

September 25, 1936. 203
9:01 a.m.

Operator: Mr. Helvering - go ahead.

H.M.Jr: Hello

H: Hello

H.M.Jr: Good morning.

H: Good morning Mr. Secretary. How are you?

H.M.Jr: (Laughing) Well I'm kind of washed out but I think I can hold on for another day or two.

H: (Laughter)

H.M.Jr: Did you see my answer to Vandenberg in this morning's paper?

H: No I haven't.

H.M.Jr: Well get yourself a New York Times and New York Tribune.

H: Well I'll be glad to do that.

H.M.Jr: Yes. I think it's pretty good.

H: All right. Are you up home?

H.M.Jr: No I'm in Washington.

H: Oh are you?

H.M.Jr: Yes. Now I've got an idea and I'd like you to have some of your people work on it for me and that is this. I don't know whether I'm going to do it but I may want to give a speech on the taxes along these lines. My thought is - who is going to pay for recovery and who is not going to pay for recovery, see?

H: Yes.

H.M.Jr: Now who's going to pay for recovery - I'd like your staff to go back as many years as they can and take - let's say either from 12 to 24 depending upon how they can do it of the richest men - I mean men with incomes of over a million, see?

H: Yes.

H.M.Jr: And go back, if we can - oh I don't know - 10 years if we can in their income taxes and show how much they have paid and how they've evaded it and then bracket it under the different income tax laws, you see?

H: Yes.

H.M.Jr: Let's say, as an example, there was a 1924 Income Tax Law. Well under that year Mr. A - his income was so much; so much went into a Holding Company, so much and so forth and this is the way he paid it, you see?

H: Yes.

H.M.Jr: Make a little chart for each person. In 1925 Mr. A paid so much, you see?

H: Yes.

H.M.Jr: Do I make myself plain?

H: I get it - yes.

H.M.Jr: And how he evaded it.

H: Yes.

H.M.Jr: But I want to go back - say for 10 years on - oh somewhere between 12 and 24 men of over a million dollars -

H: Yes

H.M.Jr: -income.

H: All right.

H.M.Jr: Then I want to take a group that way of men between \$500,000 and a million - hello?

H: Yes.

H.M.Jr: And men between \$100,000 and \$500,000.

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H.M.Jr: Do you get me?

H: Yes.

H.M.Jr: Now I'd like to pin this on you personally rather than over here and let you take your group and get them together this morning and divide it up and see if you can grind something out.

H: Yes.

H.M.Jr: And when you've got it give me a telephone - I'd like them to work day and night on this.

H: All right.

H.M.Jr: Now how does it hit you?

H: Why I think that's a fine idea.

H.M.Jr: I mean it's my own idea -

H: Yes, well you take those big ones and then the small group as a comparison will show pretty good I think.

H.M.Jr: In other words, I was thinking of one man in Chicago who could and does dodge an income tax as a lemon grower. His income was \$6,000,000.

H: (Laughter)

H.M.Jr: You know the man I mean?

H: No I don't.

H.M.Jr: Well, I saw it - he's got himself down as a lemon grower and his income is \$6,000,000 - Wayne Taylor is sitting here and he's trying to think who it is and I won't tell him.

H: (Laughter)

H.M.Jr: But then I'd take, for instance, some of these people - let's use as an example the Star Publishing Company.

H: - Yes.

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H.M.Jr: Do you get me? .

H: Yes.

H.M.Jr: Now I'd like to pin this on you personally rather than over here and let you take your group and get them together this morning and divide it up and see if you can grind something out.

H: Yes.

H.M.Jr: And when you've got it give me a telephone - I'd like them to work day and night on this.

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H: No I don't.

H.M.Jr: Well I saw it - he's got himself down as a lemon grower and his income is \$6,000,000 - Wayne Taylor is sitting here and he's trying to think who it is and I won't tell him.

H: (Laughter)

H.M.Jr: But then I'd take, for instance, some of these people - let's use as an example - that start a publishing company -

H: - Yes

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H.M.Jr: - and trace the income of that company and the methods that they use of evading and I'll always refer to that as corporation A, you see?

H: Yes.

H.M.Jr: Corporation B

H: Yes.

H.M.Jr: I won't mention their names but I want to take these groups and then particularly the groups of people of \$10,000 and under. Then I'll take -

H: The bulk group?

H.M.Jr: Yes they're going to pay for recovery, they should pay for recovery - they can afford to pay for recovery but the group that isn't going to pay is the income of \$10,000 or under.

H: Yes.

H.M.Jr: See?

H: Yes I think that's a good idea.

H.M.Jr: Now that hasn't been done and then I would show it this way - company A under 1924 was acting under the Tax Act of 1924 and in 1925 it was changed and in 1926 I don't know how - I don't know my years.

H: Yes well -

H.M.Jr: But I would - bunch it as the law was changed, you see?

H: Yes.

H.M.Jr: I would show progressively how this thing happened and I'd like to go back - now I say 10 years - I want them to use their horse sense to adjust this idea so that it will work out all right.

H: of course,
Yes - well/the '21 act covers '24.

H.M.Jr: Well I don't - you see those are the things that I don't know that if - if - as - I'd show it - take some men - not every year - but show it - how it - their income was affected as the Income Tax Law was changed.

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H: Well do you want one - one notation under each law?

H.M.Jr: That's the point.

H: Yes.

H.M.Jr: I want to do it as the law - let's see - is there - was there a 1921 Act?

H: Yes, that covered up to the 1924 Act.

H.M.Jr: All right. Then let's say from 1921 to 1924.

H: Then we - then the law was changed in '26.

H.M.Jr: All right. From 1921 to 1924 - this group of '24 people who had a million dollars more income - this is the way their income was handled and this is the way they evaded it and so forth and so forth and in 1926 the law was changed and this same group - this is the way they paid. And then when was the law changed again?

H: Well the '28 Act.

H.M.Jr: All right. Now in 1928 - let's take the same group. Instead of explaining the Act I want to do it an entirely new way - explain how it affects certain individuals in these big groups - in these big brackets, you see?

H: Then you want to take the average income they had as it would affect - would be affected under the '36 Act.

H.M.Jr: Yes.

H: Ah ha.

H.M.Jr: Yes.

H: All right.

H.M.Jr: Now I'd like a little - full speed ahead on that and let them work day and night on this thing and see what they can get.

H: Yes. Yes. All right.

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H.M.Jr: But how does it hit you?

H: Oh that's a wonderful idea, I think, Mr. Secretary.

H.M.Jr: O.K.

H: That's ^{with} one of the things that our board's been struggling all over the country.

H.M.Jr: I know but they - they've all gone at it the wrong way - they're trying to explain the Acts.

H: Yes.

H: M.Jr: I - this

H: What I mean is that's the thing there razzing me about how to answer all the time and this is a good idea to answer it.

H.M.Jr: Well isn't this as good a way to answer it as you know?

H: Well it's the best I've heard of.

H.M.Jr: Well that's a compliment.

H: Yes.

H.M.Jr: Thank you.

H: Yes. All right I'll get them right off.

H.M.Jr: But - full speed on this.

H: All right.

H.M.Jr: Thank you.

September 25, 1936 210
11:30 a.m.

Operator: Your Paris call is coming through. Do you have his name?

H.M.Jr: His name is Auriol.

Operator: That's right.

H.M.Jr: Baltimore.

Operator: (Laughter) All right there's Secretary Morgenthau.

Overseas
Operator: Hello Mr. Morgenthau.

H.M.Jr: Yes.

O.O: Thank you - we're ready.

H.M.Jr: Hello.

C: Hello Mr. Morgenthau.

H.M.Jr: Yes.

C: This is Cochran speaking from the Ministry of Finance.

H.M.Jr: I thought you'd be there.

C: Yes.

H.M.Jr: I could smell you.

C: I thought you would suspect something.

H.M.Jr: I see.

C: Mr. Auriol called me over here at 4 o'clock.

H.M.Jr: Yes.

C: Hoping that he would be able to communicate personally a message to you.

H.M.Jr: Yes.

C: But it has taken so long to get the call through that he has had to go on to the Cabinet meeting.

H.M.Jr: Yes.

C: - It began at 4 o'clock and he waited half an hour and had to go on.

H.M.Jr: Yes.

C: So I have written down the message which I am to communicate to you.

H.M.Jr: Where are you now?

C: I'm sitting at his desk.

H.M.Jr: I congratulate you.

C: Thank you. It's not for long.

H.M.Jr: I hope you'll last throughout the day.

C: Yes.

H.M.Jr: All right.

C: Roueff and Baumgartner are here with me.

H.M.Jr: Who?

C: Roueff and Baumgartner.

H.M.Jr: O.K.

C: They've offered to disappear if I have anything to say that they shouldn't hear.

H.M.Jr: Well give them my best personal regards.

C: All right. Have you received a British reply yet?

H.M.Jr: I received yesterday four cables from the British.

C: Yes.

H.M.Jr: The last one being practically the same as the one that you read to me.

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C: That is you have - have received a message today?

H.M.Jr: I have received nothing since 7:30 Washington time last night.

C: Nothing since 7:30 last night?

H.M.Jr: Yes.

C: Because Monick telephoned this afternoon - he had been at the British Treasury -

H.M.Jr: Yes.

C: He had seen the message which they were sending to you.

H.M.Jr: Well I have not.

C: And he has summarized the views of the people here and I have made a translation of it and can read their summary if you wish.

H.M.Jr: That would be very helpful.

C: Just a summary of it then.

H.M.Jr: Yes. Go ahead.

C: Yes. Article 1.

H.M.Jr: What?

C: The Chancellor of the Exchequer -

H.M.Jr: Yes.

C: - recalls - reminds you that he has no due authority to fix the pound before going off the point.

H.M.Jr: Say that again.

C: The Chancellor of the Exchequer recalls -

H.M.Jr: Yes.

C: That he has no due authority -

H.M.Jr: Yes.

C: - to fix -

H.M.Jr: - Yes.

C: the pound within the gold point.

H.M.Jr: Yes.

C: Furthermore, the principal of the British policy is to let the pound find its natural level. -

H.M.Jr: Hello -

C: Hello -

H.M.Jr: - find it's natural what?

C: - find

H.M.Jr: - find it's natural -

C: - level

H.M.Jr: - level - yes

C: - level

H.M.Jr: - level

C: Then 2 - It is possible that the natural level -

H.M.Jr: Wait a minute - wait a minute - you've faded out

C: Yes. Paragraph Two.

H.M.Jr: Wait a minute, Cochran - wait a minute -

C: Hello

H.M.Jr: Wait a minute - wait a minute - they've got to do something on this - wait a minute -

Operator: Just a moment please - hello?

H.M.Jr: It's faded out.

Operator: Oh I'm sorry - just a minute (pause)

H.M.Jr: (Aside to someone in his office - "they listen to every word you say - that wasn't my operator")

Operator: I'll call you back.

H.M.Jr: What's that?

Operator: I'll call you back.

H.M.Jr: All right.

Operator: All right.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello Cochran.

C: Can you hear me now?

H.M.Jr: Go ahead Mr. Minister.

C: All right my colleague -

H.M.Jr: What?

C: I say mon chere colleague

H.M.Jr: oui, oui

C: (laughing) Paragraph 2.

H.M.Jr: Yes.

C: It is possible that the natural level of the pound -

H.M.Jr: Yes.

C: May be \$5.00.

H.M.Jr: Yes.

C: It is possible also that it may be lowered.

H.M.Jr: Yes.

C: This eventuality has been envisaged many times.

H.M.Jr: Yes.

C: No precise allusion to four eighty-six was made but presumably this was in the mind of

the Chancellor.

H.M.Jr: Yes.

C: Hello?

H.M.Jr: Go ahead.

C: Paragraph 3.

H.M.Jr: Yes.

H.M.Jr: Go ahead - go - go ahead.

C: Now one - one second till I look at this thing -

H.M.Jr: Surely (Long Pause)

C: And this being so - referring to the above - this being so -

H.M.Jr: Yes.

C: The Chancellor will in no way endeavor to depreciate the pound in a deliberate manner. This is no more the policy of England than of the United States to do this.

C: Paragraph 4.

H.M.Jr: Yes.

C: Likewise the Chancellor shall not take advantage of the French monetary adjustment to depreciate sterling by way of reprisal no more than the United States will do this.

C: Paragraph 5. The Chancellor of England does not foresee any depreciation of the pound during the said two months which would constitute monetary dumping.

C: Paragraph 6. The Chancellor does not object to the present adjustment although he finds it somewhat too wide.

C: Now that's the summary of the cable but it's only a summary - it's not an exact discourse.

H.M.Jr: Yes. Well do it again, so we'll save time on it.

C: All right, I'll start from the beginning again.

H.M.Jr: Please.

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2. It is possible that the natural level of the pound may be \$5.00. It is possible, also, that it may be lower. This is an actuality which has been many times envisaged.

Then Monick put in his own parenthesis there of parenthetical interest. He said: "No precise allusion to \$4.86 was made in the cablegram but presumably the Chancellor had this in mind." Now that is only a parenthetical interjection by Monick.

H.M.Jr: By Monick?

C: Yes.

H.M.Jr: I see.

C: 3. This being so, the Chancellor will in no way endeavor to depreciate the pound in a deliberate manner. It is no more the policy of England than of the United States to do this.

4. -

H.M.Jr: Just hold the wire a minute. Just hold it a minute.

C: All right.

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Go ahead.

C: 4. Likewise, the Chancellor will not take advantage of the French monetary adjustment -

H.M.Jr: Yes.

C: - to depreciate sterling by way of reprisal no more than the United States will do this.

5. The Chancellor, moreover, does not foresee any depreciation of the pound during the next few months, which would constitute monetary dumping.

6. The Chancellor does not object to the French Adjustment although he finds it somewhat too wide.

H.M.Jr: Yes.

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- C: That's the text summarized by Monick to Baumgartner here.
- H.M.Jr: All right. Now what next?
- C: Then the Minister - Minister Auriol wanted me to transmit to you the following declaration which he wrote out here.
- H.M.Jr: All right.
- C: "The French Government, while thanking Mr. Morgenthau for all that he has already done, wants to give him the assurance that it intends in no way on its side to depreciate its money beyond the limit which will be sought in the monetary law. The -
- H.M.Jr: It what?
- C: - The simultaneous declarations, despite the reservation which each country has been obliged to make to take account of its public opinion, will consolidate effectively the stability of the major currencies, and will constitute the starting point for a trustful cooperation between the three great countries. It insists on the urgency for its country of a final decision, the Council of Ministers being already in session since 4:00. It is now ten to six. Mr. Auriol sends his warmest personal greetings to Mr. Morgenthau."
- H.M.Jr: Yes.
- C: That is the message which he asked me to convey to you.
- H.M.Jr: Yes. Well you'd better do it again.
- C: All right. Minister Auriol asked me to transmit to Secretary Morgenthau the following declaration:
- "The French Government, while thanking Mr. Morgenthau for all that he has already done, wants to give him the assurance that it intends in no way on its side to depreciate its money -
- H.M.Jr: Wait a minute - wait a minute. Go back about 20 words.

C: - for all that he has already done, wants to give him the assurance that it intends in no way on its side to depreciate its money beyond the limit which will be sought under monetary law.

H.M.Jr: All right.

C: And Baumgartner says here - he interposes this remark to me - that they will endeavor to stay at the middle point.

H.M.Jr: Well, what is the middle point?

C: Well - of their range of devaluation. Half way between the two limits.

H.M.Jr: Well what is the middle point?

C: To devalue.

H.M.Jr: Yes, but what is their middle point?

C: Well, I gave you those two extreme points yesterday. They're 25 -

H.M.Jr: Please

C: - and 34 points.

H.M.Jr: I didn't get that - please say it again.

C: The limits which I gave you yesterday -

H.M.Jr: Yes.

C: - which they will seek for authority to devalue, by decree, -

H.M.Jr: Yes.

C: - are: The lower limit 25%.

H.M.Jr: Yes.

C: The upper limit 34.35.

H.M.Jr: All right.

C: So you can figure the middle point between those.

H.M.Jr: Yes.

C: Baumgartner says their efforts will be from the beginning to hold the rate at that middle point.

H.M.Jr: Yes.

C: And, incidentally, they intend to have a stabilization fund of 10,000,000,000 francs.

H.M.Jr: It will be - say that again.

C: They intend to have a stabilization fund of 10,000,000, - 000 francs.

H.M.Jr: How many billion?

C: Ten.

H.M.Jr: Ten?

C: Ten (Spells) t-e-n - ten.

H.M.Jr: Ten?

C: Ten.

H.M.Jr: 10,000,000,000 francs.

C: That's right.

H.M.Jr: Yes. Well that sounds good.

C: Yes. And over here - it's sufficient, I should say, here.

H.M.Jr: Yes.

C: Then this declaration continues from where we interposed.

H.M.Jr: Oh, you're not through with it yet?

C: I - I was starting over again.

H.M.Jr: All right.

C: That the -

H.M.Jr: What's that?

C: after simultaneous declarations, despite the reservation which each country has been obliged to make to take account of its public opinion, will consolidate effectively the stability of the major currencies, and will constitute the starting point of a trustful cooperation -

H.M.Jr: Of a what?

C: - a trustful -

H.M.Jr: Trustful?

C: Yes.

H.M.Jr: (Spells) t-r-u-s-t-f-u-l?

C: Yes - a close together, confident cooperation.

H.M.Jr: Yes. Wait a minute.

C: - between the three great countries.

H.M.Jr: Wait a minute - go back about 10 words. Go back 10 words.

C: All right. - and will constitute the starting point for a trustful cooperation -

H.M.Jr: O.K.

C: - between the three great countries. It insists -

H.M.Jr: Wait a minute - wait a minute. We got a fadeout - wait a minute.

C: All right.

Operator: Hello.

H.M.Jr: There's a fadeout on that, tell her.

Operator: All right - I'll get her right back.

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C: Have you got that?

H.M.Jr: Wait a minute.

H.M.Jr: (Aside to some one - "What's the last you've got?")

C: - for a final decision, the Council of Ministers

H.M.Jr: Wait a minute - wait a minute - I'll tell you what is the last we have.

H.M.Jr: The last I have is "cooperation between the three great countries."

C: All right. Second begins this. On the urgency for its country of a final decision, the Council of Ministers being already in session since 4 o'clock.

H.M.Jr: Yes.

C: Then the conclusion would be Auriol encloses warm personal greetings to Secretary Morgenthau.

H.M.Jr: Yes.

C: It seems the Minister waited here for a half an hour before he went to the meeting.

H.M.Jr: Yes.

C: Because this also is the one, a private meeting before which he contemplated committing the proposal for action, you see?

H.M.Jr: I understand.

C: And so he's gone over there and they've had a very bad day here. The gold losses -

H.M.Jr: Now wait a minute - have you got anything else? I mean for me to take down or is this just going to be general conversation?

C: I was just trying to describe the situation.

H.M.Jr: All right.

C: There has been a very heavy sale of dollars.
After 3:30 the Guaranty alone had sold 19 million.

H.M.Jr: Yes. Well now let me get this. We know how much
money - Now Cochran - hello - Cochran.

C: Yes.

H.M.Jr: Can you hear me?

C: Yes.

H.M.Jr: All right. Now let me ask you this. What is the
procedure - what is the timetable that they have in mind
in following over there.

C: I'm telling you and let them check me -

H.M.Jr: - Right.

C: Their - their plans are to have the Council of
Ministers
are determined upon calling a special session of
Parliament on Sunday are not permitted to have a
special session of Parliament on Monday (Pause).

H.M.Jr: Yes.

C: And that the embargo on gold would be declared at
the same time this common declaration was made.

H.M.Jr: Well now they're going to call Parliament Sunday or
Monday.

C: They are just going to call Parliament on Sunday.
They were trying to get the call out tonight -

H.M.Jr: Yes.

C: - so Parliament could be on Monday.

H.M.Jr: Yes. All right. Now then the embargo would go on
tonight?

C: The embargo would go on when they issue the
declaration.

H.M.Jr: I see.

C: That's why they so urgently desire - (squeal) declaration out.

H.M.Jr: Urgently desire what?

C: So heavy that they feel almost compelled to declare an embargo.

H.M.Jr: Yes.

C: And they don't want to do that now without adding the declaration.

H.M.Jr: Well now - let me - of course - I suppose the British message will be coming through in about an hour or so.

C: They called me over here at 4 and it had already been passed on from London, you see?

H.M.Jr: Yes, but it hasn't got here to Washington yet.

C: It has not.

H.M.Jr: I mean I can't act until I get - I can't act until I get Chamberlain's message.

C: That's what I told them here that I'd pass this on to you and give you the preliminary information -

H.M.Jr: Yes.

C: I doubted whether you could act until you had an actual message from the British.

H.M.Jr: Yes - now.

C: At the same time I - I thought you could benefit their situation here.

H.M.Jr: Well, so am I.

C: Yes, I know you are.

H.M.Jr: I mean please remind them that they sent us the first message last Friday, that we answered it Saturday and Mr. Chamberlain stayed away on his holiday until Tuesday.

C: I reminded the Minister of that when I came in this afternoon.

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H.M.Jr: Because what they're asking me to do is almost impossible.

C: I reminded him - asked them if they could reply very quickly - that the big delay came in the five days over the weekend because the British were hesitating.

H.M.Jr: Yes. No I mean - I have the greatest sympathy and the strongest desire to be very helpful.

C: Surely.

H.M.Jr: I have the greatest sympathy and the strongest desire to be helpful.

C: Surely.

H.M.Jr: Do you get that?

C: Surely.

H.M.Jr: And I wish you'd tell them that but I've got to wait until I hear from the British, then I've got to in turn communicate with the President.

C: Yes, that's all right. I'll explain that.

H.M.Jr: Now what I would suggest is - I think it's very helpful to save time. It's now - let's see - it's six there, isn't it?

C: Yes - it's exactly six o'clock here.

H.M.Jr: Well I would suggest that you be back there in two hours.

C: That I be back at the Ministry of Finance in two hours.

H.M.Jr: And I will put in a call for you there. I mean - now it may be -

C: The Ministry of Finance in two hours.

H.M.Jr: Yes, well now - hello.

C: Yes.

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H.M.Jr: I say to be there in two hours. You may have to wait there for an hour or two. I can't tell because I don't know when the British will come in.

C: Let me speak to my comrades here on that. (Pause)

C: Hello?

H.M.Jr: Yes.

C: They understand you have to await the message, that you then have to speak to the President, and we shall be here at 8 o'clock awaiting your call until it gets too late here, depending upon your receipt of the message and so on.

H.M.Jr: Yes - I mean - Usually the British tell me when the messages come in and tell me they started to decode but I haven't heard anything from the British Embassy -

C: Important.

H.M.Jr: Hello?

C: Embassy and the Ministry

H.M.Jr: I mean - I haven't heard anything from the British Embassy here.

C: They have not notified you that the message has come in yet?

H.M.Jr: No.

C: I see.

H.M.Jr: And then I've got to get it to the President, Cochran, and I've got to talk it over so while I say to be there at 8 o'clock it may be 10 o'clock before I get an answer.

C: Well, I think I'd better come here any way at 8 o'clock.

H.M.Jr: I do too. Now let me tell you what I'm doing in the meantime.

C: Beg pardon?

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H.M.Jr: In the meantime we've corrected this British declaration.

C: Can you just read the corrections on that now?

H.M.Jr: No because I - we've just finished it and just sent it to be telegraphed to the President.

C: I see.

H.M.Jr: But the minute he O.K.'s it -

C: Yes.

H.M.Jr: I will either - I will phone it to you to the Embassy.

C: Well then I will go back to the Embassy and wait there and I shall be there until eight.

H.M.Jr: That's the point.

C: So if you want to phone me the corrections there -

H.M.Jr: I will phone you the corrections either there or at the Minister of Finance - French Minister of Finance.

C: At the French Embassy and be there until a quarter till eight and stay there till 1 o'clock.

H.M.Jr: That's right.

C: And the French authorities will be here with me.

H.M.Jr: That's right. Now just - just hold the wire a minute

C: - to get your answer.

H.M.Jr: Just hold the wire - (Pause)

H.M.Jr: Hello.

C: Hello.

H.M.Jr: The corrections we've made are not major corrections.

- 18 -

C: The corrections are not major corrections?

H.M.Jr: No.

C: They are corrections which they would accept.

H.M.Jr: What's that?

C: I say, they're corrections which would raise no difficulty.

H.M.Jr: No, no. Now, we will move just as fast as the British will move.

C: You'll move as fast as the British move?

H.M.Jr: Yes. We can't move any faster than they do.

C: We thought it might be helpful to you to have this information in advance.

H.M.Jr: It's very helpful.

C: And so then I shall go back to the Embassy to receive there any form of correction you make here.

H.M.Jr: Yes. Now just wait a minute please.

C: All right.

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Just a minute. (pause)

H.M.Jr: Hello.

C: Hello - yes.

H.M.Jr: Now you go back to the Embassy and please give the Minister of Finance, Auriol, my very warm greetings -

C: Yes.

- 19 -

H.M.Jr: - and tell him that we're trying to do everything possible here to be helpful.

C: All right, sir.

H.M.Jr: We've tried to be helpful before and our policy here is to be helpful again.

C: Yes, sir.

H.M.Jr: Now just a moment, please.

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Knoke is sitting here and he has had a telephone message from Cariguel -

C: Yes.

H.M.Jr: - asking him to use his discretion in supporting the franc in the American market on Saturday.

C: Yes.

H.M.Jr: In view of that request, Knoke wants to know whether we should say anything to the American banks who deal in foreign exchange.

C: Well, if this thing is going through, it's my understanding that you were to keep it secret.

H.M.Jr: They want it what?

C: That you were to keep it secret.

H.M.Jr: Well, now wait a minute. Tell Baumgartner and Roueff that Cariguel called us -

C: Yes.

H.M.Jr: - and asked us to use the French gold which is here to support the French franc Saturday in America.

C: Yes.

H.M.Jr: Now in view of that, does he want us to speak to the American banks about dealing in foreign exchange?

C: I see.

- 20 -

H.M.Jr: Now you ask Baumgartner and Roueff that question.

C: All right. (Pause)

C: They think that the private banks should be discouraged -

H.M.Jr: Should what?

C: - should be discouraged from operations.

H.M.Jr: All right. All right. Now let me ask you something else.

C: Fournier telephoned me earlier about that this noon.

H.M.Jr: What's that?

C: Fournier telephoned me this noon to see what we were going to do if we stuck to that.

H.M.Jr: Well, we'll do anything that they ask us to do.

C: Well, I had not given him a reply pending an outcome of this whole thing.

H.M.Jr: Well, now, please just make sure that what the Bank of France is telephoning to the Federal Reserve in New York is also what the French Treasury wants.

C: Yes.

H.M.Jr: See?

C: We haven't been in conversation since telephoning the Paris exchange.

H.M.Jr: Well, now, but tell Baumgartner and Roueff not to have the Bank of France phoning over any instructions which aren't in accord with what the Treasury wants.

C: Well, that's right. All right - I'll make that point. Baumgartner and Fournier had desisted from telephoning themselves.

H.M.Jr: Yes. Well, make sure about that.

C: All right. Because he told me that it was urgent that he should get in touch -

- 21 -

H.M.Jr: Yes - now -

C: With the Federal Reserve people in regard to cooperation.

H.M.Jr: Now one other question.

C: Yes.

H.M.Jr: Ask Baumgartner and Roueff how much they want me to tell and consult with Appert. He's just called up. He wants to see me.

C: All right. (Pause)

C: Hello - hello - hello?

H.M.Jr: Hello - yes.

C: They say that Appert is just bringing the note - just bringing the cablegram giving the French text of the declaration which France would make.

H.M.Jr: All right.

C: And they say for other things for us to continue talking directly this way.

H.M.Jr: All right.

C: That he's not acquainted with all of these negotiations.

H.M.Jr: He's what?

C: - with the message that they're not in constant communication just yet.

H.M.Jr: No. Now, just a minute.

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Now we've typed this thing and let me read it back to you.

C: All right.

H.M.Jr: "The Chancellor of the Exchequer recalls that he has no authority -

- 22 -

C: No legal authority.

H.M.Jr: Just a minute. Who's paying for this call - we or the French?

C: It's put in from here - I think they are.

H.M.Jr: Good - that's the - that's the only good - that's the only dividend we'll get out of this.

C: Yes. Well, I'll see that it is arranged that way.

H.M.Jr: But I'm just joking.

C: Surely - surely.

H.M.Jr: Tell them that I asked - that I'm worrying about it. Tell them - tell them that I'm Scotch.

C: They got the point.

H.M.Jr: Sure.

C: They're laughing over here in the corner.

H.M.Jr: Now wait a minute -
"The Chancellor of the Exchequer recalls that he has no legal authority -

C: Right.

H.M.Jr: - to fix the pound within gold points.

C: Right.

H.M.Jr: It is possible that the natural level of the pound may be \$5.00.

C: No, you omitted one sentence.

H.M.Jr: Did I?

C: Yes. After "within gold points" there is another sentence.

H.M.Jr: Yes, well, give - what is that sentence?

C: Furthermore -

H.M.Jr: Just a minute. Go ahead.

- 23 -

C: Furthermore -

H.M.Jr: Yes.

C: - the principle of the British policy is to let the pound find its natural level.

H.M.Jr: Yes, what - well, now just a minute. (Pause while Secretary speaks to some one in the office.) We have it all right. It's just that they made a mistake here. I'm not going to read it back again.

C: Yes. Well, Baumgartner reminds me again that he suggests an approximate time.

H.M.Jr: I understand and we'll wait - we've got to wait until we get the official British thing.

C: Yes, surely.

H.M.Jr: Anything else?

C: You didn't want to read any more of that, did you?

H.M.Jr: No, no. Tell Baumgartner I feel much better now that I know he's paying for this call.

C: All right. Fine.

H.M.Jr: All right.

C: Then I shall go back to the Embassy, and if you have the corrections, call me there. If not, I shall be here at 8:00.

H.M.Jr: And give Baumgartner and Roueff my best regards.

C: Surely. I'll be delighted to.

H.M.Jr: All right.

C: Goodbye.

H.M.Jr: Goodbye.

C: Goodbye.

September 25, 1936
2:45 p.m.

H.M.Jr: Hello.

Operator: Dr. Fels.

Fels: I'm sorry to trouble you.

H.M.Jr: That's all right.

F: I couldn't - Mallet asked me one question I couldn't answer with certainty.

H.M.Jr: Yes.

F: In this draft of ours, are we asking the British Government merely to say, "That's all right," assuming then that they will go ahead and the French Government will go ahead and issue what they drafted and submitted to us, and we'll go ahead and issue what we drafted; or are you asking them to go further and change their own text to make it identical to ours?

H.M.Jr: We're asking them to change theirs.

F: Right. Now, I'll convey that to Mallet at once, although Mallet has the feeling that time won't possibly permit.

H.M.Jr: Pardon me.

F: Mallet has the feeling that time won't possibly permit.

H.M.Jr: Well, ah, that's his view.

F: All right, I'll tell him that.

H.M.Jr: You can still tell them that that's what we want, and we hope that they can change their draft to suit ours.

F: All right. I shall do it.

H.M.Jr: See?

F: Right, sir.

H.M.Jr: And then when you're free will you come over?

F: I'll be over very, very soon. I may stop to grab a sandwich, but I'll come over.

- 2 -

H.M.Jr: I think that's - or would you like me to order you something over here?

F: No, there are sandwiches over there.

H.M.Jr: Oh, there are.

F: I ordered them an hour ago.

H.M.Jr: Well, ah -

F: I'll pick them up and eat them over there.

H.M.Jr: Do you mind because I would like to get this thing - the way the President suggested - I would like to get this thing.

F: Right.

H.M.Jr: And is Mr. Hull in this afternoon?

F: I don't know, sir.

H.M.Jr: You might just ask.

F: All right. If you'll hold on a second I'll buzz.

H.M.Jr: All right. (Pause)

F: He'll be here this afternoon.

H.M.Jr: All right. Thank you.

F: All right.

September 25, 1936.
4:18 P.M.

Operator: Go ahead.

C: Hello?

H.M.Jr: Hello Cochran.

C: Yes Mr. Secretary.

H.M.Jr: Now are you still sitting in Mr. Auriol's chair?

C: No I've been demoted. I've got Baumgartner's now.

H.M.Jr: Your in Baumgartner's - well your slipping.

C: Yes - yes.

H.M.Jr: All right.

C: They'll have me out before the night's over.

H.M.Jr: Yes, well now this is what happened.

C: Yes.

H.M.Jr: Five minutes' ago the British left here with an answer to Mr. Chamberlain's special private note to me.

C: Yes.

H.M.Jr: The answer which we have given him I am 98% sure that he can accept - hello?

C: So that he can expect your answer.

H.M.Jr: Yes.

C: Right.

H.M.Jr: If he can accept it (aside to someone in his office - "Got it?")- The last - (aside to someone - "is this it? K or C "to the President?" H.M.Jr: the one to Chamberlain. Oh yes." (Pause)

H.M.Jr: The last part of the Sentence reads like this, 'The Secretary of the Treasury believes -

C: Yes

- 2 -

H.M.Jr: -'that this is not an obstacle which need prevent the issuance of the joint statements - of the simultaneous statements in order to carry out their broad useful and indeed essential objectives, see?

C: Did I miss some then when you were not speaking to me or was I cut off?

H.M.Jr: I guess you were cut off. I'll repeat it.

H.M.Jr: The last -

C: There was quite a gap there when I didn't hear anything.

H.M.Jr: Well may be I hiccoughed I don't know.

C: Well the British left with the note - which you thought would be 98% acceptable.

H.M.Jr: Well then I said the end - the last sentence in my note -

C: Yes.

H.M.Jr: - to Mr. Chamberlain reads as follows.

C: Do you want me to take that down?

H.M.Jr: No.

C: No.

H.M.Jr: No. I just want you to get the gist of it.

C: Oh. Right.

H.M.Jr: 'The Secretary of the Treasury believes -

C: - Yes.

H.M.Jr: 'that this is not an obstacle' - we're talking now about the \$5.00 pound, you see? I mean he's given certain interpretations and I've given certain interpretations.

C: Yes - yes

- 3 -

H.M.Jr: So it says 'The Secretary of the Treasury believes that this is not an obstacle which need prevent the issuance of the joint statements - oh (pause)

H.M.Jr: Hello

C: Hello

H.M.Jr: I keep reading the wrong copy all the time.

C: I see.

H.M.Jr: I'll start once more. 'The Secretary of the Treasury believes that this is not an obstacle which need prevent the issuance of the simultaneous statements -

C: of the simultaneous - yes.

H.M.Jr: Yes. - 'in order to carry out their broad useful and indeed essential objectives - hello?

C: Yes.

H.M.Jr: Now the point of this - this is an answer of a confidential memorandum from the Chancellor to myself.

C: Right.

H.M.Jr: I've answered him. hello?

C: Yes.

H.M.Jr: I've just given this five minutes ago to the British here.

C: Yes.

H.M.Jr: They're going to telephone it to the Chancellor.

C: They're telephoning it to the Chancellor.

H.M.Jr: Yes.

C: I see.

H.M.Jr: Now, if he says O.K. and then if he has no objection to the copy of the message which we have given you for the French and have given him over the telephone, we're ready to go but we're not ready to go until we again hear from the British.

- 4 -

C: I see.

H.M.Jr: Now they're going to telephone right away.

C: I see.

H.M.Jr: And as soon as they hear they're going to come back and see me.

C: I see.

H.M.Jr: But we're still not ready to release that statement until we hear from the British.

C: I see.

H.M.Jr: Now do you want to repeat that to what's his name?

C: Well let me just tell you what's happened here.

H.M.Jr: Yes.

C: The French are willing to accept completely the amendment which you transmitted.

H.M.Jr: What's that? Hello?

C: Hello - I say the French accept completely -

H.M.Jr: Yes.

C: - the amendment which you suggested to the text.

H.M.Jr: All right. Now wait a minute before you say anything else.

C: Yes.

H.M.Jr: We accepted the - that suggestion that they made. The end of Paragraph 3.

C: The end of Paragraph 3.

H.M.Jr: The last three words.

C: The last three words.

- 5 -

H.M.Jr: Read 'Their authorized agencies'.

C: Yes.

H.M.Jr: We've inserted the words 'Their authorized fiscal agencies'.

C: Their authorized fiscal agencies.

H.M.Jr: Yes.

C: Yes.

H.M.Jr: That was their suggestion wasn't it?

C: That makes a different thing here.

H.M.Jr: What's that?

C: I say they don't like that - that refers to taxation over here.

H.M.Jr: Well what was the word - what

C: Monetary they wanted.

H.M.Jr: Well now wait a minute. The Federal Reserve in New York is our fiscal agent.

C: Yes but the fiscal agent over here is the tax collector.

(Laughter by the group)

H.M.Jr: Well now just a minute - they're all - just hold on and we'll settle it right now - it's down to one word. They want monetary - is that what they want?

C: Well I mean London has already accepted it as 'authorized agencies'.

H.M.Jr: Yes.

C: The people here would rather accept it as that without putting in the modifying adjective.

H.M.Jr: Just leave it 'authorized agencies'

- 6 -

C: 'Authorized agencies'-

H.M.Jr: Well, as Monnick says, we strike (rolled r's) it out. (Laughter).

C: Yes. Then we strike it out.

H.M.Jr: Yes. That's - we strike out fiscal.

C: Yes - yes and leave it 'authorized agencies'.

H.M.Jr: All right. Now everything else is O.K?

C: Well they accepted your text.

H.M.Jr: Fine.

C: And they telephoned this text to Monnick.

H.M.Jr: What's that?

C: I say they telephoned your English text.

H.M.Jr: Yes.

C: Yes.

H.M.Jr: Yes - to Monnick at London

C: Who in turn submitted it to the British.

H.M.Jr: Yes.

C: And they are in agreement, so Monnick tells us.

H.M.Jr: They are?

C: Although they had not yet when he talked with them - received the cable text.

H.M.Jr: Uh huh -

C: They are quite willing to accept this.

H.M.Jr: Well now - did you get our cable text?

C: No I haven't it yet. I just 'phoned the Embassy 10 minutes ago and it had not even begun to come in.

H.M.Jr: Uh huh.

- 7 -

C: I'll have to go on the oral text which I understood completely from Lochhead and checked it back with him.

H.M.Jr: But the French have accepted our text as is?

C: As is absolutely - with all those amendments and they preferred not to amend that phrase about -

H.M.Jr: All right.

C: - peace.

H.M.Jr: Now -

C: They'd rather leave it out than raise another question now.

H.M.Jr: Well now I imagine that the British are now talking to Mr. Chamberlain.

C: Yes.

H.M.Jr: And I ought to hear from them any minute.

C: Yes.

H.M.Jr: And just as soon as I hear I'll 'phone you again.

C: 'Phone what?

H.M.Jr: Just as soon as I hear from the British I'll 'phone you.

C: 'phone me at the Ministry office.

H.M.Jr: I think it's better to stay there, don't you?

C: Yes, by all means. I'll stay right here?

H.M.Jr: Have they got a nice comfortable chair?

C: Oh, yes.

H.M.Jr: What?

C: Let me explain one or two methods of procedure which we had in mind here.

H.M.Jr: O.K.

- 8 -

C: They say that the statement will be given out - when it's given out - by the Minister of Finance.

H.M.Jr: Yes.

C: And in London by Chamberlain.

H.M.Jr: Yes.

C: And what they're trying to do is to give it out here, that is, always provided we come to final agreement.

H.M.Jr: Yes.

C: At 11 o'clock.

H.M.Jr: 11 o'clock. 11 from 6 is what? That's five. It won't be ready by then. I mean unless the British move faster than they have any time before.

C: You see after Ministry - after a meeting of the Cabinet, M. Auriol got blank authority to go ahead but he has to consult the President of the Republic.

H.M.Jr: Yes. Well, they won't be ready by 11 o'clock Paris time. It'll be nearer 12 o'clock Paris time.

C: Oh I see it will be 12 o'clock Paris time.

H.M.Jr: At the earliest.

C: Well, we'll try and keep the President up then, if we can.

H.M.Jr: (Very hearty laughter) How does one keep the President of France up? What's going on at the Momarte tonight?

C: I don't know - I haven't been there for some time.

H.M.Jr: (More hearty laughter). Well there's that very nice Russian restaurant you know that opens at 12 o'clock.

C: Yes, I reckon I'll make an application out if I keep this job I think.

H.M.Jr: (Laughing) Well far be it from me to say how to keep the President of France up. Hasn't Baumgartner got any suggestions?

C: Let me see on this matter of Fournier and Cariguel.

H.M.Jr: Yes.

- 9 -

C: I talked with Cariguel.

H.M.Jr: Yes.

C: I say that he had referred, I find, to Knoke simply in line with their routine, you see?

H.M.Jr: Yes.

C: Irrespective of what might be done tonight.

H.M.Jr: Yes.

C: And then they would ask the Federal to take care of the market tomorrow morning.

H.M.Jr: I didn't quite get that.

C: They would leave it to the Federal -

H.M.Jr: Yes.

C: New York -

H.M.Jr: Yes.

C: To take care of the market - support the franc tomorrow morning and but for the other point he referred me to Fournier.

H.M.Jr: Yes.

C: And Fournier in turn talked with Roueff here while I was out and Fournier would like for us, if this thing goes through, to use our good offices to influence them to refrain from franc operations.

H.M.Jr: Good.

C: Until Tuesday.

H.M.Jr: To do what?

C: To refrain from operations in French exchange until Tuesday.

H.M.Jr: Well that's going to be a little difficult but we'll do the best we can.

C: Chamberlain is going to do the same thing in London.

- 10 -

H.M.Jr: Well -

C: To - to do everything they can to stop speculation.

H.M.Jr: We'll do everything that we can but, after all, this is a Republic.

C: And then is going to do the same thing.

H.M.Jr: Did you hear what I said?

C: do everything they can.

H.M.Jr: We'll do everything we can. The only thing we're worrying about is that \$150,000 that belongs to Federal Reserve of New York.

C: All right, well that's the last thing I'm going to insist on - just at the end.

H.M.Jr: (Laughing) All right. Professor Williams is sitting right here and he's laughing.

C: Yes - he always was a refugee money devaluation and all that.

H.M.Jr: All right. Williams has come back.

C: Do you want me to check the French translation here?

H.M.Jr: What French translation?

C: I mean they'll get out a French -

H.M.Jr: Yes - yes - that's a very good idea.

C: I mean they haven't as yet.

H.M.Jr: Yes - that's a good idea.

C: London - Leith Ross is checking it with Monnick.

H.M.Jr: That's all right.

C: And it was my idea of getting the French text to you that you people could look it over there, too.

H.M.Jr: Yes. That's all right.

C: It's more important that our British and American text - are entirely accurate and identical.

H.M.Jr: Good.

C: I'll go over there, too.

H.M.Jr: All right.

C: If you wish.

H.M.Jr: Now if Baumgartner doesn't object you sit right there with him.

C: What's that?

H.M.Jr: I'd like you to stay right in the Ministry of Finance.

C: We're - I'll stay here. And the Regents of the Bank of France are leaving at midnight.

H.M.Jr: All right. Now just a minute. Mr. Feis is asking -

H.M.Jr: How are you going to get the French text over to us?

C: The best way to get the French text to you is to have them wire it to Appert as they did before.

H.M.Jr: Oh don't - don't - listen - don't - isn't there any other way?

C: Well the only other way would be - well after it's once released I can cable it in clear.

H.M.Jr: Well, send it to Appert and let's see what happens.

C: Well, see, we - it will be in the press here as soon as it is released.

H.M.Jr: Well, send it to Appert.

C: It would be much quicker if we put it just in - prepare a cablegram when it's released but I can't put the French text into our diplomatic code - English code book you see?

H.M.Jr: No. Send it to Appert.

- 12 -

C: Have them send it to Appert?

H.M.Jr: Yes.

C: But you want me to check it with them -

H.M.Jr: Yes.

C: Before it's released?

H.M.Jr: Yes - yes.

C: All right.

H.M.Jr: Why don't they telephone it to Appert?

C: Just a minute - (Aside to someone in his office "What's that"?)

C: Roueff just tells me that the British have him on the other 'phone.

H.M.Jr: Yes.

C: Trying to get the declaration out before midnight.

H.M.Jr: Yes. Well, have they heard from Chamberlain?

C: (Talked aside to someone - can't make it out)

H.M.Jr: Well why don't you speak to them and I'll hold the wire? Let him speak to the British and I'll just stay on the 'phone.

C: They say that your message is just being deciphered now.

H.M.Jr: Yes.

C: And they were just talking on the 'phone in the other room and in the Treasury the higher officials do not yet have the message. It's just being decoded.

H.M.Jr: Why they telephoned it.

C: No, they just - there was one message that you coded was there not?

H.M.Jr: I see.

Fels: Telephone and cable.

- 13 -

H.M.Jr: I told them to telephone and cable it both.

C: I see.

H.M.Jr: Look - either way - I'll hang up now - my hear yet as to what the British say on it.

H.M.Jr: By using this 'phone may keep them from telephoning so I'm going to hang up and the minute I hear something from the British I'll phone and if they hear anything, don't hesitate to call me.

C: All right. Fine.

H.M.Jr: How's that.

C: That's all right. If I hear first I'll put the call in for you.

H.M.Jr: If you hear anything call me. Don't spare any expense.

C: All right. Fine.

H.M.Jr: And if I hear I'll call you.

C: Sir?

H.M.Jr: Now wait a minute - Fele wants -

C: There's just one thing - may I ask you yet?

H.M.Jr: Yes.

C: On this thing, do you want the French text wired to Appert tonight? I mean -

H.M.Jr: Why can't they telephone the French text to Appert?

C: Just a minute (Aside to someone in his office: "Could you telephone the French text to Appert?") (Pause)

C: They can do that.

H.M.Jr: What's that?

C: They can do that and I would really prefer that you people see the French text there and rather than leave the final thing with me.

H.M.Jr: Let's do it both ways, you check it there - the translation -

C: Yes.

H.M.Jr: - and ask them to phone it to Appert.

- 14 -

C: All right. And you people will see it then.

H.M.Jr: Right.

C: Fine. All right and we'll start 'phoning it to Appert then.

H.M.Jr: O.K.

C: Is he with you now or is he at the Embassy, do you know?

H.M.Jr: He's at the Embassy.

C: He's at the French Embassy?

H.M.Jr: Yes.

C: All right.

H.M.Jr: All right.

C: We'll 'phone it through then.

H.M.Jr: Yes.

H.M.Jr: Goodbye.

C: Goodbye.

September 25, 1936
4:40 p.m.

Operator: Mr. Appert.

Appert: Yes, Mr. Secretary.

H.M.Jr: Mr. Appert, I've just got through talking again to Paris.

A: Yes, sir.

H.M.Jr: And in a very little while they are going to telephone you the French text -

A: Yes, sir.

H.M.Jr: - and after you have the French text -

A: Yes, sir.

H.M.Jr: - will you bring it right down here so that we can compare it with the English text.

A: Yes, sir.

H.M.Jr: We've - We've agreed on the text.

A: You wish that I come to you with the French text?

H.M.Jr: As soon as they telephone it to you.

A: As soon as it comes over -

H.M.Jr: No, no. They have - they're going to telephone it to you.

A: They will telephone to me the text?

H.M.Jr: Mr. Baumgartner will telephone you at the Embassy -

A: Yes.

H.M.Jr: - the French text.

A: And then I will immediately come to your office.

H.M.Jr: If you please.

A: Yes, I will do it.

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H.M.Jr: Thank you very much.

A: Yes, sir.

H.M.Jr: Thank you.

September 25, 1936
4:45 p.m.

251

H.M.Jr: Hello.

Operator: Operator.

H.M.Jr: Ask Mr. Williams and Mr. Knoke to come in here. I don't know where they all are. And then after I have them in here, I'll talk to Governor Harrison.

Operator: All right.

H.M.Jr: Hello.

Operator: Governor Harrison.

H.M.Jr: Hello.

Harrison: Yes, Henry.

H.M.Jr: George.

H: Yes, sir.

H.M.Jr: I have in the room here with me Williams, Knoke and some other Treasury people. Now, you called me and I'm calling you.

H: Yes.

H.M.Jr: Have you something special on your mind?

H: Only one thing, and I'm going to take a liberty with you.

H.M.Jr: Please.

H: Grafton has been calling me to or three times a day about the French situation.

H.M.Jr: Yes.

H: And what's going on, and he's been getting reports from the press, and he called me up a little while ago to say that he just heard from a newspaper reporter there would probably be an embargo tomorrow.

H.M.Jr: Yes.

H: And, of course, I've been ignorant of it all.

H.M.Jr: Right.

H: And -

H.M.Jr: Your suggestion is a good one. I'll send for Mr. Ransom at once.

H: If you do that, I think it would be very helpful and in good spirit.

H.M.Jr: It's a splendid suggestion, and I'll send for him at once.

H: Very good. That's all I had to say.

H.M.Jr: Now, this thing, if you don't mind, I'm going to ask you to stay at your office, can you?

H: Yes.

H.M.Jr: And it looks now as though it will go through any minute.

H: Yes.

H.M.Jr: And the thing that they're asking us is that we please use our good offices to impress upon the dealers in foreign exchange that they do not try to buck this. See?

H: Yes.

H.M.Jr: Now I've been talking to Knoke about this since last night, and I asked him to talk to you about it this morning.

H: Yes.

H.M.Jr: Now, have you and Knoke come to any conclusion as to how best to handle this?

H: Well, I've been talking it over here in the bank -

H.M.Jr: Yes.

H: Tomorrow is a very difficult day for the reason that all the principal officers will be out of town.

H.M.Jr: Yes.

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H: There won't be any but second lieutenants and the exchange dealers down the line.

H.M.Jr: Yes.

H: And, a meeting of such a crowd is out of the question. The only way I could do it would be either to call each bank and talk to the senior officer whoever happens to be there on the telephone -

H.M.Jr: Yes.

H: Or else try to get the top fellows wherever they may be in the country.

H.M.Jr: Yes.

H: If I could do it tonight, of course, it would be a lot simpler to do it.

H.M.Jr: Yes.

H: I could get them; but to try to get them tomorrow morning on the telephone that way is going to be a difficult, tedious thing, and may delay the thing.

H.M.Jr: No, I think it ought to be done tonight.

H: But if you were to let me do it tonight, it would be a cinch.

H.M.Jr: I will as soon as the statement is released here.

H: Yes.

H.M.Jr: But, it ought to be released now any time.

H: Yes.

H.M.Jr: Now do you think I can help any or do you think you can do it?

H: I think I can do it all right. I think it is really the best way to do it.

H.M.Jr: All right.

H: I don't want to suggest you shouldn't do it, but I really -

H.M.Jr: No.

H: - think this is the best way to do it if you leave it with me.

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H.M.Jr: I will.

H: All right.

H.M.Jr: If you'll assume the responsibility?

H: Yes, I will.

H.M.Jr: All right. Well, then, what I will say is that if you don't mind staying right where you are, the minute I hear, I'll call you.

H: Yes, because then I can get busy.

H.M.Jr: The minute.

H: Well now I wonder, may I ask another thing?

H.M.Jr: You can ask a dozen.

H: In the meantime, wouldn't it be helpful - if you don't mind doing it, if you have the time to do it - to let Williams, or Knoke or somebody dictate the statement to me so that if you release me to go ahead on it, I'll know what I'm talking about.

H.M.Jr: That's all right. Surely. That's all right. I'll give Williams a copy. As a matter of fact, he's - they haven't finished it. Williams is working on it with several others putting it into the language so that it's United States instead of reading "The French Government", and the minute that's finished, I'll - wait a minute. (Pause) No, no. You want the statement that's going to be given out to the press, don't you?

H: That's right.

H.M.Jr: Well, the minute that Williams has finished it, and I've O.K'd. it - I haven't seen it yet; it isn't finished -

H: Yes.

H.M.Jr: I'll tell Williams or Knoke to phone it to, where? Wherever you have a confidential secretary.

H: I'll have my own secretary here.

H.M.Jr: Well, the minute that he's got it - have you got it Williams? He says he's only half way through it.

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H: Yes.

H.M.Jr: So the minute he's through and I O.K. it, even before we give it out, I'll let him dictate it over the phone to you.

H: Yes; well that will be very helpful to me.

H.M.Jr: How's that?

H: Fine.

H.M.Jr: Now wait a minute - just a second. (Pause)
Well, you understand that when we dictate it to you, that - that there's still a chance that it never will be released.

H: Oh, I understand that, and I shall not call any bankers until you've released me on that, but I thought that in the meantime I might be getting the statement so that we won't then have to do it after you authorize me to release it.

H.M.Jr: Perfectly true. Now - now just take a minute - how do you feel about it.

H: Oh, I think it's a grand thing, as I understand it. They haven't tried to give me the works but they gave me the substance of it and I think it's a great thing.

H.M.Jr: But I mean - the whole proposition - how do you feel about it?

H: Well, as I - as I understand it - I - I'm a little - a little disappointed that the best the French are going to do is a stabilization fund within a limit.

H.M.Jr: Yes.

H: And - because I think that's going to make it more difficult for them - maybe it is the best they can do.

H.M.Jr: Yes.

H: I would have liked to have seen them devalue x per cent definitely.

H.M.Jr: Yes.

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H: And let it go at that.

H.M.Jr: Yes.

H: In fact, I think it would have been very much easier on our own position because if you have a fluctuation of 10%, you invite the very thing they are trying to avoid.

H.M.Jr: Yes.

H: Which is speculation.

H.M.Jr: But, under the circumstances, we'll take it and think it's pretty good, eh?

H: Oh, yes, I do.

H.M.Jr: Right.

H: I think something would have to be done.

H.M.Jr: Well, I wanted -

H: I think your statement is grand.

H.M.Jr: All right. Well, I want - Williams and Knoke have been very helpful.

H: Well, I'm awfully glad they have.

H.M.Jr: All right - and just the minute that Williams brings it in and I O.K. it, I'll let him phone it to you.

H: Thank you very much.

H.M.Jr: And I'll take your suggestion. I'll immediately send for Mr. Ransom.

H: Will you, and -

H.M.Jr: At once.

H: And explain why I haven't been able to say anything.

H.M.Jr: I'll tell him that I'm - I'm the bad fellow who swore you to secrecy.

H: Yes, all right.

H.M.Jr: I would - I'll take care of that.

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H: All right - thank you.

H.M.Jr: Goodbye.

H: Goodbye.

Operator: Operator.

H.M.Jr: Get me Mr. Ransom over at Federal Reserve.

Operator: All right.

September 25, 1936
5:00 p.m.

Operator: Governor Ransom.

H.M.Jr: Hello.

Ransom: Hello, sir. How are you today?

H.M.Jr: I'm fine. Are you free to come over and see me?

R: Yes, sir, I am.

H.M.Jr: Well, if you'd come over I'd appreciate it.

R: I'll do that.

H.M.Jr: Thank you.

H.M.Jr: Hello.

Operator: Mr. Landis.

H.M.Jr: Hello.

Landis: Hello.

H.M.Jr: Morgenthau speaking.

L: Yes.

H.M.Jr: Could you drop over at the office? I'd like to tell you what I've been doing.

L: All right. Thank you very much.

H.M.Jr: Fine.

L: All right.

H.M.Jr: Thank you.

September 25, 1936 259
5:10 p.m.

Operator: Mr. Eccles.

H.M.Jr: Thank you.

Operator: Go ahead.

H.M.Jr: Hello.

Eccles: Hello there; how are you?

H.M.Jr: Hello Marriner, how are you?

E: I'm pretty good.

H.M.Jr: Marriner, I'm calling you up in the strictest of confidence. I've got your Acting Chairman here, Mr. Landis, and Mr. Taylor, and Mrs. Klotz - all friends of yours sitting here. We are about 90% sure that between now and the next couple of hours we're going to have an agreement with the English and the French on devaluation.

E: Yes.

H.M.Jr: But we won't know for another hour or two. It'll take the form of simultaneous, similar statements by each Government; and the French will at midnight, or as soon as this is released, will put an embargo on gold, then call Parliament and ask for the approval of this devaluation, and I suppose a vote of confidence in the Blum Government.

E: Yes.

H.M.Jr: And this will - I think they're going to call Parliament on Sunday. But the chances are about 90% that it'll go through, but you know how those things are.

E: Yes.

H.M.Jr: And we're now waiting to hear from the English. The French have agreed to everything. And we've been fighting for a \$5.00 pound and that's what has been holding the thing up. And the thing - as far as the actual agreement as to rates and all that - is very sketchy and we - we're not signing anything. It's

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purely a neutral agreement to try to keep the -

E: Purely a gentlemen's agreement.

H.M.Jr: Purely a gentlemen's agreement which I think is much more valuable than any signed document.

E: Well if it's a question of - if it's of mutual interest, it ought to be bound any way.

H.M.Jr: That's right. And the word that we use - we've coined a new word - we will continue this as long as it is in the interest of national prosperity.

E: Yes.

H.M.Jr: How's that?

E: That's all right.

H.M.Jr: Instead of using the words "internal price levels."

E: Yes - national prosperity.

H.M.Jr: Yes.

E: It's a good campaign word.

H.M.Jr: It isn't bad.

E: (Laughs) Who thought of that one?

H.M.Jr: Oh, we never thought of that, you know - the campaign. This is purely monetary.

E: Say, what - what - what will the price of the franc be?

H.M.Jr: Well, they're talking about devaluation between 25 and 34%, which would put the franc at around 5%.

E: And then they'll immediately hold it there. I mean it will be a -

H.M.Jr: They're - they're going to have a stabilization fund of 10,000,000,000 - 10,000,000,000 francs.

E: Yes. Well that ought to be - that ought to be very helpful.

H.M.Jr: Don't you think so?

E: It ought to be very, very helpful because to have France forced off and no agreement -

H.M.Jr: Yes.

E: - and then to have the franc drift -

H.M.Jr: Yes.

E: - which couldn't help but be very demoralizing and certainly would be terribly demoralizing to France -

H.M.Jr: Yes.

E: - and it would leave both the pound and the dollar in an uncertain situation, and particularly the pound.

H.M.Jr: That's right.

E: Now it would be bad because the pound would have no basis upon which it could operate.

H.M.Jr: That's right.

E: So it does seem to me - personally I - I've been wondering just what the outcome was going to be after watching the paper on this French situation.

H.M.Jr: Yes.

E: But it does - it does look to me that a three-way agreement enabling France to immediately stabilize at a new level -

H.M.Jr: Yes.

E: - with a stabilization fund, ought to be very, very helpful to the entire - to not only the national situation but to the world situation.

H.M.Jr: I think so.

E: Do you - do you think England will agree to \$5.00?

H.M.Jr: Well, they haven't agreed to it but, on the other hand, they said they wouldn't fight it. That's about what it boils down to. They've given me a confidential memorandum on that.

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E: But they're going to have to agree though, aren't they?

H.M.Jr: No.

E: Well, of course, if they don't fight it, it means the same thing.

H.M.Jr: Well they - they've agreed -

E: It means that they're not going to further devalue, doesn't it?

H.M.Jr: They've - they've agreed very, very definitely not to fight it, and they've also told me they're satisfied with the present level.

E: They'll support the pound at that price?

H.M.Jr: Yes.

E: Isn't that what it means.

H.M.Jr: No, what they say is they'll let it sort of seek its own level, but, on the other hand, they won't push it down.

E: Well, of course -

H.M.Jr: Everybody here who's worked on it thinks that -

E: That that's where it'll stay?

H.M.Jr: They think that that's about where it will stay - they think temporarily it may go up but it will stay about there. They - they don't feel it to be a great return of capital to France because they're not sure of France.

E: They're not sure of the political situation.

H.M.Jr: No.

E: It's more than the monetary there, isn't it?

H.M.Jr: Yes.

E: Now later if there is a return, then the pound may recede.

H.M.Jr: It might. It might go to \$4.90. That wouldn't be any tragedy.

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E: Yes. Well, it may even go lower than that if they lost a lot of capital. But even if it did go lower -

H.M.Jr: Yes.

E: If it's a natural level -

H.M.Jr: Yes.

E: - we could stand it.

H.M.Jr: I think so. We think so here. It's such an important thing after all. The French are going to do something tonight whether we join them or not.

E: Well, by golly, I - I hope the British will - will - and we can join them ourselves. I mean it looks to me like that would help because otherwise it just looks like France is left out on a limb.

H.M.Jr: Well, it - the way we feel here if this goes through, it's - it's a great stroke for liberal government.

E: Yes.

H.M.Jr: And it may - it may be the turning point in Europe. I mean it - it might pull them through.

E: It'll help France. Without it, the francs will drift, won't they?

H.M.Jr: Pardon me.

E: I say without that France would just be drifting -

H.M.Jr: Well.

E: - France couldn't devalue, could they?

H.M.Jr: Well, Marriner, they lost \$48,000,000 gold today.

E: Yes, but, France would just drift without an agreement.

H.M.Jr: Well, they'd go - I mean if this doesn't happen, I would say within a couple of weeks they'd have anarchy there.

E: Yes. Yes. Well then - well I wish - I wish I was back there, but I

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H.M.Jr: I wish you were, too, and -

E: I could come, I guess.

H.M.Jr: I phoned you the minute that I felt that it was 90% sure.

E: Yes.

H.M.Jr: I'll give your office a copy of this, and if you want me to as soon as the thing is signed, I'll - I'll - I'll telegraph it to you.

E: Well, that would be - I'd appreciate having it.

H.M.Jr: What's your address. I'll - I'll telegraph it the minute you release it.

E: Send it to - in care of the Eccles Investment Company.

H.M.Jr: Well, where - where will you be tonight?

E: Ogden.

H.M.Jr: Where will you be tonight.

E: Well, let's see. I'll be in Salt Lake tonight.

H.M.Jr: Well, do you want me to send it there?

E: Why - why not send it here and I'll get it tomorrow?

H.M.Jr: Well, then you'll get it in the papers. Every paper in the world will carry it.

E: Yes, I - I know that. How soon do you think you'd be able to wire it?

H.M.Jr: Oh, from two to three hours.

E: Yes. I'll tell you what you do - you - you wire it right here to me at Ogden and I'll arrange to have it forwarded wherever I am.

H.M.Jr: What address?

E: Just send it to M. S. Eccles, Ogden, Utah.

H.M.Jr: M.S.?

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E: M.S. - Ogden, Utah.

H.M.Jr: I get the "M". What's the next letter?

E: S - S.

H.M.Jr: M. S. Eccles.

E: Ogden.

H.M.Jr: Ogden, Utah.

E: That's right. And I'll leave word at the Western Union.

H.M.Jr: Right.

E: Well, listen, tell - tell Ransom that I'll be - hello.

H.M.Jr: Hello.

E: I say, tell Ransom that I'll be back there at the end - by Sunday at the latest.

H.M.Jr: He says that's all right. He doesn't say he's delighted, but he says it's O.K. with him.

E: (Laughs) Who says that?

H.M.Jr: Ransom. He says it's all right with him. He says you can take another week.

E: I can.

H.M.Jr: Yes.

E: Well, I'm - I'm scheduled to stop at - I'm going to talk to the bankers over in Iowa.

H.M.Jr: Yes.

E: I thought maybe I could do a little good over there.

H.M.Jr: My God! Haven't they stood enough punishment over there?

E: I don't know. (Laughs)

H.M.Jr: (Laughs)

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E: I - J agreed to meet with them over in Des Moines and then I'm going over to Kansas City, and then I'm coming on to Washington.

H.M.Jr: All right, Marriner. When you get back, I'll look forward to seeing you.

E: All right.

H.M.Jr: I'll look forward to seeing you when you get back.

E: All right. Goodbye.

H.M.Jr: Thank you.

E: Goodbye.

September 25, 1936
6:30 p.m.

Mallet: - on the telephone.

Feis: On the telephone?

Mallet: Yes, and so I shall probably be coming straight down in a few minutes - as soon as I have got it.

F: Right, sir -

M: Are you at the Treasury now?

F: I'll tell the Secretary.

M: Will you tell the Secretary?

F: I shall. He's in the Treasury and I'll just tell him.

M: -- You tell him that I'll be down as soon as I have the message. It's being taken down at this minute on the telephone.

F: It will probably be a matter of 15 minutes or something like that.

M: Yes, well, it will take me another 10 minutes to get it down. I think I will start in about a half hour.

F: Right, sir. Good.

M: Thank you.

F: Right. Goodbye.

September 25, 1936
6:35 p.m. 268

Operator: Yes, I've placed my call but they're going to complete theirs.

H.M.Jr: All right. Tell - tell what's his name - Lochhead, and Feis, and Taylor to come in.

Operator: Do you want Miss Chauncey?

H.M.Jr: No - yes - that's right.

Operator: All right.

Operator: Hello.

H.M.Jr: How soon is it coming?

Operator: Right away.

H.M.Jr: Is it on the wire?

Operator: Are you ready?

H.M.Jr: Yes.

Operator: Yes. (Pause)

Operator: Go ahead.

H.M.Jr: Hello.

Cochran: Hello.

H.M.Jr: Yes, Cochran.

C: I - I can hear you now.

H.M.Jr: Go ahead.

C: I'm here with the Minister now - with Mr. Auriol.

H.M.Jr: Yes.

C: And they telephoned from London that London had accepted your proposition, and that Chamberlain was releasing the statement at 12:30.

H.M.Jr: Yes.

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C: - with your approval.

H.M.Jr: Now 12:30 - what time is that?

C: It's just now 12:36.

H.M.Jr: 12:00 what?

C: 12:36 here now.

H.M.Jr: Well, now the British Embassy here phoned -

C: Yes.

H.M.Jr: - and that they were just taking down the statement over the telephone from the Chancellor and they would be in my office in about 20 minutes.

C: Yes.

H.M.Jr: I have not yet heard from them. They said they will be here in 20 minutes.

C: I see.

H.M.Jr: So if you people would please wait another 20 minutes to half an hour, the minute they come I'll phone you.

C: They - they haven't communicated with you yet?

H.M.Jr: They called me at 6:30 Washington time. Hello -

C: Did they talk with you directly?

H.M.Jr: No, they have not.

C: The Embassy?

H.M.Jr: The British Embassy called me 6:30 Washington time, which is 12:30 Paris time.

C: Yes.

H.M.Jr: And said they were taking down over the telephone a statement from the Chancellor of the Exchequer to the Secretary of the Treasury -

C: Yes.

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H.M.Jr: - and that they would be down here in about 30 minutes.

C: I see.

H.M.Jr: So you - which means they'll be here now in about 20 minutes.

C: Yes, but Monick told the French that they - the English - wanted to release the statement of 12:30.

H.M.Jr: Well, they won't do that -

C: It actually is being released in England.

H.M.Jr: No, no, no.

C: Well, that - that's what they say.

H.M.Jr: No, no.

C: And so they're - they're ready to give it out here when you give the word.

H.M.Jr: No - please. There's - there's a mistake. There's been nothing done. They've got to wait another 20 minutes.

C: I see.

H.M.Jr: Now the - the English are on the way down. Now don't let them make a mistake.

C: All right.

H.M.Jr: I've had no word. Everything has gone beautifully.

C: Yes.

H.M.Jr: So please ask the French to be patient for another 20 minutes to a half an hour.

C: I see.

H.M.Jr: And - and the minute that this - this comes, I'll phone you.

C: But - and you've given the British definite understanding that they are not to release it?

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H.M.Jr: That's right.

C: But Monick said just the contrary, you see, to people here.

H.M.Jr: Well, please - Mr. Monick has several times given them wrong information.

C: Yes - I'm - I'm very much aware of that.

H.M.Jr: Now please - please ask the Minister whether he won't wait until he hears from me. Now don't let's spoil this by not waiting for a half an hour.

C: Well, let me turn to him now and ask him.

H.M.Jr: All right.

C: Hello.

H.M.Jr: Hello - I've got plenty of time.

C: Well let - let me speak to him now.

H.M.Jr: Take all the time that you want.

C: All right.

H.M.Jr: Take all the time that you want.

H.M.Jr: Hello, Telegraph Operator. Now Mrs. Klotz is going to read to you an ultra-confidential message for the President - the President, see? So you take it just as it is. The President called me. Take it just word for word, see? And then sign it the Secretary of the Treasury, see? (Mrs. Klotz reads the message.)

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Hello.

C: They're - they're very much worried, you see, because if they don't get it out very near this time it cannot be in the papers. See?

H.M.Jr: Well, now I can't do anything and they're no more worried than I am.

C: Yes.

H.M.Jr: Now, Mr. Mallet, the Charge in the British Embassy, phoned the State Department at 6:30 -

C: Yes.

H.M.Jr: - that he was taking down over the telephone -

C: Yes.

H.M.Jr: - a message of the Chancellor of the Exchequer for me.

C: Yes.

H.M.Jr: I have not seen what's in it.

C: Yes.

H.M.Jr: He said he would be down here in about a half an hour.

C: Yes.

H.M.Jr: And the minute he comes, I'll call you.

C: Fine.

H.M.Jr: Now what I'll do is - I'll put - if you want me to, I'll hold this call, or - I can hold this wire open.

C: Let's hold this call open.

H.M.Jr: Well, who's -

C: Let's hold this line open.

H.M.Jr: Let's - let's keep this line open and the minute they come in, I'll talk.

C: All right. I'll - I'll stick here and we'll keep the line open then.

H.M.Jr: All right. Now just a minute.

C: Yes.

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H.M.Jr: Hello.

C: Hello.

H.M.Jr: Will you please tell the Minister of Finance this:

C: Yes.

H.M.Jr: That I have told the British as emphatically as I can that they are not to release this statement until they hear from me.

C: Yes.

H.M.Jr: They have given me their word of honor that they will not release it.

C: Yes.

H.M.Jr: And I don't give a damn what Monick says.

C: All right - fine.

H.M.Jr: Now, Monick has lied a number of times.

C: Yes.

H.M.Jr: And I don't care what Monick says. On this - I have it on authority that on this checkup back and forth, a number of the messages that Monick has given have been absolutely misinformation.

C: I know it. Well I -

H.M.Jr: Now tell the Minister of Finance.

C: I know it.

H.M.Jr: Tell the Minister up - up there that I'm just as anxious as he is and will he - and the British have given me their word they will not do anything until they hear from me.

C: Yes. All right.

H.M.Jr: Now I think that my word is better than Mr. Monick's.

C: All right. Fine.

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H.M.Jr: Now will you please tell him that.

C: All right.

H.M.Jr: Now I'm right here (Pause)

H.M.Jr: What's that? Hello. Hello. (Pause) Hello.

Operator: Hello.

C: Hello.

H.M.Jr: Mrs. Spangler.

Operator: Yes.

H.M.Jr: They want to keep this wire open, you see?

Operator: All right.

H.M.Jr: Hello.

Operator: Yes.

H.M.Jr: Hello, Cochran.

C: I'm giving your message through Roueff to the Minister.

H.M.Jr: What's that? What's that? Hello.

C: Hello.

H.M.Jr: What's that?

C: I'm just giving your message through Roueff to the Minister.

H.M.Jr: Yes; what did he say?

C: And he's - he's telling him now, you see?

H.M.Jr: Yes.

C: They - they have not given it out, and they're holding off.

H.M.Jr: Well that's very - that's - that's the honorable thing to do. Now, we're not going to give it out either.

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C: Well, we will - we'll hold it.

H.M.Jr: Yes.

C: And you - just keep the line open so that we can get you.

H.M.Jr: Sure, now I'm very sorry that the President of France (laughs) can't go to bed. Appert was just coming in here and he said they're so worried. Baumgartner told him about the President of France going to bed, and I said I haven't been to bed in a week.

C: Yes; right.

H.M.Jr: And I think that over there they could think up something to keep the President of France up.

C: I - I really think so, too.

H.M.Jr: Yes.

C: So then let me give you just a little idea as to the statement -

H.M.Jr: Yes.

C: - in which they are issuing this.

H.M.Jr: Yes.

C: They - they say that the Council of Ministers has approved the terms of a declaration, the text of which has been arrived at after long and friendly conversations -

H.M.Jr: Yes.

C: - with the Governments of the United States of America and Great Britain with the French Government. This declaration is to be published simultaneously by the 3 Governments.

H.M.Jr: Yes.

C: Then the French text follows.

H.M.Jr: Yes.

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C: And I checked the French text, and there's - oh, just one little change in order of words - something like that. Nothing at all.

H.M.Jr: Well, we had to change the order but not the meaning in order to make it read "United States Government."

C: To read what?

H.M.Jr: Well, just to change it so that it reads "United States Government" instead of the "French Government."

C: Yes. Yes.

H.M.Jr: Just a minute.

C: And -

H.M.Jr: Wait a minute. Cochran - Cochran.

C: Yes.

H.M.Jr: Mallet has come now. Mallet's outside. See?

C: He's there now, is he?

H.M.Jr: So I'll tell my operator to just - to Mrs. Spangler to hold this open.

C: All right, and you'll talk to Mallet now.

H.M.Jr: I'll talk to Mallet.

C: Yes.

Operator: Go ahead.

H.M.Jr: Hello, Cochran.

Cochran: Yes, Mr. Morgenthau.

H.M.Jr: Now let me (Said aside: Just a minute gentlemen.) Do you understand that the British are going to release this - well, the same text that I sent to you?

C: Yes, absolutely.

H.M.Jr: You do?

C: Yes.

H.M.Jr: You understand that?

C: Yes, because they read this text from here.

H.M.Jr: Pardon me.

C: I say, the French repeated our text with amendments to the British -

H.M.Jr: Yes.

C: And the British said they accepted it entirely.

H.M.Jr: They have?

C: Exactly.

H.M.Jr: All right. Now just a moment please. (Pause)

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Well now they think that the British are going to release this now at once, so I say it's all right to release it, and I'd like to try some of my very poor French to congratulate Mr. Auriol if he would come to the telephone.

C: Fine.

Mr. Auriol: Hello.

H.M.Jr.: Bon soir, M. Auriol.

Auriol: (Speaks French)

H.M.Jr: Oui.

A: (Speaks French)

H.M.Jr: Le Meilleure felicitation.

A: Pardon.

H.M.Jr: (aside: I can't -)

A: Pardon.

H.M.Jr: Well, - (Aside: 'What's - good luck or something?'
Some one in the room answers, 'Bonne chance')
Bonne chance -

A: (Speaks French)

H.M.Jr: oui - oui (Aside: 'Then a goodnight')

H.M.Jr: Good night, Mr. Minister.

Auriol: Hello.

H.M.Jr: Hello.

Auriol: Hello.

H.M.Jr: I want to wish you the best of success.

Auriol: Hello.

H.M.Jr: I wish you the best of success.

Auriol: (Speaks in French) -

H.M.Jr: Bon soir.

Auriol: Hello.

H.M.Jr: M. Cochran?

Auriol: Hello.

H.M.Jr: Hello - M. Cochran?

Auriol: You wish to speak to Mr. Cochran?

H.M.Jr: Yes, who is this, please?

Auriol: (Speaks in French) -

H.M.Jr: Well, I just wish you great success, Mr. Auriol.

Auriol: Thank you very much for your wishes.

H.M.Jr: Thank you.

Auriol: You want to speak to Mr. Cochran?

H.M.Jr: If you please.

Auriol: One moment.

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H.M.Jr: Cochran?

Cochran: Yes, Mr. Secretary.

H.M.Jr: I just wished the Minister the greatest of success, and we'll do everything possible to help out.

Cochran: I didn't get that - I'm sorry.

H.M.Jr: I want to wish him the greatest of success and the American Government will do everything possible to try to make this move on the French part a success.

C: Fine - fine. I'll - I'll explain to him.

H.M.Jr: And I want to thank you for the splendid work you've for the splendid work you've done there.

C: Oh, please, that's nothing.

H.M.Jr: Well, now, you and the Auriol can all go out and have a drink on me. (Laughs)

C: All right - fine. We'll charge it up to you.

H.M.Jr: All right (Laughs).

C: And now I'll give you a wire tomorrow as to how things go.

H.M.Jr: All right.

C: Goodbye.

H.M.Jr: Good night.

C: Good night.

September 25, 1936.
9 P.M.

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H.M.Jr: Hello - hello

Geo.

Harrison: Hello - Henry?

H.M.Jr: Yes George.

H: Well I want to congratulate you.

H.M.Jr: Thank you.

H: I called you as soon as I got a release.

H.M.Jr: Yes.

H: And you were busy with the press then.

H.M.Jr: Yes.

H: And since then I've been on the telephone trying to reach everybody in this neck of the woods.

H.M.Jr: Well what is the reaction?

H: Oh excellent.

H.M.Jr: Excellent.

H: Everywhere.

H.M.Jr: Fine.

H: A good deal of curiosity is to what the French going to do.

H.M.Jr: Well I told the press that they'd have to get that from the French.

H: Yes but my answer to that is I don't know and I suppose it won't be known until they put it up to Parliament.

H.M.Jr: That's right.

H: I think that's as good an answer as I can give.

H.M.Jr: I think so.

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H: And - but the statement - they think it is fine and it is an excellent job.

H.M.Jr: Yes.

H: And there is every intention and desire on the part of everybody with whom I talked to cooperate 100%. As a matter of fact - oh some time ago we put the brakes on it to protect the from of these banks around here and I don't think any of them have to do it.

H.M.Jr: Yes.

H: But I

H.M.Jr: Yes.

H: And I think it should relate not merely to the franc but to other exchanges as well.

H.M.Jr: That's right.

H: Because others will be weaker tomorrow perhaps even the franc.

H.M.Jr: That's right.

H: There's no point in there starting to raise the guilders, the Swiss franc or the pound.

H.M.Jr: That's right.

H: You know my opinion is that while I don't think the exchange market ought to be closed nevertheless it ought to be just as quiet as is possible to make it tomorrow.

H.M.Jr: That's right.

H: And everyone with whom I've talked has assured me that so far as they're concerned that's what will happen.

H.M.Jr: Ah ha. How about some of the private banking institutions.

H: Well I've - I've got a list from these reports that we get - the exchange does that you see -

H.M.Jr: - Yes

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H: - 15 or 16 figures for all of them.

H.M.Jr: Yes.

H: and I'm going to cover all those.

H.M.Jr: Yes.

H: And tomorrow I'll cover some of the smaller ones too.

H.M.Jr: Yes. Well has anybody attempted to buck you?

H: Buck me?

H.M.Jr: Yes.

H: Not one.

H.M.Jr: Have you talked to Laval.

H: No, I haven't. I tried to get him once but they didn't answer but I'm going to call them. I've still got them on my list.

H.M.Jr: I see.

H: It's a slow business. It's been awfully hard to get people tonight.

H.M.Jr: Ah ha.

H: There's more of them out of town, or away or don't answer - or out at dinner- gosh, it's a hell of a job. (Laughter by the group - but, nevertheless, there's a good reaction -

H.M.Jr: All right.

H: And they seem very happy about it.

H.M.Jr: Well I had a Press Conference which lasted 35 minutes, which is a long one for me.

H: Yes.

H.M.Jr: And I didn't have - I mean I had some of the star reporters here from Washington and I didn't have a single unfriendly question.

H: Yes.

H.M.Jr: Now I think five weeks before an election, that is remarkable.

H: Very good.

H.M.Jr: What?

H: Very good.

H.M.Jr: I mean there wasn't a single unfriendly reporter who tried to give it - you know give this thing an unfriendly twist.

H: Well I haven't had one either.

H.M.Jr: And altogether I think it's pretty good - pretty good.

H: There's only one - I don't even remember who it was to tell you the truth - who raised - he wasn't asked about it at all but on the sentence where you say, 'The Government welcomes this opportunity to reaffirm its purpose to continue the policy -

H.M.Jr: Yes:

H: 'One constant object of which is to maintain the greatest equilibrium, and so on in the international exchanges -

H.M.Jr: Yes.

H: - 'and to avoid the creation of any disturbance of that system by American monetary action.

H.M.Jr: Yes.

H: That - that word 'reaffirm' -

H.M.Jr: Yes.

H: Is - is subject to a little bit of question on - on that basis.

H.M.Jr: Well.

H: But that - I didn't notice it myself.

H.M.Jr: Ah ha.

H: But that's the only thing that anybody has said at all about it.

H.M.Jr: Well -

H: It wasn't really unfriendly -

H.M.Jr: - No

H: It just - you know.

H.M.Jr: I know. Well if that's all they can find - have the reporters been calling you?

H: But nobody was looking for it - I mean everybody's ready to take it whole-heartedly fine.

H.M.Jr: Didn't anybody - I mean - of course the press had it all day but I suppose they didn't know whether it was definitely coming or not.

H: Well they've been calling up Burgess - Burgess is handling the press.

H.M.Jr: Yes.

H: He got a copy of this.

H.M.Jr: Well both Williams and Knoke were both helpful.

H: Well I'm glad to hear that.

H.M.Jr: Most helpful.

H: Well that is first rate.

H.M.Jr: Thank you.

H: Well I'm much obliged to you.

H.M.Jr: Thank you.

H: Good job.

H.M.Jr: Good night.

H: Good night to you. Get a rest tonight.

H.M.Jr: I think so.

H: All right.

September 26, 1936. 285
11:48 a.m.

H.M.Jr: Hello

Operator: Mr. Knoke: - Go ahead.

H.M.Jr: Knoke

K: Yes Mr. Secretary.

H.M.Jr: Don't tell me you put the price of sterling up again - I can't stand it.

K: No - I - I haven't done anything but the price has lifted itself - it's 4.97 about.

H.M.Jr: (Loud and long) No

K: But the fact is I think you could call it 4.99 and you wouldn't get any, only I wouldn't -

H.M.Jr: Listen - we'll close the market at four - wait a minute. (Aside to someone in his office. "4.99 -

H.M.Jr: Is there somebody paying \$4.97?

K: Well \$4.97 was bid - yes - about five minutes ago.

H.M.Jr: Well what do you recommend?

K: Well I - I wouldn't go beyond that. If you want to - make your bid at the closing \$4.97 - I think you can do it.

H.M.Jr: Make my bid what?

K: \$4.97.

H.M.Jr: \$4.97. it is.

K: Yes but then call it a day after that.

H.M.Jr: Then we'll call it a day - and a damn good one.

K: (Laughter)

H.M.Jr: And listen -

K: Yes.

H.M.Jr: I've struck off my list Russian Bodka.

K: You did? (Laughter)

K: Yes - I don't think they'll give you any more after this.

H.M.Jr: No, from now on I take Norwegian caviar.

K: Oh I see.

H.M.Jr: Yes.

K: All right, sir.

H.M.Jr: Yes.

K: I hope it will agree.

H.M.Jr: I hope so. Well -

K: Then we'll do that.

H.M.Jr: Now - now that it's out and I've done - done it - is it all right?

K: You mean the statement?

H.M.Jr: Yes.

K: Well - all I can - I wouldn't have done it, Mr. Secretary.

H.M.Jr: But now it's done.

K: Now it's done - I - I think you may get reactions which you won't like.

H.M.Jr: That's - from where?

K: Well - from Moscow.

H.M.Jr: Good - swell.

K: All right sir - if that is -

H.M.Jr: Sure - fine - grand.

K: All right.

H.M.Jr: Let them explain.

K: I hope it won't get the Chase into trouble.

H.M.Jr: No, no, no, no, no, no, no, no, no, no - No
no, no, no, no, no, no, no, no

K: But -

H.M.Jr: Say listen I'll make more money for the Chase
than they'll ever make out of Russia.

K: But Mr. Secretary let me point out one thing that
you have - that hereafter you'll have to talk about
the Stabilization Fund -

H.M.Jr: No.

K: You have refused heretofore.

H.M.Jr: No - only in great great emergencies.

K: I see.

H.M.Jr: It's all right. Take my word for it.

K: All right, sir. As long as you're not afraid of
Moscow, it suits me.

H.M.Jr: I never have been yet. O.K. Well thanks very much -
\$4.97.

K: \$4.97. Mr. Secretary, I never had a chance last
night to express my appreciation of the very great
kindness I had in Washington.

H.M.Jr: Well I appreciate your assistance.

K: Thank you.

H.M.Jr: We'll do it again some time.

K: All right, sir.

H.M.Jr: Goodnight.

September 26, 1936
11:50 a.m.

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H.M.Jr: Hello

Operator: Mr. Knoke. Go ahead.

H.M.Jr: Hello - Knoke.

K: Yes, sir.

H.M.Jr: I just want to get the thing straight. There seems to be a little mixup between Lockheed and myself - hello?

K: Yes.

H.M.Jr: Did I understand correctly that the British gave you an order to buy three million pounds Sterling at \$4.90 because they knew about the Russian order?

K: No - no - no

H.M.Jr: They did not know about it?

K: No. They called in for the purpose of telling us that they would like to - they would not want to see Sterling go below \$4.90.

H.M.Jr: Oh. But they did not know about the Russian order.

K: They did not know about it.

H.M.Jr: All right. Well - I just wanted - there was a little mixup - they - I thought you said they gave you the order because they did know about the Russian -

K: Oh no - no - no - no.

H.M.Jr: O.K.

K: Yes sir.

H.M.Jr: Look

K: Yes.

H.M.Jr: The Secretary of State isn't worrying about Moscow so don't you.

K: No, I expect to see a good polo game this afternoon without giving any thought to Russia.

H.M.Jr: All right and, as far as I'm concerned, they better behave themselves.

K: (Laughing) Yes.

H.M.Jr: Yes.

K: All right, sir. Oh, by the way, Cariguel is calling in again and he wants to keep in touch with me tomorrow, I don't know -

H.M.Jr: Fine.

K: Would you be at the -

H.M.Jr: I'm at Beacon 211

K: Beacon 211.

H.M.Jr: New York.

K: Yes.

H.M.Jr: Yes.

K: All right, sir.

H.M.Jr: I'm available any time.

K: Beacon 211

H.M.Jr: Beacon, New York, 211

K: Thank you.

H.M.Jr: All right.

K: Good night, sir.

H.M.Jr: Good night.

September 26, 1936
12:15 p.m.

Operator: Go ahead.

H.M.Jr: Knoke?

Knoke: Yes, sir.

H.M.Jr: Be sure that the newspapers know that sterling closed at 4.97 bid.

Knoke: Yes.

H.M.Jr: Will you arrange that with Burgess?

Knoke: Ah -

H.M.Jr: You want - I mean that the - that the official

Knoke: That - that - I'll do it through the banks. I'll - because you see there's no - no such thing as an official -

H.M.Jr: I know but I'm very anxious that the price is to be the last one. The first we had here was \$4.94.

Knoke: Yes.

H.M.Jr: I want - I'm very anxious to have it - that it goes out into tomorrow morning's paper that it was 4.97.

Knoke: Yes. All right, I'll talk to Burgess.

H.M.Jr: Will you surely take care of that?

Knoke: Yes, I will.

H.M.Jr: Thank you.

September 26, 1936

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At 10 minutes of 9:00, H.M.Jr. told Mrs. Klots that he had informed Burgess that he could have \$25,000,000 to buy bonds; that we should not follow our usual policy of staying under the market, but that we should fight any effort to push the bond market down; that we were the only market in the world of any importance that was open and what we did in the Government bond market would show our confidence in this new agreement and would set the financial tone for the whole world.

The Secretary remarked to Mrs. Klots, "What we buy today will look very cheap a week from now."

George Harrison told H.M.Jr. this morning that he talked to the bankers last night and they said that this move will re-elect Roosevelt; that it is the greatest political move that has been made; that the only person he had trouble with was Frank Altschul, but that after great argument with Frank Altschul, he (Altschul) sent cables to his London and Paris branches telling them to lay off speculative dealings in foreign exchange tomorrow.

At 9:10 the Dow-Jones ticker reported sterling at 4.94. Mr. Lochhead told the Secretary not to worry, but H.M.Jr. decided to call Knoke and talk to him about it.

He said to Knoke, "On the Dow-Jones ticker it just said that sterling was \$4.94. Isn't this just a nominal figure? Who did business on that basis? Here is the thing I want you to think about. If it goes out in all the papers that the pound was \$4.94, that will react in our disfavor. Is there anything we can do to put the pound up? I do not like it at \$4.94."

"I will buy \$1,000,000 worth of sterling at the best price you can buy it at, right now. This is a public relations matter. You say that the British gave the Federal Reserve an order to buy 3,000,000 pounds at \$4.90 or \$15,000,000 worth of sterling, and I said that I will buy \$1,000,000 worth of sterling at the best price you can buy it."

"I am very pleased that the Bank of England is delighted that we have given them an order to buy up to \$100,000,000 of gold."

H.M.Jr. called Knoke at 9:25. "I hear that Holland wants to know whether we will renew our offer to buy \$10,000,000 worth of gold. The answer is, Yes. How are you doing on the order for \$1,000,000 worth of sterling?" Knoke reported that he had bought 50,000 pounds at \$4.91.

Knoke also reported that the Russian Government has an order in to sell 1,000,000 pounds sterling at best. H.M.Jr. inquired, "Why didn't you tell me that before? That is what is pulling sterling down. I knew there must have been something causing it. Pull out all buying orders and communicate with the Chase and tell them that you will buy that 1,000,000 pounds sterling."

He then talked to Governor Harrison. He said, "Knoke should have told me immediately this morning that the Russians have an order in to sell 1,000,000 pounds sterling at any price, but he didn't do it. I told him to pull out all of our orders on foreign exchange and deal directly with the Chase Bank. I want to buy that 1,000,000 pounds sterling. Will you follow it for me personally, please? They are trying to break down this agreement and I am calling the President and want to ask him whether I can give this out publicly. The Communist Government is trying to break this thing. I want to buy that 1,000,000 pounds sterling at whatever price is necessary."

H.M.Jr. spoke to the President at 25 minutes of 10:00. "Everything clicked all around and everybody is so happy. There is not a sour note anywhere. Harrison spoke to 15 or 20 bankers last night and told them to lay off, and the only one he had trouble with was Frank Altschul and he finally got him to agree. He talked to the bankers and they all said that this is going to re-elect you. Sterling dropped to \$4.94 so I told them that we would have to go after it. I kept saying, What is the matter with sterling? Then the English came in with an order for \$15,000,000 at 4.90. Still I could not get what was the matter. Then I discovered that the Russian Government gave the Chase Bank an order to sell 1,000,000 pounds sterling at any price. I then told the Federal Reserve to withdraw all of our support in the market and deal directly with the Chase and buy that million pounds sterling. If they sell it, I want your permission to announce that the Russian Government tried to break this thing and that we bought the 1,000,000 pounds sterling that they had ordered dumped on our market. Before I actually do it, I want to call you back once more. The negotiations are going on right now between the Federal Reserve Bank and the Chase. Those bastards want to break this thing so that Blum cannot get his support. In talking to Paris this morning they said that the only people who are fighting Blum on this is the Communist party. We are the only market that is open and they are trying to break the market here."

H.M.Jr. called Governor Harrison at 9:45. He asked, "Is Knoke with you? Have we cleaned that up? Are they through over there? Is it true that the Russian Government used the Russian State Bank? Do you mind if I call up the Chase myself?" Harrison said it was the Russian State Bank and they had 1,000,000 pounds to sell in our market "at best".

H.M.Jr. then said to Governor Harrison, "I am going to give this out. I have the President's authority. If you want me to, I will call up Funk, of the Chase, and tell him what I am going to do. I want to serve notice on the world that we are not going to let anybody 'bust' this thing." Governor Harrison objected strenuously to Mr. Morgenthau's making this transaction public. However, H.M.Jr. assured him that he would get permission from the Chase Bank before he did anything and that when he did he would not give out the name of the Chase Bank.

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H.M.Jr. next spoke to Knoke. He said to Knoke, "Now, go after it and see what else there is in the market. It ought to be easy to clean it up now." Knoke advised the Secretary that he had bought 900,000 pounds sterling from the Chase, 100,000 pounds sterling already having been disposed of.

Immediately after this call, H.M.Jr. called Mr. Aldrich of the Chase, but he was out. He asked for Mr. Campbell and he was out. He then was connected with Mr. Schmidlatt who was the executive officer next in rank.

H.M.Jr. asked him, "Would you mind sending for Funk while I am talking to you?" Schmidlatt asked, "Who is Funk?" H.M.Jr. answered, "Funk is your foreign exchange man." Schmidlatt said, "Then I will also send for Rovensky."

H.M.Jr., speaking to Mr. Schmidlatt, said, "The Federal Reserve has just bought from you, for account of the Treasury, 900,000 pounds sterling. The Chase said this was an order that the Russian State Bank had given them to sell 'at best'. We appreciate the cooperation. What I would like to do is to announce to the press that the Russian State Bank placed an order to sell 1,000,000 pounds sterling 'at best'. I will not quote the Chase. I appreciate the courtesies between the Chase and the Federal and that is why I am calling you personally. This is of such importance. I cannot help but feel that they did this for political purposes. It will have a more healthy effect to announce that they placed this order and I bought it." Mr. Schmidlatt said, "You are not going to announce the fact that we did this?" H.M.Jr. said, "I would not think of mentioning your name."

Schmidlatt said, "Why should we not discourage this?" H.M.Jr. answered, "I would much rather that you do it and then we would know what is going on." Schmidlatt, "You don't want us to discourage it?" H.M.Jr., "If you refuse it, it will go some other place and I would not be able to trace it. I want you to handle it and we will take it." Schmidlatt said, "Funk and Rovensky just came in. That was an order for 900,000 pounds." H.M.Jr., "Was it not an order for 1,000,000?" Schmidlatt answered, "Their aggregate order was 1,200,000. We sold 900,000 to the Federal and 300,000 to the market. We will continue in that way." H.M.Jr. said, "What I am going to do, unless you object, is to tell the press that the Russian State Bank gave an order in New York to sell 1,000,000 pounds sterling at best." Schmidlatt said, "I do not see how we can interfere if you keep our name out of it." H.M.Jr. inquired, "Don't you think it is a good move?" Schmidlatt said, "I should think it will act as a deterrent. I think it is all right." H.M.Jr., "Thank you very, very much."

H.M.Jr. called Knoke at 7 minutes after 10:00. Knoke said, "I am bidding 4.94 1/2 and I have not bought anything. There are only two items in the market, which are absolutely speculative. One from

Czechoslovakia for forward delivery. I think we should stop this transaction." H.M.Jr. asked, "Is it 30 or 90 days?" Knoke answered, "30 days. It is 50,000 pounds. It is Petchek & Company, who is a gambler." H.M.Jr., "No, don't buy that." Knoke, "I have called four banks and none of them has any sterling to offer." H.M.Jr. asked, "Should I say anything to the press about Petchek?" Knoke replied, "No. Absolutely no."

H.M.Jr. then called Governor Harrison. "I talked to Mr. Schmidlatt who had Funk and Rovensky in his office. He is entirely satisfied and he thinks that it is a good move. I said I would not mention the bank. His reply was, 'Do you want us to stop doing this business?' and I said, 'No, because if you do I will not know that it is being done.'" Harrison answered, "I have been scouting around. Lazard called me up and said that they did not have a single order to buy or sell. They bought 15,000 pounds on an outstanding order that they have. I understand the total purchases have been between 80,000 or 90,000 pounds. The reason I am mentioning this to you is that it is not the transactions nor the sales, but just what the bids and offers are priced at in the market."

H.M.Jr. said, "As long as I have a clearance from the Chase, I want to do it." Harrison said, "I do not want you to get the idea that the price of sterling has come down because of selling. I do not object to your statement to the press." H.M.Jr. said, "I want to give notice to the world that we will not let Russia or anybody else wreck this thing." Harrison: "As long as the Chase is satisfied, I am satisfied."

H.M.Jr. called the President at 10:20. He said, "I have just talked to the Chase and have a clearance from them. They had an order from the Russian State Bank to sell 1,000,000 pounds sterling 'at best' and I am going to say so. We paid 4.92 1/2 for the sterling offered by Russia and sterling is now 4.94 1/2, and with the exception of one little order from a speculator in Czechoslovakia every other order in New York is for buying. The stock market is up 2 points. Cotton is up. Wheat is just the same, and corn is fractionally off. The Government bond market is very bullish. With your permission, I am going to announce this and I am going to tell them that for the first time since the stabilization fund exists, I am going to tell them what I have done. Harrison did everything to stop me from doing this. He said it would be a breach of confidence if I did this to the Chase. I told them I would talk to the Chase and I did."

H.M.Jr. here gave the President the gist of his conversation with Schmidlatt. The Secretary then said to the President, "That answers Hearst. When would you like to see me?" The President asked H.M.Jr. to come over with Mrs. Morgenthau to tea at Hyde Park tomorrow afternoon.

H.M.Jr. then called Mr. Knoke and told him to bid 4.95. Knoke said he told four banks to let him know whether there is any sterling bid and there is none.

Press Conference at 10:40.

Sept. 26, 1936

In a radio address, May 13, 1935, on "The American Dollar", Secretary Morgenthau said:

"You have heard the argument that we should stabilize by declaring that we will not change the present gold content of the dollar. . . If we launched out alone on such a course, it would put us right back where we were in 1932. . . ~~XXXXXXXXXXXXXXXXXXXX~~

"We realize the importance of world prosperity, and will evade no opportunity to assist in that direction - except the ever-present opportunity to donate prosperity at our own expense. . . .

"The world should know that when it is ready to seek foreign exchange stabilization, Washington will not be an obstacle. . . Before we make any commitments, we must be sure that we will not lose what we have just regained. We are not unwilling to stabilize. . Our hands are untied."

In a press release May 18, 1936, at the completion of conversations with representatives of the Chinese Ministry of Finance, Secretary Morgenthau said:

"I believe that only through full and frank exchange of views similar to that which has just taken place between the representatives of the Chinese Ministry of Finance and ourselves will it be possible to improve the internal stability of national currencies and with this achieve a greater international stability."

On Sept. 4, at Springfield, Ill., after a long-distance telephone conversation with Secretary Morgenthau at Washington, D. C., President Roosevelt said:

"I have been talking to the Secretary of the Treasury in regard to new financing. I might add that the obligations of the government- of the United States- are on a sounder basis of credit than ever before in its history." (N.Y. Herald-Tribune version).

On Sept. 15 the New York Times and other papers, reporting a White House press conference, used as a lead a statement (New York Times version): "President Roosevelt indicated again today that the world situation might cause him to restrict his campaign activities. He said that a projected trip to the Pacific Coast was being held in abeyance to see what developments occurred between now and the first of Octo

PRESS CONFERENCE

September 26, 10:40 A. M.

H.M.Jr.: I would like to read you gentlemen paragraph 5 of my statement of last night - just draw your attention to it - in which I said "The Government of the United States, in common with the Governments of France and Great Britain, desires and invites the cooperation of the other nations to realize the policy laid down in the present declaration. It trusts that no country will attempt to obtain an unreasonable competitive exchange advantage and thereby hamper the effort to restore more stable economic relations which it is the aim of the three Governments to promote".

Now, I found this morning, on making inquiries, that somebody was driving down the pound sterling and they succeeded in driving it down to 4.91.

Q.- From what?

A.- From yesterday's 5.02. On making inquiries, I found that the Russian State Bank had given an order to sell 1,000,000 pounds sterling at best, which means at any price. When I learned this, I bought their sterling. I bought what they wanted to sell. I bought with the Stabilization Fund's money the sterling the Russian State Bank was using to depress sterling with. This is the only case, the only incident today, of any Government, any bank, or any individual trying to artificially influence the foreign exchange markets in the United States and I point out that both London and Paris are closed and I sincerely hope that this incident will not be repeated.

Q.- Mr. Secretary, could you give us a little explanation what the gain to Russia would be?

A.- You will have to ask the Russians that.

If you don't mind, I would like very much to get this on the wire before the markets close.

Q.- May we come back and see you?

A.- Yes, you may come back and see me, and I will give you all the time you want.

PRESS CONFERENCE

237

September 26, 11:15 A. M.

H.M.Jr.: This is just to give the New York Herald-Tribune an opportunity to ask some questions.

Mr. Kitterer: Yes, we have a lot of questions, but it's more for information.

H.M.Jr.: All right.

Q.- I asked you before, what would be the gain to Russia, and you said you didn't know.

A.- I said you would have to ask the Russians.

Q.- Off the record, or for background, or something, couldn't you answer it?

A.- No, I am sorry, I can't go beyond that.

Q.- The monetary gain would be pretty small.

A.- Yes.

Q.- There wouldn't be any, as a matter of fact, if it was maintained at \$5.00. I'm't it something deeper than any monetary gain?

A.- I really don't want to get into it. I am getting on pretty ticklish ground. You people are smart. You can put 2-and-2 together.

Q.- Do you think the State Department could throw any light on this?

A.- I wouldn't say that.

Q.- Do you think it was a mistake to recognize Russia? (laughter).

A.- I made a flat statement and I really can't add to it. You fellows are smart, you can draw any conclusions you want.

Q.- Do you think possibly Russia is acting with some other Government?

A.- I don't know that. I don't know. All I know is as Herbert Lehman says, "I am just a businessman".

Q.- At what hour did you discover that the pound sterling was dropping?

A.- If you don't mind, why do you ask that?

Q.- I just wondered what the hour was.

A.- I would say, after the market was open about 3/4 of an hour.

Q.- And then you gave your order as soon as you discovered who was acting, or very soon thereafter?

A.- Immediately.

Q.- At what price did you buy?

A.- I will tell you this: at a price where the United States Government already has a handsome profit - at a price which gives the United States Government a handsome profit.

Q.- I wonder why Great Britain didn't step in and do her own buying?

A.- This is our market and she is closed. London is closed and this is our market.

Q.- Could not the Bank of England have given orders to buy over here if they wanted to?

A.- They could but I think it is up to each country, and we have a Stabilization Fund which was created for this purpose, to even out sharp differences, sharp swings. That's what the word "stabilized" means, to even out any sharp swings. That's just exactly what the Stabilization Fund was created for.

Q.- What would have been the effect of this move if you had not purchased sterling, as far as stabilization of France, Great Britain and this country.

A.- You have the significance of this. I can't answer. It's too ticklish. You have it right there, but don't bring me into it.
O. K.?

Q.- Sure.

Did you get the whole amount that the Russian Bank offered?

A.- If I didn't, I got almost all of it. I got practically all.

Q.- Who got the rest?

A.- There is no way of telling, but I got the bulk.

Q.- It was on the market and you bought it?

A.- I don't want to go into details. It was there, they offered it, and I got it. It was offered at any price and I took it and I got the bulk.

Q.- Does this affect the hopes of your "gentleman's agreement".

A.- As far as the gentlemen are concerned, we are still gentlemen.

Q.- Do you expect any more tests to come today?

A.- If they should, we are ready. As I said before, I hope that no-one will try this again and if anybody does, maybe we will have to crack them over the knuckle. I guess you'd better not say that.

Q.- How far are you willing to go on this thing?

A.- The limit.

Q.- Which is what?

A.- \$2,000,000,000 less \$5,000,000, and you can do your own arithmetic.

Q.- Aren't there any profits in there yet? I should think there would be some profit.

A.- There is.

Q.- I should think you would use that.

A.- Yes, I can use the profit. Let's just say we will use the limit and then there are profits. I think that's about all there is. There is a statement coming on - but don't put this on the wire - a country has sent a cable offering its full cooperation to the State Department. The State Department is sending it over and is asking us to release it and Herbert will have it - a very fine statement of cooperation.

Q.- Could we use it without naming any particular country?

A.- Oh, no, the country will be named.

Q.- Could we use it now?

A.- No, just wait. It will be coming over in a half hour or so. But they called up to say there would be a message and Mr. Hull asked us to release it from the Treasury Department.

Q.- Have you discussed this with the President?

A.- Frequently. I have talked to him twice today, and I have talked to him every day, and I have talked to him in practically every freight yard and railroad station in America, and I have talked to him at 11:00 o'clock at night and in the wee hours of the morning.

Q.- Did you talk to Paris and Great Britain this morning?

A.- No, but on every move I have been in consultation with the President and he has been perfectly magnificent. He has dropped whatever he was doing in order to give this matter first consideration. Day and night, if I called him, he has been available. He has been perfectly magnificent in the support that he has given me and I just could not have accomplished this thing without his assistance and support.

Q.- Did you talk to him specifically before you gave the order this morning?

A.- Don't ask me that. There has not been a day in two weeks that I have not talked to him at least once on the telephone or there has been a telegram, and we kept the telegraph wire at the White House burning with messages constantly.

Q.- Then you expected this move for two weeks?

A.- I told the boys last night it started about the first week in September.

Q.- Did the President express any comment on this move by the Russian State Bank?

A.- I can't quote him but I have been in constant communication with him any time, day or night, that I wanted his advice and help, and I have gotten it, and he let everything else drop for this.

Q.- I wondered whether you were in telephone communication with the Finance Ministers of the two countries, Great Britain and France this morning?

A.- No, I have talked to Mr. Cochran, who represents me in Paris - he is the First Secretary of the American Embassy - and to Mr. Wilson, who is in charge there - Charge of the American Embassy - and they both told me that this move has gotten an excellent reception in France.

Q.- How about Great Britain?

A.- No, I have nothing. What I am going to do now is, I am going back to the farm this afternoon, and the President asked Mrs. Morgenthau and me to come to see him tomorrow, so I will see him tomorrow.

Q.- On this general subject?

A.- Yes.

MED

TELEGRAM SENT GRAY

September 26, 1936

1 p.m.

AMEMBASSY

PARIS

371

TO COCHRAN FROM SECRETARY OF THE TREASURY.

The Secretary of the Treasury has requested me to cable you the following record of his press conference this morning.

Quote Morgenthau said that action was taken after he learned that someone is driving down the pound sterling. In making the announcement he pointed out that a tripartite agreement between France, Great Britain and this Government seeking to stabilize world currencies had invited "the cooperation" of other nations. He said that he had learned this morning, however, that "someone is driving down the pound sterling." The sterling was quoted at \$5.02 yesterday and has sunk rapidly to \$4.91. "On making inquiries I found that the Russian State Bank had given orders to sell 1,000,000 pounds sterling 'at best' which means at any price," Morgenthau said. "When I learned this I bought their sterling. I bought what they wanted to sell with our Stabilization Fund money, the sterling the Russian State Bank was using to depress the pound. "This is the only incident to

date

MED - 2 - #371, September 26, 1 p.m. to Paris

date of any Government or any bank or any individual attempting to try to artificially influence the foreign exchange markets in the United States." Morgenthau pointed out that both London and Paris markets are closed. "I sincerely hope that this incident will not be repeated," Morgenthau said. Someone asked the Secretary "What profit the Soviet could hope to gain by this maneuvering". Morgenthau replied: "You will have to ask the Russian Government". The three fold "gentlemen's agreement" aiming at eventual stabilization of world monetary conditions and resulting equilibrium of trade, contained the following paragraph which was carefully re-read by Morgenthau at an emergency press conference this morning: "The Government of the United States, in common with the Governments of France and Great Britain, desires and invites the co-operation of the other nations to realize the policy laid down in the present declaration. It trusts that no country will attempt to obtain an unreasonable competitive exchange advantage and thereby hamper the effort to restore more stable economic relations which it is the aim of the three Governments to promote. UNQUOTE.

Please give substance but not exact phrasing to Auriol.

HULL

September 26, 1936

TO: AMERICAN EMBASSY, LONDON
FROM: THE SECRETARY OF THE TREASURY

I am sending you below record of what took place at the press conference this morning. Please immediately give a copy to the British Treasury.

Quote Morgenthau said that action was taken after he learned that someone is driving down the pound sterling. In making the announcement he pointed out that a tri-partite agreement between France, Great Britain and this Government seeking to stabilize world currencies had invited the cooperation of other nations. He said that he had learned this morning, however, that "someone is driving down the pound sterling". The sterling was quoted at \$5.02 yesterday and has sunk rapidly to \$4.91. On making inquiries I found that the Russian State Bank had given orders to sell 1,000,000 pounds sterling 'at best' which means at any price," Morgenthau said. "When I learned this I bought their sterling. I bought what they wanted to sell with our Stabilization Fund money, the sterling the Russian State Bank was using to depress the pound. This is the only incident to date of any Government or any bank or any individual attempting to try to artificially

-2-

influence the foreign exchange markets in the United States." Morgenthau pointed out that both London and Paris markets are closed. "I sincerely hope that this incident will not be repeated," Morgenthau said. Someone asked the Secretary "What profit the Soviet could hope to gain by this maneuvering". Morgenthau replied: "You will have to ask the Russian Government." The three-fold "Gentlemen's Agreement" aiming at eventual stabilization of world monetary conditions and resulting equilibrium of trade, contained the following paragraph which was carefully re-read by Morgenthau at an emergency press conference this morning: "The Government of the United States, in common with the Governments of France and Great Britain, desires and invites the cooperation of the other nations to realize the policy laid down in the present declaration. It trusts that no country will attempt to obtain an unreasonable competitive exchange advantage and thereby hamper the effort to restore more stable economic relations which it is the aim of the three Governments to promote."

Chronology of Belgian Devaluation

- March 18, 1935: Regulations for control of gold and foreign exchange transactions were put into effect.
- March 19th: Cabinet resigned.
- March 21st: The belga began to drop sharply.
- March 25th: New cabinet formed.
- March 30th: Law was passed providing for ultimate devaluation of currency to not more than 75% and not less than 70% of its existing gold parity, and for the creation of an exchange equalization fund from the profit arising out of devaluation.
- March 31st: The initial rate was fixed at 72% of former gold parity.
- " The belga was stabilized at 16.95 cents as compared with former rate of 23.54 cents.

The belga fluctuated uneasily from March 15th to March 21st, declined slowly to March 24th, then rapidly to April 1st, at which point it was stabilized.

September 26, 1936
12:15 p.m.

Operator: Go ahead.

H.M.Jr: Knoke?

Knoke: Yes, sir.

H.M.Jr: Be sure that the newspapers know that sterling closed at 4.97 bid.

Knoke: Yes.

H.M.Jr: Will you arrange that with Burgess?

Knoke: Ah -

H.M.Jr: You want - I mean that the - that the official

Knoke: That - that - I'll do it through the banks. I'll - because you see there's no - no such thing as an official -

H.M.Jr: I know but I'm very anxious that the price is to be the last one . The first we had here was 4.94.

Knoke: Yes.

H.M.Jr: I want - I'm very anxious to have it - that it goes out into tomorrow' morning's paper that it was 4.97.

Knoke: Yes. All right, I'll talk to Burgess.

H.M.Jr: Will you surely take care of that?

Knoke: Yes, I will.

H.M.Jr: Thank you

BELGIAN EMBASSY

Washington,
September 28, 1934.

No. 3479

Mr. Secretary,

Upon the order of my Government, I have the honor to inform Your Excellency of the following:

1) The Belgian Government has learned of the declarations by which the Governments of France, Great Britain and the United States have considered it opportune to express their intentions with regard to the monetary and economic problems existing at the present time, and joins with them in affirming a common intention of safeguarding the peace, of favoring the establishment of conditions which will contribute to the restoration of order through the international economic relations and to pursue a policy with a view to developing world prosperity and improving the standard of living of all peoples.

2) To this effect the Belgian Government is decided to modify in no way the monetary policy which it has carried out during the last year and a half and which has had the effect of assuring the complete stability of the Belgian franc on the international exchange market, avoiding any disturbance of that market.

His Excellency
The Secretary of State,
Department of State,
Washington, D. C.

market.

3) The French Government, considering that the desirable stability of the principal currencies cannot be assured on a solid basis without a previous re-establishment of a durable equilibrium between the various national economies, has decided to propose for this purpose to its Parliament the adjustment of its currency. The Belgian Government, as well as the Governments of the United States and Great Britain, considers that this decision is of a nature to establish on more solid foundations the stability of international relationships. It is ready to take part as often as it may be necessary or useful in the consultations which may be called, either between the interested Governments or between the competent institutions.

4) The Belgian Government, as well as the Governments of France, Great Britain and the United States, is moreover convinced that the success of the policy above outlined is bound up with the development of international commerce.

Particularly, it attaches the greatest importance to the initiation of an action without delay with a view to reducing progressively the existing systems of contingents and control of exchange with a view to their final abolition.

5) The Belgian Government, as well as the Governments of France, Great Britain and the United States, considers that the collaboration of the other nations for the realization of this program above mentioned is

highly

-3-

highly desirable. For this purpose, the Belgian Government will remain always willing and ready to bring its entire collaboration.

For the Ambassador:

PRINCE EUGENE DE LIGNE

RECEIVED DEPARTMENT

SEP 20 1948

RECEIVED DEPARTMENT
OFFICE



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
WE

September 28, 1936

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and encloses a copy, in translation, of a note No. 3479 of September 26, 1936, received from the Belgian Embassy, relative to the policy of Belgium with respect to the monetary and economic problems raised by the decision of the French Government to recommend to the French Parliament the readjustment of its currency.

Enclosure:
From Belgian Embassy,
September 26, 1936,
in translation.

SEP 28 1936

RECEIVED DEPT. OF STATE
SEP 28 1936

JAPAN
TOKIO

DOW JONES - September 28, 1936.

312

8.34

SEP 26 1936

JAPAN-S MONEY POLICY

TOKIO - JAPAN-S CURRENCY POLICY IT IS
UNDERSTOOD WILL NOT BE AFFECTED BY DEVALUATION
OF THE FRANC - THE YEN WILL CONTINUE TO
BE LINKED TO STERLING - FINANCIAL AND INDUS-
TRIAL CIRCLES BELIEVE DEVALUATION WILL NOT
AFFECT JAPAN-S TRADE OR INDUSTRIES

-0-

DENMARK
COPENHAGEN

DOW JONES - September 26, 1936.

313

COPENHAGEN EXCHANGE RULING 8.42
COPENHAGEN -UP- THE ROYAL EXCHANGE SUSPENDED
FOR TODAY ALL DEALINGS IN FOREIGN EXCHANGE
EXCEPT IN ENGLISH NORWEGIAN SWEDISH AND
FINNISH CURRENCIES

-0-

SEP 26 1936

GERMANY
BERLIN

UNITED PRESS - September 26, 1956.

314

Berlin

OK

... THE ... TO THE ...
... IN ... THAT ...
... INTERNATIONAL ...

ITALY
ROME

DOW JONES - September 26, 1936.

315

ITALY-S POSITION ON 3-POWER PACT

8.30

ROME - IT IS NOT EXPECTED THAT ITALY
WILL DEVALUE THE LIRE UNLESS IT IS DONE
IN AGREEMENT WITH OTHER GOLD CURRENCIES - IT
WAS POINTED OUT THAT THE LIRE ALREADY IS TO
A LARGE EXTENT DEVALUED EXTERNALLY

SEP 26 1936

-0-

ADD ITALY-S POSITION

8.37

ROME - FINANCIAL EXPERTS LATER SAID THAT
-VERY LIKELY THE ITALIAN GOVERNMENT EVENTUALLY
WILL FOLLOW IN FRANCE-S FOOTSTEPS IN DEVALU-
ING ITS CURRENCY PROVIDED AN AGREEMENT
IS FIRST REACHED WITH THE UNITED STATES
BRITAIN FRANCE SWITZERLAND AND HOLLAND AND BY
A GENERAL REVALUATION FOR THE STABILIZATION OF
CURRENCY-

THE BANK OF ITALY ORDERED ALL BANKS AND
EXCHANGE AGENCIES TO CEASE TRADING IN FRENCH
FRANCS EXCEPT IN EMERGENCY CASES FOR
INSTANCE TOURISTS WHO REQUIRE LIRAS FOR FRANCS
- IN SUCH TRANSACTIONS THE BANKS WILL
DISCOUNT THE FRANC AT APPROXIMATELY 25 PC

-0-

SEP 26 1936

HEAVY LIQUIDATION IN FRANCS

VIENNA -UP- THE EXCHANGES IN CENTRAL
EUROPE HAD HEAVY LIQUIDATION OF FRENCH FRANCS
WHILE THE AUSTRIAN SCHILLING ADVANCED

THE FRANC WAS NOT QUOTED ON CENTRAL
EUROPEAN BOURSES AND OTHER GOLD CURRENCIES
WERE NOMINAL

-0-

SEP 26 1936 8.29

AUSTRIA
VIENNA

317

UNITED PRESS - September 26, 1936.

WCNS36

VIENNA.--THE "BLACK" EXCHANGES IN CENTRAL EUROPE HAD HEAVY LIQUIDATION OF FRENCH FRANCS TODAY WHILE THE AUSTRIAN SCHILLING ADVANCED.

THE FRANC WAS NOT QUOTED ON CENTRAL EUROPEAN BOURSES AND OTHER GOLD CURRENCIES WERE NOMINAL.

9/26--R953A

WCNS29

VIENNA.--THE ANGLO-FRENCH-AMERICAN AGREEMENT, COINCIDING WITH REMOVAL OF LEAGUE OF NATIONS FINANCIAL CONTROL IN AUSTRIA, GENERALLY WAS GREETED HERE AS A MOVE TOWARD WORLD STABILIZATION WHICH WILL ULTIMATELY BE OF BENEFIT TO EVERYONE.

9/26--R928A

8.33 SEP 26 1936

LEAGUE CURRENCY ACTION

GENEVA -UP- THE LEAGUE OF NATIONS COUNCIL
CAUTIOUSLY ADVOCATED DEVALUATION TODAY AS
A MEANS OF CLOSING THE GAP BETWEEN PRICE
LEVELS OF GOLD STANDARD AND STERLING COUNTRIES
THE COUNCIL ACCEPTED REPORTS FROM ITS
FINANCIAL AND ECONOMIC COMMITTEES ON CURRENCY
PROBLEMS

-0-

ADD LEAGUE CURRENCY ACTION

8.36 SEP 26 1936

GENEVA -UP- THE REPORTS POINTED OUT THAT
BEFORE AN INCREASE IN WORLD TRADE IS POSSIBLE
NATIONS MUST ESTABLISH INTERNAL EQUILIBRIUM -
THIS WILL MAKE POSSIBLE GENERAL ECONOMIC
RECOVERY THE REPORTS SAID

IN DISCUSSING THE ECONOMIC REPORT
ANTHONY EDEN OF GREAT BRITAIN ADVOCATED
-INTERNATIONAL CONSULTATION- WHICH WOULD LEAD
TOWARD THE REMOVAL OF -UNNECESSARY HINDRANCES-
TO TRADE

-0-

WCNS30

GENEVA.--DEVALUATION OF THE FRENCH FRANC WAS DUE TO THE CONVICTION THAT ECONOMIC IMPROVEMENT IS INSEPARABLE FROM POLITICAL IMPROVEMENT, FRENCH FOREIGN MINISTER DELBOS TOLD THE LEAGUE ASSEMBLY TODAY.

"THIS CONVICTION LED US TO UNDERTAKE WITH THE GOVERNMENTS OF GREAT BRITAIN AND THE UNITED STATES THE CONVERSATIONS WHOSE CONCLUSIONS YOU HAVE JUST HEARD ABOUT," HE SAID.

9/26--R930A

8.27

SWITZERLAND TO MAKE GOLD PAYMENTS IN
DOLLARS

SEP 26 1936

ZURICH-UP- THE NATIONAL BANK OF SWITZERLAND
HENCEFORTH WILL MAKE GOLD PAYMENTS IN DOLLARS
INSTEAD OF FRENCH FRANCS BECAUSE THE DOLLAR
HAS A DEFINITE RELATION TO GOLD GENERAL
MANAGER E WEBER STATED TODAY

-0-

8.35

ADD SWITZERLAND TO MAKE PAYMENTS IN
DOLLARS

SEP 26 1936

ZURICH -UP- SWITZERLAND IS RESOLVED TO
MAINTAIN THE PRESENT PARITY OF THE SWISS
FRANC GENERAL MANAGER WEBER SAID

THE BANK MANAGER SPEAKING FOR
PRESIDENT OF THE INSTITUTION WHO IS IN BERNE
SAID THAT SWITZERLAND IS NOT AFRAID OF A
NEW SPECULATIVE ATTACK ON THE SWISS
FRANC - THERE WERE THREE REASONS FOR THIS LACK
OF FEAR HE SAID NAMELY

1 - RECENT MONTHS HAVE PROVED THAT THE
SWISS FRANC IS INDEPENDENT OF THE FRENCH AS
SHOWN BY THE FACT THAT SWISS GOLD STOCKS
INCREASED CONTRARY TO DEVELOPMENTS IN FRANCE

2 - FOREIGN CAPITAL IN SWITZERLAND IS
RELATIVELY UNIMPORTANT

3 - THERE ARE NO POLITICAL REASONS IN
SWITZERLAND IN ALARM CAPITAL

-0-

SWISS

SEP 26 1936

9.04

FRANC TO BE DEVALUED

ZURICH-UP- THE FEDERAL COUNCIL DECIDED TODAY
TO DEVALUATE THE SWISS FRANC FOLLOWING SIMI-
LAR ACTION ON THE FRENCH FRANC IN PARIS

-0-

ADD SWISS TO DEVALUE

9.45

SEP 28 1936

BERNE - BY REUTERS - THE SWISS FEDERAL
COUNCIL HAS ISSUED THE FOLLOWING STATEMENT
AFTER A MEETING HELD THIS MORNING - -AFTER
HAVING TAKEN COGNIZANCE OF THE FRENCH DECIS-
ION TO DEVALUE THE FRENCH FRANC BY ABOUT 30
PC THE SWISS GOVERNMENT CONSIDERS THAT IN
THE INTEREST OF NATIONAL ECONOMY SWITZERLAND
IS EQUALLY COMPELLED TO ALIGN ITS CURRENCY
WITH THE LEADING CURRENCIES OF THE WORLD - THE
GOVERNMENT WILL SUBMIT ITS PROPOSALS TO BOTH
CHAMBERS OF PARLIAMENT ON MONDAY - THE STOCK
EXCHANGE WILL BE CLOSED MONDAY AND TUESDAY-

-0-

UNITED PRESS - September 26, 1936.

WCNS20

BERNE
ZURICH.--THE FEDERAL COUNCIL DECIDED TODAY TO DEVALUATE THE SWISS FRANC, FOLLOWING SIMILAR ACTION ON THE FRENCH FRANC IN PARIS.

9/26--R912A

WCNS35

ZURICH.--THE NATIONAL BANK OF SWITZERLAND HENCEFORTH WILL MAKE GOLD PAYMENTS IN DOLLARS INSTEAD OF FRENCH FRANCS BECAUSE THE DOLLAR HAS A DEFINITE RELATION TO GOLD, GENERAL MANAGER E. WEBER TOLD THE UNITED PRESS.

9/26--R951A

WCNS32

PLEASE MAKE DATELINE ON DEVALUATION OF SWISS FRANC, BERNE, INSTEAD OF ZURICH AND ADD:

--O--

AN OFFICIAL COMMUNIQUE SAID THAT THE FRENCH PLAN FORCES SWITZERLAND TO ADJUST THE SWISS FRANC TO THE LEADING INTERNATIONAL EXCHANGES.

THE COUNCIL DECIDED ALSO TO CONVOKE PARLIAMENT ON MONDAY TO FIX THE RATE OF DEVALUATION.

9/26--R942A

BELGIUM
BRUSSELS

323

DOW JONES - September 26, 1956.

BELGIUM TO ADHERE TO 3-POWER PACT
BRUSSELS -UP- BELGIUM DECIDED TODAY TO
ADHERE TO THE TRI POWER MONETARY AGREEMENT AND
WILL NOT FURTHER DEVALUE THE BELGA

IT WAS OFFICIALLY ANNOUNCED THAT BELGIUM
WOULD JOIN THE UNITED STATES AND GREAT BRITAIN
IN REFRAINING FROM MEASURES THAT
HAMPER THE SUCCESS OF FRANCE-S FRANC DE-
VALUATION PROGRAM

8.26

SEP 28 1956

AMSTERDAM MARKET QUIET - U S ISSUES IN DE-
MAND

8.26

AMSTERDAM - TRADING ON THE BOURSE EARLY TO-
DAY WAS QUIET WITH A SLIGHT REACTION IN DUTCH
BONDS AND A GOOD DEMAND FOR AMERICAN ISSUES

GOLD SHIPMENTS TO NEW YORK AND BRUSSELS
CONTINUE

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SEP 26 1936

HOLLAND
AMSTERDAM

325

UNITED PRESS - September 26, 1936.

WCNS21

AMSTERDAM.--THE STOCK EXCHANGE OPENED QUIETLY TODAY WITH A MAJORITY OF QUOTATIONS SLIGHTLY LOWER. DUTCH GOVERNMENTAL BONDS WERE VIRTUALLY UNCHANGED.

9/26--R913A

LONDON GOLD PRICE

12.15

LONDON - WHEN LONDON GOLD MARKET IS REOPENED THE STERLING PRICE FOR GOLD IN OPEN MARKET WILL BE CALCULATED UPON THE STERLING-DOLLAR RATE THUS REVERTING TO THE PRACTICE IN VOGUE PRIOR TO AMERICAN SUSPENSION OF GOLD IN THE SPRING OF 1933 - IN THE INTERVAL SINCE THEN THE PRICE HAD BEEN CALCULATED UPON THE STERLING-FRANC RATE

THE DOLLAR RATE OF 4 92 WHICH WAS QUOTED AT THE OPENING OF THE LONDON FOREIGN EXCHANGE MARKET TODAY BEFORE SUSPENSION OF DEALINGS IN EXCHANGE WOULD INDICATE A GOLD PRICE OF APPROXIMATELY 1415 PER FINE OUNCE COMPARED WITH OFFICIAL POSTED PRICE OF 1375 9 1-20 ON FRIDAY - NO BUSINESS WAS TRANSACTED AT 4 92 HOWEVER AND IT IS IMPOSSIBLE TO SAY WHAT THE EXCHANGE RATE WILL BE WHEN THE GOLD PRICE IS NEXT FIXED

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SEP 26 1936

NO GOLD PRICE TODAY - NO LONDON EXCHANGE DEALINGS TODAY

LONDON - IT WAS OFFICIALLY ANNOUNCED THAT THERE WOULD BE NO GOLD PRICE FIXED OR DEALINGS IN THE GOLD MARKET TODAY

AFTER QUOTING DOLLARS AT 4 90 TO 4 92 AND AMSTERDAM 7 28 TO 7 31 IT WAS OFFICIALLY ANNOUNCED THAT THERE WOULD BE NO FURTHER DEALINGS IN FOREIGN EXCHANGES TODAY

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SEP 26 1938

8.35

ADD NO GOLD PRICE FIXED

LONDON - BULLION BROKERS SAY THAT UNTIL FOREIGN EXCHANGE DEALINGS ARE RESUMED THEY WILL BE UNABLE TO FIX A GOLD PRICE AS IT IS IMPOSSIBLE TO CONVERT AMERICA-S FIXED DOLLAR PRICE FOR GOLD INTO STERLING WHILE NO STERLING-DOLLAR RATE IS BEING QUOTED

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LONDON MONEY MARKET CALM

LONDON - THERE WAS A LARGE TURNOVER IN MONEY MARKETS DUE TO HEAVY PAYMENTS FOR TREASURY BILLS BUT THE LATEST DEVELOPMENTS FROM PARIS FAILED TO MOVE THE MARKETS WHICH EXHIBIT CUSTOMARY CALM

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8.43

SEP 26 1938

LONDON REACTION TO FRENCH MOVE

LONDON - THE DECISION TO SUSPEND FOREIGN EXCHANGE DEALINGS RESULTED FROM A HINT FROM HIGHER AUTHORITIES TO THE FOREIGN EXCHANGE COMMITTEE BUT DEALERS ARE REMAINING AT THEIR OFFICES AT THE REQUEST OF THE COMMITTEE - IT IS POSSIBLE THAT DEALINGS WILL NOT BE RESUMED UNTIL AFTER THE FRENCH PARLIAMENT HAS RATIFIED DEVALUATION BILLS TO BE INTRODUCED MONDAY

8.47

SEP 26 1936

THERE WAS SOME DISAPPOINTMENT EXPRESSED HERE THAT HOLLAND AND SWITZERLAND ARE APPARENTLY AS YET UNWILLING TO FOLLOW FRANCE-S LEAD - WHILE BOTH THESE COUNTRIES HAVE AMPLE TECHNICAL RESOURCES FOR THE PROTECTION OF THEIR CURRENCIES IT IS POINTED OUT THAT THEIR GENERAL ECONOMIC POSITION IS LIKELY TO FURTHER DETERIORATE AND THAT THEY CANNOT THEREFOR RESIST DEVALUATION FOR LONG

WITH THE THREE KEY NATIONS AMERICA GREAT BRITAIN AND FRANCE MOVING TOWARDS STABILIZATION THERE IS RENEWED HOPE OF ULTIMATE GENERAL CURRENCY STABILIZATION

WHILE FRANCE DID NOT GET ALL THAT IT SOUGHT

FROM AMERICA AND BRITAIN IT IS GENERALLY
AGREED HERE THAT FRANCE OBTAINED MORE THAN
EXPECTED HERE AND THE TERMS AND STATEMENTS
ISSUED BY THE TREASURIES ARE WELCOMED AS A
MOVE TOWARDS WORLD BETTERMENT

STOCK BROKERS ANTICIPATE SOME WEAKENING IN
BRITISH FUNDS AT THE OPENING MONDAY BUT
THE ONLY INDICATION OF THE EXTENT SO FAR IS
THAT PRIVATE TRANSACTIONS IN NEW LONDON
COUNTY COUNCIL 3 PC BONDS WHICH ARE EXPECTED
TO OPEN MONDAY WERE TODAY QUOTED AT 1-4
TO PAR PREMIUM AGAINST 9-16 TO 3-4 PREMIUM
FRIDAY - IT IS ALSO ANTICIPATED THAT THERE
MAY BE SOME WEAKENING IN OIL SHARES AND OTHER
SPECULATIVE FAVORITES RECENTLY BOUGHT HERE BY
PARIS BUT SHOULD THERE BE ANY SHARP
DECLINE IT IS EXPECTED THAT BRITISH INVESTORS
WOULD QUICKLY COME INTO THE MARKET TO PICK
SUCH STOCKS UP AND THAT THERE WOULD BE A
QUICK RECOVERY - IF NO GOLD PRICE IS FIXED
MONDAY DEALINGS IN KAFFIRS ARE LIKELY TO
BE NOMINAL

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GREAT BRITAIN
LONDON

UNITED PRESS - September 26, 1936.

330

WCNS11

LONDON.--FOREIGN EXCHANGE DEALINGS WERE SUSPENDED HERE TODAY IN VIEW OF THE FRANC DEVALUATION PROGRAM.

PRIOR TO THE SUSPENSION, THE DOLLAR HAD BEEN QUOTED AT APPROXIMATELY \$4.91 FOR STERLING. AT THE TIME OF FIXING THE GOLD PRICE YESTERDAY THE DOLLAR WAS \$5.05-1/2 ALTHOUGH IT WEAKENED LATER IN THE DAY.

TRANSACTIONS IN GOLD ALSO WERE SUSPENDED.

9/26--R844A

WCNS28

LONDON.--THE BRITISH EQUALIZATION FUND WILL CONTINUE SMOOTHING OUT FLUCTUATIONS OF THE NEW FRENCH FRANC AND FACILITATE INTERNATIONAL TRADE, RELIABLE SOURCES SAID TODAY.

IT WAS EXPLAINED THAT THE BRITISH TREASURY STATEMENT--ANNOUNCING PLANS OF COOPERATION WITH FRANCE AND THE UNITED STATES--IS INTENDED TO MAKE CLEAR THAT GREAT BRITAIN WILL NOT DELIBERATELY DEPRECIATE STERLING FURTHER. IT IS PROPOSED THAT THE FRANC AND STERLING REMAIN FREE CURRENCIES, NOT LINKED TO ANY OTHER MONETARY UNIT.

9/26--R928A

8.39 SEP 26 1936
BLUM CONFERS WITH AURIOL

PARIS -UP- PREMIER LEON BLUM CONFERRED ALL MORNING AT MATIGNON PALACE WITH AURIOL CHARLES SPINASSE THE MINISTER OF NATIONAL ECONOMY AND OTHER CABINET OFFICERS

BANKS TODAY REFUSED BY ORDER OF THE MINISTRY OF FINANCE TO CONVERT FRANCS INTO FOREIGN CURRENCIES - AMERICAN BANKS CONTINUED TO TAKE TRAVELERS CHECKS AT THE OLD RATE PROMISING ADJUSTMENT NEXT WEEK WHEN THE NEW RATE IS FIXED

-0-

840
ADD FRENCH SITUATION

PARIS -UP - CABINET MINISTERS DREW UP THE TEXTS OF PROJECTS TO BE PRESENTED TO PARLIAMENT MONDAY FOR REALIGNMENT OF CURRENCY SEP 26 1936 AS WELL AS A SERIES OF INTERNAL MEASURES DESIGNED TO PREVENT A BID EFFECT ON PRICES AND SALARIES

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SEP 26 1936

8.16

ALL FRANC EXCHANGE OPERATIONS SUSPENDED
PARIS - THERE WAS A COMPLETE SUSPENSION
OF ALL FRANC EXCHANGE OPERATIONS HERE AND
BANKS WERE UNABLE EVEN TO SELL FRANCS AGAINST
DOLLARS AND STERLING TO TOURISTS WHOSE RE-
QUIREMENTS WERE MET BY TEMPORARY SMALL LOANS-
SINCE THE LONDON AND AMSTERDAM EXCHANGES WERE
CLOSED ONLY THE SWISS AND THE SMALLER
EUROPEAN CENTERS COULD OPERATE AND THEIR
TRANSACTIONS WERE NEGLIGIBLE - AS A RESULT
PRACTICALLY THE ENTIRE WORLD-S MONETARY
EXCHANGES WERE HALTED IN ORDER TO FACILITATE
THE FRANC DEVALUATION

SINCE PARLIAMENT IS UNLIKELY TO HAVE
COMPLETED VOTE UNTIL MONDAY NIGHT OR TUESDAY
A CONTINUATION OF THESE CONDITIONS IS EXPECTED
UNTIL TUESDAY MORNING AT THE EARLIEST OR
WEDNESDAY AT THE LATEST

A FAVORABLE VOTE IS PRACTICALLY CERTAIN
FOR THE COMMUNISTS ARE DISPOSED TO INSIST ONLY
ON THE PROPER SAFEGUARDS FOR THE WORKERS
AGAINST PRICE RISES AND MEASURES AGAINST

PROFITEERS BUT HEATED DEBATES ARE INEVITABLE WITH OPPOSITION INSISTING THAT THE GOVERNMENT IS BREAKING ITS PLEDGES AND RESORTING TO DEVALUATION TO SAVE ITS ENTIRE PROGRAM FROM SHIPWRECK

REYNAUD IS QUOTED AS SAYING THAT THE EXPERIMENT IS DELICATE BECAUSE IT IS TARDY AND BECAUSE OF THE CONDITIONS UNDER WHICH IT IS UNDERTAKEN

THERE IS NO DOUBT THAT THE GOVERNMENT IS PREPARING AN ELABORATE SCHEME TO AVERT SUFFERING AND FOIL SPECULATORS AND HOARDERS- NO DETAILS OF THE REQUISITIONING OF GOLD HOLDINGS ARE AVAILABLE BUT IT IS ALREADY QUESTIONED WHETHER THE BIG HOLDINGS ABROAD CAN BE TRACED MUCH LESS SEIZED - IN CERTAIN CASES THESE ARE UNDERSTOOD TO BE PLACED IN POSSESSION OF BRITISH COMPANIES FORMED EXPRESSLY FOR SUCH A PURPOSE BY FRENCH OWNERS - SHOULD THE PRESENT GOVERNMENT CONTINUE HOWEVER IT PROBABLY WILL NOT HESITATE TO TAKE MOST ARBITRARY MEASURES IN THE TREATMENT OF CAPITAL AND CAPITALISTS SUSPECTED OF PROFITEERING

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9.15

SEP 2 1936

334

FRENCH REACTION TO DEVALUATION

PARIS - DOUBTS HAVE BEEN RAISED IN SOME FRENCH QUARTERS AS TO WHETHER THE EXTENT OF THE PROPOSED DEVALUATION OF THE FRANC WILL BE SUFFICIENT TO RESTORE THE FRENCH ECONOMY - FORMER FINANCE MINISTER LAMOUREUX SAYS THAT A 25 PC TO 33 PC DEPRECIATION WOULD HAVE MET THE REQUIREMENTS OF TWO YEARS AGO BUT THE FINANCIAL SITUATION HAS BEEN AGGRAVATED SINCE THEN AND HE CLAIMS THAT THE PROPORTION WHICH HAS BEEN ADOPTED WILL NOT RESTORE EQUILIBRIUM

SEP 6 9 36 AM '36

ADD FRENCH DEVALUATION

PARIS - THE FRENCH CABINET HAS DECIDED UPON VARIOUS MEASURES COMPLEMENTARY TO DEVALUATION INCLUDING AN ORDER FOR DECLARATION OF ALL SPOT AND FORWARD TRANSACTIONS IN THE EXCHANGES BETWEEN SEPT 20 AND 26 - COMPENSATION FOR PURCHASERS OF THE RECENT ISSUE OF SIX AND 12 MONTHS TREASURY BILLS - ABROGATION OF THE LAVAL DECREE LAWS AFFECTING VETERANS PENSIONS AND A 10 PC DEDUCTION FROM COUPONS OF THE PUBLIC DEBT - VARIOUS CUSTOMS DUTIES WILL BE REDUCED INCLUDING THOSE ON IMPORTS OF SUGAR AND OILS

THE MEASURES ALSO PROVIDE FOR GOVERNMENT REQUISITION OF ALL GOLD

FINANCE MINISTER AURIOL SAID THE GOVERNMENT WAS ELATED OVER BELGIUM-S ADHERENCE TO THE ANGLO-AMERICAN-FRENCH AGREEMENT - -WE EXPECT MANY MORE NATIONS TO ANNOUNCE ADHERENCE TO THE PLAN - HE SAID.

10-18

335

ADD FRENCH DEVALUATION **SEP 26 1936**

PARIS -UP- DESPITE THE PROFOUND IMPLICATIONS OF THE GOVERNMENT-S ACTION THE POPULACE GENERALLY RECEIVED NEWS OF THE DEVALUATION APATHETICALLY AND THERE WAS NOT THE SLIGHTEST DISTURBANCE IN ANY PART OF THE COUNTRY

AFTERNOON NEWSPAPERS PRINTED FACSIMILIES OF THE OLD 100-FRANC BANKNOTE OF THE DAYS BEFORE THE FIRST DEVALUATION BY THE POINCARE GOVERNMENT EIGHT YEARS AGO - BESIDE THIS WAS PRINTED A PIECE OF THE NOTE ONLY 12 PER CENT AS BIG REPRESENTING THE DECLINE IN GOLD VALUE AS IT WILL BE WHEN THE PRESENT DEVALUATION IS COMPLETED

FRANC DEVALUATION

-I REGARD THE DECISION OF THE FRENCH GOVERNMENT TO DEVALUE THE FRANC AS A DECIDEDLY CONSTRUCTIVE MOVE - ONE BANKER STATES

-IN FACT I REGARD IT AS A PRELIMINARY MOVE TOWARDS INTERNATIONAL CURRENCY STABILIZATION EITHER BY GENERAL AGREEMENT OR DE FACTO

-THE FACT THAT THE MOVE IS BEING ACCOMPLISHED QUIETLY AND WITH NO CHANGE IN GOVERNMENT INDICATES TO MY MIND THAT THE SITUATION IN FRANCE IS BETTER THAN WE HAD EXPECTED

-SO FAR AS ITS EFFECT HERE IS CONCERNED I FEEL IT HAS BEEN FULLY DISCOUNTED - IT DOES NOT SEEM LIKELY THAT IT WILL INDUCE ANY IMPORTANT GOLD EXPORTS IMMEDIATELY ALTHOUGH IT SHOULD DO SO LATER - AND I SHOULD REGARD EXPORTS AS HEALTHY - NO ONLY CAN WE AFFORD TO LOSE BUT WE WOULD BE BETTER OFF BY LOSING FROM A BILLION TO TWO BILLION DOLLARS OF GOLD-

ADD FRENCH REACTION TO DEVALUATION 10.16

PARIS - ON THE OTHER HAND CHARLES RIST
OUTSTANDING FRENCH ECONOMIST AND FORMER
OFFICIAL OF THE BANK OF FRANCE RECENTLY
ESTIMATED THAT A 25 PC CUT WOULD BE THE MINIMUM
NECESSARY

SEP 26 1936
THE LABOR LEADER HOUHAUX COMMENDS THE
REALIGNMENT OF CURRENCIES IF IT MEANS THE
INAUGURATION OF ECONOMIC PEACE AND MONETARY

10.20

ADD FRENCH REACTION TO DEVALUATION
EQUALITY BUT IT INSISTS THAT SPECULATION BE
PREVENTED FROM GAINING SCANDALOUS PROFITS SEP 28 1936
AND THAT THE CONSUMING CAPACITY OF THE
WORKING CLASS BE PRESERVED - ON FRIDAY HE
PUBLICLY DEMANDED A SLIDING WAGE SCALE AND
THE GOVERNMENT IS BELIEVED TO BE CONTEMPLATING
ADOPTION OF SUCH A PLAN - EMPLOYERS ALREADY
HAVE DENOUNCED IT AS THREATENING TO CANCEL
THE STIMULATING EFFECTS UPON BUSINESS WHICH
DEVALUATION IS EXPECTED TO BRING

EVIDENCE INCREASE THAT THE DECISION WAS
FORCED BY THE ALARMING SHRINKAGE IN THE FRENCH
GOLD RESERVE AND THAT THE DEFINITE DECISION
WAS TAKEN ONLY ON FRIDAY ALTHOUGH NEGOTIA-
TIONS LOOKING TOWARD AN INTERNATIONAL REALIGN-
MENT HAD BEEN CONDUCTED OVER THE PAST
FOUR MONTHS - ONE CABINET MINISTER STATED AFTER
THE MEETING OF THE MINISTERIAL COUNCIL-
-AURIOL-S EXPOSE OF THE SITUATION WAS SO PERTIN-
ENT THAT NO DEBATE WAS POSSIBLE - IT WAS A
QUESTION NO LONGER OF DOCTRINAL CONTROVERSIES
BUT ONE OF SOLVING A PROBLEM IMPOSED BY
FACTS-

FRANCE
PARIS

337

UNITED PRESS - September 26, 1936.

WCNS3

PARIS--THE FRENCH GOVERNMENT DECIDED TODAY TO DEVALUE THE FRANC--
POSSIBLY BY ONE-FOURTH OR ONE-THIRD OF ITS CURRENT VALUE--THROUGH AN
AGREEMENT WITH THE UNITED STATES AND GREAT BRITAIN THAT MAY BRING WORLD-
WIDE CURRENCY ADJUSTMENT.

9/26--R834A

WCNS4

PARIS.--BELGIUM DECIDED TODAY TO ADHERE TO THE TRI-POWER MONETARY
AGREEMENT AND WILL NOT FURTHER DEVALUE THE BELGA.

9/26--R835A

WCNS41

ADD DEVALUATION, PARIS

DESPITE THE PROFOUND IMPLICATIONS OF THE GOVERNMENT'S ACTION, THE
POPULACE GENERALLY RECEIVED NEWS OF THE DEVALUATION APATHETICALLY AND
THERE WAS NOT THE SLIGHTEST DISTURBANCE IN ANY PART OF THE COUNTRY.

9/26--EC1004A

ADD DEVALUATION, PARIS

POPULAR SUPPORT OF THE GOVERNMENT ACTION WAS HEIGHTENED BY ACTION
OF THE CABINET TODAY IN DRAFTING MEASURES TO PREVENT HARDSHIPS ON THE
SMALL MONEY CLASSES, AS WELL AS TO CARRY OUT THE DEVALUATION ITSELF.

THE MEASURES, ANNOUNCED BY AURIOL AFTER A CABINET MEETING, INCLUDES:
ABROGATION OF THE LAVAL ECONOMY DECREE CUTTING PENSIONS OF WAR
VETERANS BY 10 PER CENT.

9/26--EC1005A

10.21

FRENCH CABINET ADOPTS SLIDING WAGE SCALE
PRINCIPLE

PARIS - THE FRENCH CABINET HAS ADOPTED THE
PRINCIPLE OF A SLIDING WAGE SCALE TO OFFSET
LOSS OF PURCHASING POWER BY WORKERS BECAUSE OF
PRICE INCREASES FOLLOWING DEVALUATION

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WCNS24

ADD DEVALUATION, PARIS

THE GOVERNMENT COMPLETED TWO BILLS WHICH WILL BE PRESENTED TO THE FINANCE COMMITTEES OF THE CHAMBER AND SENATE TOMORROW. THE FIRST FIXES THE GOLD CONTENT AT 43 TO 49 MILLIGRAMS WHILE THE SECOND EMPOWERS THE GOVERNMENT TO REQUISITION GOLD AT THE PRESENT RATE

BANKS TODAY REFUSED, BY ORDER OF THE MINISTRY OF FINANCE, TO CONVERT FRANCS INTO FOREIGN CURRENCIES. AMERICAN BANKS CONTINUED TO TAKE TRAVELERS CHECKS AT THE OLD RATE, PROMISING ADJUSTMENT NEXT WEEK WHEN THE NEW RATE IS FIXED.

ALL MARKETS IN THE NATION HAVE BEEN CLOSED UNTIL AFTER PARLIAMENT DEBATE ENDS, PROBABLY TUESDAY NIGHT.

PARLIAMENT WILL MEET IN EXTRAORDINARY SESSION MONDAY TO LEGALIZE THE DEVALUATION AND GIVE THE GOVERNMENT POWER TO REQUISITION ALL GOLD AT THE CURRENT RATE. THE BANK OF FRANCE ALREADY HAS CEASED GOLD DELIVERIES TO INDIVIDUALS SO THAT TECHNICALLY FRANCE IS OFF THE GOLD STANDARD.

MEANTIME FINANCE MINISTER AURIOL CONFERRED WITH H. MERLE COCHRAN, ATTACHE OF THE U.S. TREASURY, WHO WAS SMUGGLED IN AND OUT OF THE BUILDING, GIVING RISE TO REPORTS THAT THE U.S. AGREEMENT WAS THE FINAL MAJOR FACTOR IN PERMITTING THE GOVERNMENT MOVE.

9/26--R918A

PARIS.--A WORLD-WIDE MONETARY TRUCE WHICH WOULD END THE BATTLE OF CURRENCIES AND PROMOTE INTERNATIONAL TRADE APPEARS IN PROSPECT. GOLD STANDARD COUNTRIES, INCLUDING SWITZERLAND RALLIED TO THE IDEA AFTER FRANCE HAD DECIDED TO DEVALUE ITS FRANC APPROXIMATELY ONE-THIRD, WITH THE FULL CO-OPERATION OF THE UNITED STATES AND GREAT BRITAIN, WHO PROMISED NOT TO TAKE ADVANTAGE BY LOWERING THE VALUE OF THEIR OWN CURRENCIES. THE OLD "GOLD STANDARD BLOC" THUS WAS VIRTUALLY BROKEN UP

THE FRENCH GOVERNMENT LOOKED TO SIMILAR ENGAGEMENTS BY ALMOST EVERY IMPORTANT COUNTRY IN THE WORLD. IT WAS FELT HERE THAT WITH THE THREE GREAT MONETARY POWERS ADOPTING A COMMON FRONT, NO NATION COULD STAND OUT AGAINST A GENERAL LEVELING OF MONETARY VALUES, BASED ON PURCHASING POWER IN EXCHANGE FOR EXPORTS.

RUSSIA, IT WAS BELIEVED, NEEDS FOREIGN TRADE TOO BADLY TO STAND ALONE IF THE OTHER NATIONS COMBINE.

THE FRENCH GOVERNMENT'S MOVE MAY MEET OPPOSITION IN PARLIAMENT, BUT THE POPULAR FRONT GOVERNMENT BELIEVED THAT IT HAD ENOUGH SUPPORT TO WIN. THE GOVERNMENT AT ONCE STARTED CONSIDERING MEANS OF CUSHIONING ANY HARDSHIPS WHICH MIGHT FALL ON THE FRENCH PEOPLE.

WCNS101

ADD DEVALUATION, PARIS' (WCNS99.)

THE DEVALUATION MEASURES WILL BE EXPLAINED IN DETAIL TO THE FINANCE COMMITTEES OF THE SENATE AND CHAMBER OF DEPUTIES AT SPECIAL MEETINGS ON SUNDAY, PRIOR TO THE CONVENING OF PARLIAMENT ON MONDAY.

FROM THE PROPOSED LATITUDE IN THE NEW VALUE OF THE FRANC BETWEEN 43 AND 49 MILLIGRAMS OF GOLD, IT APPEARED EVIDENT THAT FRANCE INTENDS TO EMBARK ON A PERIOD OF MANAGED CURRENCY. THIS AGAIN WOULD BE FOLLOWING THE POLICY OF THE UNITED STATES IN THE PERIOD BEFORE THE DOLLAR FINALLY WAS PEGGED AT 39.06 CENTS AS COMPARED TO ITS FORMER GOLD VALUE.

THE COOPERATIVE ASPECTS OF THE THREE-POWER ACCORD, ESPECIALLY THE STATEMENTS OF SECRETARY MORGENTHAU IN SERVING NOTICE THAT AMERICA WAS SUPPORTING THE AGREEMENT WITH ITS FULL RESOURCES, WERE EMPHASIZED IN A STATEMENT TO THE PRESS BY PREMIER LEON BLUM IN BEHALF OF FINANCE MINISTER AURIOL.

"FOR THE FIRST TIME IN HISTORY," PREMIER BLUM SAID, "A DECLARATION HAS BEEN MADE SIMULTANEOUSLY BY THREE COUNTRIES, SIGNIFYING THEIR WILLINGNESS TO UNDERTAKE A COMMON EFFORT TO RE-ESTABLISH NORMAL ECONOMIC AND MONETARY RELATIONS IN ORDER TO EFFECT PACIFICATION ON THE MATERIAL PLANE BEFORE TACKLING THE POLITICAL PACIFICATION WHICH ALL DESIRE.

"THE DECLARATIONS OF MR. MORGENTHAU TO THE PRESS ARE MOST SIGNIFICANT IN THIS REGARD.

"THE THREE NATIONS WANT TO RALLY ALL COUNTRIES TO THIS ENDEAVOR, WHICH IS BOUND TO EXERCISE CONSIDERABLE INTERNATIONAL INFLUENCE. I AM DELIGHTED TO SEE THAT SWITZERLAND ALREADY HAS DECIDED TO ADHERE.

"CERTAIN NEWSPAPERS HAVE GIVEN THE IMPRESSION THAT THIS DECLARATION SOUGHT TO CONCEAL THE REAL FINANCIAL SITUATION, BUT I FORMALLY DECLARE THAT THIS FINANCIAL ALIGNMENT WAS NOT HURRIEDLY ACHIEVED BUT WAS THE RESULT OF CONVERSATIONS STARTED LAST JUNE.

"AT NO TIME," BLUM CONTINUED, "DID WE CONSIDER A UNILATERAL MONETARY OPERATION. MOREOVER, WE ALWAYS SAID THAT SUCH A MONETARY OPERATION COULD ONLY BE ACHIEVED ON AN INTERNATIONAL BASIS FOR A RAPPROCHEMENT OF THE PEOPLES AND WITH A VIEW TOWARD THE GENERAL PACIFICATION WHICH WE ALL DESIRE."

IN CONVERSATIONS ALONG THE PARIS BOULEVARDS THERE WAS SOME EVIDENCE OF FEAR THAT PRICES WOULD SKYROCKET, HURTING SMALL WAGEEARNERS ESPECIALLY, AND THAT SMALL INVESTORS WOULD SUFFER. THIS FEAR WAS PARTICULARLY EVIDENT AMONG THOSE WHO LOST HEAVILY IN THE 1928 DEVALUATION.

BY HIS DECLARATIONS AND BY PREPARATIONS OF HIS GOVERNMENT, BLUM
SOUGHT TO ALLEVIATE THESE FEARS. 342

ARGUING THAT ABUNDANT MONEY AND LOWER INTEREST RATES SHOULD RESULT
IN LOWER COSTS OF PRODUCTION, HE ASSERTED THAT "THERE IS NO REASON
WHY RETAIL PRICES SHOULD RISE."

AS A SPECIFIC MOVE TO COUNTERACT PRICE INCREASES, BILLS WERE
PREPARED EMPOWERING THE GOVERNMENT TO LOWER TARIFFS AND INCREASE IMPORT
QUOTAS AT ITS DISCRETION. THESE MEASURES WILL BE PRESENTED TO
PARLIAMENT ON MONDAY AND WILL BECOME EFFECTIVE IMMEDIATELY AFTER THEIR
PASSAGE. UNDER THEM, IF PRICES OF ANY CLASS OF GOODS ROSE ABNORMALLY,
THE GOVERNMENT COULD PERMIT HEAVY SHIPMENTS OF FOREIGN PRODUCTS TO
FLOW IN.

FINANCE MINISTER AURIOL ANNOUNCED THE GOVERNMENT HAD DRAFTED
ADDITIONAL MEASURES TO PROTECT THE SMALL MONEY CLASSES, AND PREVENTING
PROFITEERING:

1.--SALARIES WILL BE ADJUSTED ON A SLIDING SCALE IN ACCORDANCE WITH
LIVING COSTS.

2.--RELIEF WILL BE PROVIDED FOR SMALL INVESTORS AND HOLDERS OF
SHORT-TERM TREASURY BONDS.

3.--THE LAVAL DECREES REDUCING WAR VETERANS' PENSIONS BY 10 PER CENT
WILL BE ABROGATED.

4.--ALL EXCHANGE TRANSACTIONS BETWEEN SEPT. 20 AND 26 MUST BE REVEAL-
ED TO THE GOVERNMENT.

THESE MEASURES WERE EXPECTED FURTHER TO EASE THE GOVERNMENT'S TASK
IN PUTTING THE DEVALUATION MEASURE THROUGH PARLIAMENT, AND IT WAS CON-
SIDERED A CERTAINTY THAT IT WOULD BE APPROVED.

THE MOST IMPORTANT COMPANION MEASURE TO THE DEVALUATION BILL IS
THAT PERMITTING THE GOVERNMENT TO REQUISITION ALL GOLD AT THE OLD
VALUE. THIS WILL PREVENT HOLDERS OF GOLD FROM PROFITING BY THE
REVALUATION.

FOREIGN EXCHANGE 8.45 SEP 26 1936

NO BUSINESS IS BEING DONE IN THE LOCAL FOREIGN EXCHANGE MARKET BUT NOMINAL RATES BEING QUOTED INCLUDE 4 90 TO 4 95 FOR STERLING AND 4 42 CENTS TO 5 CENTS FLAT FOR FRANCS - OTHER NOMINAL QUOTES ARE - 25 58 FOR SWEDEN 24 88 FOR NORWAY 22 10 FOR DENMARK - PREVIOUS CLOSE ON THE FIVE CURRENCIES LISTED ABOVE WERE STERLING 5 01 7-8 FRANC 6 58 1-2 CENTS 25 88 FOR SWEDEN 25 23 FOR NORWAY AND 22 42 FOR DENMARK

STERLING 4 94

SEP 26 1936

THERE IS NO DEALING IN FOREIGN EXCHANGES IN THE LOCAL EXCHANGE MARKET WITH THE EXCEPTION OF STERLING WHICH IS CURRENTLY QUOTED AT 4 94 AS COMPARED WITH 5 00 QUOTED EARLY LAST EVENING

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STERLING ACTIVE

957 SEP 26 1936

A CONSIDERABLE VOLUME OF BUSINESS IN SPOT STERLING IS BEING DONE IN THE LOCAL FOREIGN EXCHANGE MARKET WITH RATES CURRENTLY QUOTED AROUND 4 92 1-2 TO 4 93 - A SMALL AMOUNT OF BUSINESS IN CANADIAN DOLLARS IS GOING THROUGH AT A DISCOUNT OF 1-8 OF 1 PC - MARKET FOR FUTURE STERLING IS NOMINAL WITH QUOTED RATES AT ABOUT 5-8C DISCOUNT FOR ONE MONTH AND 1 1-4C FOR THREE MONTHS

THERE HAS BEEN SPORADIC BIDDING FOR FRENCH FRANCS AT AROUND 5C BUT EXCHANGE TRADERS BELIEVE THAT NO BUSINESS HAS BEEN DONE

GUILDERS

SEP 28 1936

10.19

A SMALL TRANSACTION IN DUTCH GUILDERS IS REPORTED TO HAVE BEEN DONE THIS MORNING AT 66 67 CENTS OFF 59 POINTS - SMALL AMOUNTS ARE NOW BEING OFFERED AT 66 90 CENTS

ALTHO NORMALLY THIS WOULD CONSTITUTE A MAJOR DECLINE IN GUILDER EXCHANGE THE QUOTATION IS FAR ABOVE WHAT MIGHT BE EXPECTED HAD THE DUTCH GOVERNMENT GIVEN INDICATION IT WAS PREPARED TO FOLLOW THE EXAMPLE OF FRANCE AND SWITZERLAND

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SWISS FRANC

10.25

SEP 28 1936

ADVICES FROM SWITZERLAND THUS FAR HAVE NOT INDICATED THE EXTENT TO WHICH THE SWISS FRANC WILL BE READJUSTED FOLLOWING THE LEAD OF FRANCE - ASSUMING HOWEVER THAT THE SAME LIMITS WILL BE ADOPTED AS IN THE FRENCH FRANC IT WILL MEAN THAT THE DOLLAR VALUE OF THE SWISS FRANC WILL BE SOMEWHERE BETWEEN 24 44 CENTS AND 21 44 CENTS - THIS COMPARES WITH THE FORMER PAR OF 32 67 CENTS

16.00 g

345

STOCK MARKET GOSSIP
CANVASS OF SOME OF THE

LEADING HOUSES

INDICATES THAT SHORTLY BEFORE THE OPENING THEY HAD NO LARGE AMOUNT OF ORDERS EITHER WAY - SOME FIRMS REPORTED A FEW SELLING ORDERS AND OTHERS A BALANCE OF BUYING - BROKERS SAY THAT THERE ARE FEW ORDERS OF ANY KIND FROM ABROAD

SOME STREET COMMENTATORS REGARD THE TRIPARTITE CURRENCY AGREEMENT AS THE MOST IMPORTANT NEWS FOR WALL STREET SINCE THE ARMISTICE -
NATURALLY THE TRADING FRATERNITY IS SOMEWHAT JITTERY BUT ALL AGREE THAT AS A BUSINESS AND MARKET FACTOR IT IS EXTREMELY CONSTRUCTIVE IN THE LONG RUN - BROKERS BELIEVE ITS POLITICAL ASPECT SO FAR AS FRANCE IS CONCERNED IS AS IMPORTANT AS THE FINANCIAL SIDE BECAUSE WITH THE UNITED STATES AND ENGLAND STANDING BY FRANCE THE FRENCH PEOPLE WILL FEEL CONFIDENCE IN THEIR GOVERNMENT-S PROPOSALS

SOME TRADERS EXPECT THAT THERE MAY BE TEMPORARY BEARISH EFFECT ON SOME COMMODITY MARKETS GROWING OUT OF THE EXCHANGE SITUATION COTTON IS MENTIONED AS ONE LIKELY TO BE AFFECTED AS IT IS SO CLOSELY ALLIED WITH THE POUND STERLING

GOLD FROM FRANCE

IN ADDITION TO THE 43 532 000 DLS OF GOLD
ENGAGED FRIDAY IN PARIS FOR SHIPMENT TO NEW
YORK AN ADDITIONAL 12 655 000 DLS WAS TAKEN
YESTERDAY MAKING A TOTAL OF 56 187 000 DLS
TAKEN FOR SHIPMENT FROM FRANCE FOR NEW YORK
ACCOUNT YESTERDAY - A TOTAL OF 1 125 000 DLS
ALSO WAS ENGAGED FRIDAY IN HOLLAND FOR EXPORT
TO NEW YORK WHICH HAD NOT BEEN REPORTED YESTER-
DAY

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46
SEP 28 1936

WCNS5

NEW YORK.--THE FRENCH FRANC WAS QUOTED NOMINALLY AT 4.42 TO 5 CENTS IN FOREIGN EXCHANGE MARKETS HERE TODAY. NO BUSINESS WAS BEING DONE IN ANY CURRENCY.

9/26--R837A

WCNS13

ADD FOREIGN EXCHANGE, NEW YORK

THE FRANC QUOTED ABOUT FITTED IN WITH THE LEVEL WHERE IT IS INTENDED TO STABILIZE THE UNIT UNDER THE DEVALUATION PLAN. FRANCS CLOSED LAST NIGHT AT 6.58 1/2 CENTS, COMPARED WITH ITS PARITY AT THAT TIME OF 6.63 CENTS.

NOMINAL QUOTATIONS ON OTHER CURRENCIES WERE:

POUND STERLING \$4.90 TO \$4.95, AGAINST A PREVIOUS CLOSE OF \$5.01 3/4.

SWEDEN 25.58 CENTS OFF 51 POINTS FROM YESTERDAY'S CLOSE.

NORWAY, 24.88 CENTS OFF 36 POINTS.

DENMARK, 22.10 CENTS OFF 34 POINTS.

9/26--R846A

WCNS23

NEW YORK.--THE POUND STERLING SOLD AT \$4.94-1/2 IN FOREIGN EXCHANGE TRADING TODAY, DOWN 7-1/4 CENTS FROM THE PREVIOUS CLOSE OF \$5.01-3/4.

FOREIGN EXCHANGE BUSINESS IN GENERAL WAS PARALYZED, NO TRANSACTIONS BEING RECORDED IN OTHER UNITS.

9/26--R915A

WCNS25

NEW YORK.--THE STOCK MARKET WAS UNRUFFLED BY THE ANNOUNCEMENT FRANCE WOULD DEVALUE THE FRANC ON MONDAY. INITIAL PRICES WERE MIXED IN A NARROW RANGE WITH DEALINGS LIGHT.

LEADING STOCKS WERE SUPPORTED.

TRADING INCREASED IN VOLUME WHEN THE MARKET GOT INTO ITS STRIDE. BONDS DECLINED FRACTIONALLY. U.S. GOVERNMENTS WERE DULL WITH PRICES DOWN SMALL AMOUNTS.

COTTON FUTURES FIRMED 4 TO 7 POINTS AT THE OPENING.

RAILROAD SHARES GENERALLY WERE HIGHER. SO WERE THE LEADING INDUSTRIAL SHARES. UTILITIES WERE IRREGULAR.

STEELS GAINED FURTHER AFTER THE OPENING. MOTORS STRENGTHENED. BROKERS REPORTED ONLY SMALL ORDERS BEFORE THE OPENING.

9/26--R922A

WCNS26

ADD FOREIGN EXCHANGE, NEW YORK (WCNS23)

THE FRENCH FRANC WAS QUOTED NOMINALLY AT 4.50 CENTS TO 5 CENTS, BUT NO BUSINESS WAS CONSUMMATED. THAT RANGE DISCOUNTS THE FRANCE DEVALUATION WHICH IS SCHEDULED TO TAKE PLACE MONDAY. YESTERDAY'S CLOSING FRANC QUOTATION WAS 6.58-1/2 CENTS. PARITY WITH THE DOLLAR WAS 6.63 CENTS.

THE DUTCH GUILDER WAS QUOTED NOMINALLY AT 67 CENTS, OR DOWN 54 POINTS FROM YESTERDAY'S CLOSE. PARITY OF THE UNIT WITH THE DOLLAR IS 68.06 CENTS.

IT WAS IMPOSSIBLE TO GET EVEN NOMINAL RATES ON OTHER EUROPEAN CURRENCIES.

9/26--R925A

WCNS44
ADD FOREIGN EXCHANGE, NEW YORK

IN LATER TRANSACTIONS A SMALL AMOUNT OF BUSINESS WAS REPORTED PUT THROUGH IN STERLING, RANGING BETWEEN \$4.92 AND \$4.94. NOMINAL QUOTATIONS ON THE FRANC AND THE GUILDER WERE WITHDRAWN.

9/26--EC1009A

WCNS53

NEW YORK.--FRENCH MUNICIPAL AND RAILWAY BONDS BROKE AS MUCH AS 8 POINTS ON THE BOND MARKET TODAY. CITY OF SOISSONS 6S OF 1936 SOLD AT 155 1/4, OFF 8 POINTS, WHILE NORD RAILWAY 6 1-2S OF 1950 DROPPED 5 1-2 POINTS TO 120 1-2. THERE WAS NO TRADING IN FRENCH GOVERNMENT OBLIGATIONS.

9/26--R1036A

WCNS77

NEW YORK.--A \$1,000 FRENCH GOVERNMENT BOND, SERIES 7/-1/2S OF 1941, WAS SOLD ON THE STOCK EXCHANGE TODAY AT 140, OFF 6-1/2 POINTS FROM THE PREVIOUS CLOSE, A NEW LOW FOR THE YEAR.

THE UNSTAMPED GOVERNMENT ISSUE, 7S OF 1941, WAS OFFERED IN RAPID SUCCESSION AT 156, 157, 155, 153, 151 AND 150, THE LATTER REPRESENTING A 10-POINT DECLINE.

EARLIER TRANSACTIONS IN CITY OF SOISSONS 6S OF 1936 WAS MADE AT 155-1/4, OFF 8 POINTS. SIX BONDS WERE TURNED OVER IN NORD RAILWAY, OFF 5-1/2 POINTS.

POLISH BONDS DROPPED AS MUCH AS 4 POINTS, BUT OTHER FOREIGN FUNDS WERE GENERALLY ONLY FRACTIONALLY CHANGED.

9/26--R1222P

WCNS59

The Markets

NEW YORK.--BULLISH INTERPRETATION OF THE FRENCH AND SWISS DECISION TO DEVALUE THEIR CURRENCIES SENT THE STOCK MARKET SOARING TODAY IN THE MOST ACTIVE TRADING SINCE JULY 27.

LOSSES SUSTAINED EARLY IN THE WEEK WHEN THE MARKET WAS DISCOUNTING THE FRENCH DEVALUATION WERE WIPED OUT.

THE LIST OPENED QUIET AS TRADERS CAUTIOUSLY FELT THEIR WAY. THEN SHORTS RUSHED TO COVER. BEFORE THE FIRST HALF HOUR WAS OVER PRICES HAD BEEN BID UP MORE THAN 3 POINTS IN THE MAIN LIST AND AS MUCH AS 8 POINTS IN A STOCK LIKE ALLIED CHEMICAL. THE TAPE FELL BEHIND.

BUYING LIGHTENED BEFORE THE END OF THE FIRST HOUR AND PRICES REACTED FROM THE HIGHS. WHEN THE LIST HAD CONSOLIDATED ITS POSITION IT SET OFF ON ANOTHER ADVANCE JUST BEFORE THE CLOSE THAT CARRIED THE AUTOMOBILE ISSUES TO NEW HIGHS ON THE MOVEMENT AND BROUGHT SHARP ADVANCES IN RAILROAD ISSUES. STEELS MOUNTED. UTILITIES WERE DULL AT SMALL GAINS. OILS, MERCANTILE SHARES AND SPECIAL ISSUES WERE FIRM.

OTHER MARKETS MOVED IRREGULARLY. BONDS WERE MIXED WITH FRENCH ISSUES DROPPING TO CONFORM WITH A NEW GOLD CONTENT OF THE FRANC. DOMESTIC CORPORATION BONDS WERE HIGHER. U.S. GOVERNMENTS WERE FAIRLY ACTIVE AND STEADY AFTER AN EARLY DECLINE.

9/26--R1124A

WCNS61

ADD STOCK MARKET, NEW YORK

VERY LITTLE BUSINESS WAS DONE IN FOREIGN EXCHANGE MARKETS.

AT THE HIGHS OF THE DAY THE MARKET SHOWED GAINS ON THE WEEK AND THE AVERAGES WERE NEAR THE HIGHS SINCE 1931 MADE EARLIER IN THE MONTH.

WHILE THE MARKET WAS ADJUSTING TO THE INTERPRETATIONS OF WALL STREET ON THE DEVALUATION PLANS, BUSINESS NEWS CONTINUED HIGHLY FAVORABLE.

FRENCH MARKETS WERE CLOSED TODAY. THE LONDON STOCK EXCHANGE OBSERVED THE USUAL SATURDAY CLOSING. COMMODITY MARKETS ABROAD WERE HIGHER IN THEIR RESPECTIVE CURRENCIES BUT RELATIVELY UNDER YESTERDAY BECAUSE OF A DROP IN RATES. DOMESTIC COMMODITY MARKETS WERE MIXED AND QUIET.

BROKERS CONSTRUCTED THE FRENCH MOVE AS FAVORABLE. HORNBLOWER & WEEKS, STOCK EXCHANGE HOUSE, ADVISED CLIENTS BEFORE THE OPENING:

"WE REGARD THE OVERNIGHT DEVELOPMENTS AS FAVORABLE AND THINK STOCKS ARE A BUY."

BANKERS BELIEVED THE MOVE WAS HIGHLY FAVORABLE IN THAT IT ELIMINATED A TROUBLOUS SITUATION IN WORLD CURRENCIES. THEY REGARDED THE PLANS TO DEVALUE AS A STEP TOWARD EVENTUAL STABILIZATION OF WORLD CURRENCIES. SOME OF THEM ANTICIPATED HEAVY LOSS OF GOLD BY THE U.S. WHICH THEY CONSTRUED FAVORABLY.

9/26--R1130A

ADD STOCK MARKET, NEW YORK

PRICES WAVERED A BIT AT MID-SESSION AND VOLUME LIGHTENED. ANOTHER BUYING RUSH JUST BEFORE THE CLOSE WAS BELIEVED TO HAVE BEEN INFLUENCED BY INTERVENTION OF THE UNITED STATES TREASURY DEPARTMENT TO PREVENT A RUSSIAN RAID ON THE POUND STERLING.

9/26--R1133A

NEW YORK.--FRENCH BONDS BROKE ON THE STOCK EXCHANGE TODAY ON DECISION OF THE FRENCH GOVERNMENT TO DEVALUE THE FRANC, WHILE U. S. GOVERNMENT BONDS WORKED IRREGULARLY HIGHER IN ACTIVE TRADING. DOMESTIC CORPORATION ISSUES STRENGTHENED IN LINE WITH STOCKS.

TRADING WAS AT THE MOST ACTIVE PACE SINCE FEBRUARY 8, APPROXIMATING \$9,330,000, AGAINST \$7,475,000 YESTERDAY.

JUST BEFORE THE CLOSE, A SINGLE SALE WAS EFFECTED IN THE FRENCH GOVERNMENT 7-1/2S OF 1941. IT SOLD AT 140, OFF 16-1/2 POINTS AND A NEW LOW FOR THE YEAR. THE UNSTAMPED 6-1/2S OF 1941 WERE OFFERED AS LOW AS 150, OFF 10 POINTS. A SINGLE SALE ALSO WAS TRANSACTED IN CITY OF SOISSONS 6S OF 1936 AT 155-1/4, OFF 8 POINTS. NORD RAILWAY BONDS, 6-1/2S OF 1950 OPENED AT 120-1/2 AND THEN SOLD DOWN TO 120, OFF 6 POINTS NET. POLAND 7S OF 1947 DROPPED 4 POINTS, BUT THE FOREIGN LIST OTHERWISE WAS STEADY.

GAINS IN U.S. GOVERNMENT BONDS RANGED TO 6/32NDS OF A POINT AND LOSSES TO 3/32NDS. THE NEW TREASURY 2-3/4S OF 1956-59, WHICH REACHED A NEW LOW YESTERDAY, RALLIED TO CLOSE AT 101.4 UP ONE-THIRTY SECOND ON THE DAY.

RAILROAD BONDS LED THE ADVANCE IN THE CORPORATE LIST, AMERICAN TYPE-FOUNDERS 5S AT 146, UP 4 POINTS FEATURED INDUSTRIALS.

9/7 --E1248P F

SEP 26 1936

8.40

RESERVE REQUIREMENTS AND MONETARY AGREEMENT

WASHN - WHETHER THE REVALUATION OF THE FRANC WILL LEAD TO A LARGE GOLD EXODUS FROM THE UNITED STATES AND THUS PROMPT THE FEDERAL RESERVE SYSTEM TO LOWER MEMBER BANK RESERVE REQUIREMENTS WAS ONE OF THE MOST IMPORTANT QUESTIONS RAISED BY THE TRI PARTITE MONETARY AGREEMENT ANNOUNCED LAST NIGHT

SEP 26 1936

SECY MORGENTHAU IN HIS LETTER TO SENATOR VANDENBERG POINTED OUT THAT ONE OF THE REASONS THE RESERVE BOARD RAISED RESERVE REQUIREMENTS WAS TO -IMMOBILIZE- GOLD IMPORTS SO THAT THEY COULD BE RELEASED AGAIN IF THE NEED AROSE - THE RESERVE BOARD ITSELF GAVE THIS AS ONE OF THE REASONS FOR ITS ACTION - THE ANSWER TO THE FUTURE OF RESERVE REQUIREMENTS WILL DEPEND UPON THE SIZE OF THE GOLD OUT-FLOW

11.43

MORGENTHAU SAYS HE WILL GO THE LIMIT OF STABILIZATION FUND TO MAINTAIN TRI-PARTITE AGREEMENT

SEP 26 1936

WASHN -

TREASURY BUYS STERLING FROM RUSSIA 11.03
WASHN-UP- SECRETARY OF THE TREASURY HENRY
MORGENTHAU JR ANNOUNCED TODAY THAT THIS COUN-
TRY HAS PURCHASED 1 000 000 POUNDS STERLING
OFFERED ON THE EXCHANGE MARKETS BY THE RUSSIAN
GOVERNMENT -AT ANY PRICE-
SEP 26 1936
11.11

STABILIZATION FUND USED TO BUY STERLING
WASHN - SECRETARY MORGENTHAU TODAY ANNOUN-
CED THAT THE STABILIZATION FUND WAS USED TO
BUY ONE MILLION POUNDS STERLING TO OFFSET A
SALE OF A LIKE AMOUNT BY THE RUSSIAN STATE BANK

THE SECRETARY SAID THIS WAS THE ONLY
ATTEMPT TODAY MADE BY ANY GOVERNMENT INDIVID-
UAL OR BANK TO DRIVE DOWN THE POUND OR
OTHERWISE TAKE ADVANTAGE OF THE TRI-PARTITE
CURRENCY AGREEMENT BETWEEN GREAT BRITAIN
THE UNITED STATES AND FRANCE - HE SAID THAT
THIS MORNING IT WAS DISCOVERED THAT SOMEBODY
WAS TRYING TO DRIVE DOWN THE POUND AND
SUCCEEDED IN DRIVING IT TO 4 DLS 91C FROM 5
DLS 02C - ON MAKING INQUIRY THE SECRETARY
SAID HE HAD LEARNED THAT THE RUSSIAN STATE
BANK HAD GIVEN AN ORDER TO -SELL ONE MILLION
POUNDS STERLING AT BEST -

THIS HE POINTED OUT THE RUSSIAN BANK
WISHED TO SELL AT ANY PRICE

-WHEN I LEARNED THIS- THE SECRETARY SAID
-I BOUGHT WITH THE STABILIZATION FUND MONEY THE
STERLING THE RUSSIAN STATE BANK WAS USING TO
DEPRESS STERLING

-THIS IS THE ONLY CASE OF ANY GOVERNMENT BANK OR ANY INDIVIDUAL TO TRY TO ARTIFICIALLY INFLUENCE THE FOREIGN EXCHANGE MARKETS IN THE UNITED STATES - I SINCERELY HOPE THIS INCIDENT WILL NOT BE REPEATED - THE SECRETARY SAID

IN CALLING ATTENTION TO THE INCIDENT TODAY THE SECRETARY REFERRED TO THE POINT NUMBER FIVE IN THE JOINT STATEMENT ISSUED BY THE THREE AGREEING NATIONS ON CURRENCY ADJUSTMENT

THIS POINT IN THE STATEMENT SAYS THAT THE GOVERNMENT OF THE UNITED STATES -TRUSTS THAT NO COUNTRY WILL ATTEMPT TO OBTAIN AN UNREASONABLE COMPETITIVE EXCHANGE ADVANTAGE AND THEREBY HAMPER THE EFFORT TO RESTORE MORE STABLE ECONOMIC RELATIONS WHICH IT IS THE AIM OF THE THREE GOVERNMENTS TO PROMOTE-

SECRETARY MORGENTHAU OPENLY EXPRESSED HIS RESENTMENT AT THE ATTEMPT OF THE RUSSIANBANK TO UPSET THE PLANS OF THE THREE LEADING WORLD POWERS TO ADJUST WORLD CURRENCIES - THE MANNER IN WHICH HE SAID THAT HE HOPED THE INCIDENT WOULD NOT BE REPEATED SEEMED MORE LIKE A WARNING THAN A MERE STATEMENT

IT IS APPARENT THAT THE TREASURY SECRETARY IS PREPARED TO USE THE STABILIZATION FUND TO THE FULLEST EXTENT TO MEET ITS PART OF THE COOPERATIVE AGREEMENT BETWEEN THE THREE COUNTRIES

THE SECRETARY WAS GIVEN NO OPPORTUNITY BY THE PRESS AT THE SPECIAL CONFERENCE CALLED THIS MORNING TO DISCUSS DETAILS OF THE EXCHANGE MOVES MADE TODAY SINCE THE PRESS UNCEREMONIOUSLY LEFT THE CONFERENCE TO GET THEIR STORIES ON THE WIRE BEFORE THE CLOSE OF THE FOREIGN EXCHANGE MARKETS - AS THE REPORTERS LEFT THE CONFERENCE ROOM THE SECRETARY PROMISED TO AWAIT THEIR RETURN FOR FURTHER DISCUSSION OF THE DEVELOPMENTS TODAY

SEP 26 1936

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WCNS155

ADD BRITISH TREASURY, LONDON

THE TREASURY STATEMENT ANNOUNCED THAT BRITAIN, FRANCE AND THE UNITED STATES DECLARE THEIR INTENTION TO CONTINUE TO USE APPROPRIATE AVAILABLE RESOURCES TO AVOID ANY DISTURBANCE OF THE BASIS OF INTERNATIONAL EXCHANGES IN CONSEQUENCE OF THE PROPOSED READJUSTMENT OF THE FRANC.

THE BRITISH FIGURE AT WHICH IT WAS SUGGESTED THE FRANC BE STABILIZED, 95 TO 105, REFERS TO THE NUMBER OF FRANCS TO THE POUND STERLING (APPROXIMATELY \$5).

9:25--E720P.

SEP 26 1936

ADD MORGENTHAU

11/45

WASHN - DISCUSSING THE RUSSIAN STATE BANK ORDER TO SELL A MILLION POUND STERLING AT ANY PRICE SECY MORGEHTNAU SAID THAT IF THERE ARE ANY MORE ATTEMPTS TO UPSET THE CURRENCY PROGRAM OF THE UNITED STATES GREAT BRITAIN AND FRANCE THE U S TREASURY IS READY AND WILL GO THE LIMIT OF THE 2 000 000 000 DLS STABILIZATION FUND

HE SAID THAT THE TRANSACTION TODAY IN WHICH THE TREASURY STOOD READY FOR A STANDING ORDER TO BUY ALL THAT THE RUSSIAN STATE BANK WOULD SELL RESULTED IN A -HANDSOME PROFIT- - HE POINTED OUT THAT THE STABILIZATION FUND WAS CREATED TO -EVEN OUT SHARP SWINGS- IN FOREIGN EXCHANGE AND THAT SINCE IT IS UP TO EACH COUNTRY TO DO ITS BIT AND SINCE THE LONDON AND PARIS MARKETS WERE CLOSED IT WAS UP TO THE FEDERAL TREASURY OF THE U S TO STOP IN TODAY

THE SECY REVEALED THAT HE HAD TALKED WITH PRESIDENT ROOSEVELT ON TWO OCCASIONS THIS MORNING AND THAT THE PRESIDENT HAS GIVEN FIRST CONSIDERATION TO THE CURRENCY PLAN WHICH WAS ANNOUNCED BY THE THREE NATIONS YESTERDAY -I COULDN-T HAVE CARRIED THIS THROUGH WITHOUT HIS ASSISTANCE- THE SECY SAID

THE SECY ALSO TALKED THIS MORNING WITH HIS REPRESENTATIVE IN PARIS AND LEARNED THAT THE TREASURY MOVE TO OFFSET THE RUSSIAN ACTION RECEIVED AN -EXCELLENT- RECEPTION IN THE FRENCH CAPITAL

(2.17)
ADD MORGENTHAU

SEP 26 1936

WASHN - SECY MORGENTHAU DECLINED TO GIVE
ANY INTIMATION AS TO WHAT HE THOUGHT THE RUSSIAN
BANK SOUGHT TO ACCOMPLISH BY ITS ACT THIS
MORNING NOR WOULD HE GIVE DETAILS ON HOW IT
WAS DISCOVERED THAT THE RUSSIAN BANK WAS
DEPRESSING STERLING - HE STATED THAT HE
LEARNED THAT SOMEONE WAS DRIVING STERLING
DOWN ABOUT 15 MINUTES AFTER THE MARKET
OPENED THIS MORNING AND THAT HIS ORDER TO BUY
ALL THAT RUSSIA HAD TO OFFER WAS PROMPTLY
PLACED

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[illegible][illegible]

"I SIMPLY HOPE THAT THIS AGREEMENT WILL NOT BE ABANDONED BY
THEY SAID.

THE AMERICAN SECRETARY SAID THAT THE SOVIET GOVERNMENT
WAS NOT INTERESTED IN A CONFERENCE THIS MORNING.

THE THREE GOVERNMENTS' AGREEMENT ON THE RE-ESTABLISHMENT
OF NORMAL MONETARY CONDITIONS AND RESULTING EQUILIBRIUM OF
TRADE, CONTAINED THE FOLLOWING PARAGRAPH WHICH WAS CAREFULLY RE-READ
BY THE AMERICAN SECRETARY AT AN EMERGENCY PRESS CONFERENCE THIS MORNING:

"THE GOVERNMENT OF THE UNITED STATES, IN COMMON WITH THE GOVERNMENTS
OF FRANCE AND GREAT BRITAIN, DESIRE AND INVITE THE CO-OPERATION OF THE
OTHER NATIONS TO REALIZE THE POLICY Laid DOWN IN THE PRESENT DECLARATION.
IT TRUSTS THAT NO COUNTRY WILL ATTEMPT TO OBTAIN AN UNREASONABLE
MONETARY EXCHANGE ADVANTAGE AND THEREBY HAMPER THE
EFFORTS TO RESTORE MORE STABLE ECONOMIC RELATIONS WHICH IS THE AIM
OF THE THREE GOVERNMENTS TO PROMOTE."

IN READING THIS QUOTATION THE SECRETARY DELIBERATELY ACCENTED THE

WORDS "AND THEREBY HAMPER."

THIS ANNOUNCEMENT THIS MORNING WAS BELIEVED THROUGHOUT THE
FINANCIAL DISTRICT. HE ASKED CORRESPONDENTS NO MORE THAN STICKING TO THE
FACTS BEFORE THE MARKETS CLOSED.

UNITED PRESS - September 26, 1956.

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WCNS49

SECRETARY MORGENTHAU HAS CALLED A PRESS CONFERENCE FOR

10:40 REPEAT 10:40 A.M.

9/326--R1028A

WCNS68

ADD MORGENTHAU

A SECOND PRESS CONFERENCE WAS HELD BY THE SECRETARY SHORTLY AFTER HIS FIRST ANNOUNCEMENT. AT THIS, HE EXPRESSED THE OPINION THAT THE AGREEMENT BETWEEN THE THREE COUNTRIES WAS NOT AFFECTED BY ANY OUTSIDE MOVES AS FAR AS THEY ARE CONCERNED.

"WELL, AS FAR AS THE GENTLEMEN ARE CONCERNED, WE'RE STILL ALL GENTLEMEN," HE SAID.

9/26--R1146A

WCND01

ADD BELGIUM

SECRETARY MORGENTHAU, EXPRESSING "GREAT GRATIFICATION," RELEASED THE FOLLOWING NOTE FROM THE BELGIAN EMBASSY WHICH HAD BEEN TRANSMITTED TO HIM BY THE STATE DEPARTMENT:

"THE BELGIAN GOVERNMENT HAS LEARNED OF THE DECLARATIONS BY WHICH THE GOVERNMENTS OF FRANCE, GREAT BRITAIN AND THE UNITED STATES HAVE CONSIDERED IT OPPORTUNE TO EXPRESS THEIR INTENTIONS WITH REGARD TO THE MONETARY AND ECONOMIC PROBLEMS EXISTING AT THE PRESENT TIME, AND JOINS WITH THEM IN AFFIRMING A COMMON INTENTION OF SAFEGUARDING THE PEACE, OF FAVORING THE ESTABLISHMENT OF CONDITIONS WHICH WILL CONTRIBUTE TO THE RESTORATION OF ORDER THROUGH THE INTERNATIONAL ECONOMIC RELATIONS AND TO PURSUE A POLICY WITH A VIEW TO DEVELOPING WORLD PROSPERITY AND IMPROVING THE STANDARD OF LIVING OF ALL PEOPLES."

9/26--E132P.

WCNS86

BELGIUM TODAY INFORMED THIS GOVERNMENT THAT IT WOULD COLLABORATE IN THE THREE-POWER "GENTLEMEN'S AGREEMENT" TO SEEK STABILIZATION OF WORLD CURRENCIES.

9/26--E125P.

WCNSTO

ADD MORGENTHAU, (WCNS68)

"I SINCERELY HOPE THAT NO ONE WILL TRY THIS AGAIN," MORGENTHAU SAID. HE REVEALED THAT FLUCTUATIONS IN THE POUND WERE NOTED APPROXIMATELY THREE-QUARTERS OF AN HOUR AFTER NEW YORK MARKETS OPENED. IMMEDIATELY AFTER THE DROP WAS DETECTED, HE SAID ITS CAUSE WAS LEARNED AND ACTION DECIDED UPON.

THE SECRETARY DISCLOSED THAT THIS GOVERNMENT MADE MONEY BY THE OPERATION. HE SAID:

"WE BOUGHT IT AT A PRICE WHICH GIVES THE UNITED STATES GOVERNMENT A HANDSOME PROFIT."

HE POINTED OUT THAT IT WAS UP TO THIS GOVERNMENT TO ACT IN THIS EMERGENCY AS ENGLISH MARKETS WERE CLOSED AND OUR OWN WERE THE ONLY ONES AFFECTED.

"WE HAVE A STABILIZATION FUND WHICH WAS CREATED JUST FOR THIS PURPOSE--TO EVEN OUT SHARP SWINGS," THE SECRETARY SAID.

HE STATED THAT THE BULK OF THE RUSSIAN OFFERING WAS PURCHASED BY THIS NATION.

HE GRAVELY WARNED ALL COUNTRIES THAT THIS GOVERNMENT WAS WILLING TO "GO THE LIMIT" TO PROTECT FINANCIAL EQUILIBRIUM AND AVERT SHARP CHANGES IN WORLD EXCHANGE.

HE POINTED OUT THAT BY THIS HE MEANT HE WAS WILLING TO USE THE ENTIRE \$2,000,000,000 STABILIZATION FUND TO MAINTAIN CURRENCY PEACE.

MORGENTHAU PRAISED PRESIDENT ROOSEVELT FOR HIS EMERGENCY ASSISTANCE IN THE CRISIS. HE REVEALED THAT HE HAD TALKED WITH THE PRESIDENT TWICE TODAY AND SAID:

"I HAVE SPOKEN WITH HIM IN ALMOST EVERY FREIGHT YARD OF EVERY STATION IN AMERICA DURING ALL HOURS OF THE DAY AND NIGHT.

"HE HAS LET EVERYTHING HE WAS DOING DROP TO GIVE THIS MATTER HIS FIRST CONSIDERATION.

"HE HAS BEEN PERFECTLY MAGNIFICENT. I COULD NOT HAVE ACCOMPLISHED THIS WITHOUT HIS ASSISTANCE."

THE SECRETARY SAID HE HAD SPOKEN WITH ATTACHES AT THE PARIS EMBASSY HERE AND HAD LEARNED THAT "OUR MOVE HAD RECEIVED AN EXCELLENT RECEPTION IN FRANCE."

9/26--R1157A

WCNS71

SECRETARY MORGENTHAU SAID THIS NOON THAT HE WILL LEAVE WASHINGTON TODAY FOR HIS FARM IN NEW YORK STATE AND THAT HE WILL SEE THE PRESIDENT AND DISCUSS THE NEW MONETARY ACCORD TOMORROW.

9/26--R1158A

12.10
HULL COMMENTS ON MONETARY AGREEMENT
SEP 26 1936

WASHN - SECY OF STATE HULL SAID THAT HE APPROVED HIGHLY OF THE MONETARY AGREEMENT BETWEEN FRANCE ENGLAND AND THE U S AND SAID THAT THE AGREEMENT SHOULD GREATLY FACILITATE THE REDUCTION OF EXCESSIVE PHASES OF QUOTA EXCHANGE CONTROL AND OTHER EXCESSES IMPEDIMENTARY TO COMMERCE BETWEEN NATIONS

HE ALSO SAID THAT IT SHOULD AID TRADE AND COMMERCE AND TOOK THE OCCASION TO STRIKE AT CRITICS OF THE TRADE PROGRAM - ONLY YESTERDAY THE SECY ISSUED A WRITTEN STATEMENT DIRECTLY AIMED AT GOV LANDON FOR THE GOVERNOR-S CRITICISM OF RECIPROCAL TRADE AGREEMENTS

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SECRETARY HULL

UNITED PRESS - September 26, 1936.

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Hull Statement

WCNS65

THE MONETARY ACCORD AGREED UPON BY THE UNITED STATES, GREAT BRITAIN AND FRANCE IN CONNECTION WITH THE DEVALUATION OF THE FRENCH FRANC SHOULD PROVE A BOON TO INTERNATIONAL TRADE AND WORLD ECONOMIC RECOVERY, SECRETARY HULL SAID THIS MORNING.

9/26--R1140A

Add Hull

WCNS69

ADD HULL (WCNS65)

HE INTIMATED THAT WORLD EXCHANGE STABILIZATION HAD BEEN BROUGHT A STEP NEARER BY THE MONETARY ACCORD AND SAID THIS ADVANCE TOWARD STABILITY SHOULD GREATLY FACILITATE THE REDUCTION OF IMPORT QUOTAS, EXCHANGE CONTROLS AND OTHER IMPEDIMENTS TO WORLD TRADE.

HULL COUPLED HIS PRAISE OF THE MONETARY AGREEMENT WITH A REPLY TO CRITICS OF HIS RECIPROCAL TRADE POLICY WHICH, HE SAID, WAS IN HARMONY WITH THE MONETARY AGREEMENT, AN "INDISPENSABLE PART OF ANY PROGRAM FOR FULL AND STABLE BUSINESS RECOVERY."

9/26--R1148A

GENERAL

UNITED PRESS - September 26, 1936.

17

WCNS19

PERTINENT POINTS IN CONNECTION WITH FRANCE'S DECISION TO DEVALUE HER CURRENCY INCLUDE:

1.--THE UNITED STATES AND GREAT BRITAIN AGREED TO "USE ALL MEANS TO PREVENT MONETARY DIFFICULTIES."

2.--THE FRENCH GOVERNMENT WILL SEEK DEVALUATION LEGISLATION FROM AN EXTRAORDINARY PARLIAMENT SESSION CALLED FOR MONDAY. DEVALUATION PROBABLY WILL BE 1/3 OR LUXR OF THE PRESENT FRANC VALUE MEANING A CUT IN THE GOLD CONTENT FROM 65.05 MILLIGRAMS OF GOLD OF 0.900 FINENESS PER FRANC TO 49 OR 43 MILLIGRAMS. STERLING FRANC RATIO WILL BE AROUND 100 TO 114 FRANC FOR THE POUND AGAINST 77 NOW AND THE DOLLAR WILL BE WORTH AROUND 20 FRANCS COMPARED TO ABOUT 15.19 TODAY. THE FRANC WILL BE AROUND 5 CENTS COMPARED WITH 6.58 1/2 CENTS YESTERDAY.

3.--FRENCH MARKETS ARE CLOSED UNTIL END OF PARLIAMENT DEBATE. BANK OF FRANCE GOLD SALES TO INDIVIDUALS ARE ENDED AND THE GOVERNMENT WILL SEEK PERMISSION TO REQUISITION ALL GOLD AT THE PREVAILING RATE, MEANING VIRTUAL ABANDONMENT OF THE GOLD STANDARD.

4.--A SPOKESMAN FOR THE NETHERLANDS GOVERNMENT SAID HOLLAND WILL NOT DEVALUE CORRESPONDINGLY TO FRANC DEVALUATION.

SWITZERLAND, IT IS UNDERSTOOD, WILL FOLLOW HOLLAND.

GERMANY PROBABLY WILL NOT DEVALUE AS HER MANAGED CURRENCY IS NOT SUBJECT TO INTERNATIONAL TRADING.

9/26--R903A

Regraded Unclassified

WCNS50

HIGHLIGHTS OF THE WORLD CURRENCY SITUATION:

SWITZERLAND DECIDES TO FOLLOW FRANCE IN DEVALUATING CURRENCY.

BELGIUM AGREES TO JOIN U.S., GREAT BRITAIN AND FRANCE IN UNDERSTANDING POINTING TOWARD WORLD STABILIZATION. ITALY AND OTHERS EXPECTED TO FOLLOW.

FRENCH CABINET DRAFTS MEASURES TO EASE HARDSHIPS OF DEVALUATION. FORMAL BILL CUTTING GOLD CONTENT OF FRANC BY ABOUT ONE-THIRD TO BE PRESENTED TO PARLIAMENT MONDAY.

STOCKS AND BONDS HIGHER IN NEW YORK. FOREIGN EXCHANGE PARALYZED. FRANCS QUOTED NOMINALLY AT 4 1/2 TO 5 CENTS, COMPARED WITH YESTERDAY'S 6.58 CENTS. ALL FRENCH MARKETS CLOSED AND GOVERNMENT PREPARES TO REQUISITION ALL GOLD.

9/26--R1030A

11:05 (Standard Time)
Saturday, September 26, 1936

MEMORANDUM

Mr. Knoke of the Federal Reserve Bank of New York telephoned and advised that he had advanced the bid price on sterling as requested to 4.95 from the previous price of 4.94 1/2. 50,000 pounds were sold by the Chase Bank to us at 4.94 3/4, representing commercial business, probably cotton bills from the South. He also stated that the Bank of Canada had telephoned and stated that they were in the market for about 50,000 pounds sterling and Knoke informed them that it did not look as if they would be able to obtain this without paying higher than 4.95. Knoke also advised receipt of a telephone call from Cariguel of the Bank of France who was anxious to know if, when they started operating on Tuesday, they would be able to obtain from us gold to cover any dollar balances they might acquire in the process of stabilizing their exchange at the new level.

On the question of selling 50,000 pounds sterling to the Bank of Canada, as they are a central bank the Secretary thought that it might be well to sell them the 50,000 pounds at 4.95. Mr. Lochhead thought that as long as we were paying 4.95 for sterling in the market, we should not sell at the same price, but should offer it at a slightly higher price, say 4.95 1/4. Knoke felt that we should not sell to them at all since we were buying sterling in an endeavor to keep the price up. The Secretary agreed with Knoke, but jestingly remarked to him that he was getting very bullish on sterling.

U

GRAY

370

London

Dated September 26, 1936

Rec'd 9:15 a.m.

Secretary of State

Washington

RUSH

447, September 26, noon.

FOR THE SECRETARY OF TREASURY

Before leaving for Paris this morning Monick, French Financial Attache, requested the Embassy to send the following message:

"Now that the agreement regarding currencies has been concluded I cannot but recall the conversations which I had in Washington with you -- conversations which have formed one of the fundamental elements of this agreement, which I hope will have the happiest results in the realm of 'fair execution'. I also wish to present my congratulations and to send respectful remembrances."

KTP

BINGHAM

U

GRAY

Paris

Dated September 26, 1936

Rec'd 9:51 a.m.

Secretary of State

Washington

926, September 26, 11 a.m.

FROM COCHRAN.

At about one o'clock this morning the Minister of Finance of France gave to the press the French text of the declaration on monetary policy which was being made simultaneously with the American and British corresponding declarations. At the same time an official communique was issued of which the following is a translation.

"The Council of Ministers has approved terms of a declaration the tenor of which has been decided upon after friendly conversations among the Governments of the United States of America, of Great Britain and of France.

Taking note of this declaration, the Council of Ministers has approved the terms of a monetary bill which has as its essential object the adjusting of the value of the franc to the present economic situation.

The text provides in particular that the gold value of the franc shall be constituted between 49 and 43 milligrams gold of 0.900 fineness. It provides that until

NEW

U -2- #926, Sept. 26, 11 a.m. from Paris

new order an exchange stabilization fund endowed with ten billion francs shall assure the control of the relations between the franc and foreign currencies by maintaining the parity of the franc in relation to gold within the above mentioned limits.

Pending adoption of the bill by the Chamber, the Bank of France is taking the necessary provisions to check speculative maneuvers. The franc market will be strictly controlled. The security and commercial exchange will be closed for some days."

The JOURNAL OFFICIAL of this morning September 26, carries three decrees dated September 25, issued in connection with the above mentioned development in French monetary policy. There follow translations of the vital provisions of each:

FIRST DECREE

"The Senate and the Chamber of Deputies are convoked in extraordinary session for September 28, 1936."

SECOND DECREE

"Article I. The payment of commercial bills and other commercial obligations expressed in gold or in foreign currencies becoming due as from September 26, 1936, may be withheld upon the written request of the debtor; the date from which the payments can be demanded will be

fixed

U -3- #926, Sept. 26, 11 a.m. from Paris

fixed by a decree of the Minister of Finance.

Article II. A protest cannot be drawn up before the date fixed by the decision envisaged in the preceding article, as concerns commercial bills whose payment has been withheld under the conditions prescribed in the said article.

Article III. During the same time, the interest of the debt corresponding to the bills and other commercial obligations referred to in the preceding decree will be calculated at the rate of discount of the Bank of France".

THIRD DECREE:

"The Security and Commercial exchanges will be closed beginning with September 26, 1936, and up to a date which will be fixed by decree of the Minister of Finance."

Reagan and I have agreed that this one cablegram covers the official developments. Please, therefore, provide Commerce with copies.

WILSON

VWVC

U

GRAY

Rome

Dated September 26, 1936

Rec'd 10:05 a.m.

Secretary of State

Washington

386, September 26, noon.

The newspapers this morning prominently publish accounts of the French decision to devalue the franc and a full translation of the French text of the identic declaration issued yesterday evening. There is as yet no comment.

PHILLIPS

KLP

U

GRAY

Paris

Dated September 26, 1936

Rec'd 10:15 a.m.

Secretary of State

Washington

927, September 26, noon.

FROM COCERAN.

AGENCE ECONOMIC this morning carries perhaps the most complete account so far available of the remarks of Minister of Finance Auriol to the press upon the occasion of issuing the declaration of monetary policy and the official communiqué. A translation of this article follows.

"After having read the declaration and communiqué which were published this morning the Minister of Finance indicated that he had just had a telephone conversation with Washington during which Mr. Morgenthau, Secretary of the Treasury, had wished the operation success.

The Minister added that the greatest importance should be attached from all points of view political, economic and financial, to the understanding reached between the three great democracies.

This understanding they propose to all the other nations of the world.

The

U -2- #927, Sept. 28, noon from Paris

The Minister especially thanked the two friendly governments for their collaboration and particularly Mr. Morgenthau and Mr. Neville Chamberlain.

He also rendered homage to the unlimited devotion of his principal collaborators.

The Minister invited attention to the importance of the invitation addressed to the other nations with the view of cooperating for the realization of the policy formulated in the common declaration.

Mr. Vincent Auriol indicated that the adjustment decision followed long conversations which had taken place very discreetly since the month of June.

The government, he added, did not want alignment without security or unilateral devaluation both of which were forms of monetary war. (END OF SECTION ONE)

WILSON

WWC:KLP

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GRAY

Paris

Dated September 26, 1936

Rec'd 10:30 a.m.

Secretary of State

Washington

927, September 26, noon (SECTION TWO)

HOWEVER, the understanding reached represented on the contrary the opening of a prolonged era of monetary peace, compared with economic peace, the essential basis of peace among nations.

The Minister recalled that at the time of the discussion which took place in the Chamber of Deputies on June 16th last, he had rejected the principle of exchange control which leads to autarchy or to isolated devaluation, which would have still more reinforced the measures of defense of the other nations.

Today the prime fact is that the understanding reached between the three great democracies and the three large banks of issue was an understanding which reestablishes the equilibrium of the principal economies.

'To realize this, M. Vincent Auriol proceeded, it was necessary to adapt our currency, to adjust it to the level of the others. The natural consequence will be the resumption of our economic activity and higher price movements

U -2- #927, Sept. 26, noon (Sec. 2) from Paris

ments which may develop will be reduced because the Government intends to maintain social peace through appropriate measures'.

The Minister indicated that from a moral point of view he would propose: (1) the requisition of gold at the present rate, (2) measures in favor of small incomes of pensioners and war veterans, (3) adaptation of salaries to the cost of living, the Government intending at the same time to prevent any unjustified increase in prices by utilizing more largely the full powers which it holds in the customs field.

WILSON

KLP:CSB

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GRAY

Paris

Dated September 26, 1936

Rec'd 11:30 a.m.

Secretary of State

Washington

927, September 26, noon (SECTION THREE)

Finally the Government envisaged with particular care the situation of Departments and Communes and public bodies. In this connection it had concluded a convention with the Credit Foncier providing for the reduction to 5 per cent of loans granted to public bodies.

In the same order of ideas the rate of interest of private mortgages would be reduced to 6.30 per cent.

The Government in order to facilitate their operations will place a sum of two billion francs at five per cent interest at the disposition of public bodies. Five hundred millions will be granted under the same conditions to the Credit Maritime; and 500 millions more for mortgage loans.

"The Government, concluded M. Vincent Auriol, is persuaded that Parliament and public opinion, setting aside the restrictions agreement interior politics, will aid in the Government's task of economic reconstructions and its work of pacification and will thus far respond to the confidence and to the hopes of the nations".

Please provide Commerce with copies. (END MESSAGE)

370

September 26, 1936
11:45 A. M.

Mr. Oliphant, Mr. Opper, Dr. Viner, Mr. Lochhead, Mr. Gaston and Mr. Haas were in the Secretary's office to discuss the documents to be used in the event decision was reached to sell gold to Great Britain and France. (Copies are attached.) Dr. Feis joined the group later.

Mr. Oliphant said, "I think the thing to do would be to have the letter approved the way it went over to Cochran with two verbal changes." The Secretary asked, "This is 1-A?" Mr. Oliphant replied, "Yes. And that's the press release stating that we will sell gold to those countries on the list which you publish from day to day, which countries are offering to sell to us, to use the language of the statute, 'when you deem advantageous to the public interest.'"

Mr. Morgenthau then inquired, "And this goes through the stabilization fund?" Mr. Oliphant replied, "That's not controlled." Mr. Lochhead explained, "You can use it any way at all." The Secretary then asked Mr. Lochhead, "Which way do you want?" And he answered, "Frankly, I think it should go through the stabilization fund at the present time." Mr. Morgenthau remarked, "And this leaves it possible to do it either way. What else?"

Mr. Oliphant said, "A letter to the Federal Reserve Bank of New York and a corresponding letter to the Assay Office relating to carrying out this plan for the purchase of gold."

The Secretary said, "What else?" Mr. Oliphant replied, "Then there comes the necessary license and that is a license to the Federal Reserve Bank of New York." Opper said, "And that's on the basis that it will not be done through the stabilization fund."

Mr. Morgenthau asked, "What else?" Oliphant said, "Then the third thing, in case you want to conduct these operations through the stabilization fund, there is a letter to be approved by the President for the sale of gold, and a letter of authorization to be approved by the President for the purchase of gold."

Mr. Morgenthau said, "Have you index of what I have here?" Mr. Oliphant replied, "Yes." The Secretary then said to Mr. Opper, "Will you be in my office at 12:15 with these things and an index and if Jake Viner has any suggestions, do it in the next 30 minutes."

Dr. Viner said, "I would like to do it right now. What this thing says is that the United States will also sell gold or ear-

mark gold for the account of an exchange equalization or stabilization fund of those countries. Now if some country comes along without a stabilization fund...." Interrupting him, the Secretary said, "Now go into Oliphant's office and do your fighting because I am awfully tired. I just want to tell you that at 12:15 I want you in that room waiting for me."

"This press story that the Russian State Bank offered to sell 1 million pounds sterling at any price -- every paper in France supported Blum except the communists and if they can break this agreement, it can keep Blum from popular success and the only market open was here and they were trying to do it here. Every paper in France was favorable to the announcement."

The Secretary then said to the group, "George Harrison tried every way to stop me from doing this with the Russian State Bank and I finally got the bank in New York which was handling it and they said, Sure, as long as you don't mention my name. Do you want us to stop doing business with Russia? And I said, No, you keep right on because if it goes somewhere else I can't find it. You keep on and keep us informed."

H. M. Jr. then called Mr. Knoke and a record of their conversation follows:

September 26, 1936.
11:48 a.m.

H.M.Jr: Hello

Operator: Mr. Knoke: - Go ahead.

H.M.Jr: Knoke

K: Yes Mr. Secretary.

H.M.Jr: Don't tell me you put the price of sterling up again - I can't stand it.

K: No - I - I haven't done anything but the price has lifted itself - it's 4.97 about.

H.M.Jr: (Loud and long) No

K: But the fact is I think you could call it 4.99 and you wouldn't get any, only I wouldn't -

H.M.Jr: Listen - we'll close the market at four - wait a minute. (Aside to someone in his office. "4.99 -

H.M.Jr: Is there somebody paying \$4.97?

K: Well \$4.97 was bid - yes - about five minutes ago.

H.M.Jr: Well what do you recommend??

K: Well I - I wouldn't go beyond that. If you want to - make your bid at the closing \$4.97 - I think you can do it.

H.M.Jr: Make my bid what?

K: \$4.97.

H.M.Jr: \$4.97 it is.

K: Yes but then call it a day after that.

H.M.Jr: Then we'll call it a day - and a damn good one.

K: (Laughter)

H.M.Jr: And listen -

K: Yes.

H.M.Jr: I've struck off my list Russian Vodka.

K: You did? (Laughter)

K: Yes - I don't think they'll give you any more after this.

H.M.Jr: No, from now on I take Norwegian caviar.

K: Oh I see.

H.M.Jr: Yes.

K: All right, sir.

H.M.Jr: Yes.

K: I hope it will agree.

H.M.Jr: I hope so. Well -

K: Then we'll do that.

H.M.Jr: Now - now that it's out and I've done - done it - is it all right?

K: You mean the statement?

H.M.Jr: Yes.

K: Well - all I can - I wouldn't have done it, Mr. Secretary.

H.M.Jr: But now it's done.

K: Now it's done - I - I think you may get reactions which you won't like.

H.M.Jr: That's - from where?

K: Well - from Moscow.

H.M.Jr: Good - swell.

K: All right sir - if that is -

H.M.Jr: Sure - fine - grand.

K: All right.

H.M.Jr: Let them explain.

K: I hope it won't get the Chase into trouble.

H.M.Jr: No , no, no, no, no, no, no, no, no, no - No
no, no, no, no, no, no, no, no, no

K: But -

H.M.Jr: Say listen I'll make more money for the Chase
than they'll ever make out of Russia.

K: But Mr. Secretary let me point out one thing that
you have - that hereafter you'll have to talk about
the Stabilization Fund -

H.M.Jr: No.

K: You have refused heretofore.

H.M.Jr: No - only in great great emergencies.

K: I see.

H.M.Jr: It's all right. Take my word for it.

K: All right, sir. As long as you're not afraid of
Moscow, it suits me.

H.M.Jr: I never have been yet. O.K. Well thanks very much -
\$4.97.

K: \$4.97. Mr. Secretary, I never had a chance last
night to express my appreciation of the very great
kindness I had in Washington.

H.M.Jr: Well I appreciate your assistance.

K: Thank you.

H.M.Jr: We'll do it again some time.

K: All right, sir.

H.M.Jr: Goodnight.

September 26, 1936.
11:50 a.m.

H.M.Jr: Hello

Operator: Mr. Knoke. Go ahead.

H.M.Jr: Hello - Knoke.

K: Yes.sir.

H.M.Jr: I just want to get the thing straight. There seems to be a little mixup between Lochhead and myself - hello?

K: Yes.

H.M.Jr: Did I understand correctly that the British gave you an order to buy three million pounds Sterling at \$4.90 because they knew about the Russian order?

K: No - no - no

H.M.Jr: They did not know about it?

K: No. They called in for the purpose of telling us that they would to - they would not want to see Sterling go below \$4.90.

H.M.Jr: Oh. But they did not know about the Russian order.

K: They did not know about it.

H.M.Jr: All right. Well - I just wanted - there was a little mixup - they - I thought you said they gave you the order because they did know about the Russian -

K: Oh no - no - no - no.

H.M.Jr. O.K.

K: Yes sir.

H.M.Jr: Look

K: Yes.

H.M.Jr: The Secretary of State isn't worrying about Moscow so don't you.

K: No, I expect to see a a good polo game this afternoon without giving any thought to Russia.

H.M.Jr: All right and, as far as I'm concerned, they better behave themselves.

K: (Laughing) Yes.

H.M.Jr: Yes.

K: All right, sir. Oh, by the way, Cariguel is calling in again and he wants to keep in touch with me tomorrow, I don't know -

H.M.Jr: Fine.

K: Would you be at the -

H.M.Jr: I'm at Beacon 211

K: Beacon 211.

H.M.Jr: New York.

K: Yes.

H.M.Jr: Yes.

K: All right, sir.

H.M.Jr: I'm available any time.

K: Beacon 211

H.M.Jr: Beacon, New York, 211

K: Thank you.

H.M.Jr: All right.

K: Good night, sir.

H.M.Jr: Good night.

U

GRAY

Berne

Dated September 26, 1936

Rec'd Noon.

Secretary of State

Washington

74, September 26, noon.

I am informed that the Federal Council which is now in session will today issue a statement to the effect that Switzerland will maintain its present gold parity. I learn confidentially from National Bank official that this statement will be issued in conformity with the similar one by Holland.

There is a great deal of nervousness in Swiss banking circles and a general uncertainty as to ultimate course of Swiss franc. There was unusual activity this morning on the Zurich bourse and banks are strictly refusing all forward or speculative transactions in foreign exchange under authority of Decree of June 19, 1936. No dealings by banks in French francs. Dollar sterling rates fluctuating below gold point. Drafts on New York 3.08 middle point. All American Consulates in Switzerland report having covered their franc balances this morning.

In banking circles it is said that most foreign

accounts

U -2- #74, Sept. 26, noon from Bern:

accounts in Switzerland are in dollars or sterling and that these did not react this morning. Furthermore bank balances in Swiss currency abroad are inconsiderable and consequently no large transfers of currency are expected.

WILSON

CSB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin, Germany

DATE: September 26, 1936, 1 p.m.

NO.: 291

FROM FLACK FOR TREASURY.

NO. 55.

Today Schacht is addressing a miners group in Saarbrücken. While it is known that Government quarters are giving consideration to the French revaluation move, it is doubted if a decision concerning German action will be made until France has made it law, and until Schacht gets back to Berlin.

A close collaborator of Schacht's, in a recent conversation, stressed the quota relationship of Germany to France above the benefits of meeting French devaluation. However, it is difficult to see how Germany can withstand meeting the new level of the French currency, especially if such action is taken by Holland and Switzerland.

DODD.

EA:LWW

LMS

GRAY

Paris

Dated September 26, 1936

Rec'd 1:20 p. m.

Secretary of State,
Washington.

929, September 26, 2 p. m. (SECTION ONE)

The decision of the French Government to devalue the franc subject to Parliamentary ratification; the convoking of Parliament for an extraordinary session on September 28 and the other measures which accompany the readjustment of the franc in the new monetary accord have provoked, as was to be expected, intense interest and lengthy comment in the French press.

The following excerpts taken from a cross section of the press from left to right conveys fairly accurately the reaction of the non-important political groups to present developments.

Of particular interest is the opinion of the Communist HUMANITE which has hitherto been active in Government support. This paper on September 25 referring to the large exports of gold reported by the Bank of France remarks: It is all the more certain that we are witnessing a new offensive against the franc and against the credit of the state and that a press campaign is being waged
(END SECTION ONE)

WILSON

LMS

GRAY

Paris

Dated September 26, 1936

Rec'd 12:15 p. m.

Secretary of State,
Washington.

929, September 26, 2 p. m. (SECTION TWO)

in favor of devaluation or at least in favor of an alignment of international currencies and prices". "It goes without saying, adds HUMANITE, that our Communist Party remains and will remain firmly hostile to any endeavor to undermine the Front Popular and will demand that the most severe measures be taken against the instigators of such dangerous action". Today's HUMANITE in commenting on the decisions taken claims that the real reason for such measures is the Government's armament program entailing an expenditure of 14 billion francs over the four-year period. Maintaining that the Communist Party is all in favor of "making the rich pay" by affecting a progressive tax on large incomes, HUMANITE adds that the failure of the Government to adopt this democratic solution forced it to resort to more drastic measures. Claiming that the representatives of capitalism intend by these new measures to reduce the share of the labor and middle classes in the national income and to reduce to practically nothing the salary increases obtained under the Matignon accords,

HUMANITE

LMS 2-No. 929, September 26, 2 p. m., Sec. 2, from Paris.

HUMANITE concludes: "Some people believe that the labor classes will remain passive but they are mistaken. True to the Popular Front program we will do everything to prevent the standard of living of the French laboring classes from being interfered with."

WILSON

PEG:KLP

MED

GRAY

PARIS

Dated September 26, 1936

Received 5 p.m.

Secretary of State,
Washington

929, September 26, 2 p.m. (SECTION THREE)

Reflecting the views of M. Blum's Socialist Party, LE POPULAIRE considers that the three governments concerned have come to an agreement to end the war of currencies and to proceed to an alignment of their currencies with the triple purpose of permitting, under a regime of reconquered stability a renovation of international trade, a renewal of confidence among the nations and the consolidation of peace. LE POPULAIRE considers that from the French point of view the alignment of currencies is in reality a new evaluation of the franc and that there is no question of a unilateral "devaluation". It is in short "a treaty of financial peace". LE POPULAIRE, after predicting a rapid revival of foreign trade with England and the United States, concludes in an obvious endeavor to dispel the doubts of its readers that from a domestic point of view SEVERE MEASURES will be taken by the Minister of National Economy to prevent a monetary

MED - 2 - #929, September 26, 2 p.m. from Paris

monetary alignment from causing too great an increase in the cost of living. Finally and as an obvious sop to the working classes, LE POPULAIRE declares that the Government has no intention of carrying out this operation to the detriment of the working classes; it proposes in fact to adopt measures in favor of the small rente holder, of the small subscriber to bond issues, of public and private salaried employees, all in order to protect the workers against any reduction of their purchasing power.

The opinion of the ERE NOUVELLE (Herriot's organ) is of interest inasmuch as it is distinctly hostile to the movement. This paper claims that during all the time that secret

WILSON

SMS:NPL

LMS

GRAY

Paris

Dated September 26, 1936

Rec'd 3:15 p. m.

Secretary of State,
Washington.

929, September 26, 2 p. m. (SECTION FOUR)

negotiations were taking place with the two other countries involved (following the advent into power of the Front Populaire Government) public opinion was constantly assured that the Government was resolved to maintain intangibility of the franc. In reality however the Blum Cabinet was secretly preparing for devaluation holding the Government's inflationary policy resulting from such measures. ER NOUVELLE puts the blame on those "who would not resist the demagogic campaign against the policy of budgetary deflation which called for sacrifices but which was also a policy of recovery".

The Radical Socialist OEUVRE which is Left Moderate in its political tendencies does not anticipate any real opportune moment to these monetary measures by the Communists despite this anti-devaluation policy. When Parliament meets this paper considers that the Communist faction will only insist upon compensatory measures in favor of the categories of citizens most directly affected

by

LMS 2-No. 929, September 26, 2 p. m., Sec. 4, from Paris.

by devaluation. It concludes that only slight difficulties will be encountered by the Government in the Chamber on Monday but that the attitude of the Senate justifies a good deal of serious doubt.

WILSON

CSB

MJD

GRAY

Paris

Dated September 26, 1936.

Rec'd. 5:15 p. m.

Secretary of State,
Washington.

929, September 26, 2 p. m. (Section Five)

The representative organ of the Right wing of the Radical Socialists considers that the greatest victims of devaluation are to be found in the ranks of the middle classes, the rente holders, and those receiving pensions. After recalling the repeated declarations of the Front Popular that it would never devalue, this paper considers that these measures could have been avoided by a general stabilization of currencies.

The independent republican and moderate MARTIN points out that the Government's communique endeavors to conceal the surgical operation on French money with its designation as an "alignment of currencies" which sounds better than the ominous word "devaluation". LE MARTIN claims that one can only align oneself to something stable and as neither the pound nor the dollar has been stabilized, the franc will eventually have to follow the fluctuations of those currencies and in so doing will become a "satellite of those two wandering currencies".

WILSON

MED

GRAY

398

PARIS

Dated September 26, 1936

Received 8:20 p.m.

Secretary of State,
Washington

929, September 26, 2 p.m. (SECTION XIX)

The conservative Right organ, the ECHO DE PARIS, speculates upon the effect on Parliament of these measures. It wonders whether the parties of the majority will accept with good grace what they have always considered as "a leap into the unknown". This paper foresees a debate of great importance which may produce within the present parliamentary majority violent reactions heralding a possible rupture. In short that devaluation might have an immediate effect on France's domestic policy and even upon the fate of the Blum Government.

LE JOUR likewise speculates on the political consequences of devaluation. It claims that it is an open secret that the decision reached had met with strong resistance on the part of some of the Cabinet members. The Socialist Ministers were in favor of performing the operation without calling a special session of Parliament thereby facing it upon its reconvening with a fait accompli. This course according to LE JOUR was strongly opposed by the radical Ministers and Blum was "forced to submit to their will".

WILSON

SMS:NPL

PARIS

Dated September 26, 1936

Rec'd 9:48 a.m., 27th

Secretary of State,
Washington, D.C.

929, September 26, 2 p.m. (SECTION SEVEN)

Emphasizing the importance of next Monday's parliamentary session LE JOUR doubts whether the Government will be able to withstand the combined assault of the national parties and of the opponents of devaluation belonging to other parties outside of those forming the mass. It considers that the life of the Cabinet depends upon the Senate's decision which is doubtful owing to the Minister of the Interior's attitude in the labor conflicts and also owing to the attitude of the Communist group. It also considers that a number of Radical Socialists will not follow their group in giving the Government a favorable vote.

Finally the ACTION FRANCAISE maintains that Blum had already come to an agreement with the Communists in order to gain their vote but that in the event of the possible fall of the Government he had also made provision for the exact terms of his defeat with his eventual successor among whom are mentioned the names of Reynaud Mandel Flandin or Chautemps. Please furnish copy to Treasury. Copies to London, Berlin, Geneva, Rome, Bern, The Hague. (End message).

WILSON

CSB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 26, 1936, 4 p.m.

NO.: 931

FROM COCHRAN. FOR THE SECRETARY OF THE TREASURY.

I told you in my telegram No. 908 of September 23, 1 p.m., that information regarding our yielding gold on a reciprocal basis was asked for by Fournier, the Undergovernor of the Bank of France.

Certain information was given to me provisionally in your telegram No. 367 of September 23, midnight. I have not made use of this information, and have held it in strict confidence.

At noon today the Bank of France telephoned to me to ask if I could tell them anything on this point; in my telephone conversation with Secretary Morgenthau at 12:30 I told him about this inquiry. ~~At that moment~~ I have told the Bank of France that with regard to this matter they should speak directly with Nolke, while I cable to you. With respect to the telegram No. 367 of September 23, does the Treasury have any further instructions for me?

WILSON.

EA:LWW

MED

GRAY

WARSAW

Dated September 26, 1936

Received 3:40 p.m.

Secretary of State,
Washington

106, September 26, 5 p.m.

Associated Press correspondent in Warsaw was this morning informed by the Chief of the Press Bureau of the Acting Prime Minister and Minister of Finance that regardless of any action that may be taken by France for the devaluation the franc, the zloty will not (repeat not) be devalued. This official stated that the Bank of Poland has reserves adequate to maintain the present exchange value of the zloty and that it has only small holdings of French francs. He said that Poland would derive no benefit from devaluation of the zloty, which on the other hand if it should maintain the present value of its currency and if at the same time the franc should be devalued, the effect would be to reduce in terms of zlotys Poland's indebtedness to France.

August Zaleski, President of the Bank of Commerce and former Minister of Foreign Affairs, was noncommittal when I asked him this afternoon whether in his opinion the

zloty

MED - 2 - #106, September 26, 5 p.m. from Warsaw

zloty would follow the franc if the latter were devalued. He declined to forecast whether the zloty would or would not be devalued. Copies mailed to Paris and London.

NIELSEN

SMS:NPL

MED

GRAY

GENEVA

Dated September 26, 1936

Received 3:40 p.m.

Secretary of State,
Washington

371, URGENT, September 26, 6 p.m.

Supplementing my telegram of this morning from Bern the press reports that a meeting of the Federal Council closing at 2 p.m., issued a statement in complete contradiction to what was known during the morning. Text follows: "Having heard the decision of the French Government to devalue the franc about thirty percent, the Federal Council believe that the interest of national economy overwhelmingly demands that Swiss exchange should also be in line with great world exchanges. It will report Monday to Parliament. Stock exchanges will be closed Monday and Tuesday". It is also reported that the Dutch Minister was called to the meeting of the Federal Council.

WILSON

SMS:NPL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 26, 1936, 6 p.m.

NO.: 933

FROM COCHRAN. FOR THE SECRETARY OF THE TREASURY.

At 4:30 Baumgartner telephoned to me to say that through their diplomatic channels they were informed the Swiss will follow France's action, with a 25 to 30 percent devaluation.

WILSON.

EA:LWW

PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 26, 1936, 7 p.m.

NO.: 934

FROM COCHRAN.

Guaranty invoiced to Guaranty 167,200,000 francs; Lazard to Bank of Manhattan \$2,443,000; Lazard to Lazard \$2,246,000; National City Bank to National City Bank one hundred and twenty thousand one hundred and twenty millions francs; all DEUTSCHLAND. Guaranty to Guaranty 167,073,000 francs; National City Bank to National City Bank 149,839,000 francs all SCYTHIA. I was told by Manager Pierce of the National City Bank that he appreciated the manner in which free delivery of gold is being ensured to them by the Bank of France on account of yesterday's dollar sales against francs. An independent sentiment was expressed by Vice President Lee of Guaranty. Gold had been earmarked by the Bank of France officials, for the Federal Reserve "under instructions of" the operating Paris-American banks, which gold these operators had not been able to remove physically from the Bank of France last night to make up for the francs which they had bought with dollars - but had as yet not been able to convert into gold and remove from the Bank of France. Shipment to New York on the first available vessel is specified in the entries; thus in any embargo proceedings, such gold would be considered Central Bank gold. All of Guaranty's gold

- 2 -

gold is being shipped today, but some of the vessels carrying the gold do not leave until after midnight tonight. Up to the present no de jure embargo has been placed on gold, but there is practically a de facto embargo. There has been suspended the convertibility of banknotes into gold. However, I have been informed by the Bank of France that the minimum amount of francs against which it will from today deliver gold is raised to five billion - thus any possible operations are eliminated. An exchange of letters at 3 o'clock this morning between the Ministry of Finance and the Bank of France arranged for this step.

Following instructions from the Bank of France and syndicate of Paris banks, Paris American bankers tell me that they are today refraining from all deals in gold, foreign exchange and conversion from one currency to another. If a client does have dollars and requires francs for immediate personal needs, the bank will give such limited amounts of francs at a rate to be fixed later. A client having a foreign currency account such as dollars may transfer such account to New York through a dollar draft. Exchange transactions are thus almost eliminated in Paris and London today.

END SECTIONS ONE AND TWO.

WILSON.

EA:LWW

407

U

GRAY

Paris

Dated September 26, 1936

Rec'd 11:14 a.m.

Secretary of State

Washington

932, September 26, 5 p.m.

FOR SECRETARY OF THE TREASURY FROM COCHRAN.

New telephone in my apartment is Galvani 7092.

WILSON

KLP

PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consul, Geneva, Switzerland

DATE: September 26, 1936, 9 p.m.

NO.: 362

One. Secretariat officials are not yet aware of any definite plan for the discussions in the Second Committee following the announcement respecting French devaluation. Loveday thought the British genuinely wished to be helpful and would follow the French lead as far as possible.

Stoppani feels that emphasis should be placed on the following points: (one) that this is a first step which should be followed by removing as quickly as possible the restrictions on trade; (two) the necessity of encouraging the small "weak" countries in such an endeavor; (three) the necessity for an atmosphere of good will in which the foregoing can be carried out.

Charon and Loveday agreed with this and the latter added that it was also important that the French move be well received abroad.

Two. A friend informed me - on a purely personal basis - that Morrison, who is with the British Delegation here, had said to him that the financial move of the three powers announced today had in it also the political motivation of making up a group "which would make the

Fascisti

- 3 -

Fascisti block behave"; I was asked whether such political aims were in mind in Washington. In reply I said that my personal opinion was that the announcement on our part was purely to aid international economic rehabilitation, involving of course our own interests.

It is quite possible that the remark of Morrison was a casual and careless private expression. However, I am reporting it, as to me it does not seem impossible that in the abnormally charged political atmosphere of Geneva something like this may become the core of a rumor and be reflected in the newspapers.

GILBERT.

EA:LWW