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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: October 8, 1936, 9 a. m.

NO.: 970

FROM COCHRAN.

FOR THE SECRETARY OF THE TREASURY.

By telephone last night, in two conversations, you mentioned the probable issuance by you of a statement on gold, and the possibility that the French and British might make simultaneous declarations. As you instructed, I am now at 9:30 going to the Ministry of Finance to sound out Auriol as to whether France may care to make a statement like this. Around noon I shall telephone you if by that time I have an answer for you.

I was asked by Droop^(?) for my opinion (?) matter of declarations. I hoped, I told you(?) to follow as generous a policy as is possible. Practically no nation, with the exception of Belgium, is really eligible to receive gold from the United States under the existing rules, in view of the break down of the gold bloc. We must revise our rules about yielding gold unless we want to freeze a good part of the gold supply of the world, or move further towards cornering it. If the three-power monetary arrangement is to work, such action is necessary. If we implement this arrangement in this manner, we have at the same time an opportunity for a

grand

grand gesture which will not be a great expense to us.

I respectfully recommend that at this moment the only declaration that would be necessary would be one on your part, and that this should merely be an amendment to the statement which you made on the thirty-first of January, 1934, to the effect that hereafter until further notice you will "sell gold for immediate export to, or earmark for the account of, foreign monetary authorities". There would not have to be any alteration in the remainder of the statement. In using the expression "monetary authorities" I include central banks, the B.I.S., stabilization and equalization funds, monetary commissions, and so on.

We have far more than our share of gold, and there is no scarcity of the metal. In 1933 at the London Monetary and Economic Conference even the United States subscribed to the principle that gold should be used for settlement of international balances. Even though the United States does not permit internal circulation of gold, it is surely to its advantage to assist international circulation. Greater benefits will accrue to us the more gold is used for this purpose.

What would be the reason for our restricting the use of gold in settling balances between our own country and others? Great effort has been put forth in getting trade treaties, and this policy is contradicted by

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making it difficult for our customers to keep balances in the American markets. Our customers have been forced to operate over London, where, because they know that they can get gold for the currency if they want it, they have ~~xxxxxx~~ been willing to risk a fluctuating currency. Each additional banking operation costs and diminishes interest in and capacity for trade with the United States.

We should help such countries as Yugoslavia and Austria to get gold to build up their resources, if we are seriously striving for international monetary stability. The United States does not want dinars or crowns, so why should it seek gold reciprocity from Yugoslavia and Austria? The United States prefers to carry on its trade in dollars, and at the present moment it has an opportunity to really make an international currency of the dollar.

There has always been doubt in my mind as to the efficacy of our gold as a weapon to force stabilization by the British. Even though in the past it may have constituted some potential threat toward this end, we have now received from the British as binding a pledge toward stability as can ever be hoped for before the British decide of their own free will to ~~make~~ a definite

return

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return to a fixed gold parity. Therefore this threat no longer has validity. The United States still has access to the London free gold market without any demand for reciprocity on our part. Yesterday a purchase of two- and one-half tons of gold was made by France from Belgium without any formality other than to indicate to the National Bank of Belgium the day's price that the Bank of France was ready to pay for the gold.

Therefore, with the greatest respect and loyalty, I venture the opinion that the proposed Treasury statement as contained in telegram No. 367 of September 23, midnight, from the Department, is narrow and short-sighted. We have had reaction to our credit from the part we played in the triangular monetary arrangement. It is my feeling that a statement from the United States now involving a "24 hour" policy, a day to day certificate of eligibility and demanding reciprocity from Great Britain which already has a free gold market, from the gold bloc which yielded gold to us until it had no more, and from Italy and the vast number of other nations whose gold resources have almost disappeared, would go a long way toward disappointing a hopeful world. It would, incidentally, also go far toward diminishing the esteem which our monetary policy is beginning to command.

BULLITT.

EA:LWW

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

October 6, 1936.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and encloses five copies of paraphrase of telegram No. 971 of October 6, 1936, from the American Embassy, Paris, and five copies of telegram No. 47 of October 5 from The Hague, transmitting financial reports.

In paraphrase of telegram No. 970 of October 6, from Paris, the first two lines of the second paragraph of the text should read as follows: "I was asked by you for my opinion on the matter of declarations. I hoped, I told you, that you would follow as ..."

Enclosures;
As stated.

October 6, 1936
9:30 a.m.

H.M.Jr: Hello.

Operator: Mr. Cochran.

H.M.Jr: Thank you.

Cochran: Mr. Morgenthau?

H.M.Jr: Yes.

C: When I talked with Baumgartner this morning -

H.M.Jr: With whom?

C: Baumgartner -

H.M.Jr: Yes.

C: - I explained to him your idea of a declaration on a reciprocal 24-hour basis.

H.M.Jr: Yes.

C: He said that he thought they would be in agreement on the idea of such a declaration.

H.M.Jr: Yes.

C: He said that he would speak to the Minister and to the technical men -

H.M.Jr: Yes.

C: - at the Bank of France.

H.M.Jr: Yes.

C:; At one o'clock he called me back and said the Minister of Finance is in agreement with the idea if we wanted it -

H.M.Jr: Yes.

C: And he said, of course, the British would have to begin on it soon, and they wanted to know if we had had the British reply.

H.M.Jr: Yes.

- C: I told him that I did not think you had.
- H.M.Jr: Had asked the British for a reply?
- C: No - had received the British reply.
- H.M.Jr: No.
- C: I told him that we had not.
- H.M.Jr: No.
- C: And he said he had spoken to the technical men, Fournier and Cariguel and they were of the opinion that the British should not join in such a declaration.
- H.M.Jr: I see.
- C: That was their opinion, but the French Ministry is willing to go into an agreement if the British do.
- H.M.Jr: Yes. Well now this - this sort of looks as though we were seeking this. We're not seeking this.
- C: No, that's - that's why I went over it so carefully last night with you. I mean I went over it carefully to - to find whether you were trying to search for an agreement or just give them the chance to join in such an agreement.
- H.M.Jr: Well, I mean I made it - after all, you've been asking us three, four times, when would we give an answer to the French? (Pause)
- C: Well, I - I put it up in the sense that they had an opportunity to join in if they wished.
- H.M.Jr: But if - that isn't the way, Cochran. You asked me at least three times, when were we ready to answer the French on this question of giving up gold? (Pause) I mean, after all, the original request came from the French.
- C: Yes.
- H.M.Jr: Now, I don't want to be put in the position that this is something that we're seeking. This is something that the French are seeking.
- C: No, I meant in the - in the declaration. They're

willing to give gold on a reciprocal basis.

H.M.Jr: Well, the declaration is - is very unimportant.

C: I told them that you had to make a declaration.

H.M.Jr: That's true.

C: Yes.

H.M.Jr: That's right. I - we have to - yes.

C: The declaration is up to them.

H.M.Jr: Yes, but now, let's just forget the declaration for a minute. This other question though about giving up gold on a reciprocal basis - that's something that they've been seeking.

C: Yes. They're - they're willing to do that with us; they're already doing it with the British.

H.M.Jr: I see.

C: They have a practical, working arrangement with the British.

H.M.Jr: Yes.

(Pause during which H.M.Jr. talks to some one in the office.)

H.M.Jr: Hello.

C: Yes.

H.M.Jr: They have such an arrangement?

C: Yes, they - they said that they - they give gold at the day's price.

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

C: - arrangement with the British.

H.M.Jr: All right. Now our point is we're simply going to sit tight until we hear from the British.

C: I see.

H.M.Jr: See?

C: Yes. All right.

H.M.Jr: But now - and as far as the French are concerned, they say they're going to do what - wait?

C: They - they'll - in regard to the declaration -

H.M.Jr: Yes.

C: They want to wait to see what the British do.

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

C: As soon as the British are in accord, they'll fit in.

H.M.Jr: Well, now just a minute -

C: And they say that they already have -

H.M.Jr: Now Cochran, -

C: Yes.

H.M.Jr: - everybody in the room here, including myself, feel that you are laying entirely too much emphasis on this question of the declaration. I'm not laying any emphasis on it. I'd have to announce, but if they don't want to join us, that's unimportant. (Pause) I mean you're laying too much emphasis on the question of the declaration. (Pause)

C: Well I - I didn't lay any emphasis - that's what I went to see them about was the declaration.

H.M.Jr: No. No, I'm afraid you've misunderstood.

C: Isn't it a technical arrangement of giving gold against the Bank of France that you want done?

H.M.Jr: Pardon me?

C: Isn't it principally a technical arrangement with the Bank of France that you want?

H.M.Jr: That I want? That the French want.

C: But I understand that it must be reciprocal.

H.M.Jr: True - but this - but I want to make sure that you understand and they understand that this thing has originated with the French.

C: Yes, yes, they understand that.

H.M.Jr: After all, in answer to your requests, we sent you that cable for you to hold it.

C: Yes.

H.M.Jr: And you've told me at least three times that they've asked you, when are we ready to give up gold?

C: Right - yes.

H.M.Jr: All right. Well, now, that's the position. Now, in connection with that, I simply felt it would be a nice gesture if all of - if we did do it, that we'd all announce it at the same time because we have to make a public declaration if we do do it.

C: There - there's no misunderstanding on that at all.

H.M.Jr: There isn't?

C: No, sir.

H.M.Jr: All right. Now just a moment. (Pause) Well, now, do they understand that we're going to sit here and wait until we hear from the British?

C: They - they only say that they - they wouldn't go in with this unless the British would also.

H.M.Jr: Well, let - let me go over this thing once more. The British may come back and say, 'Yes, we'll give up gold, but we don't want to announce it publicly,' see?

C: Yes.

H.M.Jr: That's all right, but even if the British don't want to do it either publicly or any way, we're prepared to go ahead and do it with France.

C: Yes - yes.

H.M.Jr: Now do you understand that?

C: Surely.

H.M.Jr: What?

C: Yes, I understand it.

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H.M.Jr: Yes, but I mean I get the feeling that you're laying so much emphasis on this declaration and which I am not. (Pause). It's - it's just my position, Cochran.

C: What do you want me to do with the French now?

H.M.Jr: I don't want you to do anything.

C: All right, sir.

H.M.Jr: I mean there - there isn't anything to do. What - what could you do now?

C: Well, that's just what I'm asking you. I did not stress the declaration to them.

H.M.Jr: All right - all -

C: I went to them to talk about it this morning -

H.M.Jr: Well, just - just

C: Of course, the main point is still whether we can get gold.

H.M.Jr: Yes. Well, just go over it once more, and let's see whether we understand each other, please. I mean, how does the situation stand now?

C: The situation is that I went to the French this morning, to the Minister of Finance -

H.M.Jr: Yes.

C: - I explained to him that you were studying the matter of giving up gold -

H.M.Jr: Yes.

C: - this three-cornered arrangement necessitates giving up gold if it's to work.

H.M.Jr: Yes.

C: - that you had promised the press during one of your conferences that when you did make any change in the old arrangement -

H.M.Jr: Yes.

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- C: - with regard to giving gold only to those countries whose central banks yielded gold to us when the gold points were reached, that you would make a public declaration.
- H.M.Jr: Yes.
- C: I said that you were now studying a public declaration
- H.M.Jr: Yes.
- C: - and the three of us had been partners in the first declaration -
- H.M.Jr: Yes.
- C: - and that you had approached the British yesterday-
- H.M.Jr: Yes.
- C: - and asked me to see Auriol here -
- H.M.Jr: Yes.
- C: - and see if they would be interested - (Pause)
- H.M.Jr: Hello.
- C: Hello.
- H.M.Jr: I didn't - we had a gap there - the phone stopped working.
- C: - that I was approaching them -
- H.M.Jr: Yes.
- C: You were approaching the British first - to see if they, our partners, would be interested in making a declaration on this subject of giving up gold.
- H.M.Jr: Now, just a minute - now, Lochhead just said that that's where we seem to be at difference. Just a moment, please. (Pause during which H.M.Jr. speaks to Mr. Lochhead.) Now, Lochhead makes this point. This is evidently where we're a little bit at difference.
- C: Yes.

- H.M.Jr: What I simply told the British was this: 'We are about to enter into an agreement with the French. We simply feel that the three of us are partners. Before we enter into such agreement with the French, we want to make the same offer to the British.'
- C: Yes.
- H.M.Jr: It's not important to us whether they accept it or not, but we just felt that if we did make such an agreement with the French, we'd want to first give the same opportunity to the British. You see?
- C: Yes.
- H.M.Jr: That's the way I worded it to the British.
- C: Yes.
- H.M.Jr: Then I said, 'Under the law, we have to make a declaration, a public declaration -
- C: Yes.
- H.M.Jr: -'and if we are going to make a public declaration, it would be a nice gesture if we did it all at the same time.' You see?
- C: Yes.
- H.M.Jr: But - that is the way I put it up to the British -
- C: Yes.
- H.M.Jr: - and I didn't tell them that if they didn't want to do it or they didn't want a declaration, I left it that it wasn't important as far as we're concerned.
- C: Yes.
- H.M.Jr: Now does that - does that sort of clear up that point?
- C: Yes, yes. That's clear.
- H.M.Jr: You see?
- C: Yes.

H.M.Jr: All right. Now, I think that's where possibly - maybe I didn't make it clear enough yesterday how I felt about it, but I was very casual in my statement to the British, and they went out of here feeling that we had been very generous -

C: Yes.

H.M.Jr: - and had been very courteous in giving them the same opportunity that we were going to give to the French.

C:; Yes, I see.

H.M.Jr: And I simply told - kept stressing the fact that this is something that we had to do publicly and possibly they'd care to join us, but I'm not laying any stress on this declaration, you see?

C: Yes.

H.M.Jr: Now, are we together?

C: Yes - yes - absolutely.

H.M.Jr: Fine.

C: All right.

H.M.Jr: Fine. Now, just as soon as I hear from the British, I'll give you a telephone call.

C: Yes.

H.M.Jr: And, just - you've done your end and the minute I hear from them - now, I told them that - please - that this was a matter that I'd like to clean up in a day or two, see?

C: Yes, yes.

H.M.Jr: And to please give us an answer as quickly as possible.

C: Yes.

H.M.Jr: And I have no objection, if the French want to talk to the British, you see?

C: Yes

H.M.Jr: I mean they're at perfect liberty to discuss this thing with the British if they wish to.

C: I made no suggestions on that at all.

H.M.Jr: You didn't. Well, I'd just let it rest now.

C: Yes, yes.

H.M.Jr: I'd just let it rest. (Pause) Just a minute.

C: Yes.

(Pause during which conversation is carried on in H.M.Jr.'s office.)

H.M.Jr: Hello.

C: Hello.

H.M.Jr: Mr. Taylor thinks that possibly you ought to go back and see them again and clear up the fact that we're not laying undue stress on the declaration.

C: I did not insist that there was too much stress on the declaration.

H.M.Jr: You did not?

C: No, sir.

H.M.Jr: Well, I got that impression from your conversation this morning.

C: No, I - I - I did not. I'm sorry if I gave that impression.

H.M.Jr: Well, I got that impression, but - well, if you didn't, then that's good.

C: I - I did not.

H.M.Jr: Good. Well that - that clears up that point. Well, then - then I wouldn't go back and I just would sit there and wait now until you hear from me.

C: All right. Fine.

H.M.Jr: Thank you.

C: All right then.

H.M.Jr: Goodbye.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 8, 1938.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH
BANK OF ENGLAND.

L. W. Knoke

Mr. Bolton called me at 10:38. They had had a very busy day today; dollars had been bid from the opening. At the time of gold fixing they had stepped in and sold about \$3,000,000 at 4.90 3/4 which had kept the rate steady until about half past two when New York opened and began to bid for dollars. So far the market had absorbed in the neighborhood of \$15,000,000. A fair amount of gold had been dealt in at fixing, probably for shipment to New York. I indicated that, according to our information, part of the dollars which Europe wanted was going into the stock market here where foreign purchases on Saturday and Monday had been extremely heavy, about half of the orders coming via London. Bolton replied that there was a strong feeling in London and on the Continent that we were going to have a boom here before the end of November. Another reason for the weakness of sterling, he thought, was the fact that capital was going back to France and that holders of short positions were still trying to cover them. The daily amount transferred to Paris, Bolton estimated in the neighborhood of \$5,000,000. Apart from capital movements to France there were very definite indications of repatriation of Swiss funds. The Dutchmen, on the other hand, seemed to be in no hurry as yet to take their funds home; the very sudden turn in the guilder rate today from weak to strong was due to weakness of sterling in general.

In discussing possible operations by us, I suggested that we would probably buy some sterling if the market kept on sliding down to 4.90 where we might decide to give it serious support today.

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DATE: October 6, 1936.

OFFICE CORRESPONDENCE
CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH
BANK OF ENGLAND.

L. W. Knoke

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Bolton then inquired whether I had time for a little talk to discuss with him the question of the arrangement that was now under discussion between Washington and London. They had been talking about it today, he said, and although it was of course not up to him to make the decision he would like to go into the details of the transaction. In reply to my question whether he thought that something would come of the plan, Bolton said that he had no doubt at all; it was just a question of fixing up technical details first. In view of the difficulties of keeping in close touch with us right through the day, partly because of difference in time, partly because of telephone service, which was at times slow and unsatisfactory, he thought the simplest way for them to proceed would be to quote us the price established at fixing and we could then deal on that basis during the day and know exactly where we stood. Another basis, he thought, might be the average of the gold price the same day and that of the day before, or of the same day and that of the following day. In the long run, he thought, it really would not make any difference what basis we used. I agreed with him; the only sound and sane way to proceed for us was to agree on some basis, observe how transactions actually worked out, from time to time compare notes, and if necessary try another basis. As long as we understood each other I was quite satisfied there was no technical difficulty that we could not overcome. We agreed that the most important thing at the beginning was to have an arrangement that was as simple as possible.

LWK:EMC

October 6, 1936
11:53 a.m.

19

H.M.Jr: Hello.

Operator: Mr. Knoke.

Knoke: Good morning, Mr. Secretary.

H.M.Jr: How are you?

K: Oh, I am fine. Thanks.

H.M.Jr: So am I.

K: Well, that's splendid.

H.M.Jr: Archie is getting nervous. He says it's six minutes to twelve, and I haven't given you any orders.

K: Oh, well, the market at the present time walks like a grown-up.

H.M.Jr: No !

K: Yes, it's - it's still on the bid side 4.90-3/4 bid, but I dare say the - the wise thing would be to stand ready with an order.

H.M.Jr: Right. Well, now, I'm going to give you and Archie 500,000 pounds to work with.

K: Yes.

H.M.Jr: See?

K: 500,000 pounds?

H.M.Jr: Is that enough to start with?

K: Oh, yes.

H.M.Jr: I mean that will pay for your lunch.

K: Yes (Laughs).

H.M.Jr: Get a better one -

K: It'll last until after lunch.

H.M.Jr: What?

K: It'll last until after lunch.

H.M.Jr: No, I said that will buy you a lunch.

K: Yes, it probably would (Laughs).

H.M.Jr: Yes. Now, Archie told me of your conversation you had with the Bank of England and I think that sounds very encouraging.

K: Well, I - that was my reaction. I thought it was very fine.

H.M.Jr: Fine.

K: Because he made it perfectly clear that he was not the fellow to decide, but in his opinion, there was no question but that the thing would go through.

H.M.Jr: Right.

K: It was what the British were anxious -

H.M.Jr: Yes.

K: - to have.

H.M.Jr: Well, now, if anything exciting happens, you let me know.

K: Very well.

H.M.Jr: And, I'd follow about the same procedure as yesterday.

K: All right, sir.

H.M.Jr: See?

K: I'll keep in touch with Archie on the rates.

H.M.Jr: If you please.

K: All right, sir.

H.M.Jr: Thanks.

K: Goodbye

October 6, 1936.
11:55 a.m.

Operator: Operator.

H.M.Jr: Just keep off the wire a minute. I want to put this on the record. It's now 11:55. It's now 11:55. (Pause) Hello, George.

George Harrison. Good morning, Henry.

H.M.Jr: How are you?

H: First rate, thank you, and I hope you are.

H.M.Jr: I'm all right - a little weary.

H: I think you might be.

H.M.Jr: Yes.

H: Henry, I just had a long talk this morning with Williams and Knoke and I just wanted to callup and tell you again what a fine job I think you're doing on this thing.

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

H: Well, I think that you handled it just right yesterday.

H.M.Jr: Now - well, they were very helpful. Now, George, when are you coming down? I'd like to have a chin with you this week.

H: Well, I can come down any time you want.

H.M.Jr: Well, your Board meeting is Thursday.

H: Yes.

H.M.Jr: Why don't you come down Friday?

H: That's right - I've got to be there -

H.M.Jr: When?

H: All of next week - the first four days of next week.

H.M.Jr: Well, let's - let's see how this -

- 2 -

H: You're not going to be there Saturday, are you?

H.M.Jr: Yes, but I don't like to make appointments.

H: Yes, well I don't blame you. Well, I'll come Friday if you want it - any time you want.

H.M.Jr: Well - well, were you coming down for the week-end?

H: No, I hadn't planned to but I will.

H.M.Jr: Well, why don't you do this? Supposing, I'll make a note - I'll call you Thursday morning -

H: Yes.

H.M.Jr: And then let's see how this thing breaks.

H: All right, sir.

H.M.Jr: And Knoke reported his conversation to Lochhead -

H: Yes.

H.M.Jr: - with the Bank of England, and they seem to take it perfectly for granted.

H: Taking it all in their stride, yes.

H.M.Jr: And I think to have done it with France and not to have talked to England would have been a great mistake.

H: Oh, you would have spoiled the whole effect of your preliminary agreement.

H.M.Jr: Notwithstanding the fact that we know that France and England have made such an agreement without consulting us.

H: Well, you see they had to.

H.M.Jr: I suppose so.

H: They had to in a hurry.

H.M.Jr: Yes. But this - I think this is going to be all right, and if we could be so fortunate again to

- 3 -

get out a simultaneous statement, I think it would be awfully good.

- H: Yes.
- H.M.Jr: Don't you?
- H: Yes, you mean when you've got something more to say.
- H.M.Jr: Well, I mean if - if we do come to an agreement.
- H: Yes. Of course.
- H.M.Jr: Yes.
- H: Well, I think it would be fine because everybody is waiting for our next step.
- H.M.Jr: That's right.
- H: Yes.
- H.M.Jr: Do you see anything - any bugs in the thing anywhere?
- H: Not yet. I think the difficult hurdle, of course, is going to be to get the British on the question of the rates.
- H.M.Jr: Yes.
- H: And there are differences of opinion about that.
- H.M.Jr: Sure.
- H: And -
- H.M.Jr: Well, if we do it on a day-to-day basis, there can't be much doing.
- H: Yes, but I think there's some - you'll probably find that the British won't want to announce the day-to-day basis.
- H.M.Jr: No, no; that isn't the point.
- H: That shouldn't be done because that gives the speculator a chance to raid you.
- H.M.Jr: That's not necessary.

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H: Yes.

H.M.Jr: But under the law, we do have to announce that we have an agreement, that's all.

H: Yes.

H.M.Jr: But we don't have to announce the day-to-day rates.

H: No - no. That would be a great mistake.

H.M.Jr: Yes, but just the fact that we have an understanding.

H: Yes.

H.M.Jr: That's all.

H: Yes. Henry, I wanted to tip you off to one thing.

H.M.Jr: Yes.

H: Williams tells me that Eccles and all that crowd saw him there yesterday.

H.M.Jr: Oh - oh - is Eccles back?

H: Yes.

H.M.Jr: I get you.

H: All right.

H.M.Jr: Let - let me tip you off. (Laughs) Did you see my statement on the Red Cross and bonds?

H: Yes, I did.

H.M.Jr: Did you read it?

H: Well, I read it only in part.

H.M.Jr: Well, read the one on the front page of the Wall Street Journal. They have the best statement.

H: All right. Well, - I'll get it all. I read it in the Times, and only in parts -

H.M.Jr: Well, the Wall Street Journal front page has it accurately, and I called up - Gaston called up Grayson last night and he's very much pleased. And you know who gave the story out in New York?

- 5 -

H: No, I don't.

H.M.Jr: And tipped off the Hearst papers.

H: Really.

H.M.Jr: Yes, Mr. Felix Warburg.

H: No, really.

H.M.Jr: Yes. I think it's a dirty piece of business to bring politics into the national Red Cross.

H: Yes.

H.M.Jr: Well it is - Felix Warburg tipped off the Hearst publications in New York.

H: Well, did they quote your original letter?

H.M.Jr: No.

H: Yes.

H.M.Jr: No, I just gave them the extracts and, personally, I think I've come out on top.

H: Yes.

H.M.Jr: Don't you?

H: Yes. The only thing that I was worried about was frankly --

H.M.Jr: Yes.

H: - was your - in your original letter, the statement, not merely what the Red Cross should do -

H.M.Jr: Yes.

H: - but announcement of a principle of trustees, -

H.M.Jr: No, that wasn't in the - that wasn't in the letter.

H: - should buy only Government bonds.

H.M.Jr: No, no - that isn't in the letter. But it's all right, and some day when I see Felix I'll tell him what I think of him.

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H: Yes. Well, I don't know who else could have done it. In fact, I didn't know it was out.

H.M.Jr: Nobody else was worried about it.

H: Yes - I didn't know it was out.

H.M.Jr: Well, no - the - the Hearst papers carried it Sunday and there's nobody else worried about it but Felix.

H: Yes.

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

H: Yes, all right. Well, I just - you'll - you'll cover the Eccles thing maybe.

H.M.Jr: I will cover Eccles.

H: (Laughs) All right.

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

H: All right. Well, I haven't said a word about it, of course, to him or anybody.

H.M.Jr: Oh, no, no, no - no - don't. That's all right.

H: Because my position has been -

H.M.Jr: I'll send for him this afternoon.

H: Yes.

H.M.Jr: I get you.

H: And then I think I'll go to a baseball game.

H.M.Jr: You go to a baseball game.

H: Yes, all right.

H.M.Jr: Fine.

H: Fine. (Laughs) Goodbye.

Operator: Operator.

H.M.Jr: 12:05 - 12:05.

Operator: All right.

October 6, 1936
12:32 p.m.

H.M.Jr: Hello.

Operator: Mr. Knoke.

H.M.Jr: Knoke?

Knoke: Yes, sir.

H.M.Jr: Are you doing anything?

K: No. At the moment, it's .90-3/4 bid to 7/8. I just discussed it with Lochhead, and we both felt that we should give the market a chance to move on its own.

H.M.Jr: You haven't had to do anything?

K: No, nothing yet.

H.M.Jr: Fine. Thank you.

K: All right, sir.

H.M.Jr: 12:33 - just one minute - just one minute.

October 6, 1936
12:59 p.m.

H.M.Jr: Hello, Knoke.
K: Yes, Mr. Secretary.
H.M.Jr: How's she going?
K: Unchanged - market 3/4 - .90-3/4 bid -
H.M.Jr: Very nice.
K: Very little business just now.
H.M.Jr: I think we'll sit by, don't you think so?
K: Yes, yes.
H.M.Jr: What?
K: At this level, we shouldn't do anything.
I don't - I feel that way.
H.M.Jr: All right, Knoke. Thank you.
K: All right, sir.
H.M.Jr: Goodbye.
H.M.Jr: It's 1 o'clock; it's 1 o'clock

October 6, 1936
2:02 p.m.

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H.M.Jr: Hello.

Operator: Mr. Knoke.

Knoke: Yes, Mr. Secretary.

H.M.Jr: Hello, Knoke.

K: The market unchanged at 4.90-3/4 and there is some buying from abroad at an eighth lower, so I think there's enough - enough of support in the market for us to hold back.

H.M.Jr: Now say - say that again, please.

K: The market here is 4.90-3/4 bid.

H.M.Jr: Yes.

K: The Guaranty tells me they have an order from South America to buy at 4.90-5/8.

H.M.Jr: Yes.

K: So I think there is enough of support in the market -

H.M.Jr: Yes.

K: - so that at the moment we don't have to do anything.

H.M.Jr: No. It may get weaker later on.

K: Yes.

H.M.Jr: I was tremendously cheered up to learn that Albania is also going to devalue.

K: Well, I haven't even heard it yet.

H.M.Jr: Yes. It's very - it's very cheering to me.

K: There's nobody left now (Laughs).

H.M.Jr: Well, let's see - we've got Albania. We haven't heard from Persia yet.

K: No, that's right. We've none from Turkey either.

H.M.Jr: How about Liberia?

- 2 -

K; Well, I think they have other problems (laughs).
H.M.Jr: Yes, well, all right (laughs).
K: (Laughs)
H.M.Jr: All right.
K: All right, Mr. Secretary.
H.M.Jr: Thank you.
Operator: Operator.
H.M.Jr: It is now 2:05 - it is now 2:05.

Paraphrase of Section three of telegram No. 971
of October 6, 1936, noon, from the American
Embassy, Paris.

I was told by Auriol that while we have now made considerable progress much more must be done in the way of consolidating our gains and looking to future management of monetary and financial crises. Premier Van Zeeland, he said, will come to see him soon about plans for cooperation in the premises. He said he will be glad to inform me of the course of their conversation.

I went to see Auriol for the purpose of sounding him out as to whether the French may be interested in making a declaration with regard to gold; he said he wanted to consult his assistants and the appropriate Bank of France officials. During the course of the day I will receive an answer from the Ministry of Finance.

END MESSAGE.

BULLITT.

LMS

GRAY

Paris

Dated October 6, 1936

Rec'd 2:40 p. m.

Secretary of State,
Washington.

972, October 6, 5 p. m.

FROM COCHRAN.

On Paris market today demand for francs against dollars was not large and rate was held at 21.39 by Bank of France. On the other hand sterling was offered heavily against francs. Rate decline to 104.90 but later rose to 104.93. Swiss franc slightly stronger and in demand. French rentes and shares suffered a relapse. New Italian lira is at exact parity in Paris. Italian devaluation favorably received by British and French press. There is considerable tendency to lend political significance to Mussolini's move and interpret it as a setback for the Germans. Czechoslovakia reported to be setting up exchange equalization fund.

BULLITT

KLP

October 6, 1936
3:45 p.m.

H.M.Jr: Hello.

Operator: Knoke.

Knoke: Yes, Mr. Secretary.

H.M.Jr: How are things going?

K: Well, the market is dead again. It's 9/16s. We bought 80,000 pounds at 1/2, and haven't done anything the last three-quarters of an hour. The market is - there's a small lot at 9/16s. It isn't worth while going after it.

H.M.Jr: 9/16s?

K: Yes.

H.M.Jr: 9/16s - that's - let's see -

K: A sixteenth over a half.

H.M.Jr: Yes. What are we bidding now?

K: A half.

H.M.Jr: You don't want to raise it a sixteenth?

K: Well, it seems to me we have - we have held this fairly steadily this afternoon at this level -

H.M.Jr: Yes.

K: - with the general tendency just now in favor of talking sterling down - I think - personally, I prefer to let it go.

H.M.Jr: Well, just a minute. (H.M.Jr. speaks to some one in his office.)

H.M.Jr: Archie says if it shows any signs of strength we might follow it up.

K: Yes.

H.M.Jr: Well, let's see - I'll call you again in a little while.

K: All right, sir.

H.M.Jr: It's 3:50 - it's 3:50.

October 6, 1936
4:42 p.m.

H.M.Jr: Hello.

Operator: Mr. Knoke.

Knoke: Hello, Mr. Secretary.

H.M.Jr: Hello, Knoke.

K: Well, I think they - we took, I think, 210,000 pounds.

H.M.Jr: Yes.

K: The market is 4.90 - is dead at 4.9050 for regular delivery which is tomorrow, but there's some hanging over the market for - for Thursday's delivery, which I think is more or less speculative.

H.M.Jr: I see.

K: And it seems to me it is not particularly useful going after that.

H.M.Jr: Yes. But she'll close about 4.90 -

K: 4.90-1/2 bid for regular delivery; 4.90-9/16 offered for - for Thursday's delivery.

H.M.Jr: Yes. Well, I think that's all right.

K: Yes, it's much steadier than it was yesterday.

H.M.Jr: Yes.

K: - at the lower level.

H.M.Jr: I think so. Have you heard anything more from abroad?

K: Not a word.

H.M.Jr: Yes. Well - I mean there's nothing more from abroad.

K: Well, ah -

H.M.Jr: You haven't talked to anybody else?

K: Well, yes - I guess Lochhead told you that I spoke to the Bank of England.

H.M.Jr: Yes.

- 2 -

K: Well, I mentioned it to you, too, and -

H.M.Jr: Yes.

K: - while they -

H.M.Jr: Well, I haven't heard anything from them.

K: Pardon me?

H.M.Jr: I have not heard anything from them.

K: You have not?

H.M.Jr: No.

K: Well, I asked this fellow - did - did it look to him as though this thing would go through with his people, and he said, 'Absolutely. It's only a question of straightening out details.'

H.M.Jr: Well, we'll put it to bed at 4.90-1/2, huh?

K: Yes. All right, sir.

H.M.Jr: Thank you.

K: Goodbye.

H.M.Jr; Goodnight.

H.M.Jr: It's 4:45 - it's 4:45.

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October 6, 1938

After HM, Jr. had concluded a telephone conversation with Corrington Gill, a transcript of which is attached, the Secretary called Col. McIntyre, repeated to him the gist of the conversation and told him that he wanted to officially inform him so that he (McIntyre) could tell the President that Gill had reported this afternoon that he laid off 9,000 people; that HM, Jr. had told Gill that it was not his (HM, Jr.'s) responsibility or Gill's but that it was Harry Hopkins'.

October 6, 1936
3:15 p.m.

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H.M.Jr: Do you want to talk to me?
Corrington
Gill: Very much, sir.

H.M.Jr: When and what?

G: As soon as you can make it, very briefly, on the results of the wire I sent out -

H.M.Jr: Yes.

G: - to the states about these rescinding chief projects.

H.M.Jr: Yes.

G: With their replies and where we -

H.M.Jr: Well, is Hopkins in town?

G: He's in New York today. He was in town. He's in New York today and will be back tomorrow.

H.M.Jr: Well, wouldn't it wait until he gets back?

G: Well, I suppose it will. There are 9,000 people out of work so far though.

H.M.Jr: What?

G: There are 9,000 people who have been dropped so far and more will be dropped every day.

H.M.Jr: By whom?

G: By projects - by WPA because projects have come to an end -

H.M.Jr: Yes.

G: - and project applications -

H.M.Jr: Well, I've said for three weeks now that I want to see Hopkins, and there's no use my seeing anybody else but Hopkins.

G: Well, all right. He'll be in tomorrow.

H.M.Jr: And I spoke to the President about it this morning -
G: Yes.
H.M.Jr: - and I told him that I told you -
G: That's right.
H.M.Jr: - that I wanted to see Hopkins. It's exactly one month - it's been one month since we've had this thing up, and you and I don't agree on this thing, and it's - and I told the President, and he said, 'Well, see that Hopkins gets here.' I can't see that Hopkins gets here. And the minute that Hopkins will deign to see me, I'm here.
G: Well, it isn't that, Mr. Secretary.
H.M.Jr: Well, I mean, I don't know what's the matter. I mean you and I have approached this thing from every angle. You've tried to do your best and we've tried to do our best, and we don't agree. Now I think it's up to Hopkins to come here. I feel - I never felt any stronger about anything.
G: Yes. He'll be here in the morning, and I'll tell him again.
H.M.Jr: Well, I - I mean it's up to Hopkins. He's the head of this organization. It's his responsibility and it isn't yours and it isn't mine.
G: No. O.K.
H.M.Jr: And if Hopkins will come to see me, why I'm here and I'll drop everything.
G: Well, I'll be glad to -
H.M.Jr: I can't do anything more than that. I'd love to see you but it's a waste of your time.
G: Yes. Well, I'll -
H.M.Jr: I mean I think it's been just about one month now that you and I have been working on this.
G: That's right.

H.M.Jr: And all - I mean I've never said that - the President is free to do as he wishes. After all, this is just the way that I feel about the thing.

G: Of course, there are \$61,000,000 worth of projects held up in the Treasury that aren't going to -

H.M.Jr: Not held up by me - not been held up by the Treasury.

G: Well, the Bureau of the Budget then.

H.M.Jr: Well, the Bureau of the Budget is responsible to the President and I've given them no orders - not any orders.

G: Well, I'll - I've got this material here ready for Harry when he gets back.

H.M.Jr: I'll tell you what I'll do because I've got lots of work.

G: Yes.

H.M.Jr: I'll sit down tomorrow morning, 11 o'clock - Hello?

G: Yes.

H.M.Jr: And you see if you can produce Hopkins. You better come with him.

G: All right. Fine.

H.M.Jr: And you better bring Aubrey Williams, too.

G: All right.

H.M.Jr: Because Aubrey Williams has been doing a lot of talking and he better come here and we better have it out.

G: All right.

H.M.Jr: I don't like all this talking behind my back. I don't like it at all, and Aubrey better come over and we better have it out here.

G: Well, I'll be glad to tell Harry and Aubrey to come over tomorrow morning.

H.M.Jr: If you would, please.
G: O.K.
H.M.Jr: Hello - hello?
Operator: Hello?
H.M.Jr: Tell Mr. - hello?
Operator: Yes, sir.
H.M.Jr: Who is this?
Operator: Mrs. Spangler.
H.M.Jr: Tell Mr. Bell that Mr. Hopkins will be here at
11:00, and I want him here, please.
Operator: Mr. Hopkins at 11:00?
H.M.Jr: Yes.
Operator: Right.

President Roosevelt
~~He has~~ *Monetary Solution*

... THE PRESIDENT POINTS OUT, WHILE HE HAS BEEN ...
... CONCERN IN DOMESTIC MATTERS ...
... POSITION OF THIS COUNTRY ... HE ...
... IT WOULD BE ADVISABLE TO GET OUT ...
... FACT THAT THE ... OF THE ... BY THE ...
... GOLD MARKET.

10/8-1-36

President Roosevelt
~~He has~~ *Monetary Solution*

... PRESIDENT ROOSEVELT, INQUIRY OF THE WORLD ...
... TODAY, SAID THE GOVERNMENT SHOULD BE ARMED WITH ...
... POWERS TO ... DESTROYMENT OF DOMESTIC VALUES THROUGH ...
... BY ANOTHER NATION OR NATIONS.

10/8-1-36

WCNS99

ADD ROOSEVELT

PRESERVATION OF DOMESTIC VALUES, HE INDICATED, WAS THE PRIMARY PURPOSE OF THE AMERICAN MONETARY PROGRAM.

BEYOND THE BRIEF STATEMENT, HOWEVER, HE WOULD NOT GO.

MEANWHILE, THE PRESIDENT REVEALED THAT HE WAS STILL WORKING ON RAILROAD TIME TABLES IN CONNECTION WITH HIS WESTERN TRIP THAT WILL BEGIN FRIDAY AFTERNOON. THE FIRST MAJOR SPEECH WILL BE MADE SATURDAY NIGHT IN OMAHA.

MR. ROOSEVELT SAID THAT HE PLANNED TO START WORK TOMORROW ON HIS SPEECHES. HE INDICATED THAT THOUGHT WAS BEING GIVEN TO A POSSIBLE CAMPAIGN TOUR THROUGH MINNESOTA AS PART OF THE PRESENT SWING.

10/6--E435P.

OCT 6 1936

ROOSEVELT INDICATES HE WILL KEEP EMERGENCY
POWER TO DEVALUE DOLLAR

WASHN - PRESIDENT ROOSEVELT INDICATED TO-
DAY THAT HE WILL SEEK TO KEEP HIS EMERGENCY
POWERS TO DEVALUE THE DOLLAR WHICH WITHOUT
ADDITIONAL LEGISLATION WILL EXPIRE AT THE *4.45*
END OF JANUARY

THE PRESIDENT SAID THAT THERE SHOULD BE IN
THE GOVERNMENT EMERGENCY POWERS TO PREVENT DES-
TRUCTION OF DOMESTIC VALUES BY UNEXPECTED
ACTION OF SOME FOREIGN POWER - HE EMPHASIZED
THAT SUCH POWERS WOULD BE USED ONLY UNDER FOR-
EIGN COMPULSION

THE PRESIDENT MADE HIS STATEMENT IN REPLY
TO A QUESTION ON WHETHER HE COULD GIVE UP
HIS DEVALUATION POWERS BEFORE GREAT BRITAIN
FIXED A GOLD VALUE FOR THE POUND - WHEN IT
WAS POINTED OUT THAT THE BRITISH REGULATE VALUE
OF THE POUND IN THE LONDON GOLD MARKET THE
PRESIDENT REPLIED THAT SINCE AMERICA CONTROLS
SO MUCH GOLD IT HAS QUITE AN INFLUENCE ON
THE FREE GOLD MARKET

-0-

D.J. 2:30 P.M. October 6, 1936

REMINGTON RAND

Remington Rand Inc states that its assets in France and other gold standard countries were fully protected against devaluation by hedging operations during past four months.

The company sold more than 13,000,000 francs forward covering outstanding accounts receivable bank balances and inventories. Prices of American office equipment the company says are advancing in France and other European countries in proportion to the devaluation that has occurred.

OCT 6 1938

ADD STERLING LOWER

1202

THE SAME CONTROL DOES NOT SEEM TO HAVE DEVELOPED IN THE GUILDER MARKET WHICH IS THOUGHT TO ACCOUNT FOR FIRMNESS IN GUILDERS THIS MORNING THE FIRST STRENGTH TO BE SHOWN BY THE EXCHANGE IN THE PAST FEW DAYS- AS COMPARED WITH A LOW YESTERDAY OF 52 45 CENTS GUILDERS ARE QUOTED AT ABOUT 53 12 CENTS

PUBLICATION OF THE STATEMENT OF CONDITION OF THE BANK OF NETHERLANDS THIS MORNING SHOWS THE EXTREME PRESSURE TO WHICH THE DUTCH GOLD RESERVES WERE SUBJECTED ON THE SATURDAY FOLLOWING FRANC DEVALUATION AND WHICH FORCED THE DUTCH AUTHORITIES TO FOLLOW SUIT

IN THE WEEK ENDED OCT 5 GOLD RESERVES FELL EXACTLY 100 000 000 GUILDERS TO 569 800 000 GUILDERS A LOSS OF ALMOST 15 PC- MOST OF THIS LOSS OCCURRED ON SATURDAY OCT 3 AND FORCED THE REALIZATION THAT UNLESS AN IMMEDIATE EMBARGO WAS PLACED INTO EFFECT THE PRESSURE ON THE GUILDER WOULD HAVE CONTINUED UNTIL THE GOLD RESERVES HAD BEEN EXHAUSTED AND GUILDER DEVALUATION WOULD HAVE BEEN FORCED WITH PRACTICALLY NO GOLD RESERVES LEFT- IT FORCED A DROP IN THE RESERVE RATIO TO 63 6-10 PC FROM 76 7-10 PC WHILE THE STRAIN BROUGHT BY THE DEVELOPMENTS IN THE EXCHANGE MARKET RESULTED IN AN INCREASE IN ADVANCES OF CENTRAL BANK CREDIT TO 265 300 000 GUILDERS FROM 137 400 000 GUILDERS

OCT 6 1936

ADD STERLING LOWER

12.11

THE ITALIAN LIRA IS QUICKLY ADJUSTING
ITSELF TO THE NEW CONDITIONS WITH OFFICIAL
CONTROL CONTINUING TO HOLD THE MARKET STEADY -
MARKET IS QUOTED AT 5 26 CENTS BID AND 5 26
1-2 CENTS OFFERED - A GOOD COMMERCIAL DEMAND
FOR LIRA IS STILL REPORTED AND NO SIGNS OF PRES-
SURE AGAINST THE EXCHANGE HAVE DEVELOPED

-0-

OCT 6 1936 STERLING LOWER 11:45

DECLINE IN STERLING WHICH CONTINUED THIS MORNING CARRIED QUOTATIONS FOR THE POUND INTO NEW LOW GROUND FOR THE YEAR- EARLIER IN THE MORNING STERLING WAS OFFERED DOWN TO 4 90 7-16 BUT LATER STEADIED TO 4 90 5-8- MARKET IS AGAIN ON THE OFFERED SIDE AT 4 90 1-2 AND EXCHANGE TRADERS STATE THE UNDERTONE IS HEAVY

LOCAL EXCHANGE CIRCLES SAY THERE ARE TWO PRINCIPAL FACTORS INVOLVED IN CURRENT WEAKNESS IN STERLING- FIRST IS LONDON BUYING OF AMERICAN SECURITIES WHICH IS ATTRACTED BY RISING QUOTATIONS IN THE LOCAL SECURITIES MARKET

SECOND IS REPATRIATION OF EUROPEAN BALANCES FROM LONDON WHICH IS DEVELOPING ON A FAIRLY GOOD SCALE- AS FAR AS CAN BE DETERMINED LOCALLY THIS REPATRIATION FROM LONDON DOES NOT YET INVOLVE ANY IMPORTANT LIQUIDATION ON THE LONDON STOCK EXCHANGE BUT REPRESENTS LARGELY TRANSFER OF STERLING BALANCES WITH THE DUTCH AND SWISS MOST ACTIVE ON THIS ACCOUNT

FRENCH FRANCS DO NOT REFLECT THESE MOVEMENTS IN THE DOLLAR-FRANC RATE AS WHATEVER REPATRIATION FROM LONDON TO PARIS IS TAKING PLACE IS OFFSET BY OFFICIAL CONTROL OPERATIONS TO KEEP THE FRANC STEADY AT AROUND 4 67 1-2 CENTS- FRANCS HAVE APPRECIATED HOWEVER AGAINST STERLING

DEALINGS OPENED IN THE LIRA ON THE BASIS OF
92 TO 94- SWISS FRANCS WERE 21 37 1-2-
PR THE PREMIUM ON THREE MONTHS DOLLARS WAS 1 1-4
TO 1 ON BRUSSELS 10 TO 7 AND GENEVA 4 TO 2- THE
DISCOUNT ON PARIS WAS 1-4 TO 1-2 AND ON
AMSTERDAM 11 TO 14

OCT 6 1936

-0-

WCNS26

LONDON.--ATTACKING THE GOVERNMENT FOR NOT TAKING THE LEAD IN SETTLING THE WORLD'S ECONOMIC ILLS AND THEREBY ELIMINATING THE DANGER OF WAR, THE DAILY HERALD, ORGAN OF THE LABOR PARTY, ASSERTED TODAY THAT POWERFUL VESTED INTERESTS WERE FIGHTING TO PREVENT BRITISH COOPERATION IN AN ATTEMPT TO UNRAVEL THE TANGLE OF WORLD TRADE RESTRICTIONS.

THE "INTERESTS," THE HERALD CHARGED, HAD BENEFITED UNDER TARIFF PROTECTION AND THE DEPRECIATION OF THE POUND STERLING.

"FAILING REDUCTION IN TRADE RESTRICTIONS, AND THE OPPORTUNITY OF ECONOMIC EXPANSION AND RISING LIVING STANDARDS WHICH COULD THUS BE PROVIDED, NO SETTLEMENT OF THE ECONOMIC CAUSES OF INTERNATIONAL FRACTION CARRYING WITH THEM THE DANGER OF WAR IS POSSIBLE." THE HERALD SAID.

10/6--R943A

RUMANIAN MONETARY POLICY

1:31
OCT 6 1936

LONDON - REUTERS DISPATCH FROM BUCHAREST
STATES THAT RUMANIAN FINANCE MINISTER CANZICOV
ANNOUNCED RUMANIA WOULD MAINTAIN THE POLICY
OF A BALANCED BUDGET AND THE PRESENT RATE OF
EXCHANGE WHICH HAS ALREADY BEEN ADJUSTED TO
INTERNAL AND EXTERNAL NEEDS

-0-

OCT 6 1936

10:43

SPANISH GOLD EXPORT BAN

LONDON - A REUTERS DISPATCH FROM MADRID SAYS A DECREE FORBIDDING THE EXPORT OF GOLD AND SILVER FROM SPAIN WAS PUBLISHED TODAY IN THE OFFICIAL GAZETTE WHICH ALSO FORBIDS TRAVELLERS TO TAKE MORE THAN FOUR PESETAS OF SILVER COINS OUT OF THE COUNTRY

-0-

LIRA DEVALUATION OCT 6 1936

10:46

LONDON - A REUTERS DISPATCH FROM ROME STATES THAT ITALIAN BOURSES REMAIN CLOSED BUT THE PUBLIC IS CALM DEVALUATION BEING DESCRIBED IN THE NEWSPAPERS AS EQUALIZATION OR THE RETURN TO 1927 STABILIZATION BUT NEVER AS DEVALUATION

ADD LIRA DEVALUATION OCT 6 1936

10:48

THIS ACTION IS CLAIMED TO BE AN ACT OF GOODWILL AND COOPERATION WITH AMERICA GREAT BRITAIN AND FRANCE - THE ONLY ANXIETY EXPRESSED WAS THAT THE FORCED LOAN AND ADDITIONAL TAXES ON REAL ESTATE MIGHT CAUSE A SLUMP IN THE VALUE OF HOUSE PROPERTY - THE NEW TAX IS EXPECTED TO YIELD ABOUT 15 000 000 000 LIRE WHICH WILL BE NECESSARY TO FINANCE THE EMPIRE AND ARMAMENTS

-0-

OCT 6 1936

828

SUGGESTS DROPPING TRADE BARRIERS

GENEVA -UP- HOLLAND SUGGESTED TODAY THE ESTABLISHMENT OF A LEAGUE OF NATIONS COMMITTEE TO STUDY THE PROBLEM OF ABOLISHING TRADE BARRIERS IN ORDER TO RESTORE THE VITAL FLOW OF WORLD TRADE

WILLIAM VAN LANSCHOT OF THE NETHERLANDS DELEGATION TO THE LEAGUE ASSEMBLY MADE THE SUGGESTION TO THE LEAGUE-S ECONOMIC COMMISSION

HE SAID THAT HOLLAND WAS OPPOSED TO A NEW INTERNATIONAL TRADE CONFERENCE AT THE PRESENT STAGE OF ECONOMIC RELATIONS - HE PRAISED THE RECENT UNITED STATES-NETHERLANDS TRADE AGREEMENT AS A STEP IN THE DIRECTION OF NORMALIZING COMMERCIAL RELATIONS

INDICATING THAT THE NETHERLANDS FAVORS AN EARLY RETURN TO THE GOLD STANDARD VAN LANSCHOT SAID THAT CURRENCY STABILIZATION WITHOUT A CORRESPONDING REVISION OF THE IMPORT QUOTA SYSTEM AND EXCHANGE CONTROL WOULD PREVENT A RETURN TO NORMAL ECONOMIC RELATIONS BETWEEN STATES

-0-

W - OCT 6 1936 8:20

ROUMANIA SUPPORTS FINANCIAL PACT

GENEVA -UP- ROUMANIA PLEDGED ITS SUPPORT TO
THE AMERICAN BRITISH FRENCH FINANCIAL AGREEMENT
AS A MEANS OF LEADING TO PROGRESSIVE ABOLI-
TION OF TARIFF QUOTAS AND FOREIGN EXCHANGE
CONTROL

PRAISING THE AGREEMENT ANNOUNCED COINCI-
DENT WITH THE FRENCH PLAN FOR DEVALUATION OF
CURRENCY VICTOR ANTONESCU ROUMANIAN FOREIGN
MINISTER SAID BEFORE THE SECOND ECONOMIC COMM-
MISSION OF THE LEAGUE OF NATIONS

-THE PROBLEM OF ECONOMIC DISARMAMENT
PRESENTS ITSELF IN TERMS PRACTICALLY
SIMILAR TO MILITARY DISARMAMENT AND PRE-
SUPPOSES LIKE THE LATTER WIDE EFFECTIVE
INTERNATIONAL COLLABORATION-

-0-

WCNS24

ADD TRADE, GENEVA

IT WAS NOTED THAT, WHILE STATESMEN TALKED OF ECONOMIC DISARMAMENT AS CALCULATED TO END THE BITTERNESSES IN ECONOMIC RELATIONS WHICH ARE REGARDED AS AN IMPORTANT FACTOR IN THE DANGEROUS WORLD POLITICAL SITUATION, A NEW LEAGUE OF NATIONS DISARMAMENT COMMISSION STARTED ITS WORK AT GENEVA--AGREEING AS A FIRST STEP TO INDULGE IN NO GRANDIOSE DREAMS BUT TO PROCEED CAUTIOUSLY AND PRACTICALLY SO THAT NO MATTER HOW SLOW PROGRESS MIGHT BE, IT WOULD AT LEAST BE SURE.

AT THE SAME TIME IN ITS 10TH ANNUAL SURVEY OF WORLD PRODUCTION AND PRICES THE LEAGUE EXPRESSED THE OPINION:

"RECOVERY IN WORLD PRODUCTION ACTIVITY, BEGUN IN THE MIDDLE OF 1932, CONTINUED IN 1935 AND THE EARLY PART OF 1936." PRICES OF MOST BASIC COMMODITIES, THE REPORT SAID, ROSE IN 1935 AND FURTHER PROGRESS WAS MADE IN 1935 TOWARD RESTORATION OF PRE-DEPRESSION PRICE RELATIONSHIPS.

10/6--R931A

WCNS6

League Meeting

GENEVA.--HOLLAND SUGGESTED TODAY THE ESTABLISHMENT OF A LEAGUE OF NATIONS COMMITTEE TO STUDY THE PROBLEM OF ABOLISHING TRADE BARRIERS IN ORDER TO RESTORE THE VITAL FLOW OF WORLD TRADE.

10/6--R837A

WCNS7

ADD TRADE, GENEVA

WILLIAM VAN LANSCHOT OF THE NETHERLANDS DELEGATION TO THE LEAGUE ASSEMBLY MADE THE SUGGESTION TO THE LEAGUE'S ECONOMIC COMMISSION.

HE SAID THAT HOLLAND WAS OPPOSED TO A NEW INTERNATIONAL TRADE CONFERENCE AT THE PRESENT STAGE OF ECONOMIC RELATIONS. HE PRAISED THE RECENT U.S.-NETHERLANDS TRADE AGREEMENT AS A STEP IN THE DIRECTION OF NORMALIZING COMMERCIAL RELATIONS.

INDICATING THAT THE NETHERLANDS FAVORS AN EARLY RETURN TO THE GOLD STANDARD, VAN LANSCHOT SAID THAT CURRENCY STABILIZATION WITHOUT A CORRESPONDING REVISION OF THE IMPORT QUOTA SYSTEM AND EXCHANGE CONTROL WOULD PREVENT A RETURN TO NORMAL ECONOMIC RELATIONS BETWEEN STATES.

10/6--R839A

... GREAT BRITAIN AND FRANCE PRESENTED A RESOLUTION TO THE ECONOMIC COMMISSION OF THE LEAGUE OF NATIONS TODAY, EMPHASIZING THAT ECONOMIC RECOVERY WOULD CONSOLIDATE PEACE AND URGENTLY RECOMMENDING ACCEPTANCE OF QUOTAS AND EXCHANGE CONTROL.

UNLESS TRADE BARRIERS ARE LOWERED AND THE ARMS RACE HALTED IN THE SOONEST POSSIBLE TIME, THE PEOPLES OF THE WORLD MAY REVOLT AND PRODUCE A NEW WAR, STANLEY BUDGE OF AUSTRALIA WARNED THE COMMISSION.

BUDGE, POINTING TO THE "TERRIBLE DETERIORATION" OF THE WORLD FROM THE EFFECTS OF THE ECONOMIC CRISIS, PAINTED A GRAIM PICTURE OF A WORLD BATTERED BY DWINDLING PROSPERITY AND RISING UNEMPLOYMENT.

1936-1007

ROME

DOW JONES - October 6, 1936.

57

OCT 6 1936 ITALIAN MARKETS

ROME-U P- THE DOLLAR WAS QUOTED OFFICIALLY
TODAY AT 19 LIRE -5 263 CENTS FOR THE LIRA-
AND STERLING WAS QUOTED AT 93 1-2 LIRE- THE
BOURSE REMAINED CLOSED BUT GENERALLY IS
EXPECTED TO REOPEN TOMORROW

-0-

ITALIAN BOURSES TO REOPEN TOMORROW

ROME- BOURSES THRUOUT ITALY WILL REOPEN

WEDNESDAY

-0-

OCT 6 1936

11:30
12.00

11
OCT 6 1936 843
HOLLAND TO ABOLISH LEATHER QUOTA

AMSTERDAM - THE IMPORT QUOTA ON VARIOUS KINDS OF LEATHER WILL BE ABOLISHED SHORTLY AND OTHER ABOLITIONS ARE EXPECTED

THE GUILDER IMPROVED WITH THE DOLLAR QUOTED AT 1 88 5-8 AT MIDDAY - THE BOURSE REACTED WITH ROYAL DUTCH AT 365

-0-

OCT 6 1936

12.16

DUTCH IMPORT COFFEE DUTY CUT 50 PC

AMSTERDAM - DUTY ON IMPORTS OF COFFEE IN HOLLAND HAS BEEN REDUCED 50 PC

-0-

DUTCH EQUALIZATION FUND

AMSTERDAM - THE REDUCTION IN THE GOLD RESERVES OF THE BANK OF NETHERLANDS AS SHOWN IN THE STATEMENT OF CONDITION TODAY WAS DUE TO THE TRANSFER OF METAL TO THE NEW EQUALIZATION FUND

THE AMSTERDAM BOURSE REACTED SHARPLY ON PROFIT TAKING WITH QUOTATIONS DROPPING 2 TO 11 POINTS WITH ROYAL DUTCH AT 365 1-2 -

AMERICAN RAYON SHARES WERE HEAVILY OFFERED

RALLY CONTINUED IN THE GUILDER WITH THE DOLLAR CLOSING AT 1 885 GULDERS

-0-

12.45

ALBANIA

DCW JONES - October 6, 1936.

59

OCT 6 1936

ALBANIA NOT TO DEVALUE

TIRANA ALBANIA - MINISTRY OF FINANCE AN
-NOUNCES THERE WILL BE NO DEVALUATION OF THE
ALBANIAN FRANC

-0-

10:44

WCNS64

TIRANA, ALBANIA.--THE FINANCE MINISTRY ANNOUNCES THAT THE
ALBANIAN GOLD FRANC WILL BE DEVALUED.

10/6--E1257P

OCT 6 1936 CZECH CROWN DEVALUED

4.21

PRAGUE - REUTERS- - THE CZECHOSLOVAKIAN
CABINET HAS APPROVED A BILL BY WHICH THE CROWN
WILL BE DEVALUED BY 10 TO 16 PC OF ITS PRESENT
VALUE

-0-

October 7, 1936

The Secretary called the President and said, "Things are going along all right as far as the American prosperity goes.

"I have arranged that our boys come in at 9 o'clock each morning with a series of charts and other data showing effect of the international monetary situation on our domestic economy. This will include a chart and table of prices of export and import commodities compared with those of European countries; stockmarket and Government bond prices and United States imports and exports, and a chart on gold movements and the return of gold from hoards. If there is any danger signal, they are going to show it to me.

"For the time being, we are going to get telegraphic reports on imports and exports. This morning I have on my desk the net sales and purchases of stocks for yesterday in our stock exchange. For instance, all the purchases for yesterday for all the countries were 5,558,000 and the total sales were 4,541,000, or a net of 917,000. Every country bought more than they sold, except Canada and the Netherlands.

"We have arranged with the Securities and Exchange Commission to receive at the close of the market each day the purchases and sales of American securities by foreigners. Their man in New York gets telephonic reports, as soon as the markets close, of all their transactions. They are then tabulated and at 7:30 telephone the information to the Treasury.

"I feel that until we see some indication that it is affecting our internal prosperity, we have nothing to worry about. I just want to let you know that we are watching it very, very closely and that if there is any indication that we are slipping, we will have the information the next morning and not next month."

The President said that his talk in Chicago will be on "Death and Taxes." The President said that he liked the 'speech' that Mr. Morgenthau gave him the other night on taxes and he would like to give that one. Mr. Morgenthau said that he would 'talk' it to Gaston and that Gaston would write something up and send it over. When asked whom Gaston should contact, the President said Sam Rosenman.

Confidential

First Report of
its kind

Transactions in domestic stocks executed on October 6, 1936,
for account of foreigners.

(Values in thousands of dollars)

Country	Purchases	Sales	Net Purchases	Net Sales
Great Britain	2534	1620	914	
France	715	493	222	
Netherlands	696	1006		310
Switzerland	717	683	34	
Canada	400	521		121
Others	496	318	178	
TOTAL	5558	4541	917	

(Twenty-four firms reporting regular transactions, nine firms reporting arbitrage.)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE October 7, 1936

TO Secretary Morgenthau

FROM Mr. Haas 

In your office at 11:45 o'clock yesterday morning you asked that I arrange with the Securities and Exchange Commission, through Mr. Goldsmith, to receive at the close of the market each day, the purchases and sales of American securities by foreigners. Mr. Goldsmith indicated that his New York staff was rather shorthanded. You said you would be glad to arrange to have the Treasury Department take care of any additional expense that the compilation of these figures would entail. You asked that I make the necessary arrangements to secure these figures, and that I have a copy of them on Mr. Lochhead's desk by 8:30 o'clock each morning, and also that I send a copy by special messenger to the Securities and Exchange Commission.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE October 7, 1936

TO Secretary Morgenthau
FROM Mr. Haas 

In your office at 9 o'clock yesterday morning you stated you wanted to follow very closely the international monetary situation and its effect on our domestic economy. Therefore, you asked that I have on your desk each morning at nine o'clock a series of charts and supporting data indicating significant changes in those economic series which are most sensitive in the international monetary situation.

You asked that there be included a chart and table of prices of export and import commodities of the United States compared with similar prices of European countries; stockmarket and government bond prices; and United States imports and exports. You asked that I arrange with the Customs Bureau to obtain these data more frequently and more promptly than now available.

You also indicated that you wished to follow very closely the domestic business situation, and asked that significant developments be reported to you each morning.

You also expressed your interest in gold movements and the return of gold from hoards, and suggested that this whole matter be carefully studied and that a system of charts and tabular material on this whole field be worked up, brought up-to-date each day and presented to you for review each morning.

You indicated that although you did not expect a thorough-going system by next Tuesday, that you wished as much of the material as possible ready by then, and that each day new material was to be added as developed.

October 7.

At 5 p.m. last night, HM, Jr. called up McIntyre on the telephone and read to him the statement which the President made at his press conference today, which came over the U.P. ticker:

"President Roosevelt, discussing the world monetary situation today, said the Government should be armed with emergency powers to prevent a destruction of domestic values through unexpected action by another nation or nations."

HM, Jr. said to McIntyre, "If the President did not think it was an impertinence, I should like to come over and talk to him about this statement. I do not know what the President means and I do not know how this statement is going to be interpreted. I think if the President would read this statement, as reported by the U.P., he would want to give an additional statement to the press. I believe what he meant by his statement was that he wants to continue the Stabilization Fund."

McIntyre told the Secretary that the President could not see him because he was in conference but that the President had sent for the U.P. ticker and would read it.

As stated above, this conversation took place at 5 o'clock. At 5:28, the following message came over the U.P. ticker:

"Such action, the President pointed out, would be used only in the event of a world convulsion in monetary matters.

"He gave his offhand exposition of this country's attitude when he was asked whether it would be advisable to let our devaluation powers lapse in view of the fact that the price of the pound is fixed by the London free gold market."

The Secretary said he felt that the President did not know what he was talking about and that he felt that he had made a major mistake.

Add the Pres.

CNS105

ADD ROOSEVELT (WCNS98.)

SUCH ACTION, THE PRESIDENT POINTED OUT, WOULD BE USED ONLY IN
THE EVENT OF A WORLD CONVULSION IN MONETARY MATTERS.

HE GAVE HIS OFFHAND EXPOSITION OF THIS COUNTRY'S ATTITUDE WHEN HE
WAS ASKED WHETHER IT WOULD BE ADVISABLE TO LET OUR DEVALUATION POWERS
LAPSE IN VIEW OF THE FACT THAT THE PRICE OF THE POUND IS FIXED BY THE
LONDON FREE GOLD MARKET.

10/6--E528P.

Pres on Monetary Situation 68

CNS98

PRESIDENT ROOSEVELT, DISCUSSING THE WORLD MONETARY

SITUATION TODAY, SAID THE GOVERNMENT SHOULD BE ARMED WITH

EMERGENCY POWERS TO PREVENT A DESTRUCTION OF DOMESTIC VALUES THROUGH

UNEXPECTED ACTION BY ANOTHER NATION OR NATIONS.

10/6--E433P.

THE LONDON TIMES, October 7, 1936

American Currency Policy.

President and Dollar

From our own correspondent

Washington, Oct. 6.

President Roosevelt during his brief stay here was asked this afternoon whether as a possible method of accelerating the positive, as distinct from the present conditional, stabilization of currencies, some engagement might be made not to resort to a further devaluation of the dollar under the powers still possessed by the Executive.

Mr. Roosevelt said such a question involved the consideration of the primary purpose of devaluation, which was favourably to affect the American price level. He believed that there should be left in the hands of the American Government emergency powers which might be used in the event of unexpected action by another nation or number of nations - something, he said a moment later, "like a world convulsion."

Another question touched on the exchange position of the British currency, which, it was suggested, was determined by the free gold market in London. The President agreed, but reminded the questioner that the large stocks of gold held by the United States gave this country a considerable influence over the movements of the market.

THE LONDON TELEGRAPH, October 7, 1936.

Future of the Dollar.

Mr. Roosevelt and Devaluation

From our own correspondent

Washington, Tuesday.

Mr. Roosevelt gave an important hint to-day on the future of the gold policy of the United States.

Answering questions put to him at his bi-weekly Press conference, he indicated that if he were re-elected he would probably ask Congress to extend the legal powers of the President to devalue the dollar.

Under the terms of the present Act this authority will expire early next year.

Mr. Roosevelt went on to explain that the primary purpose of a devaluation scheme in the United States was to protect domestic values. To maintain that purpose the Government should possess emergency powers to prevent any destruction of domestic values as a result of any unexpected action by any other nation or nations.

Mr. Roosevelt declined to be drawn into a discussion on the British policy of fixing currency value by a free gold market in London.

He pointed out, however, that the United States, through controlling so large an amount of the world's gold, might have an important influence on the gold market.

12.80 ROOSEVELT DENIES MOST FAVORED NATION TREAT
-MENT TO GERMANY AND AUSTRALIA

OCT 7 1936

WASHN- IN A LETTER ADDRESSED TO SECRETARY
MORGENTHAU PRESIDENT ROOSEVELT DIRECTED THAT
GERMANY AND AUSTRALIA BE EXCLUDED FROM MOST FAV-
ORED NATION TREATMENT UNDER THE NEW RECIPROCAL
TRADE AGREEMENT ACT

THE EFFECT OF HIS LETTER WILL BE TO DENY
THE TWO COUNTRIES TARIFF CONCESSIONS GRANTED
TO OTHER NATIONS UNDER RECIPROCAL TRADE AGREE-
MENTS- THEY WERE SINGLED OUT THE PRESIDENT SAID
BECAUSE -THEIR TREATMENT OF AMERICAN COMMERCE
IS DISCRIMINATORY-

-0-

OCT 7 1936
9861 2 100

2.45

LONDON MARKET AT NEW HIGHS

REFLECTING BULLISH ENTHUSIASM WHICH SWEEPED LONDON STOCK MARKETS TODAY FOLLOWING OPTIMISTIC SPEECH BY CHANCELLOR OF THE EXCHEQUER NEVILLE CHAMBERLAIN LONDON INDUSTRIAL AVERAGES PREPARED BY LONDON FINANCIAL TIMES SCORED SHARPEST ADVANCE TO BE RECORDED SINCE THE SERIES WAS BEGUN IN THE FALL OF 1932 - RAILS ALSO BROKE INTO NEW HIGH GROUND AGAIN BUT ADVANCE WAS NOT AS SPECTACULAR AS IN INDUSTRIAL AVERAGES

FINANCIAL TIMES INDUSTRIAL AVERAGE JUMPED 33-10 POINTS TO A NEW RECORD HIGH OF 140 3 - RAILS ADVANCED 3-10 OF 1 POINT TO ANOTHER RECORD HIGH OF 72 3 - PRESENT LEVELS COMPARE WITH 133 5 FOR INDUSTRIALS AND 71 2 FOR RAILS ON SEPT 25 WHICH WAS LAST MARKET SESSION FOR LONDON PRIOR TO DEVALUATION OF THE FRANC

-0-

OCT 7 1936 STERLING AT NEW LOW

11:30

DECLINE IN STERLING CARRIED QUOTATIONS TO NEW LOW FOR THE YEAR- MARKET QUOTES STERLING CURRENTLY AT ABOUT 4 89 1-16 OFF 1 7-16 CENTS AFTER HAVING BEEN AS LOW AS 4 88 3-4- FRENCH FRANCS ARE STEADY BUT LOWER AT ABOUT 4 67 CENTS OFF 5-8 POINT AND GULDERS ARE FIRM AT 53 18 CENTS UP 12 POINTS- LOCAL EXCHANGE MARKET IS QUIET

LOCAL EXCHANGE CIRCLES ATTRIBUTED THE DECLINE IN LOCAL QUOTATIONS FOR STERLING MAINLY TO INDIRECT EFFECTS OF A LARGE DEMAND FOR FRANCS WHICH DEVELOPED THIS MORNING IN LONDON REPRESENTING FOR THE MOST PART IT IS BELIEVED COVERING OF SHORT POSITIONS- LARGE SCALE INTERVENTION ON THE PART OF OFFICIAL CONTROLS WAS NECESSARY TO MAINTAIN STABILITY IN THE EXCHANGE RATES THROUGH HEAVY SELLING OF FRANCS TO MEET THE DEMAND

-0-

French Devaluation Profit

MCNS30

PARIS.--THE GOVERNMENT PROFITED 17,000,000,000 FRANCS (\$793,-
900,000) BY ITS DEVALUATION LEGISLATION. OF THE TOTAL
10,000,000,000 FRANCS (\$467,000,000) WAS DEVOTED TO A STABILIZATION
FUND, 4,000,000,000 (\$186,800,000) WAS EARMARKED TO REPAY THE
GOVERNMENT DEBT TO THE BANK OF FRANCE ON CURRENT ACCOUNT, AND
3,000,000,000 (\$140,100,000) WAS ADVANCED TO THE CREDIT FONCIER (THE
GOVERNMENT SUPERVISED LOAN BANK) TO ENABLE IT TO REDUCE INTEREST RATES
ON LOANS. NOTHING WAS ALLOTTED TO ARMAMENTS.

10/7--R1028A

WCNS11

Sir Walter Layton

LONDON.--FRANCE'S CURRENCY AND TARIFF MEASURES, POINTING THE WAY TOWARD ECONOMIC DISARMAMENT, MAY WELL RESULT IN THE "SELF-ABSORPTION" OF DICTATORSHIPS AND THE STEMMING OF THE TIDES OF WAR IF CARRIED ON AS THEY SHOULD BE, SIR WALTER LAYTON, ECONOMIST, TOLD THE UNITED PRESS.

HE WARNED THAT ANY TREND TOWARD THE "SELF ABSORPTION" OF DICTATORSHIPS MUST BE PARALLELED BY THE STRENGTHENING OF DEMOCRACY, AND THE USE BY DEMOCRACIES OF TACT.

HE SAID ALSO, THAT WHILE THE FRENCH INITIATIVE WAS A TRIUMPH IT WOULD BE NECESSARY, IF IT WERE TO BE UTILIZED TO ITS FULLEST EXTENT, FOR THE U.S. TO HELP IN A CONSTRUCTIVE WAY NOW THAT THE BALL HAS BEEN STARTED ROLLING.

10/7--R902A

DOW JONES - October 7, 1936.
 9661 L 130 OCT 7 1936

FRENCH PRICES HIGHEST SINCE 1932 1:50

PARIS - RAPID RISE IN FRENCH PRICE LEVELS WHICH BEGAN A YEAR AGO AND WHICH WAS INTENSIFIED BY THE SOCIAL LEGISLATION DURING THE SUMMER BY THE BLUM GOVERNMENT HAS NOW CARRIED WHOLESALE INDEX AS OF THE END OF SEPT TO 426 ON THE BASIS OF 100 FOR 1914 - THIS IS THE HIGHEST LEVEL TO BE REACHED SINCE EARLY 1932

AS COMPARED WITH AUGUST 31 WHOLESALE INDEX HAS RISEN BY 8 PC BY 14 PC FROM JUNE 30 AND BY 27 PC AS COMPARED WITH A YEAR AGO - INCREASE IS DUE LARGELY TO RISE IN PRICES OF NATIONAL PRODUCTS WHICH ARE UP 20 PC SINCE BEGINNING OF YEAR WHEREAS PRICES OF IMPORTED PRODUCTS ARE UP BUT 10 PC

AN INVESTIGATION WHICH HAS BEEN UNDERTAKEN BY THE ECONOMIST CHARLES RIST FORMERLY OF BANK OF FRANCE SHOWS THAT BEFORE DEVALUATION OF THE FRANC RETAIL FOOD PRICES WERE ANYWHERE FROM 15 PC TO 50 PC HIGHER THAN IN OTHER COUNTRIES WITH EXCEPTION OF SWITZERLAND - PRICES OF MANUFACTURED ARTICLES GENERALLY ARE THE HIGHEST IN THE WORLD WITH EXCEPTION OF SWITZERLAND - SOLE EXCEPTION IS PRICE OF SHOES WHERE WORLD PRICES ARE IDENTICAL WITH FRENCH WITH EXCEPTION OF HOLLAND WHERE SHOE PRICES ARE HIGHER AND IN BELGIUM WHERE THEY WERE 30 PC LOWER THAN WORLD PRICES

ADD FRENCH PRICES HIGHEST SINCE 1932

IN PREVIOUS ITEM IN THIRD GRAPH 9TH LINE

SECOND WORD SHOULD READ -SOLE-

9.10 am

OCT 7 1936

CHAMBERLAIN ON MONETARY MOVE

LONDON-U P- -TO THOSE WHO HAVE BEEN WAITING AND HOPING FOR A CHANGE IN THE INTERNATIONAL SITUATION THE DECISION OF FRANCE TO READJUST THE EXCHANGE VALUE OF THE FRANC COMES LIKE THE CRACKING OF ICE AND APPROACH OF A WARMER SEASON TO A POLAR EXPLORER WHOSE SHIP HAS BEEN FROZEN FOR MONTHS IN IMMOBILITY- NEVILLE CHAMBERLAIN CHANCELLOR OF THE EXCHEQUER SAID IN A SPEECH TUESDAY NIGHT

CHAMBERLAIN REGARDED AS THE MOST FORCEFUL MEMBER OF THE CABINET AND AS THE NEXT PRIME MINISTER MADE HIS SPEECH BEFORE A DISTINGUISHED AUDIENCE AT THE HISTORIC GUILD HALL WHERE THE LORD MAYOR GAVE A BANQUET TO BANKERS- HIS REFERENCE TO THE NEW MOVE TOWARD ECONOMIC DISARMAMENT WAS ENTHUSIASTICALLY APPLAUDED

HE FORECAST THE EVENTUAL RETURN OF THE GOLD STANDARD

-I SEE NO REASON TO ALTER THE VIEW I HAVE EXPRESSED BEFORE THAT EVENTUALLY WE PROBABLY WILL RETURN TO AN INTERNATIONAL MONETARY STANDARD ON THE ONLY BASIS WHICH APPEARS TO GIVE GENERAL CONFIDENCE-

CHAMBERLAIN SAID OF THE GOLD STANDARD-
-IF WE CAN PREVENT VIOLENT FLUCTUATIONS IN THE VALUATION OF GOLD AS EXPRESSED IN TERMS OF COMMODITIES I SEE NO INSUPERABLE OBSTACLES IN THE WAY OF OUR ULTIMATELY ARRIVING AT A CURRENCY SYSTEM BASED ON THE FREE EXCHANGE OF GOLD-

-0-

9661 2.130

LONDON EXCHANGE

-DJ-9 24-

LONDON- FEATURE OF FOREIGN EXCHANGE MARKET WAS ACTIVE DEALINGS IN FRENCH FRANCS WHICH WERE FIRM ON BEAR COVERING REPATRIATION AND DEMAND FROM LONDON BY OPERATORS DESIRING TO INVEST ON THE PARIS BOURSE- FRENCH CONTROL IS REPORTED TO HAVE SOLD FRANCS FROM 104 85 DOWN TO 104 89-

OCT 7 1936

ADD LONDON EXCHANGE

9.30

THERE WAS A CONTINUED DEMAND FOR DOLLARS PARTLY FOR COMMERCIAL ACCOUNT BUT MAINLY FOR INVESTMENT IN WALL STREET AND IT IS THOUGHT THAT AMERICAN CONTROL MAY SOON INTERVENE AS A SELLER OF DOLLARS WHICH ALSO WOULD CAUSE SYMPATH-ETIC WEAKENING OF FRENCH FRANC

IT IS BELIEVED THAT MOST OF GOLD OFFERED IN THE OPEN MARKET TODAY WAS TAKEN BY ARBITRAG-EURS FOR SHIPMENT TO NEW YORK BUT SOME ALSO IS BELIEVED TO HAVE BEEN BOUGHT BY BRITISH AND SWISS CONTROL AUTHORITIES- TURNOVER IN SWISS FRANCS WAS CONSIDERABLE BUT THE RATE WAS STEADY AROUND 21 25 1-4

PREMIUM ON THREE MONTHS DOLLARS WAS 1 1-4 TO 1- BRUSSELS 7 TO 3 AND GENEVA 5 1-2 TO 2 1-2- DISCOUNT ON THREE MONTHS PARIS WAS 1-8 TO 3-8 FRANC AND AMSTERDAM 10 TO 12 DUTCH CENTS

-0-

WCNS7

GENEVA.--NEARLY THREE SCORE NATIONS, COMPRISING THE LEAGUE OF NATIONS, WILL GET BEHIND THE DRIVE FOR ECONOMIC DISARMAMENT--AN ECONOMIC APPROACH TO PEACE--BY THIS WEEK END, LEAGUE LEADERS PREDICTED TODAY.

THE ECONOMIC COMMISSION OF THE LEAGUE ASSEMBLY WAS EXPECTED TO APPROVE TODAY A RESOLUTION WHICH LEADERS SAID WOULD ACT AS A SPRINGBOARD IN THE ECONOMIC RECOVERY CAMPAIGN--A JOINT FRENCH-BRITISH PROPOSAL CALLING ON WORLD NATIONS TO SCRAP TRADE BARRIERS AS A STEP TOWARD PEACE AND PROSPERITY, AND AWAY FROM THE DESCENT INTO THE MAELSTROM OF WAR.

IT WAS REGARDED AS CERTAIN THAT THE ENTIRE ASSEMBLY WOULD APPROVE THE RESOLUTION THIS WEEK.

10/7--R853A

WCN517

ADD ECONOMICS, GENEVA

THE TEXT OF THE FRENCH-BRITISH RESOLUTION URGENTLY RECOMMENDED IN CONCLUSION "THAT THE STATES CONCERNED, AS AN ESSENTIAL CONDITION TO FINAL SUCCESS, ORGANIZE WITHOUT ANY DELAY DETERMINED AND CONTINUED ACTION TO INSURE APPLICATION OF THE ABOVE INDICATED POLICY, REDUCE EXCESSIVE OBSTACLES TO INTERNATIONAL TRADE AND COMMUNICATIONS AND PARTICULARLY TO RELAX AND AS SOON AS POSSIBLE TO ABOLISH THE PRESENT SYSTEM OF (IMPORT) QUOTAS AND EXCHANGE CONTROLS."

DEBATING THIS RESOLUTION TODAY, WALTER STUCKI, SWISS MINISTER OF NATIONAL ECONOMY, CONSIDERED THE WORLD'S FOREMOST EXPERT ON COMMERCIAL TREATIES, WARMLY ENDORSED THE TARIFF POLICY OF SECRETARY HULL.

SWITZERLAND, HE SAID, WAS PROGRESSIVELY REDUCING HER TARIFFS. BUT HE WARNED THAT SHE WOULD RELAX HER IMPORT QUOTAS ONLY IN FAVOR OF COUNTRIES THAT TREATED SWISS EXPORTS FAIRLY, PAID THEIR DEBTS AND PERMITTED TOURISTS TO GO TO SWITZERLAND (SOME NATIONS NOW DISCOURAGE TOURIST, BOTH AS A MATTER OF ECONOMY AND TO MAKE IT IMPOSSIBLE FOR POLITICAL ENEMIES TO SEEK REFUGE ABROAD).

APPARENTLY REFERRING TO GERMANY, STUCKI SAID THAT 50 PER CENT OF SWISS TRADE WAS WITH COUNTRIES WHICH PREVENTED THEIR IMPORTERS FROM PAYING THEIR DEBTS.

10/7--R925A

8.50

FRENCH-BRITISH TRADE RESOLUTION OCT 7 1936

GENEVA - COPYRIGHT BY UPP - THE ECONOMIC COMMISSION OF THE LEAGUE ASSEMBLY WAS EXPECTED TO APPROVE TODAY A RESOLUTION WHICH LEADERS SAID WOULD ACT AS A SPRINGBOARD IN THE ECONOMIC RECOVERY CAMPAIGN - A JOINT FRENCH-BRITISH PROPOSAL CALLING ON WORLD NATIONS TO SCRAP TRADE BARRIERS

IT WAS REGARDED AS CERTAIN THAT THE ENTIRE ASSEMBLY WOULD APPROVE THE RESOLUTION THIS WEEK

ALREADY FRANCE GREAT BRITAIN THE NETHERLANDS AUSTRALIA AND ROUMANIA HAVE JOINED ACTIVELY IN THE PIONEERING FOR ECONOMIC DISARMAMENT

-THE ASSEMBLY NOTING WITH SATISFACTION THE JOINT DECLARATION OF FRANCE THE UNITED STATES AND THE UNITED KINGDOM OF SEPT 26 -IN CONNECTION WITH FRENCH DEVALUATION- AND THE IMMEDIATE ADHESIONS THERETO BY SEVERAL STATES

-RECOGNIZING THAT THIS DECLARATION HARMONIZES WITH RECOMMENDATIONS MADE BY THE -LEAGUE- ECONOMIC COMMITTEE IN ITS RECENT REPORT ON THE PRESENT PHASE OF INTERNATIONAL ECONOMIC RELATIONS

-CONSIDERING THAT A CONCORDANCE OF POLICY DESIGNED TO REESTABLISH A DURABLE EQUILIBRIUM BETWEEN THE ECONOMIES OF VARIOUS COUNTRIES TO LAY MORE SOLID FOUNDATIONS FOR STABILITY OF ECONOMIC RELATIONS AND TO PROMOTE INTERNATIONAL TRADE WOULD EFFECTIVELY CONTRIBUTE TO CONSOLIDATION OF PEACE RESTORATION OF INTERNATIONAL ORDER GROWTH OF WORLD PROSPERITY AND IMPROVEMENT OF THE STANDARD OF LIVING OF PEOPLES

-AFFIRMS THE GENERAL DESIRE OF LEAGUE MEMBERS TO PURSUE THE REALIZATION OF THESE OBJECTS AND INVITE ALL STATES WHETHER LEAGUE MEMBERS OR NOT TO COOPERATE FULLY TO THAT END - AND

-URGENTLY RECOMMENDS THAT THE STATES CONCERNED AS AN ESSENTIAL CONDITION TO FINAL SUCCESS ORGANIZE WITHOUT ANY DELAY DETERMINED AND CONTINUED ACTION TO INSURE APPLICATION OF THE ABOVE INDICATED POLICY REDUCE EXCESSIVE OBSTACLES TO INTERNATIONAL TRADE AND COMMUNICATIONS AND PARTICULARLY TO RELAX AND AS SOON AS POSSIBLE TO ABOLISH THE PRESENT SYSTEMS OF -IMPORT- QUOTAS AND EXCHANGE CONTROLS- THE TEXT OF THE FRENCH-BRITISH RESOLUTION ON WHICH ACTION IS EXPECTED TODAY STATES

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9.15 am

OCT 7 1936

ROME BOURSE

ROME- -REUTERS- -THE TONE AT THE REOPENING
OF THE BOURSE WAS VERY FIRM-SNIA VISCOSA
WAS QUOTED AT 420 LIRA AGAINST 389 SEPT 25
WHEN THE BOURSE CLOSED- FIAT WAS 448 AGAINST
415 I-2 AND MONTECATINI 179 AGAINST 156
-0-

/D.J. 10, 15am/

OCT 7 1936

RUBBER EXPORT DUTY RAISED

BATAVIA - REUTERS - NETHERLANDS EAST
INDIES EXPORT DUTY ON NATIVE RUBBER WILL BE
INCREASED ONE GUILDER TO 51 GULDERS PER
100 KILOGRAMS EFFECTIVE OCT 8/

-0-

YUGOSLAVIA DOW JONES - October 7, 1936.

OCT 7 1936

YUGOSLAVIA MONETARY DEVELOPMENTS 10.11: 411

1. BELGRADE - REUTERS - DESPITE THE OFFICIAL STATEMENT THAT THE DINAR WILL NOT BE FURTHER DEVALUED IT IS RUMORED IN WELL INFORMED CIRCLES THAT THE DINAR WILL BE GRADUALLY ALLOWED TO SINK TO COMPETITIVE LEVELS WITH OTHER DEVALUED CURRENCIES -/WHILE THE OFFICIAL VALUE OF THE DINAR HAS FALLEN ONLY SLIGHTLY THE QUOTATION IN THE UNOFFICIAL MARKET IS 245 DINARS TO THE POUND STERLING

-IT IS BELIEVED DINARS MAY BE ALLOWED TO FALL TO THE FORMER LEVEL OF 275 TO THE POUND STERLING

-0-

ADD YUGOSLAVIA MONETARY POLICY 113

OCT 7 1936

BUDAPEST- REUTERS- ACTING PREMIER DR DE GARAMYI DECLARED THAT THE RECENT DECISION OF THE GOVERNMENT TO TAKE NO NEW MONETARY MEASURES IS DEFINITE DESPITE DEVALUATION OF THE LIRE AND THE CZECH CROWN

-0-

OCT 7 1936

11.35

AMSTERDAM MARKETS

AMSTERDAM - FOREIGN EXCHANGES WERE QUIETER
- PROBABLY AS THE RESULT OF THE
FIRST INTERVENTION OF DUTCH CONTROL THE DOLLAR
WENT TO 1 885

THE BOURSE WAS STRONG UNDER THE LEAD OF
ROYAL DUTCH WHICH SPURTED 12 TO 377 5-8 -
AMERICAN ISSUES ARE MEETING KEEN DEMAND ES-
PECIALLY THE COPPERS STEELS OILS AND
RAILROADS - CANADIAN PACIFIC WAS BUOYANT
-0-

1.01

OCT 7 1936

DUTCH GOLD CLAUSE CONTRACTS

THE HAGUE - IT IS UNDERSTOOD THAT THE
NETHERLANDS GOVERNMENT, WHICH IS INVESTIGATING
THE QUESTION OF CANCELLING ALL GOLD CLAUSES
ON DUTCH CONTRACTS IN CONNECTION WITH THE
CHANGED NETHERLANDS MONETARY POLICY, DOES NOT
INTEND TO INCLUDE GOLD CLAUSES OF FUNDS OFFIC-
IALLY QUOTED IN FOREIGN CURRENCIES ON THE
AMSTERDAM STOCK EXCHANGE ACCORDING TO REUTERS

-0-

JR

GRAY

Praha

Dated October 7, 1936

Rec'd 9:10 a.m.

Secretary of State,
Washington.

50, October 7, 9 a.m.

My 47, October 3, 10 p.m.

Bill provides for reduction of from 10.6 to 15.98
per cent reduction gold content.

WRIGHT

CSB

88
Berlin Oct 7, 1936



DEPARTMENT OF STATE
WASHINGTON

October 19, 1936.

In reply refer to
EA 851.5151/1074

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and encloses three copies of despatch No. 3080 of October 7, 1936, from the American Embassy, Berlin, Germany, transmitting the text of Dr. Schacht's statement to the Central Committee of the Reichsbank on September 30, 1936, with respect to the attitude of the German Government on the devaluation of the currencies of France, Switzerland and the Netherlands.

Enclosure:
No. 3080 of October 7,
1936, from Berlin.

Berlin, October 7, 1936.

No. 3080

Subject: Text of Dr. Schacht's Statement of September 30, 1936, to the Central Committee of the Reichsbank.

The Honorable

The Secretary of State,
Washington.

Sir:

1/ With reference to the Embassy's telegram No. 296 of September 30, 6 p. m., I have the honor to transmit the original text and a translation prepared in this office of Dr. Schacht's statement to the Central Committee of the Reichsbank on September 30, 1936, with respect to the attitude of the German Government on the devaluation of the currencies of France, Switzerland and the Netherlands.

Respectfully yours,

William E. Dodd.

Enclosure:

- Dr. Schacht's statement to the Central Committee of the Reichsbank.

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JWR ER. transcript of
the signed original
M.A.

Enclosure.

Text of Dr. Schacht's Statement to the
Central Committee of the Reichsbank
on September 30, 1936.

On the 27th of this month the French Government transmitted to the Reich Government the declaration issued by the three governments in Paris, London and Washington concerning the devaluation of the French franc and ^{in doing so} thereby directed particular attention to Paragraph 5 in which the cooperation of the other nations in the carrying out of the policy formulated in the declaration is desired and requested. This circumstance and the fact that the devaluation of the French franc must have considerable effect on the development of international economic and currency relations makes it appropriate also to inform the public concerning the German view in these matters.

The intention announced in the declaration of the three powers "to preserve peace, to favor the creation of conditions which may best contribute to the re-establishment of order in international economic relations, and to pursue a policy aimed at the development of prosperity in the world and at the improvement of the standard of living of the peoples", corresponds completely to the wish and will which the Führer and Chancellor has expressed in his repeated solemn declarations to the world in the name of the Reich Government. I would only point out as a proof of this to

the

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the Reichstag speech of May 21, 1935, with its adherence to economic cooperation and to the diplomatic note of the Reich of March 31, 1936, which contained an all-embracing peace plan. The characterization in the three power declaration of one of the permanent objects of its policy as being "to maintain a maximum equilibrium on the international currency market" is welcomed by us but unfortunately cannot prevent our pointing out that through the English as well as the American devaluation, the economic equilibrium of the world was most seriously disturbed. This, however, will not prevent the German Government from supporting on its part all efforts which, according to the three power declaration, are intended "gradually to ameliorate the present system of contingents and currency control with the final aim of their complete abolishment".

If these intentions are measured by the devaluation of the French franc and the method employed, it must unfortunately be stated that little has been altered by this step as regards the insecurity of the international currency situation. Indeed, whereas heretofore the gold bloc, at least for its own territory, guaranteed stability, this has also disappeared now that the devaluation of the French franc has brought about the devaluation in Switzerland and Holland. The currency agreement between the three powers does not even envisage a mutual fixed relation between these three currencies. Similarly Switzerland and Holland have failed to establish such a ratio so that the instability as compared with past conditions

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has even been increased. Except for Germany and 3 or 4 other countries there is at the moment, now that the former general connection with gold has been abolished, no longer any currency in the world which in principle has a firm basis and, on the contrary, all other currencies partly within certain bounds and partly without restriction are subject to manipulation at will by their governments and quite predominately have no fixed relation amongst themselves.

While Germany, therefore, does not believe in the success of such measures which have not been adjusted to each other, Germany is nevertheless very far from criticising or disturbing in any manner the measures which the French Government believed it had to adopt. On the contrary, it can only be very welcome to us if the success desired by the French Government according to its declaration occurs and if in particular international security and freedom of payment should be again achieved. Furthermore, we quite feel it to be our duty to investigate the question as to by what possible measures on our part we can contribute to the achievement of this aim. The Reich Government and Reichsbank in the course of this investigation have arrived without hesitation at the decision that we do not wish to increase the uncertainty of international traffic which has been increased by the devaluation measures of foreign countries by also contributing on our part an element of insecurity to the currency situation. The countries which engage in commerce with us must know that we regard permanence as an indispensable foundation of international traffic.

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We desire, however, that not only foreign countries recognize this but the German saver and worker must also be able to rely on the fact that the National Socialist Government desires to maintain at their full value his purchasing power and his pay.

While occasionally German interests voice the desire for a devaluation of the mark, I would not like to exaggerate the weight of the argument for it by polemizing against them in detail. I would prefer to say only one thing for Germany, namely, that the system of foreign exchange control, the discomfort and flaws of which we have always recognized, could not be made superfluous by mere devaluation. The heavy burden of debt arising from the injustices of Versailles and the difficulties of our raw material supply make this control necessary. Only their amelioration will make the German foreign exchange control superfluous. To the solution of this question attaches not only the economic prosperity of Germany but also that of all those countries which are interested in a receptive market of 70 million people.

We are completely aware that the present international currency situation imposes heavy sacrifices on us but no pressure will cause the Reich Government to do anything which is contrary to the interest of its own people and country. On the other hand the Reich Government will at all times be prepared to participate in suitable international negotiations which are directed toward a free international economic and payments traffic, of course preserving the national interest which was also stressed

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stressed in the currency declaration of the three powers. If in the course of the proceedings of the three powers such a possibility should result we shall welcome it and be prepared for a new examination. Meanwhile, we can and will watch developments equably and reach our decision on each occasion according to our free will. Thanks to our foreign exchange control, we have had in our currency a stable economic foundation the whole time under the National Socialist Government and we will keep it. This tremendous advantage, equally important for producer and consumer, outweighs all discomforts connected with the foreign exchange control.

JUR ER

Berlin, October 7, 1936.

No. 3080

Subject: Text of Dr. Schacht's Statement of September 30, 1936, to the Central Committee of the Reichsbank.

The Honorable

The Secretary of State,
Washington.

Sir:

1/ With reference to the Embassy's telegram No. 296 of September 30, 6 p. m., I have the honor to transmit the original text and a translation prepared in this office of Dr. Schacht's statement to the Central Committee of the Reichsbank on September 30, 1936, with respect to the attitude of the German Government on the devaluation of the currencies of France, Switzerland and the Netherlands.

Respectfully yours,

William E. Dodd.

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1. Dr. Schacht's statement to the Central Committee of the Reichsbank.

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JWR SR

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on September 30, 1936.

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The intention announced in the declaration of the three powers "to preserve peace, to favor the creation of conditions which may best contribute to the re-establishment of order in international economic relations, and to pursue a policy aimed at the development of prosperity in the world and at the improvement of the standard of living of the peoples", corresponds completely to the wish and will which the Führer and Chancellor has expressed in his repeated solemn declarations to the world in the name of the Reich Government. I would only point out as a proof of this to

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While Germany, therefore, does not believe in the success of such measures which have not been adjusted to each other, Germany is nevertheless very far from criticising or disturbing in any manner the measures which the French Government believed it had to adopt. On the contrary, it can only be very welcome to us if the success desired by the French Government according to its declaration occurs and if in particular international security and freedom of payment should be again achieved. Furthermore, we quite feel it to be our duty to investigate the question as to ~~by~~ what possible measures on our part we can contribute to the achievement of this aim. The Reich Government and Reichsbank in the course of this investigation have arrived without hesitation at the decision that we do not wish to increase the uncertainty of international traffic which has been increased by the devaluation measures of foreign countries by also contributing on our part an element of insecurity to the currency situation. The countries which engage in commerce with us must know that we regard permanence as an indispensable foundation of international traffic.

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While occasionally German interests voice the desire for a devaluation of the mark, I would not like to exaggerate the weight of the argument for it by polemizing against them in detail. I would prefer to say only one thing for Germany, namely, that the system of foreign exchange control, the discomfort and flaws of which we have always recognized, could not be made superfluous by mere devaluation. The heavy burden of debt arising from the injustices of Versailles and the difficulties of our raw material supply make this control necessary. Only their amelioration will make the German foreign exchange control superfluous. To the solution of this question attaches not only the economic prosperity of Germany but also that of all those countries which are interested in a receptive market of 70 million people.

We are completely aware that the present international currency situation imposes heavy sacrifices on us but no pressure will cause the Reich Government to do anything which is contrary to the interest of its own people and country. On the other hand the Reich Government will at all times be prepared to participate in suitable international negotiations which are directed toward a free international economic and payments traffic, of course preserving the national interest which was also

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JWR ER

Berlin, October 7, 1936.

Nô. 3080

Subject: Text of Dr. Schacht's statement of September 30, 1936, to the Central Committee of the Reichsbank.

The Honorable

The Secretary of State,
Washington.

Sir:

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JWR ER

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 7, 1936.

TO CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH

FROM L. W. Knoke

BANK OF ENGLAND.

I called Mr. Bolton at 10:00 today. They were having a rather rough day, he said; the demand for French francs, Swiss francs and dollars was very big; their turnover in French francs immense; at the moment they were selling at 104 23/32. The way it looked now they would probably lose from £4,000,000 to £5,000,000 of gold today. He had sold \$2,000,000, the first million at 4.90 5/8, the next at 4.88 3/4, where he was now operating rather extensively. The demand for dollars he continues to ascribe, in part at least, to the purchase of American securities for foreign account, in part to speculation. I told him that it seemed quite probable that we would want to support sterling a little in this market ~~also~~ even before London closed. If we did, I would keep him informed.

The turnover in gold at fixing today was about £1,500,000. Large amounts continue to come out of hoard. They calculated that something like £20,000,000 to £25,000,000 had so far been liquidated. The movement was keeping up but not quite as heavy as a few days ago. Repatriation of capital to Switzerland and to France seemed to continue; nothing so far had gone to Holland, however. That, he thought, would be an added trouble when it began.

I repeated my previous request that he cable me daily in time for his message to be in my hands 9 o'clock our time.

LWK:EMC

LMS

GRAY

Paris

Dated October 7, 1936

Rec'd 2:15 p. m.

Secretary of State,
Washington.

975, October 7, 4 p. m.

FROM COCHRAN.

London buying dollars and franc, latter heavily. Few dollars offered and rate in Paris rose to 21.43. Sterling opened around 104.80 but Bank of France was flooded with offers and gradually lowered peg to around 104.73. Swiss have resumed contracting gold at London for delivery next week. They are said to have ceased such operations yesterday until they could catch up with their bookkeeping. Paris Bourse less active. French rentes down slightly. International shares are up especially those subject to arbitrage with New York. Important financial group actively buying German Young bonds. Market gossip here is that Schacht favored valuation but political leaders oppose it.

The following is an extract from Chancellor's speech of last night as reproduced in today's FINANCIAL NEWS.

"To those who have been waiting and hoping for a
change

LMS 2-No. 975, October 7, 4 p. m., from Paris.

change the decision of the French Government to effect a readjustment of the exchange value of the franc must have come like the cracking of the ice at the approach of a warmer season to the polar explorer whose ship has been freezing for many months into immobility.

As operation like that, often expected, often deferred, was bound to cause some anxiety in anticipation lest it should prove to be a signal for a sort of Dutch auction in which the nations would be competing with one another as to which should be the last on the currency list
(END SECTION ONE)

BULLITT

HPD

LMS

GRAY

Paris

Dated October 7, 1936

Rec'd 3:35 p. m.

Secretary of State,
Washington.

975, October 7, 4 p. m. (SECTION TWO)

A race of that kind would have been disastrous to the trade and this country with its world-wide ramifications would certainly not have been the least to suffer.

When the French Government communicated their intentions to His Majesty's Government and the Government of the United States they found not only a sympathetic understanding of their difficulties but the fullest readiness to help by giving the assurance that the action of the French Government would not be followed by any deliberate depreciation of the pound sterling or the dollar and the result of that was that this most essential step forward was taken not in a cloud of uncertainty but to the accompaniment of declarations by three of the strongest financial powers in the world which have created fresh hope for an advance in international cooperation.

I must say I have been agreeably surprised at the quickness with which the world seems to have grasped the implications of these common declarations - what they mean

and

LMS 2-No. 975, October 7, 4 p. m., Sec. 2, from Paris.

and what they do not mean.

They do not mean that there was any further understanding between the three countries than that which was conveyed in their declaration. They do not mean that any of them sought an advantage for itself at the expense of others or the world. They do not mean that there has been any change in the general policy of this country or of the United States.

Sterling is still free. It is unlinked to gold or to any other currency. There is no alteration in the credit policy which is necessary to preserve the internal prosperity of this country or of the other countries of the British Empire.

But the world was quite right to see in these three declarations a community of views as to the need for the revival of international trade and as to the nature of the first step which is necessary if we were to move in the right direction.

What is the next step? It was already indicated by the Economic Committee of the League of Nations. The adjustment of currencies out of line could not of itself affect the restoration of international trade (END SECTION TWO)

BULLITT

HPD

LMS

GRAY

Paris

Dated October 7, 1936

Rec'd 3:45 p. m.

Secretary of State,
Washington.

975, October 7, 4 p. m. (SECTION THREE)

unless it was accompanied or followed swiftly by the relaxation of those other restrictions in the shape of quotas and exchange controls a relaxation which, at the same time, would open the channels of trade again and would prevent external prices from being forced up too high.

Therefore we welcome most heartily the announcement by the French Government of their desire to follow up the reduction of duties and the abolition of certain quotas which they have already effected by the elaboration of a new customs tariff from which quotas would be entirely excluded.

It is very gratifying to see that the Governments of Italy, of Switzerland and of Holland are apparently working on similar ideas and with their cooperation, with the assurance that any danger of a competitive currency depreciation is at a minimum, I think we may legitimately hope that the recovery of the export trade will in due course follow the recovery of the home trade which we
have

LMS 2-No. 975, October 7, 4 p. m., Sec. 3, from Paris.

have already secured. I have heard it (*) that the measures taken by the various members of what is known as the gold bloc meant the final end of the gold standard; meant that we were about to enter upon a new era, a feature of which would be a permanent system of managed currencies.

Well, I think that is very unlikely. I do not see any reason to alter the view which I have expressed before that in the end we shall probably come back to an international monetary standard on the only basis which appears to give general confidence.

Of course it would be necessary before we did that to provide security against those violent fluctuations in the value of gold as expressed in terms of commodities which have occasioned so much disturbance in recent years.
(END SECTION THREE)

BULLITT

CSB

(*) Omission

LMS

GRAY

Paris

Dated October 7, 1936

Rec'd 4:09 p. m.

Secretary of State,
Washington.

975, October 7, 4 p. m. (SECTION FOUR)

If we can do that - and that is a matter for further international cooperation - then I do not see, myself, any insuperable difficulties in the way of our ultimately arriving again at a currency system based on the free exchange of gold".

London TIMES today carried following story dated Washington October 6th.

"President Roosevelt during his brief stay here was asked this afternoon whether as a possible method of accelerating the positive, as distinct from the present constitutional, stabilization of currencies, some engagement might be made not to resort to a further devaluation of the dollar under the powers still possessed by the Executive.

Mr. Roosevelt said such a question involved the consideration of the pleasant purpose of devaluation which was favorably to affect the American price level. He believed that there should be left in the hands of the

American

LMS 2-No. 975, October 7, 4 p. m., Sec. 4, from Paris.

American Government emergency powers which might be used in the event of unexpected action by another nation or number of nations, something, he said a moment later, like a world convulsion.

Another question touched on the exchange position of the British currency which it was suggested was determined by the free gold market in London. The President agreed but reminded the questioner that the large stocks of gold held by the United States gave this country a considerable influence over the movements of the market."

In reporting the President's interview PARIS HERALD TRIBUNE used following head lines "President wants to retain dollar control; says United States can influence world gold mart; mute on monetary accords". (END MESSAGE)

BULLITT

CSB

ADMINISTRATION BELIEVES THAT THE U.S. IS WELL POSITIONED TO MEET THE CHALLENGE OF THE NEW WORLD ORDER. THE ADMINISTRATION IS COMMITTED TO THE PRINCIPLES OF FREE TRADE AND ECONOMIC COOPERATION. IT BELIEVES THAT THESE PRINCIPLES ARE THE BEST WAY TO PROMOTE WORLD PEACE AND PROSPERITY.

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... OF COMMUNICATIONS FACTORS... EXISTING MEN...
... HAVE MOVED... THE TREASURY...
... THE AGREEMENT, IT WAS...
... ACTIONS IN FRANCE, GERMANY, ITALY AND...

... THESE CURRENCIES ON A NORMAL...
... STABILIZATION...

... OFFICIALS WERE NOT ALLOWED OPEN THE DRIB IN THE PLACE...
... THREE POINTS BELOW...
... THE STABILIZATION FUND...
... THE TRI-NATION AGREEMENT, AND PURCHASED...
... OFFERED BY THE STATE BANK OF NEW YORK AT WHAT...
... "DISCOUNT" PRICE.

... OFFICIALS SAID THERE HAD BEEN NO ABNORMAL TRANSACTIONS...
... THE STABILIZATION FUND, THE LARGEST BEING 1,500 POUNDS...
... REPRESENTED A COMBINATION OF...
... EXPRESS, A PRIVATE... THAT THE LOWERING OF THE...
... FROM THREE TO TWO AND ONE-HALF...
... A FAVORABLE SIGN IN THE INTERNATIONAL PICTURE.

... OFFICIALS TOOK THE POSITION THAT A LONG-RANGE STABIL...
... PROGRAM WAS COMING RAPIDLY TO A HEAD...
... THE...
... 1135

(DJ 11:11 A.M., 10/8/36)

Add No U.S. British Monetary Competition

Wash. - Tremendous changes in monetary valuations and internatl. trade conditions are still taking place, but the Admin. feels that the objectives for which it has been working in the monetary field are being satisfactorily achieved.

(DJ 11:00 A.M. Oct. 8, 1936): NO UNITED STATES, BRITISH MONETARY COMPETITION.

WASHINGTON - ADMINISTRATION OFFICIALS SAY THERE IS NO MONETARY COMPETITION BETWEEN THE UNITED STATES AND GREAT BRITAIN CONTRARY TO PUBLISHED REPORTS THAT THE BRITISH WANT A CHEAP POUND.

THE VIEW IN TREASURY CIRCLES IS THAT MONETARY READJUSTMENTS WILL TAKE PLACE SWIFTLY AND WITH A COMPARATIVELY SMALL AMOUNT OF INTERNATIONAL DISTURBANCE.

TIME ALONE WILL INDICATE THE FUTURE LEVELS OF THE VARIOUS WORLD CURRENCIES BUT EXCHANGES ALREADY ARE RAPIDLY SETTLING TOWARD NORMAL ACCORDING TO THE VIEW EXPRESSED TODAY IN HIGH GOVERNMENT QUARTERS.

2.09

PROMPT AGREEMENT FIXING DOLLAR-STERLING
RATE URGED BY DE KRAFFT VICE PRESIDENT OF
U S RUBBER

OCT 8 1936

OCT 8 1936

ADD DE KRAFFT

2.14

-A PROMPT AGREEMENT IN RESPECT
TO FIXING THE DOLLAR STERLING RATE WILL
HAVE FAR GREATER EFFECT THAN MANY OF US IN
AMERICA REALIZE- WILLIAM DE KRAFFT CHAIRMAN
OF THE FINANCE COMMITTEE AND VICE PRESIDENT
OF U S RUBBER CO STATED ON HIS ARRIVAL HERE
ABOARD THE BREMEN

-0-

OCT 8 1936
RUBBER RESTRICTIONS UNCHANGED FOR BALANCE
OF 1936 SAYS TOWNSEND PRESIDENT OF RAYBESTOS-
MANHATTAN

2.20

ADD TOWNSEND

THE MEETING OF THE INTERNATIONAL RUBBER RESTRICTION COMMITTEE HELD IN LONDON SEPT 29 HAS MADE NO CHANGE IN THE PERCENT OF RESTRICTIONS FOR THE BALANCE OF THE YEAR COL A F TOWNSEND CHAIRMAN OF THE BOARD OF RAYBESTOS-MANHATTAN INC ON HIS ARRIVAL HERE ON THE BREMEN STATED

COL TOWNSEND IS THE AMERICAN MEMBER OF THE INTERNATIONAL RUBBER RESTRICTION COMMITTEE ADVISORY BOARD

-THE DEVALUATION OF THE CURRENCY IN FRANCE HOLLAND AND ITALY ON THE PREVIOUS SATURDAY WAS A MAJOR FACTOR IN GOVERNING THE COMMITTEE-S ACTION AS NO ONE KNEW THE RELATIVE VALUES OF THE VARIOUS CURRENCIES - THE REDUCTIONS IN WORLD STOCK OF RUBBER HAVE RATHER EXCEEDED THE COMMITTEE-S CALCULATIONS BUT AT THE SAME TIME THE FIGURES AVAILABLE AT THE OCT MEETING ONLY COVERED TWO MONTHS OUT OF THE SIX MONTHS PERIOD OR THE LAST HALF OF 1936 WHICH WAS SUPPOSED TO BE THE PERIOD FOR WHICH THE 65 PC RESTRICTIONS COVER

ROME

DOW JONES - October 8, 1936.

121

9361

8 130

TOURIST LIRA RATE FIXED

ROME - THE TOURIST LIRA HAS BEEN FIXED
AT 100 TO THE POUND STERLING

-0-

10:28

WCNS47

ADD DEVALUATION, PRAGUE

UNDER THE MEASURE THE CROWN IS TO BE DEVALUED TO CONTAIN BETWEEN 30.21 AND 32.21 MILLIGRAMS OF GOLD. THIS COMPARES WITH THE FORMER GOLD CONTENT OF 37.15 MILLIGRAMS.

THE GOVERNMENT ORIGINALLY PROPOSED THE DEVALUATION BE BETWEEN 31.21 AND 33.21 MILLIGRAMS GOLD CONTENT.

10/8--R12N

Czechoslovakia
WCNS43

PRAGUE.--PARLIAMENT TODAY PASSED A BILL FOR DEVALUATION OF THE CZECHO-SLOVAKIAN CURRENCY.

10/8--R1131A

OCT 8 1936

12.29

ADD CZECHOSLOVAKIAN DEVALUATION
PRAGUE-UP- THE CHAMBER OF DEPUTIES PASSED
THE FINAL TEXT OF THE DEVALUATION BILL -

DEVALU-
ATION IS FIXED AT 10 3-10 PC MINIMUM AND 18
8-10 PC MAXIMUM AND THE CROWN-S GOLD CON-
TENT IS ALTERED TO A RANGE OF FROM 30 21 TO 32
21 MILLIGRAMS

-0-

PARIS

DOW JONES - October 8, 1936.

125

8.13

PARIS POLICE RAID FASCIST SOCIALISTS

PARIS - COPYRIGHT BY U P - POLICE OCT 8 1936

ACTING ON URGENT GOVERNMENT ORDERS

SWEPT DOWN ON HEADQUARTERS OF THE FASCIST

SOCIAL PARTY OVER THE ENTIRE GREATER PARIS

AREA TODAY

-0-

October 5, 1976.

... THE BANK OF FRANCE TODAY LOWERED THE BANK RATE FROM 3 TO 2 1/2 PER CENT.

... CITY GOVERNMENT GOVERNMENT SHOULD SWEEP DOWN BY REINSTATEMENT OF THE FASCIST SOCIAL PARTY OVER THE ENTIRE COUNTRY. EXTENSIVE SEARCH WAS TAKEN TO GUARD AGAINST LEAKAGE OF INFORMATION CONCERNING THE RAIDS TO THE FASCISTS.

... HEADQUARTERS OF THE ORGANIZATION ALL OVER THE COUNTRY SIMULTANEOUSLY.

... OFFICIALS OF THE SEINE DEPARTMENT PROSECUTION OFFICE ... PARTY ... SEARCH OF DESKS AND FILE CABINETS AND SEIZED ALL DOCUMENTS ... MATERIAL SEIZED, THE PROSECUTORS, ACTING IN BEHALF OF PREMIER DEBRY'S LEFT WING COALITION GOVERNMENT, EXPECTED TO PROVE THAT THE FRENCH SOCIAL PARTY IS THE OLD CROIX DE FER ORGANIZATION OF COL. DE LA ROCHE IN DISGUISE.

LA ROCHE'S HOME WAS AMONG THOSE RAIDED.

... IN ALL THERE WERE 26 RAIDS, POLICE SAID, INCLUDING THE PARTY CENTRAL HEADQUARTERS AND THE HEADQUARTERS OF THE PARTY'S SPORT SOCIETY.

ADD PARIS POLICE RAID FASCIST HEAD-

Q

U
ARTERS

9661 8 130

3:08

PARIS- COPYRIGHT U P- - SEARCH OF THE
VARIOUS HEADQUARTERS AND HOMES OF LEADERS CON-
TINUED ALL DAY LONG AND BY MID-AFTERNOON
INDIVIDUAL RAIDS TOTALED 37

THE CHARGE ON WHICH THE RAIDS WERE BASED
HERETOFORE MADE OUT AGAINST JOHN DOE FOR
RECONSTITUTING THE DISSOLVED LEAGUE AND
ILLEGAL ASSEMBLY TOTAY PERSONALLY NAMED COL
CASIMIR FRANCOIS DE LA ROQUE HEAD OF THE FRENCH
SOCIAL -FASCIST- PARTY AND FIVE LIEUTENANTS
INCLUDING THE FLIER JEAN MERMOZ AND THE BASQUE
DEPUTY JEAN YBARNAGARAY

WEAPONS AND A DAGGER MADE IN GERMANY WERE
SEIZED BY POLICE IN THE RAID ON THE HOME OF LA
ROQUE

-0-

OCT 8 1936

8.45 a.m.

2 1-2 PC FRENCH BANK RATE

PARIS- BANK OF FRANCE HAS REDUCED DISCOUNT
RATE TO 2 1-2 PC FROM 5 PC

-0-

OCT 8 1936

11.9:48

BANK OF FRANCE STATEMENT

PARIS- STATEMENT AS OF OCT 2 SHOWS GOLD
57 358 000 000 FRANCS VS 50 111 000 000 ON SEP
25- CIRCULATION 86 026 000 000 VS 83 749 000 000
-RATIO 60 47 PC VS 54 42 PC /

-0-

OCT 8 1936

10:01

✓

ADD BANK OF FRANCE STATEMENT

PARIS - IN FRANCS AND 000 000 OMITTED

	OCT 2	SEPT 25
GOLD	57 358	50 111
SIGHT BAL ABROAD	15	11
NEG BILLS BOUGHT ABRO	1 464	1 222
COMM BILLS FRANCE	7 528	7 135
TREAS BILLS DISCOUNTED	- - -	- - -
ADV AGNST SECUR	4 007	3 552
30 DAY ADVANCES	1 626	838
NEG BONDS OF S F	5 639	5 639
TEMPORARY ADV TO STATE	12 304	15 900
CIRCULATION	86 026	83 749
TOT CR CURR ACCTS	8 827	8 339
TREASURY	592	167
SINKING FUND	1 536	1 511
PRIVATE	6 616	6 511
TOT SIGHT LIABILITIES	94 854	92 089
RATIO	60 47 PC	54 42 PC
BANK RATE	X 3 PC	5 PC

X-RATE WAS REDUCED TO 3 PC ON OCTOBER
2 AND TO 2 1-2 PC OCTOBER 8

-0-

10:02

OCT 8 1936 ADD BANK OF FRANCE

PARIS- REVALUATION OF GOLD AND FOREIGN EXCHANGE RESERVES OF THE BANK OF FRANCE HAS PRODUCED A REVALUATION PROFIT OF 17 000 000 000 FRANCS OF WHICH 10 000 000 000 FRANCS HAVE BEEN WITHDRAWN FOR THE EXCHANGE FUND LEAVING AN ADDITIONAL 7 000 000 0000 FRANCS FOR THE BANK-S OWN RESERVE

OF THIS LATTER AMOUNT 3 000 000 000 FRANCS HAVE BEEN EARMARKED FOR EVENTUAL DELIVERY TO THE CREDIT FONCIER AS AN OFFSET TO THE PROSPECTIVE REDUCTION OF INTEREST ON ITS LOANS TO PROVINCES AND MUNICIPALITIES- THE BALANCE HAS BEEN USED TO REDUCE ADVANCES MADE BY THE BANK OF FRANCE TO THE STATE UNDER THE LAW OF JUNE 1936- THE CURRENT STATEMENT SHOWS A NET REDUCTION IN THIS ITEM DURING THE WEEK OF 3 500 000 000 FRANCS

DOW JONES - October 8, 1936.

(DJ 8:45 A.M. Oct. 8, 1936): 2 1-2 PC FRENCH BANK RATE.

PARIS - BANK OF FRANCE HAS REDUCED DISCOUNT RATE
TO 2 1-2 PC FROM 5 PC.

BANK OF ENGLAND STATEMENT AS OF OCT 7 **OCT 8 1936**
 SHOWS CIRCULATION 450 842 000 PDS VS 449 396 **8.50**
 000 PDS ON SEPT 30 - RATIO 39 3 PC VS 39 8 PC
 - BULLION 249 751 000 PDS VS 249 755 000 PDS **OCT 8 1936**

↓ ADD BANK OF ENGLAND STATEMENT **9:43**
 LONDON- IN POUND STERLING AND 000 OMITTED

	OCT 7	SEP 30
CIRCULATION	450 842	449 396
PUBLIC DEPOSITS	24 752	49 714
PRIVATE DEPOSITS	125 134	101 668
BANKERS ACCOUNTS	84 192	60 719
OTHER ACCOUNTS	40 942	40 949 8 1936
GOVT SECURITIES	79 753	80 323
OTHER SECURITIES	28 860	28 990
DISC AND ADV	9 291	8 588
SECURITIES	19 569	20 402
RESERVES	58 909	60 359
PROP RES TO LIAB	39 3 PC	39 8 PC
BULLION	249 751	249 755
BANK RATE	2 PC	2 PC
-0-		

BANK OF ENGLAND RATE UNCHANGED
 LONDON - THE BANK OF ENGLAND MADE NO
 CHANGE IN ITS DISCOUNT RATE OF **2 PC**
OCT 8 1936
 -0-

October 7, 1936

Harry Hopkins, Corrington Gill and Mr. Bell met with the Secretary at 3 p. m. today.

HM, Jr. said, "The proposition your people have put up to us for one month is that they want the President to sign approved projects for women up to \$100,000-000. We have taken the position here that we advised the President not to sign this as we feel he would be breaking the spirit of the law if he signs approvals of projects in excess of the amount allotted by Congress. That is the whole proposition and ever since this has started I have been asking to see Hopkins because in the six years that we have worked and fought together we never left each other without an understanding."

Mr. Hopkins answered, "Yes." The Secretary then said, "I don't like the way you say 'yes'." Hopkins replied, "I have a big office to run and when I am away it must go on running. They must make decisions."

HM, Jr. then remarked, "I gave the President my advice and the decision is not mine. I have no authority here." Hopkins' answer was, "The net result has been the same. 22,000 women are off the payroll." HM, Jr. then said, "That is the fault of your organization." Harry Hopkins, however, disagreed with this statement, saying "No, because the projects have not been signed, and if the projects are not signed, 22,000 more will be off."

The Secretary said to Mr. Hopkins, "Yesterday Gill told me it was 9,000. How could it be 22,000 today? And the President of the United States was not advised of it." Mr. Hopkins' answer was, "You know the President will not sign anything that Dan Bell does not tell him to." To this remark the Secretary answered, "He signs other projects."

Mr. Hopkins then said to the Secretary, "Our belief is, and we have the responsibility for running this, that you cannot keep these people at work by merely having approved the number of projects and the amount of dollars which the law permits." Gill added, "\$1,070,000 has been spent and \$2,300,000 has been obligated." The Secretary's response to Mr. Gill's remark was the question, "you mean to say that out of an approval of \$98,000,000 new money, you have spent \$1,070,000?" Mr. Gill's answer was, "In

-2-

the hearings before the House and Senate Committees, Mr. Hopkins explained fully the procedure of our organization, in allocating funds for various projects." The Secretary remarked, "This is the first time you have ever told me that."

"You have complete control," Mr. Hopkins said to the Secretary. "The Treasury Department knows, day by day, how much money we obligate under any one of these items by states and by the country. We could take, let's say, at the time when we obligate 80 percent of whatever it is (\$90,000,000), we could sit down and agree with the Treasury that 80 percent -- the exact letter of instructions which would go out would make it absolutely certain -- that we could not spend more than 80%. Now the President approved over \$7,000,000,000 worth of projects for WPA, which was five times as much as we spent. I never heard one word of criticism of that action at any time. Ever since I have been in this work relief game, it has been understood that we would have to get many more projects approved than we would spend money for. Every other department gets money when the project is approved. We don't. We merely get a project approved and then some money to keep the thing going. The control which the Treasury has over us is that we should not spend more money either than the law allows or than the President has given us. The President is taking no chances in approving a project for \$500,000 and then giving us \$50,000 to operate it because he has complete control over the dollars and so does the Treasury. It would be illegal for us to spend more than \$98,000,000 on women's projects and if we had the dollars every time we got a project approved, this thing would not be particularly complicated. As it is, running projects as we are in every city in the country, we cannot run this program unless we can get many more projects approved than we have money to pay for."

The Secretary's reaction to Mr. Hopkins' statement was, "That does not mean that it is wrong." Mr. Bell added, "You always did get it." Continuing his remarks, the Secretary said, "I would be more than delighted to go back to the system which existed up to June 1; that is, turn the whole \$98,000,000 over to you in a lump sum with the understanding that as each project was approved by the President, you would set up the full amount of the project. That worked up until June 1 and then the thing that happened

24

-3-

when we appeared before the President, Aubrey Williams made the statement that due to me there were unfinished projects all over America and I turned to Harry Hopkins and I said, 'Is that so?' and he said, 'No, it is not so!.'

Gill's comment was, "That can't possibly work now because there is not that much money."

"I have never interfered with you people once the money was turned over to you," the Secretary said to Mr. Hopkins and Mr. Gill. I will go back to the way it worked up to June 1. I cannot get it through my head. If you have 5,000 unfinished projects on February 1 and I am still here and I come along and say that you will have to shut off at 80 percent, then you put me in the position that I am stopping projects and I will not be put in that position. I am perfectly willing, as long as Hopkins is head of unemployment, to turn over \$98,000,000 to Hopkins and let him spend it. That is all that Hopkins can ask of me. I will sign such a statement this minute. How he spends it is Hopkins' responsibility to the President and not to me, but I am not going to change my position, which the President can overrule if he wants to, to approve \$150,000,000 when he only has \$98,000,000."

Mr. Hopkins' response was, "The President will never give us \$98,000,000 without tying a lot of other strings to it."

"I do not believe," Mr. Morgenthau said, "the President knows now how this thing operates. As to the principle, we do the buying for you and your auditing. I cannot say anything more. I will go to the White House and see the President with you and hand him a piece of paper recommending that I turn over \$98,000,000 to you."

At this point Mr. Hopkins inquired, "Does the law say that the President has to approve individual projects? Can the President authorize me to approve projects?" Mr. Bell's answer was, "No; certain class of projects. He can give you \$98,000,000 for Williams' projects." Mr. Hopkins then asked, "What about doing the whole business that way?" The Secretary asked Mr. Bell, "What do you

-4-

think, Dan?" Mr. Bell replied, "That is a matter of policy for the President to approve."

The Secretary then asked Mr. Hopkins, "Do you feel that as far as running through your shop, it is purely a formality?" Mr. Hopkins answered, "In the main it is." The Secretary remarked, "It is largely a matter of formality. I have stated my position and I am sticking by it. As Secretary of the Treasury, I simply feel that it is my duty to see that it is pointed out to the President that he does not approve or spend more money than has been authorized by Congress. How it is spent is the responsibility of the man he appoints to spend it. I think the President ought to give us a half hour."

Mr. Hopkins inquired, "Is the President going to see us just before election?" Mr. Gill asked, "If you feel that way about women's projects, how about other projects?" Mr. Morgenthau's reply was, "My answer is Yes. As man to man, can you have any difference with me as to the position I am taking?" Hopkins remarked, "One clear implication is that the President would have to give us money under a certain classification. That would be fine. That would be the best thing we have ever had."

The Secretary then said, "Let Bell and Gill draw up a memorandum and I will sign it."

Mr. Hopkins remarked, "Any one of these sewing projects is a completed project 30 days hence and I can say that on February 1, hundreds of projects will have been completed." The Secretary asked, "How much did you spend last month?" Gill replied, "\$150,000. How about the Comptroller General?" HM, Jr. answered, "I told you that my shop would go over there with you." Hopkins was pleased, saying, "This is fine. I want to know if Dan approves it." The Secretary explained, "I spoke as Secretary of the Treasury and he can talk as Director of the Budget." Bell said, "I think under the Act the way it has been handled is the right way, but I think we can work that out and throw a control around it if we can get the projects approved." Hopkins' comment was, "We can get the projects approved, and if necessary we can get the Comptroller to approve them."

The Secretary's closing remark was: "I think this thing ought to be done right away."

COPY

JE

October 8, 1936.

MEMORANDUM FOR THE PRESIDENT:

About ten days ago the Secretary of the Treasury and I discussed with you the matter of approving projects under the Emergency Relief Appropriation Act of 1936 in excess of the limitations set out in that Act. We particularly discussed the limitation covering women's projects and advised you at that time that you had approved projects in the aggregate amount of approximately \$85,000,000, which is the amount of the limitation. We also advised you that the Works Progress Administration had to have, for the purpose of flexibility, projects approved under this particular limitation in the aggregate amount of about \$150,000,000, but controlling the obligations incurred thereunder through the Works Progress Administration and the Treasury Accounts Offices. You stated at that time that you would like to avoid the approval of projects in excess of the limitations in the Act, and asked the Secretary to work out with Mr. Hopkins a procedure whereby this could be avoided.

We have discussed the matter quite thoroughly with Mr. Hopkins and Mr. Gill and this morning had a conference with them and with the Acting Comptroller General. We have reached the unanimous conclusion that the best way to handle the matter is for you to allocate a designated sum of money to the Works Progress Administration broken down by States for the projects covered by "(f) assistance for educational, professional and clerical persons", and "(g) women's projects." The aggregate amount of the allocations which you would approve under these two limitations could not, of course, exceed the amount of the limitation in the Act, namely, \$85,500,000 in each case.

Attached you will find two letters allocating in each case \$15,000,000 to the two about mentioned limitations.

This procedure has the informal approval of the Secretary of the Treasury, the Acting Comptroller General and the Works Progress Administrator.

It is important that this matter receive your prompt attention.

/s/ D. W. Bell
Acting Director.

Incllosures

October 8, 1936.

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It is important that this matter receive your prompt attention.

J. Louis Bill
Acting Director.

Inlosures

October 7th

At the 9:30 meeting held in Secretary Morgenthau's office this morning the following were present:

Mr. Bell	Miss Roche
Mr. Gaston	Mr. Taylor
Mr. Haas	Mr. Upham
Mr. Oliphant	

Mr. Gaston: Don't you think the papers treated the President beautifully?

H.M.Jr: I certainly do.

Mr. Gaston: We have some friends.

H.M.Jr: Somebody did a beautiful job.

Mr. Gaston: For the first time there is evidence of the boys handling this thing on a patriotic basis.

H.M.Jr: Do you think I should say something to Steve - congratulate him?

Mr. Gaston: Yes I think so.

Note: At this point Secretary Morgenthau put in a call for Mr. Steve Early.

H.M.Jr: There are two things, Herbert, if you dont mind. That paragraph -

Mr. Gaston: I will do it to-day.

H.M.Jr: Let Corcoran know you are doing it and let Sam Rosenman know.

H.M.Jr: I just talked to the President. He liked the speech on "Death and Taxes". He asked me would I please give it to you and Sam Rosenman. He likes it so well he is giving it himself. I worked out a speech on Death, Taxes and Inflation at 2 o'clock in the morning and showed it to the President. He likes it so well he said he wants to give it in Chicago.

Miss Roche: You should have one on "Life and Taxes".

H.M.Jr: I have worked it out on an entirely new angle. We crossed this bridge of inflation when he would raise money by taxation rather than borrowing. On the 5th of January was the test that we would not have inflation.

Mr. Oliphant: On the representation of the bond holders.

H.M.Jr: That has not been pointed out - the decision, whether we would use the printing press or raise it through taxes, was made on the 5th of January.

H.M.Jr: I will give it to you. You can bring in a
to Gaston: stenographer. It won't take me ten minutes to do it.

H.M.Jr: Mrs. Elizabeth McDuffey, who is Mrs. Roosevelt's
to Gaston: maid, will give a speech in Springfield, Illinois, and she said she wants something on finances. She is a darling. She said, "I have a swell speech on CCC and, she says, finance is a little bit difficult. I just want you to give me a little something - not too complicated". So what I would do is something on interest rates and revenue. Something like that. Get it over to her to-day.

Mr. Gaston: To-day?

H.M.Jr: Yes, I would let somebody knock it out.

Miss Roche: That mimeograph stuff of yours is grand.

H.M.Jr: What is that?

Miss Roche: Something he (Gaston) has gotten out.

Mr. Gaston: This is on the Death Taxes and the Budget.

H.M.Jr: Send it over to her with my card.

Gaston: Mrs. Elizabeth McDuffey?

H.M.Jr: Yes, Mrs.

Gaston: Oh, McDuffey's wife.

H.M.Jr: Yes.

Mr. Oliphant: Is Mac sick?

H.M.Jr: There was a golf party that he went to yesterday.

Note: At this point Secretary Morgenthau called the operator and asked about Mac and she reported back that he was not feeling well.

Note: Then Secretary Morgenthau told the operator to find out if Admiral Peoples was in.

Mr. Gaston: Did Peoples go along?

H.M.Jr: It was the same party.

H.M.Jr:
to Gaston: Well if you take care of the President on his copper, gold and silver and Mrs. McDuffey on finances that's all I have this morning.

Note: Admiral Peoples' call came through and Secretary Morgenthau jokingly asked him what he did with his Administrative Assistant as he was not in this morning. They joked back and forth.

Note: Secretary Morgenthau then sent for Dowling and when Dowling appeared the Secretary gave him some money and instructed him to go out and buy one single lily and send it up to Mac's house.

H.M.Jr: Wayne?

Mr. Taylor: It seems that the Export-Import Bank have some surplus funds that they wish to invest.

Note: Mr. Taylor then read the letter from the Export-Import Bank. (Copy attached).

H.M.Jr: Who is that from?

Mr. Taylor: From Warren Pearson, President of the Export-Import Bank. It happens to be similar to some of the others.

Mr. Bell: Well I object to the practice. I think we ought to look upon the government service as a whole. The Treasury should not be borrowing money from these companies to invest in the government bonds.

- Mr. Bell: I told you the Home Owners Loan put in a subscription of 20 million of the last ten. They put it in at 2 o'clock. I told them I would let it go in but I was opposed to the practice.
- H.M.Jr: Do you want to get them all together?
- Mr. Bell: If it is important enough. I don't know whether you want to do it just for that. We are borrowing money on the market and then allowing these corporations to invest it in government securities.
- H.M.Jr: Well frankly I don't get it but let's you and I sit down and talk about it.
- H.M.Jr: Wayne, when the Red Cross come at 10 o'clock I want you to stay. I have invited Bell.
- Mr. Taylor: I don't entirely agree with Dan. They have idle funds for a temporary period.
- H.M.Jr: Cy?
- Mr. Upham: Nothing.
- H.M.Jr: Dan?
- Mr. Bell: Nothing.
- H.M.Jr: You are coming at the 10 and you are coming at the 11? (Meaning two meetings)
- Mr. Bell: Yes.
- Miss Roche: I have a matter which I would like to clear with you on an Executive Order on the Inter-departmental Committee. I would like to talk to you about it a minute. I am going to New York at 1 o'clock.
- H.M.Jr: At 1 o'clock. Well do it right now.
- Miss Roche: You remember a year ago when the President appointed an Inter-departmental Committee he named four Assistant Secretaries. They worked out their agreements and they cleared right up to the Assistant Secretary who can speak for the department and put these agreements in force. We thought we were getting on great when Mr. Altmeyer was transferred to Social Security Board. She (Secretary Perkins) insisted that he act for Labor.

Miss Roche: Without any warning we picked up the papers about two weeks ago and saw the press release that the President had reconstituted this Committee, leaving me on as Chairman and leaving Mr. Chapman and Mr. Wilson on. In the Labor Department they realize that it is just an effort to get McGrady off the committee. It has completely wrecked the committee set-up. Mr. Studebaker would want to go on. I talked to Early and he agreed 100%. Yesterday Mr. Altmeyer talked with the Secretary of Labor and then he called me and said she would be quite willing to have McGrady go on.

H.M.Jr;
to Bell: Don't the Executive Orders clear your desk?

Bell: Sometimes.

H.M.Jr: Inasmuch as this is so close to the Assistant Secretary of the Treasury, could we assist Miss Roche? When you go out of here work this thing out with Miss Roche.

Bell: Yes.

H.M.Jr: Formally they would go through his (Bell's) office. Would you assist Miss Roche on this?

Bell: Yes.

Miss Roche: It is all right for me to press that?

H.M.Jr: Entirely. Bell is in a perfect position.

Bell: They are supposed to go through.

Miss Roche: Thank you very much.

H.M.Jr: All right. Does that take care of your problem? It gives you the assistance you need?

Miss Roche: Yes sir, unless I get into some trouble with the Secretary of Labor.

H.M.Jr: If you do, come and see me. But for the moment you are fixed up?

Miss Roche: Yes.

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Mr. Haas: The material you asked for Tuesday on foreign material we will probably have to-day.

H.M.Jr: Well that will go in with the President's speech. Give it to Gaston.

H.M.Jr: I want certain groups. If your income was \$1500, to Gaston: you had two children - you paid so much. Let's see what you would pay in England.

Mr. Oliphant: Will he devote all his speech to that? We have plenty of material way back to what Jackson used.

H.M.Jr: Let it go through the funnel.

Mr. Haas : The other thing is Miss Lonigan has come back from New York. She wants to tell you about her trip but she does not want to put it in writing. You didn't want her to make field excursions.

H.M.Jr: The less I know the better. I mean I can't help it if Hopkins can't run his own shop but if he is sick and can't run his business he should say so. After all, if we get sick and can't do our business we should say so. You can't let the whole unemployment go. Is that a fair statement?

Mr. Oliphant: Yes sir. It (the work) is more important than we are.

Miss Roche: He's been writing a book.

H.M.Jr: Well he's been doing something and I will find out what it is when he comes here at 11 o'clock.

Miss Roche: He has been writing a book, "Saving by Spending".

H.M.Jr: In the meantime, they have laid off 9,000 people because there is something wrong in Hopkins' own shop. I am not going to let them hang it on Bell or me or the President.

Mr. Bell: I heard he wasn't wanted in Washington.

H.M.Jr: Well they said they are afraid to let him hold a press conference. In the meantime, I am going to protect the President, Danny Bell and myself.

H.M.Jr: You got your money to continue Health didn't you?

Miss Roche: Yes.

- H.M.Jr: Well you wouldn't have it if it wasn't for us.
- H.M.Jr: George, your money is coming O.K?
- Mr. Haas: Yes sir.
- Mr. Gaston: Count Biondi, who is the correspondent here for Stefani, official Italian newspaper, would like to know if you would say some word to Italy. He thinks it would do some good. This is a semi-official news agency. He wondered if there was anything that you could possibly say to him that he could use in a dispatch for Italy. I told him that whatever you might like to say you would have to be very careful about anything that might disturb the situation.
- Mr. Gaston: The Editor of Fortune would like to see you to see if there is anything he can write about the Stabilization Fund.
- H.M.Jr: Oh Herbert, see me later on. I have these two big jobs on - the Red Cross - the speech. Hit me at 12 o'clock.

(COPY)

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EXPORT-IMPORT BANK OF WASHINGTON
Washington

October 6, 1936

Office of The President

Personal

Dear Wayne:

As repayments are received from the present Cuban silver transaction, it appears likely that the Bank will have some surplus funds not immediately needed in its loaning operations. Rather than permit these monies to remain idle it has occurred to us that they might well be invested in obligations of the Government.

Before presenting this to the Trustees, I would be interested in learning whether or not the Treasury Department has any objection to the practice as a matter of policy. It is understood that other governmental or semi-governmental agencies have followed a similar plan. It will also be appreciated if you could advise us as to the issues which might most advantageously be purchased.

Sincerely,

(signed) W. P.

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

REORGANIZATION OF THE
CUSTOMS AGENCY SERVICE IN EUROPE AND THE NEAR EAST

ORGANIZATION

The Treasury Attache at Paris is being designated Supervising Treasury Attache for Customs Agency District No. 16 comprising the countries in Europe and the Near East. He will have general supervision and authority over all offices and employees of the Customs Agency Service in those countries, under the direction of the Deputy Commissioner of Customs in charge of the Customs Agency Service.

NARCOTIC, CRIMINAL, AND FRAUD INVESTIGATIONS

1. Four or more Treasury Representatives shall be employed exclusively on investigations relating to violations of the revenue laws and international phases of the illicit traffic in narcotics.
2. Travel by Treasury Representatives so employed shall be performed only when directed by the Supervising Treasury Attache.
3. All Treasury Representatives so employed shall have their headquarters at Paris.
4. All reports of investigations, and information pertaining to law violations, shall be sent to the Supervising Treasury Attache for transmittal to the Deputy Commissioner of Customs in charge of the Customs Agency Service, except that in cases requiring immediate action such reports and information may be transmitted direct to Supervising Customs Agents by cable or mail, copies thereof to be furnished the Supervising Treasury Attache for his files and for transmittal to the Deputy Commissioner of Customs.
5. All requests for such investigations, and information that will be of interest to Treasury Representatives so employed, shall be sent to the Supervising Treasury Attache by the Deputy Commissioner of Customs in charge of the Customs Agency Service, except that where the exigencies of the case will not permit of such routing requests and information of this character may be transmitted by Supervising Customs Agents direct to the Supervising Treasury Attache, a copy thereof to be transmitted immediately to the Deputy Commissioner of Customs.

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6. All United States diplomatic and consular offices in Europe and the Near East will be notified that the Treasury Attache at Paris has been designated Supervising Treasury Attache for Europe and the Near East and will have supervision over the operations of all customs officers in those areas. The Department of State will be requested to make arrangements whereby a copy of all mail or cable despatches emanating in Europe and the Near East concerning violations of the narcotic or revenues laws shall be sent immediately to the Supervising Treasury Attache at Paris by the office making the despatch.

7. The Supervising Treasury Attache will arrange to cooperate with, and to secure the cooperation of, United States Diplomatic and consular officers and police and other officials in Europe and the Near East, in narcotic, criminal, and fraud investigations.

8. All files concerning narcotic, criminal, and fraud investigations in Customs Agency District No. 16 will be kept in Paris.

9. The Supervising Treasury Attache, as well as the Commissioner of Narcotics, will attend meetings of the Opium Advisory Committee of the League of Nations, on occasions when the Treasury Department is requested to participate in such meetings.

OTHER CUSTOMS INVESTIGATIONS AND ADMINISTRATIVE MATTERS

10. All requests for investigations in Europe and the Near East will be transmitted by the Deputy Commissioner of Customs in charge of the Customs Agency Service to the Supervising Treasury Attache, who may assign them to any office or officer in his district.

11. Reports of routine customs investigations shall be transmitted by Treasury Attaches to the United States as at present.

12. Travel, other than in the vicinity of the area to which a Treasury Attache or Treasury Representative is regularly assigned, shall be performed only under the authority of the Supervising Treasury Attache.

13. All correspondence and recommendations concerning personnel, administrative procedure, and other matters to be taken up with the Bureau of Customs or the Department, arising in the offices of the Treasury Attaches at Berlin, London, and Vienna, shall be addressed by the Treasury Attaches at those places to the Supervising Treasury Attache.

Commissioner of Customs.

Approved 10-7 1936:

Secretary of the Treasury.

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October 7, 1936

The President called HM, Jr. at 4:35 and said, "Don't shout, Henry, until I talk to you. I want you to see whether you can do something about the Fisher Body case which is up before the Board of Tax Appeals. I do not know anything about the merits of the case. All they want is to have it speeded up so they will know where they are at. The case has been referred to the Technical Unit of the Board of Tax Appeals."

HM, Jr. replied, "I will do what I can, but may I explain that the Board of Tax Appeals is not in the Treasury?" The President said, "I know it is not, but see what you can do." The Secretary answered, "I will do the best I can."

HM, Jr. then asked the President, "My appointment still stands for tomorrow morning at 9:15?" and the President answered, "Yes."

October 7th

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At the American Red Cross meeting, held in Secretary Morgenthau's office at 10 o'clock this morning, the following were present:

Mr. Baden
Mr. Daniel W. Bell
Mr. James A. Hendrix
Mr. William D. Hoover
Mr. W. A. Julian
Mr. Harry G. Meem
Mr. Parker
Mr. Howard J. Simons
Mr. Wayne C. Taylor
Mr. Corcoran Thom
Mr. Wilkinson

Mr. Simons: I had hoped that we would have a full committee. Mr. Davison is indisposed. We will check and see if we have a quorum. Would you like me to proceed?

H.M.Jr: Please.

Note: Mr. Simons then proceeded to read the rather lengthy minutes of the previous meeting.

Note: Reading of minutes now concluded.

H.M.Jr: What are your wishes? Do you move that the minutes be adopted? All those in favor say Aye.

Group: Aye.

H.M.Jr: Motion is carried.

Mr. Simons: Before Mr. Parker presents his items there are two other items. The following two stocks have been declared of no value: 16 shares of Higgins Wildcat Company. A letter from Mr. Higgins advises that these are of no value. 5 shares of Pittsburgh Northern Railroad Company. A letter from Mr. Goody advises the stock is of no value.

H.M.Jr: Does somebody move that --

Mr. Wilkinson: I move.

H.M.Jr: I second it. Those in favor say aye.

Group: Aye.

H.M.Jr: Motion is carried.

Mr. Simons: Real estate is coming in in larger volume than heretofore. We have inherited 664 parcels of land in the State of Minnesota. We have inherited the Bemdem Coal Company. We have inherited other estates and large mortgages against apartment houses. Negotiations in connection with that were started by Mr. Hughes, Legal Adviser of the Red Cross. He has carried negotiations through and he has his fingers on approximately everything. If they were turned over to us it would mean it would be placed on the Treasurer. The Central Committee, in passing on to the Board of Trustees, has itself decided what goes into the Endowment Fund.

Mr. Hoover: Where is the title to that?

Mr. Simons: It is in the Board of the National American Red Cross.

Mr. Hoover: Make the sale and turn it over. It would be easier that way.

Mr. Simons: Yes.

Mr. Hoover: You recommend that?

Mr. Simons: Yes.

Mr. Hoover: I so motion. In favor?

Group: Aye.

Mr. Hoover: Motion is carried.

Mr. Simons: Mr. Parker of Standard Statistics prepared a report --

H.M.Jr: Well before Mr. Parker makes a statement I would like to make one. There has been considerable misunderstanding as to just what my position is and I would like to make it clear to you personally because, while the papers reported accurately what I said, I would like to tell you and then ask your advice because I don't want to do anything hastily that would in any way injure the Red Cross. This is the way I feel and I feel it strongly. Ordinarily the Under Secretary is Chairman of the Board.

Mr. Simons: The Secretary of the Treasury has always been elected Chairman of the Board.

H.M.Jr: I take my duty as the Secretary of the Treasury seriously and it is impossible for me to be passing on commercial securities. I cannot be put in that position. In the first place, it puts me in a false position. I can't say whether XYZ company is good or bad and the fact that no other Secretary felt that way makes no difference. It is just how I feel and how I will take my responsibility and when I am asked, "How should this Committee invest it's funds"?, officially I can only say one thing and that is, "In a government security or a government guaranteed security". I am not trying to say whether a government security or Home Owners Loan is better than any other security.

H.M.Jr: If, as Chairman of this Board, it is an embarrassment to this Committee for me to take this position I would be very glad to resign but I am a great admirer of the work that the Red Cross does. My father has been connected with it for years and I don't want to do anything that will injure the Red Cross.

H.M.Jr: I have been told how Mr. Warburg feels and if any Members of the Board feel that way, the Red Cross is more important than I am and the Red Cross must go on but my interpretation of my duties is that I cannot be put into the position of saying this security is good and this isn't. I cannot, as Secretary of the Treasury, be passing on commercial securities. Anything that you people feel is to the best interest of the Red Cross I am willing to do. If that is an embarrassment to this Committee, why I would be very glad to resign and let the Committee invest its money as it thinks best.

H.M.Jr: I told the newspaper men, off the record, that I thought it was very unfortunate that this story was given out in New York to the Hearst papers. Someone in New York told about the contents of this letter and I think it is very unfortunate. It came out Sunday in the New York American by Cecil Dickinson. Then when they (newspapermen) all piled into my regular Press Conference they wanted to know what it was all about. They put me in the position that I was using this fund in order to bolster up the government bond markets

And that I used this fund to force down your throats government bonds.

H.M.Jr: If my being Chairman is an embarrassment so that you want to carry out your investments calmly and without any watching on my part, I would be pleased to resign.

Mr. Simons: I hoped that Admiral Grayson would be able to attend this meeting. I would like to put in a word, if I could, representing a Member of the Management of the Red Cross. The Red Cross would feel a terrible loss if our present arrangement of having the Secretary of the Treasury as Chairman of our Endowment Fund was changed by your resignation. We have had it for years and it means everything to us. I think you can understand how it would.

H.M.Jr: I am telling you very calmly how I feel.

Mr. Thom: Following that line of reasoning through - at the present time the question about government bonds - I personally feel it would be wise to invest in government bonds. Investments are one thing - sales are just as important. Is it embarrassing for you to say, "We have too much in such and such a railroad"? I am using railroads as an example. We ought to be going out to sell. Is that just as embarrassing as the other side?

H.M.Jr: Yes.

Mr. Thom: So that brings in two phases of the situation. Just like saying, "Shall we sell CCC or do we sell so and so and so and so. Following your other reasoning it seems that would be the same position.

H.M.Jr: Put yourself here. I am the Fiscal Officer for the United States Government. Mr. Bell and Mr. Taylor brought up this question this morning. The Export-Import Bank has written us a letter that they have surplus funds and they want to know how to invest them. Home Owners Loan have some funds and want to know how to invest them. Should I be put in the position of telling these agencies how they should invest their money?

- Mr. Thom: I understand perfectly your position but that puts us in a rather difficult situation.
- H.M.Jr: What do you think?
- Mr. Thom: I am frank to say that if that is your attitude I don't think you should continue. But if you don't feel that you can pass on what railroads to take I think that the funds would be put in a rather embarrassing position. I was shocked when I saw it in the paper. Comments do leak from the Treasury. So I can see you are in an embarrassing situation.
- H.M.Jr: You can see the importance if I advise this Committee. If I should say it and it should leak - "I think you better get out of steel or you better get out of railroad" - that's more of an embarrassing situation than the buying.
- H.M.Jr: I take my position very very seriously. I don't think you can take it too seriously and as long as I feel that way --
- Mr. Julian: Does this contemplate the separation of the government interest in the Red Cross fund?
- H.M.Jr: Only as to this particular fund. But it does not bring up the question, "Should the Under Secretary continue to be Chairman of the Red Cross?"
- Mr. Julian: Well this is a continuing fund running for many years. I realize the sincerity of it but the question is whether the announced withdrawal of the Secretary of the Treasury from this Committee would not have a serious effect on the Red Cross and its activities. It has to collect its money. It stands under the government and it has that tinge for many, many --
- Note: At this point Mr. Julian was interrupted by a telephone call which came through for Mr. Morgenthau.
- Mr. Julian: All these trust funds are on the same ship that this is and an effort is being made to obtain a reasonable return on its capital. I remember a couple of members that had the same difficulty but I didn't resign from the Board.
- H.M.Jr: As Treasurer of the United States you are a Member of these Boards?
- Mr. Julian: No.

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Mr. Julian: The question for me is whether you are going to injure the Red Cross by publication of your severance from this Committee.

H.M.Jr: I think it is important. As I say, I have been more familiar with the Red Cross due to the activity of my father than anything I have done. But this thing that I expressed - I expressed this feeling when I came in in '34 and I think Mr. Coolidge felt the same as I did. He carried on for two years. This thing has come up since Coolidge left. This is not something I want to do hastily.

Mr. Julian: You are a very busy man. You haven't the time to give to detail. We have to trust these men to good management and can we trust them to go ahead and make mistakes - good investments and poor?

H.M.Jr: I have complete confidence in it. I would rather have Standard Statistics advise me on my own securities but it is just a question, "What are the responsibilities of the Secretary of the Treasury to advise anybody"?

Mr. Julian: My own position is that while they are responsible decisions they are not accurate decisions and you don't want to take it that way.

H.M.Jr: Well do you want to vote to-day whether they should sell XYZ?

Mr. Julian: Not particularly.

H.M.Jr: All I would advise them is that as the funds come through put them in the government.

Mr. Hoover: Mr. Secretary, I don't think that the questions that embarrass you may not arise to-day. Speaking purely for myself, I would be in favor of making investments of the funds we have in government bonds. If the others should feel that way why then that embarrassment is relieved and we get our money invested. This is a very important matter that you have raised. So if we could to-day dispose of these things which might not embarrass you then we could consider the other questions that you have raised.

- H.M.Jr: If you have done all the business but this then you can discuss it in the room across the hall where the Under Secretary used to be. You people can go in there and it is at your disposal. And then if somebody would act as Chairman other than myself you can go ahead with your business and you can discuss this without my embarrassment.
- Mr. Hoover: You don't embarrass us at all.
- Mr. Julian: I believe you can with dignity continue as Chairman.
- H.M.Jr: As I said first, I consider the Red Cross more important than H.M.Jr., but I have to decide what I can do and what I can't do and I don't think it is immodest for me to say that I haven't done anything that I should be ashamed of as a citizen.
- Mr. Hoover: As I look at this matter it is your personal view. If the embarrassment is too great you will have to decide that but we are not going to be embarrassed by you sitting
- H.M.Jr: Well it is not pressing as far as I am concerned. One of you gentlemen can act as Chairman. Use Coolidge's room.
- Mr. Hoover: Well we will be sorry to lose you.
- Mr. Julian: I would like to have you avoid that decision. The sooner you can come to that decision the better the fund will be.
- H.M.Jr: May I point out this. If the RFC is continued I am going to be asked to be taken off that Board. I am taking the position that, as Secretary of the Treasury, I should not be on any Boards. I told Senator Glass I would be very glad to be relieved. The only other thing is the Library of Congress. As far as I am concerned let's let it rest.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE October 7, 1936.

TO The Secretary
FROM Mr. Taylor

Last night, at about a quarter of ten o'clock, Mallet of the British Embassy called me to give me a message for you. The message was as follows:

That the Chancellor appreciated very much the important messages which he had received from the Secretary of the Treasury and the spirit of cooperation which they evidenced. Unfortunately, he had had a day which was so crowded with engagements that he had been unable to answer the messages, but expected to be able to do so tomorrow (today).

Mallet also told me that Bewley was expected this morning and that he felt that we could expect an answer today.

act.

October 7, 1936
11:08 a.m.

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Operator: Mr. Knoke.

Knoke: The market went down to 4.88-3/4; at the moment it's in the doldrums again at 4.89, and no business.

H.M.Jr: Good.

K: The British began supporting at - this morning they've done about two and one-half million dollars.

H.M.Jr: And that's all?

K: Sold two and one-half million dollars; bought sterling to that extent.

H.M.Jr: Well, what I thought is this: These boys may get on to the fact that - that we only come in at twelve, and Archie's here, and I thought today we might start a little earlier.

K: Well, that is - that's what I told the British this morning - they would probably find we would do.

H.M.Jr: Well, I think - I thought now - I mean try to keep it from going below 4.89.

K: Yes.

H.M.Jr: See?

K: Yes.

H.M.Jr: I - try to keep it from going below 4.89.

K: Yes. At the moment, we'll have no difficulty in that.

H.M.Jr: Yes. Well, I'd do that, and you can't see any tricks yet, can you?

K: Tricks?

H.M.Jr: I mean anybody -

K: Positively not. I'm - I'm satisfied in my own mind that there are no tricks.

H.M.Jr: Well, from what Archie tells me with so much gold going out of England, I should think they would be glad to have this reciprocal thing so they could draw on us.

K: Well (Laughs) surely; as a matter of fact, they were the ones to raise - to - to originally approach you, weren't they? Of course, at that time sterling was high and they just didn't know which way to turn.

H.M.Jr: No, but they might be glad to see some of the gold come out of our country instead of it all going out of their place.

K: Oh, sure.

H.M.Jr: Yes.

K: Yes, exactly.

H.M.Jr: I mean right now if you were sitting over there -

K: Yes.

H.M.Jr: - I mean the fact that gold is leaving, they - they might say - I mean I can't see any argument from their standpoint why they shouldn't be willing to go into this arrangement with us, can you?

K: Why they should not?

H.M.Jr: Yes.

K: No, except - but I would say this, that, of course, with sterling above 5.00 -

H.M.Jr: Yes.

K: - they would have been gaining gold whereas today they are - they are losing gold.

H.M.Jr: Yes, but they -

K: However, as long as the thing is on a reciprocal basis -

H.M.Jr: Yes.

K: - I think it is, from their viewpoint, very desirable that it should be consummated.

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H.M.Jr: Right. All right, Knoke. I'd begin now at 4.89.
K: All right. We'll do it.
H.M.Jr: Thank you.
K: Goodbye.
H.M.Jr: Mr. Knoke - 11:15 a.m.

October 7, 1936
11:17 a.m.

Senator
Bone: Hello there.

H.M.Jr: Hello, Senator.

B: Yes, this is Homer Bone of Washington.

H.M.Jr: This is Morgenthau.

B: Say - I wonder - are you going to be in a for a little while today?

H.M.Jr: Yes.

B: I'm in town for just a few hours and I'd like to drop in and see you for a moment some time that would be agreeable to you.

H.M.Jr: How about 12 o'clock?

B: That will be very fine. I'm down in my office now; I'll drop down and be there at twelve.

H.M.Jr: I'll be glad to see you.

B: Fine.

H.M.Jr: Thank you.

October 7, 1936
11:21 a.m.

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H.M.Jr: Mr. Goldsmith?

Dr.

Goldsmith: Yes.

H.M.Jr: This is Mr. Morgenthau speaking.

G: Yes, Mr. Secretary.

H.M.Jr: I just want to compliment you on the very prompt service that you gave us on those reports.

G: Well, I'm glad we could be of some help. I'm sorry I couldn't get you about Saturday but on the first day we just had a little bit of trouble.

H.M.Jr: Well, I understand you flew up to New York yourself.

G: Yes - yes.

H.M.Jr: Well, that's fine and very helpful.

G: Well, we're glad that we could be of any help, Mr. Secretary.

H.M.Jr: Thank you.

G: Thank you.

H.M.Jr: Goodbye.

October 7, 1936
12:23 p.m.

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H.M.Jr: Hello.

Operator: Mr. Knoke.

Knoke: Yes, Mr. Secretary.

H.M.Jr: Knoke?

K: Yes.

H.M.Jr: I hear there's - there's a boom in sterling.

K: Yes, well (laughs) - the market has turned at any rate.

H.M.Jr: Well, what is it?

K: It's about .89-1/2 bid. We are bidding .89-5/8.

H.M.Jr: Oh, you are.

K: Yes.

H.M.Jr: Oh, God - you - you fellows down there - you're so bullish always.

K: Well (Laughs) - as a matter of fact, I thought I had the instructions to do that.

H.M.Jr: What?

K: I called - called in and that's - that's the message I got from Lochhead that -

H.M.Jr: Well, I've just - he's sitting here - I'm teasing.

K: Oh, I see (Laughs).

H.M.Jr: Yes, I just was calling up to tell you that - no, I'm teasing - everything is fine.

K: Well, I don't think it's all - this is entirely technical. It seems to me the market has turned - for how long I don't know.

H.M.Jr: Well, I could give you this. You see yesterday's stock purchases were - on balance from Europe? was less than a million dollars, did you know that?

K: No.

H.M.Jr: I mean as a favorable balance, there was less than a million dollars as against six million the day before.

K: No, I didn't know.

H.M.Jr: Well -

K: But the banks told me this morning - I checked up with two of them - that the amount of sterling offered by the - as a result of foreign - of American - the purchase of American securities by foreigners was less today than it had been.

H.M.Jr: Yesterday's was about six - nine hundred thousand against six million the day before.

K: Yes. Well, that - that should - that ought to tell the story.

H.M.Jr: So, and we're - we're getting them now. I organized it yesterday, so that I get it at 9 o'clock in the morning what happened the day before.

K: Yes.

H.M.Jr: But this morning is the first morning that's happened.

K: Yes. Well, that ought to be very great help to you.

H.M.Jr: It will - and there's no reason why Archie shouldn't pass it on to you in strictest confidence.

K: Thank you very much. It will help me.

H.M.Jr: Archie's sitting here. There's no reason why we shouldn't pass it on to you, but we only - today is the first day's that we've had.

K: Yes.

H.M.Jr: I mean that - that fast.

K: Yes.

H.M.Jr: But we'll have it every morning. We've arranged it.

K: I think that's very fine. That ought to be a considerable help.

- 3 -

H.M.Jr: I think so where there's -
K: Yes.
H.M.Jr: Where it has so much to do rather than just guess
about it.
K: Yes - yes.
H.M.Jr: All right. Thank you.
K: Yes, sir.
H.M.Jr: Goodbye

October 7, 1936
4:26 p.m.

H.M.Jr: Hello.

Operator: Mr. Knoke.

Knoke: Yes, Mr. Secretary.

H.M.Jr: Well, anybody want to sell at best right now?

K: No (Laughs).

H.M.Jr: What?

K: Nobody in sight.

H.M.Jr: What? (Laughs)

K: Nobody in sight.

H.M.Jr: How's she going?

K: 4.89-1/2 bid in - for small amounts on - for account of one of the Japanese banks. There's no sterling around at that level, and we haven't been able - haven't been able to get any at our bid of 9-3/8, -

H.M.Jr: Do you think -

K: - after those 75 and 10,000.

H.M.Jr: Do you think that we ought to move it up or just leave it the way it is?

K: Well, no, I think the market is - is - the tone is good.

H.M.Jr: Leave it alone, huh?

K: I think you said it because it's very hard to say - whether you would get any at 4.90 or 4.90-1/4, I don't know, and tomorrow morning -

H.M.Jr: Is another day.

K: Right.

H.M.Jr: - another day. That's all right with me.

K: All right, sir. Tha's fine.

H.M.Jr: Do you hear much of this gossip up in New York that there's going to be a 4.40 pound?

K: No (laughs) - 4.40?

H.M.Jr: Yes.

K: No, I - I had a long talk - I had several talks, and people thought whether - whether 4.86 was not a reasonable rate.

H.M.Jr: Yes.

K: 4.40 - I think if - that is somewhat old-fashioned by now.

H.M.Jr: Yes.

K: It seems to me that even the - the leading British economists have gradually - the majority of them - come around to - to admitting that 4.86 might, after all, be a perfectly good rate.

H.M.Jr: You only talked to the Bank of England once, didn't you?

K: That's right. Yes.

H.M.Jr: Well, we haven't heard a thing down here.

K: Nothing from - from Cariguel either - from - from Cochran?

H.M.Jr: Well, I didn't talk to Cochran today. I had nothing to say and I - there was -

K: I see.

H.M.Jr: - there was no reason to call him.

K: Hello?

H.M.Jr: Hello?

K: You just had the message that - that - from Chamberlain that he would answer today, wasn't that it?

H.M.Jr: Well, he said he was terribly busy. He made that speech, and he'd answer as soon as he could get around to it.

K: Yes. Yes.

H.M.Jr: That came in last night, and Bewley called up today and spoke to Taylor, and said he was back and he supposed he would see him this afternoon, but we haven't heard from them. And I'm not going to say a word. I'm just going to sit tight. I'm not going to show any anxiety whatsoever.

K: Well, I don't think a day makes much difference anyhow.

H.M.Jr: No, I'm not - I'm not going - I'm going to sit tight. We're playing poker, and a day or two days doesn't make any difference.

K: Well, Bewley will probably see you as soon as he's had his cup of tea.

H.M.Jr: Possibly - and his golf.

K: (Laughs).

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

K: All right, sir.

H.M.Jr: Another day well done.

K: Goodnight, sir.

H.M.Jr: Goodnight.

H.M.Jr: 4:30 - 4:30.

October 7, 1936
4:45 p.m.

Oliphant: Yes.

Operator: Mr. Oliphant.

O: Yes.

H.M.Jr: Herman?

O: Yes.

H.M.Jr: Will you ask your group to find out what the status is of the Fisher Body case which is up before the Board of Tax Appeals.

O: Yes.

H.M.Jr: The President of the United States has inquired about it. That's for you.

O: Yes.

H.M.Jr: But all they want is they want the thing speeded up one way or the other. They'd like to have this thing settled.

O: Right.

H.M.Jr: He said that he knows nothing about the merits of the case, but he'd like to have it speeded up.

O: I'll take care of it.

H.M.Jr: And -

O: Report to you on it in the morning?

H.M.Jr: Would you mind? He said it's before some technical committee. I don't know that means.

O: Report to you at 9:30?

H.M.Jr: Make it 9:29.

O: 9:29 - on a piece of paper.

H.M.Jr: How are you otherwise?

O: Otherwise I'm grand. Morris Ernst is with me.

H.M.Jr: What?

O: Morris Ernst is with me.

H.M.Jr: Is he?

O: Yes. He's full of interesting ideas.

H.M.Jr: Full of vim and vigor?

O: Full of wim and wigor.

H.M.Jr: Women and vigor?

O: Women and vigor - I don't know about the women but the wigor is here all right.

H.M.Jr: (Laughs)

O: He says, 'Yes, women, too.'

H.M.Jr: What?

O: He says, 'Yes, women, too.'

H.M.Jr: How long is he going to be down there.

O: (Aside: 'How long are you going to be down here?')
Going back tonight.

H.M.Jr: Well, give him my best regards.

O: I'll give him your best. See you in the morning.

H.M.Jr: All right.

ed to Steve Daily 9:15 am. 10/8/36 and at last suggestions
sent to Frances Murphy at Dan Hall Corn to be
turned to Nicholson. 171

The statement referring to the adjusted service payment to veterans given out by Governor Landon yesterday appears to be based on a misunderstanding of the facts and should be corrected to avoid confusion and misapprehension among those who are not fully informed on the matter.

President Roosevelt in his address at Pittsburgh on October 1 spoke of a net increase in the public debt during his administration, after allowance for increase in recoverable assets, of eight billion dollars. He said that of that increase "over a billion and a half went for the payment of the World War veterans' bonus this year instead of in 1945," and added "That payment is now out of the way and is no longer a future obligation of the Government."

This statement, only a part of which Governor Landon uses as a basis for his criticism, is entirely correct. The increase in the public debt and the increase in the deficit during the fiscal year ~~1936~~ 1936 on account of the ~~bonus~~ payment to veterans, was 1 billion 773 millions, which is considerably more than a billion and a half.

Governor Landon attempts to make a point of the fact that much of the bonus payment was made in bonds, which continue to be an obligation of the Government. But this obligation has already been taken into account, both in the deficit and the public debt, so that it is not an obligation to be assumed in the future. Another fact ~~which~~ with which Governor Landon is apparently unfamiliar, although it has been called to the public's attention in Treasury statements, is that of more than 1 billion 700 millions in bonds issued directly to veterans, more than a billion 200 million have already been paid off in cash.

October 8, 1936

Mr. Lochnead and Mr. Taylor were in the Secretary's office at 8:30 this morning, awaiting the arrival of Mr. Mallet and Mr. Bewley.

The Secretary said, "Doesn't Mr. Bewley look disgustingly healthy, while we were here trying to save the world." Mr. Bewley said, "They told me if I started off it would be all over when I got here." Mr. Mallet said, "Here is the answer from Mr. Chamberlain."

Mr. Morgenthau said to Mr. Bewley and to Mr. Mallet, "You understand why I have you here at this hour. It is because I have an appointment with the President and he is leaving at noon."

Mr. Morgenthau then read the note from the Chancellor of the Exchequer, as follows:

"Following from Chancellor of the Exchequer.

"1. Chancellor of the Exchequer welcomes Mr. Morgenthau's suggestion for cooperation between exchange controls by way of a mutual arrangement for conversion of currency into gold and vice versa at prices to be agreed from day to day. He accepts proposed suggestion in principle and will gladly reciprocate on lines set out below.

"2. An arrangement on similar lines is already in operation between Bank of England and Bank of France. Price is agreed between two Banks on telephone in close relation to exchange rates of moment. Experience shows in order to maintain this close relationship price may have to be varied several times in the course of one day. This presents no difficulty with both markets open and with telephonic communication frequent and cheap. Same conditions cannot obtain between Bank of England and Federal Reserve Bank of New York.

"3. No difficulty arises as regards conversion of dollars into gold or vice versa. This can be effected on terms proposed by Mr. Morgenthau namely that United States Treasury will sell and buy gold at 35 dollars per ounce (plus or minus 1/4%) whenever British exchange equalisation account has occasion to convert dollars into gold or vice versa as a result of intervention in market.

"4. But for conversion of sterling into gold it seems necessary to arrive at an agreed basis to suit conditions of the two markets which open and close at different times. Chancellor suggests therefore that any sterling acquired by

-2-

United States Treasury through control operations of Federal Reserve Bank should be converted into gold in London at price fixed in London market whether on that day or on previous day or at mean between the two as Mr. Morgenthau prefers. Similarly if United States Treasury were oversold in sterling as a result of their control operations Bank of England would be willing to buy gold from them on following day for delivery in London at London price for gold determined as above. At option of Bank of England such gold could be set aside in New York instead of being shipped.

"5. These minor modifications are technically necessary and Mr. Morgenthau will no doubt agree that they respect spirit and intentions of his proposal. The arrangement will naturally be subject to such further technical adjustments as may be found to be desirable in practice. Chancellor assumes that arrangement takes form of a working understanding rather than of a formal agreement.

"6. Chancellor notes that in proposal as made duration of understanding is left indeterminate. He assumes that arrangement is intended to remain in force for an indefinite period subject to a right reserved to each side to suspend it or review it (without prejudice of course to past transactions) or to terminate draft agreement in the event of unforeseen circumstances arising.

"7. Chancellor trusts that Mr. Morgenthau will be in agreement with foregoing and that under these conditions arrangement may result in effective cooperation between exchange controls.

"8. Chancellor would be grateful for an opportunity of considering terms of any announcement found necessary in United States and of coordinating any similar announcement if one becomes necessary."

When he had concluded reading the note, the Secretary said, "The spirit of this thing I will call an open-ended understanding." Mr. Bewley agreed, saying, "I think so. Both sides could change it at any moment."

Mr. Morgenthau then said, "I would say, upon reading that very hastily, that it is at least 90% all right. I am so pressed for time and I will have to get a decision out of the President. Let me read this again." When he read the sentence, "Chancellor suggests therefore that any sterling acquired by United States Treasury through control operations of Federal Reserve Bank should be converted into gold in London at price fixed in London market whether on that day or on previous day or at mean between the two as Mr. Morgenthau prefers", he said, "That is something that when I come back we can work out here."

Exhibit "A"

Very confidential.

Following from Chancellor of the Exchequer.

1. Chancellor of the Exchequer welcomes Mr. Morgenthau's suggestion for cooperation between exchange controls by way of a mutual arrangement for conversion of currency into gold and vice versa at prices to be agreed from day to day. He accepts proposed suggestion in principle and will gladly reciprocate on lines set out below.

2. An arrangement on similar lines is already in operation between Bank of England and Bank of France. Price is agreed between two Banks on telephone in close relation to exchange rates of moment. Experience shows in order to maintain this close relationship price may have to be varied several times in the course of one day. This presents no difficulty with both markets open and with telephonic communication frequent and cheap. Same conditions cannot

obtain/

obtain between Bank of England and Federal Reserve Bank of New York.

3. No difficulty arises as regards conversion of dollars into gold or vice versa. This can be effected on terms proposed by Mr. Morgenthau namely that United States Treasury will sell and buy gold at 35 dollars per ounce (plus or minus 1/2%) whenever British exchange equalisation account has occasion to convert dollars into gold or vice versa as a result of intervention in market.

4. But for conversion of sterling into gold it seems necessary to arrive at an agreed basis to suit conditions of the two markets which open and close at different times. Chancellor suggests therefore that any sterling acquired by United States Treasury through control operations of Federal Reserve Bank should be converted into gold in London at price fixed in London market whether on that day or on previous day or at mean between the two as Mr. Morgenthau prefers. Similarly if United States Treasury were oversold in sterling as a result of their control/

control operations Bank of England would be willing to buy gold from them on following day for delivery in London at ^{London} price for gold determined as above. At option of Bank of England such gold could be set aside in New York instead of being shipped.

5. These minor modifications are technically necessary and Mr. Morgenthau will no doubt agree that they respect spirit and intentions of his proposal. The arrangement will naturally be subject to such further technical adjustments as may be found to be desirable in practice. Chancellor assumes that (? arrangement) takes form of a working understanding rather than of a formal agreement.

6. Chancellor notes that in proposal as made duration of understanding is left indeterminate. He assumes that arrangement is intended to remain in force for an indefinite period subject to a right reserved to each side to suspend it or review it (without prejudice of course to past transactions) on termination of draft agreement in the event of unforeseen circumstances arising.

7. Chancellor/

X This seems to be a decoding error which will be verified to terminate

7. Chancellor trusts that Mr. Morgenthau will be in agreement with foregoing and that under these conditions arrangement may result in effective cooperation between exchange controls.

8. Chancellor would be grateful for an opportunity of considering terms of any announcement found necessary in United States and of coordinating any similar announcement if one becomes necessary.

There is no argument about that." Bewley agreed, saying, "Yes, just for you to choose."

The Secretary then said, "I would much rather he said 'from day to day'. The way the thing has been working out here, it works out -- in the morning you fix the price in the open market, then as sterling drops during the day we could buy freely knowing that any time during the day we could convert it into gold at a price which would not be in excess of \$35.00. And we wouldn't want it the day before. It's like all these things. We have taken one step; it seems to have worked; the curtain is drawn aside and we can see just a little bit further. And this seems to be the next step. And, if it works, I don't know what the next step will be. And incidentally, I will have a little time to do a little philosophizing afterward. Everything you and I have said, both sides have kept their words and the spirit. You remember our conversation on the porch?" Bewley answered, "Oh, yes." Continuing, the Secretary said, "And I said I would make this offer if and when we reached this agreement. I didn't want to wait for you people to come and ask me." Bewley answered, "I recognize that and fully appreciate that."

H.M.Jr.: "I had to refer to our conversations with each other, but I imagine they had been covered in dispatches and they could check up and see how near the truth I was telling. But the foundation was laid months and months ago. This did not come overnight." Bewley said, "Yes."

H.M.Jr.: "I want to read this thing very carefully, but it looks to me as if we have something -- 95%. Let me ask you this: In this thing, you understand our position -- that under the law, or whatever it is, that it is compulsory that when the President makes a change in the Gold Act and gives a license to the Bank of England to do this thing, he would have to make it public. I explained that." Bewley asked, "On each occasion? On each day?" Mr. Morgenthau answered, "Oh, no. Just a general public announcement." Bewley again asked, "But not a publication of each transaction." Mr. Morgenthau said, "No. Here is his answer in the last paragraph."

"After I have seen the President, I would like to have you people come back again and then I will explain in great detail. I will be able to give you the form of the announcement." Mr. Mallet said, "That's what they want to know." Mr. Morgenthau explained, "It's just an announcement that we have issued a license." He asked Mr. Lochhead, "Is it a license?" Mr. Lochhead said, "Yes. We issue a license."

Mr. Mallet said, "But you will have a chance to hold up publication until the Chancellor has seen it?" Mr. Morgenthau's

reply was, "I wouldn't think of doing it otherwise. We will give you the full text of the contents of this license. We will do the same thing with the French. You understand that as far as the license is concerned, it has to be our wording." Mr. Bewley agreed, saying, "Oh, yes. It is a matter of your law."

Continuing, Mr. Morgenthau said, "And we will simply give you that. Then I will try to draw up very carefully the statement which I will give verbally to the press explaining it and of which I will also give you a copy." Bewley and Mallet both said, "Yes." Mr. Morgenthau then said, "I will draw up what I will say to the press explaining it and I will do the same thing for the French. And I knew of this arrangement you had with the French. The Bank of France told us. But, for reasons which I went into, I think if we again announce simultaneously on the same evening, it would be a nice gesture. Don't you think so?" Bewley answered, "Yes, it looks well." Mallet said, "Yes. We have not announced our answer to the French. How long has that been going on?" Mr. Morgenthau informed him, "Since last Saturday." Bewley explained, "It's a new agreement, but it is also a continuation. However, it has not been announced."

Mr. Morgenthau said, "It's like the French. They sell francs in this market and then some mornings they seem to forget to do it and we have to call them on the phone and remind them."

The Secretary then asked Mr. Taylor and Mr. Lochhead, "Do either of you men see anything on this?" Lochhead's judgment was, "It seems to be a perfectly practical working arrangement." Taylor's opinion was, "Just what we visualized. It's just a matter of whether you want to decide to take the price of the day before." Mr. Lochhead said, "The way I feel about it is this. To take the day before might in one circumstance be unfair to one side or another in fixing any rates. The idea would be to work it out so that it would be perfectly clear and equitable to the Bank of England and the Federal Reserve. Our thought is that using the fixed price of each day would be the best one but if we find that that works to the disadvantage of one or the other, the idea would be to get together with the Federal Reserve Bank and the Bank of England and adjust it. We don't want to fix our practice and then find it imposes a hardship on the other. My idea is that between the Federal Reserve and the Bank of England, they could fix it." Bewley remarked, "It might be unfair on one occasion but generally it seems all right."

Mr. Morgenthau said to Mr. Bewley, "You saw this headline? (See clipping attached - marked "B") That originates on this

Exhibit 180
B

Oct. 8, 1938

Old Sterling Parity, Aim; France May Repay Loan

Summary of World Trade, Financial Developments

England and the United States are experimenting with a pound between \$5 and \$4.86.

No English demand has been made for a pound lower than the old parity.

The above developments came to light after rumors spread in Paris that England planned to cut the pound's value drastically. They chilled bullish spirit on the Paris Bourse, where stocks reacted in late trading.

France is preparing to repay the \$40,000,000 sterling credit without recourse to Bank of France gold.

Bank of France is expected to cut bank rate to 2½% today.

Volume of trading expanded in New York and London stock markets. London industrials staged a sensational advance. New York market closed steady and was absorbing profit taking.

New impetus was given to reduction in trade barriers by Anglo-French proposal to scrap trade barriers made to Economic Commission of League Assembly.

Deboarding of gold is believed to have developed in France and 2,000,000,000 francs of gold are reported to have been returned to Bank of France in past few days.

U. S., Britain Try

\$4.86-\$5 Range *70-8*

Agree They Can Live in Comfort With Currencies Around These Levels

Gold Bloc's Importance Minor

BY EUGENE S. DUFFIELD

WASHINGTON — Great Britain and the United States have thus far lived harmoniously together under the tripartite monetary agreement without fixing a definite dollar-pound ratio, and there has been no insistence from abroad on a pound lower than the old gold parity.

These facts were learned here yesterday although the Treasury and State departments still decline to discuss officially the functioning under the agreement of September 25 or the negotiations which led up to the agreement.

Both nations appear to be going through an exploratory period in which, without formally setting any limits, they are experimenting with a pound sterling of between the old \$4.86 parity and \$5. Contrary to reports that the pre-agreement conferences and subsequent relationships between America and England have been disturbed by English demands for a \$4.40 pound, no demand at all for any specific pound value has been made, and the discussions all involved a range above \$4.86.

Test of Time Awaited

Although there has been no meeting of minds between the American and English governments on a dollar-pound ratio or even upon a range within which the two currencies should vary, the two nations have had no disagreement on this point. Rather the question has not been forced by either side. The situation, as nearly as can be learned here, is roughly as follows:

Both England and America, recognizing that

Please turn to page 3, column 3

Sterling's New Level

(Continued from First Page)

haggling over ratios and ranges might be fruitless at this time, have agreed that each apparently can live comfortably with the two currencies in approximately their present relationships. Only time can demonstrate to each side how far movements of the other's currency can go on without adverse effects. The present period of cooperation may bring out the answer to this all-important question.

In the meantime certain artificial conditions which existed at the time of the September 25 agreement may have evaporated. The boost in the value of the pound which was caused by the pre-agreement rush of funds from Paris to London will have abated. Similarly, any exchange influences rising out of a return of funds to Paris from New York and London may have run themselves out.

Explains Roosevelt Stand

The fact that the countries are willing to experiment with the relationship of the two currencies explains why each reserved the right in the agreement of September 25 to protect its internal prosperity. It also explains why President Roosevelt on Tuesday indicated that he would seek to retain his discretionary powers over the dollar's value beyond January 30, their present expiration date.

These reservations are necessary so that, if either side believes itself injured by the level to which the currency of the other has sunk and if cooperation and discussion fail to produce a corrective, then the injured party can proceed on its own.

Official attention here is concentrated almost entirely upon the future of the dollar and the pound to the exclusion of the gold bloc's future. Whatever devaluation the former gold standard countries agree upon is regarded here as of very minor importance in comparison with the future of the dollar and pound.

side, I am sorry to say, but not from the Treasury. I want to make it clear that it does not come out of the Treasury and I am trying to run it down and it is perfectly persistent. Yesterday the Wall Street Journal picked it up from the Herald-Tribune and it's all been in the Herald-Tribune. I know it all comes from this side and I am trying to stop it. But if I show any anxiety, it is a sign of weakness, so I have had to be very careful. But I want you to know it's on this side.

"After all, what we are doing now, certainly we wouldn't do. You let us know at noon just what you have done and we send a cable at night reporting what we have done that day to the very dollar and you do the same with the pound. So when they arrive at the bank they know exactly what we have done in our market and when we take over at noon you phone us and tell us exactly what you have done, so we know to the dollar. And you people have spent a great deal more money than we in supporting the pound, so that's why this story irks me. But that information between the Treasuries and the two banks naturally does not go outside. But it's worked beautifully and there has not been the slightest suspicion that each one is not playing the game, is not being very sportsmanlike about it and I personally am very much pleased with the way the thing has gone. There is no one more pleased than I. And if you would care to say that to Mr. Chamberlain, I would be delighted. " Mr. Bewley: "Certainly."

Continuing, Mr. Morgenthau said, "There isn't a single thing that I could ask for that has not been done, and it's very difficult, especially in the afternoon here when we get the brunt of the whole world from 12:00 o'clock on. We just get the whole world and with the exception of 'the Russian incident' the biggest sum that has come in our market at one time has been 75,000 pounds sterling. That's the biggest sum of any one transaction, isn't it Archie?" Mr. Lochhead answered, "Yes, but there certainly have been an awful bunch of small ones."

Continuing his remarks, the Secretary said, "And this talk which they have been trying to feed, that a million pounds is nothing. Your people and our people know it isn't so. It's a great deal. There is one transaction in ten days of 75,000 pounds and that's all. And that was a couple of them from South America." Mr. Lochhead remarked, "It was perfectly natural. It came from the Argentine." Mr. Morgenthau added, "But I still say that a million pounds ordered sold 'at the best' is an unnecessarily large amount. It was the one thing that kept me from taking life too seriously over that weekend." Mr. Mallet asked, "Did you settle the Russian Marshal?" Mr. Morgenthau said to Mr. Bewley, "Did you hear that story? The Russian Marshal told our Military Attache 'Just leave it to

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the soldiers. They will take the necessary steps to take care of these civilians and the army could take care of the situation." Mr. Bewley said, "That's good."

The Secretary then asked Mr. Bewley, "Were you on the other end of this thing when this was in the making?" Bewley: "Part of the time. I was back in England but I didn't see it all, but I did give such assistance as I could." H.M.Jr.: "Did you see Monick on occasions?" Bewley answered, "No, he was in Paris. I wasn't in London a great deal. I was only in London the last ten days." Mr. Morgenthau said, "We laid the foundation when you were here." Bewley's response was, "I hope we did good work." Mr. Morgenthau's answer was, "I think it has shown that. There is nothing, since I've been in the Treasury, that has pleased me as much because I feel very sincerely that in international affairs this will be the turning point and, after all, it has demonstrated that until we get this money thing straightened out we could not get trade barriers settled." Bewley said, "I think in London they are very hopeful." Continuing, Mr. Morgenthau said, "But this is the foundation and other things will fall into line. But this had to be done first."

The Secretary said to the men, "What most likely will happen is, I will see the President, and as soon as I come back we will phone you, and as soon as I have worked out what I will say to the press informally in connection with this, I will give it to you, and you can cable it over. Then you can get an answer for me by tomorrow morning, most likely, because of the difference in time." Mr. Bewley said, "We can try at least." Mallet said, "We will do our best. The sooner the better, of course. There is six hours difference in time."

The Secretary suggested, "Why don't you think it over about using the telephone?" Bewley's response was, "They are awfully shy of using the telephone because of secrecy. They kept on insisting on that." Mr. Morgenthau said, "We haven't had any leaks." Bewley said, "Well, anyhow, we will do our best." Mr. Morgenthau then stated, "Because, as I say, let's see how the President feels and then I will get in touch with you." To Mr. Bewley he said, "I am awfully glad you are back." Bewley answered, "I never thanked you for providing the airplane." Mr. Morgenthau asked, "Was it fun?" Mr. Bewley answered, "Very good fun, indeed." Mr. Morgenthau then asked, "And they took care of you when you landed?" Mr. Bewley said, "Oh, yes. They were very nice to me."

Mr. Bewley and Mr. Mallet left and the Secretary went over to the White House to keep his 9:15 appointment with the President.

October 8, 1938
10:05 A. M.

Mr. Oliphant, Mr. Taylor, Mr. Haas, Mr. White, and Mr. Lockheed met in the Secretary's office.

The Secretary said to them, "What I want you people to do as soon as this is over is to go into what I call the Under-Secretary's room. The British note is here. It looks all right. They came in at 8:30 this morning and we have been over the whole thing and I have seen the President, and he approves this thing. What the British want is a copy of the official statement we give out. I explained to them it is not a question of their changing it, but we will be very glad for them to see it. I mean the actual statement, whichever one we decide on, where we give England and France the right to buy gold here. I think it is the general license one. (The Secretary had before him the following documents, copies of which are attached to diary of September 28.)

1. PUBLIC ANNOUNCEMENT

- (a) Press release (for President's approval) and supplement thereto.
- (b) Letter to Federal Reserve Bank of N. Y. (for President's approval).
Letter of confirmation to Federal Reserve Bank
- (c) Letter to Assay Office.

II. SALE WITHOUT ANNOUNCEMENT

- (a) License to Federal Reserve Bank of New York (for President's approval).
- (b) Letter to Assay Office.

III. OPERATION THROUGH STABILIZATION FUND

- (a) Letter to and authorization from President for sales (for President's approval).
- (b) Letter to and authorization from President for purchases (for President's approval).

Which one do we take, the public announcement release or the letter to the Federal Reserve Board?" Oliphant replied, "I think you use the press announcement. You use the text as your authority. You can make it public or not, but use that text as your authority and under that you can operate under the stabilization fund. That would be 1-A or 1-B."

The Secretary began to read the announcement, as follows:

"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 notice may be revoked or altered."

At this point, he said, "Does the other one say 24-hours?" Oliphant answered, "Do you want to say until further notice? I think you want that thought of the 24 hours in there -- a day-to-day operation." Mr. Morgenthau said, "I don't like the words 24 hours. I like until further notice. Is this the form?" Mr. Oliphant answered, "Yes. Is the President available to sign the slight change?" Mr. Morgenthau replied, "Yes, he could do it up to 11:30. I think it should be until further notice. I don't like 24 hours. We have passed that stage now. I can go over and get the President to change that word. Is that the form we want?" Mr. Oliphant answered, "That is the set we want. We want No. 1." Loehhead added, "That's the only public announcement."

Mr. Morgenthau inquired, "What's the matter with No. 3?" Oliphant explained, "That's an operation through the stabilization fund only and under No. 1 you could operate under stabilization or as Secretary of the Treasury." Mr. Morgenthau wanted to know, "What does that mean, 'as Secretary of the Treasury?'" Mr. Oliphant explained, "Under the Gold Reserve Act you, as Secretary of the Treasury, have authority to buy and sell gold at any price, as Secretary of the Treasury. Under stabilization, there is Henry Morgenthau, Jr. and he has power to buy and sell gold. It seems to me better to leave it free so you can shift from one to the other."

The Secretary said, "You fellows go and work on it. I have sent for Herbert Feis. I want to send this form both to the English and the French and in addition to that, I want you fellows to prepare, with Feis' assistance, what I am going to say to the press in explaining this thing. The President has shown his confidence in me, that what I say to the press he leaves to my discretion. But the English said it would help them if they knew what I was going to say. And the President also said-- I asked him, When would you rather have this announced, Saturday, Sunday or Monday. He thought Saturday, but he didn't care. Personally, my own preference is to do it Saturday noon, for Sunday morning release and give the world a chance to digest it. And the markets are closed. What I would like to do is have this thing cleaned up and send for the British and have them here at 12:30. And, with the exception for my press conference today at 10:30, and except for going across the street to get it changed, if we want it changed -- I have nothing else to do; rather, I won't do anything else -- this is what I want to do. But let everybody read it. I think it is a swell thing. But my

thought is, I want to send the legal document that we are going to use to the British and have a copy of that to give them at 12:30 and then send a copy over to Cochran."

Oliphant asked, "Have you already sent for Feis?" And Mr. Morgenthau answered, "Yes." Oliphant inquired, "No reason why he should not be in on this angle?" The Secretary replied, "I want him to be in on the whole angle. Also, if and when you want to, I will bring Knoke along. On the British thing, I want the gold price as of today and not yesterday."

Mr. Oliphant then said to the Secretary, "One thing we had to pass over because you were pressed with so many other things, and that was the discussion in connection with your proposed statement, whether or not you want to take this occasion to transfer more to the stabilization fund." The Secretary replied, "It's not necessary because we have \$50,000,000 tucked away, which we will immediately release. No sense in keeping this \$50,000,000 secretly."

Mr. Oliphant then said to the Secretary, "Let me take a minute. We all have the feeling that it would have been a grand thing if the whole thing had been put into stabilization a long time ago, months before this came up, and some had a feeling that this offered a grand opportunity to do it without its attracting particular attention." The Secretary's reaction to this was, "I will listen to you but I can't see any need for it."

Mr. White said to the Secretary, "You made a reference to this morning's exchange rate, I mean gold price, as of the day. The thought in my mind is that it might be preferable to take advantage of the previous day's and today's." The Secretary answered, "Much more difficult to operate and we say if it does not work for three days, we can shift. The thought I have on my press statement is this. This is the way I feel: We are all in a fog, and the fog has gone aside and we can go forward one step. Now, it's again aside a little bit further and we can push the ship a little bit further and we can see just a little bit further through this fog which has been hanging over the world. And I don't know, but under the fog which has existed, every nation has had to surround itself with artificial barriers and we have just been able to see one step at a time. Now we see another step. We can just go ahead that much further." Oliphant added, "We are moving as the wisdom of experience from day to day guides us." H.M.Jr. said, "And we are watching all danger signals as we go forward. Up to now there have not been any." Mr. Oliphant said, "When we get to that angle, we can get Gaston." And Mr. Morgenthau said, "And Feis. I will send him in there."

October 8, 1936
10:21 a.m.

H.M.Jr: Hello.

Operator: Yes, sir.

H.M.Jr: Find out whether Dr. Feis is on his way over here.

Operator: All right. (Pause)

Operator: He left a few minutes ago.

H.M.Jr: All right - thank you.

REPORT ON SECRETARY MORGENTHAU'S PRESS
CONFERENCE, OCTOBER 8, 1936

- H.M.JR.: As long as you've got them in writing, let me have them.
- Clarence
Linz: Sure, I'll give them to you.
- H.M.JR.: (Reads Linz's questions)
Do you know why Morgenthau has given up support of the pound sterling? The rate is now far below what it was when the pound was raided by Russia. What happened to the stabilization fund proper?
- Q. The low rate yesterday was four eighty-three and a quarter; the low last Saturday, the 26th, was \$4.91 -- still going down and my question would be -- the speed with which the Treasury went to the defense of the pound at that time seems to have lost a great deal of momentum; you might have a story on that.
- A. Time will have to answer that.
- Q. Does that mean that that's the policy which is being pursued in regard to the ratio between the dollar and the pound?
- A. No.
- Q. It's an experimental stage now and you will allow it to go ahead until time does answer it?
- A. For background, anybody that's writing stories that there's any difference or competition as between Great Britain and ourselves are going out on the end of the limb. This is for background. These stories have been in the paper every day about different things. I haven't got the papers here this morning and I don't want to refer to any particular paper anyway. If you fellows could sit here from twelve o'clock on when the rest of the markets of the world are closed and have the thing coming in

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from every corner of the world the way I have the last ten days -- there's a new order -- the different countries have devalued very very rapidly; we are having quotas dropped every single hour and the thing is moving so fast that the things that this Administration has worked for, for the last three years, are coming to a head every day. This is for background. And I sit here after twelve o'clock and the exchanges of the world come across my desk, and what we have been able to do is to keep the thing on an even keel; that's all that we can attempt to do. But there has been nobody since the Russian incident who has attempted to move or alter the pound and the franc any way artificially. The transactions which have come across my desk have been legitimate business transactions and (this is all background stuff) the stories that ran a million pounds wasn't an abnormal transaction were incorrect. The biggest transaction which has taken place since then, which was a combination of a number of transactions the bank had was seventy-five thousand pounds. That's the biggest transaction which has taken place since Saturday a week ago.

Q. In New York?

A. Anywhere in the United States.

Q. What was the amount?

A. Seventy-five thousand pounds; that was a number of transactions -- orders for five thousand pounds, ten thousand pounds -- everything has been for business men who have transactions throughout the world. Since Saturday a week ago the biggest order, which was a combination of two or three orders, was seventy-five thousand pounds.

Q. Mr. Secretary, couldn't we have, on the record, a statement that nobody since September 26th has attempted to move the dollar or the pound or the franc? Take out the reference to Russia, if you want to.

A. No, I think we'd better let it go. What do you say, Herbert?

GASTON: I think so, yes.

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H.M.JR.: Let what I said go. What I have told you are facts.

Q. My questions weren't directed to that.

A. I know.

Q. With things moving so rapidly, the policy would be not to try at this time to fix the ratio between the dollar and the pound.

A. What I've told you are the facts. Just look at the forces which are moving here. This thing, for the first time, the Treasury from twelve o'clock on is the financial nerve center of the world. And here, every single minute, you've got different countries devaluing, dropping quotas; it means American business men adjust themselves. They can buy in different places, they can sell in different places; it means their rates of exchange are different. In ten days we have had something happen here that we've been working for for three years, and up to now there's every indication that the American business man is getting the benefit of this, and I think he'll get the benefit of it, and I think the world will get the benefit of it. Everything I've said is for background -- it's all for background; but I'm just giving you the picture. Nobody is trying, not only isn't trying to hurt this thing, but everybody is trying to help -- the governments, banks, business men -- here's a chance for world peace, world prosperity, and everything that goes with it, and everybody is putting their shoulders to the wheel; the thing is going along beautifully and it's moving so fast it's hard to keep track of it, but all the reports I get, both internally and externally, to date, is that it has been to the advantage of America. When I say America, that takes in labor, industry, agriculture, everything. My personal opinion is I think it will continue; I think it's going to grow; it's hard to grasp this thing it's moving so fast.

Q. It isn't so hot for the steel industry, according to my paper, although I haven't had a chance to read it today -- the steel people seem to think they won't be so happy in the world markets.

A. That doesn't check with the U. S. Steel.

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Q. I haven't read the story.

A. Ask one of your reporters to go around and feel out U. S. Steel about it. They're selling steel where they've never sold it before; this is all off the record -- there's nobody who's looking at this thing from the standpoint of the welfare of the American people who has yet been able to point out but what this is a constructive move. Everything I've said is for background. Everybody has put his shoulder to the wheel and the thing is moving forward just as rapidly as it can. This thing has got to be watched from minute to minute, which takes all the energy and all the intelligence I have and my staff has got to watch this thing minute by minute to protect the interests of the American people; to date we have been able to do it. Everything I've said is for background.

Q. Thus far everything has tended toward increasing American prosperity.

A. As far as I can tell. I haven't seen a single indication anywhere. At nine o'clock in the morning my statistical staff walks in here and gives me the reports for the previous day, the previous week -- everything we've got, and we've got as good information as anywhere in America.

Q. We have reports from France that the Bank of France had again lowered its rediscount rate from three and one-half to three per cent; how do you interpret that?

A. That's all right; it's an internal matter; for background, I would interpret it as a sign of increasing confidence on their own part. Have I said anything on the record so far, Miss Chauncey?

MISS CHAUNCEY: I don't think you have.

H.M.JR.: Good.

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- Q. Out of London came a story last night that the British are anxious that you press farther with the stabilization move through tariff reductions and reduced quotas and that sort of thing, and rather peculiarly suggested that the President might not want to bring this up before election so they would send Sir Montagu Norman over to take care of it.
- A. I'm not going to comment on that. But that gives you a little bit of the picture that we have.
- Q. Mr. Secretary, can you say anything on the record about this?
- A. No, it's too important to do it without writing it out, and, therefore, I'd rather it were for background, and I'll place my reputation in your hands. I have had only the best of cooperation, and I'm perfectly willing to talk for background and leave it to you boys; you've done well by me. It's too important for me to take a chance of talking on the record without carefully working it out.
- Q. Did you see accounts of what the President said at his press conference the other day -- about the power to devalue; it isn't clear in my mind that he spoke of emergency powers in the sense of powers for this Administration or powers for future administrations.
- A. You don't expect me to interpret what the President said.
- Q. I thought you could throw some light on it.
- A. No, I read the story very carefully in the morning papers. It was brought up here and I said I would certainly recommend the extension of the stabilization fund and I think we'll let it ride the way it appeared.
- Q. Do you still have the million pounds you got on the 26th?
- A. You've asked a question and you'd be most surprised if I answered it.

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Q. I wouldn't; you might be frank.

A. I might also be foolish. No.

Q. Mr. Secretary, for background purposes, could you tell us what would be the ultimate -- these things have moved so rapidly -- what would be the ultimate results? Would they settle for stabilization purposes?

A. I think they're very rapidly settling -- but there are all these things -- and I think, when you consider and compare what happened in 1931 to what happened now, I think it's perfectly remarkable the way this tremendous move has taken place and with a minimum of disturbance, absolutely a minimum. We couldn't have done it this way if we hadn't had this agreement, and if you read the newspapers of 1931, September, and see what happened when England went off gold, see the disturbances here -- and here's this very, very important monetary move and we've had a minimum of disturbance, and I think these various currencies are finding their levels with great rapidity.

Q. While they are, there will obviously be no effort to fix any definite ratio. That would be a logical conclusion from that situation.

A. I think that I've explained that enough; I think you fellows are smart enough to get what I've said. I've talked for background and I have put my reputation in your hands. All right, gentlemen?

Q. Thank you.

ooOoo

October 8, 1936
11:20 a.m.

Daniel
Bell:

'The Secretary of the Treasury and I discussed with you the matter of approving projects under the Emergency Relief Appropriation Act of 1936 in excess of the limitations set out in that Act. We particularly discussed the limitation covering women's projects, and advised you at that time that you had approved projects in the aggregate amount of approximately \$85,000,000, which is the amount of the limitation. We also advised you that the Works Progress Administration had to have, for the purpose of flexibility, projects approved under this particular limitation in the aggregate amount of about \$150,000,000 but controlling the obligations incurred thereunder through the Works Progress Administration and the Treasury Accounts Office. You stated at that time that you would like to avoid the approval of projects in excess of the limitations in the Act, and asked the Secretary to work out with Mr. Hopkins the procedure whereby this could be avoided. We have discussed the matter quite thoroughly with Mr. Hopkins and Mr. Gill, and this morning had a conference with them and with the Acting Comptroller General. We have reached the unanimous conclusion that the best way to handle the matter is for you to allocate a designated sum of money to the Works Progress Administration, broken down by states, for the projects covered by '(f) Assistance for educational, professional, and clerical persons; and (g) Women's projects.' The aggregate amount of the allocations which you would approve under these two limitations could not, of course, exceed the amount of the limitation in the Act, namely, \$85,500,000 in each case. Attached you will find two letters allocating in each case \$15,000,000 to the two above-mentioned limitations. This procedure has the informal approval of the Secretary of the Treasury, the Acting Comptroller General and the Works Progress Administrator. It is important that this matter receive your prompt attention.'

H.M.Jr: Who signs the t?

B: How does that sound?

H.M.Jr: It sounds O.K. Who signs it?