

- 2 -

B: I sign it and send it over with the letters.

H.M.Jr: Well, he's leaving in about five minutes.

B: Well - oh, is he?

H.M.Jr: Yes.

B: Five minutes - I thought it was 12:00. Well, I'll try and catch -

H.M.Jr: Well, the train leaves at 12:00.

B: I thought that I might try and catch the train and let it go along.

H.M.Jr: Yes. I- I - I say O.K.

B: All right. Well, the Comptroller General would go along on f and g but I don't think that he would go along on any of the other limitations.

H.M.Jr: Yes, well, send me - after you get it signed, send me a copy, please.

B: All right. Fine.

H.M.Jr: All right.

B: Thanks.

October 8, 1936
11:26 ^{am.} ~~pm.~~

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Operator: Mr. Knoke.

Knoke: Good morning, Mr. Secretary.

H.M.Jr: Knoke, I don't know whether the - did you read what I said on the Dow Jones ticker?

K: Not yet.

H.M.Jr: Well, let me read it to you - at my press conference, I said everything for background, and this is the way they wrote it, which to me is entirely satisfactory - it was on at 11:00. It says: 'Washington - Administration officials say there's no monetary competition between the United States and Great Britain, contrary to published reports that the British want a cheap pound. The view of the Treasury circles is that the monetary re-adjustment will take place swiftly 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 towards normal, according to the view expressed today in high Government quarters.' Additional - 'Tremendous changes in monetary valuations and international trade conditions are still taking place, but the Administration feels that the objectives for which it has been working in the monetary field are being satisfactorily achieved.'

K: Good.

H.M.Jr: What?

K: Well, I think that - my - my first reaction is that's splendid, I think.

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

K: It's very helpful.

H.M.Jr: - that takes care of these stories about the wars, you know, and all that.

K: Yes - yes - yes.

H.M.Jr: Now, we've got the British answer and it's satisfactory. The boys are working at it, and Lochhead will tell you about it a little later, see?

K: Fine.

H.M.Jr: But it's all right, and we're preparing an answer now. It's not yet for publication, see?

K: Yes - yes.

H.M.Jr: But we told the British we'd show them what we're going to do before we do it, and we're going to show it to the French, see?

K: Yes.

H.M.Jr: But there's nothing - they're just in the midst of it now, and a little later on Lochhead will give you the whole thing.

K: Thank you very much.

H.M.Jr: And now, how about - how's the market behaving?

K: Well, there's - there's very little to say about the market here.

H.M.Jr: Fine.

K: It's - there's practically no volume. The last I heard was 4.89-1/2 and I arranged with Lochhead that I would put in an order at 4.89-1/4 if the market showed downward tendencies.

H.M.Jr: Yes. You got - did you get your figures this morning on the stock market?

K: Not yet - no. You see Lochhead has been tied up in a conference - I spoke to him very little.

H.M.Jr: I see. There is on balance for the world a little bit better than \$4,000,000, all bought and sold.

K: \$4,000,000? Which is up again -

H.M.Jr: A little bit -

K: Which is up from the day before.

H.M.Jr: Yes, the day before was a little bit less than a million and today it's a little bit over - well, just a second.

K: Yes, I see.

H.M.Jr: Four million two, and the net purchases of - net purchases from Great Britain were two billion

eight seventy-nine.

K: Two billion eight seventy-nine net purchases of Great Britain?

H.M.Jr: Yes. France, three eighty-nine.

K: I see.

H.M.Jr: Netherlands, three ninety-three (Pause).

K: Yes.

H.M.Jr: Switzerland, four ninety-nine.

K: Yes.

H.M.Jr: Canada, net sales a hundred seventy-three.

K: Net sales?

H.M.Jr: Yes.

K: (Laughs)

H.M.Jr: And others, net purchases two ninety-one.

K: Two ninety-one?

H.M.Jr: Total net purchases four million two seventy-eight.

K: Four million two seventy-eight net purchases for the day?

H.M.Jr: Yes.

K: Well, those figures ought to be very helpful.

H.M.Jr: I think so.

K: Yes.

H.M.Jr: It shows you where it's coming from.

K: Yes.

H.M.Jr: Here's a statement from the United Press. I'll read it to you. This was on the United Press ticker here - 'Officials said they were pleased with the working of the accord thus far and believe it is bringing about rapid readjustment of the world

currencies to proper levels with a minimum of trade disturbances. They intimated that a certain amount of maneuvering for position among international currencies was to be expected before exchange levels shake down to stabilized ratios.'

K: Yes.

H.M.Jr: 'It was indicated that such developments had been anticipated and that Great Britain, France and the United States were cooperating carefully to guard against sudden exchange disturbances as a result of such jockeying.'

K: Yes - again that's helpful, I think.

H.M.Jr: Isn't that helpful?

K: Yes.

H.M.Jr: I think it's very good -

K: Yes.

H.M.Jr: - myself. And the boys have handled it beautifully. I talked entirely off the record and that's the result.

K: Fine.

H.M.Jr: What?

K: Yes, I think there's no fault to find the - the way that works.

H.M.Jr: That ought to steady the thing.

K: Oh, I think so - yes.

H.M.Jr: And now, if we get this other thing straightened out, why it's just another step.

K: Well, what is the other - you mean with the -

H.M.Jr: I mean this - this question of giving up gold.

K: Oh, yes - yes.

H.M.Jr: Yes.

K: Well, there's no question in your mind, is there?

H.M.Jr: About that?

K: Yes.

H.M.Jr: Oh, no, no, no.

K: Yes.

H.M.Jr: No, it's just a question of working out the mechanics.

K: Yes, I understand - yes.

H.M.Jr: Yes.

K: Thank you very much.

H.M.Jr: Thank you. Hello?

K: Yes.

H.M.Jr: You'll report this to Governor Harrison, won't you?

K: I will - yes.

H.M.Jr: Please - tell him I asked you to.

K: Yes, all right.

H.M.Jr: Thank you.

K: All right, sir.

OFFICE CORRESPONDENCE

DATE October 8, 1938.

CONFIDENTIAL FILES

SUBJECT TELEPHONE CONVERSATION

FROM L. W. Knoks

WITH BANK OF ENGLAND.

Mr. Bolton called me at 11:35 today. Things were very, very quiet; movement in London had stopped completely; there was no demand for French francs, Swiss francs or dollars; as a result sterling was really quite firm, for the moment anyway. The change in trend, he thought, was due to two reasons: (1) The world seemed to have built up a bull position in dollars and was not willing, for the time being at least, to increase it, (2) the Russian Government's two notes threatening intervention in Spain if support of the rebel cause was not discontinued by Italy, Germany and Portugal, which was placing the Blum Government in a difficult position and might ultimately mean its fall.

Bolton then referred to the negotiations now going on between the two Treasuries and the discussion he and I had had a few days ago as to the basis of the price for gold he would quote us daily. He repeated that he had suggested to his people that his daily price for us should be the price established every morning at fixing or, as an alternative, the average between the price established at fixing the day before and the same day. I replied that it seemed to me the simplest method would be the most desirable and the simplest in this case, it appeared to me, was the price established daily at fixing. I added that if, after a few days of trial, this did not seem to be working out properly, we would have to get together and discuss some other basis. I inquired whether he would quote us two prices, one for buying and one for selling and he replied that he would quote one price only, at which we could either buy or sell. I tried to sound him as to what his ideas

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 8, 1936.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATIONFROM L. W. KnoteWITH BANK OF ENGLAND.

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were regarding balances accumulated before this arrangement went into force. Bolton thought that they would agree to anything ^{we} he would want to do. (I intend to suggest to him tomorrow that the question of old balances be left pending for the moment.)

LWK:KMC

October 8, 1936.
11:48 a.m.

H. Merle Cochran: Hello, Mr. Morgenthau - yes.

H.M.Jr: How are you? Cochran? Hello?

C: Hello, Mr. Morgenthau.

H.M.Jr: Can you hear me?

C: Yes, very well now.

H.M.Jr: Good. I'm going to take a chance on the telephone.

C: All right.

H.M.Jr: We've had a very satisfactory answer from Mr. Chamberlain.

C: Fine - I'm glad.

H.M.Jr: And he - we're working now on an answer which will be ready sometime around four o'clock.

C: You - you are working on the answer?

H.M.Jr: Well, it - it really doesn't require - we gave him a statement and he came back with an answer which is 98 per cent satisfactory. Now what they've asked us to do is to give them a copy of our proclamation, plus a copy of what I am going to give to the press, you see?

C: Are you giving them a copy of the -

H.M.Jr: Of our proclamation -

C: You're giving to the press?

H.M.Jr: No, a copy of the proclamation and a copy of the press statement, you see?

C: There are going to be both, are there?

H.M.Jr: There are two.

C: Yes.

H.M.Jr: There's a proclamation and a copy to the press.

C: Yes.

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H.M.Jr: And when we give it to - and when we give it to them, we'll get it off immediately by cable to you.

C: I see.

H.M.Jr: But we - we - they're coming in to see us about four o'clock so that'll get in tonight, and if you could have it decoded, you could take it around to Mr. Auriol the first thing tomorrow morning.

C: I see.

H.M.Jr: Now my thought is that - and Mr. Chamberlain seemed to like the idea of our making a simultaneous statement.

C: I see.

H.M.Jr: As a matter of fact, I'll send you a copy of Chamberlain's message to me. Then you'll have the whole business.

C: All right.

H.M.Jr: And the thought is that sometime over the weekend we'll get this out, see?

C: I see.

H.M.Jr: (Aside: 'Oh, all right. Come on.') Hello.

C: Hello.

H.M.Jr: Sometime over the weekend, we'll - we'll get this out.

C: I see.

H.M.Jr: See?

C: Yes.

H.M.Jr: Now just a minute. Dr. Feis is here and he's shaking his head. Just a moment.

C: Yes. (Pause)

H.M.Jr: Wait a minute. (H.M.Jr. speaks to Dr. Feis). No, no, he said - no, I thought he was disagreeing on something.

C: I see.

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H.M.Jr: No - everything is all right.

C: Fine.

H.M.Jr: Now that ought - will go out of here so that you'll get it. I mean that it'll go out of here some time between four and five, and by the time it's coded and everything, it'll get in there tonight. Have your code people in fairly early, will you?

C: Well, I'll - I'll have them in tonight if you're going to get it in.

H.M.Jr: I think so.

C: All right. Then does this call for any statement on the part of the French?

H.M.Jr: Yes. Well, now let me put it this way. We have to make a statement, see? Hello?

C: Yes.

H.M.Jr: And after they've seen this thing, I think they'll want to make a statement, but it isn't necessary.

C: I see. That - that's the way.

H.M.Jr: It's not necessary for them to make a statement but I think that they will and I think that Mr. Chamberlain will.

C: I see - exactly.

H.M.Jr: But it's not necessary.

C: I see.

H.M.Jr: But this will be an announcement -

C: Issued at once?

H.M.Jr: Pardon me?

C: You will not be issuing this publicly at once?

H.M.Jr: I don't hear very well.

C: You will not be issuing this at once?

H.M.Jr: No, my thought is that this would be issued most likely - the time that I prefer to issue it is for Sunday morning papers.

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C: Sunday morning?

H.M.Jr: That's when I'd like to do it, so that it gives the people a chance to digest it.

C: Yes.

H.M.Jr: You see?

C: But I'm to show this to these people at once and get any reaction from them.

H.M.Jr: That's the idea, and when - the time that I'd like to do it is Sunday morning to become effective Monday.

C: I see.

H.M.Jr: You see?

C: Yes.

H.M.Jr: We give it out for Sunday morning papers to go into effect Monday morning.

C: I see.

H.M.Jr: Now let me see if our people here have got anything that they'd like to ask. Just hold the wire, please.

C: All right.

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

H.M.Jr: Hello?

C: Hello?

H.M.Jr: That statement we sent you ten days ago - this is going to supersede that.

C: It does - I'm glad.

H.M.Jr: See?

C: Yes, yes.

- 5 -

H.M.Jr: We're working on something new now, and this will supersede that.

C: Fine.

H.M.Jr: Now, I got your statement; I got your suggestion, and I want you to feel free at any time to send me any ideas you've got, and I'm not going to always accept them -

C: That's all right - I don't expect you to.

H.M.Jr: - but, on the other hand, you're there, and I want you to think; I want you to use your head; and any time you have any ideas you send them along.

C: All right, sir.

H.M.Jr: And I'll accept them in the spirit in which they're sent.

C: All right. Well, I appreciate that very much.

H.M.Jr: Now, just a moment. Just a minute. (Pause) When did you plan to go to Basle?

C: I planned to go down on the night - on Saturday night.

H.M.Jr: Well -

C: That would be about eleven o'clock I'd leave here.

H.M.Jr: Well, let's see how this works out, but what I'd like to do, as I say, is to make this effective Monday and give it out for Sunday morning papers.

C: I see.

H.M.Jr: Now just a minute. I - I gave out a short statement here. If you've got somebody - I'll give it to you and you can copy it down, see?

C: All right.

H.M.Jr: I think it will be helpful because there's been constant stories here that there is a war on between ourselves and the British as to the rates, you see?

C: I see - yes.

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H.M.Jr: And this is what just came out over the Wall Street ticker - the Dow Jones ticker - you see?

C: Yes.

H.M.Jr: Have you got somebody you could repeat this to?

C: Just a minute - I'll get my secretary.

H.M.Jr: All right.

(Pause, during which, conversation and laughter were carried on in H.M.Jr.'s office.)

C: Hello? Hello?

H.M.Jr: Hello?

C: If you could just read it to me, I'll repeat it to my assistant here.

H.M.Jr: All right. 'Administration officials -

C: Administration officials -

H.M.Jr: - 'say there is no monetary competition -

C: say there is no monetary competition -

H.M.Jr: - 'between the United States and Great Britain, -

C: - between the United States and Great Britain, -

H.M.Jr: - 'contrary to published reports -

C: - contrary to published reports -

H.M.Jr: - 'that the British want a cheap pound.

C: That the British want what?

H.M.Jr: - 'a cheap pound.

C: A cheap pound?

H.M.Jr: Yes. Paragraph.

C: Paragraph.

H.M.Jr: 'The view in Treasury circles -

C: The?

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H.M.Jr: - 'The view in Treasury circles -
 C: The view in Treasury circles -
 H.M.Jr: - 'is that monetary readjustment -
 C: - is that monetary readjustment -
 H.M.Jr: - 'will take place swiftly -
 C: - will take place swiftly -
 H.M.Jr: - 'and with a comparatively small -
 C: and with a comparatively small -
 H.M.Jr: - 'amount of international disturbance.
 C: - amount of international disturbance.
 H.M.Jr: Paragraph.
 C: Paragraph.
 H.M.Jr: 'Time alone -
 C: Time alone -
 H.M.Jr: - 'will indicate -
 C: - will indicate.-
 H.M.Jr: - 'the future level -
 C: - the future level -
 H.M.Jr: - 'of various world currencies, -
 C: - of various world currencies, -
 H.M.Jr: 'but exchanges already -
 C: The - the first word?
 H.M.Jr: - 'but exchanges -
 C: - but exchanges already -
 H.M.Jr: - 'are rapidly settling -
 C: - are rapidly settling

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H.M.Jr: - 'toward normal -
C: - toward normal -
H.M.Jr: - 'according to the view -
C: - according to the view -
H.M.Jr: - 'expressed today -
C: - expressed today -
H.M.Jr: - 'in high Government quarters.'
C: - in high Government quarters.
H.M.Jr: Paragraph.
C: Paragraph.
H.M.Jr: 'Tremendous changes -
C: Tremendous changes -
H.M.Jr: - 'in monetary valuations -
C: - in monetary valuations -
H.M.Jr: - 'and international trade conditions -
C: - and international trade conditions -
H.M.Jr: - 'are still taking place, -
C: - are still taking place -
H.M.Jr: - 'but the Administration feels -
C: What?
H.M.Jr: - 'but the Administration feels -
C: - but the Administration feels -
H.M.Jr: - 'that the objectives -
C: - that the objectives -
H.M.Jr: - 'for which it has been working -
C: - for which it has been working -

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H.M.Jr: - 'in the monetary field -
C: - in the monetary field -
H.M.Jr: - 'are being satisfactorily achieved.'
C: - are being satisfactorily attained or achieved?
H.M.Jr: Achieved.
C: Achieved?
H.M.Jr: Yes.
C: All right.
H.M.Jr: Now I gave that out for background and they've all got it.
C: I see.
H.M.Jr: And I did that - I think that'll help a lot.
C: All right. Fine.
H.M.Jr: And you can use it where you think best.
C: All right.
H.M.Jr: Now, you'll - this stuff will go out of here tonight, and you ask to see Mr. Auriol the first thing in the morning -
C: Yes.
H.M.Jr: - and you tell them that if Great Britain and France are agreeable, why we'd like to give it out Sunday to go into effect Monday.
C: All right.
H.M.Jr: And we will send you our statement - the declaration -
C: Yes.
H.M.Jr: - plus a copy of the memorandum which I received this morning from Mr. Chamberlain.
C: I see.
H.M.Jr: See?

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C: Yes.

H.M.Jr: And then as soon as you see Mr. Auriol, you telephone me.

C: I - I telephone you as soon as I've seen him?

H.M.Jr: Yes. Is Bullitt out of bed?

C: Yes, he's down for the first time. He was down an hour day before yesterday - I think it was.

H.M.Jr: Yes.

C: And I just spoke to him a minute ago. Would you want to speak to him?

H.M.Jr: No, no.

C: Well, I mean he'd be glad to say 'hello,' I'm sure.

H.M.Jr: No - well, tomorrow maybe.

C: All right.

H.M.Jr: Tomorrow.

C: Here, I have just one point - it's the same old point and you're solving it. What does the Ministry of Finance and the Bank of France do on this whole business? That's just what you're settling.

H.M.Jr: Pardon me?

C: I say the Bank of France has called me once and Baumgartner called me this morning -

H.M.Jr: Yes.

C: - wanting to know if there was anything new.

H.M.Jr: Well this is the answer -

C: - a more complete basis; I was sure I could tell him shortly.

H.M.Jr: This is the answer - you'll have the whole story the first thing tomorrow morning.

C: Yes. Well they - they were very nice, but that's all they want - that's all.

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H.M.Jr: Well, I think if it can work out that the three Governments make a simultaneous statement, it will be very helpful, but we're not holding out for that.

C: Yes.

H.M.Jr: But I think that you'll find that the British will want to -

C: Get up all of that.

H.M.Jr: - get up all of it and join hands.

C: Yes.

H.M.Jr: I can't imagine them giving up such an opportunity.

C: I see.

H.M.Jr: Yes.

C: Well, the other day they - they seemed willing to do anything that we might suggest.

H.M.Jr: Fine.

C: They should - they'll get the gold.

H.M.Jr: Well, you'll have everything on your desk in the morning.

C: All right. Fine. I'll have my code clerks down tonight.

H.M.Jr: Good.

C: So that they'll have it all prepared.

H.M.Jr: All right.

C: Well, thanks so much.

H.M.Jr: Goodbye.

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October 8, 1936
3:10 P. M.

Mr. White, Dr. Feis, Mr. Haas, Mr. Taylor, Mr. Lochhead, Mr. Oliphant and Mr. Gaston met to discuss with the Secretary the proposed public statement.

The Secretary began to read Mr. Gaston's draft as follows: (Copy is attached).

"Supplementing the declaration with respect to transactions in gold with certain foreign countries issued today, the Secretary of the Treasury makes the following statement:

"Developments in the international monetary situation since the statement of September 25th, declaring the common views of the governments of the United States, Great Britain and France have made possible a further step to advance the common objectives of the three governments.

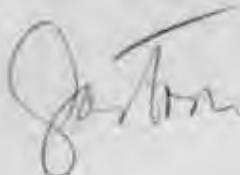
"To protect the domestic value of our currency and at the same time to maintain the monetary equilibrium envisaged in the declaration of September 25th, it has seemed advisable to provide means for transactions in monetary gold between the three countries.

"Initiation of such transactions on a mutually satisfactory basis has been facilitated by the establishment of an exchange stabilization fund in France, through which transactions may be carried on with similar funds of the United States and Great Britain.

"The cooperation envisaged by the statement of September 25th is going forward. This cooperation will be strengthened by the present arrangement for purchases and sales of gold between the funds reciprocally. Full liberty is of course retained by each of the governments to deal only on terms satisfactory to it and in harmony with the desires of each primarily to safeguard their own domestic economies but at the same time to facilitate international commerce."

The Secretary's comment was, "There is something the matter with this thing." He then added, "Before I forget it, has that memorandum from Mr. Chamberlain to me been sent to Cochran? Don't you think we ought to have asked permission?" Feis answered, "Just for luck, I wrote in the cable to Cochran - 'For your information.'" The Secretary added, "Because, across the top of the memo is the word 'confidential.'" Feis said, "The phrase 'For your information' I think guards that."

Mr. Feis then said, "If you are going to accept one, Taylor's substitute would save you the trouble of re-drafting that first sentence." The Secretary then read the third paragraph of the



Supplementing the declaration with respect to transactions in gold with certain foreign countries issued today, the Secretary of the Treasury makes the following statement:

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To protect the domestic value of our currency and at the same time to maintain the monetary equilibrium envisaged in the declaration of September 25th, it has seemed advisable to provide means for transactions in monetary gold between the three countries.

Initiation of such transactions on a mutually satisfactory basis has been facilitated by the establishment of an exchange stabilization fund in France, through which transactions may be carried on with similar funds of the United States and Great Britain.

The cooperation envisaged by the statement of September 25th is going forward. This cooperation will be strengthened by the present arrangement for purchases and sales of gold between the funds reciprocally. Full liberty is ^{of course} retained by each of the governments to deal only on terms satisfactory to it and in harmony with the desires of each primarily to safeguard their own domestic economies but at the same time to facilitate international commerce.

Substitute for 2nd and 3rd paragraphs.

In order to permit the close cooperation of the stabilization funds envisaged in the declaration of September 25th, it is necessary to amend the regulations issued by the Treasury in order to permit the transfer of gold between the stabilization funds of the three countries on a reciprocal basis.

This change in the regulations permits the hour to hour cooperation and flexibility which are necessary to achieve the goal of stable international currency relationships.

Jaylow

Substitute for 2nd and 3rd paragraphs.

facilitate
In order to ~~permit~~ the close cooperation of the stabilization funds envisaged in the declaration of September 25th, it is necessary to amend the regulations issued by the Treasury in order to permit the transfer of gold between the stabilization funds of the three countries on a reciprocal basis.

This change in the regulations ~~permits~~ the hour to hour cooperation and flexibility which are necessary to achieve the goal of stable international currency relationships.

Raylor

Substitute for 2nd and 3rd paragraphs.

In order to permit the close cooperation of the stabilization funds envisaged in the declaration of September 25th, it is necessary to amend the regulations issued by the Treasury ^{as to provide for} ~~in order to permit the~~ transfer of gold between the stabilization funds of the three countries on a reciprocal basis.

This change in the regulations permits the hour to hour cooperation and flexibility which are necessary to achieve the goal of stable international currency relationships.

It was on the basis of fitting our actions to the changing conditions in international monetary relations as they unfold from day to day that we joined England and France in a statement of common objectives. The present step has been taken on the same basis, and ^{no} other decisions ~~is~~ will be made ^{until its} ~~only as their~~ wisdom becomes clear.

October 8, 1956.



draft and said, "Let me start out entirely differently, if I may." He then dictated the following draft: (Copy is attached.)

"Two weeks have passed since the United States Government joined with Great Britain and France in issuing simultaneous statements in regard to realignment of the French franc. During this short period we feel that it has been demonstrated that this understanding has met with great success and has pointed the way towards a much larger field in world peace and commerce.

"We now find that another step is necessary in order to permit the three Stabilization Funds of the three respective countries to carry out this gentlemen's agreement, to wit: to even out the fluctuations in the various financial capitals of not only the three respective countries but almost every capital in the world. We also find that it is necessary to take an additional step to assure the national prosperity of the United States.

"With this objective in mind, we are issuing on Monday the statement under which gold may be exchanged between the Governmental agencies of the United States, England and France, always keeping in mind that our first thought is our own national prosperity."

Mr. Gaston remarked, "That is a very different thing from what I supposed we were working on."

Each of the other members present then read to the Secretary the drafts they had prepared. (Copies are attached.)

Mr. Lochhead said, "Monday is Columbus Day and a legal holiday in New York and all our exchanges will be closed on that day. Great Britain and France will be open; we will all be closed, so there will probably be no transactions on Monday."

The Secretary said, "Herbert (Gaston), how do you like this?" Mr. Gaston replied, "This, then, is something different? This is a statement to be issued in advance, in which we give notice of the latest statement?"

The Secretary replied, "This is to be given out. Let's say we are going to give it on Monday, to get my timing correct. This is given out on Sunday in advance, announcing that we are going to do this thing on Monday -- issue this license." Gaston remarked, "I had a different understanding, that you would make..." Interrupting him, Mr. Morgenthau explained, "No, this is my statement to the press, why I am taking this additional step, and what the English ask is, would we do them the courtesy of letting them see the kind of statement we are going to make be-

1/11/44 statement

Two weeks have passed since the United States Government joined with Great Britain and France in issuing simultaneous statements in regard to realignment of the French franc. During this short period we feel that it has been demonstrated that this understanding has met with great success and has pointed the way towards a much larger field in world peace and commerce.

We now find that another step is necessary in order to permit the three Stabilization Funds of the three respective countries to carry out this gentlemen's agreement, to wit: to even out the fluctuations in the various financial capitals of not only the three respective countries but almost every capital in the world. We also find that it is necessary to take an additional step to assure the national prosperity of the United States.

With this objective in mind, we are issuing on Monday the statement under which gold may be exchanged between the Governmental agencies of the United States, England and France, always keeping in mind that our first thought is our own national prosperity.

cause they most likely will want to make one, too, and my thought was to do it on Sunday so people could digest this thing. After all, if it appears in our papers on Sunday, it means the rest of the world has half-a-day's advantage to work on this and, whether or not we do this on Sunday, the permit will begin to issue Monday and we are closed, and I would rather do it on Monday and the license begin to work on Tuesday so that they don't get half-a-day's advantage." Gaston repeated, "That is a very different thing from what I supposed we were working on."

Dr. Feis said, "I think it is an excellent statement of what may be involved in this action ultimately. It definitely steps up and dramatizes the importance of these new regulations permitting the movement of gold between stabilization funds. Now you alone can judge whether you will be satisfied whether it is read that way. I should think it would be more expedient to present it less dramatically, more as a minor step than a major step. That is what is behind Taylor's presentation."

At this point, Dr. Feis read his own draft statement, as follows: (Copy is attached)

"The policy declared in the simultaneous declarations regarding monetary stability, issued two weeks ago by the French, British and American Governments, is operating most successfully.

"To make it fully effective it is necessary to provide, on a reciprocal basis, for the transfer of funds between the three stabilization funds. In order to provide for this, and thus permit the close cooperation of the three currency funds, it is necessary to amend the regulations issued by the Treasury, etc."

and suggested using the closing paragraph in Gaston's draft in addition to his.

Mr. Taylor remarked, "Feis is quite right about wanting to treat it not as a matter of major importance."

Haas said, "Many people, when we gave out the first statement, took it for granted that you had in mind, if it was not already discussed, some way of handling the gold movements."

The Secretary said, "I don't want to plead for my thing. I didn't know I was dramatizing it. But, from the monetary end, there is nothing more dramatic. We have 10 or 12 billions of gold and I can't permit France to have a reciprocal basis and cut out the tremendous importance of the English. After all, it's another step." Mr. Taylor added, "Another very important step."

The policy declared in the simultaneous declarations regarding monetary stability, issued two weeks ago by the French, British and American governments, is operating most ~~successfully~~?

To make it fully effective it is necessary to provide, on a reciprocal basis, for the transfer of funds between the three stabilization funds. In ~~order~~ provide for this, and thus permit the close co-operation of the three currency funds, it is necessary to amend the regulations issued by the Treasury.

Continuing, the Secretary said, "Taking care of the one criticism that Herbert Feis has, when we see the boys we can explain the difference between this and the old gold standard, which is that under this agreement, operations in gold are between Governments only and at a price fixed by those Governments. Under the old gold standard, anybody could operate between the gold points. That, as I understand it, is the old gold standard. That's what you said, Herbert. You said you had to entirely re-educate yourself as to your thinking. This can be explained to the men, that this thing just works on a day-to-day basis and the thing is not fixed, and explain it. The great trouble in this thing so far as the criticism I have received is this: 'It is very nice, but what have you done? Nobody understands what you have done. The taxicab driver doesn't understand it.'"

The Secretary then read aloud the statement he had dictated above. He said to the group, "This is something I am going to read to the boys myself, talking just as I did this morning, talking informally to the newspaper boys." Oliphant inquired, "That is to go to Mr. Chamberlain?" Mr. Morgenthau replied, "Yes. They asked how they can explain it." Mr. Oliphant then asked, "This is not to be a written statement?" Mr. Morgenthau answered, "Whether it is written or not, this is my explanation when I hand out this license."

Mr. Gaston remarked, "It seems to me we should have a formal statement, something like 'The Secretary announced today that regulations will be amended on Tuesday so as to provide, etc.'" Mr. Morgenthau said, "I have told them right along that there was no further understanding than what I had told them." Gaston added, "It is a furtherance of the objectives." And Taylor said, "It will facilitate the close cooperation."

The Secretary read his draft again, and remarked, "I think it's a damn good statement." Haas asked, "Could you take out the word 'necessary?'" The Secretary answered, "Before you get down to words, you can tear it apart."

Oliphant expressed his opinion as follows: "We never know how any of these things are going to take on. I was surprised, and probably other people were surprised, that the press and the world attached a great deal more importance to the other thing than you could foresee and I think there is danger of an anti-climax. The danger is, Morgenthau is oversold on the importance of this step. And that's borne out by the fact that Gaston said that as soon as a tri-partite statement came out, the newspaper boys came to him and said, Now you must sell gold to each other. On what terms is that going to be? As an anti-climax this will sort of fall flat. They know it is going to be done and they are merely curious about the terms."

Mr. White said, "I am inclined to agree that we have squeezed the maximum advantage out of this move; that it has taken hold and that we are getting great results. I don't see how we can get any more profit only in the nature of an anti-climax. I like some of your statement. I like the general principles. I think with some changes that could fit in with the thesis of making it over as the next step in the procedure and without making it seem as though this was not contemplated; that we did not know this next step would be necessary. In other words, I am in favor of not making it dramatic. I don't think this does make it dramatic, provided certain changes can be made in it, and that statement can provide a basis for a public statement, if we would work on it a very little, without providing the danger of an anti-climax."

The Secretary then said, "Unfortunately, we have not been sitting together. I make this statement very quietly. I am not seeking any climax, any publicity. I have to say something. I give this out. It may go on the back page or on the front page, but what am I going to say? I say about 150 words and that's all. You people are sort of talking that I am trying to publicize this thing. I have to say something. I don't say anything dramatic. I am taking the next step. When we first gave out the Vandenberg letter, the men came around to Gaston and said, There is nothing new in this. That was their reaction. But the men at the desk thought there was. That's what you told me they said anyway, Herbert." Gaston explained, "They said, There isn't any statement of new policy in this. And I said, No."

Continuing, Mr. Morgenthau said, "The boys said, Why does Morgenthau get excited about this?" Gaston remarked, "Oh, they all realized it was a good story." The Secretary then said, "But they thought I was unduly excited. Now, I am not unduly excited about this but I have to explain it. And what you handed me does not explain it. What I have said here is an honest statement of what has happened and that waited for a couple of weeks. And they asked, Is there another step? I didn't know. And it wasn't perfectly clear when we entered into the other agreement that we were going to do this."

Mr. Lochhead said, "When we made the first statement, somebody said, You are going to give up gold? That was what they were trying to find out. That was a certain step." Mr. Morgenthau answered, "It wasn't clear in my own mind. We are now going to give up gold and we are going to announce that we will give up gold to France and England. We have to let them know that we have gained enough experience in this short period that we have confidence to take this step. I don't honestly believe that in the beginning there was anything in the tri-partite statement that would give anybody assurance

that we would give up gold. The newspapermen were just trying us out. When we did this, some of you people said that 500 million dollars of gold would leave this country right away. There was not a single person who said to me, If you do this thing you will gain gold. Some thought that people would sell stocks and take their money. Nobody thought there would be a big buying boom from England in our stocks. There wasn't anybody who dared forecast that 10 or 12 countries would immediately follow on this, Italy in particular. I didn't myself know that I would do this thing. I never recommended it to the President. There is nobody who was able definitely to forecast that this thing would happen this way. Is that right?"

Mr. White said, "I think I did in a memo." Mr. Morgenthau said, "If you did, I didn't see it. If you did, I don't remember it. The point I am getting at is, I consider I was nervous about the other stuff, more nervous than almost anything I have done. I am still nervous about this, because I don't know that this is the right thing and all I say is that during the last two weeks this thing has worked."

Dr. Feis' comments were: "The fact that this was not complete, indicated by what we have done previously, gives it its dramatic importance. You may be sure it will find its way on the front page and not on the back page. It is dramatic in that it is experimental in two regards -- you don't know how public opinion is going to take it and we don't know how it is going to operate; therefore, the reason for treating it in an ordinary fashion rather than in a dramatizing fashion. Certain parts in there, reference to world commerce and world peace, and the very start of the sentence 'Two weeks ago' -- that's oratorical. I am not afraid that this will be an anti-climax at the moment, but later it might make it almost as much a climax as the first action."

Taylor expressed his opinion as follows: "Also, you don't want to give the impression that you weren't thinking of this as a possibility because you were thinking of this back in June and you ought not to act too surprised about it. You hadn't made up your mind you were going to do it." The Secretary remarked, "The French didn't have a fund." Taylor, continuing, said, "I think you have to avoid two things -- 1, making it too important, and the other, giving the impression that you had not thought about it, because you had thought about it before but you hadn't said you'd do it."

Oliphant expressed his opinion as follows, "This contains little or nothing of the sort you outlined this morning." Mr. Morgenthau said, "I left that out. I read this morning's editorial in the Herald-Tribune where they say I am in a fog and, if I say I am in a fog, they will say, I told you so."

H.M.Jr. then said, "Let's take this paragraph by paragraph." He read the first paragraph of his draft:

"Two weeks have passed since the United States Government joined with Great Britain and France in issuing simultaneous statements in regard to realignment of the French franc. During this short period we feel that it has been demonstrated that this understanding has met with great success and has pointed the way towards a much larger field in world peace and commerce."

He then said, "Since then the French have set up a stabilization fund and if you put that in, you have reason to go ahead with this step."

Gaston suggested, "I think the best way to do this is to work from the fact of wanting to confer with England and get their approval; just tell the boys what you propose and if you are going to write it out and submit it to the British, that would be the normal way of telling it to the boys. You could say to them, 'I have an announcement to make which I think will be of considerable news value to you. We will issue on Monday some regulations which will permit England and France, through their stabilization funds, to obtain gold from our stabilization fund, and we in turn will be able to obtain gold from them. Then proceed that it is the logical step. But you begin by announcing the news.'" The Secretary said, "That's all right with me. I got away with it this morning and I had not rehearsed that."

Continuing, Gaston said, "You will not have the slightest trouble telling the boys the facts but the only complication is the apparent necessity of checking with the British on what you are going to say. So that requires writing out something."

Taylor suggested, "Can't you fix that by saying, 'I will make this simple verbal statement'. What do you think of that Herbert (Feis)?" Dr. Feis answered, "I agree with Gaston, beginning with the news." Mr. Gaston then inquired, "But could we just tell the British that the Secretary on Saturday verbally and informally will tell the boys of the formal announcement he will make on Tuesday." Dr. Feis said, "No reason why not."

The Secretary said, "Let's talk about the date. Columbus Day, coming on Monday, maybe it would be better to announce it Monday, effective Tuesday." Lochnead said, "I don't feel there will be any operations by the two stabilization funds. I doubt whether there would be any necessity for them to buy gold from us on Monday. Therefore, it could hold over until Tuesday." The Secretary said, "We could announce it Monday morning, the license to go into effect Tuesday. Is it a license? Oliphant answered, "No, it's a statement." Gaston said, "It's an amendment of our regulations." Oliphant added, "You are buying and

selling gold under a statement which you issue. A statement of new methods in transactions in gold which are outside the methods heretofore promulgated."

Mr. Haas suggested: "There is another consideration with regard to timing. There may be some advantage in holding it for Tuesday and the psychology may be wrong to do it over the week-end. In other words, it's nothing which should have a bad effect on the market." The Secretary said, "We will do it for Tuesday morning."

Gaston inquired, "Why announce it without giving out the text of the statement?" And the Secretary said, "We will." Mr. Taylor said, "The more I listen, I think it is just 'business as usual.'" Fels agreed, saying, "That's right. Treat it as a subordinate step."

The Secretary said, "Let's just stop and think a minute. We give the British a copy of this press statement. Then the thought is, we will announce this -- give this to the boys?" Gaston replied, "Give it to the boys Monday afternoon and give a verbal explanation of why this is done."

The Secretary then inquired, "You wouldn't want to do it for Monday morning, a day in advance?" Gaston said, "Monday afternoon is our regular press conference. If you would give it out Monday afternoon, the European markets will all be closed and they will act simultaneously on it, or call a press conference on it Monday morning." The Secretary said, "But the markets are closed on Monday." Mr. Gaston then said, "I should think that would argue in favor of giving it out Monday afternoon, after the markets are closed. I would give it out at the regular press conference Monday."

H.M.Jr. said, "Let me tell you what we will do. These fellows will be here in five minutes. Let's try it out this way: Here is the statement we propose to give out Monday afternoon for Tuesday morning's papers. With it I will just simply explain: 'You can take notes. I will tell you about what I am going to say. I will not have a formal statement. This is the way I feel.'" Gaston agreed, saying, "I think that is best by all odds."

Continuing, the Secretary said, "As a matter of fact, it may be better than to have it subsequently come out and, before I can make a statement to the press, I have to ask permission from England and France. Who is not satisfied that I do this in an informal manner?"

Mr. White remarked, "Providing, I understand you are not going to include a couple of sentences you have in your preliminary draft." The Secretary asked, "What are you referring

to?" And Dr. White replied, "Tell the British that within the last two weeks everything has operated with great success. Because that seems to give our O. K. to their action of letting sterling drop to 4.95." Lochhead said, "You have to give it to both of them. That has to be put down in writing to go to the French." Mr. Morgenthau said, "I will do it over the telephone." Mr. Lochhead, continuing, said, "Unless, on the other hand, you want to cable the statement to Cochran and then call him on the telephone."

The Secretary asked Dr. Feis, "Herbert, are you satisfied to have me do it this way?" Feis answered, "Entirely. I have a distinct preference that you do it the way you now suggest doing. I sympathize with White's observation of saying anything that they could take as a complete endorsement of the exchange abroad."

In answer to this, Mr. Morgenthau said, "I said it to them this morning. I said I was pleased and that I thought they had acted extremely well. I have gotten White's reaction through Lochhead. There is nothing to show that the English have in any way forced this thing; they have spent about three times to our one to keep it up. They have spent about three times as much money as we have. There has never been a time in the United States Treasury's history that you could tell there was \$10,000 of sterling being sold. The Secretary of the Treasury never knew and no Secretary of the Treasury knew when the marriage season was on in India because it wasn't of importance to them. But this stuff -- I've been suspicious of the English for three years and so has the President and we have worked this thing, inch by inch, until we have gotten to where we are. And they were very suspicious of us. And I will go on record now and maybe history will prove me wrong -- that the last two weeks they have played ball and there isn't the slightest sign that they have eased it down."

Mr. White said, "I don't mean that they eased it down but they didn't help to keep it from going down." Mr. Morgenthau then said, "There is even that statement supposed to have been made by a member of this administration who is looking to a 4.86 pound. It has appeared in all the papers. It's on this side." Haas remarked, "If you go further back than that, didn't they put in a bid the first day of 4.90, when it was 5.07?" Taylor said, "When it was 4.91." Mr. Morgenthau said, "When the thing was 4.91, they came through with an order for 3 million pounds at 4.90."

Dr. Feis' comment was, "I have not the slightest speck of suspicion regarding their conduct, but nevertheless, on the general basis of experience, I wouldn't want to indicate any relaxation of attitude."

The Secretary said, "In this thing, we have left it on a 24-hour basis. Listen, I will rehearse my statement with all of you people about three times more and, in view of seeing how I feel, I would be more than pleased if you would take a shot at writing something on a page for me and you have from now until Monday morning to do it. I would be very much pleased if you would. But when we went all through this thing before, you, Herbert, suggested and we decided to put it a different way."

Dr. Feis said, "This will go all right, too; just talking to clarify the position." White said, "We all like that method better."

Mr. Morgenthau's comment was: "Thanks for the vote of confidence. Now I think you might as well go ahead."

H.O.

1. The picture of which this arrangement for the interchange of gold is a technical part is that of foreign exchange as a three-cornered plane, the three corners resting on the purpose of the three governments to minimize fluctuation in exchange rates by the use of their respective stabilization funds and other appropriate and effective means.

3. Thus, public officers, responsible to their government and in turn to the people, are taking the regulation of the medium of exchange in foreign trade out of the hands of the relatively few individuals engaged as international speculators in foreign exchange. Thus, instead of having these persons who are responsible to no one and who recognize no flag, in control of foreign exchange markets, gradually governments are taking over this function, with the result that business men who export and import will find one of their business risks gradually eliminated—namely, the risk of fluctuation in foreign exchange. As this medium for doing business among countries is gradually made more dependable by the elimination of such factors of uncertainty as unhealthy speculation in foreign exchange, international trade and commerce will prosper with the removal of other barriers to it, such as trade restrictions set up by various countries to prevent the dumping of goods made possible by exchange and other competitive advantages.

1. Three-cornered plane, each corner rests on a foundation of a stabilization fund.

2. Each country operates to equalize its own currency by buying and selling exchange in terms of other currencies. No country wishes to accumulate too much paper currency of other countries, and, therefore, we will permit each country to convert its (other fellow's) paper money into gold, the price being fixed each day.

3. Thus the officers responsible to the electorate are taking out of the hands of the international speculators in foreign exchange the regulation of the mediums of exchange. Thus instead of having individuals responsible to no one and recognizing no flag running the foreign exchange markets, gradually the various Governments are taking over this function with the result that the business man who exports or imports can gradually eliminate one risk in his business, namely: the risk of foreign exchange. As the medium for doing business between countries is gradually smoothed out and foreign exchange competition is eliminated, trade barriers set up between countries to prevent dumping of goods through exchange advantages fall automatically.

1. Three-cornered plans, each corner rests on a foundation of a stabilization fund.

2. Each country operates to stabilize its own currency by buying and selling exchange on other countries. No country wishes to accumulate too much paper currency of other countries, and, therefore, we will permit each country to convert its (other fellow's) paper money on the day or day after he acquires it into gold, the price being fixed each day.

3. Thus in each of the three countries the government, which is responsible to the electorate, is taking out of the hands of the international speculators in foreign exchange the regulation of the mediums of exchange. Thus instead of having individuals responsible to no one and recognizing no flag manipulating the foreign exchange markets, gradually the various Governments are cooperating to stabilize foreign exchange rates. As this cooperation advances one important business risk for the man who exports or imports will be minimized; namely, the risk of foreign exchange. In turn, as the machinery for doing business between countries is gradually smoothed out and foreign exchange competition is eliminated, those trade barriers set up between countries to prevent dumping of goods through competitive exchange manipulation will cease to be necessary and should disappear.

White

u.S.

The level of foreign exchange as between France, Great Britain and the United States may be thought of as a triangular plane, each corner of which rests on the foundation of a stabilization fund. (As other countries come under the agreement, the geometrical form of the plane can change, with other corners being added).

As one of the other corners rises or falls, the country at the third corner uses its stabilization fund to equalize that action and keep the plane level. It does this by buying or selling the currency of one or the other of the two cooperating countries. The agreement now being consummated permits the conversion of these accumulations of paper currency into gold. The price at which gold can be acquired by one country from another will be fixed each day.

The exporter and the importer, and the banks ~~which~~ which finance their foreign trade will not now be subject to the risks that have been inherent in international exchange by reason of speculative activities of currency pirates. ~~of the~~

~~Hands of governments will not be tied by fixed and unchanging gold parities, so that they are helpless against the speculator.~~

1. The level of Foreign 236
exchange as between
U.S. - Gt. Britain & France
my thought of as Δ plane.
Each corner rests on
the foundation of
a stabilization fund.

2. Each country operates to equalize its own currency by buying and selling exchange in terms of other currencies. No country wishes to accumulate too much paper currency of other countries, and, therefore, we will permit each country to convert its (other fellow's) paper money into gold. *The Price Being fixed each day*

This represents a divorce of the control of the
foreign exchange market from international speculators. The
responsible Governments of the people will now cooperate to
assure that exchange fluctuations ~~fluctuate~~
follow the flow of international trade. Persons with
merchandise to sell abroad or who are buying for importation
will be free to operate through their banks in ~~normal~~
regular and normal exchange operations. The international
Speculator, responsible to no one, and recognizing no flag
in the conduct of his business, will not now be able, by
rapidly shifting his funds from market to market, to reap
private advantage through stimulating chaos in foreign exchange.

Hampis

The level of foreign exchange as between the United States, Great Britain and France may be thought of as a triangular pla^{ce}. Each corner rests on the foundation of a stabilization fund.

Each country operates its own stabilization fund to equalize its own currency by buying and selling exchange in terms of other currencies. By that I mean, in this market we buy sterling or francs. In London they would be buying dollars or francs.

No country wishes through these operations to accumulate too much paper currency of the other countries and, therefore, we propose to permit each country to convert the other countries' paper money into gold, the price being fixed each day.

This represents a divorcement of the control of the foreign exchange market from the few individual international speculators. The responsible Governments of the people will now cooperate to assure a minimum exchange fluctuation.

Business men with merchandise to sell abroad or business men who are importing merchandise will be free to operate through their respective banks in regular and

-2-

normal exchange operations. The international speculator, responsible to no one and recognizing no flag in the conduct of his business, will in the future not be able by rapidly shifting his funds from market to market ~~and~~ to reap private advantage through stimulating chaos in foreign exchanges.

TELEGRAM SENT

LMS

GRAY

October 8, 1936

3 p. m.

AMEMBASSY

PARIS (FRANCE).

391.

FOR COCHRAN FROM THE SECRETARY OF THE TREASURY.

There follows below the text of the Chancellor's communication:

QUOTE

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. Some

LMS 2-No. 391 to Amembassy, Paris.

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 per cent) whenever British exchange equalization 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 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

LMS 3-No. 391 to Amembassy, Paris.

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 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. END QUOTE.

I have

LMS 4-No. 391 to Amembassy, Paris.

I have given you the text as we now have it. There is probably a garble in numbered paragraph six in regard to the phrase "on termination" which does not make clear sense.

CARR, ACTING
(HF)

EA:HF:LWW

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October 8, 1938
4:05 P. M.

Mr. Bewley came in to see the Secretary. Mr. Lochhead, Dr. Feis and Mr. Taylor were also present.

Mr. Bewley said, "I want to apologize for Mr. Mallet and also to explain that just before I came down he got a message from London that there was a telephone conversation coming through and as it is a telephone message, and coming at 10:00 o'clock (London time), it must be very important."

Mr. Morgenthau said to Mr. Bewley, "The brain trust of the Treasury, of which Dr. Feis is an active member....." "Honorary member," Dr. Feis said. ".....has been going back and forth and they finally gave me ten different drafts of what I was supposed to say at my press conference. And I wrote one. And it was as good or bad as the rest of them. Here's the trouble. After talking it all over, we feel that when I give out this statement, I should just talk perfectly naturally, the way I do. And, if you don't mind, if you will take a pencil, I will try it out on you. In the first place, here is the official form in which the announcement will be made, what we will say officially. That is for you, for you to send to Mr. Chamberlain." Mr. Bewley said, "Oh, yes, quite."

Mr. Morgenthau then said to Mr. Bewley, "Before we go on, you have no objections to our sending a copy of the message Mr. Chamberlain sent to me to Mr. Cochran in Paris?" Bewley answered, "Oh, not at all. I suppose your arrangement with France is something along the same lines."

Mr. Morgenthau explained, "What we are doing is sending exactly the same statement to Cochran and asking him to give this to Mr. Auriol tomorrow morning, the same thing that I am handing you, and it will be exactly the same arrangement. That's what we have been waiting for, isn't it?" Bewley answered, "Quite." Mr. Morgenthau added, "We might almost say praying for, that this thing would work with the three countries. That's the point." Bewley answered, "Yes."

Continuing, the Secretary said, "I might say I talked to Cochran and the French have again courteously asked, When is this going to happen? And this is something they would like very much to have. Now once your people get my statement and turn it over to the Bank of England, then I think it simply gets to the point of the Bank of England working it out with the Federal Reserve Bank in New York. I would simply turn the whole thing over to them." Bewley agreed, saying, "Yes, I think that's right. It is a matter for the banks."

Resuming his remarks, the Secretary said, "What I thought

I would do; we find now that Monday is Columbus Day and everything is closed here. And I have a regular press conference Monday afternoon. What I thought I would do, provided always that this thing clicks, is on Monday afternoon I will simply hand this out to the press and simply say that we have taken this step and that this is a natural step."

Mr. Bewley inquired, "And this regulation would be issued Monday, effective Tuesday morning?" Mr. Morgenthau replied, "Yes, it would begin on Tuesday. We are closed on Monday. It would be effective Tuesday morning and I would simply give them a very short explanation and simply say, Now that the French have a stabilization fund that this license, or whatever you want to call it -- we are entering into this reciprocal agreement with France and Great Britain on a 24-hour basis and that this is another step which will make the mechanism of the agreement work. You see?"

Mr. Bewley then inquired, "It is necessary to announce the names of the foreign countries daily? That means you say France and Great Britain every morning." Mr. Morgenthau answered, "We won't keep repeating it."

Mr. Bewley then asked, "It doesn't have anything to do with the amounts?" Mr. Morgenthau replied, "No, and we won't announce amounts. What I will say to the press is this: I am not going to see the press every day. I see them twice a week, which is sometimes twice too often. I will simply say this is good until further notice -- that until further notice this agreement exists between England, France and the United States. I never know what questions I am going to be asked -- but it is very difficult for me -- we tried it here -- very difficult to put this down any other way than this. This is the announcement, plus a verbal explanation. What I would like is that your Government would make some sort of announcement Monday night and the French make some sort for Tuesday morning. This would go into effect Tuesday.

"This is the way I feel. May I make myself clear? Having received this thing, and I now take it that this agreement has been arrived at, I accept what Mr. Chamberlain has said and I am ready to enter into this agreement Monday night to go into effect Tuesday." Mr. Bewley answered, "Yes."

Continuing his remarks, the Secretary said, "The reason I have picked Monday night is, in the first place, it's a holiday and, in the second place, it happens to be my regular press conference afternoon and I don't want it to seem out of the ordinary -- perfectly normal thing, just talking informally. Do you see anything in this thing that anybody could object to?"

Mr. Bewley read the statement very carefully and then said:

"It seems perfectly all right as far as I can see. The only phrase which takes my eye -- 'will hereafter announce daily the names of the foreign countries complying with the foregoing conditions'. I don't particularly mind the phrase but I wonder if the other governments will be surprised to think it is necessary to announce it daily." Mr. Taylor explained, "I think it is entirely a legal point. It's a question of adding to the list, rather than anything else." Bewley then said, "I am quite sure that no one could make any objection to it. Have the Dutch or Swiss made any suggestion of this sort?" Mr. Morgenthau answered, "Just the French."

Mr. Oliphant, who had been sent for, came in at this point.

The Secretary said to him, "Mr. Bewley is asking me about the legal reason for the necessity for a daily announcement. He says that the only thing that his Government might question is the reason for a daily announcement."

Mr. Oliphant explained, "The only thing in mind there is, in the set-up there is a good deal of formality involved in getting necessary authorizations. It is set up on the basis that it can be an expansive list and other countries could be added from day to day." Mr. Bewley said, "Yes. I don't suppose anybody would raise any point about it, but I just wondered if they would understand. But that's all it is, merely to permit additions to the list if required?" Mr. Oliphant answered, "Yes." Mr. Bewley then asked, "So if the Czechs come in you don't have to get another new proclamation -- you simply add their name?" Mr. Oliphant said, "That's right." And Mr. Bewley said, "I understand."

"The question I suppose the press would ask when you make the announcement is, Are you going to announce purchases by the different countries?" Mr. Morgenthau answered, "I can assure you very definitely that we will not. When I told them that we had made this particular purchase of the famous Russian offer that I had broken my rule; that I wanted to announce then and there that I most likely would never do it again. I am no more desirous than you people to let anybody know daily, weekly or monthly operations of our funds because there are so many reasons why they shouldn't." Mr. Bewley said, "Quite."

Mr. Morgenthau said, "This thing never could have come about if we could not have done it secretly. I think it has been amply demonstrated that so-called conferences are not very fruitful of results but when a person can do it the way we did the last one, it seems a method of arriving at a successful conclusion and I can assure you that the workings of the American stabilization fund will be kept secret. And the only thing in this thing is Mr. Oliphant feels he spent literally months on this and that this is the way to do it. This isn't something

that was drafted today. This is simply our method of doing it." Mr. Bewley answered, "Quite. Oh, yes, I quite understand that."

Continuing his remarks, the Secretary said, "Every day, as I will explain to the country, until further notice, these are the countries and if there are any other countries who want to join, they will be added to the list. I wouldn't know how we would do that with a country that didn't have a stabilization fund." Bewley said, "That will be met when it arrives."

Resuming, the Secretary said, "But if some other country comes in and says, We would like to have this same privilege -- I haven't been able to think beyond this. But you can see, to write out a formal statement is rather difficult. What else comes to your mind?"

Bewley said, "I don't like the phrase, 'the exchange equalization or stabilization funds of those countries whose funds likewise are offering to sell gold to the United States.' Is it possible that gold might be offered by the Bank of England and not the fund?" Mr. Morgenthau replied, "As I explained to you when I saw you in July, the point I wanted, if we gave up gold, I wanted the guarantee of the British Government. I don't care where they get their gold or whose gold it is but it should be between the British Government and the United States Government. You see?" Bewley answered, "Yes."

Mr. Morgenthau continuing, said, "Whether it's open market or whether it's gold that you got out of China. How do I know where you got the gold?"

Bewley then said, "I was only wondering on this actual phraseology, 'The United States will also sell gold for immediate export to, or earmark for the account of, the exchange equalization or stabilization funds.'"

Mr. Morgenthau answered, "I suppose it is right but it might be a technical position. In London gold would be earmarked for the Bank of England." Mr. Oliphant said, "It is a question of agency, on which I think we would have no trouble." And Mr. Bewley remarked, "I don't think so." Mr. Oliphant added, "The Bank of England would act for the fund just as the Federal Reserve Bank does for our fund in New York."

Mr. Morgenthau said, "As I say, once this gets over to England, we would turn it over to the banks and let them get together." Mr. Bewley inquired, "You mean the actual text or the actual workings?" Mr. Morgenthau replied, "The text -- it's Thursday night. They will have Friday, Saturday and Sunday." Bewley said, "Oh, yes. I think there is plenty of time. I was just thinking of any conceivable points that might arise." Mr. Morgenthau added, "And I am here over the weekend."

Mr. Taylor then said, "There is one point: This meets all the legal requirements of our situation and unless there is some particular thing that requires alterations, we would much prefer to have it stay exactly as it is." Mr. Oliphant said, "We are not submitting this text for discussion or for alterations." Mr. Bewley said, "I quite understand that." Continuing, Mr. Oliphant said, "This document has been executed by a sovereignty. I thought Mr. Taylor's statement might be misleading." Mr. Morgenthau added, "And this thing is signed both by the President and by myself. They might like to know that." Mr. Bewley said, "Yes." And Mr. Morgenthau added, "And for your information, he signed it before he left." Mr. Bewley said, "I am not suggesting for a moment that we would ask for alterations."

The Secretary then said to Mr. Bewley, "We understand each other. There might be something in here that would be absolutely unworkable from your standpoint." Mr. Bewley replied, "I don't think so." The Secretary then said, "If there is, that's what we would like to know. I take it that you people are also going to say something Monday afternoon and when you do, I would appreciate the courtesy of knowing what it is." Bewley answered, "Yes. Quite."

"I think there is one point that has not been clearly brought out," Dr. Feis said. "If, at the press conference, when you give this out, the newspapermen say -- The statement tells the price at which we will sell gold. Does the British stabilization fund promise to sell gold, and so on. Will we make that public or not? Did you mean to ask Mr. Bewley?" The Secretary answered and said, "Isn't the answer to that, that the price is arrived at each day; that I am very sorry but that is an agreement between the two funds which are operated secretly." Mr. Bewley said, "I imagine there will be no objection to saying, 'the current price of the day.'" H.M.Jr. said, "I can get away with it. I don't have to say anything." Taylor added, "On a basis which is mutual and satisfactory." Bewley: "Yes. Quite."

The Secretary said to Mr. Bewley, "Remember I wanted to ask you a question about our situation and just remember this: that there were no leaks out of this Treasury and there haven't been since I've been here. You know that."

At this point, a message arrived that the British Embassy was on the phone and wanted to speak to Mr. Bewley right away.

When Mr. Bewley returned, he said, "I am very sorry to have gone out. Mallet was on the phone and said that the message from London was that they could not possibly manage for an announcement tomorrow."

Mr. Morgenthau said, "You explained to them?" Mr. Bewley said, "Yes."

Mr. Morgenthau then said, "I will tell you what I am going to do. I have a call coming in from Cochran. There may be some reason why the French would not want to wait. As far as we are concerned, Monday afternoon would be ideal. Do you mind waiting while I talk to Cochran?" Mr. Bewley answered, "No, not at all."

Mr. Bewley left the Secretary's office.

Dr. Feis said to the Secretary, "I think this message to Cochran that you want me to send is one that I will have to submit here. You want me to relate to Cochran everything that you have told Bewley?" The Secretary answered, "I am going to give it to Cochran over the telephone. All you have to do is send the press release."

At this point, the Secretary talked to Mr. Cochran on the telephone. Record of their conversation follows:

October 8, 1936
4:36 p.m.

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Operator: On the diplomatic circuit, Mr. Morgenthau, I won't have the call at 4:30.

H.M.Jr: When will you have it?

Operator: They're trying to clear it now.

H.M.Jr: Well, ask them if there is other - any other circuit which has secrecy besides that.

Operator: All right.

H.M.Jr: They seem to have another circuit besides that one.

Operator: Yes, they do.

H.M.Jr: Ask them for that one.

Operator: All right.
(Pause)

H.M.Jr: Hello.

Operator: I'm ready now.

H.M.Jr: Thank you.

Operator: Go ahead.

H.M.Jr: Hello?

Cochran; Hello, Mr. Morgenthau.

H.M.Jr: How are you?

C: All right - thank you.

H.M.Jr: Are you at home?

C: Yes, yes.

H.M.Jr: That's good. Got on your slippers?

C: Beg Pardon?

H.M.Jr: Have you got your slippers on?

C: (laughs) - no, not quite.

H.M.Jr: Not quite (laughs). Cochran?

- 2 -

C: Yes.

H.M.Jr: After working here all day -

C: Yes.

H.M.Jr: - we've decided that we cannot submit a formal press statement to either the French or the British. It's too difficult to prepare. What we have done - Mr. Bewley has been here for a half an hour -

C: Yes.

H.M.Jr: - and we have given him a copy of the statement - the official statement which will be signed by the President and myself -

C: Yes.

H.M.Jr: - which will permit the interchange on a reciprocal basis of gold between England and the United States, and between the United States and France. Hello?

C: Yes.

H.M.Jr: We will send you through the State Department a copy of this statement this afternoon. You'll get it during the night.

C: Yes.

H.M.Jr: You - please, explain this - let me - that this is the statement which our attorneys, after working on it for months -

C: I don't hear you very well.

H.M.Jr: This statement is a legal statement which has been drawn up by our attorneys -

C: Yes.

H.M.Jr: And they feel that this is the proper form that it has to take in order to comply with the law.

C: I see.

H.M.Jr: Now on account of Monday being a bank holiday here -

C: Yes.

H.M.Jr: - and our banks being closed -

C: Yes.

H.M.Jr: - we thought - I have a regular press conference -
(Aside, 'Is it 4:00 or 4:30?')

C: You will have what kind of a press conference?

H.M.Jr: No, I have a regular press conference every Monday
at four o'clock.

C: Four o'clock?

H.M.Jr: Monday -

C: Yes.

H.M.Jr: - and I thought that I would give out this statement
on Monday and then simply explain it verbally.

C: Yes.

H.M.Jr: And it would be for release for Tuesday morning.

C: I see.

H.M.Jr: And if - and this - do you want to call it - what-
ever you call it; I call it the license; the lawyers
tell me to call it the statement - would go into
effect Tuesday because all of our banks are closed
here Monday.

C: I see.

H.M.Jr: You see?

C: Yes.

H.M.Jr: Now I think Mr. Feis has already sent you Mr. Chamber-
lain's message to me - hello? Hello?

C: Hello.

H.M.Jr: Mr. Chamberlain's message which we got this morning
has already been sent to you.

C: By the State Department?

H.M.Jr: Yes.

C: Yes.

H.M.Jr: And this will go on the wires also, so you will
have to present to Mr. Auriol tomorrow morning

this statement which I propose to release at four o'clock Monday afternoon -

C: Yes.

H.M.Jr: - to go into effect Tuesday -

C: Yes.

H.M.Jr: - and it's for Tuesday morning's papers.

C: Yes.

H.M.Jr: I have made exactly the same statement to the British.

C: Yes.

H.M.Jr: And if I hear anything from the British, I will immediately communicate with you.

C: Yes.

H.M.Jr: Now as to the actual workings, I told the British that they should at once get in touch with the Bank in New York.

C: I didn't get that - you told them to get in touch with the Bank in New York?

H.M.Jr: The Federal Reserve.

C: Yes.

H.M.Jr: - in New York.

C: Yes.

H.M.Jr: - And work out the details.

C: Yes.

H.M.Jr: And you make the same suggestion to Mr. Auriol.

C: I see. When - when could they get in touch - at once?

H.M.Jr: Tomor- - beginning tomorrow morning.

C: They could get in touch directly tomorrow?

H.M.Jr: Yes - immediately after you've presented this statement to them.

C: Immediately after I've presented this statement?

H.M.Jr: Yes.

C: Yes.

H.M.Jr: And this is entirely different from the one you had before. This is the official statement -

C: Yes.

H.M.Jr: - and please make note that it will be signed by the President of the United States and the Secretary of the Treasury.

C: I see - finally it does come out.

H.M.Jr: What's that?

C: Then it comes out.

H.M.Jr: Yes.

C: Is there a proclamation, too?

H.M.Jr: This is - this is the proclamation.

C: It is the proclamation?

H.M.Jr: Yes. And then there'll simply be an informal explanation by myself.

C: Yes.

H.M.Jr: Now when you get it, there may be certain things that you don't understand on account of the legal language, and if you don't understand it, why - call us up and we'll explain it, but I think it's perfectly understandable.

C: I see.

H.M.Jr: And -

C: Then the - the first sentence of your conversation I - I didn't get - that is, whether there's anything that these people would give out.

H.M.Jr: Well, that's up to them. I should think that they would.

C: Yes.

H.M.Jr: Now just a moment. (Pause during which conversation is carried on in H.M.Jr.'s office.) Hello?

C: Yes.

H.M.Jr: You'll have this thing the first thing in the morning, -

C: Yes.

H.M.Jr: - and this is the statement - I'll repeat - this is the official document which I will propose, I'm proposing to give out Monday at 4 o'clock.

C: Yes.

H.M.Jr: With it, I will explain verbally - answer any questions that the press may ask me, you see?

C: Yes.

H.M.Jr: But I am not going to explain that we are doing this on a - the daily price of gold. I'm not going into any details, you see?

C: Yes, I understand.

H.M.Jr: But I think after you get it, you'll understand it because you know how these things work.

C: Yes - all right.

H.M.Jr: And - and we're proposing to do it Monday at 4 o'clock, provided that this meets with the approval of the French and the British.

C: Yes - yes.

H.M.Jr: You see?

C: Yes.

H.M.Jr: But when you get Mr. Chamberlain's statement, you'll realize that we're in 98 per cent complete accord. The only differences are in the minor details - how the thing will work.

C: May I show Chamberlain's statement to Auriol?

H.M.Jr: Yes.

C: It's permissible?

H.M.Jr: Yes.

C: All right.

H.M.Jr: Now just a moment - (Pause during which conversation is carried on in H.M. Jr.'s office.) Hello?

C: Hello?

H.M.Jr: I - I think - I think when you get this in the morning you'll understand it. Now if you don't, you call me, see?

C: The point is I will try to see him before noon, you see?

H.M.Jr: Pardon me?

C: I've already telephoned the Ministry this evening -

H.M.Jr: Yes.

C: - and it is agreeable that I shall come over in the morning as soon as I have this decoded.

H.M.Jr: Well, then as soon as you've seen Mr. Auriol, you call me, please bearing in mind there's five hours' difference.

C: Yes - yes, that's just it. That's why if it's clear to me, I'll go to see Mr. Auriol in the morning and then call you shortly after lunch.

H.M.Jr: Shortly after what?

C: Yes - to - to tell you the reaction here.

H.M.Jr: You'll call me when?

C: Say 2:30.

H.M.Jr: That's a good time.

C: 9:30 your time.

H.M.Jr: That's a good time.

C: You'll be back at the office then?

H.M.Jr: All right.

C: And the only point is - I mean I can't tell until I've seen these documents but they'll - they'll be in shape so that I could leave a copy with Auriol.

H.M.Jr: Yes - yes, you could leave a copy - you could leave a copy of everything we sent you.

C: I see.

H.M.Jr: Yes.

C: All right, and if I have any uncertainty, I'll hold until I get in touch with you.

H.M.Jr: That's right.

C ; Otherwise, I'll see them and call you back at 2:30 to give you their reaction.

H.M.Jr: Thank you.

C: All right, sir.

H.M.Jr: Goodnight.

C: Goodnight.

Mr. Lochhead said to the Secretary, "May I send a copy of that statement to the Federal Reserve?" The Secretary answered, "Yes. I would mail it to them."

Mr. Bewley was invited to come back to the Secretary's office. The Secretary said to him, "I just spoke to Cochran and he had nothing new. He has an appointment to see Auriol tomorrow morning and he is going to do just what we have done here and explain this thing and tell them that we will do this as of Monday afternoon, if this is acceptable to all three countries." Mr. Bewley said, "All right. Thank you very much."

The Secretary added "And if you get anything, give us a ring." Mr. Bewley answered, "Yes. I will."

LMS

GRAY

Praha

Dated October 8, 1936

Rec'd 12:58 p. m.

Secretary of State,
Washington.

51, October 8, 5 p. m.

My telegram No. 50, October 7, 9 p. m.

House this afternoon adopted amended bill providing for devaluation of from 13.3 to 18.6 per cent.

Please inform Commerce.

WRIGHT

PEG

October 8, 1936
4:48 p.m.

Oliphant: These documents are modelled on previous ones but they have not been cleared with the staff at the Federal Reserve Bank, namely, their lawyers, etc. Now I want you to tell me when we can start doing that.

H.M.Jr: Staff of the Federal Reserve where?

O: In - in New York.

H.M.Jr: Well, let me - you and Archie get together on that. He just raised that very - this question.

O: Yes.

H.M.Jr: I'll leave it - I'll leave that - you can start right now.

O: Right.

H.M.Jr: Now -

O: Then as soon as you release Archie I'll go to work on it.

H.M.Jr: Yes.

O: Right. All right.

OCT 8 1936

My dear Mr. Knoke:

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

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

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

Very truly yours,

(Signed) Herman Oliphant

General Counsel.

L. E. Knoke, Esq.
Assistant Deputy Governor
Federal Reserve Bank of New York
New York, New York.

RECEIPT FOR REGISTERED ARTICLE NO.

Fee paid.	class postage paid.	(Date)
From	Herman Oliphant	
Addressed to	L. E. Knoke, Esq.	
Accepting employees will place initials in space below, indicating restricted.		
Return receipt fee	Special delivery fee	
Delivery restricted to addressee	{ in person	Postmaster, per
	{ or order	

Regraded Unclassified

October 8, 1936
4:50 p.m.

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Operator: Go ahead.
George
Harrison: Hello?
H.M.Jr: Hello?
H: Henry?
H.M.Jr: Yes.
H: George.
H.M.Jr: Yes, George.
H: I've been keeping up indirectly with what's -
H.M.Jr: Yes.
H: - been going on down there, and I think your note
was a fine one.
H.M.Jr: Which note was that?
H: Well, I mean - I don't know - I haven't seen it,
but Lochhead told - told Knoke the substance of
the one you got which I thought was -
H.M.Jr: Oh, oh.
H: - pretty good.
H.M.Jr: Well, now here's the thing - here's the thing the
way this thing is breaking.
H: Yes.
H.M.Jr: I've just told Oliphant and Lochhead to give the -
our official statement which we are proposing to
release now on Monday at 4 o'clock, to your bank
and to your lawyers and all that thing, see?
H: Yes.
H.M.Jr: And I think that rather - that - that you better
be on the New York end tomorrow and see that
this thing all goes smoothly. But I've told both
the Bank of England and the Bank of France that
they should work directly from now on with you
people for the next two days.
H: Yes.

- 2 -

H.M.Jr: See?

H: Well, that's all right and I'll come any time you want.

H.M.Jr: Well, I think that Friday and Saturday will be - in New York - will be the important end now that we've gotten together, see?

H: Oh, I see.

H.M.Jr: And undoubtedly both the Bank of France and the Bank of England will be calling you a number of times tomorrow.

H: Yes - well - first rate. Well, now, Henry -

H.M.Jr: Yes.

H: When did you say you were going to release it?

H.M.Jr: We're proposing to release it Monday at 4 o'clock.

H: Monday at four?

H.M.Jr: Yes, on account of your being - everything's closed Monday.

H: Yes.

H.M.Jr: Yes.

H: That's not a bad idea.

H.M.Jr: See? What?

H: Yes, that's all right.

H.M.Jr: Everything is closed on Monday.

H: That will be all right unless they need to do something before then, which I doubt if they will.

H.M.Jr: I don't think so. I don't think so.

H: Yes.

H.M.Jr: If - the only thing, the French can get their gold from London if they want it.

H: Yes. Are you - you're having Lochhead telephone the thing up to us?

H.M.Jr: I've - I've just told Lochhead and Oliphant to get
in immediate touch with your people.

H: First rate.

H.M.Jr: See?

H: All right - well, thank you so much. Then I won't
come down tonight?

H.M.Jr: No.

H: All right.

H.M.Jr: Thanks for calling.

H: And you let me know, whenever you want me I'll come.

H.M.Jr: Right.

H: Fine.

H.M.Jr: Thank you.

H: Goodbye.

October 8, 1936
4:55 p.m.

H.M.Jr: Hello.

Gardner Jackson: Hello, Mr. Morgenthau.

H.M.Jr: How are you?

J: All right - how are you?

H.M.Jr: Fine.

J: To be right to the point -

H.M.Jr: Please.

J: There is a speech to be delivered over a nationwide hookup tonight at 8 o'clock by Father Ryan of the National Catholic Welfare Conference in defense of the New Deal.

H.M.Jr: Yes.

J: It's called 'Roosevelt Safeguards America.'

H.M.Jr: Yes.

J: The National Catholic Welfare people told me it is under the auspices of a Democratic National Committee.

H.M.Jr: Yes.

J: Father Ryan handed me a copy of it this morning as I was leaving a conference with him, and told me that the Democratic National Committee is to print a good many thousand for circulation.

H.M.Jr: Yes.

J: It defends Roosevelt against the charges of Communism, Felix Frankfurter against those charges, Rex against those charges, Sydney Philman against them, and David Dubinsky.

H.M.Jr: Yes.

J: Then it drags in these two paragraphs which I want to read to you. 'A considerable part of the excessive trepidation about Communism in America is due to reckless propaganda manufactured by notorious newspapers. Another part had its

origin in the unspeakable excesses and atrocities committed by Communists and Anarchists in the deplorable conflict now raging in Spain. Timid, indiscriminating and ill-informed persons with too active imaginations transfer the bloody scenes of that conflict to our own land. They are misled by the sympathy which the Spanish Communists are receiving from certain self-styled Liberals in the United States. The latter are credited with much more influence than they really possess. Many of them are the victims of misinformation and false inferences. Just as some innocent Americans are induced to believe that Roosevelt is a Communist, so a great many well-meaning American Liberals have been deceived into thinking that the present Spanish Government is Liberal and Republican. The truth of the matter is that the Government has been unwilling or unable to control the anti-religious, Communistic, and Anarchistic elements in the Spanish population. The revolution began the middle of last June. During the three months immediately preceding that date, 160 churches were burned, attempts were made to burn 250 other churches, 10 Catholic publishing plants were destroyed, and 33 others were attacked. 260 persons were killed, and 1,287 injured. No solid hope could be entertained that the Government would restore order or protect the rights of Catholics. It is no wonder that the decent elements in the community revolted. Thank God, they now seem likely to be successful. In passing, may I say frankly that if I had to choose between Fascism and Communism, I should unhesitatingly take the former. I profoundly detest both these forms of despotism and tyranny, but I believe that Fascism is the lesser evil because its despotism is less comprehensive. Fascism exhibits less disregard for individual rights than does Communism, and it shows more consideration for humanity's dearest possession; that is, religion.' Well -

H.M.Jr: Yes.

J: The consequences of that thing, I think, are likely to be terrific.

H.M.Jr: Well, you'll have to explain. I mean I (laughs) - this is a little bit out of my field.

- J: Yes, I know it is.
- H.M.Jr: I mean what are - what are the possible consequences?
- J: Well, there - politically in the first place. Sponsored by the Democratic National Committee, you have there an utterance that can be interpreted as nothing more really than pro - pro-Fascist. It's going - I talked to John Lewis about it and - in New York - and he hit the ceiling, and he said, 'Of course, you're right. That's going to alienate just no end of labor votes.'
- H.M.Jr: I see.
- J: The next thing, of course, is the obvious international complications involved in this thing. The new Spanish Ambassador arrived today. He's to present his credentials tomorrow or the next day - whenever the President gets back.
- H.M.Jr: Yes.
- J: Here a person speaking under the auspices of the political arm of our Government calls his Government a bunch of villians and cutthroats and what not.
- H.M.Jr: Yes. Well, now - I don't know. Where are you? Where can I reach you?
- J: Well, I'm in my office at the moment. I've got to leave. But now what - what has been done thus far, I - I talked to Rex -
- H.M.Jr: Yes.
- J: - Rex wanted me to get Steve Early right away and Steve is out playing today and I couldn't find him.
- H.M.Jr: Yes.
- J: I got Wallace's crowd - Wallace, oddly enough, having called me down there last week for a talk on just this subject of Fascism -
- H.M.Jr: Yes.
- J: - and his fear of the things in this country -
- H.M.Jr: Yes.

J: Well, I talked with them about it, and they have put it on the wire to Wallace on the train with F. D. -

H.M.Jr: Yes.

J: - which they hope they'll catch. And Waters - Jim Lacerne I think of Wallace's staff has called - no, Ickes has called Jim Farley and expressed what - his concern about the thing. But I just thought that you ought to know if there is any angle that you might tackle it -

H.M.Jr: Well, what did - what did Ickes report?

J: I haven't - I don't know that.

H.M.Jr: Well, this is Father Ryan, is it?

J: Yes - Father John A. Ryan.

H.M.Jr: And - and - what - and what is his organization?

J: The National Catholic Welfare Conference.

H.M.Jr: Oh, yes, - National Catholic -

J: He's the leading Cath- - one of the leading Catholic Liberals in this country.

H.M.Jr: Yes. Well, I don't know whether I can do anything but I'll see and I certainly appreciate very much your calling me.

J: Righto, and I hope when something lets down some time -

H.M.Jr: Yes.

J: - that we may see you and your wife.

H.M.Jr: Yes - right. I hope so, too.

J: You bet.

H.M.Jr: Thank you very much.

J: Righto.

H.M.Jr: Thank you.

J: Goodbye.

October 8, 1936
5:04 p.m.

H.M.Jr: Hello.

Operator: Mr. Merz.

H.M.Jr: All right.

Operator: Go ahead.

H.M.Jr: Hello, Merz.

Merz: Hello.

H.M.Jr: How are you?

M: Good. I wanted to write a short editorial for tomorrow -

H.M.Jr: Yes.

M: - in the Times about this Red Cross business.

H.M.Jr: Yes.

M: The Sun has got an editorial on it tonight, and undoubtedly you saw the Herald Tribune this morning -

H.M.Jr: Yes.

M: - and I never have seen the text of this famous letter that so much fuss is being made about.

H.M.Jr: Yes.

M: We put in very little of it, but as I understand it, all you said in that letter was that you didn't feel that you could indicate your approval of the purchase of any securities other than Government obligations or Government organizations guaranteed as to principal and interest, and that you didn't undertake - that you didn't feel it was your - you were in a position to pass on the investments in private securities.

H.M.Jr: That's right.

M: In other words, the - the attempt to read your letter as an implication that the Government alone offers protection to the investor and that any funds put into the securities of private correspondence - corporations was unsafe, was un- - not justified -

- 2 -

H.M.Jr: And untrue - it's untrue.

M: What?

H.M.Jr: It's untrue.

M: I mean there's nothing - there was nothing in the full text of it that carried any such implication as that, was there?

H.M.Jr: No, and they had a meeting of that particular organization in my office yesterday -

M: Yes.

H.M.Jr: - and I explained in great detail my position to them, that I simply felt that as the Secretary of the Treasury, that I could not pass on commercial securities.

M: Yes. Well, now, have you got time for me to read one paragraph to you?

H.M.Jr: Sure.

M: That's all I was going to write -

H.M.Jr: Sure.

M: - but I didn't think - I thought it was a tempest in a teapot but I didn't like to see it go by without something being said to set the -

H.M.Jr: It's - it's just - it's a month before elections.

M: Yes. Well, I've written just one paragraph, and if you would mind pricking any misstatement of fact in it, I'd appreciate it.

H.M.Jr: Well, thank you for reading it.

M: All right. I just say, 'Much ado is being made about a letter of Secretary Morgenthau written last May on the subject of investments by the Red Cross Endowment Fund. As Chairman of the Board of Trustees of that Fund, Mr. Morgenthau said in his letter that he did not feel he could indicate his approval of the purchase of any securities other than direct obligations of the Government or obligations of a Governmental organization, guaranteed as to both principal and interest. -

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H.M.Jr: Yes.

M: - 'In some quarters efforts are now being made to interpret this as an indication on the Secretary's part that the Government alone offers real protection for the investors, and that funds put in the securities of private corporations are unsafe. Mr. Morgenthau himself explains that he was not attempting to draw any comparison between Government and private obligations, -

H.M.Jr: Right.

M: - 'and his letter was written in reply to a request made by the Secretary of the Board of Trustees for advice as to investments, and that he regards it as improper for the Secretary of the Treasury to pass on investments in private securities. -

H.M.Jr: Absolutely right.

M: - 'That explanation ought to satisfy all reasonable people.'

H.M.Jr: It's 100% right.

M: All right, sir.

H.M.Jr: And I appreciate -

M: Thank you very much. How are you?

H.M.Jr: Oh, I'm all right. I got to hold myself in my chair with both hands to keep me from getting partisan.

M: (Laughs).

H.M.Jr: But this - this thing is pretty small stuff.

M: Yes.

H.M.Jr: And - what you say is absolutely accurate and when I met with them there wasn't a member of the Board who disagree with my position.

M: Yes. Well, I'm sure of that. This -

H.M.Jr: There's only - there is one member and he wasn't here, and he's the man who has made all the trouble.

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M: Yes.

H.M.Jr: And he's a prominent Republican.

M: Yes.

H.M.Jr: But I -

M: Well, as you say, it's just the - the last three weeks of the campaign.

H.M.Jr: That's right.

M: Well, you see -

H.M.Jr: You know the only - the only thing that would have been a story in this thing - if I had come out and had endorsed their buying those things.

M: Absolutely - I'm with you on that point.

H.M.Jr: That might have been a story.

M: Yes. Thank you very much.

H.M.Jr: Thank you.

October 8, 1936
5:11 p.m.

Gaston: - and then we called in Graves and later we got ahold of Elmer Ireys, and we decided that it was best to let Elmer's men do the investigation rather than that - rather than Procurement. They might fumble it, so we - so Elmer called Hugh McQuillan on the phone and told him to get to the bottom of the thing and see what it amounted to, and we suggested to Procurement that they don't definitely fire the man until McQuillan has a chance to work on him.

H.M.Jr: Well, the ticker said he had been suspended.

G: Well, apparently that was the action of Ford, his immediate superior in New York. The story appeared in the early edition of the Herald Tribune. I mean the World Telegram.

H.M.Jr: Well does - does Peoples know anything about this?

G: Peoples is at home. I haven't called him. I - the only man I've talked to over there is Rehlaender, and Peoples hasn't been down today, and I didn't call him at home. The man is a - the man is a project clerk on WPA work at \$2100 a year. He is a reserve officer who was a captain of infantry in the World War. He doesn't seem to be just a crazy man.

H.M.Jr: He doesn't just seem to be a crazy man?

G: No, I wouldn't think from that record that he was.

H.M.Jr: Well, what do you think we ought to do?

G: Well, I think that this thing is clearly the kind of subversive activity that can't be permitted among Government employees. It's just the same as he's organizing a Fascist army - it's just the same as - a factional army - it's just the same as if he were organizing an armed corps of Communists. There isn't any difference. And - and I think the man will ultimately have to be fired, and - and we'll have to make it plain that no such activities are going to be tolerated. But I think that first that we want to find out just how far the thing has gone and whether there's anything more in it than just this fellow Eldred's imaginings.

H.M.Jr: And the thing is - but has - has Ford suspended him?

G: The U.P. ticker said - quoted Eldred as saying he had been suspended, but that was not done by action from here. It may have been done by Ford.

H.M.Jr: Have you been asked questions?

G: Yes, and we have simply told them that we know nothing about it other than that there is such a man as a project clerk, and we're investigating.

H.M.Jr: I don't see what else we can do, do you?

G: No, we - we ought to move pretty cautiously. It's a scheme to put us - it's either, first, a crazy man on his own initiative or, second, it's a scheme to put us on the spot. But we can't back away from the thing. I think if - if it's what he says it is, why it's - it's the kind of an organization that you couldn't tolerate Government employees participating in.

H.M.Jr: Right.

G: Yes.

H.M.Jr: Well, we'll go coasting now.

G: Yes.

H.M.Jr: Yes - good. Thank you.

G: All right. Say, we've been asked by several people about this William Phillip Stimms' story that Germany is going to get into line with a - evening out the market, probably devaluing, and I'm simply told them that there's no comment - we know nothing about it.

H.M.Jr: I haven't seen it.

G: Well, the - it's in the evening news here. He says-

H.M.Jr: Well.

G: - says Germany is about to devalue and eliminate her exchange restrictions.

H.M.Jr: Well, we don't know anything about that.

- 3 -

G: Yes - right. Well, then there's just no comment, -
H.M.Jr: All right.
G: - until we get something.
H.M.Jr: O.K.
G: Right.
H.M.Jr: Goodbye.
G: Goodbye.

sms

GRAY

Paris

Dated October 8, 1936

Rec'd 5:35 p.m.

Secretary of State,
Washington.

930, October 8, 7 p.m.

FROM COCHRAN

Sterling not so much under pressure today and benefitted from natural support due to Chase being a big purchaser for, I believe, Spanish account. No big turnover in dollars at Bank of France, rate of 21.415. Florin stronger.

Bank of France statement as of October 2 was released this afternoon, being first since devaluation. It showed gold gain 7,240,000,000 francs; discounts up 420,000; thirty day advances up 788,000,000; advance to Government under Articles One and Two down 1,539,000,000; advances under Article Three which totaled 570,000,000 preceding week wiped out thus these two items presumably indicate reimbursement by Treasury to Bank of France approximately 3.5 billion francs; discounts up 488,000,000; circulation up
2,500,000,000

sms 2 - 980, October 8, from Paris.

2,300,000,000; coverage 60.47 versus 54.42. Discount rate lowered to 2.5 percent; advances with securities to 3.5; and thirty day advances to 2.5.

BULLITT

sms

emb

PARTIAL PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Paris, France

DATE: October 8, 1936, 6 p.m.

NO.: 393

FROM THE SECRETARY OF THE TREASURY.

FOR COCHRAN.

I quote below the text of the statement which I propose to issue.

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

- 2 -

States, upon the following terms and conditions which the Secretary of the Treasury deems most advantageous to the public interest:

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

This statement, as I told you over the telephone, will be signed by the President and by myself and if it is satisfactory, I plan to give it out at the regular press conference I will have next Monday afternoon. It will be for release in the papers Tuesday morning, and beginning Tuesday will be effective.

At the press conference when I give out the statement I shall make a short and informal explanation of its purpose and meaning, without going into details as to the arrangements made regarding it. I hope that similar statements will also be made on Monday afternoon by the French and British Governments.

The British Embassy in Washington has been given a copy of this same text for transmission to the Chancellor of the Exchequer in London.

Of

- 3 -

Of course, I shall be glad to consider any comment which the Chancellor of the Exchequer or Minister Auriol may have to make, but the text must naturally conform to the legal requirements in this country.

Also, as I told you over the telephone, I leave it to the Federal Reserve Bank of New York to work out with the Bank of France and the Bank of England the details of operation. These institutions, if they wish, may be free to begin discussion of the matter tomorrow, Friday, with the Federal Reserve Bank of New York.

CARR
Acting.

EA:LWW

204 folder

Treasury Department
Division of Research and Statistics

Date.....10/19..... 1936

To: Secretary Morgenthau

From: Mr. Haas

In accordance with your request,
I gave Mr. Gaston a copy of this memo-
randum on October 8th.

Memorandum prepared by
Mr. L. H. Seltzer,
Division of
Research and Statistics.

BT

October 8, 1936

To: Secretary Morgenthau
From: Mr. Haas
Subject: Comparative individual income taxes in the United States,
Canada, and Great Britain.

1. It is not possible to make perfectly accurate international comparisons of income taxation. This is particularly true if the comparisons are limited to the rate schedules as such.

(a) Taxable income is differently defined in different countries. The United States includes various proportions of capital gains in taxable income, for example, whereas Great Britain and Canada exclude the greater part of such gains.

(b) Treatment of certain sources of income and expenditures, as well as of exemptions and credits, varies. Dividends received by individuals are exempt from the British normal taxes, for example, the tax having been paid by the corporation at source; United States individual income taxes on dividends are in addition to corporation income taxes. Credits against the tax are allowed for life insurance and annuity premiums within certain limits in Great Britain; they are not, in the United States.

(c) Some 30 American States impose individual income taxes in addition to those levied by the Federal Government; no comparable income taxes are imposed in England, but they are in Canada.

(d) The income tax occupies a different position in the aggregate tax structure of different countries, and taxes imposed by local governments are likewise of varying importance in the aggregate tax structure of the several countries. There is also considerable variation in the services rendered by the national governments in different countries.

2. Despite these difficulties, it is possible to make roughly accurate comparisons of the incidence of the national income tax laws of the United States, Canada and Great Britain, upon a representative series of individual incomes. That is, it is possible and illuminating to compare the amounts paid in national income taxes on American incomes with the amounts that would be paid upon the same incomes identically constituted, if the latter were subject to the Canadian or the British income taxes. This is done in the appended table.

Secretary Morgenthau - 10/8/36 - 2

To obtain maximum comparability, it was necessary, first, to adjust the statutory net income, as defined by American law, to include wholly tax-exempt interest. Second, it was necessary to break down each adjusted selected income by sources of income in order that appropriate allowance might be made for the varying treatment of capital gains and losses, earned income credits, tax-exempt interest, and investment income in the three countries. This breakdown was based upon the data prepared for the Statistics of Income for 1934.

In consequence of these adjustments, the final figures may be said to represent the national income taxes that would be paid by the average American of his income class reporting any of the statutory net incomes listed in the table, under (1) the United States Federal income tax law; (2) the Canadian Dominion income tax law; and (3) the British income tax law.

This comparison is valid for the purpose of illustrating how much worse off the average American of virtually every income class would be, as respects national income tax laws alone, if his American income were subjected to the Canadian or British law, rather than to the United States law. It assumes, of course, that an income of a given amount in the United States represents the same economic and social power and is derived from the same sources as the same income would be if it were taxed under the Canadian or British laws. It further assumes that the 1934 composition of American incomes is substantially typical of American income composition over a period of years. For the higher-income groups, the 1934 composition minimizes the normal importance of capital gains; for the lower-income groups, it is presumably typical because of the overwhelming importance in these groups of wages and salaries.

3. The table clearly demonstrates that if American incomes were subjected to the British tax laws, the taxes paid would be very substantially in excess of those payable under American law (1936). A single individual with no dependents, reporting a statutory net income of \$1,500, would pay \$71.99, instead of \$14.00; if his statutory net income were \$2,500, he would pay \$270.30, instead of \$50.00; if his statutory net income were \$3,500, he would pay \$468.61, instead of \$88.00. A married individual with two dependents, reporting a statutory net income of \$2,500, would pay \$46.57, instead of nothing; if his statutory net income were \$3,500, he would pay \$231.11, instead of nothing; if his statutory net income were \$5,000, he would pay \$559.57, instead of \$56.00; if his statutory net income were \$10,000, he would pay \$1,654.59, instead of \$362.88; and if his statutory net income were \$50,000, he would pay \$20,018.19, instead of \$8,621.

If American incomes were subject to the Canadian law, the taxes paid would also, in nearly every case, be greater than those paid under American law, though the Canadian rates are much less severe for most income classes than the British rates. A single individual without

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Secretary Morgenthau - 10/8/36 - 3

dependents, reporting a statutory net income of \$1,500, would pay \$15.24 under the Canadian law as against \$14.00 in the United States. If his statutory net income were \$3,500, he would pay \$95.90, instead of \$88.00. A married individual with two dependents, reporting a statutory net income of \$3,500, would pay \$21.54 if subject to the Canadian law, instead of nothing in the United States; if his statutory net income were \$5,000, he would pay \$89.22, instead of \$56.00; if his statutory net income were \$10,000, he would pay \$595.76, instead of \$362.88; if his statutory net income were \$300,000, he would pay \$161,318.01, instead of \$161,700; and if his statutory net income were \$1,000,000, he would pay \$693,618.62, instead of \$678,436.

The table presents these data by percentages of total income as well as in absolute amounts.

Attachments

Procedure Used in Computing Taxes on Selected American Incomes
under American, Canadian, and British Income Tax Laws

54

1. A representative series of American statutory net incomes was chosen ranging from \$800 to \$3,500 for a single individual without dependents, and from \$1,000 to \$5,000,000 for a married individual with two dependents.

2. Because certain sources of income are differently treated for tax purposes in the three countries, it was first necessary to determine the composition (by sources) of each selected statutory net income. This was done on the basis of the data compiled for the Statistics of Income for 1934. It was assumed that each selected statutory net income has the same composition as the average of the income items in the income class in which it fell in 1934. For each income class, the amounts of business, partnership, and capital losses were deducted from the like positive items, and there was then added the amount of wholly tax-exempt interest in each class. The percentage composition of the adjusted total income for the class, thus obtained, was then determined by sources of income; and these percentages were applied to arrive at the composition by sources of each selected statutory net income, as adjusted to include wholly tax-exempt interest. This procedure had the incidental effect of pro-rating statutory deductions for taxes paid, contributions, etc., over all the various sources of income. In most cases, the selected statutory net income fell on the borderline between two income classes, and in these cases, the average composition of the two classes was used. All incomes under \$5,000 are grouped in one class in the Statistics of Income analyses. Our figures for the selected income of \$5,000,000 were based upon the average composition of all income classes over \$1,500,000.

3. The procedure just outlined made it possible to exclude from the application of the Canadian and the British income tax laws the portions of capital gains and losses which are recognized for income tax purposes in the United States, but which are not so recognized in Canada or Great Britain; and to include, for the application of the Canadian and the British income tax laws, the amounts of interest reported in the United States that enjoyed complete tax exemption in 1934. The full amount of wholly tax-exempt interest in the United States was assumed to be taxable under Canadian income tax laws, despite the fact that negligible amounts of wholly tax-exempt interest exist in Canada. On the other hand, it was necessary to ignore the not inconsiderable amount of wholly tax-exempt interest that is believed to be regularly omitted from the returns filed by taxpayers in the United States. In applying the British law to dividend income, the normal tax, which is actually paid at the source by the corporation, was included in the tax paid by the individual.

4. Our final figures reflect adjustments for differences in the three countries in the treatment of capital gains and losses, wholly tax-exempt interest, earned income credits, and personal exemptions and credits for dependents; and they therefore overcome the major obstacles to arriving at comparable figures. They ignore various minor differences in allowable deductions and credits, but these are not believed seriously to impair the validity of the comparison.

National income tax laws of United States,
Canada and Great Britain applied to American incomes 1/

: Statutory : : net income :	Amount of tax			Tax as a percentage of (2)		
Statutory : United : net income : States :						
United : adjusted : States : to include: United :	Canada :	United :	United :	United :	Canada :	United :
: wholly tax: States :	Kingdom :	States :	States :	States :	Kingdom :	Kingdom :
: exempt :						
: interest :						
(1)	(2)	(3)		(4)		

Single individual

\$ 800	\$ 800	-	-	\$ 13.31	-	-	1.66
1,000	1,000	-	-	26.53	-	2/	2.65
1,500	1,500	\$ 14.00	\$.15	71.99	.93	1.02	4.80
2,000	2,000	32.00	30.40	171.02	1.60	1.52	8.55
2,500	2,500	50.00	50.52	270.30	2.00	2.02	10.81
3,000	3,000	68.00	70.75	369.34	2.27	2.36	12.31
3,500	3,500	88.00	95.90	468.61	2.51	2.74	13.39

Married individual with two dependents

1,000	1,000	-	-	-	-	-	-
1,500	1,500	-	-	-	-	-	-
2,000	2,000	-	-	13.46	-	-	.67
2,500	2,500	-	-	46.57	-	-	1.86
3,500	3,500	-	21.54	231.11	-	.62	6.60
4,500	4,500	34.80	58.92	429.42	.77	1.31	9.54
5,000	5,056	56.00	89.22	559.57	1.11	1.76	11.07
10,000	10,204	362.88	595.76	1,654.59	3.56	5.84	16.22
20,000	20,768	1,493.52	2,534.91	4,998.93	7.19	12.21	24.07
30,000	31,746	3,402.40	5,594.37	9,431.99	10.72	17.62	29.71
50,000	53,821	8,621.00	13,005.15	20,018.19	16.02	24.16	37.19
100,000	110,856	31,997.00	37,983.68	50,754.33	28.86	34.26	45.78
300,000	329,308	161,700.00	161,318.01	180,900.08	49.10	48.99	54.93
500,000	572,738	303,568.00	317,428.42	332,483.98	53.00	55.42	58.05
1,000,000	1,129,944	678,436.00	693,618.62	685,331.93	60.04	61.39	60.65
5,000,000	8,605,852	3,788,370.00	5,841,407.65	5,514,061.73	44.02	67.88	64.07

Treasury Department, Division of Research and Statistics

October 12, 1936

1/ Procedure described in accompanying memorandum. Pound converted at \$5.00.
2/ Less than .005.

October 8, 1936

The President said I should explain to Hopkins that if he allocates, for example, \$2,000,000 to Chicago through Ickes and Hopkins is already spending \$10,000,000 in Chicago, he wants Hopkins to spend only \$8,000,000. He wants this plan followed in every community where he allocates money from now on to Ickes and it's up to Bell to see that this is carried out. The President lays great stress on this.

October 9, 1938

HM, Jr. called in Mr. Prentice and Mr. O'Connor. Speaking to Mr. O'Connor, the Secretary said, "While you were away, I got hold of Mr. Prentice. He prepared a report for me on Judge Bleakley. I want to give it back to him. I went into this with the President and Governor Lehman and the question as to whether a Supreme Court Judge can or cannot take a salary is not a clean-cut legal one and after talking it over with Governor Lehman, we have both decided that it is too small and not dignified and that we did not like it and, besides, Governor Lehman says he does not need it. Let's just forget the whole matter."



THE COMPTROLLER OF THE CURRENCY
WASHINGTON

October 15, 1936.

Dear Henry:

This morning Senator Joseph Guffey called me from New York and wanted to know, if he sent a representative to Yonkers, New York, whether he could secure certain information that was being talked about quite generally about a certain party who is indebted to the receivership of the national bank there and his connection with the open bank.

I told the Senator that a similar request had been made to you and you were of the opinion that it would not be proper and that it seemed to us here as if it would be hitting below the belt. Joe took it good-naturedly and I am inclined to believe he was satisfied with the explanation. However, I thought he might call you and I wanted you to know just what conversation took place.

I had a wonderful audience in Philadelphia and also at Mayfield, Pennsylvania, and 52 business men and bankers gave me a dinner in Scranton, which gave me half an hour over the air on the accomplishments under the banking program.

Cordially yours,

A handwritten signature in dark ink, appearing to read "J. F. T. O'Connor".

J. F. T. O'CONNOR
Comptroller

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

October 9, 1936.
9:01 a. m.

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

H.M.Jr: Cochran?

C: Yes.

H.M.Jr: Go ahead. Good morning.

C: I received your two telegrams this morning -

H.M.Jr: Yes.

C: After they were decoded I went over to the Ministry of Finance.

H.M.Jr: Yes.

C: I was received by Auriol and Baumgartner.

H.M.Jr: By whom?

C: I summarized the - the telegrams to them.

H.M.Jr: Yes.

C: Then I went into Baumgartner's room, and let him read the two messages completely.

H.M.Jr: Yes.

C: Then I left with him excerpts therefrom.

H.M.Jr: Yes.

C: That is the complete text of Mr. Chamberlain's communication -

H.M.Jr: Yes.

C: - and the full text of your proposed declaration.

H.M.Jr: Yes.

C: And I explained to them about Monday being a bank holiday -

H.M.Jr: Yes.

- 2 -

- C: - as the reason why you would have to postpone until 4 o'clock that day -
- H.M.Jr: Yes.
- C: - the announcement.
- H.M.Jr: Yes.
- C: Now - now just one question - I notice that you say you trust that the French and British will also make similar statements.
- H.M.Jr: Yes.
- C: Now, I'm - I'm not so sure on that point. Do you want them to make statements indicating that they are willing to give gold?
- H.M.Jr: Pardon me?
- C: - and that they will buy?
- H.M.Jr: You'll have to repeat. I didn't get that. I didn't hear that.
- C: In your telegram, after quoting the statement which you propose -
- H.M.Jr: Yes.
- C: - then you say that, "At the same time that I give it out, I shall make a short and informal explanation, simply and briefly, without going into details as to the arrangements. I trust that the British and French Governments will also on Monday afternoon make similar statements."
- H.M.Jr: Yes.
- C: Now what - what's the idea? You want them to make statements -
- H.M.Jr: That - that - the thought is that they would make a statement in which they would say that they will give up gold to us under similar conditions.
- C: Well, I mean this - this refers to your general statement which says to what countries you will give up gold.

- 3 -

H.M.Jr: Pardon me?

C: I say - this - your statement is quite general.

H.M.Jr: No - well, the statement that will be - let's say we set the time for Monday at 4 o'clock -

C: Yes.

H.M.Jr: - which is 9 o'clock your time.

C: Yes.

H.M.Jr: Then I will say this statement goes into effect Tuesday, and the arrangement is with Great Britain and France, you see?

C: Yes.

H.M.Jr: And my thought is that if 9 o'clock Monday evening, the French and the British will make a statement in which they will say: "We've entered into an agreement with the United States, and on which we will give up gold on a day-to-day basis."

C: I see.

H.M.Jr: I mean whatever technical statement they want to make.

C: I see. Well this - this thing where you say about a similar statement, isn't it - it refers to your general statement there?

H.M.Jr: Well, this is something - I'll be quite frank - that Herbert Feis must have written after he went back. I have not seen it. I haven't got it on my desk.

C: I see.

H.M.Jr: He went back and he said he was going to write something.

C: You see, we didn't - there was no comment on the thing at all except Baumgartner said to me - he said, "Well, do you want us to make a statement as to whom we are willing to give gold and in what circumstances, or do you want us to give to the French press the text of the Secretary's statement - that's your formal statement - and give a little comment thereon?"

- 4 -

H.M.Jr: Well, the answer to all of those things is yes. I would like them to give my statement -

C: Yes.

H.M.Jr: - I'd like them to make a comment on my statement--

C: Yes.

H.M.Jr: - and I'd like them to make a statement of their own.

C: I see - as to their policy on giving up gold?

H.M.Jr: Yes. Now is that perfectly clear?

C: Yes.

H.M.Jr: That's perfectly clear?

C: I mean not just as to giving up gold vis-a-vis you and vis-a-vis the British, but their general policy?

H.M.Jr: Their general policy.

C: General policy?

H.M.Jr: Yes.

C: All right.

H.M.Jr: Now - now just a minute; let me check with the people here. Let - let me repeat.

C: All right.

H.M.Jr: My thought is this: They will give out a copy of my statement that I'm giving out here.

C: Yes.

H.M.Jr: They'll make some comment on it explaining it.

C: Yes.

H.M.Jr: And I take it, they'll give out a statement which will say that they are going to give up gold under similar conditions to Great Britain and United States. (Pause) Hello?

- 5 -

- C: Yes.
- H.M.Jr: That's all.
- C: Nothing further than that as to general policy -
- H.M.Jr: I don't think so. I don't think it's necessary at this time.
- C: Yes - yes, I just wanted to be sure on that.
- H.M.Jr: No - no - no. I don't think anything beyond that. Now, after all, let's say that we do this on Tuesday -
- C: Yes.
- H.M.Jr: - and then on Tuesday, let's say that Switzerland or Holland or Sweden calls us up and says, "We want to get in on this."
- C: Yes.
- H.M.Jr: Then all we've got to say is, "To this list has been added Sweden," and that's all.
- C: Yes - yes.
- H.M.Jr: - or Holland.
- C: Yes.
- H.M.Jr: And then the one statement will go for all. That's the reason we worded it so that we won't have to continually get out additional statements. We'll simply have to announce additional countries have joined it, that's all.
- C: Yes. And you'll - you'll give out this one statement as your statement, of course?
- H.M.Jr: Yes - yes.
- C: Yes.
- H.M.Jr: And then as - as additional countries join us -
- C: Yes.
- H.M.Jr: - in asking for this privilege, we'll simply announce that additional countries - we won't have to get out any more statements.

- 6 -

- C: I see. I see.
- H.M.Jr: Now the one thing that the British worried was, were we going to announce every single morning that we have this arrangement with Great Britain and France. We said, "No."
- C: Yes.
- H.M.Jr: - That in my verbal statement I was - verbal explanation I was going to say, "This statement is good until further notice."
- C: I see.
- H.M.Jr: And if any other countries join us, we'll simply say whatever country, Holland -
- C: Just announce that there was a new addition.
- H.M.Jr: Just announce the new addition; that's all.
- C: I see.
- H.M.Jr: Now be sure we understand one another.
- C: I - I - I've got that point. Have you had the British reply yet to - to the cable which transmitted this statement?
- H.M.Jr: No. I spoke to them and I gave them that and I take it that from now on, I told them that they should - the British and the Bank of England - should talk to the Bank in New York.
- C: Yes.
- H.M.Jr: And that - I told them that I considered this an accomplished fact - that we were in agreement -
- C: Yes.
- H.M.Jr: - and unless there was some point that they wanted to raise, I took it for granted that this would - that they'd do this Monday at 9 o'clock in England.
- C: At 9 o'clock the evening of Monday?
- H.M.Jr: Yes. Now just a minute. Archie Lochhead is making faces at me.
- C: Yes.

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

C: Yes.

H.M.Jr: Cochran, in order - this is so important. Would you mind - Lochhead is a little worried - repeating what your idea is now of what I'd like you to do. Just repeat - I mean what you're going to tell the French, so we're - we're in perfect accord.

C: I'm going to tell the French that you are giving out this statement at 5 - at 4 o'clock on Monday afternoon, -

H.M.Jr: Right.

C: - to become effective the next day. That you ask that they give out a copy of your same statement.

H.M.Jr: Right.

C: - That they make any comment on the statement which they wish to make.

H.M.Jr: Right.

C: - That they also indicate what their policy - what their policy is going to be toward giving gold to the British and the Americans.

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

C: That's all?

H.M.Jr: That's all. We - we have perfect understanding.

C: Just - just one question -

H.M.Jr: Yes.

C: The text of this I find is practically identical with the original text.

H.M.Jr: Yes.

C: Is it?

H.M.Jr: Well, I - I - I'm under such pressure here. If you say it is I'll take your word for it. I haven't checked them.

- 8 -

C: Well, I - I just wanted to be sure that it was all right.

H.M.Jr: Hello?

C: Hello?

H.M.Jr: Oliphant's people have been over it and over it and over it and this is what they say they feel is necessary in order to comply with the law.

C: I see.

H.M.Jr: Now there's certain -

C: Well, I mean I understood yesterday -

H.M.Jr: - there -

C: - that it was a replaced statement.

H.M.Jr: Well, I - I - you can't imagine the pressure I'm under here. It's terrific.

C: I - I understand it thoroughly.

H.M.Jr: And the point is this - the 24-hour business is for home consumption, see?

C: Surely.

H.M.Jr: And - while if you read the British note, they more or less say the same but they say this thing will run along until something goes wrong, you see?

C: Yes.

H.M.Jr: And I'll - I'll more or less indicate that in my verbal interpretation.

C: I see.

H.M.Jr: But - but Mr. Chamberlain certainly puts in all the hedges. He even talks about an hourly business, you know?

C: Yes, on - on the rates.

H.M.Jr: Yes.

C: Yes.

- 9 -

- H.M.Jr: And there is a little criticism here - you know, foreign entangling alliances and all that sort of thing.
- C: Yes; yes.
- HMJr: And - from the Hearst papers - and this 24-hour day takes it, but I can explain that when I talk to them verbally, see?
- C: Yes, surely.
- H.M.Jr: But the thought is that we've made one step - I'll just take time to explain it to you how I feel - I feel it has met with great success, far greater success than I ever hoped for.
- C: The - the first step - yes.
- H.M.Jr: The first step. This is a second step which seems necessary.
- C: Yes.
- H.M.Jr: If it works, it'll - it'll become more or less permanent, you see?
- C: Yes.
- H.M.Jr: Now what the third step is, nobody can tell?
- C: I see.
- H.M.Jr: But we're moving in the right direction - everybody that hasn't got his mind on the election thinks this is a great constructive move, the most constructive economic move in - since England went off gold.
- C: Yes; yes.
- H.M.Jr: And everybody is very happy about it and that it's safe. They - they can't find much fault with it, see?
- C: They what?
- H.M.Jr: They can't find much fault with it. They can't find much fault with it, I say.

C: No, they can't.

H.M.Jr: Now, let me ask you a question.

C: Yes.

H.M.Jr: Did any of that material which I gave you over the telephone - did any of that come in the French papers?

C: That you gave me yesterday?

H.M.Jr: Yes.

C: It was in the British papers. I didn't see it in a single French paper.

H.M.Jr: But in the British papers?

C: Yes; yes.

H.M.Jr: Yes.

C: It came at first with Dow Jones ticker.

H.M.Jr: Yes.

C: You see?

H.M.Jr: Did they handle it all right.

C: It didn't use the exact wording but it was very good.

H.M.Jr: It was all right. Now may - let me ask you something else?

C: Yes.

H.M.Jr: Are you worried over there about Russia's statement on interference in Spain - does that bother you people over there?

C: In the market yesterday, they said.

H.M.Jr: Pardon me?

C: That affected the market here some.

H.M.Jr: Yes, but how is it today?

- 11 -

C: I haven't heard the stock exchange quotations yet.

H.M.Jr: Yes.

C: But the exchange was - well sterling was stronger, of course. The dollar was up .495 to 1.05. You see sterling is stronger.

H.M.Jr: Well, sterling was stronger here, too.

C: Yes - yes. I don't think that's going to be too serious -

H.M.Jr: No.

C: - but it - it has made a little setback in their rentes here and in their stock market.

H.M.Jr: On the other hand, the Chinese-Japanese thing seems to be a little better.

C: Yes.

H.M.Jr: So - well now you're going back to see them, are you?

C: Yes. While I was there, Baumgartner got in touch with Fournier -

H.M.Jr: - Yes.

C: - and has an appointment for 3 o'clock.

H.M.Jr: Fine.

C: It's a quarter past two.

H.M.Jr: Yes.

C: So I'm going to lunch now, and then he's going to call me between four and five.

H.M.Jr: And then - and then as the day goes along you'll call me again?

C: Yes. You'll - you'll be there?

H.M.Jr: Yes.

- 12 -

C: Fine. Well, I'll call you - well, as soon as I get an answer from them which may be near six. That would be one o'clock.

H.M.Jr: Well, don't call me between - try not to call me between one and three.

C: Don't call between one and three?

H.M.Jr: Yes - either call me before one or after three.

C: All right.

H.M.Jr: See?

C: Well, it'll - it'll just depend upon the hour I get the word from them.

H.M.Jr: All right.

C: All right.

H.M.Jr: Thank you.

October 9, 1936
10:08 a.m.

301

H.M.Jr: Hello.

Operator: Mr. Knoke.

Knoke: Good morning, Mr. Secretary.

H.M.Jr: Hello, Knoke. Well, my statement of yesterday didn't do any harm, did it?

K: On the contrary, I think it helped very decidedly.

H.M.Jr: Yes. And I would have hated to see the thing go to 4.87 for the effect it would have -

K: Yes.

H.M.Jr: - about all these - the Rumelys, and the Rands and the Vanderlips, and that whole crowd, you know?

K: Yes. Yes - yes.

H.M.Jr: And - but she seems - what is it? 4.90 - 8.90 - 4.90?

K: No, it's 4.90 - 4.90-1/4 about.

H.M.Jr: That's very nice.

K: 4.90-1/4 with very little business, but probably a little more on the bid side than on the offered side just now.

H.M.Jr: Very nice. Well, how - and you haven't heard yet from abroad, have you on -

K: No. I put in a call for England and I expect to get it in the next few minutes.

H.M.Jr: Are you going to talk to Cariguel today?

K: I will later on - yes.

H.M.Jr: Right. And then would you let Archie know?

K: I shall - yes.

H.M.Jr: But everything seems lovely, doesn't it?

K: Everything seems fine.

H.M.Jr: The Germans have - seem to be having a hard time.

K: Yes, well (laughs) of course I - they'll have to come around ultimately. Just how Schacht will work it out, I don't know. That's a -

H.M.Jr: No.

K: - that's a tough job he has.

H.M.Jr: Yes - very. He's had it all his own way for a long time.

K: Yes, and he - he's the kind of fellow who wanted all his own way, too.

H.M.Jr: Right. Tell me, in talking to the people that you talk to, has anybody made any sarcastic remarks about my statement on the Red Cross investments? Have you picked that up at all?

K: No, I haven't spoken to anybody on that.

H.M.Jr: I mean nobody has mentioned it to you? I mean I'm trying to gather how important - I mean I don't - I mean the New York Tribune and Sun editorially, of course, took a dirty crack at me because I -

K: Yes - that I saw.

H.M.Jr: - and I wondered whether that is getting down to the people who are really dealing in finance.

K: Well I - I must frankly say I've been so much -

H.M.Jr: Yes.

K: - occupied with the - the exchange end that I haven't had a chance to talk to anybody on the outside at all.

H.M.Jr: Good. Well, I'm going to ask - I'm going to ask Burgess. He might -

K: Yes, he's much more in touch with the market.

H.M.Jr: Right. All right, thank you.

K: All right, Mr. Secretary.

H.M.Jr: Hello? 10:15 - 10:15.

OCT 9 1936
AURIOL ON DEVALUATION

P. 40

PARIS-COPYRIGHT U P- IN THE FIRST INTERVIEW HE WAS GRANTED SINCE FRANCE DEVALUED HER CURRENCY FINANCE MINISTER AURIOL SAID THAT HE HOPED -ALL GREAT NATIONS- WOULD SUPPORT A WORLD-WIDE FINANCIAL AND ECONOMIC ORGANIZATION TO AVERT THE THREAT OF WAR

AURIOL HAILED AS THE -BEGINNING OF A NEW ECONOMIC ERA- THE RECENTLY ANNOUNCED MONETARY ACCORD BETWEEN FRANCE THE UNITED STATES AND GREAT BRITAIN- AN INTERNATIONAL FINANCIAL AND ECONOMIC ORGANIZATION AURIOL SUGGESTED WAS THE LOGICAL SEQUEL TO THE ACCORD

-UNTIL NOW WE WERE ENGAGED IN A MONETARY WAR WHICH WAS FORM OF ECONOMIC WAR- AURIOL SAID -EVERY COUNTRY LIVED BEHIND TARIFF BARRIERS AND UNDER A REGIME OF MONETARY DISPARITY

-EVERY NATION OF ANY IMPORTANCE ISOLATED ITSELF AND PROTECTED ITSELF AGAINST THE ECONOMIC ACTIVITY OF OTHER COUNTRIES AND THUS EVEN COUNTRIES WHICH DECLARED THEY WERE NOT IN REALITY WERE UNDER A REGIME OF ECONOMIC AUTOCRACY

-BY ADJUSTING OUR CURRENCY ON THE BASIS OF WORLD PRICES WE LEVELLED THE GROUND OVER WHICH MERCHANDISE CAN PASS FREELY FROM COUNTRY TO COUNTRY

-THE ATTITUDE OF OTHER NATIONS PARTICULARLY THAT OF ITALY SHOWS THE CONSIDERABLE IMPORTANCE OF THE EVENT WHICH -NEVILLE- CHAMBERLAIN AND SECY MORGENTHAU WERE ABLE TO DESCRIBE AS A CAPIT -AL POINT IN THE HISTORY OF OUR PEOPLES-

TURNING TO THE TASK OF THE IMMEDIATE FUTURE AURIOL SAID

-NOW WE MUST ENLARGE AND CONSOLIDATE THIS VAST ENTERPRISE AND WE DO NOT INTEND TO HALT ON THE ROAD- PREMIER MUSSOLINI WAS RIGHT WHEN HE SAID WE MUST GO FROM THE TEMPORARY TO THE DUR- ABLE- WE MUST COMPLETE THIS COMMON EFFORT AND LEAD PROGRESSIVELY TO A EUROPEAN AND WORLDWIDE FINANCIAL AND ECONOMIC ORGANIZATION

-IT GOES WITHOUT SAYING THAT NOBODY WILL BE EXCLUDED FROM THIS EFFORT AT COOPERATION AND IT IS TO BE HOPED THAT ALL GREAT NATIONS WILL GIVE IT THEIR SUPPORT

-BUT IT WAS NECESSARY TO HAVE A BEGINNING AND THAT IS WHY I REJOICE THAT OUR THREE GREAT POWERS HAVE SET AN EXAMPLE-

IN RESPONSE TO QUESTIONS THE FINANCE MINIS- TER SAID HE WAS CERTAIN OF BALANCING THE BUDGET IN FRANCE BUT POINTED OUT THAT OTHER BUDGETS -NOTABLY THOSE OF THE UNITED STATES AND BELGIUM- WERE NOT BALANCED

-I MUST SAY THAT A BALANCED BUDGET IS IMPORTANT NOT FOR THE IDEAS BUILT UP AROUND IT BUT FOR THE CONSEQUENCES- IF TOO PRESSING

DEMANDS ARE MADE ON THE CAPITAL MARKET TO MEET THE DEFICITS WE AGAIN WILL ARRIVE AT INCREASING INTEREST RATES AND HAMPER PRIVATE INDUSTRY

-BUT THE BUDGET DEFICIT CAN AND SHOULD BE FILLED BY THE RESUMPTION OF ECONOMIC ACTIVITY- IT IS IN THIS DIRECTION THAT WE WILL BEND OUR EFFORTS- THE EXPERIMENT OF DEFLATION PROVED IT WAS TOO SENSELESS TO TRY- I AM CERTAIN I SHALL BRING A BALANCED BUDGET-

AURIOL SAID HE FELT CERTAIN THAT -FROM AN INTERNAL VIEWPOINT THE MONETARY ADJUSTMENT WILL LEAD TO RECOVERY OF OUR FOREIGN TRADE AND FRENCH TOURISM-

-MANY STUPID THINGS HAVE BEEN SAID ABOUT DEVALUATION- HE ADDED -NOTABLY THAT WE WERE GOING TO RUIN THE COUNTRY- BUT THE EXAMPLE OF OTHER NATIONS PROVES THE CONTRARY-

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WCNS11

PARIS.--FINANCE MINISTER AURIOL TOLD THE UNITED PRESS TODAY THAT HE HOPED "ALL GREAT NATIONS" WOULD SUPPORT A WORLD-WIDE FINANCIAL AND ECONOMIC ORGANIZATION TO AVERT THE THREAT OF WAR.

AURIOL WHO ISSUED THE DECREES WHICH TOOK FRANCE OFF GOLD, HAILED AS THE "BEGINNING OF A NEW ECONOMIC ERA" THE RECENTLY ANNOUNCED MONETARY ACCORD BETWEEN FRANCE, THE U.S. AND GREAT BRITAIN. AN INTERNATIONAL FINANCIAL AND ECONOMIC ORGANIZATION, AURIOL SUGGESTED, WAS THE LOGICAL SEQUEL TO THE ACCORD.

"UNTIL NOW, WE WERE ENGAGED IN A MONETARY WAR WHICH WAS A FORM OF ECONOMIC WAR," AURIOL SAID. "EVERY COUNTRY LIVED BEHIND TARIFF BARRIERS AND UNDER A REGIME OF MONETARY DISPARITY.

"BY ADJUSTING OUR CURRENCY ON THE BASIS OF WORLD PRICES, WE LEVELED THE GROUND OVER WHICH MERCHANDISE CAN PASS FREELY FROM COUNTRY TO COUNTRY.

"THE ATTITUDE OF OTHER NATIONS, PARTICULARLY THAT OF ITALY, SHOWS THE CONSIDERABLE IMPORTANCE OF THE EVENT WHICH (NEVILLE) CHAMBERLAIN AND SECRETARY MORGENTHAU WERE ABLE TO DESCRIBE AS A CAPITAL POINT IN THE HISTORY OF OUR PEOPLES."

PREMIER MUSSOLINI WAS RIGHT WHEN HE SAID WE MUST GO FROM THE TEMPORARY TO THE DURABLE. WE MUST COMPLETE THIS COMMON EFFORT AND LEAD PROGRESSIVELY TO A EUROPEAN AND WORLD-WIDE FINANCIAL AND ECONOMIC ORGANIZATION.

"IT GOES WITHOUT SAYING THAT NOBODY WILL BE EXCLUDED FROM THIS EFFORT AT COOPERATION, AND IT IS TO BE HOPEED THAT ALL GREAT NATIONS WILL GIVE IT THEIR SUPPORT.

IN RESPONSE TO QUESTIONS, THE FINANCE MINISTER SAID HE WAS CERTAIN OF BALANCING THE BUDGET IN FRANCE, BUT POINTED OUT THAT OTHER BUDGETS --NOTABLY THOSE OF THE UNITED STATES AND BELGIUM--WERE NOT BALANCED.

10/9--R908A

WCNS60

League Econ Survey

GENEVA.--AMERICAN BUSINESS HAS ADVANCED TO THE POINT "WHERE SIGNS OF RECOVERY ARE UNMISTAKABLE," THE LEAGUE OF NATIONS'S WORLD ECONOMIC SURVEY REPORT SAID TODAY.

AFTER CITING THE SET-BACKS IN PRESIDENT ROOSEVELT'S RECOVERY PROGRAM RESULTING FROM SUPREME COURT DECISIONS, THE SURVEY SAID:

"MARKETS WERE A LITTLE PERTURBED BY THESE JUDICIAL CHANGES. STEADY INCREASE IN ECONOMIC ACTIVITY, DESPITE THEM AND DESPITE THE APPROACHING ELECTION SUGGESTS ECONOMIC AS DISTINCT FROM POLITICAL INFLUENCES ARE GAINING THE ASCENDENCY."

THE REPORT SAID MAINTENANCE OF THE DOLLAR SINCE 1934 AT A CONSTANT LEVEL ON WORLD EXCHANGE AND THE GOVERNMENT'S WORK RELIEF PROGRAM WERE IMPORTANT FACTORS IN RECOVERY.

10/1--R1055A

WCNS44

ADD MONETARY AGREEMENT

SCORES OF COMMUNICATIONS FROM AMERICAN BUSINESS MEN AND PERSONS LINKED CLOSELY WITH FOREIGN TRADE HAVE POURED INTO THE TREASURY EXPRESSING SATISFACTION OVER THE AGREEMENT, IT WAS SAID.

RECENT MONETARY ACTIONS IN FRANCE, HOLLAND, BELGIUM, ITALY AND SWITZERLAND WERE VIEWED AS TENDING TO PUT THESE CURRENCIES ON A NORMAL LEVEL PREPARATORY TO STABILIZATION.

TREASURY OFFICIALS WERE NOT ALARMED OVER THE DROP IN THE PRICE OF THE POUND. IT CLOSED YESTERDAY AT \$4.88, THREE POINTS BELOW THE FIGURE WHEN THE TREASURY STEPPED IN WITH THE STABILIZATION FUND SEPT. 26 THE DAY AFTER THE TRI-NATION AGREEMENT, AND PURCHASED 1,000,000 POUNDS IN THE NEW YORK MARKET OFFERED BY THE STATE BANK OF RUSSIA AT WHAT SECRETARY MORGENTHAU TERMED A "DISTRESS" PRICE.

TREASURY OFFICIALS SAID THERE HAD BEEN NO ABNORMAL TRANSACTIONS INVOLVING THE STABILIZATION FUND, THE LARGEST BEING 75,000 POUNDS, WHICH REPRESENTED A COMBINATION OF ORDERS.

OFFICIALS EXPRESSED A PRIVATE BELIEF THAT THE LOWERING OF THE REDISCOUNT RATE BY THE BANK OF FRANCE FROM THREE TO TWO AND ONE-HALF PER CENT WAS A FAVORABLE SIGN IN THE INTERNATIONAL PICTURE.

ADMINISTRATION OFFICIALS TOOK THE POSITION THAT A LONG-RANGE STABILIZATION AND TRADE IMPROVEMENT PROGRAM WAS COMING RAPIDLY TO A HEAD AS A RESULT OF THE AGREEMENT.

10/8--R1134A

WCNS39

ADMINISTRATION OFFICIALS SAID TODAY THE U.S. AND GREAT BRITAIN WERE COOPERATING ACCORDING TO PLAN IN THE TRI-PARTY MONETARY ACCORD AND THAT THERE WAS NO THREAT OF A SPLIT OVER THE EXCHANGE RATIO OF THE POUND AND DOLLAR.

10/8--R1123A

WCNS42

ADD MONETARY AGREEMENT

K

THE OFFICIALS SAID THEY WERE PLEASED WITH THE WORKING OF THE ACCORD THUS FAR AND BELIEVED IT WAS BRINGING ABOUT RAPID READJUSTMENT OF WORED CURRENCIES TO PROPER LEVELS WITH A MINIMUM OF TRADE DISTURBANCES.

THEY INTIMATED THAT A CERTAIN AMOUNT OF MANEUVERING FOR POSITION AMONG INTERNATIONAL CURRENCIES WAS TO BE EXPECTED BEFORE EXCHANGE LEVELS SHAKE DOWN TO STABILIZED RATIOS.

IT WAS INDICATED THAT SUCH DEVELOPMENTS HAD BEEN ANTICIPATED AND THAT GREAT BRITAIN, FRANCE AND THE U.S. WERE COOPERATING CAREFULLY TO GUARD AGAINST SUDDEN EXCHANGE DISTURBANCES AS A RESULT OF SUCH JOCKEYING.

10/8--R1128A

11.00 am

OCT 8 1936

NO U S BRITISH MONETARY COMPETITION

WASHN- 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 INTER-
NATIONAL 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

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ADD NO U S BRITISH MONETARY COMPETITION

WASHN - TREMENDOUS CHANGES IN MONETARY VALUATIONS AND INTERNATIONAL TRADE CONDITIONS ARE STILL TAKING PLACE BUT THE ADMINISTRATION FEELS THAT THE OBJECTIVES FOR WHICH IT HAS BEEN WORKING IN THE MONETARY FIELD ARE BEING SATISFACTORY ACHIEVED

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12.11

Diary

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ADD NO U S BRITISH MONETARY COMPETITION

WASHN - NO ARTIFICIAL ATTEMPT TO MOVE THE DOLLAR-POUND-FRANC RELATIONSHIPS HAS BEEN MADE SINCE THE SALE BY RUSSIA OF 1 000 000 POUNDS STERLING ON SEPT 26 IT WAS LEARNED - THE LARGEST TRANSACTION SINCE THAT DATE IN NEW YORK AGGREGATED ONLY 75 000 POUNDS ACCORDING TO STATEMENTS MADE HERE

OFFICIAL CIRCLES INTERPRETED THE LOWERING OF THE FRENCH DISCOUNT RATE TODAY AS A SIGN OF INCREASED CONFIDENCE AND WELL BEING WITHIN FRANCE

-0-

FEDERAL RESERVE BANK
OF NEW YORK

313

OFFICE CORRESPONDENCE

DATE October 9, 1936.

TO CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION

FROM L. W. Knoks

WITH BANK OF ENGLAND.

I called Mr. Bolton at 10:18 today. Sterling was on the bid side in London, he said, and he wondered whether there was not an oversold position in New York. I replied that I did not know; but if there were, it could not be very substantial because the market's whole exchange position was not important. Bolton exhibited some interest in the sterling market for forward delivery. There appears to be considerable buying for European and British account of sterling for one and three months delivery against simultaneous sale for spot delivery, with the result that the discount on future sterling has narrowed quite a little.

I inquired whether there were any new developments with regard to the arrangement now under contemplation. Bolton replied that they had seen a copy of the Secretary's message to Mr. Chamberlain and that it looked as though they would get an answer off tonight. I stated that in this connection I wanted to discuss the following point with him and be sure there was no misunderstanding:

Assuming, I said, that everything was set for Tuesday, and we bought sterling on that day and decided to convert this sterling into gold at the price quoted them, we would have to cable the same night, giving the amount purchased and making the request for conversion. Bolton agreed. That being so, I continued, I assumed that they also would cable us on Tuesday night and, for that matter of course, daily, whenever operations were consummated, giving us the dollar amount and asking us to convert into gold. If, for reasons of their own, they did not elect to request conversion into gold the same

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 9, 1936.

TO CONFIDENTIAL FILES

SUBJECT: **TELEPHONE CONVERSATION WITH**

FROM **L. W. Knoke**

BANK OF ENGLAND.

- 2 -

day, it was my understanding that subsequent conversion would be a matter of negotiation. Otherwise, we would be at a disadvantage because we had to convert daily in order to be able to use the rate quoted us on that day. Bolton repeated that he agreed entirely.

As regards the balance which they had with us, and for that matter that which we had with them, it was my understanding that a settlement of this would not be automatic but rather a matter of negotiation. Therefore, pending a decision as to what we would both wish to do with these balances, I suggested that they be set aside for the time being and that if Tuesday were the first day under the new arrangement, we would convert on that day only what had been done on Tuesday but not previous transactions.

LWK:KMC

DATE October 9, 1936

OFFICE CORRESPONDENCE

TO CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION

FROM L. W. Knoke

WITH BANK OF FRANCE.

I called Mr. Cariguel at 10:40 today. Things were moving very satisfactorily, he said. With regard to the arrangement now under contemplation, Cariguel seemed a little uneasy lest, in case of cancellation, he find himself in a position where he could no longer convert into gold dollars purchased by him in the Paris market for regular delivery, that is, two days. I replied that he should not worry on that score because it was certainly my understanding that abrogation of the arrangement would be without prejudice to past transactions.

I then went at great length into the question of converting daily into gold the foreign currency bought by each of us. Assuming, I explained, that the arrangement becomes effective on Tuesday and that on Tuesday he buys dollars, he would, as I understood it, cable us the amount the same night and request that these dollars be converted into gold; such conversion would then be automatic. If, however, for reasons of his own he decided not to request conversion the same day, subsequent conversion of such dollars would no longer be automatic but a matter of negotiation. In other words, if he decided to accumulate balances in New York, the subsequent conversion of them would be subject to negotiation.

I explained that we took it that he would operate on this basis because in cases where we bought francs in New York we would naturally have to advise Paris the same night and request conversion in order to be sure that the gold rate quoted us that morning would apply. Cariguel very clearly replied his understanding that, "The arrangement, in order to be valid has to be operated daily."

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE: October 9, 1936TO: CONFIDENTIAL FILESSUBJECT: TELEPHONE CONVERSATIONFROM: L. W. KnokeWITH BANK OF FRANCE.

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He then referred to the balances which he had accumulated since the French fund began to work [which now amounted to ~~the~~ \$18,000,000] and which might increase in volume because, after having purchased in London gold to the extent of \$20,000,000, he was not able to get any more there since the Swiss National Bank was also a buyer. I replied that since conversion into gold would be automatic only for new transactions from the day the arrangement became effective, conversion of his old balance into gold would have to be a matter of negotiation. I suggested that, as soon as the arrangement was in force, he advise us by cable what he wanted to do with his balance and, if he requested conversion into gold, his request would be given prompt consideration.

I then made reference to his daily orders to sell francs and asked that he tell us definitely whether the rate quoted by him was to be net to him or whether brokerage and commission in this market were to be for his account. Cariguel replied that the rate he cabled us was always meant to be net to him.

U

GRAY

Praha

Dated October 9, 1936

Rec'd 11:20 a.m.

Secretary of State

Washington

52, October 9, 2 p.m.

My telegram No. 51, October 8, 5 p.m.

Bill as amended by House passed Senate today effective
10th instant.

WRIGHT

KLP:RR

Bill providing for devaluation.

October 9, 1936
11:01 a.m.

H.M.Jr: Hello?

Operator: Mr. Hogate.

H.M.Jr: Hello?

Hogate: Hello, Mr. Secretary.

H.M.Jr: How are you?

H: Fine - thank you. And you?

H.M.Jr: Oh, I'm in a good humor but kind of as though they've put me through the wringer.

H: I'll bet you are. You've had a pretty tough two weeks of it, haven't you?

H.M.Jr: It's been almost unbelievable.

H: Well I can - I can believe it.

H.M.Jr: It's about -

H: I think you've done a fine job.

H.M.Jr: Thank you. It's about all one person can handle.

H: A little more so, I should say (laughs).

H.M.Jr: I agree with you. I just wanted to kind of gossip with you for a minute or so -

H: Yes.

H.M.Jr: - as a friend. I discussed at my press conference on Monday this so-called Red Cross letter.

H: Yes.

H.M.Jr: And your people carried on the front page, a perfectly straightforward story, and I was entirely satisfied, and so did the Tribune, see?

H: Yes.

H.M.Jr: Since then the Tribune and the Sun have taken a crack at me editorially, and I - my own feeling and inclination is to let her ride- forget about it.

- 2 -

H: Yes.

H.M.Jr: I wondered if you thought I was right or whether it - it should be handled again.

H: Well, a strange thing - my wife and I were talking about that last night. She's seen - I haven't seen the Tribune editorial. It seems that the Tribune did have an editorial.

H.M.Jr: Yes, they had one, and the Sun had one practically the same. I don't know - they're working it in so now it's a Communistic state. I don't know how they get that.

H: (Laughs)

H.M.Jr: But they brought that in.

H: And - my preliminary disposition has been the same as yours - not to say anything about it, -

H.M.Jr: Yes.

H: - but Ann was asking me about it, and I gave the same explanation which you had given, which we published, -

H.M.Jr: Yes.

H: - which cleared it up entirely in her mind.

H.M.Jr: Yes.

H: I don't know though really what you can do about it.

H.M.Jr: No.

H: Ah -

H.M.Jr: Well, the point is this - some of the people called up -

H: I beg your pardon?

H.M.Jr: There's some people - I just want to know, is it really making any difference to the people who are not over-political or over-partisan - I mean - I think - I mean the man who has his money to invest and running trust funds, etc., is it making any - do they understand what I've done?

- 3 -

- H: Oh, I think so entirely. I've - I - I have been - yesterday I had lunch with a group of bankers, and the matter didn't come up at all. I mean, I think if they were concerned about it, they would have said something about it.
- H.M.Jr: Yes. Well, the way I'd like to leave it, if you think it should be handled again, I'd greatly appreciate if you'd call me.
- H: I'll be happy to do it, and as a matter of fact I'll kind of just touch upon the subject -
- H.M.Jr: Yes.
- H: - with a few people and see if I can get any rise from them.
- H.M.Jr: I - yes - my own inclination was I gave the explanation; the men who write straight through stories handled it absolutely nicely, and I can't control the editorial writers.
- H: You - you cannot, and you'd be making almost a mistake, I think, to try it.
- H.M.Jr: Well I - I - I think so. I mean the whole thing is - I mean - I - I mean it is the most unusual thing. I mean the letter was written back in May; it's been there all this time; and, of course, I knew who dug it out and I know who gave it out, -
- H: Yes.
- H.M.Jr: And I was never so shocked in my life to think that a man of his standing would go as far as he did.
- H: Well I - I think it was pretty ridiculous. You are abiding by - by what? The by-laws of the Red Cross - you're a member of that Committee, aren't you?
- H.M.Jr: That's the point. And, if - I mean, and if the Secretary of the Treasury is a member, that organization then becomes a quasi-public institution.
- H: That's right.
- H.M.Jr: And as a quasi-public institution, I can't recommend that they put anything of their money into anything except Governments, and there was no inference at any time on my part did I say that they can't buy commercial securities.

- 4 -

- H: Yes.
- H.M.Jr: And that's what they're trying to make, and your people have got it.
- H: I thought our - I thought our explanation was perfectly clear.
- H.M.Jr: It was 100% satisfactory to me, and, as a matter of fact, when people have called me up, I said, 'Please get the Wall Street Journal and read the front page story in the Wall Street Journal which is the best explanation that I can give.' That's what I've told everybody.
- H: Well I'm - I'm happy that you're - that you're able to do that.
- H.M.Jr: Well, you write a straight through story.
- H: Well, any time we don't I want you to tell me about it.
- H.M.Jr: Don't worry - I will.
- H: (Laughs)
- H.M.Jr: And - but -
- H: By the way I understand that we had a little sub rosa help from you on a very nice story yesterday morning on the pound situation, -
- H.M.Jr: Well -
- H: - and it was a very nice story.
- H.M.Jr: Yes. And you've - yes. Well, you ran it all right.
- H: Well, -
- H.M.Jr: You didn't get it from me but you got it, I think, from Taylor.
- H: Beg your pardon?
- H.M.Jr: I think they got it from Taylor, didn't they? Or Gaston?
- H: Yes, well I - I didn't know. I knew it came from the Treasury and that you knew something about it.

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H.M.Jr: Yes, that's right, and it meant -

H: I - I thought it made a good story and -

H.M.Jr: - and then I followed it up and you people carried it on the ticker, and I thought it was good enough. I read it over the long distance overseas telephone - the Dow Jones ticker.

H: Yes, good (Laughs).

H.M.Jr: Well, but it isn't you know - now this thing -

H: Well, I'll be glad to check into that, Mr. Secretary, and see -

H.M.Jr: Yes.

H: - but my present disposition is to believe that it hasn't caused any - any furore outside of definitely partisan circles.

H.M.Jr: Well, if I don't hear from you, I'll take it that's the way it is.

H: All right and I'll - I'll make some inquiries.

H.M.Jr: Thank you very much.

H: All right - thank you. Goodbye.

October 9, 1936
12:30 p.m.

H.M.Jr: Hello.

Knoke: Yes, Mr. Secretary.

H.M.Jr: Knoke?

K: Yes.

H.M.Jr: What's the matter with you fellows? Can't you give me a little excitement up there?

K: No; the market refuses to be excited.

H.M.Jr: Yes.

K: Very quiet and I should say Thank Heaven (laughs).

H.M.Jr: Me too. Everything appears to be behaving beautifully, don't they?

K: I think so, yes.

H.M.Jr: Yes. And I gather from your conversations abroad that the Bank of England and the Bank of France are satisfied.

K: Yes, I think there's a perfect clear understanding as to what the arrangement is - is driving at. The Bank of England - they told me they thought a cable would go out to the Treasury - from the Treasury to the Treasury tonight -

H.M.Jr: Yes. I hear they think we've got a few extra lawyers down here.

K: Well they certainly do (laughs).

H.M.Jr: (Laughs).

K: But no - no - not only in Washington - they think there are too many lawyers in this country (laughs).

H.M.Jr: Well, I'd love to write that.

K: (Laughs).

H.M.Jr: Yes. I'll have to write that.

K: Yes.

H.M.Jr: But the thing looks all right?

K: Very quiet and I think it looks all right to me.

H.M.Jr: And did they raise any question as to our - to the time we picked?

K: No. No, as a matter of fact, I think we can do it none too soon for the French.

H.M.Jr: No, but I think Monday at 4 o'clock is all right, don't you?

K: Oh, I think it's - it's the best time. It's better than Saturday afternoon, I think.

H.M.Jr: A better time?

K: It's better than Saturday afternoon.

H.M.Jr: Yes, I think so.

K: Yes.

H.M.Jr: And when we get this thing, I'm not going to stand on the letter of the law. I mean if the French have got some gold they've accumulated, I'm going to be very generous with them.

K: Well, I think that would be a -

H.M.Jr: I may charge them a half of one per cent instead of a quarter but otherwise it's all right.

K: No, you won't.

H.M.Jr: (Laughs).

K: (Laughs).

H.M.Jr: All right.

K: All right, sir.

H.M.Jr: All right.

K: Goodbye.

H.M.Jr: Goodbye.

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H.M.Jr: 11:33. Let me just put on the record - what is the correct time? You answer me.

Operator: I have 12:33.

H.M.Jr: What time is it?

Operator: It is now 12:33.

H.M.Jr: O.K.

Operator: All right.

H.M.Jr: Thank you.

October 9, 1936
4:13 p.m.

H.M.Jr: Hello? Hello?

Cochran: Hello.

H.M.Jr: Hello?

C: Hello, Mr. Morgenthau?

H.M.Jr: Yes.

C: Can you hear me?

H.M.Jr: Yes.

C: After I talked with you, I got in touch with Baumgartner -

H.M.Jr: Yes.

C: - who was with Fournier at the Bank of France, and talked over this matter.

H.M.Jr: Yes.

C: I gave them your present explanation in regard to the declaration.

H.M.Jr: Yes.

C: - and then they talked with London -

H.M.Jr: Yes.

C: - and all three of them - that's Fournier and Baumgartner and the Minister himself -

H.M.Jr: Yes.

C: - have been a little uneasy over that 24-hour business.

H.M.Jr: What's that?

C: I say they have been a little uneasy over the reference to 24 hours.

H.M.Jr: Yes.

C: But I've convinced them that was the best part of the whole thing.

- 2 -

H.M.Jr: You convinced them what?

C: That - that's a joke.

H.M.Jr: Oh.

C: They - they accept it all right. They talked to London, and the London people gave them the text of the declaration which they are going to release.

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

C: I say the Bank of England -

H.M.Jr: Yes.

C: - gave to the Bank of France when the Bank of France telephoned them -

H.M.Jr: Yes.

C: - gave the text of the communique which they, the Bank of England, are going to give out on Monday night.

H.M.Jr: I see.

C: And I have that text now.

H.M.Jr: You have?

C: And the French have agreed to give out an identical text.

H.M.Jr: Oh, well we haven't received it yet.

C: May I read it to you - it's very short?

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

C: Hello?

H.M.Jr: Yes.

C: They - they would give out your declaration, the British -

H.M.Jr: Yes.

C: - and the French will translate your declaration - they're working on it now -

H.M.Jr: Yes.

- 3 -

C: - and will show me the translation in the morning.

H.M.Jr: Yes.

C: And they're making a translation of the British communique, -

H.M.Jr: Yes.

C: - which they will use just changing a few words.

H.M.Jr: Yes.

C: France for Great Britain.

H.M.Jr: Yes.

C: This is the British statement which will accompany the issuance of your statement.

H.M.Jr: Yes.

C: It says: 'Arrangements for technical cooperation with the monetary authorities in the United States of America -

H.M.Jr: Yes.

C: - 'have now been completed.

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

C: - 'have now been completed - have now been completed, -

H.M.Jr: Yes.

C: - 'and the new regulations have been published by the Secretary of the United States Treasury, -

H.M.Jr: Yes.

C: - 'which will enable gold to be obtained in the United States of America -

H.M.Jr: Yes.

C: - 'in exchange for dollars by any country which gives reciprocal facilities to the United States of America.

H.M.Jr: Yes.

- C: 'His - paragraph -
- H.M.Jr: Yes.
- C: 'His Majesty's Government have arranged for such facilities to be afforded in London to the United States authorities.
- H.M.Jr: Yes.
- C: Paragraph. 'This day-to-day working arrangement should greatly facilitate the technical operation of the exchange control.
- H.M.Jr: Yes.
- C: - 'Similar arrangement - arrangements have been made with the Bank of France, so as to provide for effective cooperation between the three centers.'
- H.M.Jr: Yes.
- C: That's it.
- H.M.Jr: Well, you better repeat it again. Then we'll surely have it. Just repeat it once more.
- C: There's - there's three short paragraphs.
- H.M.Jr: Yes.
- C: 'Arrangements for technical cooperation with the monetary authorities in the United States of America have now been completed, and the new regulations -
- H.M.Jr: And the what?
- C: - 'and the new -
- H.M.Jr: Yes.
- C: - 'regulations -
- H.M.Jr: Yes.
- C: - 'have been published by the Secretary of the United States Treasury, which will enable gold to be obtained in the United States of America

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in exchange for dollars by any country which gives reciprocal facilities to the United States of America.

H.M.Jr: Yes.

C: Paragraph.

H.M.Jr: Yes.

C: 'His Majesty's Government has arranged for such facilities to be afforded in London to the United States authorities. -

H.M.Jr: Yes.

C: Paragraph. 'This day-to-day working arrangement should greatly facilitate the technical operation of the exchange control. -

H.M.Jr: Yes.

C: - 'Similar arrangements have been made with the Bank of France so as to provide for effective cooperation between the three centers.'

H.M.Jr: Yes. Well, I think that sounds all right to me.

C: It looks awfully good - yes.

H.M.Jr: Doesn't it?

C: And I mean, I said, 'Well, that finishes it then.'

H.M.Jr: Yes.

C: He said, 'Well, Fournier just had one question about 48 hours instead of 24 on certain arrangements with the Federal Reserve Bank.' I mean a little technical point, and he was in touch with the Federal this afternoon.

H.M.Jr: Yes.

C: (Squealing Noise)

H.M.Jr: What's that?

C: On the arrangements - there was no question about - that your arrangements such as you have with the British.

H.M.Jr: Yes.

C: I mean that technical arrangement seemed to - to please Fournier.

H.M.Jr: Well, Lochhead said that's being taken care of, that he talked to the Federal this afternoon.

C: That's it. He talked while - while Baumgartner was there

H.M.Jr: Yes.

C: And Baumgartner said he understood it had been arranged.

H.M.Jr: Archie says, 'Yes'.

C: Yes - good. I didn't talk with Fournier after he talked with New York.

H.M.Jr: Archie says, 'Yes, it's all right.'

C: Fine.

H.M.Jr: Now wait a minute. Of course, I take it that the British will have a cable in tonight or tomorrow and then I'll get it, you see?

C: Oh, we -

H.M.Jr: Hello? Hello? (Pause)

C: Hello?

H.M.Jr: Cochran?

C: Yes.

H.M.Jr: I imagine that the British will walk in here tonight or tomorrow morning with their cable.

C: Will what?

H.M.Jr: They'll most likely get a cable on this thing tonight or tomorrow morning - the British Embassy here.

C: Yes.

H.M.Jr: And as soon as I get it, we'll send you - we'll either phone you or send you a cable, see?

C: You - you will what?

H.M.Jr: We'll telephone you as soon as we hear from the British Embassy here in Washington.

C: All right.

H.M.Jr: But I would say that this thing is all through, but we have to hear officially from the British here, which we haven't.

C: I see. Of course, there might be a word different here because they got it by telephone -

H.M.Jr: That's that.

C: - from London, you see.

H.M.Jr: I understand, and then our lawyers haven't looked at it either, but I guess it's all right.

C: Yes - yes.

H.M.Jr: Now I think that sounds fine, don't you?

C: I - I don't see anything else to do. It looks pretty complete.

H.M.Jr: Now all you've got to do is write up your notes on what's happened.

C: (Laughs) All right.

H.M.Jr: Have you done that?

C: I started on it; I haven't finished it.

H.M.Jr: Well remember now you can't go to Basle until you finish that.

C: Oh - oh - you might make me miss my train.

H.M.Jr: (Laughs). Well, don't forget it.

C: I'm going down there.

H.M.Jr: What?

C: Is it all right to go to Basle tomorrow night?

H.M.Jr: Yes.

C: All right.

- 8 -

H.M.Jr: Why don't you - yes - this thing will be - well you wait until you - the minute I hear from the British I'll telephone you.

C: All right.

H.M.Jr: But I don't want you to go until we hear from the British but the minute I hear it's O.K.

C: I see.

H.M.Jr: See?

C: Now that would be after noon, wouldn't it?

H.M.Jr: Well it would be - ah - they might phone tonight and if we - if they phone tonight why we'll send you a cable.

C: All right.

H.M.Jr: They might phone this to Taylor tonight.

C: I see.

H.M.Jr: See?

C: So then if everything is clear in the cable it would be all right for me to go down there.

H.M.Jr: Yes. When does your train leave?

C: It leaves tomorrow night at 10 o'clock.

H.M.Jr: Oh, yes.

C: The only thing is I'd buy my ticket before noon tomorrow.

H.M.Jr: Well, I think it's a pretty good gamble.

C: All right.

H.M.Jr: Yes.

C: Well I'll - I'll be available here up until 9 o'clock tomorrow night.

H.M.Jr: Well, the minute we hear we'll either phone or cable you - the minute.

- 9 -

C: Well I'll be in the house all night tonight. I'm staying home now.

H.M.Jr: You'll be home tonight?

C: You can get me tomorrow here, too.

H.M.Jr: Well are they pleased - are the French pleased?

C: I told you the only point is just about that 24 hours.

H.M.Jr: Yes. Now let me ask you - they know what time I'm going to release it here, don't they?

C: Yes, at 4 o'clock your time - 9 o'clock here.

H.M.Jr: That's right.

C: 9 o'clock Monday night.

H.M.Jr: Fine - well -

C: And they're giving me their translation tomorrow.

H.M.Jr: Fine.

C: And then if the British text is any different from this text I'll notify the French at once.

H.M.Jr: Fine. Well, I think you handled this again very well.

C: Oh - surely.

H.M.Jr: I'm very much pleased.

C: I'm going to Basle and if you ever wanted me there you could get me at Hotel Schweitzerhoff.

H.M.Jr: Schweitzerhoff?

C: Schweitzerhoff.

H.M.Jr: Schweitzerhoff?

C: That's it.

H.M.Jr: Schweitzer or Kaiser?

C: Schweitzer.

H.M.Jr: Schweitzerhoff. All right.

- 10 -

C: Schweitzerhoff.

H.M.Jr: If I want to - Schweitzerhoff - If I want you I'll just call up Dr. Schacht and then I'll get you.

C: That's right.

H.M.Jr: (Hearty laughter)

C: (Hearty laughter)

By the way he sent an emissary here the last few days.

H.M.Jr: Yes.

C: And the people here tell me - or told me tonight that he's being fired.

H.M.Jr: What?

C: Fired, because his chief said, 'Look here - you're supposed to keep up on all these international shinanigans and this is one you didn't know about.'

H.M.Jr: Well, there's a man that writes for the New York Times from London by the name of Augur - A-u-g-u-r.

C: Yes - yes.

H.M.Jr: Well I don't know whether they carry his stuff in Europe but he wrote a very surprising article about - that Mr. Hitler was very much annoyed with Dr. Schacht because he didn't keep him informed.

C: Yes - yes.

H.M.Jr: And that's the same idea, isn't it?

C: No. They sent a man here who tells the French Treasury that.

H.M.Jr: They did?

C: Yes.

H.M.Jr: I see.

C: They - they just told me tonight when I was over there at 7 o'clock.

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

- 11 -

C: Well I'll see them all down there if I go and get what reaction they offer to -

H.M.Jr: Fine.

C: - things that are taking place.

H.M.Jr: You know Monday - all the banks are closed here Monday.

C: Yes - yes. Columbus Day.

H.M.Jr: All right.

C: All right. I'll - I'll defer these plans until I get your clearance on this British.

H.M.Jr: But I'm very much pleased.

C: All right. I'm glad it's gone this way.

H.M.Jr: Thank you.

C: All right - good night.

October 9, 1936
4:32 p.m.

337

Herbert
Feis:

Hello, Henry.

H.M.Jr:

Herbert, Cochran just called me from Paris -

F:

Right.

H.M.Jr:

- and he said that the French have been in touch with the British, the British read their communique to them which they are sending to us, and the French are going to copy it word for word and use the same one, and the -

F:

I'm a little bit mixed up.

H.M.Jr:

Well -

F:

The -

H.M.Jr:

The what - the announcement that the British are going to make at 9 o'clock Monday night -

F:

Yes.

H.M.Jr:

- they telephoned a copy of it to the French -

F:

Yes.

H.M.Jr:

And the French agreed that they would use the same thing, only translating it into French.

F:

Well, have we seen it yet?

H.M.Jr:

No, because I suppose they've had to code it and I suppose -

F:

Oh, all right - that's swell.

H.M.Jr:

But I mean it's - it's completed and the British showed it to the French, and the French accepted it and are translating it into French, and I suppose in three, four hours we'll hear from the British.

F:

And that also means, I take it, that in the announcement they'll cover not only our arrangements but the arrangements between the British and the French themselves.

H.M.Jr:

True. It's all in it.

F: Well, that -

H.M.Jr: Well, but I mean I told Cochran that he shouldn't - he's anxious to get off tomorrow night to Basle but he should not go until I had heard from the British, but I suppose that in two or three hours they'll call up.

F: We'll get it from the British and not from Cochran?

H.M.Jr: We'll get it directly from the British.

F: Well, probably they'll hold it until morning.

H.M.Jr: Well, they usually let us know that they have a message, you see? I'm not going to say anything to them, would you?

F: No.

H.M.Jr: But I've got it from Cochran -

F: No.

H.M.Jr: I think the thing - I haven't - I never tried to show any anxiety. I can wait until the morning.

F: Of course.

H.M.Jr: And, after all, we have until Monday.

F: Of course.

H.M.Jr: But the thing's through - it's finished.

F: Well, that's grand.

H.M.Jr: Don't you think it's pretty nice?

F: I think it's - it's grand.

H.M.Jr: He read me the British communique over the phone. The girls are typing it now. If they get it through, would you like to see it?

F: Very much.

H.M.Jr: I'll tell them that as soon as it's through -

F: Just send me a copy.

H.M.Jr: It's one of these trans-Atlantic telephone things; you know, it may be a little sketchy.

F: You like it, do you?

H.M.Jr: I think it's fine. And I told Cochran my lawyers haven't seen it yet but it's all right.

F: Well, honest, I'm terribly pleased that we've now moved to the point of an international monetary system, and yet on a basis that can be reshaped with accumulating experience.

H.M.Jr: Exactly.

F: And on this my hunch is that accumulating experience will probably indicate necessary changes.

H.M.Jr: Oh, surely. The thing that Cochran said that - the French didn't like the 24-hour business, but he talked them out of it. But - oh a lot of this - he says that's putting up to what - they've got 17, 18 million dollars here - would we convert them? I told them the chances are we most likely will, because they said we told them that we were going to do this thing, and we've taken two weeks, would we do it. And I told them the changes are nine out of ten, we will. Hello?

F: Yes.

H.M.Jr: Those are all faithful things to do -

F: I - I think so.

H.M.Jr: - and we can do them very easily, see?

F: Yes.

H.M.Jr: But -

F: We've taken in - how much gold have we taken in since September 1?

H.M.Jr: God, I don't know.

F: We've taken in 250 million, haven't we?

H.M.Jr: Something like that. What's 17 or 18 million more or less.

F: Yes.

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H.M.Jr: Well, I thought you'd be pleased and I -

F: I'm very pleased. It's - you have no -

H.M.Jr: And I'll tell the -

F: And you have no objection, of course, to letting the Secretary know. He's just gotten in.

H.M.Jr: Oh, yes. Well, would you tell him.

F: May I, and perhaps he'll want to telephone you. I just - I haven't seen him yet.

H.M.Jr: Well, please tell him and tell him I'll be here for about - until five o'clock.

F: Well, I'll try and see if I can get to him now.

H.M.Jr: And I'll tell Mrs. Klotz as soon as the girls have typed - have worked that telephone thing over, I'll send one copy to the Secretary and one to you.

F: Right. Thank you.

H.M.Jr: O.K.

October 9th

At a meeting held in Secretary Morgenthau's office at 10:20 this morning the following were present:

Admiral Waesche	H. S. Cocklin,
Admiral Peoples	Aeronautical Engineer
Captain Chaiker	of U.S. Coast Guard

- Admiral W: We got bids from four people. The Fairchild Corporation came in with low bid but it is a plane which didn't comply with all the specifications. The Hall people bid exactly same as last time - \$117,000; Consolidated \$146,000 and Sikorsky \$145,000.
- Note: At this point Admiral Waesche handed Secretary Morgenthau a large sheet.
- Admiral W: The right hand column gives the total bid.
- H.M.Jr: The right hand column?
- Admiral W: Yes.
- H.M.Jr: What's the thought?
- Admiral W: We are all in accord with the Hall Aluminum bid.
- H.M.Jr: What kind of a plane will they use?
- Cocklin: Going to give us an 8 ton flying boat based on a design which was originally turned out in 1927. It has been changed to bring it up to date as far as the power plant is concerned and to give us additional strength throughout the airplane where the landing requirements demand it. At the same time requirements were set up about three years ago by the Navy so that this plane could be used as a 3,000 mile plane. The requirements for flight were changed by the Navy so that it can be operated the same as a 21,000 pound airplane. This sets the design up a little less than 17,000 pounds. It is an all metal ship except for fabric covering on the surfaces themselves and it has been specially changed to suit our purpose.
- H.M.Jr: What horsepower are the engines?

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- Cocklin: We recommend the Wright Cyclones which are rated at 850 but we can get more than that out of them if you wish.
- H.M.Jr: Is that what they call the "sea level engine"?
- Cocklin: It is almost sea level.
- H.M.Jr: It is not the supercharged?
- Cocklin: No.
- H.M.Jr: You get more on the take-off.
- Cocklin: Yes.
- H.M.Jr: What do you call that other engine?
- Cocklin: The Pratt and Whitney.
- H.M.Jr: It seems to have more power on the take-off than the Pratt and Whitney.
- Captain Chalker: We found the Wright was a better engine for this particular plane.
- H.M.Jr: What is the cruising radius?
- Cocklin: Set up for 2,000. With additional tanks we can get 3,000.
- H.M.Jr: This is a flying boat?
- Cocklin: Yes.
- H.M.Jr: What about delivery?
- Cocklin: They promise complete delivery within 14 months.
- H.M.Jr: What about the strength?
- Cocklin: The strength has been brought up to 10 - about 25%.
- H.M.Jr: What is the cruising speed?
- Cocklin: The cruising speed is between 100 and 110 - not a fast airplane.
- H.M.Jr: What is the maximum?
- Cocklin: The maximum is 160 - that is at 3,000 feet,

- H.M.Jr: A little bit faster than the Douglas.
- Cocklin: About 20 miles.
- H.M.Jr: Everybody in agreement?
- Group: Yes sir.
- H.M.Jr: But we don't save any money on this. This is the same budget.
- Waesche: Yes.
- H.M.Jr: Now the next thing is how many. How many do you think Waesche?
- Waesche: We better get six. We have enough to get six from the old appropriation. That will leave us enough money to get four to six - Fairchilds and Stinsons - light land planes for this alcohol tax work.
- H.M.Jr: Can't you pick up some little stuff from the Army and Navy?
- Chalker: Most of their planes are not fitted for Alcohol Tax. They are fitted for high landing speed.
- Waesche: Army and Navy never use this type of plane that we use in inland work.
- H.M.Jr: You really want six?
- Waesche: Oh yes we need six. We have 8 stations and I don't know whether Chalker intends to distribute these but we should have two at Salem, two down in South Carolina, two in San Diego and two in Los Angeles. For this long-range plane work we should have two of those planes at all our important stations.
- H.M.Jr: Will these be more expensive to operate than the Douglas?
- Cocklin: A little more on account of horsepower.
- H.M.Jr: Well they won't be going out as much.
- Chalker: They can save them for sea landings.

- H.M.Jr: Is this plane like a Condor?
- Cocklin: It is designed something like it - came up from the PN class. That development came through from '25 to '30 and Mr. Hall got this job to make it special.
- H.M.Jr: What is this special plane for the Navy?
- Cocklin: That is a torpedo plane for bomb work. I am trying to think of a type that you might be interested in
- H.M.Jr: This will be the only bi-plane?
- Cocklin: This will be the only bi-plane. The bi-plane has the advantage of being able to carry special loads so it works in very well for our purpose. The bi-plane has advantages for our particular wants. If we wanted a real speedy ship----
- H.M.Jr: We don't need a speedy ship.
- Waesche: As near as I can find out the only advantage in a monoplane is increased speed and economical operation at high speeds. What we want is low landing speed.
- Chalker: The Navy is still buying bi-planes.
- H.M.Jr: Someone told me - I don't know where I picked this up - that the Consolidated is building a Hall type plane.
- Cocklin: That is not exactly so. The Navy goes through the Bureau over here up to a certain speed and that includes tunnel work. It is basically what we call the old 71. PFLB was based on the same design. That was one of the first monoplanes the Navy brought out.
- H.M.Jr: What is the landing speed of this plane?
- Cocklin: 60 with a full load.
- H.M.Jr: With flaps?
- Cocklin: No you get less than that with flaps.
- H.M.Jr: What do these monoplanes land at?

~~HH~~

- Cocklin: 63. The Consolidated job is designed for a 27,000 pound plane.
- H.M.Jr: What do the present Douglas land at?
- Cocklin: Close to 60 with the flaps. 68 on full load. We have actually measured it. It has been tested with calibrated instruments.
- H.M.Jr: Then everybody is satisfied you want this?
- Peoples: Yes sir.
- H.M.Jr: And how much money over?
- Waesche: \$71,000 in round figures - two Stinsons for \$4,000 each and four Fairchilds at \$12,000 or three and one.
- H.M.Jr: Well get one kind of plane.
- Waesche: Well the difference is we need a faster plane on the Mexican Border. For Alcohol Tax we need a slow plane for going over trees looking for stills. At San Antonio we are using an old type Navy plane. We have changed aviators and they both agree that they want a faster plane.
- H.M.Jr: Do you have to get out more bids?
- Chalker: We have bids for the Fairchild.
- H.M.Jr: Do I sign anything?
- Waesche: No sir - just your O.K.
- Chalker: We will have one ready on the Fairchild next week.
- H.M.Jr: What's the matter with the old Waco - they made a good plane.
- Chalker: The most rugged plane we can find is the Stinson. We were at the Naval Air Station and they can put that plane down on one corner of the runway and stop it before they hit the other end. They can stop within 300 feet after they put the wheels on the ground. They get off in 400 feet. That's what we wanted for Alcohol Tax.

~~BF~~

H.M.Jr: Why would it be better?

Cocklin: Well it costs twice as much as the other.

H.M.Jr: What is it's cruising speed?

Cocklin: Around 140.

H.M.Jr: That costs \$14,020. What is the other?

Cocklin: \$6,000. We are buying them off the shelves.

H.M.Jr: You can get a Fairchild with a 50 mile an hour landing speed?

Cockling: Yes. With that we can just circle around and hover a little.

H.M.Jr: Have you satisfied yourself that Hall is financially able to carry out this project?

Cocklin: Yes.

Waesche: Yes sir, we are satisfied.

October 9, 1936

MEMORANDUM FOR THE SECRETARY,

(THROUGH ASSISTANT SECRETARY GIBBONS):

The undersigned have gone very carefully into the matter of strengthening the Customs foreign service in Europe, especial consideration having been given to the recently authorized consolidation of European districts under one supervisory head and the establishment of a unit to be specially engaged on narcotic and other enforcement work,--and have to recommend the following changes in personnel of the Customs Agency Service: viz.,

1. Transfer Customs Agent Sidney J. Kennedy, Caf-12, \$4600. per annum, to the existing vacancy of Treasury Attache, London, England, Caf-14, \$6500. per annum.

Agent Kennedy is 41 years of age, and entered the Customs Service in 1920 as a clerk in the office of the Collector of Customs at New York. He was appointed a customs agent in 1929. In 1930 Mr. Kennedy was transferred to the position of Assistant Collector of Customs at San Juan, Puerto Rico, and two years later was made the Collector of Customs (under Civil Service) of that district, at \$5600. per annum. In 1933 the present Collector of Customs, Mrs. Jean Springstead Whittemore, was appointed to the collectorship at San Juan, and Mr. Kennedy was transferred to his former position of customs agent at \$4600. per annum. He is now under special assignment to the Appraiser of Merchandise at New York, as acting Administrative Assistant to the Appraiser.

It is felt that Mr. Kennedy's past varied customs experience and accomplishments exceptionally qualify him for the post in London.

2. Transfer Charles L. Turrill from his present position as Treasury Attache at Vienna, Caf-13, \$5600. per annum, to the position of Customs Agent, Caf-12, \$5000. per annum, with official station at Boston, Mass.

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3. Transfer Charles R. Clark from his present position as Assistant Treasury Attache, London, England, Caf-13, \$5600. per annum, to the position of Treasury Representative at Berlin, without change in present grade or compensation.

4. Promote Charles R. Howard from his present position as Treasury Representative, Caf-12, \$4600. per annum, to the position of Assistant Treasury Attache, at London, Caf-13, \$5600. per annum, vice Clark.

5. Promote Hugo Wallenfels, Treasury Representative, Caf-10, \$3500. per annum, to Caf-12, \$4600., with designation as Treasury Representative Acting in Charge, at Vienna, vice Howard.

6. Transfer Wilson C. Beers, Treasury Representative, Caf-10, \$3500., at Vienna, to the position of Treasury Representative, Caf-11, \$3800. per annum, at Paris.

7. Change the official station of Percy G. Dwyre, Treasury Representative, Caf-10, \$3500. per annum, at Paris, to London, without change in present grade or compensation.

8. Promote Lucien L. Picard, Treasury Representative, Vienna, Caf-9, \$3200. per annum, to Caf-10, \$3500. per annum.

9. Promote Martin H. Hawlyns, Treasury Representative, London, Caf-10, \$3500. per annum, to Caf-11, \$3800. per annum.

10. Promote Ronald H. Marquis, Treasury Representative, London, Caf-10, \$3500. per annum, to Caf-11, \$3800. per annum.

11. Authorize the appointment of a stenographer-typist, at \$1700. per annum, in the office of the Treasury Attache, at Paris, for duties in connection with the contemplated enforcement set-up at Paris.

NARCOTIC ROLL

12. Promote Quentel Violet from his present position as Special Employee (Bureau of Narcotics), \$2600. per annum, to Special Employee and Acting Treasury Representative, at \$3200. per annum, with official station at Paris.

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13. Promote Marin Vachon from his present position as Special Employee (Bureau of Narcotics), \$2300. per annum, to \$3000., with official station at Paris, France, thus placing him on a parity with Clerk Nicholas Paterniti, at Milan, under the Paris office.

14. Change the present designation of Charles B. Dyar, Special Employee (Bureau of Narcotics), \$3900. per annum, to that of Special Employee and Acting Treasury Representative, with official station at Paris, France.

The above changes will result in no increase in expense to the customs appropriation.

Deputy Commissioner of Customs.

Bernard Wait

Treasury Attache, Paris, France.

*Approved by
Amy Oct 13/36*

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October 9, 1936
5:20 P. M.

Mr. Mallet and Mr. Bewley came in to see the Secretary.

Mr. Mallet said, "I got the message from the Chancellor of the Exchequer. He says he has no changes or criticisms to make on the American announcement which you gave us yesterday and, if you concur, he would like to issue a statement for Tuesday morning's press and I give you a copy of it. He says that the last sentence of that statement, the final sentence, is subject to French agreement, which London is seeking. And the Chancellor of the Exchequer entirely concurs that the exact method of price fixing should be left to the two banks.

Mr. Morgenthau read the following statement: (See Exhibit A attached)

"Proposed terms of statement are as follows.

"Arrangements for technical cooperation with monetary authorities in United States have now been completed and a new regulation is being published by Secretary of United States Treasury which will enable gold to be obtained in United States in exchange for dollars by any country which gives reciprocal facilities to United States. His Majesty's Government have arranged for such facilities to be afforded in London to United States authorities. This day to day working arrangement should greatly facilitate technical operations of exchange control; similar arrangements have been made with Bank of France so as to provide effective cooperation between the three centres."

Referring to the fourth line of the second paragraph, "published by Secretary of United States Treasury", Mr. Morgenthau said to the British, "If you don't mind, it is Secretary of the Treasury of the United States." Mr. Bewley said, "Quite true. Let's make a note of that."

Mr. Morgenthau said to the British, "Let me tell you what's happened. About 4:15 Cochran called me from Paris. The French had your statement. They agreed to it; they are translating it word for word, and changing just two words, making it read the French Government instead of the British, and they have accepted this. Now what I would like is, I want my people here and the New York Federal Reserve Bank to take a look at this and if it looks all right I will ask you to drop in. But I just want to give them a chance to look this over. I had it an hour ago. As you know, we have lawyers and foreign exchange experts and professors, and I want them to look it over, and sometime in the morning you people will be in. But, as far as I can tell, it looks all right. Don't you think so, Wayne? (Taylor)." Mr. Taylor answered, "I think the fellows you have mentioned will look at it hard."

Proposed terms of statement are as follows.

Arrangements for technical cooperation with monetary authorities in United States have now been completed and a new regulation is being published by Secretary of United States Treasury which will enable gold to be obtained in United States in exchange for dollars by any country which gives reciprocal facilities to United States. His Majesty's Government have arranged for such facilities to be afforded in London to United States authorities. This day to day working arrangement should greatly facilitate technical operations of exchange control; similar arrangements have been made with Bank of France so as to provide effective cooperation between the three centres.

Mr. Morgenthau then said, "The spirit of the thing is there. We have our experts and you have yours. I am not an expert and it looks all right to me. But the experts have their very good use and I would, sometime in the forenoon -- I may actually go and ride horseback if it is a clear day -- but sometime in the morning I will ask you to come in. But this is very pleasing to me. Cochran told me the French have it. They are taking it verbatim except that they are using the word French Government instead of British. Wayne, you might send this over right away to Herbert Feis and tell him to ask the French please to call me Secretary of the Treasury of the United States. I think it's fine." Mr. Mallet answered, "Good."

Mr. Morgenthau then said, "We are really getting places." Mallet agreed, saying, "Oh, yes."

The Secretary then said to the British, "If you haven't read the New York Times today, read the dispatch by your man Augur out of London. (Clipping attached). Very interesting." Mallet said, "I don't believe I read it." Bewley said, "I don't think I read it either." The Secretary then said to the gentlemen, "You must get it. Hitler is furious at Schacht."

Continuing, H.M.Jr. said, "Here's a bit of gossip for you. The Germans sent somebody into Paris and chided the French Treasury very severely for not having told them what was going on when Schacht was there a couple of weeks ago; chided them for not having told them what was going on. Of course they all get together at Balse Sunday and they will all hash this thing over. I think we are moving in the right direction and all I can say is, I am very much pleased. Even if sterling is above 4.90, and I don't believe we did anything." Bewley asked, "Went up by itself?" The Secretary answered, "As far as I know, we didn't do a thing. The statement I gave our cleared the thing up. The idea that somebody was looking for a 4.40 pound was tommyrot and, as far as I know, England took care of itself today."

"I take it the time is agreeable -- 4:00 o'clock here and 9:00 o'clock there?" Mallet said, "Yes. Tuesday morning's papers." The Secretary said, "But ask them not to give it out before 9:00 o'clock your time, because it is a little bit embarrassing if you give it out first." Mr. Mallet said, "It will be given out 9:00 o'clock Monday night, London time." And Mr. Morgenthau answered, "That's all right. Our markets are closed and yours will be, too."

"But sometime tomorrow morning you either will hear from Wayne Taylor or myself. As far as I can see, it's all right but I am very happy over the whole thing. The thing pleases me tremendously. I never thought that the whole situation would

REICH ASTONISHED BY NEW ISOLATION

NEW YORK TIMES

OCT. 9, 1936

Feels Italy 'Betrayed' Her by Joining General Monetary Stabilization Measures.

BRITISH PUSH PARLEY PLAN

They and the French Want to Force Germany Into the Open by Cooperation Moves.

By AUGUR

Wires to The New York Times.

LONDON, Oct. 8.—Behind the smoke screen created by the animated exchanges and diplomatic broadsides in the battle over non-intervention in the civil war in Spain, work is proceeding quietly to prepare the ground for the proposed conference of the five "Locarno" powers.

London and Paris are prepared either to bring off this meeting before the end of the year or to expose Germany, by incontrovertible evidence, as "Europe's trouble maker."

The British Government is fully aware that Berlin is not averse to concluding a new treaty but dislikes the idea of an international conference in which the Reich would be faced by the same questions that until now it has avoided answering in spite of strong pressure from London.

Chancellor Adolf Hitler would prefer restricting the negotiations entirely to diplomatic channels so public opinion would not be informed of the true situation. Also, in that case it would be easier for

the Germans to resist a demand for inclusion of Russia in the final settlement. In any case, full agreement exists between the British and French Governments on the way the matter of the "Locarno" conference must be handled.

The unexpected outcome of the Anglo-Franco-American parallel moves toward stabilization of currencies has been to strengthen immensely the hands of the Anglo-French entente.

The Germans have for years feared military encirclement which, however, has been slow in coming. But as result of the drawing together of the pound, dollar and franc to form a world-wide zone of sane financial conditions, Hitler's Reich is now faced with the peril of real economic encirclement, especially since Italy, by devaluing the lira, has shown that she does not hold with the German idea of

creating, under Nazi-German leadership, a powerful group of States adopting barter instead of cash payments as the basis of their economic exchanges.

Although stabilization of currencies is only beginning, it already exercises an irresistible pull over most European countries. The prospect of being able to return, even though by slow stages, to the old system of easy trading, without prohibitive tariffs, innumerable restrictive quotas and other brakes, has created new hope for easier life on the Continent. Hence, the onerous bartering agreements have lost their power to attract. A breath of fresh air has been let into the stifling atmosphere of overcrowded and impoverished Europe.

There is reliable information that Hitler is furious with Dr. Hjalmar Schacht, Minister of Economics, for allowing this thing to happen, with Germany left out in the cold as if she were non-existent in world affairs. A few weeks before the bombshell of devaluation of the franc exploded, Dr. Schacht was in Paris, but French financiers refrained from informing him what was coming.

The economic dictator of Germany spoke to them about the success of his scheme for drawing Eastern and Southern Europe into the mesh of the German commercial system. He even held forth on the subject of Hitler's plan to undertake conquest of the Ukraine provided Western powers consented in buy peace for themselves at the price of leaving Germany a free hand elsewhere. Then like a clap of thunder came the French decision to lower currency, accompanied by American and British promises of strong support for international stabilization.

Dr. Schacht was obliged to confess to Hitler his ignorance of this momentous move. Then came the blow of what Germans describe as the Italian "betrayal," followed by signs of the break-up of the laboriously constructed system of barter agreements with the Balkan States, important to Germany because of their agricultural resources.

Hitler now must decide whether the mark shall remain in splendid isolation, proudly maintaining a fictitious value far above the true level indicated by the disastrous state of the German trade balance, or capitulate to "democratic" pressure and bring the currency with a rush down from the present unwarrantably high level, destroying the carefully nurtured faith of the German people in their ability to exist independently from the rest of the world.

Experts of the British Govern-

ment view the economic situation inside Germany with great apprehension. Hitler has linked rearmament with his fight against catastrophic unemployment. Once started, the process cannot be interrupted without political tragedy.

Marshal Werner von Blomberg and high officials of the Foreign Office, when they meet distinguished British guests insist upon the danger of a warlike explosion unless the Western powers agree to sacrifices in the form of credits and the delivery of colonies to permit Germany to change her present policy to safer methods.

London expects that if ever Hitler agrees to send a delegation to the "Locarno" conference, he will first try to obtain in advance an unqualified promise of concessions of this nature.

The French have informed their British partners that they apprehend that Hitler equally will insist on an advance assurance that Russia will be excluded from participation in any direct or indirect Western European settlements. In other words, the French Government believes Hitler's attack on the Franco-Russian alliance will develop further. Now Paris may have cooled toward Moscow, but the alliance will be maintained.

The British Government always approved it when the late Louis Barthou first broached the subject in London before initiating negotiations with Joseph Stalin and again when Pierre Laval, before signing the treaty, gave notice to the Foreign Office here. But the advice given to the French Government is to show firmness toward Moscow, and the German manoeuvre will be defeated before it begins.

The British Government is delighted with the attitude taken by the Italians, and hope is expressed that a better atmosphere will now prevail, permitting settlement of the Mediterranean problem. It is significant that the Foreign Office here denies knowledge of an intended visit by the Turkish Premier, with military and naval experts, to London. If this had taken place, Anglo-Italian relations might have come under a new cloud.

develop so rapidly after we had done this thing."

Mr. Mallet remarked, "It has been very exciting to watch." Mr. Morgenthau said, "The most exciting thing since I've been here and I really am tremendously pleased with the whole thing. I have no business to say this, but I am going to say it. I am not in the diplomatic field, but I personally feel that this kept Japan from going into China. That's my own feeling." Bewley said, "Yes."

Continuing, the Secretary said, "Japan thought that this was the time because they thought there would be this revolution in France. And while everybody was worried over there, this was the time to jump on China. I am purely out of my field, but I believe that was what made Japan back down and she has backed down. And if we had had that and the Russians and all the rest, we would all have been in a mess. And I personally believe that what we have done has prevented us from having a world conflagration. I am out of my field, but everything looked as though Japan was picking the time and that France would blow up. This has caught her unaware as it caught Germany, and this thing has steadied Germany and Japan is not going to jump on China because, if she does, everybody has time to look at her." Mr. Bewley said, "I think that's right." And Mallet said, "I think it is very likely. I have not seen much news from China the last few days." Mr. Morgenthau informed him, "It's all good news. I have been the only one around here who said for the past week that Japan would back down and she has. We strained a point or two here with China over the last week."

Bewley asked, "Is the Chinese scheme in fact going satisfactorily?" Mr. Morgenthau answered, "Going beautifully." Mr. Mallet inquired, "Is the extension to the south going all right?" Mr. Morgenthau replied, "Beautiful. Beautiful. The thing there has gone forward just as rapidly and as well as this thing has in Europe and they are making tremendous strides. Tremendous strides. And I am doing everything I can to help them." Bewley said, "I am sure we appreciate that." And Mallet added, "We have a common interest." Mr. Bewley said, "Certainly we have the strongest possible common interest."

The Secretary then said, "If the President will let me talk more -- I am very indiscreet now -- I would like to talk, but if we had not pulled this thing off, we would have had a Japanese-Chinese war and everything else would have piled in on it and I think this is the only thing that stopped it. And our interests are far more important on what happens out there." Mr. Mallet said, "Our interests in China are very, very big." H.M.Jr. said, "I may say, like the oat that swallowed the canary, I am very pleased."

As they were exchanging good-byes, Bewley asked Taylor a question. And Mr. Bewley said to the Secretary, "I was asking if there is a written agreement between you and China." The Secretary laughingly replied, "Come in next week and we will have a talk. Nobody knows!" Continuing in his facetious tone, the Secretary said, "I don't know how many people have been shot trying to find out! I will see if I can get a clearance to talk."

Exhibit "a"

Proposed terms of statement are as follows.

Arrangements for technical cooperation with monetary authorities in United States have now been completed and a new regulation is being published by Secretary of United States Treasury which will enable gold to be obtained in United States in exchange for dollars by any country which gives reciprocal facilities to United States. His Majesty's Government have arranged for such facilities to be afforded in London to United States authorities. This day to day working arrangement should greatly facilitate technical operations of exchange control; similar arrangements have been made with Bank of France so as to provide effective cooperation between the three centres.

WCNS111

ST. PAUL.--PRESIDENT ROOSEVELT TONIGHT MADE HIS FIRST BID OF THE CAMPAIGN FOR THE AGRICULTURAL VOTE, CITING BENEFITS TO THE FARMER FROM HIS RECIPROCAL TRADE POLICY AND THE RECENT MOVE FOR STABILIZATION OF FOREIGN EXCHANGE.

HE CITED THE DECLINE OF THE COUNTRY'S FOREIGN TRADE IN DEPRESSION YEARS, RECALLED LOANS TO FOREIGN NATIONS AND THEN TURNED TO THE FACTS "THAT HAVE BEEN MADE WITH 14 FOREIGN COUNTRIES FOR MUTUAL TRADE ADVANTAGE."

OBSERVING THAT SECRETARY HULL HAD SPOKEN IN MINNESOTA "CLEARLY AND UNEQUIVOCALLY" IN REGARD TO THOSE AGREEMENTS, MR. ROOSEVELT ADDED THAT "HE POINTED OUT TO YOU THE CHAPTER AND VERSE OF THE STATISTICAL RECORD WHICH SHOWS WHAT THESE AGREEMENTS HAVE ACCOMPLISHED TO INCREASE THE TRADE AND INCOME NOT ONLY OF THE INDUSTRIAL WORKERS BUT OF THE FARMERS OF THE NATION."

"IT WAS NOT A QUESTION OF WINNING OR LOSING ANY TREATY," HE SAID. "MUTUAL ADVANTAGE HAS BEEN THE SUCCESSFUL OBJECTIVE; AND OUR EXPORTS DURING THE FIRST HALF OF THIS YEAR, AS COMPARED WITH LAST YEAR, HAVE INCREASED BY \$132,000,000."

10/9--E628P.

LONDON FOREIGN EXCHANGE MARKET OPENED 9.00
FAIRLY ACTIVE WITH FOREIGN CURRENCIES IN
DEMAND BUT LATER THE TENDENCY REVERSED IN
FAVOR OF STERLING AND THE MARKET BECAME LESS
ACTIVE - THERE WAS NO SIGN OF INTERVENTION
BY ANY OF THE CONTROLS AND CURRENCIES WERE
BEING LEFT TO FIND THEIR OWN LEVELS - IM-
PROVEMENT IN STERLING IS BELIEVED TO BE DUE
MAINLY TO UNCERTAINTIES ARISING OUT OF MOSCOW-S
THREAT TO INTERVENE IN SPAIN WHICH TEMPO-
RARILY RESTRICTED REPATRIATION OF BALANCES
TO EUROPE - DISCOUNT ON THREE MONTHS PARIS
WAS 5-16 TO 9-16 FRANC AND AMSTERDAM 10 1-2
TO 12 1-2 DUTCH CENTS

9361 6 130
OCT 9 1936

WCNS17

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

10/9--R914A

WCNS5

PARIS.--POLICE, ACTING ON URGENT GOVERNMENT ORDERS, SWEEPED DOWN ON HEADQUARTERS OF THE FASCIST SOCIAL PARTY OVER THE ENTIRE GREATER PARIS AREA TODAY.

EVERY PRECAUTION WAS TAKEN TO GUARD AGAINST LEAKAGE OF INFORMATION REGARDING THE RAIDS TO THE FASCISTS.

RAIDING SQUADS DESCENDED ON HEADQUARTERS OF THE ORGANIZATION ALL OVER PARIS SIMULTANEOUSLY.

OFFICIALS OF THE SEINE DEPARTMENT PROSECUTION OFFICE BEGAN A HASTY BUT THOROUGH SEARCH OF DESKS AND FILE CABINETS AND SEIZED ALL DOCUMENTS FROM THE MATERIAL SEIZED, THE PROSECUTORS, ACTING IN BEHALF OF PREMIER BLUM'S LEFT WING COALITION GOVERNMENT, EXPECTED TO PROVE THAT THE FRENCH SOCIAL PARTY IS THE OLD CROIX DE FEU ORGANIZATION OF COL. DE LA ROQUE IN DISGUISE.

LA ROQUE'S HOME WAS AMONG THOSE RAIDED.

IN ALL THERE WERE 28 RAIDS, POLICE SAID, INCLUDING THE PARTY GENERAL HEADQUARTERS AND THE HEADQUARTERS OF THE PARTY'S SPORT SOCIETY.

10/9--R846A

FRENCH DECREE ON SECURITY TRADES 11.55

PARIS - THE GOVERNMENT HAS ISSUED A DECREE WHICH COMPELS BROKERS TO REPORT THE NAMES ADDRESSES AND DETAILS OF PURCHASES OF ALL CLIENTS TAKEN UP AT THE LAST SETTLEMENT OF SHARES BOUGHT FOR FORWARD DELIVERY

OCT 9 1936

THE DEVALUATION LAW IMPOSES A 50 PC TAX ON NET PROFITS RESULTING FROM THE LIQUIDATION OF FORWARD OPERATIONS CONTRACTED BETWEEN SEPT 21 AND SEPT 26 IN ALL SECURITIES LISTED ON THE BOURSE EXCEPT RENTES UNLESS OPERATIONS CORRESPOND TO COMMERCIAL REQUIREMENTS

OCT 9 1936

ADD FRENCH DECREE ON SECURITY TRADES

PARIS- IT WAS SUPPOSED THAT BY TAKING UP SHARES BUYERS WOULD ESCAPE THE TAX AND THEREFORE AT SETTLEMENT LARGE BLOCKS WERE TAKEN UP SO THAT OFFICIAL FIGURES SHOWED THE LONG POSITION HAD INCREASED ONLY 20 PC OVER THE MONTHEND

THE DECREE OF WHICH THERE WERE RUMORS YESTERDAY WHICH DISTURBED THE BOURSE IS LIKELY TO BE A RUDE JAR TO SPECULATORS WHO PRESUMABLY NOW ARE REQUIRED TO PROVE POSITIONS LIQUIDATED WERE CONTRACTED BEFORE SEPTEMBER 21 OR NO PROFIT WAS REALIZED AT LIQUIDATION

4.15 1.11

OCT 9 1936

LEAGUE RESOLUTIONS ON RECOVERY

GENEVA -UP- THE LEAGUE OF NATIONS ECONOMIC COMMISSION ADOPTED FOUR RESOLUTIONS WHICH IT FORWARDED TO THE LEAGUE ASSEMBLY IN AN EFFORT TO SPEED UP WORLD ECONOMIC RECOVERY - THE FOUR WERE-

1 - A FRANCO-BRITISH RESOLUTION ENDORSING THE THREE-POWER DECLARATION OF SEPT 26 ASSERTING THAT ECONOMIC RECOVERY WILL REINFORCE PEACE AND RECOMMENDING ALL NATIONS REDUCE EXCESSIVE TRADE BARRIERS ESPECIALLY IMPORT QUOTAS AND EXCHANGE CONTROL

2- A BRITISH RESOLUTION LAUNCHING A LEAGUE INQUIRY INTO THE QUESTION OF -EQUAL COMMERCIAL ACCESS FOR ALL NATIONS TO CERTAIN RAW MATERIALS-

3- A POLISH RESOLUTION STRESSING THE IMPORTANCE OF EMIGRATION IN ECONOMIC RECOVERY

4- A FRENCH RESOLUTION FOR A LEAGUE INQUIRY INTO THE FISCAL FRAUD OF DOUBLE TAXATION

-0-

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8.55

OCT 9 1936

FINANCE MINISTER DRAXLER OF AUSTRIA SAYS
THAT COUNTRY IS DETERMINED NOT TO DEVALUE
THE SCHILLING DECLARING AUSTRIA-S LOW
STANDARD OF LIVING WOULD MAKE IT IMPOSSIBLE
FOR HER TO STAND A RISE IN PRICES WHICH MUST
FOLLOW DEVALUATION ACCORDING TO REUTERS
VIENNA DISPATCH

OCT 9 1936

ITALY FIXES GOLD PRICE *DI 2:501*

ROME-UP- THE BANK OF ITALY FIXED THE PRICE
OF FINE GOLD AT 21 381 LIRE PER GRAM - THE
ACTION WAS IN LINE WITH RECENT DEVALUATION OF
THE ITALIAN UNIT.

FIGURE IN SECOND LINE SHOULD READ 21

381-1000

-0-

PRAGUE DOW JONES - October 9, 1936.

OCT 9 1936

CZECHOSLAVAKIA DEVALUES 16 PC

PRAGUE - THE GOVERNMENT HAS FIXED THE GOLD
CONTENT OF THE CROWN AT 31 31 MILLIGRAMS
REPRESENTING A DEVALUATION OF 16 PC ACCORDING
TO REUTERS

-0-

NATIONAL BANK OF CZECHOSLOVAKIA

PRAGUE-UP- STATEMENT FOR WEEK ENDED OCT 7
SHOWED GOLD STOCK OF 2 593 200 000 CROWNS VS
2 594 500 000 A WEEK EARLIER - NOTE CIRCULATION
DROPPED FROM 5 742 300 000 TO 5 705 300 000
CROWNS/

OCT 9 1936

-0-

AMSTERDAM DOW JONES - October 9, 1936.

DUTCH EXPORT DUTIES

(AMSTERDAM- DUTCH GOVERNMENT CONTEMPLATES
INTRODUCTION OF EXTRAORDINARY EXPORT DUTIES
ON DUTCH-INDIAN PRODUCTS PROBABLY COMBINED WITH
A REDUCTION IN CERTAIN IMPORT DUTIES/

OCT 9 1936

D.J. 1:26/

-0-

October 10, 1938

Just before ten o'clock this morning the Secretary spoke to Cochran. Copy of their conversation follows:

October 10, 1936
9:37 a.m.

Operator: Hello?

H.M.Jr: Hello? Hello?

Cochran: Hello?

H.M.Jr: Cochran?

C: Yes, Mr. Morgenthau.

H.M.Jr: How are you?

C: All right. Thank you.

H.M.Jr: Cochran, the British are coming in here in another 20 minutes.

C: Yes.

H.M.Jr: And the statement that they gave me is acceptable to us. Hello?

C: Yes.

H.M.Jr: But I'd like you to wait about an hour before you say anything to the French.

C: I see.

H.M.Jr: Now let's see - it's ten - it's - what's that, five o'clock? It's twenty minutes of - what time is it in your place?

C: Twenty minutes to three.

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

C: Hello?

H.M.Jr: What time is it?

C: Twenty minutes to three.

H.M.Jr: Well, I wouldn't say anything to them until four o'clock.

C: I see.

H.M.Jr: But by four o'clock, you tell them. I mean I want to give them -

- 2 -

C: Tell them that it has been settled?

H.M.Jr: You tell them that everything over here is settled.
Hello?

C: Is this the British one telephoned to Paris last night?

H.M.Jr: Wait a minute. There's something wrong with this.
Wait a minute - hold on.

Operator: Operator.

H.M.Jr: Tell them this circuit is not satisfactory.

Operator: Not satisfactory - all right.
(Pause)

Outside
Operator: Privacy is not on this circuit.

H.M.Jr: No privacy?

Outside
Operator: No privacy.

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

Operator: Go ahead please.

H.M.Jr: Hello?

C: Hello, Mr. Morgenthau.

H.M.Jr: Now, Cochran, we have no privacy on this telephone
so I'll be very careful.

C: Yes - all right.

H.M.Jr: Now I can hear you very well.

C: Yes.

H.M.Jr: Our friends have come in; they've given me the document they're going to give out; and we've studied it. It's entirely satisfactory.

C: I see.

H.M.Jr: Hello?

C: Yes.

- 3 -

H.M.Jr: They're sitting outside of my room now, and I'm going to tell them that everything is set for the time which I said - which - you know what time.

C: Yes - I - I know the hour.

H.M.Jr: And I'm going to ask them please to be very careful to see that this does not get out in advance, and I'd like you to tell your friends there in Paris the same thing.

C: Is the copy which you received identical with the one which I read you?

H.M.Jr: I haven't had time to compare it but, wait a minute -

C: Well, I - I can - hello?

H.M.Jr: We haven't had a chance to, but -

C: Well, my - my friends here received a copy by mail -

H.M.Jr: Yes.

C: - this morning, and they said it was identical with the telephoned version.

H.M.Jr: Well, then I guess it was the same.

C: And they have made a translation here, both of it -

H.M.Jr: Yes.

C: - of your document -

H.M.Jr: Yes.

C: - and of their short statement.

H.M.Jr: Are you going to send us a copy of the translation?

C: I - I have the copies now and I found two or three corrections, which I am going to get in touch with my friend this afternoon -

H.M.Jr: And -

C: - and call to his attention .

H.M.Jr: - And you have - the mistake in the English one was, it should read 'Secretary of the Treasury of the United States.'

C: I mean not - not use United States as an adjective.

H.M.Jr: Well, they - they - as I have it, they said, 'Secretary of United States Treasury.'

C: Yes, Secretary of the Treasury.

H.M.Jr: It should be Secretary of the Treasury of the United States.

C: Yes; yes.

H.M.Jr: Secretary - it should read 'Secretary of the Treasury of the United States.'

C: All right. I'll - I'll watch that.

H.M.Jr: Will you tell him that, please.

C: Yes; yes.

H.M.Jr: Otherwise it's all right. We've been over it very carefully. Now you know the time on Monday?

C: Yes - I - I know the time and I'll use - I'll see if the French translation of the text as received from London is correct.

H.M.Jr: Pardon me?

C: I say - I'm - I'm going to get them this afternoon, and show them one or two errors in their translation.

H.M.Jr: Right. And then - but tell them again - let's see if we can do this thing and hold it until the proper time on Monday.

C: I see - just - just as we did before -

H.M.Jr: Yes.

C: - Keep it absolutely quiet.

H.M.Jr: That's right.

C: All right.

H.M.Jr: And the - things here are very quiet, financially everything's quiet.

C: Yes. It's quiet here this morning. There's nothing exciting.

H.M.Jr: The papers here play up this Spanish thing tremendously.

C: Yes. But here there wasn't quite so much about it.

H.M.Jr: Yes.

C: They're having some Communist meetings down in Alsace-Lorraine tomorrow, -

H.M.Jr: Yes.

C: - which worry them a little bit -

H.M.Jr: Yes.

C: - and these regulations in regard to taxing profits from alleged speculation -

H.M.Jr: Yes.

C: - are being criticized pretty sharply by the financial papers.

H.M.Jr: I see.

C: But there's nothing exciting. The - the stock market has - has slumped a little bit -

H.M.Jr: Yes.

C: - but their recovery was so quick that you couldn't expect it to stay up very well.

H.M.Jr: Yes. Well, then you're going on up to Basle and you'll be back Monday?

C: No, I - I would leave there Monday night. I will be here at seven o'clock Tuesday morning.

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

C: Well, but I'll - I'll see that everything is O.K. on this.

H.M.Jr: All right.

C: The only thing is the translation -

H.M.Jr: All right.

C: - and I'll - I'll go over and see Baumgartner right away on - on that.

H.M.Jr: Right.

C: And you have my address there. If you wanted me to phone -

H.M.Jr: Yes.

C: - any of these people, I can get them in ten minutes from Basle.

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

C: Fine. And so I'll send it - the telegram on Tuesday giving any gossip from down there.

H.M.Jr: That's right.

C: And I wanted to explain about the little delay in this letter, you know, which you want.

H.M.Jr: Yes.

C: I had one stenographer - I've had him four years and a half - and he quit just at the height of this thing and went back to the states.

H.M.Jr: For Pat's sake !

C: And so I took a code clerk as a replacement -

H.M.Jr: Yes.

C: - until now, and two of the code clerks have been sick from overwork.

H.M.Jr: I see.

C: So it sort of ruined the staff, but I'll get it out.

H.M.Jr: Yes, because I'd like very much to have it.

C: Surely - surely.

H.M.Jr: All right.

C: All right. Ther I'll - I'll let you hear from me Tuesday then.

H.M.Jr: Thank you.

C: All right, sir.

H.M.Jr: Goodbye.

C: Goodbye.

Bewley and Mallet came in and the Secretary said to them, "Our people have been over this thing very carefully and they have no suggestions to make, so I think we are all set. We would like to keep the thing secret until 4:00 o'clock Monday." Mallet said, "Yes. 9:00 o'clock London. We telegraphed that."

The Secretary then said, "We cautioned Cochran to caution the French to treat it secretly, but I am afraid when all the central banks get together in Balse tomorrow, I am a little fearful. They have this monthly meeting tomorrow in Balse." Mr. Mallet asked, "How many of them know anything about it?" And Mr. Morgenthau replied, "The only one that knows anything about it is Cochran." Bewley said, "Norman must, of course, know it." Mr. Morgenthau then said, "Just those three." Mr. Mallet asked, "Does Cochran go to Balse?" Mr. Morgenthau answered, "He goes there in an informal capacity. He used to be Consul there. He has been doing it for about 5 years. He picks up a lot of stuff there too. They have a grand gossip fest." Mr. Mallet said, "Yes, a very good opportunity." And Mr. Morgenthau said, "Oh, yes, they always have a grand gossip fest."

Mr. Mallet then inquired, "Then we can telegraph that everything is in order? We telegraphed already the moment of the release." Mr. Morgenthau said, "Yes. And, as I understand it, when I give out mine, I will also give out this or is that not necessary - just give out ours?" Bewley said, "I don't think that's necessary." Mr. Mallet said, "You can say a similar statement is being issued at this moment by the British Government in London, but there is no harm. But by all means say a similar one is being issued in London." Mr. Morgenthau remarked, "They will pick it up over there. Those things come across very fast. Things are very quiet. I'm very much pleased - sterling is 4.90 3/4." Mallet said, "Oh, is it?"

Mr. Morgenthau then said, "I think they are playing up this Spanish thing here much more than they seem to do abroad. They are not so much disturbed over there in Paris as our people are here, according to Cochran." Mallet said, "I thought it was a little bit inclined to be a newspaper stunt." Mr. Morgenthau said, "After all, if they were going to do anything, with these people about to fall, it's pretty late to get excited." Mr. Bewley agreed, saying, "It's too late in the day." And Mr. Mallet said, "I think it is for internal consumption in Russia. They don't want the communist party to say they have done nothing." Mr. Morgenthau said, "Anybody who had a diplomatic office in Lisbon must have known what was going on. They tell me everybody can see it. I can't get excited about it, because we feel those things so fast through the foreign exchange market. You feel those things." Mallet asked, "There has been no bad reaction?" Mr. Morgenthau replied, "None at all."

375

"I think if we make this move now and then we will see what the next one is. I haven't thought it through - I am just throwing this out. There undoubtedly will be other countries who will come and say, We would like the same arrangement. Whether we should do it together or separately - I haven't thought that through. You gentlemen might be thinking of that. Say this comes out in Tuesday morning's papers and Belgium says, We want to get in on this. Do we do it together or separately? Bewley said, "We might put that up to London." Mallet added, "And say it is passing through your mind, if you will allow us to say that."

Mr. Lochhead said, "I think Belgium is the last one that is still covered by your old gold regulations, Mr. Morgenthau. Take Holland or Switzerland." Mr. Morgenthau agreed, saying, "You're right. Let's take Sweden or Norway who have been nibbling for the last three to six months with us." Bewley said, "You might put it up to London. I think the amounts they would want are small. They could always get it on the open market in London." Continuing, the Secretary said, "They have talked to us in the last six months. We have done nothing."

Bewley said, "I am pretty vague about Norway and Sweden, but haven't they a loose connection with sterling already?" Mr. Morgenthau answered, "Sweden had dollar balances here and they wanted to convert them into gold. Suppose they want to do it in France. They are all right as far as you are concerned, but this is something new for us. I am just throwing it out, it isn't very big -- I am just wondering. Supposing Tuesday or Wednesday, Sweden says, We have about 5 or 10 million dollars here and we want to convert it into gold. Is it all right? Should we just go ahead and add them to the list?" Lochhead explained, "They couldn't be added to that list because they haven't a stabilization fund."

To Mr. Bewley and Mr. Mallet, the Secretary said, "Forget it for the moment. I wouldn't send it because we haven't thought it out. Don't let's complicate it." Mallet said, "We will say nothing about it." Mr. Morgenthau, continuing, said, "Because they might attach more significance to it. But, if any country comes in and wants it, I will talk to you first. Mallet said, "That's perfectly all right." And Mr. Morgenthau said, "If you want to send that back, that's all right."

Mallet inquired, "Are the Italians likely to?" Mr. Morgenthau answered, "There you are. But before we do it for any other country, we will discuss it here informally." Bewley said, "That's very satisfactory." The Secretary said, "But if some other country comes in, we will talk to you first." And Mr. Mallet said, "We might tell the British that." Mr. Morgenthau then said, "Because we have something here and before we

give it up we might make the best use of it." Bewley agreed, saying, "Oh, certainly."

The Secretary then said, "As far as we are concerned, our only objective is general recovery in the world. We will take our chances on getting our share." Mr. Mallet said to the Secretary, "It is a great thing to find you taking such an active part. Great encouragement for all of us. Enormous encouragement for us in Europe." Mr. Morgenthau replied, and said, "This whole business, as I see the picture today, all these things -- it doesn't seem that anybody learned anything out of the World War. I think we have something now that's going to help."

Mr. Taylor then said, "One other thing that doesn't have anything to do with this situation at all - we get a lot of silence out of South America and I just wonder if you could pass on to us any feeling that you get. It isn't terribly important but, of course, there is a silence and if you have any reaction...." Mr. Bewley interrupted and said, "About what?" Mr. Taylor answered, and said, "About this monetary situation. But they are liable to be deliberate and we get practically nothing." Mallet said, "I have heard nothing." And Bewley said, "We have heard absolutely nothing at all." Mr. Taylor said, "There is no rush about it but it would be interesting to us to know what that situation is there." Mr. Bewley said, "We will be very glad to pass on anything we have got." Mr. Mallet added, "I have heard absolutely nothing so far."

PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: October 10, 1936, 1 p.m.

NO.: 985

FROM COCHRAN.

French financial press continues to criticize France's legislation and regulations against alleged hoarders and speculators, it being felt that such measures are tending to prevent reflux of French capital. Some concern continues to be felt over internal political situation, particularly in connection with communist meetings.

I talked to Cariguel, who told me they had a quiet morning at the Bank of France. During the morning part of his operations involved the purchase of sterling needed by a French railway to pay off a London loan. Approximately one million dollars were acquired against francs during the forenoon.

Tonight I am going to Basel, where on Sunday and Monday the BIS directors will meet; on Tuesday I will send my next telegram.

BULLITT.

EA:LWW

U

GRAY

Bombay

Dated October 10, 1936

Rec'd 2:20 a.m.

Secretary of State

Washington

October 10, 11 a.m.

FOR THE SECRETARY OF THE TREASURY.

Week opened with silver at rupee 49-12 per 100 tolas and gradually advanced to 50-3 in consonance with appreciation of the dollar and steadier advices from London but closed at 49-15. Stock on hand estimated at about 115,000 bars and daily average off take about 50 bars. A shipment from London reported valued at 260,000 pounds. Week's imports about 475 bars.

In sympathy with dollar gold opened at rupees 34-14 per tola, touched 35-3-3 but closed at 35-2-3.

WATERMAN

KLP

HULL COMMENTS ON LEAGUE ACTION 10.57
WASHN- SECY OF STATE HULL TOLD HIS
PRESS CONFERENCE THIS MORNING THAT HE WAS
GRATIFIED WITH ACTION OF NATIONS REPRESENTED
AT GENEVA IN THEIR ACTIVITIES TOWARDS
RESTORATION OF ECONOMIC ACTIVITY - HE SAID
THERE IS A GREATER MOMENTUM IN THAT DIRECTION
AT THIS TIME THAN AT ANY TIME WITHIN HIS
MEMORY

OCT 10 1936

-0-

SECRETARY WELLS CLAY PARSONS' INTEREST AND GRATIFICATION OVER
THE COURSE OF VARIOUS GOVERNMENTS LOOKING TOWARD INTERNATIONAL MONE-
TARY STABILIZATION AND LOWERING OF TRADE TARIFF BARRIERS.

THE FOLLOWING STEPS SHOWED DEFINITE SIGNS OF MORE MOMENTUM AND
DIRECTION TOWARD RESTORING NORMAL INTERNATIONAL ECONOMIC
RELATIONSHIPS. HE REFERRED TO STEPS BY FRANCE, SWITZERLAND, AND OTHER
COUNTRIES TOWARD EXCHANGE STABILITY AND TARIFF REDUCTIONS.

WELLS CLAY PARSONS

FRANCE IS EXPECTED TO BRING DIPLOMATIC PRESSURE ON
 THE UNITED STATES TO CARRY OUT THE DEMAND TO WITHDRAW FROM THE
 MEXICAN INTERVENTION AREA AT LEAST UNTIL ACTION IS TAKEN TO
 BRING THE MEXICAN GOVERNMENT OF THE REVOLUTION
 TO A POINT WHERE IT WILL BE IN A POSITION TO ASSIST AN INVESTIGATION OF THE SOVIET
 INFLUENCE IN THE MEXICAN GOVERNMENT AND PORTUGAL HAVE ASSISTED THE SPANISH
 GOVERNMENT IN THE MEXICAN GOVERNMENT. THE SPANISH GOVERNMENT
 WILL BE IN A POSITION TO ASSIST AN INVESTIGATION OF THE SOVIET
 INFLUENCE IN THE MEXICAN GOVERNMENT AND PORTUGAL HAVE ASSISTED THE SPANISH
 GOVERNMENT IN THE MEXICAN GOVERNMENT.

10.44

FOREIGN EXCHANGES QUIET

9861 01 130

LOCAL FOREIGN EXCHANGE MARKET IS DULL AND STEADY DUE BOTH TO APPROACH OF THE LONG WEEK END AND QUIET CONDITIONS PREVAILING IN LONDON- PRIVATE CABLE ADVICES FROM LONDON INDICATE THAT ACTIVITY IN EXCHANGES THERE IS SMALL WHICH IS TAKEN AS A REFLECTION OF BETTER TONE IN POLITICAL SITUATION ABROAD THIS MORNING

STERLING IS STEADY AND ABOUT UNCHANGED - FRENCH DEMAND FOR STERLING WHICH WAS A FEATURE YESTERDAY APPARENTLY HAS DRIED UP AND MOVEMENT OF FUNDS IN EITHER DIRECTION BETWEEN PARIS AND LONDON SEEMS TO BE AT A STANDSTILL

FRENCH FRANCS ARE A SHADE SOFTER BUT THIS IS BELIEVED TO BE THE RESULT OF OFFICIAL OPERATIONS RATHER THAN OF PRIVATE SELLING OF FRANCS - AS COMPARED WITH THE RATE OF 4 67 CENTS WHICH WAS MAINTAINED FOR THE GREATER PART YESTERDAY ONE OF THE CONTROLS IS BELIEVED TO BE READY TO SUPPLY FRANCS AT 4 66 15-16 CENTS - TRADERS STATE THAT THE CONTROL IS NOT ACTIVELY OFFERING FRANCS AT THAT LEVEL BUT RATHER IS MEETING ALL DEMAND FREELY- BUSINESS IS SMALL

WCNS48

PARIS.--COL. FRANCOIS DE LA ROCQUE, LEADER OF FASCISM IN FRANCE, CHARGED THE SOCIALIST GOVERNMENT AUTHORITIES HAD "FRAMED" HIM AND OTHERS WHEN INDICTED TODAY FOR ALLEGEDLY REORGANIZING THE CROIX DE FEU, OUTLAWED FASCIST GROUP.

10/10--R1125A

WCNS51

ADD LA ROCQUE, PARIS

"I TOLD THE JUDGE THE INDICTMENT HAD BEEN DECIDED BEFORE THE RAIDS," LA ROCQUE SAID, ON LEAVING THE COURTHOUSE AFTER THE FORMAL NOTIFICATION OF THE COURT'S ACTION.

HE AND FOUR OTHER FASCIST LEADERS WERE INDICTED AFTER POLICE RAIDS RESULTED IN CHARGES OF UNLAWFUL REORGANIZATION OF THE BANNED ORGANIZATION OPPOSED BY PREMIER LEON BLUM AND HIS SOCIALIST CABINET. THE OTHER DEFENDANTS ARE JEAN MERMOZ, FLIER; CHARLES VALLIN, GEORGE RICHE AND PHILLIPE VERDIER, WHO APPEARED BEFORE MAGISTRATE BETEILLE OF THE SEINE COURT.

10/10--R1138A

LEAGUE TO ACT ON ECONOMIC COMMISSION
REPORT OCT 10 1936 8 17

GENEVA-U P- THE LEAGUE ASSEMBLY-S ECONOMIC
COMMISSION TODAY URGED THE NATIONS TO REMOVE
IMPORT QUOTAS CONTINUE THE PRESENT MOVEMENT
TOWARD CURRENCY STABILIZATION TO OPEN THE
CHANNELS FOR A FREER ACCESS TO RAW MATERIALS
AND TO LIBERALIZE EXCHANGE CONTROL

THESE REFORMS WERE RECOMMENDED IN A REPORT
SIGNED BY REPRESENTATIVES OF 52 NATIONS- THE
LEAGUE ASSEMBLY SESSION OPENED THIS MORNING TO
ACT ON THE REPORT

URGING ABOLITION OF EXCHANGE RESTRICTIONS
AND FREER ACCESS TO MATERIALS IT ADDED
-THE INFLUX OF FOREIGN CAPITAL AND THE
RETURN OF HOARDED CAPITAL WILL LEAD TO CHEAPER
MONEY AND LOWERED PRODUCTION COSTS-
-0-

OCT 10 1936 ADD LEAGUE 8 30

GENEVA-U P- THE PRESENT MOVEMENT TO FREE
CURRENCIES IS ADMIRABLE THE REPORT SAID BUT
ADDED

-THE GOVERNMENTS SHOULD NOT CONFINE THEM-
SELVES TO THE FIRST MEASURES WHEREBY THEY
ACCOMPANIED THE NEW MONETARY LAWS BUT ENTER
NEGOTIATIONS AT THE EARLIEST MOMENT WITH A VIEW
TO OVERHAULING THE WHOLE COMMERCIAL POLICY-
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WCNS158

SECRETARY MORGENTHAU ANNOUNCES FOR MORNING PAPERS THAT THE U. S., GREAT BRITAIN AND FRANCE TOMORROW WILL GO ON A "NEW GOLD STANDARD" WHICH WILL ROUT MONEY SPECULATORS AND AID FURTHER STABILIZATION OF WORLD CURRENCIES.

THE NEW AGREEMENT, UNDER WHICH THE THREE NATIONS WILL PERMIT AN EXCHANGE OF GOLD FOR THE CONVERSION OF PAPER CURRENCIES OF THE INDIVIDUAL COUNTRIES, WILL OPERATE ON A DAY-TO-DAY BASIS. IT MAY BE CANCELLED BY ANY OF THE PARTICIPANTS ON 24 HOURS NOTICE.

"IT IS A NEW GOLD STANDARD, A WAY OF DOING BUSINESS WHICH HAS NEVER BEEN TRIED BEFORE," MORGENTHAU SAID. "IN AGREEING TO THE PROPOSAL WE TOOK INTO CONSIDERATION FIRST AND ALWAYS OUR INTERNAL PROSPERITY.

"IF, FOR EXAMPLE, WE FIND THAT THE AGREEMENT AND ITS OPERATIONS ARE RETARDING RECOVERY, WE'LL SCRAP IT. ENGLAND AND FRANCE HAVE THE SAME PRIVILEGE."

THE NEW PLAN, MORGENTHAU SAID, DIFFERS FROM THE OLD GOLD STANDARD IN THAT IT WILL PERMIT THE EXPORT OR EARMARKING OF GOLD ONLY TO AND BETWEEN GOVERNMENTS INSTEAD OF PRIVATE BUSINESS INSTITUTIONS AND TRADERS.

BATAVIA - DOW JONES - October 10, 1936.

OCT 10 1936

RUBBER EXPORT DUTY RAISED

BATAVIA- NETHERLANDS EAST INDIES EXPORT
DUTY ON NATIVE RUBBER WILL BE RAISED TO 52
GUILDERS PER 100 KILOGRAMS UP 1 GUILDER
EFFECTIVE OCTOBER 11 ACCORDING TO REUTERS

-0-

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~~HS~~

October 10, 1936

MEMORANDUM TO THE PRESIDENT:

The attached letter allocating \$202,700,000 to the Works Progress Administration has been prepared for your signature at the request of Mr. Gill as set forth in his letter of October 7, 1936 which is enclosed herewith.

You have already allocated to that Administration the full amount which you indicated you were willing to have expended prior to December 31, 1936. Mr. Gill, however, states that this additional amount is needed to carry the program through November, 1936.

As of September 30th, the latest date for which complete figures are available, the Works Progress Administration had an unexpended balance of \$467 million, of which \$282 million was unobligated. At the present time, obligations are being incurred at the rate of about \$170 million per month and expenditures at the rate of about \$165 million per month. At this rate, the present unobligated balance should last over 1½ months, and the unexpended balance over two months. It is necessary of course that a substantial amount be available for obligation sometime in advance of actual expenditure. Due to the large number of accounts, among which this must be distributed, I feel that the Works Progress Administration should be permitted to start November with an unexpended balance of about \$400 million, about half of which should consist of unobligated funds.

If no allocation is made at this time the unexpended balance on October 31st should be about \$330 million, of which \$145 million would be unobligated. (The \$30 million recently allocated for class (f) and class (g) projects is included in these estimates)

I therefore suggest that you reduce the amount to be allocated in the attached letter to \$75 million and sign the draft of the enclosed letter to Mr. Hopkins which I have prepared.

The present unallocated balance of the appropriation of \$1,425 million (less amounts reserved for the Resettlement Administration) is only \$340 million with no reserve for

- Page 2 -

administrative expenses. If the Works Progress Administration is allocated the full amount requested, it would leave only \$138 million available to carry out your entire program after November 30, 1936 including administrative expenses. Expenditures by all agencies which have received allocations are now being made at the rate of about \$240 million per month, which will practically exhaust available funds before the end of the year.

In order that you may have sufficient funds to carry out your program, without rescinding funds previously allocated to other agencies, until the new Congress votes additional funds, it is important that the entire question of expenditures of emergency funds be given serious consideration before the end of October.

(Signed) D. W. BELL

Acting Director.

WORKS PROGRESS ADMINISTRATION
Walker-Johnson Bldg.
1734 New York Avenue, NW.

October 7, 1936

Harry L. Hopkins
Administrator

COPY

Mr. D. W. Bell, Acting Director
Bureau of the Budget
Treasury Department
Washington, D. C.

Dear Mr. Bell:

In accordance with my memorandum of September 19, 1936, summarizing the financial requirements of the Works Progress Administration, request is hereby made for an allocation of funds in the amount of \$202,700,000 to cover the cost of operating the Works Progress Administration program (not for actual expenditure) through November, 1936.

The above figure includes \$39,700,000, representing the difference between \$183,700,000 requested on September 5, 1936 to cover the cost of October needs, and the allocation of \$144,000,000 made on September 14, 1936. There is also included an item of \$6,000,000 representing the cost incident to increased drought employment for the month of October. The balance of \$157,000,000, represents \$152,000,000 to cover the cost of the regular Works Progress Administration program for the month of November plus \$5,000,000 for drought for November. The total of \$202,700,000 will be required by October 10, 1936.

Kindly bear in mind that this entire sum is required to operate the program through the remainder of October and the month of November and it cannot be reduced without a proportionate reduction in the number of persons employed.

Very truly yours,

(Signed)

Corrington Gill
Assistant Administrator

October 12, 1936

My dear Mr. Administrator:

I have today signed a letter allocating \$75,000,000 to the Works Progress Administration instead of the \$202,700,000 requested by Mr. Gill in his letter of October 7, 1936 to the Acting Director of the Bureau of the Budget.

On September 14, 1936, I indicated to Mr. Gill that he was not to spend more than \$780,000,000 between July 1, and December 31, exclusive of the National Youth Administration, and allocated \$144,000,000 for the month of October. It will be necessary for you to so arrange your operations that this additional \$75,000,000 together with your unexpended balance of \$467,000,000 on September 30, 1936, of which \$282,000,000 was unobligated on that date, will last until November 30, 1936. This contemplates that the unobligated funds will amount on October 31 to approximately \$220,000,000, including the \$30,000,000 recently allocated for class (g) and class (f) projects.

Sincerely yours,

(Signed) Franklin D. Roosevelt

Honorable Harry L. Hopkins
Administrator
Works Progress Administration

THE WHITE HOUSE
WASHINGTON

OCT 12 1936

My dear Mr. Secretary:

By virtue of the authority vested in me under the Emergency Relief Appropriation Act of 1936, approved June 22, 1936, it is requested that the following funds be transferred from the appropriation made in said Act to the Works Progress Administration for the purpose indicated below:

AMOUNT: \$600,700,000 *75,000,000*

PURPOSE: For the prosecution of non-Federal public projects within the District of Columbia, approved by me prior to June 22, 1936 under the provisions of the Emergency Relief Appropriation Act of 1936, (provided that the aggregate amount expended upon any one project shall not exceed the amount indicated therefor in the schedules of projects in which such project appeared. The expenditures under this allocation shall be subject to the employment provisions of the Emergency Relief Appropriation Act of 1936.)

Sincerely yours,

Franklin D. Roosevelt

The Honorable,

The Secretary of the Treasury.

Relief Ledger Typ. App. U.S. # A 484 - 10/12/36

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October 10, 1936.

At 10 o'clock A.M., Mr. Taylor and Mr. Upham called on Chairman Eccles of the Board of Governors of the Federal Reserve System in his office in the Washington Building. This conference was in continuation of a talk which Mr. Morgenthau and Mr. Eccles had on their way to the office this morning.

As agreed upon between them, there was left with Mr. Eccles for his exclusive information, a copy of the statement which it is contemplated will be issued on Monday next with respect to the licensing arrangement agreed upon by the governments of Great Britain, France and the United States governing the government purchase and sale of gold in each of the three markets.

After a few moments preliminary discussion of Mr. Eccles' experiences in the west during the weeks of his vacation this summer and of the political situation generally, Mr. Eccles read through the "license" statement and then, basing his observations on the statement and his early morning discussion with Mr. Morgenthau, Mr. Eccles reviewed his understanding of the meaning of the new arrangement and operations to be conducted under it.

Mr. Eccles mentioned the fact that prior to devaluation of the Franc, the British Equalization Account had been able to operate in foreign exchange by using the gold Franc as a fulcrum. Since devaluation, he said, there was no gold currency to peg the Pound against. The Dollar is the only one of the three currencies which has an absolute fixed gold content. Heretofore it has been our practise to permit the purchase of gold at a fixed price by and through the Central Banks of countries which are similarly on gold. Under the new arrangement, we will permit the British and the French governments to purchase gold in this market at our fixed price for

24 hour periods, the privilege being renewable each day. In return the British and French governments will advise us each day a fixed gold price at which we may buy gold from them for a period of 24 hours, in their cases the price and the permission being renewable each day and the price possibly being changed upon occasion. He described it as a "gold standard by the day" or a "24 hour renewable gold standard".

Mr. Eccles discussed some of the economic factors involved and the possibilities of fluctuations in the price of the Pound particularly. He suggested that it is fortunate that we do not have an export surplus for if we did it would tend to depress the Pound unduly. Other factors which he mentioned as likely in the coming months to maintain the Pound are general business prosperity in this country, the likelihood of an increase in American tourist trade in Europe and the likelihood of an increase in immigrant remittances. He expressed hopefulness that there would be some movement of gold out of the United States. He stressed particularly that the United States should not be disturbed about the downward tendency in the Pound -- expressing the view that we are in an extremely favorable position where we more or less dominate the international situation and that we should be generous and liberal and not suspicious of the British or anyone else.

Mr. Taylor interposed to assure Mr. Eccles that that is the position of the Treasury and State Departments and added that the messages which go back and forth between Mr. Morgenthau and Mr. Chamberlain contain many informal assurances of mutual respect and affection.

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Mr. Eccles then began a discussion of the relationship which should exist between the Treasury and the Federal Reserve System. He declared that the Federal Reserve System is vitally interested in many of the things that the Treasury is doing and vice versa. He referred particularly to the situation under which the Federal Reserve Bank of New York acts as fiscal agent for the Treasury and in some instances is informed about Treasury and Stabilization Fund activities which are unknown to the members of the Board in Washington. He referred to the old condition under which the Federal Reserve Board and, indeed the Treasury, and perhaps even the White House were dominated, so far as financial matters were concerned, by the Federal Reserve Bank of New York -- Mr. Harrison, Mr. Young, Mr. Mitchell, etc. In many instance he felt Secretary Mills and Governor Myers were ordered what to do by New York. The Congress, in the Banking Act of 1933 and of 1935 and the Securities and Exchange tried to put an end to this. They made it illegal for the Federal Reserve Bank of New York to engage in conversations or negotiations with foreign central banks without making full and complete disclosures to the Board of Governors in Washington. He was of the opinion that even when acting as fiscal agent for the Treasury it is illegal for the Federal Reserve Bank of New York to withhold information from the Board of Governors.

He referred to the fact that the Board now has many authorities over the Reserve Banks which it did not previously have. The very fact that appointments in the Reserve Banks must be approved by the Board gives them an added influence over the banks. The

reserve activities of the System are now centered in Washington and Professor Williams of the New York Bank is not only assistant to Dr. Goldenweiser as economist for the open market committee but as a matter of fact, in his capacity as adviser to the New York bank, really a part of the economic or research section of the Board itself. He thought it unsatisfactory all the way round for those in the New York bank to have information which is not available to their superiors in Washington.

Mr. Taylor explained that the Treasury had looked upon the New York bank as its fiscal agent rather than as the part of the Federal Reserve System as such.

Mr. Eccles was certain that any information which people in the New York bank had was sooner or later made known to the private bankers and business men who are members of their Board. This seemed to raise the question which I understand had been raised by Mr. Morgenthau at the early morning discussion with respect to the propriety of having an institution of private character act as fiscal agent for the Government in its confidential international transactions.

Mr. Taylor explained to Mr. Eccles how foreign exchange market is handled by telling him that the British and French take care of the market up to 12 noon and that we handle it from then on until the rest of the day.

Mr. Eccles expressed his pleasure at an arrangement which had been entered upon at his request, under which he and Governor Ransom will have luncheon once a week with Mr. Morgenthau and Mr. Taylor to be followed by supplementary conferences between Mr. Haas

and Mr. White for the Treasury and Dr. Goldenweiser and Mr. Gardner for the Reserve System.

Mr. Eccles felt that it is the duty of the Federal Reserve Board to keep the officials of the Federal Reserve banks regularly and accurately informed on events which transpire and that the banks and business men of the country look to the reserve banks for such information and that it can be a very valuable service to the Treasury.

Mr. Eccles was of the opinion that the Federal Reserve ought to be informed about tax and budget operations and proposals inasmuch as they cannot properly exercise the financial duties for which they are responsible without a complete picture of what is going on. He added that unless the Board of Governors were in a position to know, that he was not particularly interested in retaining the position as Chairman of the Board. He seemed to be completely satisfied with the arrangements for mutual exchange of views which has been established.