to talk to him.  
K: All right. Of course he didn't know that you needed him. It's between Burke and Coast Guard.  
H.M.Jr: Well why should he take Burke without asking me.  
K: Well you were away.  
O: Do you want me?  
H.M.Jr: I want Gibbons please.  
O: Gibbons? All right.  
K: It's on Burke. If he knew you wanted the machine at a minute's notice he should be on guard.  
H.M.Jr: I told Munter myself. I didn't even want Chalker to do it - I mean Miss Chauncey.  
H.M.Jr: Hello  
O: Mr. Gibbons  
H.M.Jr: Hello  
Gibbons: Hello  
H.M.Jr: Steve?

Gibbons: Yes.

H.M.Jr: Henry talking.

G: Yes - how are you.

H.M.Jr: Not in a very good humor I'm sorry.

G: What's the matter?

H.M.Jr: I told Captain Munter yesterday that I wanted the plane and Burke ready on a moment's notice so that I could have him at any minute - now I've got dispatches I want flown up here for the President and I can't get him.

G: Well Burke is here in Washington. I used him yesterday.

H.M.Jr: Hello

G: Hello

H.M.Jr: Hello

G: Yes.

H.M.Jr: I mean I told Munter myself. I said I want Lieutenant Burke and the Lockheed ready so she can fly on a minute's notice.

G: Yes.

H.M.Jr: And now - now I can't get it.

G: Well Burke - I used Burke yesterday to go up to Philadelphia and came back this morning and, as far as I know, he's here in Washington now.

H.M.Jr: Yes but he can't - can't come with the plane. He isn't ready. I mean did you know that I told them to stand by?

G: Oh no - no - no.

H.M.Jr: What?

G: No. So you see I don't really know what's going on in the aviation over there. You've sort of taken care of that yourself and I asked them if they had a plane, see, and if not I'd go up on the regular plane and I talked to Olson under - Chalker's away - and he said yes that they could get the plane down here and he said that you had the other plane and they got Burke down here and I

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went up and came back this morning.

H.M.Jr: Well I mean did you ask specifically for Burke?

G: No - no

H.M.Jr: What:

G: I'd ~~be~~ had taken anybody.

H.M.Jr: I don't hear.

G: No - no I say I would have taken anybody - I just asked them if they had a plane --

H.M.Jr: I told Munter to have the plane and Burke ready. We've got a crisis abroad see?

G: Yes. My God why wouldn't they tell me that.

H.M.Jr: What?

G: Why wouldn't they tell me that?

H.M.Jr: Well I don't know and I'm calling you because I wish you'd look into it.

G: All right.

H.M.Jr: But I told Captain Munter myself, see?

G: Yes.

H.M.Jr: That I wanted the plane and Burke ready so he could go, I said, on a minute's notice.

G: You see - I asked - I knew that Waesche was away and I asked if Covell was over there and they said no that Captain Munter was there - so then Munter said -----

H.M.Jr: As far as your flying up there of course that's all right.

G: Oh yes but I could have taken an amphibian - just simply a question - a fellow asked me to go up and see the fight last night and I left here after 5 o'clock - in fact I left here at 6 o'clock and I was back here this morning at nine.

H.M.Jr: But I mean they won't come back and tell me that you specifically asked for Burke?

G: Oh no.

H.M.Jr: What?

G: No - no - no - they can't because I didn't ask for anybody. You see I know that you use Burke and, as a matter of fact, I thought probably Burke was up there with you.

H.M.Jr: No.

G: Oh no - I - I wouldn't --

H.M.Jr: I've got my hands full and it's a matter of minutes.

G: Absolutely - well of course they didn't say a damn thing --

H.M.Jr: Well I'm glad I talked to you. I just got through talking to Munter.

G: Yes.

H.M.Jr: And I personally told him word for word what I wanted.

G: Yes. Well I don't know - those fellows can't think for anybody. They don't think for themselves. Now they said yesterday that the plane had some difficulty in taking off. Well I was across the hall in the washroom, see, when that message came in.

H.M.Jr: Yes.

G: I came back and I called Olson and he'd gone home. Now he didn't even wait and I told him I wanted a report this morning.

H.M.Jr: Yes.

G: Well of course the ground is wet up there. I thought probably the plane - sparkplug or something may not be functioning.

H.M.Jr: Yes.

G: And they'd be dumb enough to send it up in the air and let you take a chance on flopping, don't you know?

H.M.Jr: Well you look into it---

G: So I was so damn mad last night that I couldn't see straight.

H.M.Jr: You were mad.

G: And I told Olson I wanted a report or I left word with Pollio that I wanted a report on this this morning.

H.M.Jr: Ah ha.

H.M.Jr: Well Steve you look into this for me.

G: Oh yes. All right. Let's see if I can get ahold of Burke over at the --

H.M.Jr: Well I wouldn't. I'm afraid now. I've given this thing to Munter.

G: Yes.

H.M.Jr: See?

G: Yes.

H.M.Jr: And I don't want Burke getting so many orders that he won't know which to obey.

G: Well if I can get ahold of him personally on the 'phone and talk to him shall I give him these instructions?

H.M.Jr: No I'd rather let it go through Munter now.

G: Well I - you know I thought the other fellow over there - I don't know what you can do with them. They're not human beings.

H.M.Jr: I don't hear very well.

G: I say they're so terrible over there that they're not human. They just simply won't think; they won't do anything and it's a bad ---

H.M.Jr: All right. Thank you.

G: All right. Goodbye.

H.M.Jr: Goodbye.

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K: Hello

H.M.Jr: You better go to the dentist.

K: Oh I'm in no hurry, sir. I mean really I've got all the time - I'm not in pain and it's perfectly all right.

H.M.Jr: Well I'm through with ----

K: You must be exhausted.

H.M.Jr: What?

K: You must be exhausted.

H.M.Jr: Well these things - when details don't go right --

K: Well Mr. Morgenthau it simply is that they're very very stupid over there.

H.M.Jr: Well you heard Munter.

K: You said a plane and that's all. They don't think of a pilot.

H.M.Jr: Yes.

K: It's very dumb.

H.M.Jr: Yes.

K: Well just goes to show how good Waesche is.

H.M.Jr: Sure. Now you go to the dentist, and -

K: I'll only be about five or ten minutes.

H.M.Jr: Well don't hurry, and -

K: I'll first call Viner

H.M.Jr: Oh do that - let what's his name -

K: No, no. It will only take me a few minutes to get him.

H.M.Jr: Now you made an appointment.

K: No, sir, I didn't make an appointment.

H.M.Jr: Oh.

K: I'm going to get Viner on the phone myself.

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H.M.Jr: You know I'm awfully glad to see that Gibbons is clear on this.

K: I knew that he would be, Mr. Morgenthau. Honestly, I did.

H.M.Jr: Yes.

K: And that was why I interjected that remark so that you wouldn't get angry.

H.M.Jr: Oh.

K: I knew he was. I knew he wouldn't touch Burke when you use him under any circumstances.

H.M.Jr: Are you alone?

K: Yes.

H.M.Jr: Well -

K: Well, you will need some rest after this long conversation.

H.M.Jr: Well, you know, I've been in a lot of things in three years - see - and this is the most ticklish one I've been in yet.

K: I know. Well, if you take care of your health, you'll have the strength to work it through.

H.M.Jr: O.K.

K: All right, sir.

H.M.Jr: Thank you very much.

K: Goodbye.

September 23, 1936  
4:05 p.m.

Operator: Go ahead.

Taylor: Hello. Hello.

H.M.Jr: Wayne?

T: Yes, Henry.

H.M.Jr: Is Oliphant with you?

T: Yes.

H.M.Jr: Well, what headway are you making?

T: We're arguing -(laughs).

H.M.Jr: Well, when are you going to have an answer to this cable?

T: We're not quite ready yet.

H.M.Jr: Yes. Well let me talk to Herman.

T: Right.

Oliphant: Hello.

H.M.Jr: Herman?

O: Yes.

H.M.Jr: Are you going to have anything for me?

O: Yes. The subject of settling the basic question.

H.M.Jr: Yes. What's that?

O: Well, the terms on which we<sup>would</sup> make gold available to England. That goes to the question of drafting those documents.

H.M.Jr: Well -

O: That is all the drafting except for that has been done.

H.M.Jr: You mean on what - to what point?

O: No - whether or not we would make it conditioned upon their doing the same thing for us.

- 2 -

- H.M.Jr: Well I - I laid down that condition.
- O: All right.
- H.M.Jr: I told them that when they were here.
- O: Well, then - then - I see the light of day. I think it is all right.
- H.M.Jr: Didn't you know that?
- O: No.
- H.M.Jr: Archie knows that.
- O: Yes.
- H.M.Jr: Taylor knows it.
- O: Yes.
- H.M.Jr: I told the British that I didn't - they said we can get it in the open market. I said that I can get it if you will give it to us.
- O: Yes.
- H.M.Jr: And I said that if I agree to give it up, you have to agree to give it to us.
- O: And if you agree to give it up at a fixed price, they have got to agree to give it up at a fixed price.
- H.M.Jr: Exactly.
- O: Is that right?
- H.M.Jr: And what I said was something like this: I said, "We'll use purely arbitrary figures."
- O: Yes.
- H.M.Jr: I said: "We'll give it up when gold - when sterling went up above \$5.00 and you'll give it up to us when sterling went below \$4.90. "
- O: Yes - that's when. Now the other question is at what price. Both things are involved, you see. We'll give it up to you -
- H.M.Jr: Well, that other question was one that Lohead has been arguing about - whether it is a sterling dollar - whether

- 3 -

it is \$35.00 less a quarter.

O: Yes.

H.M.Jr: And they have had months to work on that now.

O: Yes. Well -

H.M.Jr: I said from the first that we would not give up to the French unless the French agreed to give up to us and vice versa with the British.

O.: Yes, that's right. Put us all on an equal footing.

H.M.Jr: But as for the price of gold, I take it that the price of gold would be \$35.00. Last - I always thought the easiest way to figure was \$35.00 at New York.

O: Yes.

H.M.Jr: And then figure it backwards.

O: Well, that's all right. We can leave out those handling charges, etc.

H.M.Jr: Well, it -

O: But if we give them a call on us for gold at \$35.00, we would have to have a call on them for gold at so many francs, and at so many shillings.

H.M.Jr: Yes, and I always thought the easiest way, if it could be done, was to figure it all \$35.00 at N.Y.

O: Well, that can be done. Well, it would have to be stated all three ways.

H.M.Jr: That's all right.

O: Yes. Now the other thing is - it might be that that price would be a firm price for one day or for one week, and so on.

H.M.Jr: Well, the price - the price is there as long as we have national prosperity.

O: Yes.

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- H.M.Jr: And when we don't have national prosperity, or when it affects our national prosperity, we change.
- O: Yes.
- H.M.Jr: And I am not going to sign anything.
- O: Yes.
- H.M.Jr: Now, I want you to get that.
- O: Yes.
- H.M.Jr: I'm not going to sign anything.
- O: Yes.
- H.M.Jr: If some -
- O: At most, you'd make an announcement that until further notice you would do so and so.
- H.M.Jr: Well, we didn't sign anything with the Chinese.
- O: No.
- H.M.Jr: And -
- O: Well, I say - at most you would make an announcement that until further notice you would do so and so.
- H.M.Jr: That's the idea, Herman. But I won't sign anything, Herman.
- O: Yes.
- H.M.Jr: Because I have to live up to my agreement, but I don't know whether the other fellows can because they will get into trouble.
- O: Yes. Well, I think the whole thing is very difficult for this reason, if I may speak to you about it. At the one end, this whole monetary thing is a sleeping dog and in pretty good shape, the way the other side has bungled it. Now it's unfortunate to do anything that moves in the direction of a gold standard, and it is just as unfortunate to do anything <sup>to move</sup> in the direction of jiggling the price.
- H.M.Jr: All true - but on the other hand if we were faced with an embargo, it might be very difficult to handle.

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- O: Yes.
- H.M.Jr: See?
- O: Yes.
- H.M.Jr: And I think - I know how the President feels and how I feel is this - we didn't seek this thing. I wouldn't pick this time to do this thing.
- O: Yes.
- H.M.Jr: Hello.
- O: Yes.
- H.M.Jr: It is a very difficult time to do it, but whatever we do is magnified a thousand times.
- O: Right.
- H.M.Jr: But, we can't on the other hand, say we're not going to do this because we got an election.
- O: That's right. Well, then, I was wondering about this. Suppose the French stabilization fund which they are going to have, say, that they will make gold available to us for a week, we'll say, at so many francs. The British say they will make it available to us at so many shillings, and we say we will make it available to them at so many dollars, but not make it available to anybody else.
- H.M.Jr: Well, that's all right at the beginning, but subsequently we will have to give it to the other countries.
- O: Yes. Well, that's right.
- H.M.Jr: I mean -
- O: Well, we wouldn't disturb the Swiss arrangement - I wouldn't disturb that.
- H.M.Jr: No, but I mean, supposing Sweden comes in.
- O: Well, yes, later Sweden - if Sweden comes -
- H.M.Jr: Or Norway.
- O: Yes, if they do the same thing.

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H.M.Jr: Right.

O: Right.

H.M.Jr: But let me - have I made myself clear?

O: Yes, I think you have - that you won't - that you won't commit yourself to anything they don't commit themselves to, and that you're not going to sign anything.

H.M.Jr: That's right.

O: Yes.

H.M.Jr: They have got to take me on good faith.

O: Yes - right.

H.M.Jr: And the - and you know that's been the British position right along.

O: Yes.

H.M.Jr: Hello.

O: Yes - of course.

H.M.Jr: Herman?

O: Yes.

H.M.Jr: That's been the British position.

O: Yes.

H.M.Jr: See?

O: Yes.

H.M.Jr.: Well, now, on this note - if you people have anything you call me, will you?

O: All right. When will you get your copy?

H.M.Jr: Well, I don't know. In three or four hours.

O: Three or four hours.

H.M.Jr: Well, if he comes through, it's two hours.

O: Yes.

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H.M.Jr: But it's pretty foggy up here.

O: Yes.

H.M.Jr: Now, here's the point. I don't consider that this is a matter of life and death tonight - the answer.

O: Yes.

H.M.Jr: Because Cochran felt we should hold back on this until we hear from the British.

O: Right.

H.M.Jr: But, I mean, so -

O: Yes.

H.M.Jr: I'd work ahead with full speed.

O: Well, Cochran's last line indicates that they've had - that the French have had the British reply.

H.M.Jr: They have.

O: Yes.

H.M.Jr: Well, I don't know what's in the cable.

O: Well -

H.M.Jr: How long is it?

O: It's not very long.

H.M.Jr: Well, I'll ask Mrs. Klotz to read it to me.

O: I wish you would because I think it is very important. It puts the French position exactly the same now as the British.

H.M.Jr: Well, I'll ask -

O: The fact that they're going off and going to stay off, you see?

H.M.Jr: Well, let's leave it this way. Before you fellows break up tonight, you call me.

O: We'll break you - we'll call you.

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H.M.Jr: What?

O: We'll call you.

H.M.Jr: O.K.

Mrs.Klotz: Hello - hello.

H.M.Jr: I'm weak.

K: I can imagine.

H.M.Jr: Has - no, I never mind your making a suggestion.

K: Ah ha.

H.M.Jr: I always take them usually.

K: Well, the only reason I made it is because you told Mr. Oliphant to work on this thing himself.

H.M.Jr: Right. I had intended - I don't want to pull a Roosevelt - but I had intended to do that.

Mrs.Klotz: Laughs.

H.M.Jr: As long as I bothered Mr. Taylor's office, I had to ask for Taylor first.

K: I see.

H.M.Jr: And now you can look me in the eyes - don't know whether I am coming or going.

K: Well, I feel that you are.

H.M.Jr: Well, now if you'll get a copy of the cable, I'd love to hear your melodious voice.

K: All right. I have - Lochhead has it in there - you see, I haven't got any.

H.M.Jr: Well, send for it.

K: Yes.

H.M.Jr: And now that you've learned<sup>how</sup> to read out loud, I'll listen to you.

K: Thank you.

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Mrs. Klotz: Hello. Would you tell Mr. Lochhead to bring the cable right in here?

Operator: Yes.

Mrs. Klotz: Hello.

H.M.Jr: Hello.

K: Yes.

Received over private  
wire from The White House.

Sept. 23, 1936.  
22 9:26 p.m. DST

CONFIDENTIAL DRAFT OF POSSIBLE STATEMENT BY THE SECRETARY OF  
The Treasury:

In connection with the announcements made by him on January 31 and February 1, 1934, to the effect that the Treasury would buy gold, and supplementing the announcement on January 31, 1934, referring to the sale of gold for export, the Secretary of the Treasury states that, hereafter, and until, on twenty four hours notice, this statement of intention may be revoked or altered, he will also sell gold for immediate export to, or earmark for the account of, the exchange equalization or stabilization funds of those countries whose funds likewise are offering to sell gold to the United States, provided such offerings of gold are at such rates and upon such terms and conditions as the Secretary may deem most advantageous to the public interest. The Secretary announces herewith, and will hereafter announce daily, the names of the foreign countries complying with the foregoing conditions. All such sales of gold will be made through the Federal Reserve Bank of New York, as fiscal agent of the United States, upon the following terms and conditions which the Secretary of the Treasury deems most advantageous to the public interest:

Sales of gold will be made at \$35.00 per fine ounce, plus one-quarter per cent handling charge, and sales and earmarking will be governed by the Regulations issued under the Gold Reserve Act of 1934.

-END-

ADD  
CONFIDENTIAL DRAFT  
POSSIBLE STATEMENT BY  
THE SECRETARY OF THE TREASURY

Sept. 23, 1936.

(This paragraph will be included in  
instructions to Cochran.)

In all my previous instructions to you I have emphasized the fact that the issuance of a simultaneous declaration can only take place when mutually acceptable rates have been determined. We have nothing as yet definitive regarding dollar sterling exchange range contemplated. Some of the major details of the possible arrangements for release of gold between three centers cannot be determined until ranges of rates are settled. This position should be made clear beyond question to the French and the British because I do not wish to find myself deeply committed to a general position without full protection of these points.

END

Wayne C. Taylor.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 23, 1936, 10 p.m.

NO.: 913 RUSH

FROM COCHRAN.

FOR THE SECRETARY OF THE TREASURY.

Today Premier Blum had a conference with Minister of Finance Auriol and his assistant, Baumgartner. They were in telephone communication with Moniek, who is still negotiating with the British Treasury in London. They had no word to pass on to us up until ten o'clock tonight. I suggest, nevertheless, that we proceed with an answer to the points raised in my telegram of September 23, 1 p.m., No. 908.

WILSON.

EA:LWW

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE September 23, 1936.

TO Mr. Taylor  
FROM Mr. Haas

The rates in the accompanying table are computed on the basis of mint par equivalents. If gold is freely obtainable and salable in London and Paris at the equivalents of the mint pars indicated, the actual rate of franc and sterling exchange in New York could vary approximately plus or minus  $\frac{1}{2}$  percent from the figure indicated. If, however, the price of gold in terms of sterling on the London market were to be permitted to fluctuate over a range of plus or minus 2 percent, the actual sterling rate in New York could fluctuate by plus or minus  $2\frac{1}{2}$  percent (approximate) from the indicated pars instead of  $\frac{1}{2}$  percent. If the dollar and franc rates in London were to be kept within 2 percent plus or minus the indicated par, the price of gold in London would fluctuate within limits slightly less than the plus or minus 2 percent.

## Sterling - dollar rate under varying conditions

Framo - dollar rate :	(Sterling - dollar rate with)												
	(cents to 1 franco) : 100fr = 1£ ; 101fr = 1£ ; 102fr = 1£ ; 103fr = 1£ ; 104fr = 1£ ; 105fr = 1£ ; 106fr = 1£ ; 107fr = 1£ ; 108fr = 1£ ; 109fr = 1£ ; 110fr = 1£												
Mint par	6.6335												5.5057
-24%	5.0415	5.0415	5.0919	5.1423	5.1927	5.2432	5.2936	5.3440	5.3944	5.4448	5.4952	5.5456	5.4726
-25%	4.9751	4.9751	5.0249	5.0746	5.1244	5.1741	5.2239	5.2736	5.3234	5.3731	5.4229	5.4726	5.3997
-26%	4.9088	4.9088	4.9579	5.0070	5.0561	5.1052	5.1542	5.2033	5.2524	5.3015	5.3506	5.3997	5.3268
-27%	4.8425	4.8425	4.8909	4.9394	4.9878	5.0362	5.0846	5.1331	5.1815	5.2299	5.2783	5.3268	5.2537
-28%	4.7761	4.7761	4.8239	4.8716	4.9194	4.9671	5.0149	5.0627	5.1104	5.1582	5.2059	5.2537	5.1808
-29%	4.7098	4.7098	4.7569	4.8040	4.8511	4.8982	4.9453	4.9924	5.0395	5.0866	5.1337	5.1808	5.1079
-30%	4.6435	4.6435	4.6899	4.7364	4.7828	4.8292	4.8757	4.9221	4.9685	5.0150	5.0614	5.1079	5.0348
-31%	4.5771	4.5771	4.6229	4.6686	4.7144	4.7602	4.8060	4.8517	4.8975	4.9433	4.9890	5.0348	4.9619
-32%	4.5108	4.5108	4.5559	4.6010	4.6461	4.6912	4.7363	4.7814	4.8266	4.8717	4.9168	4.9619	

Treasury Department, Division of Research and Statistics.

September 22, 1936.

Dollar-Franc	:	Sterling-Franc Rate if Sterling-Dollar		
	:	Rate is as follows:		
(cents per franco)	:	\$5.10	:	\$5.00
	:		:	\$4.90
<hr/>				
Mint par		6.6335		
-24%		5.0415	101.16 (23.88%)	99.18 (22.36%) 97.20 (20.78%)
-34.4%		4.3516	117.20 (34.30%)	114.90 (32.99%) 112.60 (31.62%)
<hr/>				

Figures in parenthesis represent percentage depreciation from yesterday's Sterling-Franc Rate. 77 fr. = 1 £

Sterling-Dollar Rate

	<u>\$5.10</u>	<u>\$5.00</u>	<u>\$4.90</u>
<u>Francs per £</u>	<u>cents per franc</u>	<u>cents per franc</u>	<u>cents per franc</u>
100	(22.53%) \$.0510	(24.05%) \$.0500	(25.56%) \$.0490
105	(26.22%) .04857	(27.66%) .04762	(29.10%) .04667
110	(29.58%) .04636	(20.96%) .04545	(32.32%) .04455

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Note: Figures in parenthesis represent the devaluation from yesterday's \$-franc rate of \$.065829.

Note also: Above percentages would not deviate much from the percentage devaluation from the par of \$.066335.

---

	: Price of gold in London equivalent to \$35 an	
Assumed	: ounce allowing $\frac{1}{4}$ of 1 percent for mint	
Sterling - dollar	: charge and $\frac{1}{4}$ of 1 percent for transportation	
rates	Shillings	Pence
\$ 5.00	138	12
4.99	139	3
4.98	139	6 $\frac{1}{2}$
4.97	139	10
4.96	140	1
4.95	140	4 $\frac{1}{2}$
4.94	140	8
4.93	140	11 $\frac{1}{2}$
4.92	141	3
4.91	141	6 $\frac{1}{2}$
4.90	141	10

---

Assumed Sterling - dollar rates	: Selling price in London of ounce : of gold bought in New York at \$35 : plus $\frac{1}{4}$ of 1% mint charge and $\frac{1}{8}$ of : 1% transportation	
	: Shillings	: Pence
\$5.00	141	1
5.01	140	9
5.02	140	6
5.03	140	2 $\frac{1}{2}$
5.04	139	11
5.05	139	8
5.06	139	4 $\frac{1}{2}$
5.07	139	1
5.08	138	10
5.09	138	6 $\frac{1}{2}$
5.10	138	1

Treasury Department - Division of Research and Statistics September 24, 1936

Sterling-Dollar-Franc Combinations

<u>Sterling-Dollar Rate</u>	<u>Rate of Devaluation of Franc</u>	<u>Sterling-Franc Rate Fr. to pound sterling</u>
\$4.908	26%	100
4.916	32%	109
4.919	28%	103
4.922	<u>30%</u>	106
4.939	27%	102
4.943	31%	<u>108</u>
4.945	29%	105
4.957	26%	101
4.962	32%	110
4.967	28%	104
4.968	<u>30%</u>	107
4.975	25%	100
4.987	27%	103
4.989	31%	109
4.992	29%	106
<u>5.007</u>	26%	102
5.015	28%	105
5.015	<u>30%</u>	<u>108</u>
5.025	25%	101
5.035	31%	110
5.036	27%	104
5.039	29%	107
5.041	24%	100
5.056	26%	103
5.061	<u>30%</u>	109
5.062	28%	106
5.075	25%	<u>102</u>
5.087	29%	<u>108</u>
5.092	24%	101
5.105	26%	104
5.108	<u>30%</u>	110
5.001	30%	107.68

Sterling - dollar rates	Francs per pound	Cents per franc	Percentage Appreciation	
			From yester- day's quota- tion of 6.58294 cents per franc	From par of 6.6335 cents per franc
\$5.10	100	5.10	22.53%	23.12%
5.10	105	4.857	26.22%	26.78%
5.10	110	4.636	29.58%	30.11%
5.00	100	5.00	24.05%	24.63%
5.00	105	4.762	27.66%	28.21%
5.00	110	4.545	30.96%	31.48%
4.90	100	4.90	25.56%	26.13%
4.90	105	4.667	29.10%	29.64%
4.90	110	4.455	32.32%	32.84%

Treasury Department - Division of Research and Statistics September 24, 1936



PARTIAL PARAPHRASE OF TELEGRAM SENT.

TO: American Embassy, Paris, France

DATE: September 23, 1936, midnight

NO.: 367

FROM THE SECRETARY OF THE TREASURY.

FOR COCHRAN.

STRICTLY CONFIDENTIAL.

I have been requested by the Secretary of the Treasury to send you the following message.

The Secretary of the Treasury has not yet completed his consideration of it, however, and therefore states that until further instructed, you are not to act upon it. With regard to your telegram No. 906 of September 23, today I discussed the first question with you by telephone. I send you below, in this connection, a confidential draft of a possible statement by the Secretary of the Treasury. You are to hold this in strict confidence until I tell you what further to do with the matter. This statement is sent to you now to save possible delay at a later moment.

With regard to the second question, we would of course not consider closing the American stock exchanges. Of course I would be glad to use my good influence to keep speculators in foreign exchange from taking advantage of the temporary situation that will develop.

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I have in all my previous instructions emphasized the fact that the issuance of a simultaneous declaration can only take place after determination of mutually acceptable range of rates. As yet we have nothing definitive regarding the contemplated dollar-sterling exchange range. Until the ranges of rates are settled, some of the major elements of the possible arrangements for the release of gold between the three centers cannot be decided upon. In this there appear to be complexities not yet dealt with in any previous instruction to you; this position should be made clear beyond question to the French and the British, because I do not wish to find myself deeply committed to a general position without full protection on the points I have just mentioned.

I quote below the text of a possible statement:

QUOTE. In connection with the announcements made by him on January 31 and February 1, 1934, to the effect that the Treasury would buy gold, and supplementing the announcement on January 31, 1934, referring to the sale of gold for export, the Secretary of the Treasury states that, hereafter, and until, on twenty-four hours notice, this statement of intention may be revoked or altered, he will also sell gold for immediate export to, or earmark for the account of, the exchange equalization or stabilization funds of those countries whose funds likewise are offering

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to sell gold to the United States, provided such offerings of gold are at such rates and upon such terms and conditions as the Secretary may deem most advantageous to the public interest. The Secretary announces herewith, and will hereafter announce daily, the names of foreign countries complying with the foregoing conditions. All such sales of gold will be made through the Federal Reserve Bank of New York, as fiscal agent of the United States, upon the following terms and conditions which the Secretary of the Treasury deems most advantageous to the public interest;

Sales of gold will be made at \$35.00 per fine ounce, plus one-quarter per cent handling charge, and sales and earmarking will be governed by the Regulations issued under the Gold Reserve Act of 1934. END QUOTE.

HULL

EA:LWW

September 23, 1936

While the Secretary was on the Farm, he wrote out the attached draft of letter to the President. See his penciled notation (Sent by auto to Hyde Park).

*W. B. Ewing*