

DIARY

Book 35

September 27 and September 28, 1936

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File of documents sent to the President on

September 27, 1936.

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* The following did not go to the President on September 27, 1936:

Condensed Chronology of Action with Respect to Gold
March 6, 1933, to September 25, 1936.

Press Release, Morning Newspapers, Tuesday, October
13, 1936.

Letter to Federal Reserve Bank of New York from the
General Counsel, October 8, 1936.

October 12, 1936.

CONDENSED CHRONOLOGY OF ACTION WITH RESPECT TO GOLD
March 6, 1933 to September 25, 1936.

- March 6, 1933 - Banking holiday declared by proclamation of the President. Banks prohibited from paying out or exporting gold; Government offices prohibited from paying out gold except under license.
- March 9 - Emergency Banking Act extended authority to regulate transactions in gold, silver and foreign exchange.
- March 10 - Export of gold prohibited by Executive Order except under regulations or license.
- April 5 - Gold and gold certificates required by Executive Order to be surrendered.
- April 19 - Suspension of issuance of licenses to export gold from the United States for the purpose of supporting the dollar in foreign exchange market.
- April 20 - Executive Order defining authority of Secretary of Treasury to issue licenses to export or earmark gold.
- May 12 - President granted by Farm Relief Act additional powers relating to currency and monetary matters, including the power to reduce the weight of the gold dollar.
- June 5 - "Gold clauses" declared invalid by resolution of Congress.
- July 2 - President's message to the London Economic Conference stating monetary objectives.
- August 29 - Sale to industry and abroad of domestic newly-mined gold authorized by Executive Order.
- October 22 - President stated in radio address "It becomes increasingly important to develop and apply further measures which may be necessary from time to time to control the gold value of our own dollar at home", and that "the United States must take firmly in its own hands the control of the gold value of our dollar".
- October 25 - Reconstruction Finance Corporation authorized by Executive Order to acquire newly-mined domestic gold.
- January 30, 1934 - Gold Reserve Act (among other things) transferred to United States title to all gold of Federal Reserve System; established Stabilization Fund; provided that the weight of gold dollar should not be fixed at more than 60% of its existing weight.
- January 31 - Weight of gold dollar fixed by proclamation of the President at 15-5/21 grains of gold 9/10ths fine.
- January 31 - Regulations and statements issued governing transactions in gold, and authorizing purchase of certain types of gold at the rate of \$35 per ounce less one-quarter of one per cent. Secretary of the Treasury also announced that he would sell gold for export to foreign central banks whenever our exchange rates with gold standard currencies reached gold export point.
- January 10, 1936 - Powers conferred with respect to the Stabilization Fund and the fixing of the weight of the gold dollar extended by proclamation of the President until January 30, 1937.
- September 25, 1936 - Similar statements issued by France, Great Britain and United States announcing a common policy with respect to international monetary relations.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 13, 1936.
10-12-36.

Press Service
No. 8-66

Supplementing the announcements made by him on January 31 and February 1, 1934, to the effect that the Treasury would buy gold, and on January 31, 1934, referring to the sale of gold for export, the Secretary of the Treasury states that (hereafter, and until, on twenty-four hours notice, this statement of intention may be revoked or altered) the United States will also sell gold for immediate export to, or earmark for the account of, the exchange equalization or stabilization funds of those countries whose funds likewise are offering to sell gold to the United States, provided such offerings of gold are at such rates and upon such terms and conditions as the Secretary may deem most advantageous to the public interest. The Secretary announces herewith, and will hereafter announce daily, the names of the foreign countries complying with the foregoing conditions. All such sales of gold will be made through the Federal Reserve Bank of New York, as fiscal agent of the United States, upon the following terms and conditions which the Secretary of the Treasury deems most advantageous to the public interest:

Sales of gold will be made at \$35 per fine ounce, plus one-quarter per cent handling charge, and sales and earmarking will be governed by the Regulations issued under the Gold Reserve Act of 1934.

noOec

TREASURY DEPARTMENT

Washington

FOR RELEASE MORNING NEWSPAPERS
Tuesday, October 13, 1936.
10/12/36

Press Service
No. 8-67

The Secretary of the Treasury today named Great Britain and France as complying with the conditions specified in his press release of October 13, 1936, for the purchase of gold from the United States for immediate export or earmark.

--oOo--

Sent to Main Post Office at 5:40 - October 8,
1936, by Special Messenger.

to be sent by REGISTERED MAIL - SPECIAL DELIVERY

October 8, 1936

My dear Mr. Knoke:

Enclosed are copies of the following documents about which we telephoned you this afternoon:

1. Press release.
2. Statement to be issued each day by the Secretary of the Treasury.
3. Letter from the Secretary of the Treasury to the Federal Reserve Bank of New York.
4. Letter from the Secretary of the Treasury to the Assay Office in New York.
5. Letter to and authorization from the President for sales through the Stabilization Fund.
6. Letter to and authorization from the President for purchases through the Stabilization Fund.

Kindly advise us at the earliest moment of any comments you may have to make in connection with these documents. Needless to add, these documents should be treated as very confidential.

Very truly yours,

(Signed) Herman Oliphant

General Counsel.

L. W. Knoke, Esq.
Assistant Vice President
Federal Reserve Bank of New York
New York, New York.

Initialed by

BB AL JGH

Press release (for President's approval) and supplement

I (a)

TREASURY DEPARTMENT
WASHINGTON

For immediate release.
195 .

PRESS RELEASE

Supplementing the announcements made by him on January 31 and February 1, 1954, to the effect that the Treasury would buy gold, and on January 31, 1954, referring to the sale of gold for export, the Secretary of the Treasury states that, hereafter, and until, on twenty-four hours notice, this statement of intention may be revoked or altered, the United States will also sell gold for immediate export to, or earmark for the account of, the exchange equalization or stabilization funds of those countries whose funds likewise are offering to sell gold to the United States, provided such offerings of gold are at such rates and upon such terms and conditions as the Secretary may deem most advantageous to the public interest. The Secretary announces herewith, and will hereafter announce daily, the names of the foreign countries complying with the foregoing conditions. All such sales of gold will be made through the Federal Reserve Bank of New York, as fiscal agent of the United States, upon the following terms and conditions which the Secretary of the Treasury deems most advantageous to the public interest:

Sales of gold will be made at \$35 per fine ounce, plus one-quarter per cent handling charge, and sales and earmarking will be governed by the Regulations issued under the Gold Reserve Act of 1934.

Approved:

Franklin D. Roosevelt

The White House

September 27, 1956.

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Supplemental Press Release

I (a)
Supp.

The Secretary of the Treasury today (_____ , 1956)
named _____ as complying with the
conditions, specified in his press release of _____ , 1956,
for the purchase of gold from the United States for immediate
export or earmark. ~~This announcement is applicable only for
the day on which it is issued.~~

Letter to Federal Reserve Bank of New York
(for President's approval)

I (b)

October 12, 1956

Dear Sirs:

I have today released to the press a statement of which I enclose a copy herewith. You are authorized until further notice to acquire gold bars held by the Treasury from the New York Assay Office for the purpose of sale in accordance with the announcement contained in the enclosed statement, against credit on your books in favor of the Treasurer of the United States of \$35 (plus one-quarter of one per cent) per fine ounce of gold so acquired by you for such purpose.

You are hereby authorized, pursuant to section 54 of the Provisional Gold Regulations, to use the gold so acquired in accordance with the enclosed release and it is understood that if not so used it will be paid and delivered to the Treasurer of the United States in accordance with the provisions of section 29 of the Provisional Regulations issued under the Gold Reserve Act of 1934.

- 2 -

Enclosed for your information is a copy of letter I have sent to the New York Assay Office.

Very truly yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Federal Reserve Bank of New York,
New York, New York

Approved:

Franklin D. Roosevelt

The White House,

September 27, 1936.

Letter of confirmation to Federal Reserve Bank

I (b)
Supp.

October 12, 1956

Dear Sirs:

This will confirm to you that the statement issued by the Secretary of the Treasury, approved by the President on September 27, 1956, relating to the sale of gold, constitutes a license within the meaning of your license No. NY-18-1, dated February 5, 1954, as amended, and that, therefore, the gold sold pursuant to such statement may be held by you for export to, or earmark for the account of, the exchange equalization or stabilization fund purchasing such gold.

I further confirm that my letter to you approved by the President on September 27, 1956, respecting the acquisition and use of gold as provided in the above mentioned statement, constitutes a license pursuant to Section 54 of the Provisional Regulations issued under the Gold Reserve Act of 1954, as amended.

Very truly yours,

/s/ Henry Morgenthau, Jr.

Secretary of the Treasury.

Federal Reserve Bank of New York

New York, New York

JGH/fm
10/12'56

Letter to Assay Office

I (c)

October 12, 1956

Dear Sir:

Enclosed is a copy of a letter of authorization sent to the Federal Reserve Bank of New York.

You are hereby authorized and directed, upon receipt of the certification signed by the President, or a Vice President, of the Federal Reserve Bank of New York to deliver gold bars for any of the purposes set out in the statement issued today, copy of which is enclosed, provided that the certification of the Federal Reserve Bank states that the gold is acquired for any of such purposes and that a credit has been established on the books of the Federal Reserve Bank of New York in favor of the Treasurer of the United States for the gold so acquired at the rate of \$35 (plus one-quarter of one per cent) per fine ounce.

Very truly yours,

/s/ Henry Morgenthau, Jr.

Secretary of the Treasury.

Superintendent,
United States Assay Office,
New York, New York.

Enclosures.

HB/fm
10/9'56

License to Federal Reserve Bank of New York
(for President's approval)

II (a)

LICENSE TO FEDERAL RESERVE BANK OF NEW
YORK TO ACQUIRE GOLD FROM THE UNITED
STATES ASSAY OFFICE IN NEW YORK.

_____ 1936.

To..... Federal Reserve Bank of New York

(Name of licensee)

..... New York, New York

(Address of licensee)

Sirs:

You are hereby licensed to acquire, from time to time, up to a total of _____ fine troy ounces of gold for the purpose of sale on or before _____, 1936, to those foreign governments or the central banks thereof, for immediate export or earmark for their respective accounts under your amended License No. TGL-18-1, whose equalization or stabilization funds are, according to my advices to you from day to day, offering to sell gold to the United States at such rates and upon such terms and conditions as I may deem most advantageous to the public interest. The acquisitions authorized hereunder may be made only from the United States Assay Office in New York and subject to the rules, regulations, terms and conditions in effect at the time of the acquisitions.

This license is not transferable and is subject to the provisions of the Gold Reserve Act of 1934 and the Regulations issued thereunder. This license expires on _____, 1936, and should be delivered for notation to the United States Assay Office in New York each time you acquire gold from it under this license.

This license is issued subject to the further condition that any gold so acquired not used for the purpose set forth in the first paragraph hereof will be paid and delivered to the Treasurer of the United States in accordance with the provisions of Section 29 of said Regulations.

Issued with the approval of the President.

Henry Morgenthau, Jr.
(Secretary of the Treasury)

This license may be revoked or modified at any time at the discretion of the Secretary of the Treasury.

Approved:

Franklin D. Roosevelt
The White House
September 27, 1936.

Letter to Assay Office

II (b)

Dear Sir:

Enclosed is a copy of a license issued to the Federal Reserve Bank of New York.

You are authorized and directed to disregard, until further notice, my letter to you of March 23, 1934, and in lieu thereof you are hereby authorized and directed, upon receipt of the certification signed by the President, or a Vice President, of the Federal Reserve Bank of New York to deliver gold bars for any of the purposes set out in Article IV of the Provisional Regulations issued under the Gold Reserve Act of 1934, and in such license, provided that the certification of the Federal Reserve Bank states that the gold is acquired for any of such purposes and that a credit has been established on the books of the Federal Reserve Bank of New York in favor of the Treasurer of the United States for the gold so acquired at the rate of \$35 (plus one-quarter of one per cent) per fine ounce.

The Federal Reserve Bank of New York has been advised to deliver the original of such license to you each time it makes a purchase of gold pursuant to such license. You should on each such occasion make appropriate notations thereon of the amounts of gold

- 2 -

acquired thereunder by the Federal Reserve Bank of New York and the dates of acquisition. Such license will expire and should be cancelled by you on _____, 193____, unless prior thereto the Federal Reserve Bank of New York has acquired thereunder the total amount of gold authorized to be acquired under such license, at which time you should cancel the license.

Very truly yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

O.K.
F.D.R.

Superintendent,
United States Assay Office,
New York, New York.

Letter to and authorization from President for sales
(for President's approval)

III (a

9.27.1936

The President,

The White House.

My dear Mr. President:

On January 31, 1934, with your approval, I issued statements announcing that I would, until further notice, buy imported gold at \$35 an ounce (less one-quarter of one per cent) and sell gold for export to foreign central banks under certain circumstances at \$35 an ounce (plus one-quarter of one per cent). Section 10(a) of the Gold Reserve Act of 1934 provides, in effect, that I may, with your approval, directly or through such agencies as I may designate, deal in gold and foreign exchange by the use of the Stabilization Fund established by that section.

It is possible that there may be disturbances in the foreign exchange markets such that the public interest will require the sale of gold through the Stabilization Fund to all or any foreign governments, foreign central banks or the Bank for International Settlements at the price of \$35 per fine troy ounce (plus one-quarter of one per cent). If you approve, until further notice from you, of such sales at such times and in such quantities and with respect to such governments or banks as the

- 2 -

Secretary of the Treasury deems most advantageous to the public interest, I shall appreciate it if you will signify such approval by signature of the notation at the foot of this letter.

Faithfully yours,

(Signed) Henry Morgenthau, Jr.

Secretary.

Approved:

Franklin D. Roosevelt

The White House

September 27, 1936.

Letter to and authorization from President for purchases
(for President's approval)

III (b)

9-27-1936

The President,

The White House.

My dear Mr. President:

I refer to my letter to you concerning the Stabilization Fund, by your approval of which, dated June 8, 1936, you authorized the sale of gold through the Fund to all or any foreign governments or central banks in such quantities, at such times and with respect to such governments as I might deem most advantageous to the public interest. In my letter I pointed out that on January 31, 1934, with your approval, I announced that I would buy imported gold at \$35 (less one-quarter of one per cent) per ounce until further notice and sell gold for export to foreign central banks under certain circumstances at \$35 (plus one-quarter of one per cent) per ounce; and that Section 10(a) of the Gold Reserve Act of 1934, establishing the Stabilization Fund, authorizes me, subject to your approval, to deal in gold and foreign exchange by the use of that Fund directly or through such agencies as I may designate.

It now appears that in connection with such sales or otherwise the public interest may require the purchase of gold through the Stabilization Fund, by the use of dollars, foreign exchange,

or other obligations, currency or securities, from all or any foreign governments, foreign central banks or the Bank for International Settlements. The sales and purchases referred to are most likely to be made by the stabilization or equalization funds of foreign governments. If you approve, until further notice from you, such purchases of gold at such times and in such quantities and with respect to such governments or banks as the Secretary of the Treasury deems most advantageous to the public interest, I shall appreciate it if you will signify such approval by signature of the notation at the foot of this letter.

Faithfully yours,

(Signed) Henry Morgenthau, Jr.

Secretary.

Approved:

Franklin D. Roosevelt

The White House,

September 27, 1936.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, November 24, 1936.
11/23/36

Press Service
No. 8-93

By authority of the President the Secretary of the Treasury announces that as a further step in the direction of international monetary equilibrium arrangements have been made to give effect to the desire of the Governments of Belgium, The Netherlands and Switzerland to cooperate with the Governments of the United States, Great Britain and France in accordance with the principles of the tripartite declaration of September 25, 1936.

The Belgian Government notified the United States of its adherence to these principles on September 26. Similar declarations of adherence have now been received from the Governments of The Netherlands and Switzerland.

The Governments of the United States, Great Britain, and France welcome the declarations of the Governments of Belgium, Switzerland and The Netherlands expressing their adherence to the principles stated in the tripartite declaration of September 25.

Arrangements have been made by the United States Treasury for gold transactions on a reciprocal basis with these three countries. These arrangements are given effect by public statements of the Secretary of the Treasury which are annexed hereto:

(1) A statement supplementing the statement of the Secretary of the Treasury dated October 13, 1936, with respect to reciprocal transactions in gold with certain countries, and withdrawing the statement of January 31, 1934, relating to the sale of gold for export;

(2) A statement naming the countries of Belgium, The Netherlands and Switzerland as complying with the conditions of the statement of October 13 as supplemented by the above statement.

In addition to the statements to which reference is made above, copies of communications from the Governments of The Netherlands and Switzerland are made public herewith.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWS PAPERS,
Tuesday, November 24, 1936.
11/23/36

Press Service
No. 2-94

Supplementing the announcement made by him on October 13, 1936, relating to the sale of gold for export, the Secretary of the Treasury states that (hereafter, and until, on twenty-four hours' notice, this statement of intention may be revoked or altered) the United States, in addition to sales of gold to the exchange equalization or stabilization funds of foreign countries, will also sell gold for immediate export to, or earmark for the account of, the treasuries, or any fiscal agencies acting for or whose acts in this connection are guaranteed by the treasuries, of those countries whose treasuries or fiscal agencies so acting or guaranteed are likewise offering to sell gold to the United States, provided such offerings of gold are at such rates and upon such terms and conditions as the Secretary may deem most advantageous to the public interest. The Secretary announces herewith, and will hereafter announce daily, the names of the foreign countries complying with the foregoing conditions. All such sales of gold by the United States will be made through the Federal Reserve Bank of New York, as fiscal agent of the United States, upon the following terms and conditions which the Secretary of the Treasury deems most advantageous to the public interest:

Sales of gold will be made at \$35 per fine ounce, plus one-quarter per cent handling charge, and sales and earmarking will be governed by the Regulations issued under the Gold Reserve Act of 1934.

The Secretary further announces that his statement of January 31, 1934, relating to the sale of gold for export, is accordingly withdrawn.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, November 24, 1936.
11/23/36

Press Service
No. 9-95

The Secretary of the Treasury today named the following additional countries:

Belgium
The Netherlands
Switzerland

as complying with the conditions specified in his press release of October 13, 1936, as supplemented by his press release of November 24, 1936, for the purchase of gold from the United States for immediate export or earmark.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, November 24, 1936.
11/23/36

Press Service
No. 8-96

The Secretary of the Treasury makes public the following note from
the Swiss Legation, transmitted to the Treasury Department by the Acting
Secretary of State:

"LEGATION DE SUISSE

Washington, D. C.

November 21, 1936.

"Sir:

"I have the honor to inform you that I have been instructed by my
Government to convey to you the following:

"The Government of Switzerland has cognizance of the
declarations by which the Governments of France, Great Britain
and the United States of America have seen fit to express their
intentions with regard to their monetary policy and adheres to
the general principles stated in their tripartite declaration
of September 25."

"Accept, Sir, the assurances of my highest consideration.

(Signed) MARC PETER

Minister of Switzerland.

"The Honorable
R. Walton Moore,
Acting Secretary of State,
Washington."

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, November 24, 1936.
11/23/36

Press Service
No. 8-97

The Secretary of the Treasury makes public the following note from the Royal Netherland Legation, transmitted to the Treasury Department by the Acting Secretary of State:

"ROYAL NETHERLAND LEGATION

Washington, D. C.

No. 3775

November 21, 1936.

"Sir:-

"Acting upon instructions of the Minister of Foreign Affairs of the Netherlands I have the honor to inform Your Excellency of the following declaration made by my Government:

"The Government of the Netherlands has cognizance of the declarations by which the Governments of France, Great Britain and the United States have seen fit to express their intention with regard to their monetary policy and adheres to the general principles stated in their tripartite declaration of September 25, 1936."

"I avail myself of this opportunity to renew to you, Sir, the assurances ~~of my highest consideration.~~

(Signed) C. van Breugel Douglas.

Charge d'Affaires a.i.
of the Netherlands.

"The Honorable R. Walton Moore,
Acting Secretary of State,
Washington, D. C."

MJD

GRAY

The Hague

Dated September 27, 1936.

Rec'd. 10:10 a. m.

Secretary of State,
Washington.

41, September 27, noon.

Government's official announcement forbids export of gold without permit from the Bank of the Netherlands beginning today. At the same time it decrees the closing of all markets on Monday and Tuesday. This decision taken late last night by the Netherlands Government is explained in the official statement as inevitable in view of the announcement of the Swiss Government. Government's statement of Saturday morning (See Legation's 40, September 26, noon) was made in good faith but apparently pressure became too great after Swiss decision was announced.

The Government's gold embargo may be taken as a forerunner of devaluation and an announcement may be expected between now and Wednesday. I think the Government and its advisers have not as yet reached a decision as to method.

WILSON

SMS

JS

Gray

AMSTERDAM

Dated September 27, 1936

Rec'd 12 noon

Secretary of State,
Washington, D.C.

September 27, 2 p.m.

Netherlands has put export embargo on gold and closed Bourse September 28 and 29, preparatory to devaluation of florin presumably 25 to 30 per cent. With no exchange quotations available at what rate should fees be collected?

PATTON

SMS

PARAPHRASE OF TELEGRAM RECEIVED**FROM: American Embassy, Rome, Italy****DATE: September 27, 1936, noon.****NO.: 388**

Suvich, in conversation last evening, referred to reports which appeared in the American press recently to the effect that he would take up the debt settlement question when he arrived in the United States. Suvich said that there was no foundation whatsoever for such reports. He said he had not received authorization to discuss debt settlement, and that he would make his position clear to the representatives of the American press here when he saw them before his departure.

EA:LWW

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 27, 1936, 4 p.m.

NO.: 936

RUSH. FROM COCHRAN FOR THE SECRETARY OF THE TREASURY.

On Saturday after Lochhead talked to me on the telephone at 6 p.m., I telephoned to Cariguel to let him and Fournier know about the intervention of the American fund in buying the pounds which the Russian State Bank offered.

Telegram No. 371 of September 26, 1 p.m., from the Department which I received on Sunday morning gave further details of the operation mentioned above. Baumgartner telephoned me just at the time I was trying to reach him so he could transmit this information to the Ministry of Finance. Baumgartner said that he was happy to learn of our prompt and resolute move toward making effective the monetary arrangement we had entered into. After that he told me why he had wanted to talk to me. At 2:30 pm. Sunday afternoon the Minister of Finance was scheduled to appear before the Finance Committee of the Chamber to propose and explain the monetary bill of the Government which on Monday is to be submitted to the French Parliament.

Since the simultaneous declaration was made, Premier Blum and Minister of Finance Auriol have mentioned, in their remarks to the press, that they had been working for international agreement of this nature since the early

part

- 2 -

part of June. Both Blum and Auriol placed emphasis on the fact that they never had in mind any isolated devaluation by France, and that the British or Americans had put no pressure on them. They have given intimations to the press that the legislation now planned will take into consideration the interests of the French people who have bought baby bonds which the Government has offered in the meantime.

Minister of Finance Auriol wished to know whether we would permit him to tell the Finance Committee and Parliament that on the sixth of June Secretary Morgenthau had sent his representative to the Ministry of Finance, and that conversations were then initiated and the simultaneous declaration was the result.

At once I called Secretary Morgenthau on the telephone. I talked with him between 2:00 and 2:15 on Sunday afternoon, and then I at once called Baumgartner's office. I related that in one of Secretary Morgenthau's conferences with the press he had been asked who started this affair, and the Secretary had said that the French had taken the initiative. Therefore it is not desired that the French give a different impression. I told Baumgartner that the Secretary did not object to their saying that since the sixth of June the French and Americans have been in consultation on

the

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the matter. It was the Secretary's opinion, however, that the fewer details given with regard to the conversations and negotiations, the better it would be; therefore it is deemed best that everyone suppress references to individual acts and agents.

In my conversation with Secretary Morgenthau I reported that a rather full account of the Russian matter had been published in the French press. A decision had, furthermore, been reached on Saturday night by the Netherlands, to put an embargo on the exportation of gold. It was reported that a study of what should be done was being made by Schacht and other German officials, but they had made no announcement as yet. I told Pennachio of the Bank of Italy about the Russian story, which he recognized as evidence that there are teeth in the arrangement. I know that Governor Azzolini of the Bank of Italy depends importantly on Pennachio for advice regarding international monetary relations and policies. Therefore I took occasion personally to ask the latter if it would not be good policy for them to "get on the band wagon" ; the reply was that undoubtedly this would come up on Tuesday when the Italian Supreme Council met.

There

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There are reports in the press that financial experts from Poland are due in Paris on Monday, presumably to discuss the relation of their currency to that of the French.

End Message.

WILSON.

U

PLAIN

Bern

Dated September 27, 1936

Rec'd 7:25 p.m.

Secretary of State

Washington

76, twenty seventh.

The Federal Council at 8:30 this evening adopted decree containing following provisions.

One. Bank notes of the Swiss national bank are legal tender.

Two. The bank is exonerated from the obligation to redeem its notes in gold or gold currency. Legal coverage must be maintained.

Three. Bank is directed to maintain gold parity of franc between one ninety and two fifteen miligrams fine gold equivalent to mean devaluation thirty per cent.

Four. Decree takes effect September twenty eighth.

Under this decree National Bank has fixed gold parity at two hundred three miligrams representing thirty per cent devaluation.

Federal Council at same time adopted a second decree empowering federal department public economy take necessary measures to control prices to prevent unwarranted cost of living increase.

RR

WILSON

At 11:20 A. M., H.M.Jr. called the President and said, "I arrived at 9:45 at my desk. Everything is going along beautifully. Cotton is up 1/4 of a point; stocks are up 1/2 point; the Government bond market is comfortable; and sterling is 4.93 3/4. I have had more fun. Aldrich had me on the phone explaining what a wonderful government Russia is; how we misunderstood them; that this was a legitimate transaction. I told him that I would take his word for it, but why did they have to do it on Saturday? That everybody else waited, but they could not. Today the Chase received a telegram from the Russians which practically says, 'We told you to sell 1,000,000 pounds sterling at the best. Why did you sell it at the worst?'"

"Aldrich is so worried and Harrison is so worried. As I told George Harrison today, 'I just love to hear you and Aldrich come to the defense of the Russian Government'. I wonder if Aldrich would be stupid enough to give out a statement?"

"Here is Aldrich, close to Landon, and he comes out and makes a statement showing that he is befriending the Russians."

The President suggested that H.M.Jr. slip the story to somebody like Paul Mallon or Ray Tucker that Aldrich is close to Landon and is trying to justify what the Russians have done. (H.M.Jr. decided not to do it, because he has never planted a story before.)

"Aldrich and Harrison have learned by now that they are not running the Treasury of the United States," the Secretary told the President.

The Secretary then said to the President, "We talked to Cochran and they think the Assembly will pass it tonight. They will not get around to the Senate until tomorrow. Things are very quiet in Paris. If sterling goes to 4.91 1/2, the British will buy and at 4.90 1/2 they will sell, and they wanted to know what we would do and I said that we would take over the market at 12:00 o'clock our time, which is 5:00 o'clock in London. The Federal Reserve wanted to know what they could tell the Bank of England as to what we were going to do, so I told Knoke to tell them that we are pleased with what England has done this morning and we will carry this afternoon, but we can make no promises. I thought what the Russians did today was ill-tempered."

September 28, 1936

Following are telephone conversations which the
Secretary had today with:

Mr. Knoke

Mr. Aldrich, of the Chase

Mr. Cochran

Governor Harrison

Mr. Sulzberger, Publisher of the New York
Times

September 28, 1936
10:20 a.m.

12

H.M.Jr: Hello.

Operator: I have Mr. Aldrich.

H.M.Jr: Oh yes.

Operator: Go ahead.

H.M.Jr: Hello.

Winthrop W.

A: Good morning, Mr. Morgenthau.

H.M.Jr: How are you?

A: I'm very well.

H.M.Jr: They said you tried to get me, Mr. Aldrich?

A: Yes. I - I tried to get you on Saturday after I got back -

H.M.Jr: Yes.

A: - here in the morning. I called you about lunchtime but you'd gone.

H.M.Jr: Yes.

A: All I wanted to say was that as far as our records show, that was a perfectly ordinary business transaction in Russia.

H.M.Jr: I see.

A: They transferred the dollars with some other dollars they had in their account here to a Swedish bank for its account.

H.M.Jr: Ah ha.

A: I hadn't at that time - I didn't know that they were going to issue any statement but I saw in this morning's paper that they had.

H.M.Jr: Yes.

A: And I think that - I think that it is a fact that that was an ordinary commercial transaction.

- H.M.Jr: I see. Well, of course, when I took it up with your Vice-President and your two foreign exchange men - at that time nobody knew what it was.
- A: Yes - yes. Well I talked to Tom Smith - when I got in from playing golf I thought of mentioning it to him and call him, and I called him up and he told me what had happened and he also said that he'd ascertain if this transfer had been ordered to this - the Swedish bank for its account together with this additional amount from their dollar account. I think as a matter of fact that's what it was. I don't think that they had any ulterior motives at all.
- H.M.Jr: Well I - I - I hope not but on the other hand the order to sell at best was rather unusual, wasn't it?
- A: Well, I don't really think it was. I think that the order to sell at the best price obtainable really leaves it to our judgment.
- H.M.Jr: Ah ha.
- A: Of course I don't think that it was the - I don't think they should have given such an order at a time like that. I mean I think there's bad business judgment on that. I think they ought to put a limit on it but it may be that they felt that they wanted to cover just that particular amount at the price that they were best able to pay.
- H.M.Jr: But just to pick that particular morning. I mean did it have to be done on that day?
- A: Well I think that they probably wanted to do it as rapidly as possible to get ahead of any possible fall.
- H.M.Jr: Oh well sure - sure.
- A: But I think it was clearly a normal transaction.
- H.M.Jr: Oh yes.
- A: - I don't think there was any sinister purpose in it at all.
- H.M.Jr: But on the other hand a lot of other people must have had orders that they wanted to execute. Everybody else was kind enough and patriotic enough to - to wait.

- A: Well I don't suppose you could say there isn't any question of patriotism involved (laughing) as far as the bank of the U.S.S.R. was concerned.
- H.M.Jr: No but just think of the magnificent way that everybody else in New York acted on this.
- A: Yes.
- H.M.Jr: And in fact the rest of the world.
- A: Well I think that's true but I - I do think it was an ordinary business transaction.
- H.M.Jr: I - I - I don't question that if you say so but what I am questioning is the fact that they tried to beat the gun and dumped their stuff and they didn't care what happened.
- A: I'll tell you the honest truth. I doubt very much whether they regarded a million pounds as a thing which was of sufficient size to make much difference.
- H.M.Jr: But on the other hand a million pounds hanging over the market and - and with no explanation at the time was enough to drive it down.
- A: Oh it had that effect undoubtedly.
- H.M.Jr: Don't you think so?
- A: The market went down. There is no question about that.
- H.M.Jr: After all they sold 100,000 pounds, they knew there was another 900,000 pounds and there was nobody there to take it.
- A: Well I think we disposed of 300,000 pounds in the market, didn't we?
- H.M.Jr: What your Schmidlapp told me was you sold altogether a million three hundred thousand.
- A: No, we sold a million I think.
- H.M.Jr: No, there were 300,000 for some other accounts.

A: But I'm talking now for the Soviets.

H.M.Jr: Yes - oh well I'm talking

A: You see what he told me was - I haven't had a chance to check it up this morning - but what he told me was that we sold 300,000 pounds for account of Soviet and - in the market - and then the - the Federal gave us 700,000 pounds.

H.M.Jr: I - I - I - I - I - I think you're wrong Mr. Aldrich. I think what happened is the total was a million, two. You - of the Russian order, I believe - this is what Knoke of the Federal Reserve tells me you sold a million - a hundred thousand in the market and we bought 900,000 from you, you see? That would make a million, two.

A: Well that isn't what he told me. He told me that -

H.M.Jr: Well there's a slight difference. I - I don't believe we bought more than 900,000 from you of the Russians and that's what Knoke, our foreign exchange man -

A: He said that you bought ten hundred thousand.

H.M.Jr: Pardon me?

A: Schmidlapp told me that the Federal bought ten hundred thousand -

H.M.Jr: I think he's in error. I think he's in error. I just got through talk -

A: As far as we can tell it was a perfectly ordinary transaction - that's what is important.

H.M.Jr: But badly timed.

A: Badly timed. Of course you know we cabled back to them to verify that

H.M.Jr: I mean any other - let's put it this way - There wasn't another Government or another bank in the world that - but what held back.

A: Yes.

H.M.Jr:

And the Russians were the only ones. Let's say there was nothing sinister but I mean on the other hand they weren't willing to cooperate with every other country in the world and give this thing a chance.

A:

Well I - of course I don't know about that - I - all I know is that - I - I know that they did have to pay and did pay six millions in Sweden in dollars.

H.M.Jr:

Yes.

A:

That same day and the balance of it came out of their dollar account but I mean it was - they had an obligation to pay that day.

H.M.Jr:

But on the other hand, Mr. Aldrich, if you had an open commitment of six million dollars you wouldn't have executed it on Saturday.

A:

Well my understanding is that they had to pay the commitment that day - Saturday -

H.M.Jr:

Ah ha.

A:

- that it was not an open commitment.

H.M.Jr:

Well anyway may I say this. At first I asked for you, you weren't there, then I asked for Mr. Campbell, then they said the next man in line was Schmidlapp and Schmidlapp I thought, from our standpoint and from the standpoint of the United States government was perfectly grand.

A:

Yes.

H.M.Jr:

And he couldn't have been nicer.

A:

Well that's fine. I'm glad of it.

H.M.Jr:

I - I mean

A:

As far as - Governor Harrison had called me up the night before -

H.M.Jr:

- Yes.

A:

And had asked me to give instructions to discourage any speculation in sterling.

H.M.Jr: Right.

A: Which I had done through our head trader.

H.M.Jr: Right.

A: That morning.

H.M.Jr: That's fine.

A: And they had their instructions and were proceeding accordingly.

H.M.Jr: Right.

A: I think the only thing is that - the only thing I wanted to tell you was that - that a simple fact and as far as our records go -

H.M.Jr: Yes.

A: - they had to pay six millions of dollars and upwards in Sweden on Saturday and that - that's what they were covering.

H.M.Jr: Well may I say this - as far as the United States Treasury is concerned it's a closed incident.

A: Yes. Well that's all right but I want you to know what the facts were because - as a matter of fact I wanted to tell them to you on Saturday but I couldn't reach you.

H.M.Jr: All right. But I also want to say that I - from our standpoint Schmidlapp was perfectly grand.

A: Well that's fine. I'm delighted because naturally we wanted to cooperate 100%. I don't - I don't know what you can do when you get instructions of that kind as a matter of fact except to disclose the whole thing

H.M.Jr: On the other hand, to-day everything is quiet and it's going along beautifully.

A: Yes. Well that's fine.

H.M.Jr: How do you like it - the idea?

A: Oh I think it's extremely constructive - the whole thing I - of course we've been expecting it for a long time.

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H.M.Jr: Yes.

A: I think the statement is admirable.

H.M.Jr: Yes.

A: And I hope it will lead to real stabilization.

H.M.Jr: Yes. Well I hope so too.

A: Let me see now. I have a memorandum here that - we have - this may be of interest to you -

H.M.Jr: Please.

A: From stories that we're getting this morning -

H.M.Jr: Yes

A: - a lot of gold is being engaged in London for shipment to New York - also a lot of silver from China. It looks as if the pound will be vulnerable at \$4.90 to \$4.86 -

H.M.Jr: Ah ha.

A: That's just a memorandum from

H.M.Jr: I see. Well I appreciate that.

A: All right.

H.M.Jr: Thank you Mr. Aldrich.

A: You're welcome.

Monday
September 28, 1936
10:25 a. m.

19

Operator: Mr. Cochran -
HMjr: Thank you
Operator: Is Mrs. Klotz with you?
HMjr: Pardon me?
Operator: Is Mrs. Klotz with you?
HMjr: Who?
Operator: Mrs. Klotz with you?
HMjr: Yes, she is.
Operator: All right, go ahead.
HMjr: Hello
C: Hello, Mr. Morgenthau
HMjr: Hello, Cochran?
C: Yes
HMjr: I hope you had a good night's rest.
C: Yes - yes, very good thank you.
HMjr: Well, how is the President of France? Did he sleep well?
C: I don't know. I hope so.
HMjr: I do too.
C: Things are very quiet here now, there's no trouble in the street, no special police or anything of the sort. The finance committee of the Chamber approved the Bill yesterday.
HMjr: They approved it?
C: The Finance Committee -
HMjr: Yes
C: By a vote of twenty to twelve -
HMjr: Twenty to twelve?

C: - with seven unstated.

HMjr: Yes

C: And I'm cabling today - it's already over, most of it - the text of the Bill.

HMjr: Good

C: And the Chamber met at nine o'clock this morning and was given the Bill, then adjourned, then they reassembled and worked on it until after lunch and then they adjourned and are meeting again at four o'clock.

HMjr: Yes

C: Then - they cannot pass it or admit it to the Senate yet tonight.

HMjr: They can or cannot?

C: It will probably pass ^{to} the Chamber tonight.

HMjr: Yes

C: It will not have a chance to act on it before tomorrow.

HMjr: Yes

C: And they had a caucus on the Radical Socialists today.

HMjr: What's that?

C: They had a little vote taken on the Radical Socialist members of the Government

HMjr: I don't understand.

C: I said the Front Populaires -

HMjr: What happened?

C: There are three parties of the Popular Front Government -

HMjr: Yes

C: The most conservative of these is the Radical Socialist group.

HMjr: Yes

C: They met separately, forming early, to decide what their attitude would be.

HMjr: Yes

C: They voted at their little gathering by fifty-five to thirteen for sound devaluation.

HMjr: I'm sorry, you'll have to repeat that.

C: They voted - this small group of Radical Socialists, by a majority of fifty-five against thirteen to support the Government on devaluation.

HMjr: Fine

C: They are against, however, (squealing noise) consultation fixing a fair wage on a shifting scale according to prices.

HMjr; Yes

C: So the Government, they want to throw that out of the Bill.

HMjr: Yes

C: And they - and they want one vote in the Chamber taken on the point as to whether the Bill has been - should be returned to the Finance Committee for revision -

HMjr: Yes

C: That is - if not satisfactory. This proposition was turned down by a majority of three hundred sixty-five to two hundred forty-eight.

HMjr: Yes

C: And that was just about the regular - the Popular Front Government's majority.

HMjr: I see.

C: So it looks like they can count that vote to stand on the statement.

HMjr: Yes

HMjr: Now, when is a good time to call you again?

C: What's that?

HMjr: When would be a good time to call you again?

C: Well, I don't know. There won't be much done for some time. You see, they've just reassembled now.

HMjr: Yes - well, if you get any news, you call me.

C: All right.

HMjr: All right.

C: Let me give you a little more now, I have ethical points.

HMjr: Yes

C: Cariguel telephoned me at four o'clock.

HMjr: Yes

C: - that they were confident that the two bodies of Parliament could not possibly pass the measure tonight.

HMjr: Tonight?

C: (Squealing noise)

HMjr: What's that?

C: Fournier -

HMjr: Yes

C: - wanted me to let you know that the market here will be closed tomorrow -

HMjr: Yes

C: - as it is today.

HMjr: Yes

C: And he requests that our people refrain from trading -

HMjr: Yes

C: And he thought the London market would follow the same system.

HMjr: I don't get that.

C: I say, the Bank of France expects that London and also ourselves in the market will follow the same system as of Saturday and today.

HMjr: Yes, well that's all right, we are.

C: Don't make foreign exchange transactions.

HMjr: Yes

C: So he wanted to check that with us, see?

HMjr: Well, they're watching it very carefully.

C: And they would have to continue tomorrow to do that.

HMjr: Well, that's all right. - Did - ?

C: Fournier had called me out to the bank at ten o'clock this morning.

HMjr: Yes

C: He thought at that time that the Bill might be completed by tonight.

HMjr: Good

C: And so he said that he had definitely put the proposition up to Monnick himself and I asked him if they had sold some/on Saturday.
of this French gold

HMjr: (Spoken to someone in his office: I can't hear, can you?)

E: Then he added that they had referred the question to Washington, see?

HMjr: What question?

C: This question of hoarded gold.

HMjr: Oh -

- C: And I said, I said to Cariguel the other day not to worry, that a mutually satisfactory system would be worked out.
- HMjr: Yes
- C: And he said, 'Well, that was just what the Federal said.'
- HMjr: Yes
- C: And he wanted to know if he could safely go ahead at five dollars on that understanding.
- HMjr: Well now look, that sort of question - let him take that right up with the Federal, see?
- C: So he did - and he -
- HMjr: Well, what more does he want?
- C: - that it be taken care of - that he wants something more formally to consider.
- HMjr: Well, how can we until they pass their law?
- C: That's just what I told him, but his point is this, that he's afraid that the law will be passed in the night and that he would have to step into the market the first thing the next morning -
- HMjr: Well, now wait a minute, Lochhead's here, wait a minute.
- C: Hello?
- HMjr: Well, why don't they give us a tentative order?
- C: Beg pardon?
- HMjr: Let them give us a provisional order, we don't know at what point they want to operate.
- C: I see.
- HMjr: Now, why don't they give us a provisional order what they want? I mean, they keep talking in riddles.
- C: If he buys dollars he wants to know whether he can get gold coins.

HMjr: Well now, I've - look, I can't do this over the telephone, this is the Bank of France, they've got to take it up - Cariguel - let Cariguel take it up directly with the bank in New York. Now, tell him not to get the 'jitters', we're going to take care of him, we've done it for the last two years -

C: Surely

HMjr: - they've got nothing to worry about -

C: That's right.

HMjr: Now, just tell him to be - we're not going to - we're doing everything to help them, we're not going to let them down, they should take it up with the bank in New York and everything is fine and everything is ready but we - if they'll just tell us what they want.

C: That was the^{one} point that they wanted --

HMjr: Well, they've got to do this now through the bank in New York.

C: - dollars into gold at thirty-five -

HMjr: Well, they've got - tell Fournier he's got to do it through the Federal Reserve in New York, I mean that sort of stuff has got a channel through the Bank of France to the Federal Reserve in New York now.

C: Yes - you see, he took up that very point Saturday afternoon at my suggestion.

HMjr: Yes - well, tell him -

C: I'll put him off, don't worry.

HMjr: Well, tell him not to get nervous and everything is all right.

C: All right, fine. Then, there's one other thing.

HMjr: Yes

C: I'll have to see my notes. Cariguel has said that the British have been talking with them about operations and so on.

HMjr: Yes

- C: - that they've asked the Bank of France to do any sterling deals here for their account.
- HMjr: Yes
- C: That is the British account and Cariguel reminded them that he was a banker and not a broker.
- HMjr: Well, I think that's - if I may say so I think that's a mistake on Cariguel's place.
- C: Well, I don't know, anyway, that's -
- HMjr: Well, I think he's made a big mistake. I should think he'd be delighted to act for the Bank of England.
- C: Why, I don't know how it will work out but that was their first reaction.
- HMjr: Well, you can - if you want to you can tell Cariguel you mentioned it to me and I think he - he's made a big mistake.
- C: Yes - They ought to watch out more for them, shouldn't they?
- HMjr: What?
- C: I get your point.
- HMjr: Well, I certainly - if I want to buy francs I'm going to ask the Bank of France to operate for us.
- C: Yes
- HMjr: And I'm going to ask in London the Bank of England to operate for us and I expect the Bank of France to operate through the Federal Reserve in New York. I don't expect them to do it through a private concern.
- C: Yes - surely
- HMjr: I think Cariguel is - he ought to think twice.
- C: Yes, well, I mean that is just one of the points that we'll have to get together on. They're anxious to start an amiable conversation with us as soon as possible.
- HMjr: Well, I think he's made a big mistake.

C: Well, it may not be definite, I don't know.

HMjr: Yes

C: Then the other thing, Beyen, the head of the B. I. S. -

HMjr: Yes

C: - telephoned me just fifteen minutes ago and he - they have been buying - His bank - the B. I. S. has been buying gold.

HMjr: I know about that.

C: Yes

HMjr: They've asked George Harrison whether they can get a credit of twenty million dollars.

C: A credit?

HMjr: What?

C: A credit?

HMjr: A credit against earmarked gold at the B. I. S.

C: Well, that wasn't what he was asking me.

HMjr: Oh -

C: He just said that in the past they had been buying gold for the foreign Central Banks improving the London free market and had been taking care of each other.

HMjr: Yes

C: Now, of course it has changed because sterling interferes.

HMjr: Yes

C: He wanted to know that if when you people are presumably studying this thing of the release of gold, I understand that the French were studying it, whether the B. I. S. could be considered as eligible. They said that if we had conditions they'd be glad to -

HMjr: Yes, go ahead.

C: - hold them in discourse and see if they couldn't keep them, that is, they don't want to keep -

HMjr: You better - you'd better put that into a cable, I can't give you a snap answer on that.

C: All right, fine, I'll put that in a cable.

HMjr: I can't give you a snap answer on that.

C: So, his point is whether they should apply officially or whether I would submit their inquiry.

HMjr: Well, you'd better cable me that, just what he told you and let us think about it.

C: All right, fine.

HMjr: All right.

C: Then, if I get something definite tonight I'll call you, you're in Washington, are you?

HMjr: Yes, I am.

C: Fine

HMjr: Thank you.

C: All right.

HMjr: Goodbye.

Monday
September 28, 1936
10:55 a. m.

29

HMjr: Hello

Knoke: Hello, Mr. Secretary

HMjr: What do you know?

K: The market here is very quiet, the market in London the Bank of England just told me has been quiet for the last five to six hours -

HMjr: Yes

K: The Bank of England operated up to eleven-thirty their time -

HMjr: Yes

K: Bought sterling at an average rate of four ninety-three and a half -

HMjr: Yes

K: And has since then - no intervention has been necessary.

HMjr: Fine

K: I told them as long as we - as long as they were open it would be advisable for them to continue their operations around this level.

HMjr: Yes

K: And I talked to them at the opening - at the closing about this afternoon.

HMjr: Yes

K: I thought I'd discuss it with Lockhead in the meantime and -

HMjr: Yes - Archie is in here with me now.

K: Yes

HMjr: Do you want to talk to him now?

K: Well -

HMjr: A little later?

- K: No, that's all right, whatever suits you, Mr. Secretary.
- HMjr: See, I'd like to listen.
- K: I see.
- Archie
Lochhead: Hello - Hello, Knoke?
- K: Hello
- L: Did the Bank of England say - use any of the gold or did they sell us any gold?
- K: No, no -
- L: They did not, so any gold bought in the market for their account -
- K: They said to me - I asked them, they said, 'Well, you know who has been doing the business?' I say, 'No, - all your banks'.
- L: Well, in other words, well, do they understand then that - from that that some of the banks are going to be shipping gold here commercially today?
- K: Well, I'm not so sure that they're shipping. Bankers called me up and said they - what was the attitude - I told them they are to run their own business, that it seemed to me the least thing desirable just now was to see more gold come in here. So unless the transaction left a reasonable profit it seemed to me the wise thing to do was not to indulge in gold shipments to New York yet today.
- L: Well, that's what struck me, that the rates then - it wouldn't - it would be an awful gamble for the banks to try to engage gold, but on the other hand there was quite a lot of gold sold in that market this morning.
- K: Well, but you know, the same old thing, Archie, the gold was fixed this morning at the four ninety-four sterling rate, you see.
- L: Yes, yes
- K: The moment sterling dropped to three and a half the boys had a profit.
- L: Right.

-3-

- K: Now, that isn't a business that - that's not straight.
- L: Well then, I mean, in other words they're just doing a gold business, not an exchange business.
- K: Yes, it - it's gold outside of the exchange business. However -
- L: Did they give any indication of how much was done?
- K: Well, what they told us this morning, four hundred and twenty-seven bars.
- L: Yes - well -
- K: It's always at the fixing only and nobody knows what's done in the unofficial market afterwards.
- L: Right
- K: But now listen, as to the rates, they told - the Bank of England told me they had sold on balance three and a quarter million dollars.
- L: Yes
- K: - that they bought about seven hundred thousand pounds.
- L: Right
- K: At an average rate of four ninety-three and a half.
- L: Right
- K: And they would at the present time leave the market alone and operate at four ninety-one and a half to four ninety-five and a half, which is just about -
- L: Middleway -
- K: - which pivots around that rate at which the bulk of business has been done.
- L: I see.
- K: And that seems to be eminently sound.
- L: Well, they'll be up - let's see - there's the same time on that when you say about operating in their margin. They must be about cleared up, I

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suppose they will operate until pretty close to a five, is that it?

- K: They - they haven't done anything for the last five or six hours.
- L: Yes, but I mean they will be definitely out of the market, say by twelve our time?
- K: Yes, but they would be in the market if sterling should - or the dollar should move to either of these limits.
- L: I see.
- K: Otherwise they won't.
- L: But they will probably operate on the - I mean if it got up to the four ninety-five and a half they operate on the other side.
- K: They would sell sterling - at four ninety-one and a half they'd buy sterling.
- L: I see.
- K: Well now, the problem is -
- HMjr: What are the limits?
- K: Four ninety-one and a half to four ninety-five and a half.
- HMjr: All right.
- K: And they say that - they had no preference as to the rate but it's the - it's the - the pivot - the middle of that is four ninety-three and a half -
- L: Yes
- K: - at which the bulk of the business was done.
- L: Yes, I mean, in other words, when the - if they got down to four ninety-one and a half or it went up to four ninety-five and a half they'd step on it pretty hard. In between that they'd work with the market.
- K: That's right.
- L: Right.

K: And they have not found it necessary to operate at all for the last five hours.

L: I see.

K: And the rates indicate that. The rates have been very steady at four ninety-four, four ninety-three and one half, four ninety-three and three quarters.

L: Yes - and in this market here, have you had anything at all since the last - ?

K: The volume is in five thousand pound orders -

L: Yes

K: None of the banks have any orders of consequence. The rate is - the latest rate is four ninety-three and three quarters to four and a quarter and that is what also London gave me on the 'phone.

L: Yes - well, I don't think there is anything to say just now, until we see what works out but then of course after noon - after twelve noon here we'd have to watch a little more carefully.

K: Yes

L: Because then the bulk will come over here then.

K: Yes, but now the thing is this, and that's what I want to discuss - would we want to have an order from the British here? - you see, I would say I don't know, I'd just say I'd touch upon this when I spoke to them. I would say the British having operated at this level would give us an order only of course assuming that that would be satisfactory to this end here.

L: Yes - well, on the other hand there will - (HMjr says, 'We've got an order in there for gold'.) We - of course we did put an order in there for gold, that was one thing but we didn't put an exchange order in.

K: No - no, that is - they operated for their own exchanges.

L: Yes, but I mean, on the other hand we can - we could buy sterling. The only thing is about short selling. They would put an order in this market here for us to sell sterling at four ninety-five and a half.

K: And to buy it at ninety-one and a half.

L: And to buy it at ninety-one and a half. Well then that would mean that they were carrying - that they were taking care of both the London market and this market.

K: Yes, all right, now that's just the point.

HMjr: No, now wait a minute -

K: Yes

HMjr: Let's try it today this way, they'll take care of it today up until five o'clock, which is twelve o'clock here. At twelve o'clock we'll step in and we'll take care of it today. Let's try it that way.

K: Yes

HMjr: So we don't both be working, see?

K: Yes, that's fine.

HMjr: You tell the Bank of England that at twelve o'clock we'll step in and we'll take care of it the rest of the day.

K: But of course I take it, Mr. Secretary, what you have in mind is we'll take care of it along the same lines here.

HMjr: I won't - I'll say approximately, that we approximately - see?

K: Yes

HMjr: Hello?

K: Yes

HMjr: Approximately the same thing. But that we'll take care of it, you can't tell what will happen but we'll take care of it from twelve o'clock on today here. What's the matter with that?

K: Oh, nothing (Laughs) nothing -

HMjr: See, it isn't fair to say to them, when it goes to four ninety-five, 'You sell and we'll buy'. I mean

that isn't fair. They've taken care of it up until five o'clock in London and we'll step in at twelve o'clock and we'll handle it. Let's see how that works -

K: Yes

HMjr: - on this side of the water.

K: That's the way it ought to work out, Mr. Secretary.

HMjr: Well -

K: I take it, what is going through you mind is after they've operated at four - at an average rate of four ninety-three and a half you wouldn't be willing to let the market drop to four eighty-five and -

HMjr: No

K: - not to anything until it goes up to five-o-five. They had found the - the -

HMjr: Listen, now wait a minute, Knoke - now, wait a minute.

K: Yes

HMjr: They didn't ask me anything this morning. - They've done it. I'm not going to say anything. From twelve o'clock on today I'll handle it and they'll have to trust me, I trusted them to handle it all day today in London. Now, why try to pin me down?

K: No, no - no, sir, don't misunderstand me, I don't want to pin you down at all. It's simply I want to be sure that I understand you correctly. I'm not going to tell them anything - I'm telling - we'll take care of -

HMjr: This is what you can tell them, that I'm very much pleased the way they took care of the market today.

K: Yes

HMjr: I hope to do as well this afternoon.

K: Fine

HMjr: Now let's let it go at that.

K: Fine

HMjr: I'm very much pleased the way they took care of the market this morning, and this afternoon I'll try to do as well.

K: Do as well - fine.

HMjr: Now, how's that?

K: That - that's -

HMjr: Let's say that 12:00 is the dividing line.

K: 12:00 all right.

HMjr: We'll step in at 12:00.

K: Yes - all right, thank you, sir.

HMjr: Thank you.

September 28, 1936
11:05 a.m.

H.M.Jr: Hello.

Operator: Governor Harrison.

H.M.Jr: Thank you.

Operator: Go ahead.

H.M.Jr: Hello.

Harrison: Hello.

H.M.Jr: Hello, George.

H: Yes, Henry.

H.M.Jr: I talked to Cochran and what he said - stuff was mostly political. He feels that tonight the Assembly will pass the bill. He doubts whether they can get it through the Senate.

H: Yes.

H.M.Jr: I mean tonight.

H: Yes.

H.M.Jr: No question about it, and he says Blum is getting the usual Popular Front vote. I mean - no more, no less.

H: Yes.

H.M.Jr: He doesn't seem to think that they will have much trouble in getting it through.

H: Yes.

H.M.Jr: And that is -

H: Well, that is very good.

H.M.Jr: Now the other thing which I told him to put in the cable because I couldn't get it over the wire - it seems that the International Bank of Basle have asked whether they could be on a status that they could buy and sell gold from us, see?

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H: Yes.

H.M.Jr: And that was bringing up something new, and I asked him please to put that in a cable so that I - I could not give that a snap answer.

H: Yes.

H.M.Jr: The other -

H: The B.I.S. - The B.I.S. has nothing to ask about that. They were asking merely about a loan on gold.

H.M.Jr: I know - I told him that, but this is something entirely different and I - I'd want to think it over and certainly consult with the board here on that because that's something which needs study, doesn't it?

H: Yes, I do. I think that's right.

H.M.Jr: You wouldn't want to give a snap judgment on that, would you?

H: No, I think it - it would depend a little bit on what they want it for.

H.M.Jr: Yes; and the other thing carries -

H: They may - they may well figure that they are trying to equalize things among different banks, and to have a supply of dollars which they can give to others if they need.

H.M.Jr: Yes.

H: In other words, if they do that they may not need to make a loan from us on gold.

H.M.Jr: Well, I told him that - put that in the cable. I couldn't give him a snap answer.

H: Yes.

H.M.Jr: And, another thing he told me - Cariguel told him that he'd had a request from Bank of England to buy sterling through the Bank of France, and they turned them down. They said they want brokers. I told him I thought Cariguel had made a great mistake - that certainly if we expect to buy francs in France we would do it through the Bank of France and that would - and that -

H: Sure

H.M.Jr: And that when they -

H: I never heard of a case like that. We always operate through the central bank.

H.M.Jr: Well, they turned them down, and I told him that if he cared to he could quote me as saying that I thought he made a great mistake. I can't understand it.

H: I don't either.

H.M.Jr: And then - then - oh, this fellow, Fournier has got the jitters about, can he get gold and can he get - supposing they pass this the middle of the night. I told him not to get nervous. We told them now two or three times that they could, after the law had passed, but to please - to take it up through you and not through us.

H: Yes.

H.M.Jr: And to stop worrying about it. We told them that when they passed a law, we'd do it. And he said, well, he's so terribly nervous; so I said, well, tell him not to worry.

H: Yes.

H.M.Jr: What?

H: I think you're quite right.

H.M.Jr: All right. And then -

H: That - that's first then. They won't - probably won't get action by the Senate until tomorrow then.

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

H: Yes.

H.M.Jr: But everything over there is very, very quiet, and I just got through talking with Knoke, and see if you agree. He's had a talk with the bank, and the Bank of England is taking care of the pound between $4.91\frac{1}{2}$ and $4.95\frac{1}{2}$ - buying at $4.91\frac{1}{2}$ and selling at $4.95\frac{1}{2}$.

H: Yes.

H.M.Jr: So after a long, long talk, I told him that from 12 o'clock on, New York time, we'd take care of it here.

H: Yes.

H.M.Jr: And I told him that he could tell the British that we were delighted the way they had handled it this morning, and we'd try to do as well this afternoon.

H: I see.

H.M.Jr: But I wouldn't pin myself down because what do I know what will happen.

H: Yes.

H.M.Jr: I said - I repeated it twice - we were delighted the way they handled it in the morning, but let's - this afternoon, from 12 o'clock on in New York, we'd handle it, and we'd try to do as well.

H: That's right.

H.M.Jr: But at first Knoke thought that at one price we should buy and at another price they should sell, and that's too confusing; and, after all, 12 o'clock is here, 5 o'clock London, why shouldn't we take care of it? Don't you think so - in America, I mean?

H: Yes. We should take care of it.

H.M.Jr: That's what I think. Don't you think so?

H: Yes. I - I - I think for a while. I think normally we'll get back to the other basis.

H.M.Jr: Oh, well, I'm - I'm talking about for today and tomorrow.

H: Yes; yes.

H.M.Jr: And then the other thing Knoke said - would we continue - I mean not Knoke, Cochran - would we continue to caution our people not to do anything because they'll be - all their exchanges will be closed again tomorrow; and I said he could rest assured that we'd continue here.

H: I've called up every one of those fellows again this morning, and I've got agreements with every one of

H.M.Jr: Right.

H: - to carry on just the same until this situation is cleared up by some definite fixing of parities by legal action.

H.M.Jr: Right. And I had a long talk with Aldrich who called me, who wanted to tell me that this was a legitimate transaction. So I said - "Well, if you say so, I'll take your word for it."

H: Well, I - I called Aldrich as I was going the rounds of the banks -

H.M.Jr: Yes.

H: - and he mentioned that he'd just finished talking to you -

H.M.Jr: Yes.

H: - and he was quite upset about it because he says, "Our records pretty well confirm -

H.M.Jr: Yes.

H: - what the Soviet said. In fact, on Saturday they transmitted \$6,900,000 on the order of the Soviet Bank to that Swedish Bank -

H.M.Jr: Yes.

H: Which is just the amount that they said, because they had an obligation due there on Saturday."

H.M.Jr: Yes.

H: And he used \$5,000,000 that he had gotten from you for the pounds.

H.M.Jr: Yes.

H: And he used a million, 8 or 900 thousand to make up the difference out of their current account, which makes it look as though it was a pretty straight transaction.

H.M.Jr: But, George, he wasn't upset on the way I talked to him?

H: On the way you talked to whom?

H.M.Jr: Aldrich.

H: No, no, no - I think - no, no. But I think he was upset about the publicity on it.

H.M.Jr: Yes. Well, I -

H: He thinks you put them in a hole.

H.M.Jr: Well, now I - I didn't - now after all, on Saturday nobody knew, and, as I told Aldrich, and he agreed - I said, "Why did they have to do it on Saturday?" He says, well, he said, "They wanted to get the best price for their sterling." And I said, "Exactly," but I said, "A lot of other people wanted to, too, and everybody else in the world refrained."

H: Yes, but -

H.M.Jr: There's no answer to it.

H: Yes, there is the answer that he had the agreement to make on Saturday in Sweden.

H.M.Jr: Couldn't he have loaned it to them? for one day?

H: Well, that - then - then you're speculating.

H.M.Jr: Well, George -

H: Well, it's done now.

H.M.Jr: It's done and I asked their permission first and Schmid-
gave it graciously. lapp

H: Yes.

H.M.Jr: And I first asked for Aldrich, I first asked for Campbell, and then they gave me Schmidlapp.

H: Yes.

H.M.Jr: And what I didn't tell Aldrich, because I didn't want to get Schmidlapp into trouble, Schmidlapp offered to kick the account out of the bank.

H: Yes.

H.M.Jr: - on Saturday. And I didn't tell that to Aldrich because I didn't want to get - make trouble for Schmidlapp. He said, "Mr. Morgenthau, if you say so, I'll kick the account right out."

H: Yes.

H.M.Jr: What?

H: Yes. Well I - I think that the thing to do -

H.M.Jr: It's over the dam now, as far as we -

H: If I could make a suggestion, I wouldn't say anything more about it.

H.M.Jr: I told Aldrich as far as I am concerned, it's a closed book.

H: Yes. The reason I was getting - after talking to Aldrich, I got a little bit worried lest you might - you said you were going to talk to the press this afternoon.

H.M.Jr: Oh, I was kidding about that.

H: I hope you'll just let that go.

H.M.Jr: Oh, no, no - as far as it's concerned, it's a closed book.

H: Yes. Surely.

H.M.Jr: And, I hope that the Chase won't be - talk either.

H: I - they - they're pretty much on the spot. I don't - I think if anything more happens, they may have to, so that's one reason I'm anxious to have you not say anything more.

H.M.Jr: Well, as far as I am concerned, what I said was true - All I said was that these people dumped this thing at any price on the market, which they did. Everything that I said was true. Now I said -

H: Well, I think the newspaper accounts of what you said were not quite accurate; that is -

H.M.Jr: If you -

- H: - that it drove the pound down from 5.02 to 4.91.
- H.M.Jr: Well, I don't think there's any question about it.
- H: Oh, yes, I - I do because the pound had gone - the quotation was 4.91 and 4.92 $\frac{1}{2}$ even before anybody knew anything about the Soviet order.
- H.M.Jr: Well, they'd - they'd already sold 100,000 pounds. It was the biggest order on the market. They - they sold 100,000.
- H: But I mean it had already gone down to that price abroad, don't you see, in Amsterdam and somewhere else.
- H.M.Jr: Are you sure of that?
- H: Yes. Yes, I - I checked on that.
- H.M.Jr: Well, I didn't know it.
- H: Yes.
- H.M.Jr: But if you want to see what I said, the Sunday New York Tribune carried a stenographic report of what I said.
- H: Yes. All right, Henry. Well, I'm much obliged -
- H.M.Jr: All I can say is, George, if it was there I'd do it again, because I really, really think for the - for the good of the American people, it - it was a good thing, (laughs) and I still think that, take any other country in the world, they would not have sold a million pounds sterling on Saturday. Any other country in the world would not have done it.
- H: If they had an obligation to meet they would have tried to.
- H.M.Jr: Well, they could have come - well all right - any other country in the world, Government bank, would have approached the Treasury and have asked us to give them the sterling. The Bank of Montreal wanted to buy 50,000 pounds. If it had been any other country, any other bank, they would have approached us or approached you and said, "Can you loan us a million pounds sterling?" Don't you think they would have, George? Now stop to think. This is a Government. This isn't an individual contract

- H: Well, I don't - I don't know any more about the nature of the contract.
- H.M.Jr: No, but just stop to think. Any other Government would have said - what they did in view of what he says, it now is obvious - they thought sterling was falling, and they gave an order to sell it as best so that they could get under the wire. That's what they did.
- H: And meet their obligations, so that they're -
- H.M.Jr: And meet their obligations, but they sold at the best in order to get under the wire because they thought sterling was going to drop.
- H: But I mean if you've got an obligation to meet, and you have something to sell, you have to sell it at the market if you want to get your money.
- H.M.Jr: But if you're a Government and you need it, and every - and you've asked every other Government in the world to cooperate, which we did -
- H: Yes.
- H.M.Jr: - and which they had time to read, and you are a gentleman, you'd have gone to this Government and said, "Now we've got this thing. We don't want to interfere. Can you help us out?" I'd -
- H: Well -
- H.M.Jr: Listen, I'd love to be on - to hear you and Aldrich defend the Soviet Government because -
- H: I'm not - I'm not defending anybody. I'm just -
- H.M.Jr: (Laughs) It just doesn't - I just chuckle inwardly. It's wonderful.
- H: Well, now I'm - (Laughs)
- H.M.Jr: It's marvelous.
- H: No, my first - my point was that here was information of a transaction, and my - my plea with you was to hold up until we found out facts.
- H.M.Jr: Yes.

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H: That's what I was interested in doing. However, it's done and I think if you don't say anything more, that - that's -

H.M.Jr: Well, there's no reason to.

H: Well, but I was afraid that you were from what you said this morning.

H.M.Jr: No, no, no, no. I'm through.

H: All right, I see. (Laughs)

H.M.Jr: I'm through. I'm through.

H: All right, Henry. Thank you, Henry.

H.M.Jr; O.K.

September 28, 1936
12:32 p.m.

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H.M.Jr: Hello.

Operator: Mr. Knoke.

H.M.Jr: Hello.

Knoke: Hello, Mr. Secretary.

H.M.Jr: Well, how does it feel like - carrying the whole market?

K: Yes, that's - that's easy today. There's nothing to carry. (Laughs)

H.M.Jr: I see. Yes.

K: The market is entirely quiet. The rates are 4.93-3/4 to 4-1/4.

H.M.Jr: Yes.

K: Business in - in 5,000-pound lots.

H.M.Jr: Yes.

K: And I understand from London that the same applied there ever since 11:30 their time.

H.M.Jr: Yes. 11:30 their time?

K: Yes. In other words, they had not operated since 11:30. The rate was steady around this level.

H.M.Jr: Now, is there anything doing in gold?

K: Nothing done for our account. I spoke - Lochhead spoke to me about this Chemical business. I spoke to the Governor, and I knew he was going to call up the Chemical and -

H.M.Jr: Yes.

K: - pointed out to them - point out to them that under present conditions it might be very little desirable to have these gold movements to New York.

H.M.Jr: Well, where - where are they buying it?

K: He bought it in London.

H.M.Jr: Oh. Oh. Now let me see - when they buy, that means they sell dollars and buy sterling, do they?

K: That's right.

H.M.Jr: What?

K: That - that part is all right. They have - they sell dollars and buy sterling -

H.M.Jr: Yes.

K: That part - that part - that's all right, but then they begin shipping it here, and that is -

H.M.Jr: Not so good.

K: - not so attractive.

H.M.Jr: No, we've got - You - Did you tell them to slow up?

K: Yes. That's what the Governor was going to talk to them.

H.M.Jr: What?

K: The Governor was going to talk to them.

H.M.Jr: Harrison?

K: Yes.

H.M.Jr: Yes.

K: He had spoken to them before -

H.M.Jr: Yes.

K: - and when I mentioned it, he said he'd call them again.

H.M.Jr: Yes. Yes.

K: Bankers Trust has called me before - this morning before they operated, and I told them the same thing, and they evidently didn't tackle it at all.

H.M.Jr: Well, everybody - everybody is behaving very well, aren't they?

K: Oh, yes. I think you have 100% cooperation.

H.M.Jr: Fine. Fine. And no more - nothing more from the Chase.

K: Chase has (Laughs) - has no other order.

H.M.Jr: Yes.

K: They have no orders of any kind.

H.M.Jr: Yes.

K: And they haven't been - haven't been operating. Oh, this might interest you. That Cariguel -

H.M.Jr: Yes.

K: - shows a great deal of interest in the franc rate here.

H.M.Jr: Yes.

K: He - the franc under the devaluation scheme -

H.M.Jr: Yes.

K: - as planned should be somewhere between, say, 4.30 and 5.00.

H.M.Jr: Yes.

K: At the highest, 5.00.

H.M.Jr: Yes.

K: Yet there is - there is good demand in this market at much higher figures - 5.20 I heard this morning.

H.M.Jr: Really.

K: Now Cariguel is hesitant to give an order here because, as he says, it looks as though we were anticipating the passage of this law.

H.M.Jr: Yes.

K: But, he says, if you can give - send me a cable and just tell me of these rates which are entirely out of line, it might help me. So I just told him that -

H.M.Jr: Yes.

- K: - there was some demand here at 5:20.
- H.M.Jr: Well now he doesn't - he doesn't want to see it at 5.20?
- K: No, he doesn't want to see it that high. It means that if - if they stabilize - if they devalue, the highest the franc should reasonably go to would be about 5.00.
- H.M.Jr: I see.
- K: You see?
- H.M.Jr: Well, now, explain it to me - why is it bad for them if it sells above 5.00?
- K: Why is it bad for them?
- H.M.Jr: Yes. They want it - what - what's Cariguel's reason for worrying. I don't get it.
- K: Well, the reason is simply that he - like every other central bank tries to - banker tries to see fluctuations ruled out.
- H.M.Jr: Yes.
- K: That's the only thing.
- H.M.Jr: Yes. Well -
- K: In fact, to him it's - it's ^{as} undesirable as it would be to you to see sterling go to 4.50 and then to 5.50.
- H.M.Jr: I see. I see. Well, is there anything we can do about it?
- K: Oh, no, no. Nothing at all.
- H.M.Jr: What?
- K: No, nothing we can do at all. We just - I cabled him the rates, and I think he wants to take those and say, "Look here - that's what the rates are in New York," and I think he hopes to get authority -
- H.M.Jr: Yes.
- K: - to sell small amounts of francs here.

H.M.Jr: Well, what - what effect will that have on sterling?

K: Well, the volume is too small. I think it will all have beneficial effects because it would - it would eliminate rates, which, on the face, are unreasonable.

H.M.Jr: Yes. Now is there any drain, as far as you know, on any of the smaller countries - Holland, Switzerland, or anything else?

K: Well, of course, Holland is closed -

H.M.Jr: Yes.

K: - Switzerland is closed, so until conditions become - until they open up again you can't answer that question.

H.M.Jr: Yes.

K: I think they have their markets pretty well in hand. I don't think they need worry about speculative operations.

H.M.Jr: No.

K: As long as this present state continues.

H.M.Jr: Good. All right - I'll talk to you a little later, and any emergency, why both Lochhead and I are here.

K: All right, sir.

H.M.Jr: Thank you

September 28, 1936
12:45 p.m.

H.M.Jr: Hello.

Operator: Mr. Sulzberger.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello.

Sulzberger: Hello, Henry.

H.M.Jr: How are you?

S: I'm fine. How are you?

H.M.Jr: (Laughs) Kind of washed out.

S: (Laughs)

H.M.Jr: I got your -

S: Well, it's great business.

H.M.Jr: I got your telegram.

S: Yes.

H.M.Jr: And I appreciate it very much.

S: Well, it was - it was fine work.

H.M.Jr: It's great personal satisfaction. I'll begin to enjoy it a little more maybe in a week from now.

S: Well, it - it must be because I know you've been stewing on this whole thing for a long time.

H.M.Jr: It's been - those - those things just don't happen overnight.

S: I know that.

H.M.Jr: And I read both your editorials today, and I thought that - what I called your No. 1 editorial - is that what you call it?

S: Yes.

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H. M. Jr: I - I - I thought that was particularly fine.

S: Yes.

H.M.Jr: I mean - you know the one about the changing in the -

S: Yes, the one political -

H.M.Jr: Yes.

S: - aspect.

H.M.Jr: Yes, I think that that - it's the only paper that's going - a lot of other people will - will copy that.

S: Yes.

H.M.Jr: It will give it. tone to the whole thing, and not that I didn't enjoy reading the Vandenberg one. I know both of them were excellent. I mean they seemed - whoever wrote them seemed to be a sort of a younger, fresher person - at least that's the -

S: (Laughs) Well, that isn't true. The -

H.M.Jr: No.

S: The first one was written by the youngest man here.

H.M.Jr: Is that right?

S: Yes.

H.M.Jr: Well, that's very interesting.

S: Yes.

H.M.Jr: And Kuhn's - Kuhn's story from London, I thought was particularly good.

S: Yes.

H.M.Jr: As a matter of fact, your stuff on this whole thing - I mean is better than any paper that's come to my desk.

S: Yes, we were a day ahead, of course, on it.

H.M.Jr: Yes, it - it's been better than anybody's. And I'm willing to feel quite emotional about the whole thing. I really feel sincerely it may be a turning point.

S: Well, I do, too. Did you happen to see yesterday's editorial?

H.M.Jr: Yes, I did. It was just as I thought.

S: On the free democracy?

H.M.Jr: Pardon me.

S: On the free democracy?

H.M.Jr: Yes.

S: Yes.

H.M.Jr: Yes. The whole thing - I mean, I think your paper has handled it beautifully.

S: Well, that's fine. I -

H.M.Jr: And, of course, it's going to be very, very interesting now to see what Germany does.

S: Very interesting.

H.M.Jr: Of course, according to the news tickers they say that Hitler and Schacht have been in conference for two hours today.

S: Yes.

H.M.Jr: And -

S: Well, let's hope they've got plenty to talk about. (Laughs)

H.M.Jr: What's that?

S: I say, let's hope they've got plenty to talk about.

H.M.Jr: Something to talk about?

S: Yes.

H.M.Jr: They have - they've got plenty.

S: Yes.

H.M.Jr: And, after all, they're going up against a combination, the like of which that - they haven't gone up against since the Versailles Treaty.

S: That's right.

H.M.Jr: And I couldn't help on this Russian story - I mean I got particular satisfaction that I was able to do that, break this idea that there was any relationship between us and Russia.

S: my goodness.

H.M.Jr: What?

S: That's what I meant in my telegram.

H.M.Jr: Yes, but I mean - the fact that I could do it.

S: Exactly.

H.M.Jr: What?

S: Exactly. And -

H.M.Jr: And I had the darnedest time getting the release from these financial people to break that story.

S: Yes.

H.M.Jr: They didn't want me to break it.

S: Yes.

H.M.Jr: And I thought the Russian answer was particularly stupid.

S: Yes, so did we, because, of course, they don't need dollars to pay in Sweden.

H.M.Jr: No.

S: They pay there in pounds.

H.M.Jr: It was almost as stupid as Hamilton.

S: Wasn't it?

H.M.Jr: What.

S: Wasn't it?

H.M.Jr: Yes.

S: Well, I think the whole thing is just aces, Henry

H.M.Jr: It - it

S: It just isn't possible.

H.M.Jr: It's so good that I - I want to go away and crawl into a hole and draw my little tail after me.

S: (Laughs)

H.M.Jr: - for fear that I'll stub my toe.

S: Well, it's - it's -

H.M.Jr: I haven't been talking all day yesterday. I mean - I mean we just haven't answered any newspapers. What Hearst is trying to pin on us - we'll take that at the regular press conference this afternoon - that - that there's any - any debt thing secretly tied up with this is a promise, see?

S: Yes.

H.M.Jr: Hearst wants to pull that, and we - we'll just Scotch that this afternoon.

S: Yes.

H.M.Jr: But he - he's having - having - you know the Tribune is just - is just steering away from it entirely, and Hearst is having a Hell of a time.

S: Yes.

H.M.Jr: And, of course, if Landon had any sense, he'd come out and say, "I congratulate the American people on this."

S: That's right.

H.M.Jr: He wouldn't have had to say the "Administration", would he?

S: No.

H.M.Jr: What?

S: No. Well, that's what we suggested this morning.

H.M.Jr: I saw that.
S: Yes.
H.M.Jr: Well, we agreed.
S: O.K.
H.M.Jr: All right.
S: Well thanks for calling.
H.M.Jr: All right. Thank you.
S: Righto

September 28, 1936
4:45 p.m.

58

H.M.Jr: - Before I went to bed.

Knoke: Yes, sir.

H.M.Jr: Everything all right?

K: Everything is unchanged from what I mentioned before -

H.M.Jr: Yes.

K: There's been - sterling is quoted at 4.94-1/2 to 5/8 about.

H.M.Jr: Very nice.

K: There's been, of course, no opportunity to do anything and the tone is, according to two or three operators, a very steady one -

H.M.Jr: Good.

K: - for sterling.

H.M.Jr: Good.

K: And, of course, you understand that is just for today. I don't know how -

H.M.Jr: No.

K: - they'll open tomorrow.

H.M.Jr: I understand. Well, I told the press - I had my usual Monday press conference - I have Mondays and Thursdays - that the market here was a perfectly, healthy, normal one, and had taken care of itself.

K: Yes. Fine.

H.M.Jr: And that was for today, and that it was like a child, I trying to walk and I said today it would have to stumble and nobody would try to push it over. said

K: Yes.

H.M.Jr: And I also said the child had three good, healthy guardians.

K: (Laughs)

- H.M.Jr: And that this was a day-to-day thing and we just - the child had to learn how to walk; that's all. I said that I hoped it would shortly grow up to manhood and be able to take care of itself.
- K: Yes.
- H.M.Jr: And they - they said there were no hidden agreements and everything that would be done was on the surface.
- K: Yes.
- H.M.Jr: I think it's all right. They're very difficult - these press conferences.
- K: Now I'd like to get your permission for this. I would like to - to tell the Bank of England tonight, first of all that we have done nothing -
- H.M.Jr: Yes.
- K: - Secondly, that we have canvassed the market -
- H.M.Jr: Yes.
- K: - and our opinion is that the market - the opinion of market traders that the tone is very steady.
- H.M.Jr: Yes.
- K: With that cable before them tomorrow morning, I dare say they will try to operate as they did this morning.
- H.M.Jr: I certainly would, and I'd send the same thing to Cariguel.
- K: Yes. But I mean you would have no objection to this. I don't want to say this to them. I just want to leave it open as we left it open on Saturday, but if they operate and do the best they know how tomorrow morning, you wouldn't find fault with that?
- H.M.Jr: No, no, no. I - I think it's a splendid idea and I'd send a cable to Cariguel. Why not simply say: "For your information, we've informed the British of the following," or do you want to wait until later?
- K: Well, I think probably it's easier to - to tell Cariguel on the phone tomorrow morning.

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

K: Because he's not operating any how, you see?

H.M.Jr: That's all right. You mean you put this in the form of a cable, do you?

K: Yes, I - I cable to the Bank of England so that they know what our impression is of this market here -

H.M.Jr: Surely.

K: So that they tomorrow morning can, with a measure of understanding, try and operate.

H.M.Jr: I think that's fine. I think it's all to the good.

K: All right, sir.

H.M.Jr: And I'm very much pleased with what went on today. I say I'm very - very much

K: Yes, I think it's very encouraging.

H.M.Jr: Very.

K: Very encouraging.

H.M.Jr: All right.

K: Because there was legitimate, commercial business for sterling -

H.M.Jr: Yes.

K: - and the demand was not too great to push it up, and the supply was not great enough to push it down.

H.M.Jr: No. If - if - and, after all, today was really the first test.

K: Yes.

H.M.Jr: Now I think it's fine and I think the trick is to let them take care of it in the morning and we'll take care of it in the afternoon.

K: Yes. And I think - I'm sure it can be worked out and nobody will feel at the end of the period that - that

the other fellow tried to take advantage.

H.M.Jr: I think so.

K: I'm sure of it.

H.M.Jr: All right.

K: Thank you very much, sir.

H.M.Jr: Good night.

K: Good night.

FS

GRAY

Moscow

Dated September 28, 1936

Rec'd 6:30 a. m.

Secretary of State,
Washington,

225, September 28, 9 a. m.

Referring to Department's telegram No. 145, September 26, 2 p. m., the following is a careful translation made by the Embassy of a communique of the State Bank of the U. S. S. R. issued by the Tass Agency at 4 a. m. today.

"As the Associated Press agency reports from Washington, Morgenthau, Minister of Finance of the United States, on the 26th of September declared to representatives of the press that the State Bank of the U. S. S. R. endeavoring apparently to reduce the exchange rate of the pound sterling, offered 1,000,000 pounds sterling on the money market at any price and that only his, Morgenthau's intervention in the form of the acquisition of these pounds for the account of stabilization fund of the United States averted the effect of the action of the State Bank of the U. S. S. R.

The State Bank reports that the statement of Morgenthau cited above concerning the endeavor of the State

State

FS 2-No. 225, September 28 from Moscow

State Bank of the U. S. S. R. to reduce the exchange rate of the pound is absolutely unfounded and is an absurd invention. Minister of Finance, Morgenthau, made an ordinary banking transaction effected by the State Bank through the Chase Bank in New York the occasion for his announcement.

The sum of \$6,890,700 was needed for payment on the premature redemption on October 1st of this year through the Enshilda Bank in Stockholm of a bond issue of 1931 of the well-known Swedish firm Asea, concerning which announcements were made by the Soviet Government in the Soviet and foreign press back in June of this year.

For this the State Bank of the U. S. S. R. on the 25th of September of the current year gave its regular New York correspondent, the Chase Bank, two commissions at the same time.

One, to transfer to the account of the Enshilda (Stockholm) \$6,890,700.

Two, to sell at the best price (as was especially stipulated in the telegram of the State Bank of September 25 addressed to the Chase Bank) 1,000,000 pounds with a view to strengthening the dollar account of the State Bank with the Chase Bank in the sum of approximately \$5,000,000.

It is more than strange that the Minister of Finance of the United States, Morgenthau, could see in this

ordinary

PS 3-No. 225, September 28 from Moscow

ordinary banking transaction an occasion for his announcement about the threat to the world exchange equilibrium and to the exchange rate of the pound.

Thus it is apparent that Morgenthau's statement (*) the State Bank of the U. S. S. R. is absolutely unfounded and produces the impression of a frivolous anti-Soviet attack, pursuing not the interests of the defence of the international exchange equilibrium and the exchange rate of the pound, but other ends of some sort or another."

WTC

HENDERSON

(*) Apparent omission

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GRAY

Paris

Dated September 28, 1936

Rec'd 9:20 a.m.

Secretary of State

Washington

937, September 28, noon.

FROM COCHRAN

Auriol's devaluation bill with certain modifications was voted by the Chamber Finance Committee, Sunday, by twenty against twelve and seven abstaining. The bill is composed of five sections and twenty five articles and attached thereto are two annexes embodying the texts of conversations between the Minister of Finance and the Governor of the Bank of France, and between the Minister of Finance and the amortization fund.

The first section relates to the monetary provisions; the second to the requisition of gold and measures against speculation; the third embodies special measures relating to the adjustment of salaries, reduction of certain economy decrees, approval of convention with the amortization fund, an arrangement through which the "baby bonds" will be accepted under privileged conditions as payment on future loans floated by the Government, et cetera. The fourth

section

u -2- #937, Sept. 28, noon from Paris

section authorizes the Government to issue decrees until November 30 reducing certain taxes or duties on oil, gasoline, coffee, et cetera; the fifth and last section authorizes the Minister of Finance to conclude a convention with the Credit Foncier providing for an advance of three billion francs to permit the Credit Foncier to lower its interest rates.

WILSON

HPD

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GRAY

Paris

Dated September 28, 1936

Rec'd 9:30 a.m.

Secretary of State

Washington

938, September 28, 1 p.m.

FROM COCHRAN.

At 12 noon, Ministry of Finance has not yet received written text of the amendments made yesterday in Chamber Finance Committee to devaluation bill. These are said to be slight except that one change provides for placing a tax on rather than requisitioning gold. I am, therefore, cabin the provisions of the bill as introduced and will report modifications later:

First section. Monetary Provisions.

Article One. The application of the provisions embodied in articles two and three of the monetary law of June 25, 1928 is suspended.

Article Two. The new gold content of the franc French monetary unit will be fixed later on by a decree taken in Council of Ministers; the weight of the franc may not be neither less than 43 milligrams nor more than 49 milligrams of gold of 900/1000 fine.

Article Three. Until the intervention of the decree contemplated in the preceding article (END SECTION ONE)

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Paris

Dated September 28, 1936

Rec'd 11:30 a.m.

Secretary of State
Washington

938, September 28, 1 p.m. (SECTION TWO)

an exchange stabilization fund will regulate the relation between the franc and foreign currencies by maintaining the parity of the franc in relation to the gold within the limits fixed by the same article. The exchange stabilization fund will be administered by the Bank of France for the account and under the responsibility of the public Treasury.. The conditions of its operation will be decided upon by the Governor of the Bank of France within the framework of the general instructions furnished the Minister of Finance.

The Bank of France will have the option of selling to and of buying from the exchange stabilization fund gold and foreign currencies.

Article four. The convention concluded between the Minister of Finance and the Governor of the Bank of France on September 25, 1936 is approved.

The said convention exempt from stamp duties and registration duties.

Article five. The gold holdings and foreign currency holdings

U -2- #938, Sept. 28, 1 p.m. (SEC. 2) from Paris

holdings of the banks of issue of the Colonies and protectorate countries made the object of a revaluation carried out under conditions similar to those laid down in the convention referred to in the preceding article.

The Minister of Finance is authorized to conclude
(END SECTION TWO)

WILSON

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Paris

Dated September 28, 1936

Rec'd 11:45 a.m.

Secretary of State

Washington

938, September 28, 1 p.m. (SECTION THREE)

with the banks of issue concerned conventions fixing the conditions under which the state will receive the amount of the profits resulting from this revaluation.

Article six. The provisions of the present law are not applicable to the international payments which prior to the promulgation of the law could have validly been stipulated in gold francs.

Article seven. Notwithstanding all contrary legislative statutory or conventional provisions the banks of issue of the Colonies may carry French francs in their accounts.

Article eight. Negotiations of gold in ingots and bars and of gold currencies are subordinated to the authorization of the Bank of France. Under infractions of this provision will be subject to a fine equal to the value of gold negotiated.

The importation and exportation of gold bars or ingots and gold currencies are prohibited unless authorized by

the

u -2- #938, Sept. 28, 1 p.m. (Sec. 3) from Paris

the Bank of France. Infrantions of this prohibition will be subject to the penalties provided for in the customs code.

Upon the issue of the decree contemplated in Article two above the provisions of the present article may be suspended by a decree.

Article nine. The stipulations embodied in the decree (END SECTION THREE)

WILSON

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GRAY

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Paris

Dated September 28, 1936

Rec'd 11:25 a.m.

Secretary of State

Washington

938, September 28, 1 p.m. (SECTION FOUR)

of September 25, 1936, providing for the postponement of payments of certain commercial bills and other commercial obligations are ratified.

Section two. Requisition of gold and measures against speculation.

Article 10. All physical or moral persons of French nationality owners at the date of September 26, 1936, of gold ingots, bars or currencies must make a declaration of the quantities of fine metal contained these ingots, bars, or currencies to the collector of direct taxes of their domicile before October 10, 1936, whether these ingots, bars or currencies were situated in France or outside of France, whether they were already in their possession or deliverable in the future, whether available or applied as security for advances.

Concerns whose head office is situated abroad but the majority of whose capital is of French nationality or
origin

U -2- #938, Sept. 28, 1 p.m. Sec. 4) from Paris

origin are held -- save a special decision of the Minister of Finance -- to observe the same obligations and must deposit their declaration to the first Bureau of Direct Taxes of the Seine.

HOWEVER persons possessing a quantity of fine gold in ingots, bars, or currencies less than 50 grams are exempt from making any declaration. (END SECTION FOUR)

WILSON

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GRAY

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Paris

Dated September 28, 1936

Rec'd 11:50 a.m.

Secretary of State

Washington

938, September 28, 1 p.m. (SECTION FIVE)

Article Eleven. The physical or moral persons referred to in the preceding article will pay over to the Treasury, as an exceptional levy, the equal to the increase of value in the quantities of fine gold reported in the declarations referred to in Article ten, arising from the application of the monetary stipulations embodied in the present law.

This levy will be assessed and collected in the same way as for direct taxes.

A decree of Ministry of Finance will fix the exact amount of this increase of value as well as the date upon which the payments to the Treasury must be made.

Article twelve. Failure to declare or incomplete declarations will be punished by a fine equal to the value of the quantity of gold not declared. The fine will be established by the director of direct taxes and recovered in the same way as the levy provided for in Article eleven.

The declarations of companies will be made under the
judicial

U -2- #938, Sept. 28, 1 p.m. (Sec. 5) from Paris

judicial responsibility of the chairman, the managing director, and managers, who will be held personally liable for the fines incurred by the said companies. In case of insolvability of the persons responsible, the companies will be liable for the unpaid balances of the fines.

WILSON

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GRAY

Moscow

Dated September 28, 1936

Rec'd 9:50 a. m.

Secretary of State,
Washington.

226, September 28, 1 p. m.

My 225, September 28, 9 a. m.

The Tass communique quoted was published in this morning's IZVESTIYA together with an abbreviated account of Morgenthau's interview .

With reference to the announcements mentioned in the third paragraph of the communique attention is drawn to the fact that the PRAVDA of June 16, 1936, carried a Tass communique to the effect that according to an official Swedish newspaper the Soviet Government had decided to pay prematurely by October 1, 1936, a bonded loan of more than 6,000,000 American gold dollars which had been floated in 1931 in connection with the redemption of the Swedish concession Asea.

WTIC

HENDERSON

LMS

GRAY

London

Dated September 28, 1936

Rec'd 11:05 a. m.

Secretary of State,
Washington.

449, September 28, 1 p. m.

Embassy's 446, September 26, 11 a. m.

Editorial comment in the London papers continues very favorable to monetary agreement. The DAILY HERALD, as the mouthpiece of the Labor Party, has thus far made no comment probably pending consultation by Labor leaders. The TIMES particularly emphasizes that "cooperation is not to be confined to an endeavor by monetary action to maintain stability in the exchange rates. The governments are convinced that the success of their efforts in this direction 'is linked with the development of international trade'. The point is vital". This line of approach is also followed by other papers, the DAILY TELEGRAPH for instance states "from today practically the whole world that counts in international business will have no standard that is not determined by the actual values of trade passing from country to country. That transition from the unreal to the real involves few anxieties for this country. After the first efforts at

LMS 2-No. 449, September 28, 1 p. m., from London.

at adjustment, in which quotas and exchange agreements will all come under review, trade should obtain a strong stimulus and 'internal sufficiency' become a discredited doctrine. Gradually the way will be opened to an economic conference aiming at adjustment between more than three powers. That cannot be hurried forward. Much preparation and careful preliminary negotiation must precede any actual conference if good results are to be attained. But in the common action of France, the United States and Great Britain there is the fairest promise since the war of ultimately bringing trade back to normal conditions and removing the most powerful factor in world unrest." However, the TIMES which remains the mouthpiece of the government in financial and economic matters makes no such suggestion but its concluding paragraph is not without significance. After emphasizing that the cooperation of other powers is invited and that Italy may follow the example of Holland and Switzerland it states: "the same may be said of Germany, whose economic life is being slowly suffocated under a complicated system of restrictions and controls imposed to keep the mark nominally at the old parity. Devaluation would be dangerous without some monetary and economic understanding with other countries. Now,

however,

LMS 3-No. 449, September 28, 1 p. m., from London.

however, the door is open to such an understanding, to which the recent visits of Monsieur Labeyrie and Monsieur Bastid to Berlin and of Doctor Schacht to Paris may prove to have been a useful prelude. There is in short, at long last, a real prospect of negotiations which may lead by gradual steps to effective economic cooperation between the nations, and thus to the mitigation of political fears and suspicions."

BINGHAM

WVC

LMS

GRAY

Istanbul

Dated September 28, 1936

Rec'd 12:05 p. m.

Secretary of State,
Washington.

49, September 28, 2 p. m.

French devaluation will not at present lead to similar action by Turkey. Foreign exchange of Turkish currency will be maintained at approximately present gold rate and parity fixed periodically. For details see Embassy's telegram No. 50.

MAC MURRAY

CSB

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GRAY

Curacao

Dated September 28, 1936

Rec'd 12:25 p.m.

Secretary of State

Washington

September 28, 10 a.m.

Commercial credit temporarily not advisable following
currency action Netherlands:

BROOKS

KLP:CSB

PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin, Germany

DATE: September 28, 1936, 1 p.m.

NO.: 293

No. 56 FROM FLACK FOR TREASURY.

In an address on Sunday before the Berlin S A group State Secretary Reinhardt of the Finance Ministry declared that no responsible German official thinks of currency experiments, that the German currency is stable and under no circumstances would be devalued.

German press comment sees in the moves made by France, Switzerland, and Holland, a step in the direction of definite stabilization but emphasizes that in the present stage this is provisional.

The remark was made to me yesterday by a leading German editor that before Germany makes a final decision itself, they would wait and see what happened.

This morning I was informed by an official who is close to Schacht that at the present moment Germany did not have any intention of devaluing. It is known that Schacht's viewpoint about revaluing the mark is that Germany could not risk doing so in successive steps, but that when definite international currency stabilization had become a fact Germany would have to revalue in one operation.

- 2 -

operation.

A member of the Embassy was told recently by a confidential private banking quarter that in his opinion before Germany devalued its mark it was holding out for a foreign loan.

DODD.

EA:LFW

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rome, Italy

DATE: September 28, 1936, 1 p.m.

NO.: 389

I refer to my telegram of September 26, noon, No. 386.

Today the Italian stock exchanges are closed and they will remain closed until the first of October. Authorization has been given to the banks, however, to deal in dollars and pounds sterling at Saturday's official rates, but no dealings are to be had in French, Belgian, Dutch or Swiss monies.

As to the intention of the Italian Government with regard to the lira's future, no reliable information is as yet available. It is expected that in a day or two some announcement will be made. There is a division in local financial opinion as to whether there will be devaluation of the lira. There is agreement on the fact that should other considerations decide against such action, the technical position of the lira would warrant keeping the lira on its present basis for the time being.

PHILLIPS.

EA:LWW

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GRAY

Paris

Dated September 28, 1936

Rec'd 1:15 p.m.

Secretary of State

Washington

938, September 28, 1 p.m. (SECTION SIX)

The collection of the levy and the fines will be carried out until December 31, 1939 inclusive.

All establishments and all persons by whose intermediary operations on gold ingots, bars or currencies have been effected, will be held to communicate all registers and all documents as well as all useful information to verification agents which will be designated to this end by the Minister of Finance. Refusal will be punished by fines and obligations provided for by Article 226 of the registration code.

Article 13. All cash or credit operations relating to foreign currencies concluded between September 20 and September 26, 1936, by French physical or moral persons must within 15 days from the promulgation of the present law be declared to the Minister of Finance. Failure to declare will be punished by a fine that may amount to three times of the sums not declared.

Section three. Social measures.

Article fourteen. Apart from the case where the
collective

U -2- #938, Sept. 28, 1 p.m. (Sec. 6) from Paris

collective contracts have determined the conditions under which salaries should vary according to the index of the cost of living established by the official committees, the rate of salaries fixed by collective contracts or without collective contracts recognized as normal and current in each profession.

WILSON

CSB

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GRAY

87

Paris

Dated September 28, 1936

Rec'd 1:15 p.m.

Secretary of State

Washington

938, September 28, 1 p.m. (SECTION SEVEN)

and in each district according to the procedure provided by the decrees fixing the conditions of labor in the execution of contracts concluded by the State Departments, Communes and public establishments will be revised according to the indices indicated above following the procedure laid down by decrees issued by the Council of Ministers.

Article 15. The Government is authorized until December 21, 1937, to issue decrees providing for the readjustment of salaries and wages, post allowance and family charges paid to employees of the State Departments, Communes, public bodies, and subsidized public services, in conformity with the general movement of prices, account being taken of the relation between definitive scales fixed in virtue of article 2 of the law of December 29, 1929, and the average economic indices of the year 1930, the period at which the said scales were established.

The measures taken in virtue of the present article will be submitted to the approval of the Chambers within a

maximum

U -2- #938, Sept. 28, 1 p.m. (Sec. 7) from Paris

maximum time limit of three months dating from their application.

Article 16. The levies and reductions applied to pensions and other allowances of war veterans by virtue of the following laws are suppressed as from October 1, 1936: (END OF SEVEN)

WILSON

CSB

lw

GRAY

Riga

Dated September 28, 1936

Rec'd 1:50 p.m.

Secretary of State

Washington

82

82, September 28, 6 p.m.

According to the VALDIBAS VESTNESIS (OFFICIAL GAZETTE) of today Cabinet of Ministers this morning amended the credit law of 1935 so as to provide that effective 6 a.m. tomorrow, September 29, the lat will be equivalent to .0396487 of one pound (sterling) instead of .2903226 grams of fine gold as at present. (The pound (sterling) is thus equal to lats 25,2215). Provision for unlimited coinage of gold in Article 10 of credit law is canceled. Article 25 which provides that gold bullion and state Treasury notes are legal tender is amended by substituting for "gold bullion" "Bank of Latvia notes".

The Minister of Finance informed Cole today that Latvian Government welcomed this opportunity for the simplification and clarification of international monetary relations and the very considerable budgetary relief as a result of expected discontinuance of disguised export subsidies; existing foreign exchange and foreign trade control will, however, only (repeat only) be relaxed as circumstances permit.

LANE

KLP:CSB

GRAY

Paris

Dated September 28, 1936

Rec'd 2:05 p.m.

Secretary of State

Washington

938, September 28, 1 p.m. (SECTION EIGHT)

One. The decree law of April 14, 1934 providing for the withholding of 3% on war pensions and Legion of Honor and military medal payments.

Two. The decree law of July 16, 1935 creating a general levy of 10% on public expenditures.

Three. The decreed law of April 16, 1935 reducing the temporary supplement granted to those receiving pensions under the law of March 31, 1919 not entitled to veterans' cards.

Article 17. The provisions of the law April 4, 1924, providing for a reform of the regime of civil and military pensions of the law of March 21, 1928, relating to the regime of retirement of employees of the State industrial establishments and of the law of June 29, 1927, relating to the regime of retirement of the personnel of the national printing establishment and of the laws modifying them are applicable dating from October 1, 1936.

The

U -2- #938, Sept. 28, 1 p.m. (Sec. 8) from Paris

The provisions of the decrees of April 4, May 10
and October 28, 1934, of the decree of October 30, 1935
and of the law of March 29, 1936 which modified the
(END SECTION EIGHT)

WILSON

CSB

LMS

GRAY

Paris

Dated September 28, 1936

Rec'd 5:36 p. m.

Secretary of State,
Washington.

938, September 28, 1 p. m. (SECTION NINE)
regime of retirement referred to above, are abrogated
as from the same date.

However, the new benefits granted under each one
of the retirement regimes in question, are maintained.
A public administration ruling will lay down the measures
of application of the preceding provision.

Article Eighteen as from October 1, 1936, the
public administrative ruling envisaged in the preceding
article, will also fix the conditions under which
pensions already granted will be revised and taking
into account acquired benefits.

Article Nineteen, Articles One, Two, Five, and
Six of the decree of March 5, 1934, the decree of
October 28, 1934, and Article Six of the law of
March 29, 1936, relating to pensions under the local
regime of Alsace and Lorraine, are abrogated.

Regime countersigned by the Ministry of Finance
and by the Ministry of the Colonies will fix the
conditions

LMS 2-No. 938, September 28, 1 p. m., Sec. 9,

conditions of application of the preceding articles to pensions paid by the inter-Colonial pension fund.

Sections Two, Three, and Four of the decree of April 19, 1934, the decrees of October 31, 1934, and October 30, 1935, and the law of March 30, 1936, modifying the retirement regime of the principal railway companies.

WILSON

SMS:NPL

MED

GRAY

PARIS

Dated September 28, 1936

RECEIVED 6:09 p.m.

Secretary of State,
Washington

938, September 28, 1 p.m. SECTION TEN.

are abrogated. Pensions liquidated in favor of agents of the principal railway companies will be revised as from October 1, 1936, on the basis of the scale of wages in force before April 4, 1934. The pension regime of agents associated subsequently to April 20, 1934, will be the same as that of agents associated prior to this date and to the ruling taken in application of the law of July 21, 1909, and subsequent laws.

The principal railways will submit for Government approval within the time limit of two months, modifications of their pension rules taking into account the provisions of the present law.

Article Twenty. Decrees countersigned by the President of the Council and the Minister of Finance will determine the conditions under which the retirement pensions of the personnel referred to in the preceding articles will be included in the general levy regime set up in virtue of the law of June 20, 1935.

Article

MED - 2 6 #938, September 28, 1 p.m. from Paris

Article Twenty-one. The provisions of the convention concluded on September 27, 1936, between the Minister of Finance and the amortization fund, and fixing the conditions under which the old age pension securities issued by the amortization fund may be turned over to French holders of state rentes, perpetual or redeemable, of bonds of the Treasury maturing in six months or more, or of national defense bonds, are approved.

The supplementary outlay referred to in Article Three of

WILSON

SMS:ECC

LMS

GRAY

Paris

Dated September 28, 1936

Rec'd 2:40 p. m.

Secretary of State,
Washington.

938, September 28, 1 p. m. (SECTION ELEVEN)

The said convention will be provided for through the inscription in each of the yearly budget of a credit for the benefit of the amortization fund.

The old-age pensions constituted under the conditions laid down by the present article will be exempt from the tax on wages and salaries, pensions, and old-age payments and the general income tax. Furthermore they will not be seizable under the conditions contemplated by the laws of eight Nivose year four and twenty-two Floreal year seven and transferable under the sole conditions provided for in the rentes of the national old-age retirement fund.

Article Twenty-two. Independently of the benefits provided by the preceding article ordinary six months to one-year treasury bonds subscribed between July 10 and September 23, 1936, whatever may be their date of maturity will be accepted in subscription to all loans issued by the state whatever may be the rate of

issue

LMS 2-No. 938, September 28, 1 p. m., Sec. 11, from Paris.

issue of these loans under the special conditions which will be fixed by the Ministry Finance and which will carry notably an advantage in capital.

Holders of such bonds will have the right at the date of maturity of obtaining the extension of these bonds under the same conditions.

Article Twenty-three. The sole allowance provided for in Article 122 of the Finance Law of March 31, 1932 is

WILSON

CSB

MED

GRAY

PARIS

Dated September 28, 1936

Received 6:23 p.m.

Secretary of State,
Washington

938, September 28, 1 p.m. SECTION TWELVE.

increased to five times the rente constituted by the pensioners. Furthermore, the maximum of 420 and 1200 francs embodied in the same article and in Article Twenty-nine of May 31, 1933, is respectively increased to 1000 and 3000 francs.

Section Four. Readjustment of certain specific duties.

Article Twenty-four. The Government is authorized up to November 30, 1936, to reduce by decree the rate of domestic duties collected for the benefit of the state, either by the administration of indirect taxation or by the customs administration, as concerns the following products: petroleum and its by-products, coffee, chicory, cocoa, chocolate, pepper, vanilla, tea, and sugar.

These decrees will be submitted for the ratification of Parliament before January 1, 1937.

Section Five. Convention with the Credit Foncier de France.

Article Twenty-five. The Minister of Finance is authorized to conclude with the Credit Foncier de France a convention

MED - 2 - #938, September 28, 1 p.m. from Paris

a convention providing for an advance of three billion francs from the resources of the Treasury.

This advance is intended to permit the Credit Foncier de France to reduce the interest rate of its advances, notably on existing advances granted from the proceeds of loans issued at high interest rates.

The conditions of the application of the present article will be decided by the convention contemplated above. This convention will be exempt from stamp and registration duties.

END OF MESSAGE.

WILSON

SMS:ECC

lw

GRAY

Kaunas

Dated September 28, 1936

Rec'd 2:40 p.m.

Secretary of State

Washington

22, September 28, 5 p.m.

According to a statement issued today Lithuanian Government firmly determined to maintain parity lita, reference is made to Consulate's weekly report of September 21. No difficulty being encountered in purchase or sale of dollar drafts.

KUYKENDALL

KLP:WWC

lw

GRAY

Rome

Dated September 28, 1936

Rec'd 3:05 p.m.

Secretary of State
Washington

390 September 28, 5 p.m.

Today's press commenting on the devaluation of the franc is doubtful whether the measure will be a success in view of the weakness of the French Government, the agitation of organized labor, the pressure of the Communists and the general lack of confidence among the French public. A certain skepticism is also expressed as to the effectiveness of the three power agreement. The Government spokesman says it remains to be seen how far the support promised by England and the United States will benefit the franc while the STAMPA says that those two countries evaded the commitment of permanent alignment demanded by France and that words count for little in finance where clear and explicit contracts are needed.

As to the Italian position the Government spokesman after asserting that the devaluation of the franc following that of the dollar and pound will have world wide repercussions which cannot be overlooked or ignored and pointing out that France together with Switzerland and

Holland

lw-2 No. 390, September 28, 5 p.m. from Rome

Holland and flanked by Italy had been the leading exponent of the gold group writes this evening that strong countries and governments like Italy and Germany still retain full control over and freedom of choice in their monetary policy and are not subject to internal political pressure and repercussions.

PHILLIPS

KLP:CSB

FS

GRAY

The Hague

Dated September 28, 1936

Rec'd 3:15 p. m.

Secretary of State,
Washington.

43, September 28, 5 p. m.

On Saturday ten per cent of the Bank of the Netherlands gold over and above the three hundred million required by law to cover note circulation was earmarked for shipment. This combined with Swiss action was sufficient to bring about the Government's quick decision to embargo gold.

Premier Colijn in radio speech this morning indicated that he will not for the present ask for specific devaluation. Although markets are closed today bank rates for private exchange transactions (one dollar equals florin 185) and prices of stocks sold privately this morning in Amsterdam indicate acceptance of idea of twenty per cent devaluation. Bond market steady indicating complete confidence in the Government.

Premier Colijn's statement this morning indicates that the ten per cent leeway called for in the French
devaluation

FS 2-No. 43, September 2 from The Hague

devaluation law is causing hesitation so that the
florin may be allowed to drift for some time.

CSB

WILSON

RB

GRAY

Paris

Dated September 28, 1936

Rec'd 4:10 p. m.

Secretary of State
Washington.

941, September 28, 6 p. m.

The debate on the Government's monetary measures began at 9 o'clock this morning and so far but three of the deputies have spoken of the 15 who put their names down to take part in the debate. On a motion introduced by Marin to send the bill back to the Finance Committee, the vote was 365 against and 248 in favor which amounts to what might be considered the usual Popular Front majority. In addition to Marin, Bonnet and Reynaud have spoken. The latter condemned the Popular Front policy up to the present but hoped that devaluation would be the start of a new policy and stated that his vote would depend on assurances received from the Government during the debate. He spoke with favor of the understanding on monetary stability reached between the three governments.

It is reported that at a meeting of the parliamentary
group

RB

-2-941, Sept. 28, 6 p.m. from
Paris

group of the Radical Socialists held prior to the opening of the debate this morning a majority were at first in favor of voting against the monetary bill unless the sliding scale provision for salary adjustments were omitted therefrom; however following Daladier's strong intervention in the group it was determined that the Radical Socialists would support the Government regardless of the fate of the sliding scale provision.

It is apparently the intention to continue with the debate into the night although it is possible that following Blum's expected intervention, agreement may be reached to shorten the list of speakers and bring the question to an early vote.

WILSON

CSB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 28, 1936, 6 p.m.

NO.: 940

FROM COCHRAN. FOR THE SECRETARY OF THE TREASURY.

This afternoon I had a telephone call from Basel from Beyen, the resident head of the BIS. Beyen made reference to the gold operations which are frequently performed by the BIS in behalf of central banks, especially those of the smaller countries, such as Bulgaria and Austria. Heretofore, he said, gold was bought by the BIS for such banks in the London free market or at Brussels or Paris. The Paris market is temporarily closed. He said he believed that the United States might now become more lenient in releasing gold to central banks, and therefore asked my advice as to how the matter should be take up with a view to procuring for the BIS the privilege of obtaining New York gold for the BIS account or in behalf of central bank clients of the BIS. Any stipulation that such a privilege may have attached to it Beyen said the BIS is anxious to make an endeavor to meet.

The point was stressed by Beyen that only a very small profit for such business is taken by the BIS, as it feels that in acting as an agency it is performing a real service for the central banks.

Should Beyen inquire through the New York Federal Reserve Bank, or can I pass on any information to him?

EA:LWW

WILSON.



DEPARTMENT OF STATE
WASHINGTON

My dear Mr. Secretary:

September 28, 1936

I enclose a copy of a personal note to me, dated September 28, from the Honorable V. A. L. Mallet, British Chargé d'Affaires, transmitting information regarding instructions sent by the British Foreign Office to eleven diplomatic missions, apparently in the countries whose currencies have been closely related to Sterling, regarding the readjustment of the value of the franc.

In acknowledging Mr. Mallet's note, I told him I had read it with great interest and that I am transmitting you a copy.

Sincerely yours,

Cordeell Hull

Enclosure:
From Mr. Mallet,
September 28, 1936.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

Department of State

BUREAU
DIVISION

EA

ENCLOSURE

TO

Letter drafted

ADDRESSED TO

Treasury

September 26th, 1936.

Personal.

My dear Mr. Secretary of State:

I think you would be interested in the following information which has reached me from the Foreign Office, and although I have no instructions to make any official communication to you, as the message has only been sent to me for my information, at the same time I should like you to know of this further development.

On the morning of September 26th the British Government sent instructions to our Diplomatic Missions at Stockholm, Oslo, Copenhagen, Helsinki, Buenos Ayres, Montevideo, Cairo, Lisbon, Bangkok, Riga and Bagdad, to communicate to the Governments of those places the text of the currency declaration /

Honourable
Cordell Hull,
Secretary of State
of the United States,
Washington, D.C.

declaration.

In making these communications our Representatives were instructed to explain that the discussions had been confined to the three Governments issuing the declaration in order to preserve the utmost secrecy in regard to the French monetary proposals. In agreeing to make the declaration His Majesty's Government were moved by the consideration that it is in the general interest of the world, and not least of those of the countries whose currencies have been closely related to sterling, that a readjustment of the value of the franc should take place at the present time. His Majesty's Government trust that it will be found to have been of assistance towards the recovery of international trade.

In an explanatory statement to our Representatives to enable them to answer enquiries /

enquiries which might be addressed to them the object of the declaration is explained and it is stated that it was intended to make clear that His Majesty's Government would not deliberately depreciate the pound sterling by way of reprisal to the monetary measures proposed by France. This would of course be entirely contrary to the policy which the British monetary authorities have always pursued, and the Chancellor of the Exchequer felt no difficulty about giving such an assurance and undertaking to consult the other Governments with a view to avoiding as far as possible exchange disturbance arising out of the readjustment of the value of the franc.

The message concludes with the statement that international trade cannot however be fully restored without the progressive relaxation

of /

-4-

of the present system of quotas and exchange control and His Majesty's Government attach the greatest importance to all countries taking action as soon as possible with this object.

Believe me,

My dear Mr. Secretary of State,
Very sincerely yours,

(Sgd.) V.A.L. Mallet.

SECRETARY OF STATE
1932 FEB 20 10 08 AM '32

SECRETARY OF STATE
OFFICE

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow, Russia

DATE: September 28, 1936, 2 p.m.

NO.: 227

Reference is made to telegram of September 26, 2 p.m., from the Department, No. 145, and telegram of September 28, 9 a.m., No. 225, from the Embassy.

Yesterday I did not have occasion to see any Soviet official. However, last evening at a military reception the Military Attaché was approached on the subject by Voroshilov, who appeared to be highly indignant at the remarks made by Secretary Morgenthau. It was pointed out by Voroshilov that the Soviet Government's past actions were not such as to give grounds for the suspicion that incorrect financial operations were being engaged in by the Government. Furthermore, he said it was absurd to charge that the sale of just one million pounds had been made for an ulterior purpose, when vastly larger amounts could be put on the market at any time.

The Military Attaché reported that Voroshilov said he was sick of the whole thing, that all day he had been hearing about it. He (Voroshilov) said their financial people told him that during the crisis of 1929 the transactions on the American market amounted in one single day to some ten billion dollars, and yet the insignificant sale of one million pounds in the ordinary course of business resulted in abuse for the Soviets.

In

- 2 -

In a milder tone the Marshal added that - these trouble makers, somehow we will have to get rid of them; that everything would be all right if only "you and I" could settle these things as military men on a basis of frank statements and truth-telling.

In his memorandum of the conversation the Military Attaché stated that the Marshal spoke with such sincerity as to leave no doubt about his own conviction that a wrongful attack had been made on the Soviet Government, and that Secretary Morgenthau had been misled in attributing improper motives to the Soviet Government in its transactions on the exchange market.

This afternoon I was told by the representative in Moscow of the Associated Press that he had been informed in confidence by the acting head of the Foreign Office's press section that the Soviet Government extremely regretted that any difficulties had arisen with the Government of the United States at a time when there seemed to be a gradual improvement in relations between the two governments. In addition the acting chief said that for 36 hours the Foreign Office had held up the communique in the hope that the Secretary of the Treasury would make a new announcement to the effect that he was laboring under a false impression when he made his first statement.

HENDERSON.

E:LWW

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: September 28, 1936, 6 p.m.

NO.: 940

FROM COCHRAN. FOR THE SECRETARY OF THE TREASURY.

This afternoon I had a telephone call from Basel from Beyen, the resident head of the BIS. Beyen made reference to the gold operations which are frequently performed by the BIS in behalf of central banks, especially those of the smaller countries, such as Bulgaria and Austria. Heretofore, he said, gold was bought by the BIS for such banks in the London free market or at Brussels or Paris. The Paris market is temporarily closed. He said he believed that the United States might now become more lenient in releasing gold to central banks, and therefore asked my advice as to how the matter should be taken up with a view to procuring for the BIS the privilege of obtaining New York gold for the BIS account or in behalf of central bank clients of the BIS. Any stipulation that such a privilege may have attached to it Beyen said the BIS is anxious to make an endeavor to meet.

The point was stressed by Beyen that only a very small profit for such business is taken by the BIS, as it feels that in acting as an agency it is performing a real service for the central banks.

Should Beyen inquire through the New York Federal Reserve Bank, or can I pass on any information to him?

HA:LWU

WILSON.

PARAPHRASE OF TELEGRAM SENT**TO: American Embassy, Paris, France****DATE: September 29, 1938, 6 p.m.****NO.: 376****FOR COCHRAN.****FROM THE SECRETARY OF THE TREASURY.**

I make reference to telegram No. 940 of September 28 from you.

Such inquiries should be transmitted through the Federal Reserve Bank by Boyen.

HULL
HF

EA:LWW

Significance of the Anglo-French-American Agreement.

The realignment of the Western European currencies to workable parities with the Pound Sterling and the dollar has been accompanied by the embargoing of the private movements of gold and by the requisitioning of gold stocks. This action hermetically closes the great free gold markets hitherto accessible to hoarders and currency managers. Because the London and Bombay bullion markets are, by their lack of breadth, utterly inadequate to the needs of currency management, the new situation renders impossible the isolated management of any currency, and puts an end to the British Exchange Equalization Account and to the American Stabilization Fund as independent agencies. They can now cooperate but they may no longer function independently.

No nation can physically control the external value of its currency by local operations alone, so that if, owing to the aforementioned restrictions, foreign exchange transactions can no longer be "closed" by adequate imports or exports of gold, independent currency management automatically ceases. This conclusively supports the contention that, because management undermines the very conditions which render it possible, there can be no alternative to stabilization. Thus does the Anglo-French-American agreement make it possible for all concerned to make a virtue of necessity.

Under the circumstances it is fortunate indeed that no nation has been coerced into its present position because we can now all become friendly cooperators at a time when good will is desperately needed in international relations. And this good will must spread if only because the non-cooperators will be faced with a losing game. If independent management can no longer be practiced by such mighty nations as Britain and the United States, no country will dare attempt to manage its currency against the will and against the interests of so powerful a group as is represented by Britain, France and America combined. The most devastating weapon of economic warfare has been scrapped.

The true significance of this triple action is already apparent as nation after nation boards the bandwagon, showing how gigantic is this stride in the right direction. The whole system of quotas, exchange controls, compensation agreements, and other dog-eat-dog devices which have throttled trade and created unemployment everywhere will shortly disappear because it will have lost its reason for existence. The ground of economic maladjustment in which political absolutism grew and flourished will lose much of its fertility - busy men have no time to waste around the soapbox. World leadership returns to the democracies where it rightly belongs. This indeed is a League of Nations triumphant, without benefit of Geneva, particularly because it is led by free men and their democratic governments. And on the ground that there can be no peace on earth without an economic truce, the Anglo-French-American agreement will prove more effective than all the disarmament conferences combined.

RENE LEON

REPORT ON SECRETARY MORGENTHAU'S
PRESS CONFERENCE, SEPTEMBER 28, 1936:

H.M.Jr.: At your service. No ladies present?

Q. Mr. Secretary, would you comment on the recent explanation of the sale of the pound sterling?

A. No comment.

Q. No apologies, are there, to Russia?

A. No comment.

Q. Are you going to make public any future big deals of that sort on your stabilization fund?

A. We'll have to let the future take care of itself.

Q. Mr. Secretary, was silver entered into these negotiations in any way, or war debts?

A. No.

Q. Some suggestion, Mr. Secretary, that the agreement might provide a very good basis on which to take up war debt negotiations; could you comment on that?

A. The Wall Street Journal asked me about that. What was his question, Miss Chauncey?

Miss Chauncey: He wanted to know if silver entered the negotiations or the war debts.

H.M.Jr.: What did I say?

Miss Chauncey: No.

Q. Have you any further information regarding this Soviet transaction?

H.M.Jr.: I have no comment.

Q. Is it unusual when you have a transaction of that size as a business transaction or routine business?

A. I don't know how to answer that.

Mr. Gaston: Say this was an unusual situation.

H.M.Jr.: I'd rather not answer that.

Q. There's some report in London, Mr. Secretary, that there has been a controversy between the United States and Great Britain over the pound-dollar ratio; is that true?

A. I think the answer to that is the fact that the three governments got out simultaneously an identical statement; I think that takes care of that.

Q. Was any other government informed as to the time of that announcement?

A. Not by us.

Q. Not by you, but were they informed?

A. Not as far as I know. As far as I know, I mean, I can't--I don't know what went on but to the best of my knowledge the answer is they were not. Wait a minute, I'm sorry. We didn't, but keeping to my policy of only telling the truth, I do know that some others -- but not by us. The answer by us is no, but I do happen to know that some other countries were informed.

Q. Do you know whether Russia was one of those who was informed?

A. To the best of my knowledge, no.

Q. Can you say, Mr. Secretary, when there may be some announcement about the ratio of the dollar and the pound under the agreement?

A. I doubt if there would be any announcement.

Q. There will be no announcement at all?

A. I doubt it.

Q. Mr. Secretary, is there an agreement on a definite ratio between the dollar and the pound, such as four dollars or something?

- 3 -

- A. There's no definite agreement.
- Q. Would you care to say where you'd like to see the ratio fixed?
- A. No.
- Q. You don't know whether you have made or lost on the transaction for Saturday then?
- A. Well, I said we'd made a handsome profit. We bought it at a price, what will I say?--a "distress price"--and we could have sold it Saturday, I believe, or any time today at a profit. We haven't yet sold what we bought; but we bought it at a "distress price" and after we bought it sterling today has sold at a price well above what we paid for it.
- Q. In other words, it's now a profit?
- A. Yes.
- Q. That has no relation when you said that you didn't have in mind a ratio--it might ultimately be realized?
- A. No, if anybody got that idea, it was my fault, but, after all, if you buy anything at a price and a few minutes later it sells above that price, I think it's perfectly proper to say--.
- Q. You didn't mean to say it would be permanently above?
- A. I didn't mean anything.
- Q. Would you elaborate on what you mean by a "distress price"?
- A. No, I don't care to elaborate.
- Q. Have you taken any further steps today to protect your gentlemen's agreement?
- A. No. The exchange has taken care of itself as far as the United States is concerned.
- Q. No further use of the stabilization fund?

- A. Let's go kind of easy; those men who cover the Treasury regularly know that I have never discussed the stabilization fund before; the circumstances were most unusual. After all, I felt it was to the interest of the United States Government that I did disclose what I did. Unless circumstances arise like that again, I doubt whether I ever will.
- Q. That's exactly what I was asking--whether circumstances had arisen?
- A. No other circumstances have arisen, and, as a matter of fact, in the United States the foreign exchange market was entirely a healthy one and took care of itself--that's entirely clear, and unless unusual circumstances arise again I'll not mention what we do with stabilization fund because I don't believe it's to the best interests of the United States Government to disclose daily the use we make of the stabilization fund.
- Q. I was just going to say the bond market was strong and wondered if the stabilization fund was used.
- A. I'll simply say that today's market was a healthy, normal market by which I mean that the market went right along on its own.
- Q. Mr. Secretary, can there be real stabilization until the British fix a specific gold content for the pound?
- A. Time will answer that.
- Q. Wasn't the implication in the statement by the three governments that there wouldn't be a marked change in the ratio of the pound and the dollar?
- A. I wouldn't say there was and there wasn't. I wouldn't say there was and there wasn't.
- Q. When you say that there's no definite agreement on the ratio, we are not to understand by that, I suppose, that the pound and the dollar will be allowed to fluctuate in ordinary international exchange dealings.

- 5 -

- A. I'd say the proper interpretation from the joint, the simultaneous, statements, is that at present there are two stabilization funds and that from now on the two stabilization funds will work in the same direction. Now both Great Britain and ourselves-- we have interpreted it that the funds are to be used to even out sharp swings, and up to this time we have had no understanding and now the understanding is that the funds will work together so that if there's an evening-out process they will be both working in the same direction.
- Q. That applies to all three, doesn't it, Mr. Secretary?
- A. Well, at present the French have none. I read in the newspapers they are talking about having one and if they do, why all three will be working to even out sharp swings one way or the other. It can't help but be effective.
- Q. Does that mean the British fund can be used in New York, too?
- A. Well, yes, it could be if they wanted to.
- Q. Does that mean any agreement approaching a hard and fast one on the administration of each of these three funds or even flexible?
- A. I don't know any other way to describe it than a gentlemen's agreement; it's the best description that I know of. That here are three people that have a purely verbal agreement based on the respect and honor of the three countries at stake and that the three countries are going to work together at all times for stability in foreign exchange. There's nothing in writing; it's purely a matter of honor and faith of the three countries in each other. As I say, I don't know any other way that describes it better than a gentlemen's agreement between the three countries. It seems to me that that describes it as well as I know how to describe it.
- Q. Mr. Secretary, in April I think you said that the British fund couldn't operate in this country except with gold they got from France.
- A. No, I don't think I said that. Herbert, am I right or wrong?

Mr. Gaston: I don't remember you saying that.

H.M.Jr.: I don't think it was ever discussed. You may be right, but I think you're wrong.

Q. In the natural course of events we would handle transactions developing in New York and London would handle transactions happening in London?

A. That would be the natural course.

Q. Mr. Secretary, I understand the President's authority to devalue down to fifty per cent of the original dollar will expire January 30th; do you want to say now whether you will recommend the continuation of that slight margin?

A. I'd rather not answer that.

Q. Mr. Secretary, how can you even out swings if you have no fixed ratio you are trying to maintain? When it's a swing? I mean, why isn't \$4.91, to which it went down Saturday, just an ordinary decline?

A. I didn't consider it so.

Q. Under the terms of the gentlemen's agreement, what's the definition of a stabilized currency? Doesn't it have to be in terms of one currency to another?

A. You've got the dollar-pound rate, the dollar-franc rate and then you've got the pound-franc rate; there are three different rates involved.

Q. Is each Treasury to use its own discretion as to when there is a fluctuation beyond normal?

A. Today I don't know how many times the various fiscal agents were in touch with each other by telephone-- they were in touch numerous times; today is the first day and, of course, the Paris market is closed and various others, I think--Holland, and, I believe, Switzerland. But the Federal Reserve of New York, as our agent, I don't know how many times they have talked to London and Paris. This thing is like a child that's just beginning to walk and to learn to walk; it takes a couple of steps and it's all right, a couple more steps,

- 7 -

and it's all right, and gradually this child is going to be able to learn to walk by itself, we hope, without anybody trying to push it over. Today they talked to each other back and forth and the child walked and didn't stumble.

- Q. In other words, you are still handling this on an international basis as relates to the three countries.
- A. We will and gradually this child is going to learn how to walk and take care of itself and, we hope, grow up to be a strong man.
- Q. Nobody should want to push a little child over.
- A. "Them are my sentiments."
- Q. Do you hope the child will have more playmates?
- A. More playmates and, I might add that it has three very healthy guardians.
- Q. Do you want to say what action you will take if and when Switzerland and Holland go off? Will that be in your gentlemen's agreement?
- A. Well, Belgium sent us a very nice note and I'd say she's in the family now, and as these other countries declare themselves--after all, in the memorandum, we asked people to join us.
- Q. Wouldn't the prerequisite be a stabilization fund to co-operate with you?
- A. It would be very helpful, but I wouldn't say it would be absolutely necessary, but it would be very helpful to them and to us because it would mean they could take care of their own, but we certainly wouldn't exclude any country because she didn't have any stabilization fund; this is a process, not a matter of years, but of days. Today the thing went beautifully; more or less on its own, and as far as this country is concerned it went entirely on its own, but it has to be done step by step; it can't just happen all overnight, and all the contracts and all the signatures in the world wouldn't help if the will wasn't back of it to make it good plus the monetary withall.

- Q. This offer of Russian pounds--that was an offering of pounds that the Russian State Bank owned; in other words it's not a Russian short-sale, is it?
- A. I'm sorry, I said in the beginning I would make no comment and I am not going to make any comment.
- Q. Under the agreement, is it possible that the outward flow of gold may start from this country now?
- A. It might.
- Q. It would be a normal thing, wouldn't it?
- A. If you don't mind, that's a long technical question; I'm sure you read my letter to Senator Vandenberg answering that question in great detail; I went into eight solid pages there, and if you read that letter it will answer the whole question of gold leaving this country and how I feel about it.
- Q. I just wanted to know.
- A. I could not give a snap-answer to that; it's a very long, technical question and it took me eight pages to answer it and I think it's there, and if there's any question you want answered in regard to gold leaving this country, you'll find it in my answer to Senator Vandenberg.
- Q. Did you find the newspaper reports from Europe, some of which predicted a currency devaluation war, of any concern?
- A. In reports which the State Department sent me, everything we got today, is hopeful and there isn't any sign anywhere of a devaluation war. Everything is constructive; all the news we have received is constructive. And if I may say so, this is off the record, I think the attitude of the American press on this thing has been perfectly grand; I haven't read a newspaper that I could point to that has not, in my interpretation, been constructive. I haven't read anything that anybody, with one exception--there's only the one criticism--and that was that. There's really only been one criticism.

- Q. Could you say anything about the dollar devaluation as entering into this statement, Mr. Secretary?
- A. How do you mean?
- Q. Well, the Wall Street Journal says there must be some understanding to the effect that there will not be further dollar devaluation.
- A. No, you men know everything--no side agreements, no hidden agreements; as far as I know everything is in that statement, and I think I can't explain anything any way better than what I said today; this is something new and certainly the first day's experience we have had, from my standpoint, has been most satisfactory, and I want to say this again, to what I said on Saturday, that certainly the financial institutions, both private and national banks and trust institutions have been -- their whole attitude-- I mean anybody that has a commercial requirement exchange to fulfill has been able to fulfill it today. If he wants to buy or sell foreign exchange, he has had ample opportunity to do it today. I mean, every legitimate transaction has been taken care of but there has been no speculative effort to push it one way or the other; all the banks and dealers in foreign exchange played ball.
- Q. There has been some question about the possibility of foreign repatriation selling their American owned securities to take advantage of exchange profit. Any understanding or steps taken to prevent any dumping?
- A. No.
- Q. Have you any assurances that there won't be any dumping?
- A. There hasn't been any today and we'll see what tomorrow holds forth.
- Q. Does that enter into the picture, Mr. Secretary?
- A. If any European has invested his money and wants to sell his stocks we have kept our exchanges open; anybody can buy and sell.

- Q. You are not very much worried about it.
- A. And I'm not very much worried; in fact, I'm not worried at all; I think our exchange was the only one open Saturday and everybody was free to buy or sell and they were free to do so today; as far as I know we will keep it that way and it's the best assurance that any investor has not to be afraid is the fact that our markets are open--we will keep them that way.
- Q. Aside from the agreement, is there anything to the reports in Paris and London today that you have made overtures in connection with the war debts?
- A. That's exclusive with your shop, see; nobody else is worried about that. I told the boys; I answered that earlier.
- Q. I thought their question was in connection with the agreement.
- A. No, that question has been answered; I told the boys here everything we have done was right in the open; the only person that's worried about it is your shop.
- Q. Will you send the usual notes on December 15th to the debtor nations?
- A. I've got to celebrate Thanksgiving first.
- Q. These reports that eighty million dollars worth of Chinese silver were being imported into this country tomorrow--is that purchases by the Government?
- A. I haven't got the exact facts on that; I know there was silver loaded on the President Grant a couple of days ago; I haven't got the exact facts; if you people want to know, I'll try to get it for you; if you'll give us until tomorrow we'll get it. I don't know, Herbert, just what the facts are, but I know that the last United States ship which sailed--the President Grant--there was some silver on it.
- Q. Can you say anything about the possible export of gold to Great Britain?

- 11 -

- A. No.
- Q. Any change in that regulation?
- A. No. You know how you (Cecil Dickson) and I feel-- there's nothing personal between us--I think we understand each other; but all day yesterday your outfit has been pounding away on that; when I answered that, there's nothing personal. As far as you and I are concerned, there's nothing personal, but that thing--they have been at it all day yesterday and all day today and the fact that your shop is the only one that seems to be worrying about it--I just don't think it's an accident.

Mr. Dickson: We have to chase down the queries.

- A. I understand.
- Q. Could you tell us if the Soviet Union has given you an official explanation of that transaction or if you just learned about it from the newspapers?
- A. The only thing I've seen is the newspaper reports.

9.12
SEP 28 1936
AMSTERDAM BOURSE OPEN TOMORROW

AMSTERDAM - THE BOURSE WILL REOPEN
TOMORROW

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9.35
ADD AMSTERDAM BOURSE OPENED TOMORROW
AMSTERDAM- THE GOVERNMENT-S DECISION
TO REOPEN THE BOURSE TOMORROW WAS ~~MADE~~ ~~IN~~ VIEW
OF THE SATISFACTORY PUBLIC REACTION TO THE NEW
MONETARY MEASURES

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9.15
SEP 28 1936
DUTCH STABILIZATION FUND

AMSTERDAM- THE DUTCH GOLD EMBARGO WILL
BE FOLLOWED BY A BILL ESTABLISHING AN EQUALIZA-
TION FUND AMOUNTING TO 300 000 000 GULDERS
PARTLY TO BE OBTAINED FROM GOLD PROFIT DERIVED
FROM REVALUING THE GOLD STOCKS OF THE BANK OF
NETHERLANDS

PRESENT PLANS DO NOT CALL FOR A FIXED VALUE
FOR THE GUILDER YET BUT IT WILL BE ALLOWED TO
FLOAT IN THE EXCHANGE MARKET WITH THE MARKET
LOOKING FOR A DEPRECIATION GENERALLY ESTIMATED
FROM 15 PC TO 20 PC

PREMIER COLIJN DECLARED THAT THE DUTCH
GOVERNMENT AND THE BANK OF NETHERLANDS WILL BE
GUIDED IN THEIR ACTIONS BY THE MOVEMENT OF
CAPITAL ADAPTATION OF THE DUTCH PRICE LEVELS TO
FOREIGN PRICES REPATRIATION OF DUTCH CAPITAL
AND COMPETITIVE POWER OF THE DUTCH EXPORT INDUS-
TRY

DR COLIJN STRESSES THE FACT THAT ABANDON-
MENT OF THE GOLD STANDARD BY HOLLAND WAS DUE
ONLY TO AN OUTSIDE -FORCE MAJEURE- AND THE
CONVICTIONS OF THE GOVERNMENT ITSELF STILL HAVE
NOT BEEN ALTERED- NEVERTHELESS THE DUTCH
GOVERNMENT HE SAID HEARTLY JOINS IN THE
THREE POWER DECLARATION REGARDING MONETARY
STABILIZATION AND ABOLISHMENT OF TRADE BARRIERS

THE GOVERNMENT-S EXPECTATIONS ALONG THIS
LINE HOWEVER ARE SLIGHT- CONSEQUENTLY FOR THE
TIME BEING IT WILL NOT ESTABLISH A FIXED GUILDER
PARITY

THE ARRANGEMENTS MADE SATURDAY FOR THE EX-
PORT OF ABOUT 14 000 000 GULDERS OF GOLD WILL
BE CARRIED OUT BY BANK OF NETHERLANDS EXPORT
CERTIFICATES

PRICES OF PRIMARY FOODSTUFFS WILL BE MAIN-
TAINED BY DECREE

IN UNOFFICIAL TRADING THE DOLLAR WAS
QUOTED FROM 1 80 TO 2 GULDERS AND STERLING
FROM 9 50 TO 10 GULDERS

AMSTERDAM DEVELOPMENTS

12.45

AMSTERDAM- THE EQUALIZATION FUND WILL BE
RAISED BY A TREASURY ISSUE- GUILDER DEPRECI-
ATION TODAY WAS ABOUT 24 PC

UNOFFICIAL STOCK DEALINGS SHOWED A SHARP
RISE IN ALL LEADING SHARES- COMMODITY MARKETS
WERE UNSETTLED- NO MATERIAL DECLINE IN STERL-
ING PRICES OF RUBBER TIN OR TEA ARE EXPECTED
BUT JAVA SUGAR PALM OIL AND PEPPER OUTPUT MAY
BE RAISED- PRIVATE DISCOUNT RATE WAS 1 7-8 PC

SEP 9 1936

HOLLAND
AMSTERDAM

131

UNITED PRESS - September 26, 1936.

WCNS5

Amsterdam
AMSTERDAM.--PREMIER HENDRIK COLYN ANNOUNCED OVER THE RADIO TODAY THAT HOLLAND WAS TEMPORARILY ABANDONING THE GOLD STANDARD.

THE NATION, HE SAID, WAS PLACING ITSELF ON THE SAME MONETARY BASIS AS BETWEEN 1914 AND 1926.

COLYN AVOIDED THE WORD "DEVALUATION" BUT IT IS BELIEVED A SMALL REDUCTION IN THE VALUE OF THE GUILDER WAS TO BE EXPECTED.

THE PREMIER EMPHASIZED THAT IN CURRENCY DEALINGS HOLLAND WILL REMAIN COMPLETELY FREE. HOWEVER, THE GOVERNMENT WILL UTILIZE A STABILIZATION FUND OF 300,000,000 GULDERS TO PREVENT HEAVY DECLINES IN ITS CURRENCY.

09/28--R839A

SWITZERLAND
BERNE

132

DOW JONES - September 28, 1936.

9.13 SEP 28 1936

SWISS STABILIZATION FUND

BERNE- AS A RESULT OF DEVALUATION OF THE
SWISS FRANC THE SWISS NATIONAL BANK WILL REAL
-IZE A PROFIT OF ABOUT 650 000 000 SWISS FRANC
-S FROM REVALUATION OF ITS GOLD RESERVES- IT IS
UNDERSTOOD THAT THIS WILL BE USED TO CREATE A
SWISS STABILIZATION FUND FOR THE PROTECTION
OF THE SWISS FRANC

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GERMANY
BERLIN

133

UNITED PRESS - September 28, 1936.

Germany

WCNS44

BERLIN.--THE GERMAN GOVERNMENT ANNOUNCED TODAY THAT NO CHANGE IN ITS CURRENCY POLICY IS ANTICIPATED. HOWEVER, FINANCE DIRECTOR SCHACHT HAS SUMMONED A MEETING OF THE REICHSBANK'S CENTRAL COMMITTEE WEDNESDAY TO HEAR A STATEMENT OF GERMANY'S ATTITUDE TOWARD REVALUATION IN OTHER EUROPEAN STATES.

PREVIOUSLY, SECRETARY REINHARDT OF THE REICH MINISTRY, SPEAKING AT KOENIGS WUESTERHAUSEN, ASSURED A GROUP OF STORM TROOP LEADERS THAT THE REICH HAD NO INTENTION OF REVISING ITS CURRENCY.

IT IS THOUGHT LIKELY THAT REINHARDT'S SPEECH WAS MADE TO REMOVE ANY FEARS IN THE MIND OF THE GERMAN PEOPLE, WHO REMEMBER THE POST-WAR INFLATION PERIOD.

9/28--R1028A

10.01

SEP 28 1936

TO LINK DRACHMA WITH STERLING
ATHENS- THE BANK OF GREECE ACTING IN
AGREEMENT WITH THE GREEK GOVERNMENT HAS
DECIDED TO ALIGN THE DRACHMA WITH STERLING-
PREVIOUSLY THE DRACHMA HAD BEEN LINKED TO
THE FRENCH FRANC- BEGINNING AS OF TODAY THE
RATE OF EXCHANGE HAS BEEN FIXED AT 546 DRACHMA
TO THE POUND FOR THE BUYING RATE AND 550 FOR
SELLING RATES

ADD GREEK DEVALUATION

2.50

ATHENS - BY REUTERS - THE OFFICIAL
COMMUNIQUE ISSUED BY BANK OF GREECE REGARDING
DECISION TO JOIN THE STERLING AREA AND TO ALIGN
GREEK CURRENCY IN THE FUTURE WITH STERLING
RATHER THAN WITH FRANC AS HITHERTO STATED-
-IN CONSEQUENCE OF THE NEW INTERNATIONAL
MONETARY SITUATION THE BANK OF GREECE HAS
DECIDED IN AGREEMENT WITH THE GOVERNMENT
TO ADJUST THE DRACHMA TO THE POUND STERLING
- THE RATE AT WHICH THE POUND WILL BE PURCHAS-
ED WILL BE FIXED FROM TIME TO TIME BY THE
GOVERNOR OF THE BANK OF GREECE ACCORDING
TO THE NEEDS OF THE NATIONAL ECONOMY BETWEEN
THE LIMITS OF MINIMUM OF 540 DRACHMAE TO THE
POUND AND A MIXIMUM OF 550 DRACHMAE - THE

SELLING PRICE WILL BE IN PROPORTION TO THE BUYING PRICE

-THE PRICE OF OTHER FOREIGN EXCHANGES WILL BE FIXED ON THE BASIS OF THE RATE FOR THE POUND STERLING IN PROPORTION TO THE RATE AT WHICH THEY WERE QUOTED IN THE LONDON EXCHANGE MARKET

-AS FROM SEPT 28 THE PRICE OF THE POUND STERLING IS FIXED AT 546 DRACHMAE BUYERS AND 550 DRACHMAE SELLERS-

BANKING OPERATIONS THROUGH CLEARINGS ARE IT IS UNDERSTOOD PROVISIONALLY SUSPENDED AND THE FRENCH FRANC IS NOT BEING ACCEPTED

IT IS OFFICIALLY STATED THAT THE EXTRA CHARGE ON THE GREEK BUDGET FOR SERVICE OF GREEK FOREIGN LOANS AS A RESULT OF THIS SLIGHT

VALUATION OF THE DRACHMA IS INSIGNIFICANT

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SEP 28 1936

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GREECE
ATHENS

UNITED PRESS - September 28, 1936.

108

Greece

WCNS10

ATHENS.--THE BANK OF GREECE ISSUED AN OFFICIAL STATEMENT
TODAY FIXING THE VALUE OF THE DRACHMA AT FROM 450 TO 550 PER POUND
STERLING.

9/28--R844A

ITALY
ROME

137

UNITED PRESS - September 28, 1936.

Rome

WCNS8

ROME.--THE ITALIAN GOVERNMENT HAS ORDERED THE BOURSE CLOSED TODAY, TUESDAY AND WEDNESDAY BECAUSE OF THE DEVALUATION OF THE FRENCH FRANC, IT WAS LEARNED AUTHORITATIVELY.

9/28--R842A

WCNS16

ADD BOURSE, ROME

FINANCIAL EXPERTS OF THE BOURSE EXPRESSED THE OPINION THAT ITALY WOULD NOT DEVALUATE THE LIRA AT PRESENT BECAUSE OF DOMESTIC POLITICAL REASONS.

IT WAS PREDICTED THAT THE ITALIAN GOVERNMENT WILL CIRCUMVENT UNFAVORABLE TRADING CONDITIONS CAUSED BY THE DEVALUATION OF THE FRANC BY SLOWLY ALLOWING THE LIRA TO CHEAPEN IN FOREIGN MARKETS, WHICH WOULD BE EFFECTIVE FOR PURPOSES OF FOREIGN TRADE.

IT WAS ALSO CONSIDERED POSSIBLE THAT THE GOVERNMENT WOULD MAKE THE LIRA FOR TOURISTS CHEAPER, THUS CONTINUING A SYSTEM OF TWO VALUES FOR ITS CURRENCY.

ITALIAN BANKS, SHIPPING COMPANIES AND TOURIST OFFICES REFUSED TO DEAL IN FRENCH OR SWISS FRANCS OR DUTCH FLORINS THIS MORNING. PERPLEXED TOURISTS RUSHED TO THEIR CONSULATES WHICH WERE UNABLE TO ASSIST THEM.

9/28--R858A

LATVIA
RIGA

UNITED PRESS - September 28, 1936.

138

WCNS35

RIGA--THE LATVIAN GOVERNMENT, IT WAS LEARNED TODAY, HAS DECIDED TO ABANDON THE GOLD STANDARD, FIXING ITS CURRENCY AT 25 LATS 22 CENTIMES PER POUND STERLING, THE 1931 RATE. FINANCE MINISTER ENKIS IS EXPECTED TO ANNOUNCE THE NEW POLICY IN A RADIO SPEECH TONIGHT.

9/28--TP1802A

DOW JONES - September 28, 1936.

LONDON EXCHANGE MARKET ACTIVE

LONDON- FOREIGN EXCHANGE MARKET IN

LONDON OPENED FAIRLY ACTIVE WITH CONSIDERABLE OFFERING OF STERLING AGAINST DOLLARS WHICH NECESSITATED INTERVENTION BY THE BRITISH CONTROL WHICH WAS SUPPORTING STERLING BY SELLING DOLLARS

IT IS UNDERSTOOD THAT THE OPENING STERLING-DOLLAR RATE OF 4 94 TO 4 96 WAS MADE ON A HINT FROM A HIGHER AUTHORITY

THE RATE AT ONE TIME TOUCHED 4 94 1-2 OFFERED BUT LATER CAME TO 4 93 1-2 BID WHERE IT IS NOW BEING HELD WITHOUT INTERVENTION BY THE CONTROL

DUTCH BANKS ARE DEALING WITH LONDON THE STERLING-GUILDER RATE OPENING AT 9 40 TO 9 50 GUILDERS TO THE POUND LATER GOING TO 9 15 TO 9 20 GUILDERS AND AT 1 30 PM LONDON TIME IT WAS 9 22 1-2- AT SAME TIME DUTCH BANKS ARE QUOTING DOLLARS AT 1 85 TO 1 88 GUILDERS WHICH IS EQUIVALENT TO A DEVALUATION OF THE GUILDER BY ABOUT 20 PC

SWITZERLAND UNOFFICIALLY IS QUOTING DOLLARS AT 4 32 1-2 TO 4 32 3-4 SWISS FRANCS TO THE DOLLAR AND STERLING AT 21 60 SWISS FRANCS TO THE POUND WHICH IS EQUIVALENT TO ABOUT A 30 PC DEVALUATION

THERE HAVE BEEN NO DEALINGS OF ANY KIND IN FRENCH FRANCS AND THERE IS NO IDEA AT WHAT RATE THE STERLING-FRANC RATE WILL OPEN

REICHSMARKS ARE FREELY OFFERED WITH THE RATE WIDENING TO 12 45 MARKS TO THE POUND FROM 12 37- ALL SELLERS AND DEALERS TAKE VIEW THAT GERMANY MAY EVENTUALLY BE FORCED TO MAKE SOME READJUSTMENT IN THE FREE MARK RATE IN VIEW OF THE WEEKEND DEVELOPMENTS

9:2039

SEP 28 1936

DOW JONES - September 28, 1936.

ADD LONDON EXCHANGE MARKET

LONDON- SOME SURPRISE HAS BEEN EXPRESSED
HERE THAT BRITISH AUTHORITIES INTERVENED
TO RESIST DEPRECIATION OF STERLING IN VIEW
OF FACT THAT THEY ARE UNDERSTOOD TO BELIEVE
THAT A RATE AROUND 4 86 EXPRESSES THE
STERLING-DOLLAR RELATIONSHIP MORE CORRECTLY

ADD LONDON EXCHANGE MARKET

THAN THE PRESENT QUOTATION

IT IS POINTED OUT HOWEVER THAT THE ACTION
IS IN LINE WITH THE NORMAL USE OF THE EQUALIZA-
TION FUND TO EVEN OUT TEMPORARY SPECULATIVE
MOVEMENTS AND THAT IN VIEW OF THE EXISTING
ABNORMAL CONDITIONS IT IS NECESSARY TO INTERVENE
AT INTERVALS

BANK OF ENGLAND ACTING ON BEHALF OF
EQUALIZATION FUND IS UNDERSTOOD TO HAVE

ADD LONDON EXCHANGE MARKET

BOUGHT A GREAT PART OF THE GOLD OFFERED
LONDON OPEN MARKET TODAY AND RESOLD IT TO A
DOLLAR BUYER AT A HIGHER RATE LATER OFFERING
DOLLARS TO PREVENT UNDUE DEPRECIATION OF STERLING

IT IS ALSO POINTED OUT THAT THERE WAS
NO MENTION OF ANY FIXED RATE OF EXCHANGE IN
THE TRI-POWER AGREEMENT REACHED FRIDAY NIGHT
AND THAT THEREFORE THERE IS NO OBLIGATION TO
MAINTAIN STERLING IF THE TIDE SHOULD TURN
DEFINITELY IN ONE DIRECTION OR ANOTHER- IT IS
BELIEVED THAT THE EXCHANGE FUND WILL BE USED
ONLY TO EVEN OUT TEMPORARY PRESSURE AND NOT TO
RESIST A STEADY MOVEMENT IN EITHER DIRECTION

10.40140

SEP 28 1936

10.41

SEP 28 1936

10.44

SEP 28 1936

SEP 28 1936

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11.43

SAYS ITALY MAY WAIT GERMANY-S CURRENCY LEAD
LONDON- ACCORDING TO ADVICES RECEIVED HERE
FROM ROME SIGNOR GAYDA WHO IS MUSSOLINI-S
UNOFFICIAL PRESS SPOKESMAN THINKS THAT ITALY
MAY REMAIN CLEAR OF THE STERLING GROUP AND
IN ANY CASE WILL FOLLOW GERMANY-S LEAD WITH
RESPECT TO CURRENCY POLICY

2.59

SEP 28 1936

FRENCH ACTION TO AFFECT BRITISH
TRADE

LONDON - REFERRING TO DEVALUATION OF THE
FRANC AT ANNUAL MEETING OF DEBENHAMS LTD SIR
FREDERICK RICHMOND CHAIRMAN SAID THAT
UNDOUBTEDLY FRANCE WOULD BE IN A POSITION TO
COMPETE WITH GREAT BRITAIN IN CERTAIN MARKETS
WHICH HAD BEEN CLOSED TO FRANCE OWING TO FACT
THAT FRANCE HITHERTO HAD CLUNG TO THE GOLD
STANDARD

TAKING THE LONG VIEW HOWEVER HE SAID IT
WOULD BE FAR BETTER FOR ENGLAND TO HAVE
FRANCE PROSPEROUS AND A POTENTIAL CUSTOMER FOR
MANY ENGLISH ARTICLES THAN HAVE FRANCE IN A
POSITION WHICH PREVENTED ANY POSSIBILITY OF
FRANCE BUYING BRITISH GOODS EXCEPT ON A MOST
NIGGARDIY SCALE

2.35

PIASTRE TIED TO STERLING

SEP 28 1936

LONDON - REUTERS DISPATCH FROM ISTANBUL
STATES THE TURKISH GOVERNMENT HAS ADOPTED
THE BRITISH POUND AS ITS CURRENCY BASE INSTEAD
OF THE FRENCH FRANC - THE BUYING RATE HAS BEEN
FIXED AT 635 AND THE SELLING RATE AT 638
PIASTRES TO THE POUND

GREAT BRITAIN
LONDON

UNITED PRESS - September 28, 1936.

142

WCNS21

LONDON.--THE FOREIGN EXCHANGE MARKET OPENED STEADY TODAY, DEALING IN ALL CURRENCIES EXCEPT THE FRENCH, SWISS AND DUTCH. RATES WERE ADJUSTED IN ACCORDANCE WITH ONE POUND STERLING FOR \$4.95.

TODAY'S GOLD PRICE WAS 140 SHILLINGS 9 PENCE AN OUNCE, THE HIGHEST PRICE IN STERLING (THOUGH NOT IN DOLLARS) SINCE MAY 2. THE POUND WAS \$4.94.

THE DOLLAR EQUIVALENT WAS \$34.76 1/2 AN OUNCE. GOLD SALES WERE 1,200,000 POUNDS STERLING (\$5,928,000).

FRENCH FRANCS WERE NOT QUOTED.

9/28--R924A

WCNS9

London - Latvia

LONDON.--THE RIGA CORRESPONDENT OF THE EXCHANGE TELEGRAPH REPORTS THAT THE LATVIAN GOVERNMENT HAS DECIDED TO ABANDON THE GOLD STANDARD.

HE SAID LATVIA WILL TAKE THIS ACTION TUESDAY. THE EXCHANGE RATE, HE SAID, WILL BE FIXED AT 25 LATS 21 CENTIMES PER POUND STERLING, THUS REESTABLISHING THE 1931 RATE.

9/28--R843A

FRENCH CHAMBER MEETS

8.50

PARIS-UP- THE FRENCH GOVERNMENT INTRODUCED ITS FRANC DEVALUATION PLAN INTO THE CHAMBER OF DEPUTIES MET A RADICAL INSURRECTION WHICH THREATENED THE SOLIDARITY OF THE CABINET AND DEFEATED A RIGHTIST EFFORT TO SEND THE LEGISLATION BACK TO A COMMITTEE FOR REVISION

FOR REVISION

DOW JONES
SEP 28 1936
M N L S

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ADD FRENCH CHAMBER MEETS

SEP 28 1936

PARIS -UP- RADICALS IN CAUCUS VOTED 32 TO 28 TO OPPOSE A PROVISION IN THE PROPOSED LAW TO ADJUST THE NATIONAL WAGE SCALE TO COMPENSATE FOR THE FALL OF THE FRANC ALTHO THEY APPROVED 55 TO 13 THE REST OF THE LEGISLATION - BUT THEY THREATENED SO INTENSE WAS THEIR FEELING TO WITHDRAW THEIR REPRESENTATION IN THE CABINET IF THE SLIDING WAGE SCALE PROVISION WERE NOT CHANGED

RIGHTIST DEPUTIES VIGOROUSLY ATTACKED THE DEVALUATION LAWS - ONE OF THEM LOUIS MARTIN MOVED THAT IT BE REFERRED BACK TO THE FINANCE COMMITTEE FOR REVISION - THE GOVERNMENT WON ITS FIRST SKIRMISH ON THIS POINT DEFEATING THE MOTION 365 TO 248- THEY DID NOT MAKE IT A VOTE OF CONFIDENCE

AFTER THIS VOTE THE CHAMBER ADJOURNED UNTIL 4 PM - 10 AM EST

SEP 28 1936

PARIS- IT IS NOW ESTIMATED THAT IMMEDIATE PROFITS FROM DEVALUATION OF THE FRANC WILL AMOUNT TO 16 000 000 000 FRANCS OWING TO REVALUATION OF GOLD AND FOREIGN EXCHANGE HELD BY

FRENCH COLONIAL BANKS AS WELL AS RESERVES OF BANK OF FRANCE- THESE PROFITS ARE RESULT OF A 25 PC DEVALUATION BUT SUBSEQUENTLY IF AND WHEN FRANC IS FINALLY STABILIZED AT A LOWER RATE ADDITIONAL PROFITS WILL BE AVAILABLE

IT APPEARS CERTAIN NOW THAT FRENCH GOVERNMENT INTENDS TO FOLLOW THE PRINCIPLE OF A MANAGED FRANC BETWEEN THE LIMITS OF 43 AND 49 MILLIGRAMS OF GOLD FOR AN INDEFINITE PERIOD- IT IS EXPECTED THAT THE OPENING FRANC-DOLLAR RATE WILL BE BETWEEN 20 AND 22 FRANCS TO THE DOLLAR OR BETWEEN 5 00 AND 4 545 CENTS

STRAIN BETWEEN RADICAL AND COMMUNIST WINGS OF THE POPULAR FRONT IS INCREASING WITH A STRONG TENDENCY AMONG RADICALS TO FORCE PREMIER BLUM TO CHOOSE BETWEEN THEM AND THE COMMUNISTS AT AN EARLY DATE- THIS STANDPOINT IS DUE TO BELIEF THAT LABOR AGITATION HAS BEEN KEPT ALIVE BY THE COMMUNISTS AND CESSATION OF STAY IN STRIKES IS INDISPENSABLE IF DEVALUATION IS TO PRODUCE RESULTS

IT IS CONSIDERED ALSO THAT SO LONG AS THE COMMUNISTS WIELD INFLUENCE OVER THE GOVERNMENT IT WILL BE IMPOSSIBLE TO EXPECT A REVIVAL OF CONFIDENCE AMONG LARGE AND SMALL CAPITALISTS OR AN INFLOW OF CAPITAL

COMMUNISTS HAVE OFFICIALLY ANNOUNCED THAT THEY WILL SUPPORT THE GOVERNMENT ON THE DEVALUATION VOTE BUT THEY INSIST UPON EXTREME PENALTIES AGAINST EXCHANGE PROFITEERS AND ALSO INSIST UPON MAKING THE RICH PAY

ADD FRENCH FRANC DEVALUATION

PARIS- IN THE SENATE A DETERMINED STAND WILL BE MADE AGAINST HEAVY PENALIZING OF EXCHANGE PROFITS AND GOVERNMENT WILL BE CALLED UPON TO PROMISE DEFINITELY NOT TO ALLOW WORKERS OCCUPATION OF FACTORIES

A COMPROMISE IS LIKELY TO BE REACHED ON THE JOUHAUX PROPOSAL FOR COMPULSORY ARBITRATION AND NEUTRALIZATION OF PLANTS PENDING ARBITRATION OF LABOR DIFFICULTIES

NO DECISION HAS YET BEEN REACHED CONCERNING THE PERCENTAGE APPRECIATION OF FOREIGN SECURITIES LISTED ON PARIS BOURSE WHICH HOLDERS WILL BE OBLIGED TO SURRENDER TO THE GOVERNMENT- IT IS REPORTED THAT ACUTE DISSENSION HAS DEVELOPED ON THIS POINT BETWEEN COMMUNISTS AND SOCIALISTS

ADD FRENCH CHAMBER MEETS

PARIS-U P- FORMER FINANCE MINISTER GEORGES BONNET STARTED SPEAKING WHEN DEBATE IN THE CHAMBER WAS RESUMED

SEP 28 1936

HE SAID HE WOULD VOTE FOR DEVALUATION BUT ATTACKED THE GOVERNMENT DECLARING HE DOUBTED THE DEVALUATION PROGRAM HAD BEEN IN PREPARATION FOR SEVERAL MONTHS AS THE GOVERNMENT STATEMENT SAID- HE INSISTED THE RECENT BABY BOND ISSUE-SALE OF WHICH WAS DISAPPOINTING TO THE GOVERNMENT- WOULD NOT HAVE BEEN LAUNCHED IF NEGOTIATIONS WERE UNDERWAY FOR THE DEVALUATION PROGRAM

HE ALSO ATTACKED THE TRI-POWER ACCORD -DON'T DECEIVE THE COUNTRY- HE SAID- THE ACCORD DOES NOT SIGNIFY THAT ENGLAND STILL STABILIZE THE POUND- SHE REMAINS FREE TO LET IT FLUCTUATE AS THE ACCORD CONTAINS ASSURANCES BUT NO FORMAL COMMITMENTS-

12.20
SEP 28 1936

ADD FRENCH CHAMBER MEETS

PARIS - DEBATE IN THE CHAMBER OF DEPUTIES CONTINUES WITHOUT INTEREST - DEVALUATION IS CERTAIN TO BE VOTED BUT MUCH DISCUSSION IS EXPECTED OVER THE DETAILS OF THE LATER ARTICLES IN THE BILL PENALIZING PROFITEERS AND SAFEGUARDING THE MASSES AGAINST A RISE IN THE COST OF LIVING

THE RADICALS FORMALLY ADVOCATE EXTENSION OF THE SLIDING WAGE SCALE TO ALL CATEGORIES OF WORKERS AND PRODUCERS INCLUDING WHEAT FARMERS

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EXTERNAL FRENCH BONDS EXEMPTED

PARIS - ARTICLE 6 OF THE DEVALUATION BILL

P
R

PROVIDES FOR EXEMPTION OF INTERNATIONAL PAYMENTS WHICH ALREADY ARE STIPULATED TO BE MADE IN GOLD FRANCS

THIS IS WITHOUT GREAT IMPORTANCE BECAUSE BULK OF FRENCH EXTERNAL LOANS HAVE BEEN REPATRIATED AND IT IS PRESUMED THAT SUCH SECURITIES AS ARE IN FRENCH HANDS WILL NOT BE INTERPRETED AS WITHIN THE SCOPE OF INTERNATIONAL PAYMENTS

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BANK OF FRANCE FIXES MINIMUM UNIT FOR
GOLD SALES AT 5 000 000 000 FRANCS *1.75*

PARIS - ALTHOUGH THE INTERNAL AND EXTERNAL
MOVEMENTS OF GOLD WERE SUBJECT TO BANK OF
FRANCE AUTHORIZATION WHEN THE DEVALUATION
LAW WAS PROMULGATED NO FURTHER SALES OF
GOLD ARE NOW POSSIBLE BECAUSE ACTING UNDER
CLAUSES OF THE POINCARÉ STABILIZATION LAW
THE GOVERNMENT AND THE BANK OF FRANCE HAVE
RAISED THE MINIMUM AMOUNT SALEABLE TO 5.000
000 000 FRANCS FROM 250 000 FRANCS

SEP 28 1936

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ADD BANK OF FRANCE

OWING TO THE HEAVY WITHDRAWALS DURING
THE PAST WEEK TOTAL RESERVE OF THE
BANK IS NOW BELOW 50 000 000 000 FRANCS
EXCLUDING 3 000 000 000 EARMARKED FOR
STERLING CREDIT WHICH HOWEVER IS EXPECTED
TO BE RENEWED IN NOVEMBER

SEP 28 1936

FRENCH DEVALUATION THUS OPENS THE PROSPECT
OF POSSIBLE COMPLETE REVOLUTION OF

Add Paris 140

SEP 28 1936 N

NOT ONLY THE
MONETARY BUT THE ECONOMIC FINANCIAL AND
POLITICAL LINE-UP OF EUROPE WHICH IS DEPEND-
ENT UPON HITLER'S DECISION BUT HE IS EXPECTED
RATHER TO AWAIT THAN MAKE OVERTURES

-0-

1.50

SEP 28 1936

ADD FRENCH CHAMBER MEETS

PARIS - PAUL REYNAUD LEADER OF THE MOVE
FOR DEVALUATION LAUDED THE TRI-POWER
ACCORD AND SAID IT WAS -THE BEGINNING OF
COLLABORATION BETWEEN FRANCE THE UNITED
STATES AND GREAT BRITAIN IN THE ECONOMIC AND
SOCIAL FIELD-

HE WARNED HOWEVER THAT THE GREAT
STABILIZATION FUND TO BE BUILT FROM PROFITS
OF DEVALUATION MUST BE USED CAREFULLY

-0-

FRANCE
PARIS

149

UNITED PRESS - September 28, 1936.

Paris
WCNS3

PARIS.--THE CHAMBER BY A VOTE OF 365 TO 248 VOTED DOWN A RESOLUTION BY LOUIS MARIAN, RIGHTIST, TO RETURN THE GOVERNMENT'S REVALUATION LAWS TO THE FINANCE COMMITTEE TO BE REDRAFTED.

9/28--R835A
WCNS4

ADD FRANC, PARIS

RADICALS, IN CAUCUS, VOTED 32 TO 28 TO OPPOSE A PROVISION IN THE PROPOSED LAW TO ADJUST THE NATIONAL WAGE SCALE TO COMPENSATE FOR THE FALL OF THE FRANC, ALTHOUGH THEY APPROVED 55 TO 13 THE REST OF THE LEGISLATION. BUT THEY THREATENED, SO INTENSE WAS THEIR FEELING, TO WITHDRAW THEIR REPRESENTATION IN THE CABINET IF THE SLIDING WAGE SCALE PROVISION WERE NOT CHANGED.

RIGHTIST DEPUTIES VIGOROUSLY ATTACKED THE DEVALUATION LAWS. ONE OF THEM, LOUIS MARIN, MOVED THAT IT BE REFERRED BACK TO THE FINANCE COMMITTEE FOR REVISION. THE GOVERNMENT DEFEATED THE MOTION 365 TO 248. THEY DID NOT MAKE IT A VOTE OF CONFIDENCE.

AFTER THIS VOTE THE CHAMBER ADJOURNED UNTIL 4 P.M. (10 A.M. EST)

9/28--R836A

French Gold
WCNS78

PARIS.--THE BANK OF FRANCE TODAY FIXED THE MINIMUM UNIT FOR SALE OF GOLD AT 5,000,000,000 FRANCS, WHILE DENYING THAT AN ACTUAL EMBARGO WAS IN EFFECT. PREVIOUSLY THE MINIMUM UNIT FOR SALE WAS 215,000 FRANCS.

9/28--E108P.

NEW YORK MARKETS

DOW JONES - September 28, 1956.

150

SEP 28 1956

U S GOVERNMENTS EASIER

11.45

AFTER SELLING ABOVE SATURDAY-S CLOSE IN
EARLY TRADING THIS MORNING U S GOVERNMENT BONDS
EASED A BIT TO ABOUT THE LEVEL OF SATURDAY-
DEALERS REPORTED TRADING LIGHT- SOME INVESTMENT
BUYING HAS COME IN FROM VARIOUS PARTS OF THE
COUNTRY

THE FEELING HERE IS THAT NO IMPORTANT
REPERCUSSIONS FROM DEVALUATION OF THE FRANC
WILL BE FELT IN U S GOVERNMENTS- SOME DEALERS
POINT OUT THAT MUCH OF THE FRENCH FUNDS' INVES-
TED IN THIS COUNTRY CONSTITUTE -SCARED MONEY-
AND WILL NOT BE WITHDRAWN FOR A GOOD WHILE TO
COME

-0-

THE PRESIDENT

UNITED PRESS - September 28, 1936.

151

WCNS48

HYDE PARK.--PRESIDENT ROOSEVELT SPENT SEVERAL HOURS TODAY SCANNING THE INTERNATIONAL MONETARY SITUATION AND IN RUNNING OVER DATA SUBMITTED TO HIM AT TEA YESTERDAY BY SECRETARY MORGENTHAU. THE SECRETARY GAVE HIM, IT WAS UNDERSTOOD, A RESUME OF DEVELOPMENTS GROWING OUT OF THE TRIPARTITE AGREEMENT AIMED AT CURRENCY STABILIZATION, WITH EMPHASIS ON TREASURY DEPARTMENT ACTIVITIES IN THE LAST 48-HOURS.

9/28--R1038A

-0-

10.29.

Treas. Withholds Comment Sept 28
1936
on Russian Bk Comment

TREASURY WITHHOLDS COMMENT ON RUSSIAN
BANK EXPLANATION

WASHN - THE TREASURY DEPT THIS MORNING
WITHHELD OFFICIAL COMMENT ON THE ASSERTION
OF THE RUSSIAN STATE BANK THAT THE
SALE SATURDAY OF 1 000 000 PDS STERLING ON
NEW YORK MARKET WAS A ROUTINE TRANSACTION
AND NOT DESIGNED TO UPSET THE AGREEMENT
BETWEEN THE U S BRITAIN AND FRANCE

ALTHO COMMENT WAS LACKING OFFICIALS
PRIVATELY POINTED OUT THAT REGARDLESS OF
THE REASONS GIVEN BY THE RUSSIAN STATE BANK
FOR ITS OFFERING AT A TIME WHEN LONDON
AND PARIS MARKETS WERE CLOSED AND ONLY
THE AMERICAN MARKET OPEN THE EFFECT WAS
TO DEPRESS THE POUND

-0-

UNITED PRESS - September 28, 1936.

Secy Morgenthau

WCNS25

THE U.S. IS PREPARED TO "GO THE LIMIT" IN SUPPORT OF THE GOLD STABILIZATION AGREEMENT WITH FRANCE AND GREAT BRITAIN, SECRETARY MORGENTHAU, SAID TODAY.

THE "LIMIT," IT WAS INDICATED, IS THE FULL USE OF THE \$2,000,000,000 STABILIZATION FUND SET ASIDE WHEN THE DOLLAR WAS DEVALUED MORE THAN TWO YEARS AGO TO PREVENT WIDE FLUCTUATION IN CURRENCY PRICES.

MORGENTHAU RETURNED FROM A CONFERENCE WITH PRESIDENT ROOSEVELT AT HYDE PARK, N.Y., DURING WHICH HE DISCUSSED IN DETAIL NEGOTIATIONS LEADING TO THE THREE-PARTY MONETARY AGREEMENT. MR. ROOSEVELT WAS REPORTED PLEASED WITH ITS CONSUMMATION.

REPUBLICANS IMMEDIATELY CHARGED THAT IT HAD "POLITICAL IMPLICATIONS" REPUBLICAN CHAIRMAN HAMILTON CONTENDED THE ROOSEVELT ADMINISTRATION HAD MADE "A COMPLETE SOMERSAULT" IN ITS FISCAL POLICY. HE CHARGED THE ACTION WAS TAKEN TO "FORESTALL FURTHER REPUBLICAN CRITICISM OF THE SHORT-SIGHTED POLICY HITHERTO PURSUED BY THE ADMINISTRATION.

9/28--R939A

WCNS102

SECRETARY MORGENTHAU SAID TODAY THE STABILIZATION FUNDS OF THE U. S. AND GREAT BRITAIN WILL BE USED UNDER THE "GENTLEMEN'S AGREEMENT" TO MAINTAIN CURRENCY EQUILIBRIUM BUT THAT NO DEFINITE AGREEMENT HAD BEEN REACHED ON A DOLLAR-POUND EXCHANGE RATIO.

9/28--E435P.

ADD MORGENTHAU

MORGENTHAU TOLD REPORTERS THAT THE FIRST DAY'S OPERATION OF THE NEW UNITED STATES, BRITISH AND FRENCH STABILIZATION AGREEMENT HAD BEEN "VERY SATISFACTORY."

HE SAID THAT THE AGREEMENT TO USE THE TWO STABILIZATION FUNDS WOULD NOT APPLY TO FRANCE UNTIL SHE CREATES HER PROPOSED NEW FUND.

"THE EASIEST WAY TO EXPLAIN THE WHOLE MATTER IS THAT PREVIOUSLY THERE WERE TWO STABILIZATION FUNDS, ONE BRITISH AND ONE AMERICAN," MORGENTHAU SAID. "HEREAFTER, THEY WILL WORK IN THE SAME DIRECTION TO EVEN OUT ANY SHARP SWINGS IN THE CURRENCY OF EACH OTHER, ONE WAY OR THE OTHER."

9/28--E438P.

WCNS105

ADD MORGENTHAU

MORGENTHAU REFUSED TO COMMENT ON THE ACTION OF THE RUSSIAN STATE BANK IN OFFERING 1,000,000 POUNDS OF BRITISH STERLING IN THE NEW YORK MARKET SATURDAY, WHICH THE UNITED STATES TREASURY BOUGHT FROM ITS \$2,000,000,000 STABILIZATION FUND.

MORGENTHAU SAID THE PURCHASE WAS MADE AT A "DISTRESS" PRICE THAT WOULD ASSURE THE UNITED STATES A PROFIT.

HE SAID THAT THERE WERE "NO HIDDEN AGREEMENTS" BEHIND THE CURRENCY PACT, WHICH HE SAID WAS BASED UPON A VERBAL AGREEMENT "IN THE HONOR AND THE FAITH OF THE THREE COUNTRIES IN EACH OTHER."

HE SAID THE FISCAL AGENTS OF THE THREE NATIONS HAD BEEN IN TOUCH WITH EACH OTHER THROUGHOUT THE DAY AND THAT THE EXCHANGE MARKET WAS "NORMAL AND HEALTHY."

"FINANCIAL INSTITUTIONS AND BUSINESS HOUSES WERE ABLE TO CARRY ON THEIR TRANSACTIONS SMOOTHLY AND THERE WAS NO EFFORTS AT SPECULATION," MORGENTHAU SAID.

HE SAID THE ENTIRE PROGRAM WAS BEGINNING TO FUNCTION AS A NEW IDEA AND THAT ITS PROPONENTS WERE FEELING THEIR WAY CAREFULLY TO AVOID POSSIBLE PITFALLS THROUGH PRECIPITATE ACTION.

HE ADDED THAT HE DOUBTED THAT FOREIGN INVESTORS IN AMERICAN SECURITIES WOULD DUMP THEIR HOLDINGS TO TAKE DOWN THEIR PROFITS FROM THE DEVALUATION OF THE FRENCH FRANC.

"I AM NOT AT ALL WORRIED ABOUT THAT," MORGENTHAU CHUCKLED.

9/28--E444P.

SEP 28 1936

8.45

INTERNATIONAL CURRENCY DEVELOPMENTS

ATHENS-UP- THE BANK OF GREECE ISSUED AN OFFICIAL STATEMENT FIXING THE VALUE OF THE DRACHMA AT FROM 540 TO 550 PER POUND STERLING

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ROME -UP- THE ITALIAN GOVERNMENT HAS ORDERED THE BOURSE CLOSED TODAY TUESDAY AND WEDNESDAY BECAUSE OF THE DEVALUATION OF THE FRENCH FRANC

-0-

AMSTERDAM-UP- PREMIER HENDRIK COLYN ANNOUNCED OVER THE RADIO THAT HOLLAND WAS TEMPORARILY ABANDONING THE GOLD STANDARD

THE NATIONS HE SAID WAS PLACING ITSELF ON THE SAME MONETARY BASIS AS BETWEEN '1914 AND 1925

COLYN AVOIDED THE WORD -DEVALUATION- BUT IT IS BELIEVED A SMALL REDUCTION IN THE VALUE OF THE GUILDER WAS TO BE EXPECTED

THE PREMIER EMPHASIZED THAT IN CURRENCY DEALINGS HOLLAND WILL REMAIN COMPLETELY FREE - HOWEVER THE GOVERNMENT WILL UTILIZE A STABILIZATION FUND OF 300 000 000 GULDERS TO PREVENT HEAVY DECLINES IN ITS CURRENCY

-0-

LONDON - THE RIGA CORRESPONDENT OF THE EXCHANGE TELEGRAPH REPORTED THAT THE LATVIAN GOVERNMENT HAD DECIDED TO ABANDON THE GOLD STANDARD

HE SAID LATVIA WOULD MAKE THIS ACTION TUESDAY - THE EXCHANGE RATE HE SAID WOULD BE FIXED AT 25 LATS 22 CENTIMES PER POUND STERLING THUS REESTABLISHING THE 1931 RATE

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LONDON -UP- THERE WAS CONSIDERABLE EXCITEMENT IN THE FOREIGN EXCHANGE MARKET THIS MORNING -DEALINGS COMMENDED IN ALL CURRENCIES WITH THE EXCEPTION OF FRENCH FRANCS SWISS FRANCS AND DUTCH GUILDERS - AMERICAN DOLLARS WERE QUOTED AT 4 94 TO 4 96 - PREMIUMS ON ONE MONTH DOLLAR WAS 1-2 TO 1-4 AND PREMIUM ON THREE MONTHS 1 TO 3-4

-0-

LONDON - REUTERS DISPATCH FROM JOHANNESBURG SAYS ANIMATED SCENES WERE WITNESSED ON THE STOCK EXCHANGE THIS MORNING - HEAVY BUYING OF GOLD SHARES TOOK PLACE IN AN ACTIVE AND FIRM MARKET AS A RESULT OF DEVALUATION OF THE FRANC

GOLD PRODUCING SHARES ESPECIALLY WERE IN DEMAND AND QUOTATIONS SHOWED ALL AROUND SHARP ADVANCE- NON-PRODUCING SHARES ALSO IMPROVED

-0-

9.33

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ADD INTERNATIONAL CURRENCY DEVELOPMENTS
BERLIN-U P- THE GERMAN GOVERNMENT ANNOUNCED
THAT NO CHANGE IN ITS CURRENCY POLICY IS ANTICIPATED- HOWEVER FINANCE DIRECTOR HJALMAR SCHACHT HAS SUMMONED A MEETING OF THE REICHSBANK-S CENTRAL COMMITTEE WEDNESDAY TO HEAR A STATEMENT OF GERMANY-S ATTITUDE TOWARD REVALUATION IN OTHER EUROPEAN STATES

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11.39

ADD INTERNATIONAL CURRENCY DEVELOPMENTS
ROME-UP- FINANCIAL EXPERTS OF THE BOURSE EXPRESSED THE OPINION THAT ITALY WOULD NOT DEVALUATE THE LIRA AT PRESENT BECAUSE
OF DOMESTIC POLITICAL REASONS

SEP 28 1936

IT WAS PREDICTED THAT THE ITALIAN GOVERNMENT WILL CIRCUMVENT UNFAVORABLE TRADING CONDITIONS CAUSED BY THE DEVALUATION OF THE FRANC BY SLOWLY ALLOWING THE LIRA TO CHEAPEN IN FOREIGN MARKETS WHICH WOULD BE EFFECTIVE FOR PURPOSES OF FOREIGN TRADE

IT WAS ALSO CONSIDERED POSSIBLE THAT THE GOVERNMENT WOULD MAKE THE LIRA FOR TOURISTS CHEAPER THUS CONTINUING A SYSTEM OF TWO VALUES FOR ITS CURRENCY

ITALIAN BANKS SHIPPING COMPANIES AND TOURIST OFFICES REFUSED TO DEAL IN FRENCH OR SWISS FRANCS OR DUTCH FLORINS THIS MORNING

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Summary - Monetary

WCNS24

PARIS.--THE INTERNATIONAL CURRENCY SITUATION, FOLLOWING FRANCE'S DECISION TO REVALUE THE FRANC, SUMMARIZED AS FOLLOWS:

SWITZERLAND--THE FEDERAL COUNCIL HAS DECIDED TO DEVALUE THE SWISS FRANC BY 33 PER CENT. THE PROPOSAL WAS SCHEDULED FOR DEBATE IN THE FEDERAL COUNCIL TODAY.

GERMANY.--FINANCE DIRECTOR SCHUCHT CONFERRED FOR TWO HOURS WITH FUEHRER HITLER, FOLLOWING WHICH IT WAS REPORTED THAT THE MARK MAY BE REVALUED. HITLER IS RELUCTANT TO TAKE THIS STEP, HOWEVER, BECAUSE OF BITTER MEMORIES OF POST-WAR INFLATION.

POLAND.--THE POLES WILL ATTEMPT TO MAINTAIN THE PRESENT GOLD PARITY OF THE ZLOTY, THE GOVERNMENT BELIEVES THAT THE REVALUATION OF THE FRANC "WILL PLAY NO IMPORTANT PART IN POLISH FINANCE OR COMMERCE."

BELGIUM--THE GOVERNMENT INTENDS NO FURTHER DEVALUATION BECAUSE AT PRESENT THE BELGA REPRESENTS ONLY 10 PER CENT OF THE VALUE OF THE POST-WAR BELGIAN FRANC. BELGIUM HAS ANNOUNCED SUPPORT OF THE ANGLO-FRANCO-AMERICAN STABILIZATION PLAN.

AUSTRIA.--OFFICIALLY THE AUSTRIAN GOVERNMENT HAS SHOWN NO REACTION TO THE FRANC'S DEVALUATION BUT THE NATIONAL BANK IS KNOWN TO FEEL THAT INASMUCH AS AUSTRIA IS DEPENDENT UPON FRANCE AND OTHER WESTERN COUNTRIES FOR TOURIST TRAFFIC WHICH PROVIDES THE COUNTRY WITH MUCH-NEEDED

FOREIGN EXCHANGE, AUSTRIA MAY SHORTLY REALIGN ITS SCHILLING BUT ONLY AFTER CONSULTATION WITH ROME, PARIS AND LONDON,

SPAIN.--AN IMMEDIATE CHANGE IN THE VALUE OF THE PESETA IS EXPECTED BECAUSE ITS VALUE ABROAD DOES NOT CORRESPOND WITH ITS REGULATED VALUE IN THE COUNTRY. BUT FOREIGN MONEY MARKETS BELIEVE THAT AS SOON AS THE CIVIL WAR IS OVER, THE PESETA WILL BE REALIGNED WITH THE MAJOR CURRENCIES. THIS IS NECESSARY BECAUSE A CONSIDERABLE QUANTITY OF THE BANK OF SPAIN'S GOLD RESERVES HAVE BEEN SHIPPED OUT OF THE COUNTRY FOR SAFEKEEPING AND AS A GUARANTEE FOR FOREIGN PURCHASES AND HENCE CANNOT BE COUNTED AMONG THE BANK'S TANGIBLE RESERVES.

CZECHOSLOVAKIA.--THE GOVERNMENT HOPES IT WILL NOT BE NECESSARY TO REVALUE THE CROWN, ALTHOUGH IT IS ATTACHED TO THE FRENCH FRANC AND THE GOVERNMENT STANDS TO LOSE HEAVILY BY FRANCE'S DEVALUATION.

ITALY.--PREMIER MUSSOLINI HAS CALLED A SPECIAL MEETING OF THE COUNCIL OF MINISTERS FOR TUESDAY TO CONSIDER THE POSSIBILITY OF LINING UP THE LIRA WITH THE FRANC, DOLLAR AND POUND.

RUSSIA.--THE ROUBLE IS LINKED TO THE FRANC AND MAY BE DEVALUED, ALTHOUGH NO OFFICIAL ANNOUNCEMENT HAS BEEN MADE.

HOLLAND.--THE GOVERNMENT HAS ANNOUNCED A GOLD EMBARGO WHICH PROBABLY WILL RESULT IN SOME DEVALUATION OF THE GUILDER.

MEMORANDUM

September 28, 1936

The Bank for International Settlements cabled to the New York Federal Reserve Bank on Saturday afternoon and asked if the Federal Reserve Bank of New York would advance them up to 98% of the value of gold shipped to New York up to a total of \$20,000,000. This would represent an advance by the Federal Reserve Bank of New York to the Bank for International Settlements against gold in transit, this advance to be liquidated by the sale of gold in New York after its arrival. The Federal Reserve Bank of New York will be willing to make such an advance simply as a general central banking operation but reported the request to the Federal Reserve Board in Washington to obtain its approval. Mr. Morrill, secretary of the Federal Reserve Board, telephoned today and stated that the Board would like to obtain our views on this transaction before making their decision. This was checked with Secretary Morgenthau, and Mr. Morrill, of the Federal Reserve Board, was advised that the Treasury had no objection to the transaction in question.



September 28, 1936
5:00 P.M.

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H.M.Jr. spoke to the President on the phone and said, "We took over the exchange market at 12:00. We did not do a thing. Sterling strengthened all through the day. Anybody who had a commercial transaction carried it out. It closes 1 to 1 1/2 cents higher than when the English turned it over to us. Nobody tried to pull any fast ones. I would say for the first day that the thing really worked beautifully. France has not done anything yet. They have not come to a vote."

DATE September 28, 1936

to Secretary Morgenthau

from Mr. Haas *HA*

Subject: Effect of countervailing duties on the trade of the United States with Germany.

1. Is there a large United States export excess which Germany could endanger by retaliatory action?

Not very large. In past years the United States has exported to Germany about twice as much as we have imported from her. In more recent years, however, our exports have dropped more rapidly than our imports and the export excess has dwindled to a relatively small amount. In the past six months the export excess has grown. It was \$11 millions compared with \$3 millions for the similar months in 1935. The following table shows the trend:

United States trade with Germany

(millions of dollars)

	:1926-30: :average:	1931	: 1932	: 1933	: 1934	: 1935	: 1st 6 mos. : 1936
Exports	400	166	134	140	109	92	47
Imports	211	127	74	78	69	78	38
Export excess	189	39	60	62	40	14	11

It has been stated that as a result of her abrogation of subsidy grants on exports to the United States, Germany will be forced to protect her small gold reserve by the adoption of a policy of matching exports with imports. It is unlikely that such a policy would curtail trade to Germany very much since it has already been cut to a low level.

2. What percent of our total imports from Germany was directly affected by countervailing duties?

Commodities subject to countervailing duties constituted less than 15 percent of the total in 1935. How much less, we cannot know from the published data because articles entered in Department of Commerce statistics as imported from Germany frequently originate in

other countries. This is due to the practice of recording the country in which the documents were consulated as the country of origin of the imported article. In the case of imports from Germany, a portion of the items on which countervailing duties were later imposed originated chiefly in Czechoslovakia, yet were invoiced before an American Consul in Germany and hence were recorded in our trade statistics as imports from Germany. In our examination of the original entries during the month of August we found that a very substantial portion, in some cases half, the total imports of those items that will be reported in the Department of Commerce figures as coming from Germany actually originated in Czechoslovakia.

On the other hand, some of the imports recorded as coming from Czechoslovakia and Belgium were subjected to the countervailing levy on the grounds that so much of the manufacturing was done in Germany that even though some processing was done in other countries the commodities were regarded by our appraisers as made in Germany.

It would probably be not unreasonable to estimate that during the year 1935 the proportion of goods upon which a countervailing duty was imposed in August constituted about 10 or 12 percent of the total imports from Germany. In other words, if the countervailing duty resulted in keeping out all the items made in Germany subject to that duty, and if imports from Germany of other items were the same as in 1935, the total reduction in German imports for the year would have been in the neighborhood of 10 percent of our imports from Germany, or about \$8 million out of our total imports of \$2,000 million - i.e., less than one-half of one percent.

4. How much did the imposition of countervailing duties out down on imports originating in Germany?

During the brief period in which the countervailing duties were in effect, the reduction in the import of goods subject to those countervailing duties dropped sharply. Yet imports of those articles apparently increased so much in anticipation of the levy of countervailing duties that when imports for the whole period May through August are considered the loss of imports resulting from the levy will probably be found to be negligible.

The table on the following page shows the sharp increases in the imports of those special commodities which took place during June and July (as compared with June and July of 1935), while the imports of all German commodities showed only a small increase. In August, however, the imports of commodities subject to countervailing duties almost wholly ceased, while all imports from Germany showed a slight increase.

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Table

Imports on which countervailing duties were levied,
in April, May, June, July and August of 1936
compared with similar months of 1935

(percentage change 1935 to 1936)

	Months during which little increase due to anticipation is to be expected		Months during which an increase due to anticipation is to be expected		Month during which countervailing duties were effective
	April	May	June	July	August
All commodities against which countervailing duties were not levied	- 10%	+ 4%	+ 0.1%	+ 32%	+ 11%
Commodities against which countervailing duties were levied					
Glass tree ornaments	- 20%	+ 45%	+ 326%	+ 349%	- 98%
Cameras	+ 209%	+ 49%	+ 169%	+ 276%	- 60%
China tableware	+ 6%	- 3%	+ 37%	+ 124%	- 69%
Surgical instruments	+ 53%	+ 61%	+ 116%	+ 137%	+ 9%
Thumb tacks	+ 14%	- 56%	+ 1,217%	+ 220%	- 98%
Toys, dolls, and toy figures	+ 103%	+ 33%	+ 119%	+ 563%	- 90%
Cotton and rayon gloves	- 47%	- 26%	- 24%	+ 7%	- 69%
Leather gloves	+ 49%	+ 151%	+ 10%	- 19%	- 82%
Calf and kid leather	- 28%	+ 3%	+ 12%	- 15%	- 92%
Metal-covered paper	- 8%	+ 45%	- 21%	+ 89%	- 25%
Total	- 20%	+ 2%	+ 46%	+ 81%	- 71%

Treasury Department - Division of Research and Statistics

September 24, 1936

Secretary Morgenthau - 4 -

The imports during June and July of the commodities in question increased sharply for two reasons:

(a) Importers had at least 30 days' notice of the imposition of the countervailing duties and could, and evidently did, increase the purchases of those items during June and July in anticipation of the levy. ^{1/}

(b) Contrary to the usual - though not unprecedented - procedure, withdrawals from the warehouse were not subject to countervailing duty even though made after the date on which the countervailing duties were effective (provided goods entered the warehouse prior to the effective date).

American importers or German exporters could, therefore, increase their supply in the warehouse before the effective date in the anticipation of subsequent sales to distributors without being required to pay the levy when the goods are subsequently withdrawn from the warehouse.

The table on page 3 gives the comparison of the months in 1936 compared with similar months of 1935. (Tables 2 and 3 in the Appendix give the weekly figures for 1936.) Owing to the seasonal character of the imports upon which countervailing duties were placed (in 1935 the percentage varied from 10% to 26% of total imports from Germany - see Table 7 in the Appendix) it would be very misleading to compare the imports of any one month with the imports of any other month during the year; the comparison has to be with similar months of different years.

The figures show great increases during June and July in most of the commodities subject to the countervailing duties, and a sharp drop in August. These movements, in comparison with the changes in the imports of all commodities, supply definite evidence that:

^{1/} The announcement that countervailing duties were to be imposed was approved June 4 and announced June 11, 1936. Doubtless for some weeks prior to June 11, the expectation that such an announcement was forthcoming existed among many importers so that actually the notice of forthcoming countervailing duties was in many instances longer than 30 days. T.D. 48479, dated August 14, lifted the countervailing duties from all importations showing satisfactory "documentary evidence that the contract of purchase or other agreement pursuant to which they were exported from Germany was entered into after August 2, 1936, or, in the cases of cameras, calf and kid leather, and surgical instruments, after July 25, 1936".

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Secretary Morgenthau - 5 -

(a) Imports of goods upon which countervailing duties were placed increased in anticipation of their imposition;

(b) They dropped very sharply during the period in which countervailing duties were imposed;

(c) Over the whole period the decline in imports was probably negligible.

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A P P E N D I X

Estimates, on the basis of figures supplied by the Bureau of Foreign and Domestic Commerce, of the percentage of imports from Germany during April to September, 1936, consisting of articles on which countervailing duties were applied in 1936.

<u>Month</u>	<u>Percentage</u>
April	14%
May	10%
June	10%
July	21%
August	26%
September	21%
6 months average	17%

Treasury Department, Division of Research & Statistics
September 24, 1936.

United States
Exports to Germany, April - September 1935
compared with April - August 1936
(Values in dollars)

Months	Monthly			Average week of 1/	Weekly		
	Domestic exports	Reexports	Total exports including reexports		Domestic exports	Reexports	Total exports including reexports
<u>1935</u>				<u>1935</u>			
April	4,904,142	159,525	5,063,667	April	1,144,300	37,222	1,181,522
May	4,852,079	126,941	4,979,020	May	1,095,631	28,664	1,124,295
June	6,880,698	146,372	7,027,070	June	1,605,496	34,153	1,639,650
July	6,509,199	87,698	6,596,897	July	1,469,819	19,803	1,489,622
August	5,444,272	104,420	5,548,692	August	1,229,352	23,579	1,252,930
September	8,851,715	74,325	8,926,040	September	2,065,400	17,342	2,082,743
<u>1936</u>				<u>1936</u>			
April	7,460,385	175,829	7,636,214	April	1,740,756	41,027	1,781,783
May	7,149,450	90,493	7,239,943	May	1,614,392	20,434	1,634,826
June	6,455,626	85,852	6,541,478	June	1,506,313	20,032	1,526,345
July	6,947,214	94,228	7,041,442	July	1,568,726	21,277	1,590,003
August 2/	5,701,729	121,413	5,823,142				
				<u>Week ending</u>			
				August 8 2/	1,832,043	21,312	1,853,355
				August 15 2/	1,089,972	16,298	1,106,270
				August 21 2/	853,510	23,661	877,171
				August 28 2/	1,432,685	57,766	1,490,451

Treasury Department, Division of Research and Statistics.

September 15, 1936.

- 1/ Average weeks for the months of April, June and September were constructed by taking 7/30 of the total for each month.
Average weeks for the months of May, July and August were constructed by taking 7/31 of the total for each month.
- 2/ Figures for August 1936 are preliminary.

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United States
Imports of countervailing dutiable commodities from Germany,
April - September 1935 and April - July 1936

(Values in dollars)

	Cameras	China table- ware	Cotton and rayon gloves	Leather gloves	Surgical instru- ments	Calf and kid leather	Glass tree ornaments	Metal- covered paper	Shank tools	Keys, balls and toy figures	All other	Total
1935												
April												
- Entered for immediate consumption	46,455	39,652	399,467	17,511	14,593	45,530	3,768	24,450	901	10,279		
Warehouse withdrawals for consumption	4,281	12,634	250,941	241	1,874	41,896	-	701	-	-		
Total imports for consumption	50,736	52,286	650,408	17,752	16,467	87,426	3,768	25,151	901	10,279	5,537,118	6,452,252
Warehouse entries	7,556	5,332	193,441	3,416	-	57,554	-	2,486	-	549		
Total general imports	54,011	44,984	592,908	20,927	14,593	103,084	3,768	26,936	901	10,828	5,525,956	6,398,896
May												
- Entered for immediate consumption	79,697	32,624	183,666	6,220	13,301	73,243	2,876	20,377	672	15,417		
Warehouse withdrawals for consumption	3,843	12,616	46,564	-	563	47,460	-	1,231	-	1,073		
Total imports for consumption	83,540	45,240	230,230	6,220	13,864	120,703	2,876	21,608	672	16,490	5,200,729	5,742,172
Warehouse entries	3,843	11,561	86,191	1,258	2,357	32,892	-	-	-	372		
Total general imports	83,540	44,205	269,857	7,478	15,658	106,135	2,876	20,377	672	15,789	5,306,506	5,873,093
June												
- Entered for immediate consumption	79,443	31,948	100,570	27,606	13,809	65,906	12,702	33,351	134	8,025		
Warehouse withdrawals for consumption	9,145	17,651	76,059	-	2,753	84,375	-	935	-	584		
Total imports for consumption	88,588	49,599	176,629	27,606	16,562	150,281	12,702	34,286	134	8,609	4,745,830	5,330,826
Warehouse entries	18,986	6,475	60,951	10,950	-	43,703	-	3,750	-	436		
Total general imports	98,429	38,423	161,521	38,556	13,809	109,009	12,702	37,141	134	8,521	5,067,915	5,606,760
July												
- Entered for immediate consumption	86,203	41,456	225,779	89,476	18,323	109,175	82,588	22,251	562	39,555		
Warehouse withdrawals for consumption	6,727	4,842	141,468	23,322	1,173	95,941	-	1,529	-	480		
Total imports for consumption	92,930	46,298	367,247	112,798	19,496	205,116	82,588	23,780	562	40,035	4,112,586	5,105,436
Warehouse entries	16,582	4,710	217,796	14,128	-	119,621	-	5,269	-	-		
Total general imports	102,785	46,166	443,575	103,604	18,323	228,796	82,588	27,520	562	38,555	4,232,438	5,325,912
August												
- Entered for immediate consumption	138,829	34,762	572,944	157,820	17,935	106,681	144,055	20,512	1,456	69,933		
Warehouse withdrawals for consumption	-	10,062	269,777	41,413	-	133,650	-	2,972	-	31		
Total imports for consumption	138,829	44,824	842,721	199,233	17,935	240,331	144,055	23,484	1,456	69,964	4,756,810	6,479,642
Warehouse entries	9,998	6,913	277,512	23,267	-	109,998	-	4,969	-	124		
Total general imports	148,827	41,675	850,456	181,087	17,935	216,679	144,055	25,481	1,456	70,057	4,810,016	6,907,734
September												
- Entered for immediate consumption	121,462	34,720	426,091	111,719	17,516	154,587	219,486	31,129	369	115,354		
Warehouse withdrawals for consumption	17,552	15,900	203,226	19,098	508	66,024	-	3,433	-	220		
Total imports for consumption	139,014	50,620	629,317	130,817	18,024	220,611	219,486	34,562	369	115,574	5,767,341	7,328,735
Warehouse entries	-	12,003	169,857	12,782	-	69,749	-	271	-	1,577		
Total general imports	121,462	46,723	595,948	124,501	17,516	224,336	219,757	31,129	369	116,931	5,499,086	6,997,738

United States
Imports of countervailing dutiable commodities from Germany
April - September 1935 and April - July 1936
(Continued - 2)

(Values in dollars)

	Cameras	China table- ware	Cotton and rayon gloves	Leather gloves	Surgical instru- ments	Calf and kid leather	Glass tree ornaments	Metal covered paper	Thumb tacks	Toys, dolls and toy figures	All other	Total
1936												
April - Entered for immediate consumption	149,019	44,099	302,877	20,645	22,280	42,006	3,001	24,770	1,030	21,106	4,408,476	5,059,269
Warehouse withdrawals for consumption	13,137	8,296	57,473	-	-	41,070	9	1,221	-	231	709,294	830,731
Total imports for consumption	162,156	52,395	360,350	20,645	22,280	83,076	3,010	25,991	1,030	21,337	5,117,770	5,870,000
Warehouse entries	17,890	3,801	9,931	1,089	-	32,476	-	-	-	807	581,874	647,758
Total general imports	166,869	47,860	312,808	21,734	22,280	74,482	3,001	24,770	1,030	21,913	4,990,280	5,687,027
May - Entered for immediate consumption	124,941	33,163	184,556	12,797	25,304	37,423	4,180	27,607	297	20,891	4,660,984	5,132,147
Warehouse withdrawals for consumption	5,251	9,069	25,418	-	-	22,943	36	1,007	-	114	577,824	641,662
Total imports for consumption	130,192	42,232	209,974	12,797	25,304	60,366	4,216	28,614	297	21,005	5,238,808	5,773,809
Warehouse entries	-	9,720	14,371	5,932	-	72,071	-	2,499	-	134	831,538	936,325
Total general imports	124,941	42,883	198,927	18,789	25,304	109,494	4,180	30,106	297	21,029	5,432,522	6,068,472
June - Entered for immediate consumption	245,553	49,612	101,208	15,276	29,764	51,467	42,828	28,858	1,765	62,293	4,236,862	4,866,452
Warehouse withdrawals for consumption	12,317	2,648	18,394	768	-	78,857	-	1,803	-	561	1,090,560	1,213,908
Total imports for consumption	258,870	52,260	119,602	16,044	29,764	130,324	42,828	30,661	1,765	62,850	5,335,422	6,080,360
Warehouse entries	17,700	2,921	21,797	27,160	-	71,788	11,289	4,162	-	36	842,445	999,298
Total general imports	264,253	52,533	123,005	42,436	29,764	123,255	54,117	33,020	1,765	62,295	5,079,307	5,865,750
July - Entered for immediate consumption	257,333	78,638	400,413	62,090	40,489	89,002	342,255	44,758	1,799	299,251	4,780,893	6,356,921
Warehouse withdrawals for consumption	47,796	16,411	50,732	21,240	-	82,280	6,275	2,061	-	1,117	854,448	1,002,360
Total imports for consumption	305,129	95,049	451,145	83,330	40,489	171,282	348,530	46,819	1,799	260,368	5,635,341	7,439,281
Warehouse entries	129,780	24,444	72,203	21,507	2,767	105,090	30,540	7,294	-	3,325	816,405	1,213,455
Total general imports	387,113	103,082	472,616	83,697	43,256	194,092	372,795	52,052	1,799	262,576	5,597,298	7,570,376
August - Entered for immediate consumption ^{1/}												
German origin	36,256	20,493	19,123	4,697	16,219	-	3,181	17,936	33	5,873	-	-
Other origin	-	2,144	231,609	27,002	-	-	-	-	-	299	-	-
Total	36,256	22,637	250,732	31,699	16,219	-	3,181	17,936	33	6,172	4,586,608	4,971,473
Warehouse withdrawals for consumption	23,793	9,863	32,637	13,118	4,290	57,870	14,761	932	217	307	1,062,904	1,220,992
Total imports for consumption	50,049	32,500	283,369	44,817	20,509	57,870	17,942	18,868	250	6,479	5,649,512	6,192,165
Warehouse entries:												
German origin	23,305	2,301	-	1,111	-	16,972	-	734	-	-	960	-
Other origin	-	-	32,725	98	-	-	-	-	-	-	960	683,607
Total	23,305	2,301	32,725	1,209	-	16,972	-	734	-	-	960	761,813
Total general imports	59,561	24,938	283,457	32,908	16,219	16,972	3,181	18,670	33	7,132	5,270,215	5,733,286

Treasury Department, Division of Research and Statistics

^{1/} August figures are preliminary. In addition to the four weeks included on the weekly table the figures for the month of August 1936 include August 1st and 2nd as well as some for the month of July which were reported by the Bureau of Foreign and Domestic Commerce too late to be included with their July counterparts.

Regraded Unclassified

United States
Imports of countervailing dutiable commodities from Germany,
Average weeks for months, April to September 1935, and April to July 1936,
Compared with weeks ending August 8 to August 29

(Values in dollars)

Average week of	Cameras	China table- ware	Cotton and rayon gloves	Leather gloves	Surgical instru- ments	Golf and kid leather	Glass tree ornaments	Metal- covered paper	Trunk bags	Keys, balls and toy figures	All other	Total
1935												
April												
- Entered for immediate consumption	10,839	9,252	93,209	4,086	3,405	10,624	879	5,705	210	2,398		
Warehouse withdrawals for consumption	999	2,948	58,553	56	437	9,776	-	164	-	-		
Total imports for consumption	11,838	12,200	151,762	4,142	3,842	20,400	877	5,869	210	2,398	1,291,995	1,505,539
Warehouse entries	1,763	1,244	45,136	797	-	13,429	-	580	-	128		
Total general imports	12,602	10,496	138,345	4,883	3,405	24,053	879	6,285	210	2,526	1,289,392	1,493,076
May												
- Entered for immediate consumption	17,996	7,367	41,473	1,405	3,004	16,539	649	4,601	152	3,481		
Warehouse withdrawals for consumption	868	2,849	10,514	-	127	10,517	-	278	-	242		
Total imports for consumption	18,864	10,216	51,987	1,405	3,131	27,256	649	4,879	152	3,723	1,174,357	1,296,609
Warehouse entries	868	2,615	19,462	284	532	7,427	-	-	-	84		
Total general imports	18,864	9,982	60,935	1,689	3,536	29,966	649	4,601	152	3,565	1,198,243	1,326,182
June												
- Entered for immediate consumption	18,537	7,454	23,466	6,441	3,222	15,378	2,964	7,782	31	6,533		
Warehouse withdrawals for consumption	2,134	4,119	17,747	-	642	19,688	-	218	-	136		
Total imports for consumption	20,671	11,573	41,213	6,441	3,864	35,066	2,964	8,000	31	6,675	1,107,361	1,243,899
Warehouse entries	4,430	1,511	14,222	2,555	-	10,197	-	884	-	116		
Total general imports	22,967	8,965	37,688	8,996	3,222	25,575	2,964	8,666	31	6,655	1,182,515	1,308,244
July												
- Entered for immediate consumption	19,465	9,361	50,982	20,204	4,137	24,653	18,649	5,024	127	8,932		
Warehouse withdrawals for consumption	1,519	1,093	31,945	5,266	265	21,644	-	345	-	108		
Total imports for consumption	20,984	10,454	82,927	25,470	4,402	46,317	18,649	5,369	127	9,040	982,650	1,152,369
Warehouse entries	3,744	1,064	49,180	3,190	-	27,011	-	1,190	-	-		
Total general imports	23,209	10,425	100,162	23,334	4,137	51,664	18,649	6,214	127	8,932	955,712	1,202,625
Aug.												
- Entered for immediate consumption	31,348	7,847	129,374	35,637	4,050	24,089	32,529	4,632	329	19,791		
Warehouse withdrawals for consumption	-	2,275	60,918	9,351	-	30,179	-	671	-	7		
Total imports for consumption	31,348	10,122	190,292	44,988	4,050	54,268	32,529	5,303	329	19,798	1,074,119	1,463,146
Warehouse entries	2,258	1,961	62,664	5,254	-	24,838	-	1,122	-	28		
Total general imports	33,606	9,408	192,098	40,891	4,050	48,927	32,529	5,754	329	15,819	1,086,135	1,469,486
Sept.												
- Entered for immediate consumption	28,341	8,101	99,421	26,068	4,087	36,070	51,214	7,263	86	26,916		
Warehouse withdrawals for consumption	4,096	3,710	47,420	4,456	119	15,406	-	801	-	51		
Total imports for consumption	32,437	11,811	146,841	30,524	4,206	51,476	51,214	8,064	86	26,967	1,345,712	1,709,338
Warehouse entries	-	2,801	39,633	2,982	-	16,275	63	-	-	368		
Total general imports	28,341	10,902	139,054	29,050	4,087	52,345	51,277	7,263	86	27,284	1,283,121	1,632,810

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United States
 Imports of countervailing dutiable commodities from Germany,
 average weeks for months, April to September 1935, and April to July 1936,
 Compared with weeks ending August 8 to August 29
 (continued - 2)
 (Values in dollars)

Average week of: <u>1/</u>	Cameras	China table- ware	Cotton and rayon gloves	Leather gloves	Surgical instru- ments	Calf and kid leather	Glass trees ornaments	Metal- covered paper	Thumb tacks	Top, balls and toy figures	All other	Total
1936												
April - Entered for immediate consumption	34,771	10,260	70,671	4,817	5,199	9,801	700	5,780	280	4,825	1,028,645	1,175,829
Warehouse withdrawals for consumption	3,065	1,936	13,411	-	-	9,583	2	285	-	54	165,501	193,877
Total imports for consumption	37,836	12,216	84,082	4,817	5,199	19,384	702	6,065	280	4,979	1,194,146	1,369,666
Warehouse entries	4,165	887	2,317	254	-	7,578	-	-	-	188	135,755	151,144
Total general imports	38,936	11,167	72,988	5,071	5,199	17,379	700	5,780	280	5,113	1,164,400	1,326,979
May - Entered for immediate consumption	28,212	7,488	41,674	2,890	5,714	8,450	944	6,294	67	4,718	1,052,481	1,158,972
Warehouse withdrawals for consumption	1,186	2,048	5,740	-	-	5,161	8	227	-	26	130,475	144,891
Total imports for consumption	29,398	9,536	47,414	2,890	5,714	13,631	952	6,461	67	4,744	1,182,956	1,303,763
Warehouse entries	2,398	2,195	3,245	1,353	-	16,274	-	564	-	30	157,787	211,428
Total general imports	28,212	9,683	44,919	4,243	5,714	24,724	944	6,798	67	4,748	1,240,240	1,370,300
June - Entered for immediate consumption	57,529	11,576	23,615	3,565	6,945	12,009	9,993	6,733	412	14,527	988,602	1,135,506
Warehouse withdrawals for consumption	2,874	618	4,292	179	-	18,400	-	421	-	131	256,330	283,245
Total imports for consumption	60,403	12,194	27,907	3,744	6,945	30,409	9,993	7,154	412	14,658	1,244,932	1,418,751
Warehouse entries	4,130	682	5,086	6,337	-	16,750	2,634	971	-	8	196,571	233,169
Total general imports	61,699	12,258	28,701	9,902	6,945	28,759	12,627	7,704	412	14,635	1,185,173	1,368,675
July - Entered for immediate consumption	58,107	17,757	90,416	14,020	9,143	20,097	77,283	10,107	406	38,541	1,079,577	1,435,434
Warehouse withdrawals for consumption	10,793	3,706	11,455	4,796	-	18,579	1,417	465	-	252	192,941	244,431
Total imports for consumption	68,900	21,463	101,871	18,816	9,143	38,676	78,700	10,572	406	38,793	1,272,498	1,679,865
Warehouse entries	29,305	5,520	16,304	4,879	644	23,730	6,896	1,647	-	751	184,330	274,006
Total general imports	87,412	23,277	106,720	18,899	10,094	43,827	84,179	11,754	406	39,292	1,263,580	1,709,440
Week ending <u>2/</u>												
Aug. 8 - Entered for immediate consumption:												
German origin	3,290	751	6,682	1,547	619	-	1,170	267	33	287	-	-
Other origin	-	63	36,326	2,841	-	-	-	-	-	-	-	-
Total	3,290	814	43,008	4,688	619	-	1,170	267	33	287	-	-
Warehouse withdrawals for consumption	3,519	691	6,244	768	-	18,948	-	555	-	135	-	-
Total imports for consumption	6,809	1,505	49,252	5,456	619	18,948	1,170	822	33	442	1,301,415	1,466,471
Warehouse entries:												
German origin	-	1,749	-	-	-	407	-	-	-	-	-	-
Other origin	-	-	8,668	-	-	-	-	-	-	-	167,196	176,044
Total	-	1,749	8,668	-	-	407	-	-	-	-	167,196	176,044
Total general imports	3,290	2,563	51,676	4,688	619	407	1,170	267	33	287	1,368,504	1,642,515

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United States
Imports of countervailing dutiable commodities from Germany,
Average weeks for months, April to September 1935, and April to July 1936,
Compared with weeks ending August 8 to August 29
(Continued - 3)

(Values in dollars)

Week ending 2/	Cameras	China table-ware	Cotton and rayon gloves	Leather gloves	Surgical instruments	Calf and kid leather	Glass tree ornaments	Metal-covered paper	Thumb tacks	Toys, dolls and toy figures	All other	Total
1936												
August 15 - Entered for immediate consumption:												
German origin	300	1,810	4,244	-	1,365	-	239	368	-	309	-	-
Other origin	-	639	48,428	7,195	-	-	-	-	-	172	-	-
Total	300	2,449	52,672	7,195	1,365	-	239	368	-	481	809,643	874,718
Warehouse withdrawals for consumption	1,933	2,503	6,757	9,584	-	8,754	9,611	-	-	152	137,219	225,253
Total imports for consumption	2,233	4,952	59,429	16,779	1,365	8,754	9,850	368	-	633	996,862	1,101,265
Warehouse entries:												
German origin	2,090	-	-	98	-	-	-	-	-	-	-	-
Other origin	-	-	1,985	98	-	-	-	-	-	-	169,962	171,725
Total	2,090	-	1,985	98	-	-	-	-	-	-	169,962	171,725
Total general imports	2,350	2,449	54,657	7,293	1,365	-	239	368	-	481	979,205	1,048,447
August 22 - Entered for immediate consumption:												
German origin	3,837	4,568	5,507	1,415	1,176	-	465	7,989	-	1,059	-	-
Other origin	-	1,442	86,355	7,384	-	-	-	-	-	32	-	-
Total	3,837	6,010	91,862	8,799	1,176	-	465	7,989	-	1,091	1,296,762	1,417,897
Warehouse withdrawals for consumption	258	1,416	6,476	2,159	-	7,179	-	200	71	-	173,300	191,999
Total imports for consumption	4,095	7,426	98,338	10,958	1,176	7,179	465	8,189	71	1,091	1,470,062	1,609,896
Warehouse entries:												
German origin	-	552	-	1,111	-	-	-	-	-	-	-	-
Other origin	-	-	19,857	-	-	-	-	-	-	-	265,209	286,723
Total	-	552	19,857	1,111	-	-	-	-	-	-	265,209	286,723
Total general imports	3,837	6,562	111,719	9,910	1,176	-	465	7,989	-	1,091	1,561,965	1,704,714
August 29 - Entered for immediate consumption:												
German origin	1,468	1,148	2,690	1,435	1,449	-	882	9,245	-	479	-	-
Other origin	-	-	54,483	9,506	25	-	-	-	-	95	-	-
Total	1,468	1,148	57,173	10,941	1,474	-	882	9,245	-	574	963,524	1,065,429
Warehouse withdrawals for consumption	916	5,236	8,950	607	-	15,785	454	177	146	-	255,637	287,328
Total imports for consumption	2,374	6,384	66,123	11,558	1,474	15,785	1,336	9,422	146	574	1,219,161	1,333,737
Warehouse entries:												
German origin	-	-	2,215	-	-	-	-	734	-	-	-	-
Other origin	-	-	-	-	-	-	-	-	-	-	99,587	128,516
Total	-	-	2,215	-	-	-	-	734	-	-	99,587	128,516
Total general imports	1,468	1,148	59,388	10,941	1,474	-	882	9,979	-	574	1,069,091	1,142,245

September 21, 1936

Treasury Department, Division of Research and Statistics.
1/ Average weeks for the months of April, June and September constructed by taking 7/30 of the total for each month.
Average weeks for the months of May, July and August were constructed by taking 7/31 of the total for each month.

September 28, 1936

For the Secretary:

Mr. Persons suggested to Miss Perkins that he invite you or Miss Roche to come over and speak to the nearly a hundred State directors of National Reemployment Service and State Employment Service offices who are meeting in Washington. He also suggested that he would greatly like to arrange for them to see the President. He showed me confidentially the reply that he received, which scouted both suggestions.

Dr. Atwood, of Chicago, who impressed me as the most able and vigorous person at the meeting, drew me aside after the meeting to admire my Roosevelt button and to tell me "Unless the three million and more persons on relief who are to be interviewed mostly between now and the election are handled properly and treated as human beings, Roosevelt's election will be endangered. In other words, he thinks the Employment Service can elect or defeat the President. Even discounting that a good deal, it does strike me that they may do a lot of harm during the time between now and the election. Why wouldn't it be a good thing for the President to show an interest in them and ask them to the White House on Wednesday for five minutes. He could emphasize the private placement angle and he might say something about treatment of relief persons to be reinterviewed without making it too pertinent

to the election. What do you think? I was quite impressed with the sincerity and earnestness of Dr. Atwood, but of course he may be exaggerating.

Mr. Persons, I know, would be delighted at any initiative on your part or that of the President in recognizing the group. He cannot take the initiative after receiving Miss Perkins' letter. Unless something is arranged by noon tomorrow, the group will be leaving tomorrow afternoon. If there were a chance of them seeing the President, Mr. Persons would have them wait over another day.

Upm

September 28, 1936
10:20 a.m.

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H.M.Jr: Hello.

Operator: I have Mr. Aldrich.

H.M.Jr: Oh yes.

Operator: Go ahead.

H.M.Jr: Hello.

Winthrop W.

A: Good morning, Mr. Morgenthau.

H.M.Jr: How are you?

A: I'm very well.

H.M.Jr: They said you tried to get me, Mr. Aldrich?

A: Yes. I - I tried to get you on Saturday after I got back -

H.M.Jr: Yes.

A: - here in the morning. I called you about lunchtime but you'd gone.

H.M.Jr: Yes.

A: All I wanted to say was that as far as our records show, that was a perfectly ordinary business transaction in Russia.

H.M.Jr: I see.

A: They transferred the dollars with some other dollars they had in their account here to a Swedish bank for its account.

H.M.Jr: Ah ha.

A: I hadn't at that time - I didn't know that they were going to issue any statement but I saw in this morning's paper that they had.

H.M.Jr: Yes.

A: And I think that - I think that it is a fact that that was an ordinary commercial transaction.

- H.M.Jr: I see. Well, of course, when I took it up with your Vice-President and your two foreign exchange men - at that time nobody knew what it was.
- A: Yes - yes. Well I talked to Tom Smith - when I got in from playing golf I thought of mentioning it to him and call him, and I called him up and he told me what had happened and he also said that he'd ascertain if this transfer had been ordered to this - the Swedish bank for its account together with this additional amount from their dollar account. I think as a matter of fact that's what it was. I don't think that they had any ulterior motives at all.
- H.M.Jr: Well I - I - I hope not but on the other hand the order to sell at best was rather unusual, wasn't it?
- A: Well, I don't really think it was. I think that the order to sell at the best price obtainable really leaves it to our judgment.
- H.M.Jr: Ah ha.
- A: Of course I don't think that it was the - I don't think they should have given such an order at a time like that. I mean I think there's bad business judgment on that. I think they ought to put a limit on it but it may be that they felt that they wanted to cover just that particular amount at the price that they were best able to pay.
- H.M.Jr: But just to pick that particular morning. I mean did it have to be done on that day?
- A: Well I think that they probably wanted to do it as rapidly as possible to get ahead of any possible fall.
- H.M.Jr: Oh well sure - sure.
- A: But I think it was clearly a normal transaction.
- H.M.Jr: Oh yes.
- A: I don't think there was any sinister purpose in it at all.
- H.M.Jr: But on the other hand a lot of other people must have had orders that they wanted to execute. Everybody else was kind enough and patriotic enough to - to wait.

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- A: Well I don't suppose you could say there isn't any question of patriotism involved (laughing) as far as the bank of the U.S.S.R. was concerned.
- H.M.Jr: No but just think of the magnificent way that everybody else in New York acted on this.
- A: Yes.
- H.M.Jr: And infact the rest of the world.
- A: Well I think that's true but I - I do think it was an ordinary business transaction.
- H.M.Jr: I - I - I don't question that if you say so but what I am questioning is the fact that they tried to beat the gun and dumped their stuff and they didn't care what happened.
- A: I'll tell you the honest truth. I doubt very much whether they regarded a million pounds as a thing which was of sufficient size to make much difference.
- H.M.Jr: But on the other hand a million pounds hanging over the market and - and with no explanation at the time was enough to drive it down.
- A: Oh it had that effect undoubtedly.
- H.M.Jr: Don't you think so?
- A: The market went down. There is no question about that.
- H.M.Jr: After all they sold 100,000 pounds, they knew there was another 900,000 pounds and there was nobody there to take it.
- A: Well I think we disposed of 300,000 pounds in the market, didn't we?
- H.M.Jr: What your Schmidlapp told me was you sold altogether a million three hundred thousand.
- A: No, we sold a million I think.
- H.M.Jr: No, there were 300,000 for some other accounts.

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A: But I'm talking now for the Soviet's.

H.M.Jr: Yes - oh well I'm talking

A: You see what he told me was - I haven't had a chance to check it up this morning - but what he told me was that we sold 300,000 pounds for account of Soviet - in the market - and then the - the Federal gave us 700,000 pounds.

H.M.Jr: I - I - I - I - I - I think you're wrong Mr. Aldrich. I think what happened is the total was a million, too. You - of the Russian order, I believe - this is what Knoke of the Federal Reserve tells me you sold a million - a hundred thousand in the market and we bought 900,000 from you, you see? That would make a million, too. -

A: Well that isn't what he told me.. He told me that -

H.M.Jr: Well there's a slight difference. I - I don't believe we bought more than 900,000 from you of the Russians and that's what Knoke, our foreign exchange man -

A: He said that you bought ten hundred thousand.

H.M.Jr: Pardon me?

A: Schmidlapp told me that the Federal bought ten hundred thousand -

H.M.Jr: I think he's in error. I think he's in error. I just got throughtalk -

A: As far as we can tell it was a perfectly ordinary transaction - that's what is important.

H.M.Jr: But badly timed.

A: Badly timed. Of course you know we cabled back to them to verify that.

H.M.Jr: I mean any other - let's put it this way - There wasn't another Government or another bank in the world that - but what held back.

A: Yes.

- H.M.Jr: And the Russians were the only ones. Let's say there was nothing sinister but I mean on the other hand they weren't willing to cooperate with every other country in the world and give this thing a chance.
- A: Well I - of course I don't know about that - I - all I know is that - I - I know that they did have to pay and did pay six millions in Sweden in dollars.
- H.M.Jr: Yes.
- A: That same day and the balance of it came out of their dollar account but I mean it was - they had an obligation to pay that day.
- H.M.Jr: But on the other hand, Mr. Aldrich, if you had an open commitment of six billion dollars you wouldn't have executed it on Saturday.
- A: Well my understanding is that they had to pay the commitment that day - Saturday -
- H.M.Jr: Ah ha.
- A: - that it was not an open commitment.
- H.M.Jr: Well anyway may I say this. At first I asked for you, you weren't there, then I asked for Mr. Campbell, then they said the next man in line was Schmidlapp and Schmidlapp I thought, from our standpoint and from the standpoint of the United States government was perfectly grand.
- A: Yes.
- H.M.Jr: And he couldn't have been nicer.
- A: Well that's fine. I'm glad of it.
- H.M.Jr: I - I mean
- A: As far as - Governor Harrison had called me up the night before -
- H.M.Jr: - Yes.
- A: And had asked me to give instructions to discourage any speculation in sterling.

H.M.Jr: Right.

A: Which I had done through our head trader.

H.M.Jr: Right.

A: That morning.

H.M.Jr: That's fine.

A: And they had their instructions and were proceeding accordingly.

H.M.Jr: Right.

A: I think the only thing is that - the only thing I wanted to tell you was that - that a simple fact and as far as our records go -

H.M.Jr: Yes.

A: - they had to pay six millions of dollars and upwards in Sweden on Saturday and that - that's what they were covering.

H.M.Jr: Well may I say this - as far as the United States Treasury is concerned it's a closed incident.

A: Yes. Well that's all right but I want you to know what the facts were because - as a matter of fact I wanted to tell them to you on Saturday but I couldn't reach you.

H.M.Jr: All right. But I also want to say that I - from our standpoint Schmidlapp was perfectly grand.

A: Well that's fine. I'm delighted because naturally we wanted to cooperate 100%. I don't - I don't know what you can do when you get instructions of that kind as a matter of fact except to disclose the whole thing.

H.M.Jr: On the other hand, to-day everything is quiet and it's going along beautifully.

A: Yes. Well that's fine.

H.M.Jr: How do you like it - the idea?

A: Oh I think it's extremely constructive - the whole thing - of course we've been expecting it for a long time.

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H.M.Jr: Yes.

A: I think the statement is admirable.

H.M.Jr: Yes.

A: And I hope it will lead to real stabilization.

H.M.Jr: Yes. Well I hope so too.

A: Let me see now. I have a memorandum here that -
we have - this may be of interest to you -

H.M.Jr: Please.

A: From stories that we're getting this morning -

H.M.Jr: Yes

A: - a lot of gold is being engaged in London for
shipment to New York - also a lot of silver from
China. It looks as if the pound will be vulnerable
at \$4.90 to \$4.86 -

H.M.Jr: Ah ha.

A: That's just a memorandum from -

H.M.Jr: I see. Well I appreciate that.

A: All right.

H.M.Jr: Thank you Mr. Aldrich.

A: You're welcome.

Monday
September 28, 1936
10:25 a.m.

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Operator: Mr. Cochran -
H.M.Jr: Thank you
Operator: Is Mrs. Klotz with you?
H.M.Jr: Pardon me?
Operator: Is Mrs. Klotz with you?
H.M.Jr: Who?
Operator: Mrs. Klotz with you?
H.M.Jr: Yes, she is.
Operator: All right, go ahead.
H.M.Jr: Hello
C: Hello, Mr. Morgenthau
H.M.Jr: Hello, Cochran?
C: Yes
H.M.Jr: I hope you had a good night's rest.
C: Yes - yes, very good thank you.
H.M.Jr: Well, how is the President of France? Did he sleep well?
C: I don't know. I hope so.
H.M.Jr: I do too.
C: Things are very quiet here now, there's no trouble in the street, no special police or anything of the sort. The finance committee of the Chamber approved the Bill yesterday.
H.M.Jr: They approved it?
C: The Finance Committee -
H.M.Jr: Yes
C: By a vote of twenty to twelve -
H.M.Jr: Twenty to twelve?

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C: - with seven unstated.

H.M.Jr: Yes

C: And I'm cabling today - it's already over, most of it - the text of the Bill.

H.M.Jr: Good

C: And the Chamber met at nine o'clock this morning and was given the Bill, then adjourned, then they reassembled and worked on it until after lunch and then they adjourned and are meeting again at four o'clock.

H.M.Jr: Yes

C: Then - they cannot pass it or admit it to the Senate yet tonight.

H.M.Jr: They can or cannot?

C: It will probably pass to the Chamber tonight.

H.M.Jr: Yes

C: It will not have a chance to act on it before tomorrow.

H.M.Jr: Yes

C: And they had a caucus on the Radical Socialists today.

H.M.Jr: What's that?

C: They had a little vote taken on the Radical Socialist members of the Government

H.M.Jr: I don't understand.

C: I said the Front Populaires -

H.M.Jr: What happened?

C: There are three parties of the Popular Front Government -

H.M.Jr: Yes

C: The most conservative of these is the Radical Socialist group.

H.M.Jr: Yes

C: They met separately, forming early, to decide what their attitude would be.

H.M.Jr: Yes

C: They voted at their little gathing by fifty-five to thirteen for sound devaluation.

H.M.Jr: I'm sorry, you'll have to repeat that.

C: They voted - this small group of Radical Socialists, by a majority of fifty-five against thirteen to support the Government on devaluation.

H.M.Jr: Fine

C: They are against, however, (squealing noise) consultation fixing a fair wage on a shifting scale according to prices.

H.M.Jr: Yes

C: So the Government, they want to throw that out of the Bill.

H.M.Jr: Yes

C: And they - and they want one vote in the Chamber taken on the point as to whether the Bill has been - should be returned to the Finance Committee for revision -

H.M.Jr: Yes

C: That is - if not satisfactory. This proposition was turned down by a majority of three hundred sixty-five to two hundred forty-eight.

H.M.Jr: Yes

C: And that was just about the regular - the Popular Front Government's majority.

H.M.Jr: I see.

C: So it looks like they can count that vote to stand on the statement.

H.M.Jr: Yes

H.M.Jr: Now, when is a good time to call you again?

C: What's that?

H.M.Jr: When would be a good time to call you again?

C: Well, I don't know. There won't be much done for some time. You see, they've just reassembled now.

H.M.Jr: Yes - well, if you get any news, you call me.

C: All right.

H.M.Jr: All right.

C: Let me give you a little more now, I have ethical points.

H.M.Jr: Yes

C: Cariguel telephoned me at four o'clock.

H.M.Jr: Yes

C: - that they were confident that the two bodies of Parliament could not possibly pass the measure tonight.

H.M.Jr: Tonight?

C: (Squealing noise)

H.M.Jr: What's that?

C: Fournier -

H.M.Jr: Yes

C: - wanted me to let you know that the market here will be closed tomorrow -

H.M.Jr: Yes

C: - as it is today.

H.M.Jr: Yes

C: And he requests that our people refrain from trading -

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H.M.Jr: Yes

C: And he thought the London market would follow the same system.

H.M.Jr: I don't get that.

C: I say, the Bank of France expects that London and also ourselves in the market will follow the same system as of Saturday and today.

H.M.Jr: Yes, well that's all right, we are.

C: Don't make foreign exchange transactions.

H.M.Jr: Yes

C: So he wanted to check that with us, see?

H.M.Jr: Well, they're watching it very carefully.

C: And they would have to continue tomorrow to do that.

H.M.Jr: Well, that's all right. - Did - ?

C: Fournier had called me out to the bank at ten o'clock this morning.

H.M.Jr: Yes

C: He thought at that time that the Bill might be completed by tonight.

H.M.Jr: Good

C: And so he said that he had definitely put the proposition up to Monnick himself and I asked him if they had sold some of this French gold on Saturday.

H.M.Jr: (Spoken to someone in his office: I can't hear, can you?)

C: Then he added that they had referred the question to Washington, see?

H.M.Jr: What question?

C: This question of hoarded gold.

H.M.Jr: Oh -

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- C: And I said, I said to Cariguel the other day not to worry, that a mutually satisfactory system would be worked out.
- H.M.Jr: Yes
- C: And he said, 'Well, that was just what the Federal said.'
- H.M.Jr: Yes
- C: And he wanted to know if he could safely go ahead at five dollars on that understanding.
- H.M.Jr: Well now look, that sort of question - let him take that right up with the Federal, see?
- C: So he did - and he -
- H.M.Jr: Well, what more does he want?
- C: - that it be taken care of - that he wants something more formally to consider.
- H.M.Jr: Well, how can we until they pass their law?
- C: That's just what I told him, but his point is this, that he's afraid that the law will be passed in the night and that he would have to step into the market the first thing the next morning -
- H.M.Jr: Well, now wait a minute, Lochhead's here, wait a minute.
- C: Hello?
- H.M.Jr: Well, why don't they give us a tentative order?
- C: Beg pardon?
- H.M.Jr: Let them give us a provisional order, we don't know at what point they want to operate.
- C: I see
- H.M.Jr: Now, why don't they give us a provisional order what they want? I mean, they keep talking in riddles.
- C: If he buys dollars he wants to know whether he can get gold coins.

- HMJr: Well now, I've - look, I can't do this over the telephone, this is the Bank of France, they've got to take it up - Cariguel - let Cariguel take it up directly with the bank in New York. Now, tell him not to get the 'jitters', we're going to take care of him, we've done it form the last two years -
- C: Surely.
- HMJr: - they've got nothing to worry about -
- C: That's right.
- HMJr: Now, just tell him to be - we're not going to - we're doing everything to help them, we're not going to let them down, they should take it up with the bank in New York and everything is fine and everything is ready but we - if they'll just tell us what they want.
- C: That was the one point that they wanted --
- HMJr: Well, they've got to do this now through the bank in New York.
- C: - dollars into gold at thirty-five -
- HMJr: Well, they've got - tell Fournier he's got to do it through the Federal Reserve in New York, I mean that sort of stuff has got a channel through the Bank of France to the Federal Reserve in New York now.
- C: Yes - you see, he took up that very point Saturday afternoon at my suggestion.
- HMJr: Yes - well, tell him -
- C: I'll put him off, don't worry.
- HMJr: Well, tell him not to get nervous and everything is all right.
- C: All right, fine. Then, there's one other thing.
- HMJr: Yes
- C: I'll have to see my notes. Cariguel has said that the British have been talking with them about operations and so on.
- HMJr: Yes

C: - that they've asked the Bank of France to do any sterling deals here for their account.

HMJr: Yes

C: That is the British account and Cariguel reminded them that he was a banker and not a broker.

HMJr: Well, I think that's - if I may say so I think that's a mistake on Cariguel's place.

C: Well, I don't know, anyway, that's -

HMJr: Well, I think he's made a big mistake. I should think he'd be delighted to act for the Bank of England.

C: Why, I don't know how it will work out but that was their first reaction.

HMJr: Well, you can - if you want to you can tell Cariguel you mentioned it to me and I think he - - he's made a big mistake.

C: Yes - They ought to watch out more for them, shouldn't they?

HMJr: What?

C: I get your point.

HMJr: Well, I certainly - if I want to buy francs I'm going to ask the Bank of France to operate for us.

C: Yes

HMJr: And I'm going to ask in London the Bank of England to operate for us and I expect the Bank of France to operate through the Federal Reserve in New York. I don't expect them to do it through a private concern.

C: Yes - surely.

HMJr: I think Cariguel is - he ought to think twice.

C: Yes, well, I mean that is just one of the points that we'll have to get together on. They're anxious to start an amiable conversation with us as soon as possible.

HMJr: Well, I think he's made a big mistake.

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C: Well, it may not be definite, I don't know.

HMJr: Yes

C: Then the other thing, Beyen, the head of the B. I. S. -

HMJr: Yes

C: - telephoned me just fifteen minutes ago and he - they have been buying - his bank - the B. I. S. has been buying gold.

HMJr: I know about that.

C: Yes

HMJr: They've asked George Harrison whether they can get a credit of twenty million dollars.

C: A credit?

HMJr: What?

C: A credit?

HMJr: A credit against earmarked gold at the B. I. S.

C: Well, that wasn't what he was asking me.

HMJr: Oh -

C: He just said that in the past they had been buying gold for the foreign Central Banks improving the London free market and had been taking care of each other.

HMJr: Yes

C: Now, of course it has changed because sterling interferes.

HMJr: Yes.

C: He wanted to know that if when you people are presumably studying this thing of the release of gold, I understand that the French were studying it, whether the B. I. S. could be considered as eligible. They said that if we had conditions they'd be glad to -

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HMJr: Yes, go ahead.

C: - hold them in discourse and see if they couldn't keep them, that is, they don't want to keep -

HMJr: You better - you'd better put that into a cable, I can't give you a snap answer on that.

C: All right, fine, I'll put that in a cable.

HMJr: I can't give you a snap answer on that.

C: So, his point is whether they should apply officially or whether I would submit their inquiry.

HMJr: Well, you'd better cable me that, just what he told you and let us think about it.

C: All right, fine.

HMJr: All right.

C: Then, if I get something definite tonight I'll call you, you're in Washington, are you?

HMJr: Yes, I am.

C: Fine.

HMJr: Thank you.

C: All right.

HMJr: Goodbye.

Monday
September 28, 1936
10:55 a.m.

HMJr: Hello.

Knoke: Hello, Mr. Secretary.

HMJr: What do you know?

K: The market here is very quiet, the market in London the Bank of England just told me has been quiet for the last five to six hours -

HMJr: Yes

K: The Bank of England operated up to eleven-thirty their time -

HMJr: Yes

K: Bought sterling at an average rate of four ninety-three and a half -

HMJr: Yes.

K: And has since then - No intervention has been necessary.

HMJr: Fine

K: I told them as long as we - as long as they were open it would be advisable for them to continue their operations around this level.

HMJr: Yes.

K: And I talked to them at the opening - at the closing about this afternoon.

HMJr: Yes.

K: I thought I'd discuss it with Lochhead in the meantime and -

HMJr: Yes - Archie is in here with me now.

K: Yes

HMJr: Do you want to talk to him now?

K: Well -

HMJr: A little later?

K: No, that's all right, whatever suits you, Mr. Secretary.

HMJr: See, I'd like to listen.

K: I see.

Archie
Lochhead: Hello - hello, Knoke?

K: Hello

L: Did the Bank of England say - use any of the gold or did they sell us any gold?

K: No, no -

L: They did not, so any gold bought in the market for their account -

K: They said to me - I asked them, they said, 'Well, you know who has been doing the business?' I say, 'No, - all your banks'.

L: Well, in other words, well, do they understand then that - from that that some of the banks are going to be shipping gold here commercially today?

K: Well, I'm not so sure that they're shipping. Bankers called me up and said they - what was the attitude - I told them they are to run their own business, that it seemed to me the least thing desirable just now was to see more gold come in here. So unless the transaction left a reasonable profit it seemed to me the wise thing to do was not to indulge in gold shipments to New York yet today.

L: Well, that's what struck me, that the rates then - it wouldn't - it would be an awful gamble for the banks to try to engage gold, but on the other hand there was quite a lot of gold sold in that market this morning.

K: Well, but you know, the same old thing, Archie, the gold was fixed this morning at the four ninety-four sterling rate, you see.

L: Yes, yes.

K: The moment sterling dropped to three and a half the boys had a profit.

L: Right.

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- K: Now, that isn't a business that - that's not straight.
- L: Well then, I mean, in other words, they're just doing a gold business, not an exchange business.
- K: Yes, it - it's gold outside of the exchange business. However -
- L: Did they give any indication of how much was done?
- K: Well, what they told us this morning, four hundred and twenty-seven bars.
- L: Yes - well -
- K: It's always at the fixing only and nobody knows what's done in the unofficial market afterwards.
- L: Right.
- K: But now listen, as to the rates, they told - the Bank of England told me they had sold on balance three and a quarter million dollars.
- L: Yes
- K: - that they bought about seven hundred thousand pounds.
- L: Right.
- K: At an average rate of four ninety-three and a half.
- L: Right.
- K: And they would at the present time leave the market alone and operate at four ninety-one and a half to four ninety-five and a half, which is just about -
- L: Middle way -
- K: - which pivots around that rate at which the bulk of business has been done.
- L: I see.
- K: And that seems to be eminently sound.
- L: Well, they'll be up - let's see - there's the same time on that when you say about operating in

their margin. They must be about cleared up, I suppose they will operate until pretty close to a five, is that it?

K: They - they haven't done anything for the last five or six hours.

L: Yes, but I mean they will be definitely out of the market, say, by twelve our time?

K: Yes, but they would be in the market if sterling should - or the dollar should move to either of these limits.

L: I see.

K: Otherwise they won't.

L: But they will probably operate on the - I mean if it got up to the four ninety-five and a half they operate on the other side.

K: They would sell sterling - at four ninety-one and a half they'd buy sterling.

L: I see.

K: Well now, the problem is -

HMJr: What are the limits?

K: Four ninety-one and a half to four ninety-five and a half.

HMJr: All right.

K: And they say that - they had no preference as to the rate but it's the - it's the - the pivot - the middle of that is four ninety-three and a half -

L: Yes

K: - at which the bulk of the business was done.

L: Yes, I mean, in other words, when the - if they got down to four ninety-one and a half or it went up to four ninety-five and a half they'd step on it pretty hard. In between that they'd work with the market.

K: That's right.

L: Right.

- K: And they have not found it necessary to operate at all for the last five hours.
- L: I see.
- K: And the rates indicate that. The rates have been very steady at four ninety-four, four ninety-three and one half, four ninety-three and three quarters.
- L: Yes - and in this market here, have you had anything at all since the last - ?
- K: The volume is in five thousand pound orders -
- L: Yes
- K: None of the banks have any orders of consequence. The rate is - the latest rate is four ninety-three and three quarters to four and a quarter and that is what also London gave me on the 'phone.
- L: Yes - well, I don't think there is anything to say just now, until we see what works out but then of course after noon - after twelve noon here we'd have to watch a little more carefully.
- K: Yes
- L: Because then the bulk will come over here then.
- K: Yes, but now the thing is this, and that's what I want to discuss - would we want to have an order from the British here? - you see, I would say I don't know, I'd just say I'd touch upon this when I spoke to them. I would say the British having operated at this level would give us an order only of course assuming that that would be satisfactory to this end here.
- L: Yes - well, on the other hand there will - (HMJr says, 'We've got an order in there for gold'.) We - of course we did put an order in there for gold, that was one thing but we didn't put an exchange order in.
- K: No - no, that is - they operated for their own exchanges.
- L: Yes, but I mean, on the other hand we can - we could buy sterling. The only thing is about short selling. They would put an order in this market here for us to

sell sterling at four ninety-five and a half.

K: And to buy it at ninety-one and a half.

L: And to buy it at ninety-one and a half. Well then that would mean that they were carrying - that they were taking care of both the London market and this market.

K: Yes, all right, now that's just the point.

HMJr: No, now wait a minute -

K: Yes.

HMJr: Let's try it today this way, they'll take care of it today up until five o'clock, which is twelve o'clock here. At twelve o'clock we'll step in and we'll take care of it today. Let's try it that way.

K: Yes.

HMJr: So we don't both be working, see?

K: Yes, that's fine.

HMJr: You tell the Bank of England that at twelve o'clock we'll step in and we'll take care of it the rest of the day.

K: But of course I take it, Mr. Secretary, what you have in mind is we'll take care of it along the same lines here.

HMJr: I won't - I'll say approximately, that we approximately - see?

K: Yes

HMJr: Hello?

K: Yes

HMJr: Approximately the same thing. But that we'll take care of it, you can't tell what will happen but we'll take care of it from twelve o'clock on today here. What's the matter with that?

K: Oh, nothing (laughs) nothing -

HMJr: See, it isn't fair to say to them, when it goes to four ninety-five, 'You sell and we'll buy'. I mean

that isn't fair. They've taken care of it up until five o'clock in London and we'll step in at twelve o'clock and we'll handle it. Let's see how that works -

K: Yes

HMJr: - on this side of the water.

K: That's the way it ought to work out, Mr. Secretary.

HMJr: Well -

K: I take it, what is going through your mind is after they've operated at four - at an average rate of four ninety-three and a half you wouldn't be willing to let the market drop to four eighty-five and -

HMJr: No

K: - not to anything until it goes up to five-o-five. They had found the - the -

HMJr: Listen, now wait a minute, Knoke - now wait a minute.

K: Yes

HMJr: They didn't ask me anything this morning. They've done it. I'm not going to say anything. From twelve o'clock on today I'll handle it and they'll have to trust me, I trusted them to handle it all day today in London. Now, why try to pin me down?

K: No, no - no, sir, don't misunderstand me, I don't want to pin you down at all. It's simply I want to be sure that I understand you correctly. I'm not going to tell them anything - I'm telling - we'll take care of -

HMJr: This is what you can tell them, that I'm very much pleased the way they took care of the market today.

K: Yes

HMJr: I hope to do as well this afternoon.

K: Fine

HMJr: Now let's let it go at that.

K: Fine

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HMJr: I'm very much pleased the way they took care of the market this morning, and this afternoon I'll try to do as well.

K: Do as well - fine.

HMJr: Now, how's that?

K: That - that's -

HMJr: Let's say that 12:00 is the dividing line.

K: 12:00 all right.

HMJr: We'll step in at 12:00.

K: Yes - all right, thank you, sir.

HMJr: Thank you.

September 28, 1936
11:05 a.m.

H.M.Jr: Hello.

Operator: Governor Harrison.

H.M.Jr: Thank you.

Operator: Go ahead.

H.M.Jr: Hello.

Harrison: Hello.

H.M.Jr: Hello, George.

H: Yes, Henry.

H.M.Jr: I talked to Cochran and what he said - stuff was mostly political. He feels that tonight the Assembly will pass the bill. He doubts whether they can get it through the Senate.

H: Yes.

H.M.Jr: I mean tonight.

H: Yes.

H.M.Jr: No question about it, and he says Blum is getting the usual Popular Front vote. I mean - no more, no less.

H: Yes.

H.M.Jr: He doesn't seem to think that they will have much trouble in getting it through.

H: Yes.

H.M.Jr: And that is -

H: Well, that is very good.

H.M.Jr: Now the other thing which I told him to put in the cable because I couldn't get it over the wire - it seems that the International Bank of Basle have asked whether they could be on a status that they could buy and sell gold from us, see?

H: Yes.

H.M.Jr: And that was bringing up something new, and I asked him please to put that in a cable so that I - I could not give that a snap answer.

H: Yes.

H.M.Jr: The other -

H: The B.I.S. - the B.I.S. has nothing to ask about that. They were asking merely about a loan on gold.

H.M.Jr: I know - I told him that, but this is something entirely different and I - I'd want to think it over and certainly consult with the board here on that because that's something which needs study, doesn't it?

H: Yes, I do. I think that's right.

H.M.Jr: You wouldn't want to give a snap judgment on that, would you?

H: No, I think it - it would depend a little bit on what they want it for.

H.M.Jr: Yes; and the other thing carries -

H: They may - they may well figure that they are trying to equalize things among different banks, and to have a supply of dollars which they can give to others if they need.

H.M.Jr: Yes.

H: In other words, if they do that they may not need to make a loan from us on gold.

H.M.Jr: Well, I told him that - put that in the cable. I couldn't give him a snap answer.

H: Yes.

H.M.Jr: And, another thing he told me - Cariguel told him that he'd had a request from Bank of England to buy sterling through the Bank of France, and they turned them down. They said they want brokers. I told him I thought Cariguel had made a great mistake - that certainly if we expect to buy francs in France we would do it through the Bank of France and that would - and that -

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H: Sure.

H.M.Jr: And that when they -

H: I never heard of a case like that. We always operate through the central bank.

H.M.Jr: Well, they turned them down, and I told him that if he cared to he could quote me as saying that I thought he made a great mistake. I can't understand it.

H: I don't either.

H.M.Jr: And then - then - oh, this fellow, Fournier, has got the jitters about, can he get gold and can he get - supposing they pass this the middle of the night. I told him not to get nervous. We told them now two or three times that they could, after the law had passed, but to please - to take it up through you and not through us.

H: Yes.

H.M.Jr: And to stop worrying about it. We told them that when they passed a law, we'd do it. And he said, well, he's so terribly nervous; so I said, well, tell him not to worry.

H: Yes.

H.M.Jr: What?

H: I think you're quite right.

H.M.Jr: All right. And then -

H: That - that's first rate then. They won't - probably won't get action by the Senate until tomorrow then.

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

H: Yes.

H.M.Jr: But everything over there is very, very quiet, and I just got through talking with Knoke, and see if you agree. He's had a talk with the bank, and the Bank of England is taking care of the pound between 4.91½ and 4.95½ - buying at 4.91½ and selling at 4.95½.

H: Yes.

H.M.Jr: So after a long, long talk, I told him that from 12 o'clock on, New York time, we'd take care of it here.

H: Yes.

H.M.Jr: And I told him that he could tell the British that we were delighted the way they had handled it this morning, and we'd try to do as well this afternoon.

H: I see.

H.M.Jr: But I wouldn't pin myself down because what do I know what will happen.

H: Yes.

H.M.Jr: I said - I repeated it twice - we were delighted the way they handled it in the morning, but let's - this afternoon, from 12 o'clock on in New York, we'd handle it, and we'd try to do as well.

H: That's right.

H.M.Jr: But at first Knoke thought that at one price we should buy and at another price they should sell, and that's too confusing; and, after all, 12 o'clock is here, 5 o'clock London, why shouldn't we take care of it? Don't you think so - in America, I mean?

H: Yes. We should take care of it.

H.M.Jr: That's what I think. Don't you think so?

H: Yes. I - I - I think for a while. I think normally we'll get back to the other basis.

H.M.Jr: Oh, well, I'm - I'm talking about for today and tomorrow.

H: Yes; yes.

H.M.Jr: And then the other thing Knoke said - would we continue - I mean not Knoke, Cochran - would we continue to caution our people not to do anything because they'll be - all their exchanges will be closed again tomorrow; and I said he could rest assured that we'd continue here.

H: I've called up every one of those fellows again this morning, and I've got agreements with every one of

H.M.Jr: Right.

H: - them to carry on just the same until this situation is cleared up by some definite fixing of parities by legal action.

H.M.Jr: Right. And I had a long talk with Aldrich who called me, who wanted to tell me that this was a legitimate transaction. So I said - "Well, if you say so, I'll take your word for it."

H: Well, I - I called Aldrich as I was going the rounds of the banks -

H.M.Jr: Yes.

H: - and he mentioned that he'd just finished talking to you -

H.M.Jr: Yes.

H: - and he was quite upset about it because he says, "Our records pretty well confirm -

H.M.Jr: Yes.

H: . - what the Soviet said. In fact, on Saturday they transmitted \$6,900,000 on the order of the Soviet Bank to that Swedish Bank -

H.M.Jr: Yes.

H: Which is just the amount that they said, because they had an obligation due there on Saturday."

H.M.Jr: Yes.

H: And he used \$5,000,000 that he had gotten from you for the pounds.

H.M.Jr: Yes.

H: And he used a million, 8 or 900 thousand to make up the difference out of their current account, which makes it look as though it was a pretty straight transaction.

H.M.Jr: But, George, he wasn't upset on the way I talked to him?

H: On the way you talked to whom?

H.M.Jr: Aldrich.

H: No, no, no - I think - no, no. But I think he was upset about the publicity on it.

H.M.Jr: Yes. Well, I -

H: He thinks you put them in a hole.

H.M.Jr: Well, now I - I didn't - now after all, on Saturday nobody knew, and, as I told Aldrich, and he agreed - I said, "Why did they have to do it on Saturday?" He says, well, he said, "They wanted to get the best price for their sterling." And I said, "Exactly," but I said, "A lot of other people wanted to, too, and everybody else in the world refrained."

H: Yes, but -

H.M.Jr: There's no answer to it.

H: Yes, there is the answer that he had the agreement to make on Saturday in Sweden.

H.M.Jr: Couldn't he have loaned it to them for one day?

H: Well, that - then - then you're speculating.

H.M.Jr: Well, George -

H: Well, it's done now.

H.M.Jr: It's done and I asked their permission first and Schmidlapp gave it graciously.

H: Yes.

H.M.Jr: And I first asked for Aldrich, I first asked for Campbell, and then they gave me Schmidlapp.

H: Yes.

H.M.Jr: And what I didn't tell Aldrich, because I didn't want to get Schmidlapp into trouble, Schmidlapp offered to kick the account out of the bank.

H: Yes.

H.M.Jr: - on Saturday. And I didn't tell that to Aldrich because I didn't want to get - make trouble for Schmidlapp. He said, "Mr. Morgenthau, if you say so, I'll kick the account right out."

H: Yes.

H.M.Jr: What?

H: Yes. Well I - I think that the thing to do -

H.M.Jr: It's over the dam now, as far as we -

H: If I could make a suggestion, I wouldn't say anything more about it.

H.M.Jr: I told Aldrich as far as I am concerned, it's a closed book.

H: Yes. The reason I was getting - after talking to Aldrich, I got a little bit worried lest you might - you said you were going to talk to the press this afternoon.

H.M.Jr: Oh, I was kidding about that.

H: I hope you'll just let that go.

H.M.Jr: Oh, no, no - as far as it's concerned, it's a closed book.

H: Yes. Surely.

H.M.Jr: And, I hope that the Chase won't be - talk either.

H: I - they - they're pretty much on the spot. I don't - I think if anything more happens, they may have to, so that's one reason I'm anxious to have you not say anything more.

H.M.Jr: Well, as far as I am concerned, what I said was true - All I said was that these people dumped this thing at any price on the market, which they did. Everything that I said was true. Now I said -

H: Well, I think the newspaper accounts of what you said were not quite accurate; that is -

H.M.Jr: If you -

H: - that it drove the pound down from 5.02 to 4.91.

H.M.Jr: Well, I don't think there's any question about it.

H: Oh, yes, I - I do because the pound had gone - the quotation was 4.91 and 4.92 $\frac{1}{2}$ even before anybody knew anything about the Soviet order.

H.M.Jr: Well, they'd - they'd already sold 100,000 pounds. It was the biggest order on the market. They - they sold 100,000.

H: But I mean it had already gone down to that price abroad, don't you see, in Amsterdam and somewhere else.

H.M.Jr: Are you sure of that?

H: Yes. Yes, I - I checked on that.

H.M.Jr: Well, I didn't know it.

H: Yes.

H.M.Jr: But if you want to see what I said, the Sunday New York Tribune carried a stenographic report of what I said.

H: Yes. All right, Henry. Well, I'm much obliged -

H.M.Jr: All I can say is, George, if it was there I'd do it again, because I really, really think for the - for the good of the American people, it - it was a good thing, (laughs) and I still think that, take any other country in the world, they would not have sold a million pounds sterling on Saturday. Any other country in the world would not have done it.

H: If they had an obligation to meet they would have tried to.

H.M.Jr: Well, they could have come - well all right - any other country in the world, Government bank, would have approached the Treasury and have asked us to give them the sterling. The Bank of Montreal wanted to buy 50,000 pounds. If it had been any other country, any other bank, they would have approached us or approached you and said, "Can you loan us a million pounds sterling?" Don't you think they would have, George? Now stop to think. This is a Government. This isn't an individual contract.

- H: Well, I don't - I don't know any more about the nature of the contract.
- H.M.Jr: No, but just stop to think. Any other Government would have said - what they did in view of what he said, it now is obvious - they thought sterling was falling, and they gave an order to sell it as best so that they could get under the wire. That's what they did.
- H: And meet their obligations, so that they're -
- H.M.Jr: And meet their obligations, but they sold at the best in order to get under the wire because they thought sterling was going to drop.
- H: But I mean if you've got an obligation to meet, and you have something to sell, you have to sell it at the market if you want to get your money.
- H.M.Jr: But if you're a Government and you need it, and every - and you've asked every other Government in the world to cooperate, which we did -
- H: Yes.
- H.M.Jr: - and which they had time to read, and you are a gentleman, you'd have gone to this Government and said, "Now we've got this thing. We don't want to interfere. Can you help us out?" I'd -
- H: Well -
- H.M.Jr: Listen, I'd love to be on - to hear you and Aldrich defend the Soviet Government because -
- H: I'm not - I'm not defending anybody. I'm just -
- H.M.Jr: (Laughs) It just doesn't - I just chuckle inwardly. It's wonderful.
- H: Well, now I'm - (Laughs)
- H.M.Jr: It's marvelous.
- H: No, my first - my point was that here was information of a transaction, and my - my plea with you was to hold up until we found out facts.
- H.M.Jr: Yes.

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H: That's what I was interested in doing. However, it's done and I think if you don't say anything more, that - that's -

H.M.Jr: Well, there's no reason to.

H: Well, but I was afraid that you were from what you said this morning.

H.M.Jr: No, no, no, no. I'm through.

H: All right, I see. (Laughs)

H.M.Jr: I'm through. I'm through.

H: All right, Henry. Thank you, Henry.

H.M.Jr: O.K.

September 28, 1936
12:32 p.m.

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H.M.Jr: Hello.

Operator: Mr. Knoke.

H.M.Jr: Hello.

Knoke: Hello, Mr. Secretary.

H.M.Jr: Well, how does it feel like - carrying the whole market?

K: Yes, that's - that's easy today. There's nothing to carry. (Laughs)

H.M.Jr: I see. Yes.

K: The market is entirely quiet. The rates are 4.93-3/4 to 4-1/4.

H.M.Jr: Yes.

K: Business in - in 5,000-pound lots.

H.M.Jr: Yes.

K: And I understand from London that the same applied there ever since 11:30 their time.

H.M.Jr: Yes. 11:30 their time?

K: Yes. In other words, they had not operated since 11:30. The rate was steady around this level.

H.M.Jr: Now, is there anything doing in gold?

K: Nothing done for our account. I spoke - Lochhead spoke to me about this Chemical business. I spoke to the Governor, and I knew he was going to call up the Chemical and -

H.M.Jr: Yes.

K: - pointed out to them - point out to them that under present conditions it might be very little desirable to have these gold movements to New York.

H.M.Jr: Well, where - where are they buying it?

K: He bought it in London.

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H.M.Jr: Oh. Oh. Now let me see - when they buy, that means they sell dollars and buy sterling, do they?

K: That's right.

H.M.Jr: What?

K: That - that part is all right. They have - they sell dollars and buy sterling -

H.M.Jr: Yes.

K: That part - that part - that's all right, but then they begin shipping it here, and that is -

H.M.Jr: Not so good.

K: - not so attractive.

H.M.Jr: No, we've got - you - did you tell them to slow up?

K: Yes. That's what the Governor was going to talk to them.

H.M.Jr: What?

K: The Governor was going to talk to them.

H.M.Jr: Harrison?

K: Yes.

H.M.Jr: Yes.

K: He had spoken to them before -

H.M.Jr: Yes.

K: - and when I mentioned it, he said he'd call them again.

H.M.Jr: Yes. Yes.

K: Bankers Trust has called me before - this morning before they operated, and I told them the same thing, and they evidently didn't tackle it at all.

H.M.Jr: Well, everybody - everybody is behaving very well, aren't they?

K: Oh, yes. I think you have 100% cooperation.

H.M.Jr: Fine. Fine. And no more - nothing more from the Chase.

K: Chase has (laughs) - has no other order.

H.M.Jr: Yes.

K: They have no orders of any kind.

H.M.Jr: Yes.

K: And they haven't been - haven't been operating. Oh, this might interest you. That Cariguel -

H.M.Jr: Yes.

K: - shows a great deal of interest in the franc rate here.

H.M.Jr: Yes.

K: He - the franc under the devaluation scheme -

H.M.Jr: Yes.

K: - as planned should be somewhere between, say, 4.30 and 5.00.

H.M.Jr: Yes.

K: At the highest, 5.00.

H.M.Jr: Yes.

K: Yet there is - there is good demand in this market at much higher figures - 5.20 I heard this morning.

H.M.Jr: Really.

K: Now Cariguel is hesitant to give an order here because, as he says, it looks as though we were anticipating the passage of this law.

H.M.Jr: Yes.

K: But, he says, if you can give - send me a cable and just tell me of these rates which are entirely out of line, it might help me. So I just told him that -

H.M.Jr: Yes.

K: - there was some demand here at 5.20.

H.M.Jr: Well now he doesn't - he doesn't want to see it at 5.20?

K: No, he doesn't want to see it that high. It means that if - if they stabilize - if they devalue, the highest the franc should reasonably go to would be about 5.00.

H.M.Jr: I see.

K: You see?

H.M.Jr: Well, now, explain it to me - why is it bad for them if it sells above 5.00?

K: Why is it bad for them?

H.M.Jr: Yes. They want it - what - what's Cariguel's reason for worrying? I don't get it.

K: Well, the reason is simply that he - like every other central bank tries to - banker tries to see fluctuations ruled out.

H.M.Jr: Yes.

K: That's the only thing.

H.M.Jr: Yes. Well -

K: In fact, to him it's - it's as undesirable as it would be to you to see sterling go to 4.50 and then to 5.50.

H.M.Jr: I see. I see. Well, is there anything we can do about it?

K: Oh, no, no. Nothing at all.

H.M.Jr: What?

K: No, nothing we can do at all. We just - I cabled him the rates, and I think he wants to take those and say, "Look here - that's what the rates are in New York," and I think he hopes to get authority -

H.M.Jr: Yes.

K: - to sell small amounts of francs here.

H.M.Jr: Well, what - what effect will that have on sterling?

K: Well, the volume is too small. I think it will all have beneficial effects because it would - it would eliminate rates, which, on the face, are unreasonable.

H.M.Jr: Yes. Now is there any drain, as far as you know, on any of the smaller countries - Holland, Switzerland, or anything else?

K: Well, of course, Holland is closed -

H.M.Jr: Yes.

K: - Switzerland is closed, so until conditions become - until they open up again you can't answer that question.

H.M.Jr: Yes.

K: I think they have their markets pretty well in hand. I don't think they need worry about speculative operations.

H.M.Jr: No.

K: As long as this present state continues.

H.M.Jr: Good. All right - I'll talk to you a little later, and any emergency, why both Lochhead and I are here.

K: All right, sir.

H.M.Jr: Thank you.

September 28, 1936
4:45 p.m.

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H.M.Jr: - Before I went to bed.

Knoke: Yes, sir.

H.M.Jr: Everything all right?

K: Everything is unchanged from what I mentioned before -

H.M.Jr: Yes.

K: There's been - sterling is quoted at 4.94-1/2 to 5/8 about.

H.M.Jr: Very nice.

K: There's been, of course, no opportunity to do anything and the tone is, according to two or three operators, a very steady one -

H.M.Jr: Good.

K: - for sterling.

H.M.Jr: Good.

K: And, of course, you understand that is just for today. I don't know how -

H.M.Jr: No.

K: - they'll open tomorrow.

H.M.Jr: I understand. Well, I told the press - I had my usual Monday press conference - I have Mondays and Thursdays - that the market here was a perfectly, healthy, normal one, and had taken care of itself.

K: Yes. Fine.

H.M.Jr: And that was for today, and that it was like a child trying to walk and I said today it would have said, to stumble and nobody would try to push it over.

K: Yes.

H.M.Jr: And I also said the child had three good, healthy guardians.

K: (Laughs)

- H.M.Jr: And that this was a day-to-day thing and we just - the child had to learn how to walk; that's all. I said that I hoped it would shortly grow up to manhood and be able to take care of itself.
- K: Yes.
- H.M.Jr: And they - they-said there were no hidden agreements and everything that would be done was on the surface.
- K: Yes.
- H.M.Jr: I think it's all right. They're very difficult - these press conferences.
- K: Now I'd like to get your permission for this. I would like to - to tell the Bank of England tonight, first of all that we have done nothing -
- H.M.Jr: Yes.
- K: - Secondly, that we have canvassed the market -
- H.M.Jr: Yes.
- K: - and our opinion is that the market - the opinion of market traders that the tone is very steady.
- H.M.Jr: Yes.
- K: With that cable before them tomorrow morning, I dare say they will try to operate as they did this morning.
- H.M.Jr: I certainly would, and I'd send the same thing to Cariguel.
- K: Yes. But I mean you would have no objection to this. I don't want to say this to them. I just want to leave it open as we left it open on Saturday, but if they operate and do the best they know how tomorrow morning, you wouldn't find fault with that?
- H.M.Jr: No, no, no. I - I think it's a splendid idea and I'd send a cable to Cariguel. Why not simply say: "For your information, we've informed the British of the following," or do you want to wait until later?
- K: Well, I think probably it's easier to - to tell Cariguel on the phone tomorrow morning.

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

K: Because he's not operating anyhow, you see?

H.M.Jr: That's all right. You mean you put this in the form of a cable, do you?

K: Yes, I - I cable to the Bank of England so that they know what our impression is of this market here -

H.M.Jr: Surely.

K: So that they tomorrow morning can, with a measure of understanding, try and operate.

H.M.Jr: I think that's fine. I think it's all to the good.

K: All right, sir.

H.M.Jr: And I'm very much pleased with what went on today. I say I'm very - very much

K: Yes, I think it's very encouraging.

H.M.Jr: Very.

K: Very encouraging.

H.M.Jr: All right.

K: Because there was legitimate, commercial business for sterling -

H.M.Jr: Yes.

K: - and the demand was not too great to push it up, and the supply was not great enough to push it down.

H.M.Jr: No. If - if - and, after all, today was really the first test.

K: Yes.

H.M.Jr: Now I think it's fine and I think the trick is to let them take care of it in the morning and we'll take care of it in the afternoon.

K: Yes. And I think - I'm sure it can be worked out and nobody will feel at the end of the period that - that

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the other fellow tried to take advantage.

H.M.Jr: I think so.

K: I'm sure of it.

H.M.Jr: All right.

K: Thank you very much, sir.

H.M.Jr: Good night.

K: Good night.