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Stabilization

Conference with Trentham (British Embassy); present:
Lochhead and Taylor - 6/23/37.....

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a) Reply from Chancellor of Exchequer to message
delivered verbally by Mallet (see Book LXXII,
page 35 - 6/7/37) to the effect that just as
United States was ready to discuss question of
stabilization when world was ready, so now it
is prepared to discuss question of gold

- 1) Sir John Simon considers any marked
divergence in price of gold in United
States and England inadvisable since it
would lead to change of exchange rates
and give leverage on which deflationary
forces could act
- 2) Sir John Simon prepared to take public
action of character calculated to restore
confidence: submitting to Parliament
proposal for increasing resources of
exchange equalization account by a further
sum on £200 million; announcement to be
made on Friday

b) In connection with more personal contacts between
two Treasuries, when Phillips is in Canada in
September, Sir John Simon will arrange for him to
visit Washington, if acceptable to United States
Treasury

Taylor consults HMJr about reply to Simon message - 6/24/37..

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- a) HMJr tells group to work out answer indicating
pleasure at receipt of news
- b) Treasury will be delighted to receive Phillips in
September
- c) Answer as transmitted by Taylor to Trentham - 6/24/37...

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Stabilization (Continued)

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London press comment on Chancellor's proposal is favorable - 6/26/37.....	LXXIV 75
Statement in House of Commons by Sir John Simon, in connection with move to increase exchange stabilization fund, that brief public statement will be made at end of each June and December regarding amount of gold and foreign exchange holdings of fund as of the previous March and September; British fund now possesses approximately 26,674,000 ounces of gold which, together with that in Bank of England of 73,842,000 ounces, makes total of 100,516,000 ounces worth over £700 million - 6/28/37.....	109
France:	
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a) French exchange fund entirely gone	
b) British have taken as much as £8 million to £9 million in a single day	
c) In addition to fleeing from franc into sterling, English feel French are now beginning to sell their old dollar holdings against sterling	
d) Present French flight of capital, Bolton thinks, is one definitely into currencies and <u>not</u> into commodities, stocks, et cetera	
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Cochran reports on visit to Ministry of Finance at midnight; Rueff reports on bold program proposed by Bonnet; if not accepted, Bonnet will return to Washington; Bourse to be closed Tuesday, June 29th, when Government asks for certain powers of control over exchange situation - 6/29/37.....	120
a) HMJr calls meeting in his rooms at Carlton Hotel following Kung dinner given by Chinese Ambassador; present: HMJr, Eccles, Taylor, Viner, Riefler, White, Lochhead, and Feis.....	125
1) HMJr has asked Federal Reserve Bank of New York to take appropriate steps to carry out French request that New York banks do not engage in transactions in French francs while Paris Bourse is closed, as was done last September	
2) Possibility of withdrawal by France from Tripartite Agreement also discussed	
a) Feis memorandum in furtherance of meeting - 6/29/37.....	123

Stabilization (Continued)

France (Continued):

- Cariguel informs Knoke, Bank of France has stated willingness to convert into gold, on basis of yesterday's rate, any francs which United States might buy: "in other words, you see, Tripartite Agreement remains in full force"; Cariguel also states that British will make statement today that in their opinion what France now plans is within scope of Tripartite Agreement; it is hoped HMJr. will make similar statement - 6/29/37..... LXXIV 126
- Butterworth reports Monick is pleasantly surprised at boldness of Bonnet's proposal but apparently expects a further crisis - 6/29/37..... 128
- Butterworth-Taylor conversation - 6/29/37..... 130
- a) Butterworth has just returned from British Treasury; HMJr's instinct "not to believe French on stack of Bibles" is correct; British Treasury has not told Monick or anyone else that they think French are still acting within Tripartite Agreement; Sir John Simon asks that this be transmitted to HMJr
 - b) Treasury reports to Butterworth that Bank of England has suspended quotations, that is, London is not dealing in francs but has arranged for Bank of France to supply francs at 110.55 per pound; Bank of England will not, on its own account, buy any francs at all
 - c) Chancellor of Exchequer gives two messages for HMJr:
 - 1) He may be asked in Parliament this evening whether he regards decision of French Government to suppress upper and lower gold limits as departure from tripartite monetary agreement; will reply that events have shown that re-adjustment of franc in September, 1936, was not entirely successful in re-establishing a lasting equilibrium between economic systems of France and those of United States and Great Britain; has not been informed as to what limit French Government hopes to establish franc; naturally, time is required for thought and consultation; for the moment, can only say that assurances have been received from French Government, that it is not their intention to limit franc deposits, and that close cooperation with Governments of United States and United Kingdom is desired
 - 2) Proposed interim reply by Chancellor of Exchequer to French Government
(For actual messages, see page 142)

Stabilization (Continued)

France (Continued):

Meeting with regard to Chancellor of Exchequer's

two messages; present: HMJr, Taylor, Lochhead,

Viner, Riefler, Oppen, White, and Eccles - 6/29/37... LXXIV 146

a) Conversation with Cochran, in which Knoke is included..... 150

1) French officials have assured Cochran changes which have been made by decree and which are planned in the program of the so-called Bonnet Government will not affect technical arrangements now in force between American and French monetary authorities

2) Knoke satisfied with telegram from Bank of France giving buying and selling rate as of yesterday

3) HMJr will now talk to Sir John Simon and, in meantime, ask Cochran to ascertain what England, Belgium, Switzerland, and the Netherlands have done

4) "Monick, as usual, has just been lying"; HMJr tells Cochran best thing French Government can do is get rid of him

b) Report of vote of confidence in French Government 393-142..... 176

c) (First) conversation with Sir John Simon and Sir Frederick Phillips (Technical Adviser)..... 178

1) HMJr tells Simon, French have given United States same technical arrangements for today as for yesterday: buying rate for franc at 4.46 and selling rate at 4.46¹/₂, with right to convert these francs into gold; under these conditions, United States Treasury feels France is living up to Tripartite Agreement

2) Simon says France has not made similar arrangements with Great Britain

3) HMJr tells Simon, Cochran has been directed to inquire what arrangements France has made with the other countries in Tripartite Agreement

4) HMJr suggests to Simon that he (HMJr) make no public statement until France has made similar arrangements with Great Britain

5) After conference, Simon tells HMJr he does not interpret situation in same way United States Treasury does: in other words, France is making day-to-day arrangements and no promise has been given that France will hold by this arrangement in the future

6) Simon thanks HMJr most cordially for this consultation and expresses appreciation if HMJr will refrain from public statement until recess is up; Simon hopes it will not be necessary for him to make any statements in House of Commons today

Stabilization (Continued)

France (Continued):

French Government sends message via Jean Appert

(given to Taylor and Lochhead) - 6/29/37..... LXIV 199

- a) French Government desires to take advantage of paragraph 3 of Tripartite Agreement which says that United States, Great Britain, and France, when necessary, will arrange for consultation
- b) Bonnet reports that plan for financial rehabilitation has been submitted from Council of the Cabinet (headed by Premier) to Council of the Minister (headed by President of Senate)
 - 1) Steps provided to insure complete balance of budget of 1937
 - 2) Also provides for very large lessening of the charge of the Treasury for new loans from Bank of France to Government
 - 3) Government has also decided not to allow gold stock of Bank of France to decrease further; consequently, it intends to suppress limits which, in the French monetary law, are made compulsory: exchange rate of franc against gold between 49 and 43 milligrams
 - 4) Movement of francs will be restrained by Stabilization Fund and thus franc will be able to find point of equilibrium better suited to economic and financial condition of the country
 - 5) Immediate vote in both houses to be asked for; security and commodity markets to be closed today in order to prevent speculative moves
 - 6) French Government is not seeking in any of these steps to take unreasonable exchange advantage and intends to maintain with American as well as British Government close collaboration
 - 7) Appert asks for report on reaction of United States Government as soon as possible

Gochran reports conversation with Rueff in which he reports talk with Monick: Monick says Chancellor of Exchequer, if questioned in Parliament this afternoon, will say French Government has consulted with British Government in accordance with terms of third paragraph of Tripartite Agreement; Rueff states French will much appreciate similar statement by United States - 6/29/37.....

Stabilization (Continued)

France (Continued):

Conference; present: HMJr, Viner, Taylor, Lochhead,
Riefler, and White - 6/29/37..... LXXIV 204

- a) Taylor reports on Appert's visit
- b) HMJr reports to FDR on steps which have been taken
- c) Taylor reads to group decrees as reported by Appert from Journal Officiel
- d) Lochhead says his worry is not for the fellow trying to buy but rather for the fellow trying to sell francs

Cochran sends translation of text of sole article of Finance Bill as laid before Chamber this afternoon by Chautemps Government: Government is authorized until August 31, 1937, to take all measures necessary to assist in repressing of attacks on credit, et cetera - 6/29/37..... 210

Cochran reports that Cariguel has stated he has telephoned Central Banks of Netherlands, Belgium, and Switzerland and has been in repeated conversation with Bank of England and it is clearly understood that arrangements under Tripartite Agreement and technical agreements subsequent thereto are to be continued - 6/29/37..... 211

Cochran-HMJr telephone conversation - 6/29/37..... 217

- a) Cochran reports bill was accepted by Chamber of Finance Committee by one vote majority only
- b) Cochran repeats Rueff's assurances that arrangements of Tripartite Agreement with all countries stand; advance steps discussed, however, only with Great Britain and United States
- c) HMJr gives resume of events to Cochran, including telephone conversation with Simon; tells Cochran Simon was certainly prepared to issue pretty sharp statement about French before HMJr had telephone conversation with him
- d) HMJr tells Cochran he's going to sit absolutely tight, especially in view of United Press story which has just come in stating that Bonnet expects to devalue on account of tremendous loss of gold; HMJr sorry every time French get in jam "they simply will not play ball"
- e) HMJr tells Cochran there was a demand today for 600,000 francs which United States sold, and that's the only business

- S - (Continued)

Stabilization (Continued)

France (Continued):

HMJr-Butterworth telephone conversation - 6/29/37..... LXXIV 229

- a) Message from Simon: "There has been an agreed quotation between our authorities and French authorities down to yesterday but we have no quotation for French francs today. British market is closed today and tomorrow except for clearing up a few old transactions. No indication what quotation, if any, there will be for ensuing days." British have now asked French Treasury representative in London (Monick) when he will have any information; Simon fears in meantime franc may be allowed to float; Simon is completely in dark as to how they can operate - thinks it would be unfortunate to aver that Tripartite Declaration is in full force - hopes for consultation before any positive statement is made by two Governments

(For actual message, see page 274)

Cochran cables that changes which have been effected by decree today will not in any way affect technical arrangements existing between American and French monetary authorities - 6/29/37..... 245
Press comment on French crisis - 6/29/37..... 277

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See Foreign Capital; Restriction of Inflow

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National Health Survey; possible lay-offs may cause trouble - so Miss Roche reports to 9:30 group - 6/28/37..... 88

U.S.S.R.

For resumé of conferences on gold, 4/11/37-7/17/37, see Book LXIV, page 79

Knoke informs Cariguel that Federal Reserve Bank of New York has opened account for Russian State Bank - 6/24/37..... 24

American Embassy, Moscow, reports on production of Soviet gold; has been diminishing rather than increasing during last six to ten months due to executions, arrests, and removals of competent engineers and specialists within the industry - 6/22/37..... 62

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Van Zeeland, Paul

HMJr tells 9:30 group FDR is taking Van Zeeland on boat trip - 6/23/37..... 9

FEDERAL RESERVE BANK
OF NEW YORK

1

DATE June 23, 1937.

OFFICE CORRESPONDENCE

CONFIDENTIAL FILES

SUBJECT TELEPHONE CONVERSATION

L. W. Knoke

WITH BANK OF ENGLAND.

Mr. Bolton called me at 10:55 today to give me some sort of idea of what was going on, as he said. The French exchange fund was gone. Its losses had recently been on a very large scale, the British, without exaggeration, on several single days taking £8,000,000 to £9,000,000 from them. The best that could be said was that the movement at the moment was small in volume, with the French losing £1,000,000 or so a day. With the British purchases from the French and with all the rest of it, they (the British) had a "feeling of indigestion." What was of particular interest to the British was that there was every appearance that the French, in addition to fleeing from the franc into sterling, were now beginning to sell their old dollar holdings against sterling (I suggested that this was interesting indeed, but was not borne out by the figures reported to us regularly which, at least up to a week ago, had shown a very definite tendency on the part of foreigners ^{including the French} to build up dollar balances here).

The reasons for the French sales of dollars, Bolton thought, were twofold: Firstly, reports which had appeared twice during the week in British and Continental newspapers that the American Treasury had fixed up some arrangement with the French Treasury for the purpose of exchanging information with regard to French capital in this market and vice versa. If the French Government tried in this way to scare hot money from New York back to France, the French hopes would not materialize because, if the French felt it necessary to sell their dollars, they would buy anything else except francs. The second reason,

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 23, 1937.

CONFIDENTIAL FILES

SUBJECT TELEPHONE CONVERSATION WITH

L. W. Knoke

BANK OF ENGLAND.

- 2 -

Bolton thought, was our labor situation which most certainly had had an effect on the investment world everywhere.

The present French flight of capital, Bolton thought, was definitely one into currencies, not into commodities, nor stocks, nor anything else. I asked whether they had noticed an increase of hoarding of their banknotes and he thought that was difficult to tell although it was probably correct to say that something like £500,000 a day of notes was being shipped to France. I asked him whether, in his opinion, anything was fundamentally changed in the franc situation and he replied that he could not see any real relief.

DMK:KMC

Leave 7.49 am - 10.00

3



SECRET SERVICE DIVISION

TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

WASHINGTON

June 23, 1937

MEMORANDUM

To: The Secretary
From: Mr. Murphy, Secret Service

I received word from our Agent Montgomery that you desired to know what would be expected of you at the Roosevelt--du Pont wedding.

There is attached a schedule of the President's trip to Wilmington, and from there to Hyde Park and return, which has not been approved by the President and is therefore subject to change.

I had Colonel Starling telephone to Mrs. Edward J. McMullen at the Bellevue-Stratford Hotel, Philadelphia, as she is the social secretary to the du Pont family, and from her learned that they are sending to all Cabinet Members and other persons who have accepted the invitations to the wedding a railroad card giving all information about trains, etc. This card will advise Cabinet Members and others here to leave Washington on the P.R.R. train at 1:00 P.M., which arrives Wilmington 2:45 P.M., and any guests from New York City to leave New York on the P.R.R. train departing at 12:30 P.M., and arriving Wilmington, at the same station, 2:39 P.M. The du Ponts will have representatives meet the guests at the station and provide necessary automobiles to take them direct to the church, hoping to have all guests seated in the church about 3:30 P.M., before the arrival of the President at 3:50 P.M., (the wedding to be at 4:00 P.M., 5:00 P.M. Daylight Savings Time).

After the wedding ceremony those invited will go to the du Pont home for a reception (buffet service) and may leave at any time.

Guests should be "dressed" before leaving the train, as they will be taken direct to the church. The men will be expected to wear summer clothing-- white linen suits or white flannel trousers with blue coats, etc.

I reserved a drawing room for you on the train leaving here at 1:00 P.M., and one for Mrs. Morgenthau on the train leaving New York City at 12:30 P.M. on the 30th, through Mr. Carr, the local Pennsylvania Railroad representative.

Colonel Starling will be at Wilmington next Monday, the 28th, to remain until after the ceremony. We will have our agents meet you and Mrs. Morgenthau on arrival at Wilmington.

In the foregoing I have designated railroad time to avoid confusion.

COPY

FOR Sec. McIntyre:

Tentative

Trip of the President to Wilmington, Del.,
Hyde Park, N. Y., and return.
June 30 - July ----, 1937.

WEDNESDAY, June 30.

Lv. Washington (B. and O.R.R.)..... 10:00 a.m.

Ar. Montchanin, Del. (Reading RR)..... 12:30 p.m.

Motor to Mr. du Pont's residence,
Owl's Nest, (3 miles) lunch.

Train equipment will be parked
Montchanin, for use of party during day.

After lunch, motor to train; rest;
dress for wedding - 5 o'clock. — *say*
Motor to Christ's Episcopal Church,
(1 1-2 miles).

After wedding, return to train, or
proceed to Mr. du Pont's residence
for reception.

(Will the President dine on train or
at residence??)

At 10:00 or 10:30 p.m., or at any hour
desired, entrain at Montchanin, or
Greenville for Hyde Park, N.Y.

THURSDAY, July 1.

Ar. Highland, N.Y. (N.Y.Cen.)..... 7:30 am. EST.
8:30 am. DST.

Return trip to Washington.

Lv. Highland, N.Y. (West Shore RR). 11:00 p.m. EST
12:00 a.m. DST

Ar. Washington (B. and O.R.R.)..... 8:30 a.m. EST.

June 23, 1937.
9:27 a.m.

Magill:to tell you if you wanted to tell him anything why we could send for him.

H.M.Jr: No, all I'll tell him is "Gesundheit".

M: Yep.

H.M.Jr: No, I have nothing.

M: Oliphant, Lochhead - ah - Taylor, McReynolds, Miss Chauncey and myself are here.

H.M.Jr: Well who wants to say anything.

M: I - they all seem very reticent this morning.

H.M.Jr: Well - ah - let - let me talk to Archie while some of the others collect their thoughts after McReynolds' party.

M: (Laughs)

H.M.Jr: What?

M: (Still laughing)

Lochhead: Good morning.

H.M.Jr: Hello Archie.

L: Well everything is good and quiet as usual for these last two or three days. Ah - there doesn't appear to be the same pressure on the Franc as there was.

H.M.Jr: Good.

L: They - they're not gaining anything but they're not losing very much.

H.M.Jr: All right.

L: Ah - sterling is steady; the gold engagements are working down slightly and that's about all there is to say on it.

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H.M.Jr: Did you figure out that gold bar business?

L: We have the chart all made up already; it's on my desk now.

H.M.Jr: Well mail it to me to the farm.

L: Mail it to you at the farm.

H.M.Jr: Yes.

L: All right then I'll do that to-day.

H.M.Jr: Now let me hear McReynolds' voice - I want to hear - I want to hear how he sounds.

L: Oh it's all right, I took care of him last night; I watched him.

H.M.Jr: Did you? Let me just hear him.

L: Right.

McR: Good morning boss.

H.M.Jr: How was that 19th hole?

McR: Not so bad.

H.M.Jr: Not so bad.

McR: Not so bad. Ros and Herman came out but they didn't stay; they're just old guys.

H.M.Jr: They're sissies .

McR: Yes, they came in - I'll tell you about that sissy sometime.

H.M.Jr: (Laughing) What?

McR: I'll tell you about that sissy sometime.

H.M.Jr: All right.

McR: Ah - but they didn't stay very long.

McR: They did lose their chauffeurs; we had a hard time getting them away.

H.M.Jr: They did.

McR: Yes but - ah - they finally got back. The party started soon after they left. We had a good program; I think everybody had fun; I told everybody that you were sorry you couldn't come.

H.M.Jr: That's right.

McR: And - ah - and nobody had to be carried out.

H.M.Jr: Good.

McR: I didn't win any prizes but I made the boys pay my expenses before I got through.

H.M.Jr: You would.

McR: (Laughs) Ah - I guess Wayne was the only one that didn't show up. Archie stayed until the last horn blew.

H.M.Jr: Good for Archie.

McR: I had a hard time keeping him on the right side of the table when these girls were dancing.

H.M.Jr: I see.

McR: But he stayed; he - as long as he could kick over his coat tails.

H.M.Jr: Did he sit above the table?

McR: Yes, he kept his chin above the table.

H.M.Jr: I see.

McR: And everything was absolutely decent.

H.M.Jr: Ah-ha.

McR: We - we - the last number we had was a fan dance and this girl got a little tired and waved the fans up above her head instead of where they were supposed to be but otherwise the thing was very decent. (Laughs)

H.M.Jr: (Very hearty laughter)

McR: But everybody got away in good time and, as far as I know, everybody is on the job feeling fresh this morning.

H.M.Jr: Well - ah good.

McR: (Still laughing)

H.M.Jr: I'm sorry I missed it; I'd like to have seen Arch with his chin on the table.

McR: Yes (laughs) he - he really behaved himself pretty well considering the fact he's just a young fellow.

H.M.Jr: Well anybody there wants to "after McReynolds".

McR: (Laughs) I don't think there's anybody.

H.M.Jr: All right.

Magill: Mac looks fine this morning; you'd be surprised.

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

Magill: Clear-headed and clear-eyed; his head only twice as big as usual and looking swell.

H.M.Jr: Maybe some good chaperones out there would have done him good.

Magill: I think that's where we made our mistake. (Laughs)

H.M.Jr: (Laughs)

Magill: Just a chaperone and a fan dancer and he's bound to be fine. (Laughs)

H.M.Jr: (Laughs)

McR: (Laughs)

H.M.Jr: I'll call up tomorrow morning about this time but if there's a real emergency, why he phone is Beacon 211.

Magill: Righto.

H.M.Jr: And - ah - I talked to the President and told him that if there was anything on this foreign stuff he could get ahold of Taylor and tax stuff - ah - he could talk to Magill and I told him that we were on top of the world and he had nothing to worry about. He said he's not got anything to worry about. He's taking Von Zeeland down the river to-night - this afternoon.

M: Yes.

H.M.Jr: God help Von Zeeland.

M: I hope he's going to bring him back.

H.M.Jr: I've got to tell you fellows this story. The President said to me, "What's Von Zeeland's first name?"

M: (Laughs)

H.M.Jr: So I said, "Well why". So he said, "Well after a half an hour I want to call him by his first name".

M: (Hearty laughter)

H.M.Jr: So he said, "I'm going to ask him what his nickname was at Princeton because after 30 minutes I'm going to call him that".

M: (Laughs) Probable "Tigue".

H.M. Jr: (Laughs)

M: (Still laughing) Well -

H.M.Jr: The President said there's nothing to worry about - so ah - I guess we ought to hire that fan dancer the next time that Eccles begins to argue.

M: Well I noticed that Wayne made a note of her address, etc.

H.M.Jr: Good.

M: So he'll have her in tow in case you need her.

H.M.Jr: In case Eccles gets into one of his seven hour trances.

M: We don't need her.....

H.M.Jr: Well.....

M: He says - he said he planned to use her on the Brazilians too.

H.M.Jr: O.K. (Laughs)

M: (Laughs)

H.M.Jr: Well - carry on - I'll be back Monday.

M: All right, good luck to you and get a good rest.

H.M.Jr: Goodbye.

M: So long.

McR: Goodbye sir.

June 23, 1937

12 o'clock

Present (in Mr. Taylor's office):

Mr. Trentham
Mr. Lochhead

Mr. Trentham: Look here! Here is a thing from the Chancellor and I brought a spare copy and before you start reading it, may I read this prelude which Eden has sent: "In conveying the following message from the Chancellor of the Exchequer to Mr. Morgenthau, you may be able to bring out its extremely confidential nature especially as to action to be taken in Parliament on Friday. An early favor of a reply from Mr. Morgenthau will be appreciated and you may find opportunity to convey this." Then he goes on with the text.

(Mr. Taylor and Mr. Lochhead read the message.)

Mr. Taylor: I take it you would like any comment that we might wish to make on this proposal that is going to be made on Friday.

Mr. Trentham: It means, if you don't mind, sending something this afternoon.

Mr. Taylor: I would think that we can handle that all right and we will get in touch with you as soon as possible.

Mr. Trentham: If you could just send up to me the text of a message you would like to send. And if you could, send it up by hand. Can you arrange to do that before four o'clock?

Mr. Taylor: I think so.

Mr. Trentham: There is one subsidiary thing. I wonder when Mr. Morgenthau comes back on Monday he would want to give us a message to telegraph to the Treasury about his plans because they say in September Phillips plans to come here. But I suppose he will wait until Congress adjourns?

Mr. Taylor: He will be back in September. Even if he

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goes, he will be back, I would say, right after Labor Day.

Mr. Trentham: That's September 1st?

Mr. Taylor: September 7th.

Mr. Trentham: He will have a short vacation if he waits for Congress to adjourn.

Mr. Taylor: He's talking the 15th.

Mr. Trentham: You might like to incorporate in what you say in reply to this that Mr. Morgenthau will be available after September 15th.

Mr. Lockhead: After all, the last paragraph is not what you want an answer on this afternoon.

Mr. Trentham: Oh, no! Do you want a third copy?

Mr. Taylor: If you have a spare one.

Mr. Trentham: If you could have something around four, I would shoot it off. Only one thing I want to ask you in passing. Is there any chance of Brazil getting money from this country for its Central Bank? I rather doubt it.

Mr. Taylor: We haven't talked to the Brazilian mission yet. Preparation for that was that when the President was on the South American trip, he had comparatively brief conversation with the President of Brazil and the Finance Minister regarding their creating a Central Bank; its reorganizing the banking system; possibly promoting some of the exchange control mechanism which they have; and indicated that we would be more than glad to discuss that whole problem with them. That was followed up by Mr. Welles, who had some other conversations along those lines. Then about a couple of months ago, within the last two months, when the Ambassador came back here, he resumed those conversations and we repeated, which you might describe as the invitation, that we would be more than glad to discuss with them, from the standpoint of giving them the benefit of our experience, possible cooperation for a certain loan, which you might describe as a gold loan, to the Central Bank which would permit, let us say, earmarking, which would be delivered on the installment plan over a rather long period.

-3-

Mr. Trentham: Yes. Yes.

Mr. Taylor: We would be more than glad to discuss ...

Mr. Trentham: You would sponsor it, in a way?

Mr. Taylor: Might even do more than that. We have mechanism in the Export-Import Bank, which has been utilized in similar transactions and could be utilized again.

Mr. Trentham: Yes. Yes.

Mr. Taylor: And that's the background. We are more than willing, in fact we would be glad to help out that situation in any way that's possible to do it, but a direct, let's say Government to Government loan at the minute has not been discussed.

Mr. Trentham: No. I remember talking to Niemeyer who went out to Brazil and he knew he was going to find a mess and I read his report afterwards.

Mr. Taylor: His report might very well be, let's say, the jumping off point for any discussion, because that's the last comprehensive report that has been made. A lot of things have happened since then. Our impression is that the mission is going to stay here quite a while; that they are not only exploring banking possibilities, but taking this occasion for going over the whole subject.

Mr. Trentham: Yes. Trade. Our poor fish merchants in Newfoundland could not get any money for their fish.

14
Message from Chancellor of the Exchequer for
Secretary of the Treasury.

VERY CONFIDENTIAL.

Mr. Mallet has conveyed to me the message which you entrusted to him and which I was very glad to receive. You will appreciate that I have been so short a time in my present office that I have had really no opportunity to form a considered judgment on many of these difficult questions. But I am convinced that the most important matter is that there should be no set-back in progress towards reviving confidence. In both our countries there has been remarkable increase in the last two years in the national income, in the spending power and welfare of the people and in the volume of employment. It is worth the trouble and sacrifice to ensure that this progress which has by no means reached its limits should continue and I am convinced that it can continue as a result of our close cooperation.

As regards gold coming out of hoards we cannot help ourselves no more than it was always certain that hoards would gradually be dispersed
when /

when the hope of a further rise in the price of gold had disappeared. The increase in the output of new gold and the threat of a still further increase later may present the world with a troublesome problem, but it is not a problem which would I think have caused much anxiety at this time had it not been for the further very large amounts of gold thrown on the market by European countries particularly France.

It appears to me inadvisable that there should be any marked divergence in the price of gold in our two countries, for such an alteration would lead to a change of exchange rates and give leverage on which deflationary forces could act. Whether a simultaneous reduction in the price of gold by all the leading Powers will have deflationary results is a matter on which I have not yet come to any certain conclusion.

At the present moment however a large section of the public seems to have formed the opinion that deflation would be the result of

any /

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any change in the gold price, however universal. Even if it were wrong, the existence of this opinion would have to be taken seriously into account, since what the public thinks is going to happen is itself an important factor in bringing events about. For these reasons I think that in the absence of a demonstrable crisis we should work to prevent a too early stirring up of this matter at any rate until recovery is better assured than at present.

It happens that at this moment I am presented with an opportunity of taking public action of a character calculated to restore confidence. The heavy flow of gold from France in the last ten days, while it has not exhausted our buying resources, has brought the latter down to a figure at which I think it would be undesirable to leave them without addition. I am accordingly taking steps to submit to Parliament a proposal for increasing the resources of the Exchange Equalisation account by a further sum of two hundred million pounds and I shall be making an announcement to this effect on

Friday /

Friday of this week, I feel sure that this course will be welcome to you and accord with your general line of policy.

I have one thing to add. I have noted and I cordially agree with your earlier suggestion for more personal contacts between Treasuries. Sir F. Philips who specially concerns himself with currency questions will be in Canada in September for private reasons and if it is acceptable to you I should be very happy indeed to arrange for him to go to Washington for discussions with the United States Treasury both upon the gold question and generally upon problems of mutual interest to us both. I take it that you do not contemplate any need for any kind of major modification of policy before that time.

June 24th, 1937.

RB

PLAIN

London

Dated June 23, 1937

Rec'd 3:45 p. m.

Secretary of State

Washington.

401, June 23, 6 p. m.

FOR TREASURY FROM BUTTERWORTH.

In general the City's reaction to the new French Government is as follows:

One. The Advent of Chautemps is welcomed in the belief that he will take a firmer line against the Extremists than Blum did.

Two. The appointment of Bonnet who has here, among other things a reputation for veniality is deprecated.

Three. The new French Government is expected soon to resort to the much discussed expedients which will enable it to obtain sufficient funds to tide over the summer but a financial crisis which will drag in the political is expected to recur in the early autumn. The foreign exchanges were relatively quiet during most of the day but towards the close the pressure on the franc definitely increased. The three months futures rate for example went

from

RB

-2-#401, June 23, 6 p. m. from
London

from 5 bid to 6-3/8 offered. It is announced that the Bank of England bought gold to the value of sterling 5,145,259 computed at the old rate.

BINGHAM

ALC

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: June 23, 1937, 4 p.m.

NO.: 844

FROM COCHRAN.

This morning at 11 a.m. I visited the Bank of France. Yesterday evening the franc had strengthened when the New York market opened and the rate was favorable here when business started, but it moved to the former level of 110.89 after gradual weakening. The French control came into the market when it reached 110.89 and has had a fairly busy day. 211,000,000 French francs were lost by the control yesterday. It is the impression of my market contact (at 3:30 this afternoon) that today's pressure on the French control is at least equivalent to yesterday's pressure.

I learned this morning in strictest confidence that during the last two or three days of the Blum Government the Caisse des Depots et Consignations was called upon by the Treasury to cover the overdrafts with the Bank of France which the Treasury had made. This fact reveals clearly that

END SECTION ONE.

BULLITT.

EA:LWW

PARTIAL PARAPHRASE OF SECTION TWO OF NO. 844 OF JUNE
23, 1937, FROM PARIS.

when the Government went out of power the Treasury was empty.

A banker tells me that at least three members of the Blum Government last week converted their own sterling balances into francs, in anticipation of the expected action of the Blum Government, had it remained in power, to force in some way holders of foreign currency balances in French banks to convert them into francs.

AGENCE ECONOMIQUE today carries the text of the letter dated June 14th in which Rist and Baudoin submitted their resignations from the Experts Committee which advised the French stabilization fund. This journal said the letter was being published to contradict various market rumors to the effect that the two experts had asked the Government to proceed to a devaluation and to a forced conversion of Government securities. The letter makes no startling revelation but confirms information which I have previously submitted to the effect that these experts had on various occasions given advice to the Government which the latter had not seen fit to follow. The most significant point is that the two experts realizing the seriousness of the financial situation

BULLITT

MA:DJW

PARTIAL PARAPHRASE

Section three, telegram No. 844, June 23, from Paris.

and the exhaustion of the gold and foreign exchange resources of the stabilization fund were of the opinion that the new taxes which the Government anticipated seeking would not be in themselves sufficient to solve the crisis and recommended a general program which would include "a wider liberty for movements of the franc". Full text by mail.

With the demand for sterling continuing this afternoon the three months discount on the franc widened to six and an eighth with heavy offers of francs. Dollars less offered against sterling in view of potential danger of LEIPZIG affair to British as well as continental finances. French rentes opened lower but finished about even or a shade better than yesterday.

Yesterday and today I spoke with several bankers. As the above evidence indicates, market and banking circles are not favorably impressed by the new Cabinet. It is considered by them to be too identical with and devoted to the principles of the outgoing Government to take the economic and financial measures necessary to recovery or to inspire ~~the~~ confidence. Auriol's shift to the Ministry of Justice they consider as a continuing threat to returning capital. They do not think as well of Bonnet as do certain journals which expect great things

of

-2-

him as a result of the close friendships he is reported to have established with officials of the United States. Brunet, a law professor and member of the Chamber Finance Committee who has recently headed a committee to study the reorganization of the French credit system, is scheduled to be Bonnet's Under Secretary of Finance.

END OF MESSAGE

BULLITT

EA:DJW

CORRESPONDENCE

DATE: June 24, 1937.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH
BANK OF FRANCE.

L. W. Knake

I called Mr. Cariguel at 10:55 today. I mentioned as of possible interest to him that we had actually opened an account on our books for the Russian State Bank with several million dollars received for it from the market. In discussing the foreign exchange market I referred to the fact that forward francs were under heavy pressure and Cariguel replied that he was fully aware of that. I read the Paris dispatch to him to the effect that Bonnet intended to stabilize the franc at the lowest legal limit without delay and to raise last year's income tax by 20%, and asked him whether, in his opinion, in view of the fact that Bonnet was reported in constant telephone connection with the French Cabinet, it was likely that some such steps would be taken before he returned to Paris next Tuesday. Cariguel seemed to have discussed this possibility himself; at least he answered that they, at the Bank of France, did not think so. He added that, of course, if the situation developed very badly they might let the franc drop to that limit anyhow, and that, after all, they did not have far to go. As regards the truth of these reports about Bonnet's intentions, Cariguel said he had no information because those decisions lay entirely outside the Bank.

They were under great pressure today, he continued, worse than they had been for a long time. Up to 4:30 p. m., their time, they had done £5,000,000, with almost two hours more to go, which might well add another million pounds. I ventured the thought that he had recently lost more than that, which Cariguel admitted, adding, however, that the larger figures included their dollar operations. Securities markets were firm in Paris today, Cariguel said; the rentes were up from yesterday.

LWK:KNC

Regraded Unclassified

PARTIAL PARAPHRASE OF TELEGRAM

RECEIVED

FROM: American Embassy, Paris

DATE: June 24, noon

NO.: 851.

Paris American banker learned by the telephone from his London office at 11:15 that Reuter's ticker had just reported that France would leave the tripartite agreement as from tonight or tomorrow morning.

At 11:30 this morning I talked with the Bank of France. Yesterday's losses were slightly more than they were the previous day (211,000,000 francs). I was told by my friend that the market was opening very badly this morning and that the control was in heavily at 110.90. He was uninformed on the above London report but realizes such rumors will add to the strain.

According to my market contact, there is "terrific" pressure on the franc. The forward discount for three months sterling widened to eight with heavy offers of franc and no counterpart on market talk that further devaluation of the franc is inevitable.

Inasmuch as the Chautemps Ministry is awaiting Bonnet's return on Monday before completing its program for presentation to the Chamber Tuesday, there will be ~~these several days~~ ^{these several days} a better display of uncertainty which promises to cost Bank of France a considerable amount of gold.

June 24, 1937.
9:20 a.m.

H.M.Jr:I suppose you've gotten through Cecil DeMille

Magill: (Laughs) Well Cecil was in a - Cecil was in a case we had in court and he - ah - the effect of his case, which wasn't fully brought out till yesterday, was simply to wreck the operation of one section of the law.

H.M.Jr: Well, according to his statement in to-day's paper by DeMille, he says that the court sided with him.

Magill: That's right, they did.

H.M.Jr: What?

M: That's right, they sided with him all right. We brought that out but most of the newspapers don't seem to have gotten it. The Wall Street Journal did. I think we may be - ought to make a further statement about it this morning.

H.M.Jr: Who were the other sixteen babies?

M: I don't know who they are, Henry, there - they simply took as - as Helvering said the 17 cases that are pending there for disposition now.

H.M.Jr: Well now is to-day the day that you bring out Mr. Hearst and Mr. Roy Howard?

M: I don't know whether Hearst is in it or not but Howard, I think, is.

H.M.Jr: But not Hearst?

M: I don't know whether he is or not.

H.M.Jr: Ah-ha - I see.

M: I think the New York Sun and Howard are the two principal performers to-day. What's that?

H.M.Jr: Hello

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M: Hello

H.M.Jr: New York Sun, you think?

M: I think they're in it too, yes.

H.M.Jr: I see.

M: Helvering is going on to-day and - and I think we've got the thing worked up in good shape. We had a meeting of the staff yesterday afternoon and I think we're prepared for whatever comes which I think will be a hot session to-day but I think we'll get through alive.

H.M.Jr: How do you feel physically?

M: A good deal better; I feel a little tired to-day but then - ah - we came along all right yesterday; I'll get through all right.

H.M.Jr: You're going home tonight?

M: If it's all right with you, I'd like to.

H.M.Jr: I think it would be a good idea.

M: Well I think I will; I'd like to get a couple of nights of Connecticut air.

H.M.Jr: I think it would be a good night - good idea.

M: Yes.

H.M.Jr: Ah - anything you want to ask me?

M: No I don't think so - ah - ah - we've got our program pretty fully worked out from beginning to end now - this - the last one of these lawyers we wanted - Rogge is here; he looks like a good man and Yntema is here and I think we've got a good staff now and ready to go.

H.M.Jr: Have you thought - do you take Paul up with you?

M: Ah - I don't think he's been up so far, we've been trying to iron the situation out in his case a little; there's some difficulties there.

H.M.Jr: In his case?

M: Yes.

H.M.Jr: What is it - salary?

M: No, no, no - just as to - in connection with his private law practice and how he could work that out.

H.M.Jr: Oh - oh.

M: Do you - do you want to laugh this morning?

H.M.Jr: Very much.

M: I think it will give you one. Ah - I had a talk with Doughton and Harrison yesterday morning before we started in - very friendly and so on - and I - Harrison said he thought we ought to call a few witnesses after this party was over with. I said, "All right, if you do that then - why we'll appreciate having our lawyers to examine them" and Doughton said, "Well you know Crawford Biggs was around to see me the other day and he'd like to be Counsel for the Committee and to serve without compensation and I just want to suggest that".

H.M.Jr: He did?

M: (Laughs) And Harrison said, "Well now you know, Bob, he was fired out of here as being the most incompetent lawyer in Washington. (Laughs)

H.M.Jr: Well I'll be darned. Well I'm disappointed in Doughton.

M: (Hearty laughter)

H.M.Jr: Why don't he get Harry Dougherty, he'd be a good lawyer.

M: He'd be good; I don't know - I think Biggs would be better though - I don't think you could pick a better one than Biggs.

H.M.Jr: I don't know.

M: He'd be my horse.

H.M.Jr: Well my candidate is Harry Dougherty. Is he still alive?

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Mr: I don't know but I think you're wrong; I back Bates to the limit. The next man would be Rush Holland who served under Dougherty; he's pretty nearly as good as Biggs, but not so prominent.

H.M.Jr: I suppose it's funny but it sounds disgusting to me.

M: (Laughs) Well (Laughs) I wouldn't have told it to you if I thought it would worry you.

H.M.Jr: It is funny but

M: It amused me down to the ground.

H.M.Jr:I'm surprised at and disappointed in Doughton.

M: Yes.

H.M.Jr: But that's life.

M: That's life, all right.

H.M.Jr: Now anybody else want to talk?

M: Well the handsome Mr. Taylor is over here looking as if he'd like to talk.

H.M.Jr: All right.

M: No, he says he wouldn't.

H.M.Jr: Well I'd like to talk to him.

M: All right, Wayne.

Taylor: Hello

H.M.Jr: I hear you exhausted the French Stabilization Fund. I don't think that's nice of you.

T: That what ?

H.M.Jr: That you exhausted the French Stabilization Fund. Hello

T: Oh that was last week.

H.M.Jr: Oh that was last week.

T: Yes.

H.M.Jr: What about Von Zeeland?

T: Well he's been down the river.

H.M.Jr: Yes.

T: And was entertained at the White House.

H.M.Jr: Ah-ha. Otherwise?

T: Ah - well all quiet so far. We've got - ah - their financial guy is coming in this morning at 11.

H.M.Jr: To see you?

T: Yes. He had a letter to you from Bill Bullitt.

H.M.Jr: From the Ambassador at large, eh?

T: Yes.

H.M.Jr: Ah-ha.

T: But - ah - I'm - I'm pinch hitting for you.

H.M.Jr: Good.

T: I don't know what he wants to talk about.

H.M.Jr: Ah - you'll - you'll be amused - I was just talking to Kieley and Dr. Kung only has nine people traveling with him that's coming to my dinner.

T: Just nine, eh.

H.M.Jr: That's all.

T: Ah - one of them by the way is our old friend, Kuo

H.M.Jr: Oh really?

T: Yes, he was down here yesterday doing a little scouting.

H.M.Jr: Ah-ha.

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T: And - ah - I put in quite a little time with him.

H.M.Jr: Ah-ha. Well why don't you send them all out to Fort Knox.

T: (Very hearty laughter)

H.M.Jr: I haven't heard you laugh like that in a long time.

T: (Still laughing) Well the shipments have been completed. Do you think that we better wait until they start some more shipments here or let them see it just the way it's - when it's asleep?

H.M.Jr: Ah - how - your wife and daughter - I saw them for five minutes; they look fine; very happy; they left here at 4 o'clock for Chicago.

T: Well the other troops left last night and Dot, ~~and~~ the dog, left this morning so....

H.M.Jr: You must feel quite lonesome.

T: Very.

H.M.Jr: Now how is foreign - how many gold bars to-day.

T: (Aside to someone: "How many gold bars"?)

H.M.Jr: Hello

T: 151.

H.M.Jr: I like that chart that Archie sent me. It's very encouraging.

T: Good.

H.M.Jr: 151 bars.

T: Yes.

H.M.Jr: All right. Everything quiet?

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T: Ah - yes, except - ah - the - ah - the boys are just finding out that there's something wrong with France. That broke out last night but not I mean that's nothing new to you.

H.M.Jr: Anything you want to ask me?

T: Ah - not at the minute.

H.M.Jr: Fine.

T: I - Jake and Win worked all day yesterday; I think we're coming along pretty well and they're leaving about noon to-day.....

H.M.Jr: Good.

T:and will be back Monday.

H.M.Jr: Fine. Now is - is Bell there or not?

T: Yes.

H.M.Jr: Let me talk to him.

Bell: Good morning.

H.M.Jr: Hello Dan. How - how are the tax figures?

B: Ah - right - right on the dot; our estimate up to night before last was 496 and the returns are 4978.

H.M.Jr: Too good.

B: We're a little - a million eight over.

H.M.Jr: How are you feeling?

B: Ah - I'm feeling pretty good. I'm on my way to the White House in a few minutes to get some decisions on the War Department bill.

H.M.Jr: Ah - well

B: I don't think it's serious.

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H.M.Jr: What?

B: I don't think they're serious, although the President said he would veto the non military bill if they increased the second .

H.M.Jr: Yes.

B: But I think that they've increased it in a way that we probably can control it.

H.M.Jr: Well he told me Monday at lunch that he would not veto it; I asked him.

B: He would not.

H.M.Jr: No.

B: " I see - well he's (laughs) changed his mind.

H.M.Jr: What?

B: He changed his mind.

H.M.Jr: He said he thought they could handle it out of the relief money.

B: Yes, well they've got it in such shape that I think we can handle it and my recommendation would be that he not veto it.

H.M.Jr: Ah - Dan - in the paper it says 340 million for Public Works - ah - how much of that is - is over the budget?

B: Ah - it would be about 40 million dollars over the funds available - now available and how they arrived at it is Hackett submitted to the committee a list of projects totaling 132 million for which he has 95 million dollars in funds available.

H.M.Jr: Yes.

B: So they added the 37 million to complete the projects and 2 million dollars for administrative expenses and all those projects are not good and I expect maybe we can cut that 132 million in half.

H.M.Jr: I see.

B: But the Hayden amendment is now in the relief bill - is the worst one.

H.M.Jr: Yes.

B: That makes about 50-60 million dollars more money available out of the RFC.

H.M.Jr: Are you going to tell the President that?

B: I've already told the President and I've been to the Capitol trying to get them to straighten it out.....

H.M.Jr: Ah-ha.

B:and asked them if they won't insert in the Relief Bill the House Bill.....

H.M.Jr: Ah-ha.

B:and - now they may have difficulty doing that.

H.M.Jr: I see.

B: But - ah - I think if they can do that they will limit the available funds to about 300 million dollars which is about - ah - 17 or 18 million dollars more than the funds now available.

H.M.Jr: Ah-ha.

B: So I don't think that would hurt us. And then, too, we've got some control - if they changed their amendment, to give Jesse Jones discretion in the purchase of securities which he didn't have in the Hayden amendment and if they give Jesse control of that why he won't purchase all the different securities.....

H.M.Jr: I see.

B:and Viner won't get the money.

H.M.Jr: I see.

B: So I think it's under control if they'll do as we ask them.

H.M.Jr: How is McReynolds Housing Bill.

B: Funny - you'll have to ask Mac about that. I've been sitting back taking it easy in the hopes that it would fail somewhere along the line. He's here. Do you want to talk to him?

H.M.Jr: Just say "Hello" to Mac.

McR: Good morning, Secretary.

H.M.Jr: Hello Mac. Ah - Mac will you tell Joe Murphy that the information which he sent me about the Roosevelt wedding was just what I wanted and I want to thank him.

McR: Wait a minute.

H.M.Jr: Hello.

McR: Ah - ah - now I can hear you better.

H.M.Jr: What?

McR: I say I didn't hear you when you spoke before.

H.M.Jr: I asked Joe Murphy to send me some information on train schedules.

McR: Yes, he showed me the memorandum he sent.

H.M.Jr: And it's just exactly what I want and I wish you'd thank him.

McR: Yes, all right, I'll tell him.

H.M.Jr: That's all I've got.

McR: All right.

H.M.Jr: Mac, keep looking over my mail and keep it rolling, please.

McR: Yes, we're doing that. Nell is bringing in everything that comes in.

H.M.Jr: I'll not call again to-day but if there's anything that's really important why they can get me.

- 11 -

McR: O.K. Everything - everything is very quiet. I don't think there's any occasion to bother you.

H.M.Jr: The best time to call me - I'm going to talk daylight saving.....

McR: Yes.

H.M.Jr:is a quarter of one.....

McR: Yes.

H.M.Jr:or at four o'clock.

McR: A quarter of one or four o'clock; that would be a quarter of two or quarter of twelve or three here.

H.M.Jr: Good.

McR: I've got it straight.

Magill: I had to help him out though.

H.M.Jr: What?

Magill: I say I had to help him out and coach him.

H.M.Jr: What?

McR: (Laughs) Ah - Ros is boasting.

H.M.Jr: What's that?

McR: I say Ros is just boasting that's all.

H.M.Jr: What's he saying?

McR: He said he had to help me out; he had to coach me.

H.M.Jr: Oh. Does Oliphant want anything?

McR: Herman says he doesn't want a thing; he's perfectly happy.

H.M.Jr: Good for Herman. Well thank you all.

McR: Goodbye.

Magill: Good luck - goodbye.

June 24, 1937.
12:30 p.m.

H.M.Jr:he refused to come across.
Taylor: No this is just international.
H.M.Jr: Oh.
T: Trentham came in with a message from - to you from the Chancellor - ah - which is.....
H.V.Jr: Simple Simon?
T: What?
H.M.Jr: Simple Simon?
T: Yep.
H.V.Jr: Yep.
T: And - ah - there are certain aspects of it which they would like to have our comment, if any,.....
H.M.Jr: Yes.
T:ah - by 4 o'clock this afternoon.
H.M.Jr: Well (laughs) I've started my week-end.
T: Yes, they realize that.
H.M.Jr: Go ahead - shoot.
T: Ah - I think I'll read it to you.
H.M.Jr: Go ahead.
T: It's - ah - it's fairly long but there's only one point in which we're called upon to comment on, I think, at this time.
H.M.Jr: Am I on the loud speaker?
T: You are.
H.M.Jr: Who's there?

- 2 -

T: Ah - Lochhead, Viner, Reifler, Haas, White, Miss Chauncey, Oppen and Taylor.

H.M.Jr: My golly, haven't you got anybody there from Public Health?

T: No (laughs)

H.M.Jr: All right.

T: Ah - background being emphasize the confidential nature, etc.

H.M.Jr: All right, tell Chauncey not to tell anybody.

T: Yes. "Mr. Mallett has conveyed to me the message which you intrusted to him and which I was very glad to receive".

H.M.Jr: Yes.

T: "You will appreciate that I have been so short a time in my present office that I've had really no opportunity to form a considerate judgement on many of these difficult questions, but I am convinced that the most important matter is that there should be no setback in progress towards reviving confidence".

H.M.Jr: Just a minute - I want to close the door - the children are making so much noise - just a minute - hello

T: Yep.

H.M.Jr: All right. I got "confidende".

T: Yes. "In both our countries there has been remarkable increase, in the last two years, in the national income and the spending power and welfare of the people and in the volume of employment".

H.M.Jr: Sounds like Harry Hopkins.

T: Yes. "It is worth the trouble and sacrifice to insure that this progress which has by no means reached its limits should continue and I am convinced ~~that~~ that it can continue as a result of our close cooperation. As regards gold coming out of hoards, we cannot help ourselves no more than it has - than it would always seem that hoards would gradually be dispersed when the hope of a further rise in the price of gold had disappeared. The increase in the output of new gold and the threat of a

- 3 -

still further increase later may present the world with a troublesome problem but it is not a problem which would, I think, have caused much anxiety at this time had it not been for the further very large amounts of gold thrown on the markets by European countries, particularly France. It appears to me inadvisable.....

H.W.Jr: A little bit louder please.

T:It appears to me inadvisable that there should be any marked diversions in the price of gold in our two countries for such an alteration would lead to a change of exchange rates and give leverage on which deflationary forces could act."

H.W.Jr: What kind of forces?

T: Deflationary.

H.W.Jr: Yes.

T: "Whether a simultaneous reduction in the price of gold by all the leading powers would have a deflationary result is a matter on which I have not yet come to any certain conclusion. At the present moment, however, a large section of the public seems to have formed the opinion that deflation would be the result of any change in the gold price, however universal. Even if it were wrong, the existence of this opinion would have to be taken seriously into account since what the public thinks is going to happen is itself an important factor in bringing events about. For these reasons I think that in the absence of a demonstrable crisis....."

H.W.Jr: A what?

T: "in the absence of a demonstrable crisis....."

H.W.Jr: Yes.

T:we should work to prevent a too early stirring up of this matter at any rate until recovery is better assured than at present. It happens that at this moment (and this is the part where they want comment on) I am presented with an opportunity of taking public action of a character calculated to restore confidence. The heavy flow of gold from France in the last ten days, where it has not exhausted their buying resources, has brought the latter down to a figure at which I think

- 4 -

it would be undesirable to leave them without

".

H.M.Jr: Leave them what ?

T: Without

T: "I am accordingly taking steps to submit to Parliament the proposal for increasing the resources of the exchange equalization account by a further sum of 200 million pounds and I shall be making an announcement to this effect on Friday of this week. I feel sure that this course will be welcome to you and accord with your general line of policy. I have one thing to add. I have noted.....

H.M.Jr: Have or add?

T: Add.

H.M.Jr: A-d-d?

T: That's it.

H.M.Jr: Yes.

T: "I have noted, and I cordially agree with your earlier suggestion for more personal contacts between Treasuries. Sir Frederic Phillips, who especially concerns himself with currency questions, will be in Canada in September for private reasons and, if it is acceptable to you, I should be very happy indeed for him to go to Washington for discussions with the United States Treasury, both upon the gold question and generally upon problems of mutual interest to us both. "

H.M.Jr: May I interrupt you there?

T: Yes.

H.M.Jr: I suggested that Phillips come over here about a month ago.

T: Yes.

H.M.Jr: And Butterworth - "why it's perfectly ridiculous - they couldn't - why that's the most ridiculous suggestion he'd ever heard.

T: It isn't so ridiculous to-day.

H.M.Jr: Well I suggested that over a month ago.

T: Yes, I remember it.

H.M.Jr: What?

T: I remember it well.

H.M.Jr: Yes. Miss Chauncey might look it up over one of the telephone conversations for me. But I remember distinctly suggesting that and Butterworth just laughing about it.

T: I remember it.

H.M.Jr: Continue.

T:upon problems of mutual interest to us both, I take it that you do not contemplate any need for any kind of major modification of policy before that time".
End of message.

H.M.Jr: Well - ah - is there any doubt with anybody in the room that - ah - where do they say they want a comment?

T: The comment has to do with - ah - Friday's proposal.

H.M.Jr: Well I mean how - I - I - didn't hear that in the message.

T: Well that was developed in conversation.

H.M.Jr: Oh.

T: That - ah -

H.M.Jr: Who came down?

T: What?

H.M.Jr: Who came down?

T: Trentham came down.

H.M.Jr: Yes.

T: And - ah -

H.M.Jr: Well - talking in my own mind - there's only one answer - that we're delighted to see that the - that they're going to get this increased authority. Any difference of opinion? Have you worked out something?

T: Ah - no, we sent this to you right away, see?

H.M.Jr: Oh.

T: And wanted to get your ideas before we tried to draft a message.

H.M.Jr: Well - ah - I don't want to be called back again on it.

T: Yes.

H.M.Jr: But I don't know whether the word is "delighted" - but - gratified

T: Well we - just offhand, why we're thinking of - ah - we could say, if we do think so, that it is a very constructive move and we think it should have a good effect.

H.M.Jr: Well, of course, I'm not sure of that, see?

M: Yes.

H.M.Jr: Because I think the people will be shocked to think that they need additional authority but - ah - ah - I'd simply - let me just think a minute.

M: Yes.

H.M.Jr: Ah - has Viner or Reifler got a word to suggest?

T: There's one thing in particular and I don't know whether that is in this particular case - ah - I don't think that it's necessary to take that up.

H.M.Jr: About Fisher?

T: No, this has to do with the last sentence in terms of September.

H.M.Jr: Oh, well I don't want to answer that now.

- 7 -

T: Yes, well that's what I thought. That we are to - we are to indicate that.....

H.M.Jr: Well I would say - hello

T: Yes.

H.M.Jr: What I would say is this. I wouldn't give them anything in writing. You could say that I'm away. I don't know what they told the President - resting - oh, till Monday - hello

T: Yes.

H.M.Jr: That you telephoned and that - ah - I haven't got the message before me, so I can't read it but that the thought that they're going to extend the authority of their Stabilization Fund by 200 million dollars is very pleasing to me. Now what are the heads doing around there - nodding or which way? And I'll take the rest of the message.

T: Ah - Dr. Viner isn't moving his one way or the other and Dr. White isn't moving his one way or the other. The rest of them nodded.

H.M.Jr: What's Reifler doing?

T: He - I thought he nodded but now he's - he's (laughs) gone still. Do you want to talk to them?

H.M.Jr: No I don't. I mean I'm delight to talk but I can't talk to each person.

T: Yes.

H.M.Jr: But something along that line. I mean I want to indicate that I'm away and that's why it don't the rest of us.

T: Yes, they - they know that.

H.M.Jr: Well I just would say that. You don't have to deal with any great problem - simply that they're going to extend the Stabilization Fund - fine - we're delighted to hear it - that's all - work it out amongst you - I'll be satis.....

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T: Yes, and then on - ah - as far as the rest of it goes why you will answer it upon your return.

H.M.Jr: I'll be back on Monday and I'll take it under consideration.

T: Yes.

H.M.Jr: See?

T: I get it.

H.M.Jr: But - ah -

T: I was delighted to have the news - ah -

H.M.Jr: I wouldn't - use "pleased" - I wouldn't say "delighted".

T: Yes, "Very pleased to received the news" - you don't want to say whether it's constructive or not? What?

H.M.Jr: I don't care.

T: Viner says, "Yes" - White says, "No". Reifler says, "Yes".

H.M.Jr: Who?

T: Reifler and.....

H.M.Jr: I'd simply say I'm pleased to receive the news.

T: Yes.

H.M.Jr: See? I think it's enough.

T: Ah - the boys don't think so; that you ought to make a - at least a comment along the line that it is - it is constructive.

H.M.Jr: All right - listen - there are five or six of you; you've all got heads.....

T: Yes, what?

H.M.Jr:I've got complete confidence.....

T: Yes.

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H.M.Jr:fix it up and you don't even have to call me back.

T: Ah - you say not to call you back unless we disagree.

H.M.Jr: No, I don't want you to call me back; you've got to agree.

T: All right.

H.M.Jr: No.

T: We'll agree.

H.M.Jr: As my 14 year old daughter says, I'm in a very peculiar mood. I says, "What's that, Joan?" "Things just don't seem to matter to you, Daddy".

T: (Laughs)

H.M.Jr: And the mood I'm in one word seems very unimportant. Yes I'm pleased. Whether you say it's constructive or forward-looking.....

T: Yes.

H.M.Jr:it's immaterial.

T: Yes, I guess not.

Note: (Conversation aside with the group. Taylor to group: "Well he says he doesn't want to argue about the word - that he is pleased and let us work it out - yes - yes). ,

T: Ah - O.K. we'll work in some wording there.

H.M.Jr: I would say this so they don't think there's any doubt, see.

T: Yes.

H.M.Jr: I would say that of course, we'd be delighted to receive Mr. Phillips, see?

T: Phillips, yes.

H.M.Jr: See?

T: Yes.

H.M.Jr: And I don't want you to think that you have to think that over.

T: Oh no.

H.M.Jr: I would^{tell} them that, of course, we'd be delighted to receive Mr. Fisher - Phillips, is it?

T: Yes.

H.M.Jr: See?

T: Yes. Include - include that in the message.

H.M.Jr: Delighted to learn that Mr. Phillips is going to be in Canada and that I look forward to seeing him.

T: Yep - yep.

H.M.Jr: See?

T: Right.

H.M.Jr: I mean I'd be enthusiastic about that.

T: Yes.

H.M.Jr: And - ah - ah.....

T: O.K.

H.M.Jr: Ah - no, I think that that's a very frank message and I think they ought to be very much satisfied with it.

T: I do too. Ah - it's going right along.

H.M.Jr: Ah-ha.

T: Do you want me to get - ah - - ah - get Feis in on it?

H.M.Jr: Yes, please.

T: Right.

H.M.Jr: And the exchange is all right.
T: Ah - is dead.
H.M.Jr: What?
T: Dead but a little more pressure on the franc.
H.M.Jr: Anybody hear how the tax thing went?
T: Nope.
H.M.Jr: Let me just say "Hello" to Viner and Reifler just to see what they still sound like.
Viner: Hello
H.M.Jr: Hello Jake?
V: How are you, Henry?
H.M.Jr: Oh getting along pretty well.
V: Well I hope to see your Philippines on Monday?
H.M.Jr: Well I hope so - ah - I think we're fortunate that we've got a week sort of to think things out.
V: Yep.
H.M.Jr: These things never come out of a clear sky.
V: No, but I think they're moving right.
H.M.Jr: They're moving all right?
V: Yes.
H.M.Jr: All right, get a little rest yourself.
V: All right, I'm leaving this afternoon.
H.M.Jr: Good.
V: Be back Monday morning.

- 12 -

H.M.Jr: That's right.

V: Here 's Reifler.

Reifler: Hello

H.M.Jr: Hello Reifler?

R: I think it a time for congratulation.

H.M.Jr: What?

R: And I plead I think it's a time for congratulations.

H.M.Jr: On what?

R: This message from the British.

H.M.Jr: Oh you think so.

R: I think it's moving along just the way we wanted it.

H.M.Jr: It's a nice message.

R: I think it's an awfully nice message.

H.M.Jr: And it - it shows me that Sir John Simon wants to play ball just as much as Chamberlain did.

R: Yes, and it's quite an advance in that sense.

H.M.Jr: What?

R: It's quite an advance in that sense.

H.M.Jr: I don't hear you.

R: It's quiet an advance.

H.M.Jr: Weren't you terribly amused what happened to Cochran when he went over there Monday?

R: Wasn't it funny.

H.M.Jr: What?

R: (Laughs) I can just imagine it.

H.M.Jr: And poor old Cochran - I'll bet you he's still got his jaw on his chest not knowing what happened yet.

R: (Still laughing) And he'll find out soon now.

H.M.Jr: I think it's terribly funny.

R: So do I.

H.M.Jr: You're going away.....

R: I'm going away this afternoon - I'll be back Monday morning.

H.M.Jr: All right, goodbye.

R: Goodbye. Anybody else?

H.M.Jr: I'll just talk to Miss Spangler please.

Note: Clicking receiver for Miss Spangler.

H.M.Jr: If you hang up I think she'll come on.

O: Operator.

Chauncey: Will you talk to the Secretary; he wants you.

O: All right.

June 24, 1937

Dear Trentham:

I am enclosing a message which I wish that you would be good enough to transmit to the Chancellor of the Exchequer.

Yours sincerely,

(Signed) Wayne C. Taylor

Assistant Secretary

Mr. E. N. R. Trentham
The British Embassy
Washington, D. C.

Assistant Secretary Tayler telephoned the Chancellor's message to Secretary Morgenthau who is absent from Washington until Monday. Secretary Morgenthau asked Mr. Tayler to thank Sir John Simon for his cordial message and to say that he will communicate further when he has had an opportunity to consider the full text.

Secretary Morgenthau asked Mr. Tayler, meanwhile, to inform the Chancellor that he is glad to hear of the proposed increase in the resources of the Exchange Equalization Account. In his opinion this action is well calculated to restore confidence.

Secretary Morgenthau is delighted to hear of Sir. F. Phillips' contemplated visit and looks forward to discussing our mutual problems with him.

JR

GRAY

London

Dated June 24, 1937

Rec'd 2:15 p.m.

Secretary of State,
Washington.

405, June 24, 7 p.m.

FOR TREASURY FROM BUTTERWORTH.

The city was somewhat surprised by the violent flight from the franc which took place today. In London the three months forward franc was at a nine point discount; one month forward at 6- $\frac{1}{2}$ discount. City hears from several Paris sources that it is expected there that the franc will be "unpegged" by Monday. It is not understood here how this can be brought about without further legislation or why it should take place before the new Minister of Finance reaches Paris.

I had a word with the British Treasury who seemed surprised by the sudden turn of events and whose only comment was that the market appeared to share their opinion of Bonnet. The British Treasury states they will communicate with me tomorrow to fix a meeting.

BINGHAM

CSB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris

DATE: June 24, 5 p.m.

NO.: 854

FROM COCHRAN

This afternoon both forward and spot franc continued to be offered heavily. My market contact estimated that the French stabilization fund had perhaps yielded between five and six hundred million francs by 3 p.m. Yesterday the Paris-American Bank contracted 57 and today 36 bars of gold on the London market for shipment to the Belgian National Bank. There was an increase today in French rentes from 2.40 to 2.70. Principally this rise is attributed to speculative buying on the prospect that the franc may be destabilized.

The Bank of France statement as of June 17, as confidentially anticipated, showed no loss of gold, although we are aware that the fund took gold from the bank each day from June 14 to 17 inclusive and has so continued since that time. No new advances by the bank to the state were shown by the statement.

END OF SECTION ONE

BULLITT

(*) apparent omission

SECTIONS TWO AND THREE.

There was a reduction in the Treasury's deposit to 43,759,000 francs, which as I have reported previously, has since been exhausted and the Treasury has been dependent on the Caisse des Depots et Consignations to cover its overdrafts at the Bank of France.

Financial writers are commencing to realize that the financial problem remains the same, even though the change in government has taken place without endangering social or political peace. Presumably, the more gold that is lost between now and (*), the greater will be the pressure upon the new government to take effective action. Either authorization for new borrowing at the Bank of France or steps toward definitely stabilizing and taking the profits therefrom are generally expected since the treasury is empty. Press reports indicate that a decree applying the 40 hour legislation to the hotel industry will appear shortly, thus indicating that the new government in the face of a hotel strike is pursuing the same tendency as did the Blum Government of broadening the application of the social legislation.

The New Under Secretary of the Treasury, Brunet, took charge when Auriol left yesterday. Boissanger, a capable Treasury career official who served some time as head of the Movement of Funds Section, has been chosen by Bonnet as Chief of his Cabinet. It is hoped in some circles that Bonnet will, as on previous occasions, be disposed to take the technical advice of Professor Rist, his friend and counsellor.

END OF MESSAGE

BULLITT

Regraded Unclassified

Assistant Secretary Taylor telephoned the Chancellor's message to Secretary Morgenthau who is absent from Washington until Monday. Secretary Morgenthau asked Mr. Taylor to thank Sir John Simon for his cordial message and to say that he will communicate further when he has had an opportunity to consider the full text.

Secretary Morgenthau asked Mr. Taylor, meanwhile, to inform the Chancellor that he is glad to hear of the proposed increase in the resources of the Exchange Equalization Account. In his opinion this action is well calculated to restore confidence.

Secretary Morgenthau is delighted to hear of Sir. F. Phillips' contemplated visit and looks forward to discussing our mutual problems with him.

Excerpt:

June 24/37
12:30 p.m.

H.M.Jr: Who came down?

Taylor: ~~Trannop~~ (?) came down.

H.M.Jr: Yes.

T: And.....

H.M.Jr: Well - talking in my own mind - there's only one answer - that we're delighted to see that the - that they're going to get this increased authority. Any difference of opinion? Have you worked out something?

T: Ah - no, we sent this to you right away, see,

H.M.Jr: Oh.

T: And wanted to get your ideas before we tried to draft a message.

H.M.Jr: Well - ah - I don't want to be called back again on it.....

T: Yes.

H.M.Jr:but I don't know whether the word is "delighted" but - gratified

Magill: Well we - just offhand, why we're thinking of - ah - we could say, if we do think so, that it is a very constructive move and we think it should have a good effect.

H.M.Jr: Well, of course, I'm not sure of that, see?

M: Yes.

H.M.Jr: Because I think the people will be shocked to think that they need additional authority but - ah - ah - I'd simply - let me just think a minute.

M: Yes.

- 2 -

H.E.Jr: Ah - has Viner or Reifler got a word to suggest?

T: There's one thing in particular and I don't know whether that is in this particular case - ah - I don't think that it's necessary to take that up.

H.E.Jr: About Trentham?

T: No, this has to do with the last sentence in terms of September.

H.E.Jr: Oh, well I don't want to answer that now.

T: Yes, well that's what I thought. That we are to - we are to indicate that.....

H.E.Jr: Well I would say - hello

T: Yes.

H.E.Jr: What I would say is this. I wouldn't give them anything in writing. You could say that I'm away. I don't know what they told the President - resting - oh, till Monday - hello

T: Yes.

H.E.Jr: That you telephoned and that - ah - I haven't got the message before me so I can't read it but that the thought that they're going to extend the authority of their Stabilization Fund by 200 million dollars is very pleasing to me. Now what are the heads doing around there - nodding or which way? And I'll take the rest of the message.

T: Ah - Dr. Viner isn't moving his one way or the other and Dr. White isn't moving his one way or the other. The rest of them nodded.

H.E.Jr: What's Reifler doing?

T: He - I thought he nodded but now he's - he's (laughs) gone still. Do you want to talk to them?

Message from Chancellor of the Exchequer for
Secretary of the Treasury.

VERY CONFIDENTIAL.

Mr. Mallet has conveyed to me the message which you entrusted to him and which I was very glad to receive. You will appreciate that I have been so short a time in my present office that I have had really no opportunity to form a considered judgment on many of these difficult questions. But I am convinced that the most important matter is that there should be no set-back in progress towards reviving confidence. In both our countries there has been remarkable increase in the last two years in the national income, in the spending power and welfare of the people and in the volume of employment. It is worth the trouble and sacrifice to ensure that this progress which has by no means reached its limits should continue and I am convinced that it can continue as a result of our close cooperation.

As regards gold coming out of hoards we cannot help ourselves no more than it was always certain that hoards would gradually be dispersed when the hope of a further rise in the price of gold had disappeared. The increase in the output of new gold and the threat of a still further/

further increase later may present the world with a troublesome problem, but it is not a problem which would I think have caused much anxiety at this time had it not been for the further very large amounts of gold thrown on the market by European countries particularly France.

It appears to me inadvisable that there should be any marked divergence in the price of gold in our two countries, for such an alteration would lead to a change of exchange rates and give leverage on which deflationary forces could act. Whether a simultaneous reduction in the price of gold by all the leading Powers will have deflationary results is a matter on which I have not yet come to any certain conclusion.

At the present moment however a large section of the public seems to have formed the opinion that deflation would be the result of any change in the gold price, however universal. Even if it were wrong, the existence of this opinion would have to be taken seriously into account, since what the public thinks is going to happen is itself an important factor in bringing events about. For these reasons I think that in the absence of a demonstrable crisis we should work to prevent a too early stirring up of this matter at any rate until recovery is better assured than at present.

It happens that at this moment I am presented with an opportunity of taking public

action /

action of a character calculated to restore confidence. The heavy flow of gold from France in the last ten days, while it has not exhausted our buying resources, has brought the latter down to a figure at which I think it would be undesirable to leave them without addition. I am accordingly taking steps to submit to Parliament a proposal for increasing the resources of the Exchange Equalisation account by a further sum of two hundred million pounds and I shall be making an announcement to this effect on Friday of this week. I feel sure that this course will be welcome to you and accord with your general line of policy.

I have one thing to add. I have noted and I cordially agree with your earlier suggestion for more personal contacts between Treasuries. Sir F. Philips who specially concerns himself with currency questions will be in Canada in September for private reasons and if it is acceptable to you I should be very happy indeed to arrange for him to go to Washington for discussions with the United States Treasury both upon the gold question and generally upon problems of mutual interest to us both. I take it that you do not contemplate any need for any kind of major modification of policy before that time.

June 24th, 1937.

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



DEPARTMENT OF STATE
WASHINGTON

June 24, 1937

In reply refer to
Re: B61.51/2757

Strictly confidential

My dear Mr. Secretary:

I believe you will be interested in the information contained in the enclosed copy of a confidential telegram which has been received from the Embassy in Moscow on the subject of the Soviet gold industry.

Sincerely yours,

Enclosure:
Paraphrase of
telegram as
stated above.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

DEPARTMENT OF STATE

DIVISION (..... WE
BUREAU (.....

ENCLOSURE

TO

LETTER DRAFTED 6/23

ADDRESSED TO

Secretary of Treasury.

PARAPHRASE OF TELEGRAM

FROM: American Embassy, Moscow.
TO: Secretary of State, Washington.
DATED: June 22, 1937, 11 p. m.
NO.: 127.

Strictly confidential

It is believed that the Department would be interested, in view of the recent activity in the bullion market in London and the persistent rumors confirming Soviet gold movements, to learn that the Embassy has ascertained from a reliable source that during the past six to ten months production of Soviet gold has been diminishing rather than increasing. This decrease is attributed to the fact that the gold industry in particular and the mining industry in general have been in the past, and still are, in a confusing state due to the executions, arrests and removals of competent engineers and specialists in these industries. From the same source it is reported that Serebrovsky, the present Vice-Commissar for Heavy Industry in charge of the non-ferrous metals section and previous head of the gold trust, is again under attack and it is believed likely that he will be removed from his post.

HENDERSON.

CORRESPONDENCE

DATE June 25, 1947.

CONFIDENTIAL FILES

SUBJECT

TELEPHONE CONVERSATION

L. W. Kneke

WITH BANK OF ENGLAND.

Mr. Bolton called at 9:30 a. m. to tell me, as he said, of the plan to increase the British foreign exchange equalization fund by £200,000,000, of which we would read in this morning's papers. There was going to be an open debate in the House on Monday; it was expected the motion would go through and the Chancellor would probably make a statement along the lines of his previous statements with the additional comment that the present step was necessary to maintain the British obligations under the tripartite agreement.

The position in Paris, Bolton continued, showed no improvement. As a matter of fact, if anything at all, it was very much worse. The amounts the French were losing daily were growing and were now quite fantastic. Today they had already, by 2 p. m., done something over £5,000,000. There was an enormous amount of speculation going on with three-months francs offered at a 10 franc discount (that is about 30% per annum); on francs for Monday against Tuesday, they were giving away one franc (300% per annum). The situation was thoroughly bad and it was difficult to say what was going to happen. There were no news from Paris; the Bank of France did not know what was being planned. Bolton attached no importance to the repeated rumors that Bonnet would propose immediate devaluation to 125 francs to the pound. As far as the Paris market was concerned, it was quite obvious that it was not gambling on such a devaluation but rather on the floating franc. That was the only way to explain present forward quotations. I asked whether he thought that definitive stabilization at the 45 milligram level would any longer be a final solution and Bolton replied he was quite sure it would not

FEDERAL RESERVE BANK
OF NEW YORK

CORRESPONDENCE

DATE June 25, 1927.

CONFIDENTIAL FILES

TELEPHONE CONVERSATION

L. W. Kneke

WITH BANK OF ENGLAND.

- 2 -

because the market was not too much under the control of an enormous speculation which could no longer be frightened away by any such thing as a maximum or minimum legal level. He could not name any of these speculators by name, he said, but thought that there were more Frenchmen among them than anybody else although the selling now seemed to come from every quarter. The turnover in Paris at present was much bigger than that in London.

Dollars had been and continued to be strong against sterling. So far, they had sold \$7,000,000. The Yokohama Specie Bank also had been in the market as a seller. I mentioned to Bolton the information Araki had given us two days ago about the contemplated shipment of a further 50,000,000 yen and about the reasons for these shipments. Bolton thought that the reasons advanced were convincing; the Japanese credit facilities in London had been a little strained and the Japanese were probably anxious to pay off some of their more pressing needs.

I mentioned that the Russians had actually opened an account with us, which Bolton thought should help the situation. He added that they had found the Russians quite businesslike; that a month or so ago they had fixed up a temporary arrangement under which they had taken most of the Russian gold off the market. The Russians now had "an account of sorts" with the Bank of England, in which they left some funds from time to time, if they had any. The whole thing could not, however, be called a working central bank arrangement. Nevertheless, it helped to keep things in working order. I inquired about Russian gold on the way to London and in the London market, and Bolton replied that after the

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 23, 1937.

CONFIDENTIAL FILES

SUBJECT TELEPHONE CONVERSATION

L. F. Kroke

WITH BANK OF ENGLAND.

- 3 -

original £30,000,000 had arrived in London there was now none on the way coming as far as he knew, nor did the Russians have any with anybody in the London market, the £5,000,000 held for a while with the Chase Bank in London having been sold. The Bank of England had had about a million that they were "looking after in a temporary way", which, in the last week in May, had been sold to the French. That was the last Russian gold, ^{in London} as far as he was aware.

LWK:KNC

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris
DATE: June 25, noon
NO.: 858
FROM COCHRAN.

This morning at 10:30 I called at the Bank of France. Yesterday showed a loss in the stabilization fund of approximately 750,000,000 francs. Up until my call, the fund had already sold 350,000 pounds this morning with the pressure thus developing at an early hour. In view of the tightness of credit situation, I asked where so many francs came from. By way of explanation I was told that through its heavy disbursements the Treasury is putting the francs into circulation in full (*) ^{which are} taking flight; it is at present "tapping" various Government funds for its immediate needs.

The Bank of France statement for the week ended yesterday will show a gold loss. This statement will be made public next Thursday. Whether to reveal the exact amount which has been transferred to the stabilization fund or to show a transfer of a round sum, say four or five billion francs which would be sufficient to cover the transfers to date and leave some margin, is as yet undecided. Such a margin would be insufficient for many days operations at the present rate of spending.

-2-

Since Bonnet is such a good friend of both Baudoin and Rist who are now referring rather openly to Governor Labeyrie's "incompetency", it is said that the Governor is becoming nervous over his own position. (End Sections 1 and 2)

BULLITT

EA:DJW

PARAPHRASE OF SECTION THREE, NO. 858,
FROM PARIS.

Upon my return from the Bank I dropped in on Rueff at the Treasury for a few minutes personal chat. He told me that of course the Treasury and exchange situation was very difficult. The permanent staff, together with Brunst who has taken office, is busy in drawing up documents for Bonnet's attention as soon as he arrives. Pending Bonnet's arrival, Rueff said that Premier Chautemps was giving his personal attention to the Ministry of Finance. An effort is being made to impress the Premier with the necessity of a comprehensive plan of action. Rueff also said that the political aspects of the problem make it still quite uncertain as to whether the plan would be possible, but that Chautemps seemed personally disposed to favor such a plan. Regarding the weekend, Rueff asked if I would be in town and available.

With regard to ^{Blum's} Blu (*) position, Rueff said that a few days ago he had come to the point where he put up certain conditions to Auriol upon which he would stay. Inasmuch as these conditions were not met he said he was ready to make way for whatever successor might be appointed when the Government fell. He is therefore continuing to function. End of message.

BULLITT

CORRECTION

RB

June 25, 1937

In telegram from Paris, from Cochran No. 858,
June 25, noon, (Section One) line ten delete "in full (*)"
and insert "which are".

DIVISION OF COMMUNICATIONS
AND RECORDS

JR

GRAY

London

Dated June 25, 1937

Rec'd 10 a.m.

Secretary of State,
Washington.

406, June 25, 1 p.m.

FOR TREASURY FROM BUTTERWORTH.

British Treasury informs me that the Chancellor of the Exchequer will make an important statement at half past three in the House of Commons this afternoon. Unless otherwise instructed I shall not telegraph text for the reason that I was also informed that this statement had been the subject of direct exchanges between you and Simon. Likewise the meeting referred to in my 405, June 24, 7 p.m., has been deferred.

BINGHAM

WMS:CSB

PARIS

Dated June 25, 1937

Recd 5:27 p.m.

Secretary of State,

Washington.

861

SLS, June 25, 5 p.m.

FROM COCHRAN

This afternoon continued to witness heavy pressure on franc. While French control held spot rate, futures widened further, one month sterling being 7 point 50. National Bank of Belgium reported to have sold belgas and purchased gold in London. French rentes gained slightly. Paris stock brokers today raised ordinary margin requirements to 75 per cent of which 40 must be in cash and 35 may be in securities; on government securities margin of 50 per cent of which 10 per cent must be cash.

Market flooded with gossip that Bank of France is preparing instructions to banks in regard to restricting their exchange transactions that banks and market will be closed on Monday and Tuesday, et cetera.

As franc rates indicate, there is a widespread belief that the franc will be permitted to depreciate below the October (much?) limit. The observations of Rist and Baudoin are receiving much attention. (Rist is away resting for ten days but will return to Paris next Thursday.) This evening's press gives much space to British plan to increase equalization fund by 200,000,000 pounds. AGENCE ECONOMIQUE carries interview of Assistant Secretary Taylor on American policies with particular reference to French needs.

BULLITT

NPL EMB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris

DATE: June 26, noon

NO.: 864

STRICTLY CONFIDENTIAL

From Cochran's telegrams during the past few days to the Treasury, you will have noted the extent of the gold outflow.

Thoughtful observers express the opinion that the country is far from appreciating just how serious the financial situation really is and that it will prove a shock to public opinion when the facts are disclosed as must be the case before long.

BULLITT

EA:DJW

PARAPHRASE OF TELEGRAM RECEIVED

No.: 865
From: American Embassy, Paris
Date: June 26, 1937, noon.
FROM COCHRAN.

At 11:30 I had a conversation with the Bank of France. The franc was being supported at London, since the Paris market was closed. However, no reports of very active operations had yet been received. The franc had its worst day yesterday; almost one billion francs was lost by the French stabilization fund. I was assured by my contact that there would be no change in the monetary or financial set-up in France over the week-end. He informed me that they must await the arrival of Bonnet, and he thought that even after that, a definite plan could be decided upon only after some consultation. The plan would then have to be approved by Parliament.

Although the loss of French gold to London has undoubtedly been the main factor requiring the larger fund, a very favorable impression has been created in Paris by the action of the British Government in seeking an enlargement of its equalization fund. The action is interpreted by the French as indicating that the British are making preparations to keep the tripartite arrangement

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arrangement in operation no matter what difficulties may be encountered by the franc. That the step is interpreted as indicating that the British will take gold at its present price is also revealed by the rise in gold shares.

I was told this morning by Pennachio, who has been in close touch with Rome by telephone, that the British action is interpreted in exactly the above sense by the Italian financial officials.

The French economic situation does not present much that is new today with the exception of the prospect of opposition by the hotel keepers to the application of social legislation to their industry, which is apt to take place at any time. The partial closing of hotels may be the form their resistance will take.

BULLITT

EA:EB

JR

GRAY

London

Dated June 26, 1937

Rec'd 10 a.m.

Secretary of State,
Washington.

411, June 26, 1 p.m.

FOR TREASURY FROM BUTTERWORTH.

The London press has decidedly welcomed the Chancellor's proposal to increase the resources of the exchange equalization fund by further pounds 200,000,000. Most of the editorials cover the same descriptive and analytical ground and the following concluding paragraph of the FINANCIAL TIMES is representative.

"President Roosevelt's administration is known to be anxious about the influx of foreign funds. Discouraging action is quite on the cards, whether solely on American account or in collaboration with France, as has been mooted. France, of course, is desperately anxious to check the flight of capital where it is needed for home business expansion. It would be quite possible to arrange for some cooperative action which would not clash ^(with?) will the tripartite agreement maintenance of which is a cardinal point of British policy. This country's interests are involved since any threat to the funds held in the United States would be likely to start a return flow to London--in default of similar action here--since French owners obviously have no incentive in the present

uncertain

-2-

JR #411, June 26, 1 p.m., from London.

uncertain conditions to take their money home. In such circumstances the London fund clearly must be amply provided if it is still to carry out its fundamental purpose of safeguarding the exchange as far as possible against these abnormal movements in the interests not only of British but of all international trade".

Likewise the concluding position of Kiddy's comment in the MORNING POST may be of interest:

For the moment, however, the currency crisis in France is acute and having regard to all the circumstances, including the tripartite agreement we think that the Government have done well in seeing to it that the exchange equalization account has ample resources. Yesterday as will be seen from our report of the foreign exchange market the forward rates for the franc reflected almost panic conditions. The situation is a difficult one but the combined resources on our own exchange equalization account and those of the United States -- the latter amounting to about 400,000,000 pounds -- should be equal to meet all requirements. Our own fund was, of course, originally established to even out any violent movements in the exchanges occasioned by abnormal influences and while the pressure of events abroad has involved a much greater use of the fund than could at first have been anticipated there is little doubt that the net

result

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JR #411, June 26, 1 p.m., from London.

result of the operations has been to impart a greater steadiness to our foreign trade than could otherwise have been possible.

Incidentally, the present development in so far as it suggests the likelihood of continued purchases of gold should go far to remove expectations of any early reduction in the buying price of the metal. Indeed it has always seemed to those who have studied the matter more closely that even should any adjustment of the price of gold be made it must almost necessarily have to be effected at a time when international financial and currency conditions were more stable than at the present time. For the moment, however, the trouble no doubt chiefly centers upon the French political and financial crisis and favorable developments in that direction would afford almost instant relief. Meanwhile the proposed action by the Government should relieve any anxiety as to the ability of the authorities to deal even with those abnormal influences which are affecting the exchange and gold situation".

BINGHAM

KLP:CSB

FEDERAL RESERVE BANK
OF NEW YORK

78

OFFICE CORRESPONDENCE

CONFIDENTIAL FILES

DATE June 23, 1937.

SUBJECT: TELEPHONE CONVERSATION

L. W. Knocks

WITH BANK OF FRANCE.

I called Mr. Cariguel at 10:45 today with reference to his cable of today asking us to transfer \$250,000 from account T and pointed out to him that the balance in account T was \$200,000 only. Cariguel requested that, under the circumstances, we release \$250,000 worth of gold instead of \$170,000 only, as requested.

I mentioned, for his information, that 447 7/8 had been paid for francs for delivery tomorrow, obviously to cover short sales made last week.

I inquired whether there was anything new in the situation and he replied in the negative.

LWK:KMC

June 28, 1937.
4:08 p.m.

George
Harrison: Good morning - good evening, Henry. I called
you to tell you I'm glad you're back, and I was
very sorry about your being knocked out last
week.

H.M.Jr: Well, just a little bit tired.

H: Yes - well I don't wonder. Feeling better?

H.M.Jr: Yes, I'm, I feel fairly well. I feel . . .

H: . . . Yes . . .

H.M.Jr: I can hang on until I get away now.

H: Yes - when are you going to do that?

H.M.Jr: I hope to - well - to get away the end of this
month.

H: Good for you!

H.M.Jr: Yeah.

H: That's fine. Well, that's pretty soon now.

H.M.Jr.: Yes.

H: Well, I don't know whether I'm going to see
you before that or not. I'm waiting now to
hear from Harriner - whether we've got a
meeting tomorrow or not.

H.M.Jr.: Well, I don't know but I certainly expect to
see you before I go because this French thing
will have to move one way or the other.

H: Well, I think so too.

H.M.Jr.: Yeah.

H: It's dreadful.

-2-

H.A.Jr: And just as soon as we know what they're going to do, then I want your advice and help.

H: Well, I've been thinking a lot about the so-called reserve requirement bills that Marriner is working on and you're working on and I'm getting more and more - while I appreciate the reason for them - more and more fearful.

H.A.Jr: Yeah.

H: That the introduction of a bill about reserve requirements now might be very deflationary. I don't care if you put it off.

H.A.Jr: Yeah.

H: These banks that have got huge foreign balances, if they see those bills about reserve requirements, might begin to liquidate Governments again.

H.A.Jr: Yeah.

H: And we've had a lot of talk about what reserve requirements did to the bond market for credit - ha-ha!

H.A.Jr: Yeah.

H: And I hate to see it all over again.

H.A.Jr: Uh-huh.

H: And I think it's a pretty big risk to take unless it's a last resort.

H.A.Jr: Uh-huh.

H: Frankly. And I want to talk to Marriner about that so I'm trying to get him now. I think he ought to have a meeting of our Executive Committee if we don't meet with you tomorrow or Wednesday, say, anyway.

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H.M.Jr.: Yeah. But if you should come to Washington, let me know. I'd like to see you.

H: May I do that?

H.M.Jr.: If you please.

H: All right, I'll let you know then.

H.M.Jr.: Thank you very much.

ooOoo

June 28, 1937

Excerpt from Memo of Mr. Magill to The Secretary.

4. Non-resident aliens

I found to my surprise that the members of the Treasury group who have been working with the Federal Reserve and SEC have not agreed among themselves as to the best method for taxing non-resident aliens. After an hour's discussion with me they agreed to work on the question further with the understanding that some practicable solution would have to be given me at once, since we are going to present the legislation to the Committee within ten days.

CONFIDENTIAL

for H. M. R. only
by Eccles
Handed to me at 10. A. M. June 28, 1937

6/24/37

In view of the fact that the gold inflow in recent months has been exceptionally large and may continue, and in view of the further fact that the inactive gold account of the Treasury is now in excess of a billion dollars and the public debt has increased accordingly, the Board feels that the situation impels it to favor legislation granting the Board additional power to absorb excess reserves resulting from additions to the stock of gold by increasing reserve requirements on deposit balances maintained in this country by non-resident aliens.

The Board is of the opinion that the injurious effects upon the domestic economy that would result from an unchecked inflow of gold would be such that the Board and the Treasury should seek a solution of the aspects of the problem which affect the domestic situation.

The Board fully realizes, however, the difficulty of accomplishing the desired ends and considers it essential if the Board is to employ effectively this additional power that:

(a) The Treasury maintain in its inactive gold account approximately the present amount;
and

(b) Effective tax legislation be enacted to discourage foreign investment in American securities either through the inflow of new capital or through the use of balances already in this country.

Handed to me by
Eckles R. H. M. June 28, 1937 84

BRIEF SUMMARY OF IMPORTANT PROVISIONS OF BILL
TO REGULATE BANK RESERVES AGAINST FOREIGN
DEPOSITS

Reserves against Foreign Deposits

Every bank in the United States, having total deposits of all kinds aggregating more than \$10,000,000, would be required to maintain against every deposit in excess of \$7500 to the credit of a foreign depositor a reserve balance with the Federal Reserve bank equal to such percentage of its foreign deposits as the Board of Governors of the Federal Reserve System may from time to time require.

The law would apply to both member and nonmember banks of the Federal Reserve System having deposits of more than \$10,000,000.

Reserve balances required against foreign deposits must not exceed the amount of deposits against which they are required and must be uniform as to all banks having foreign deposits.

Different reserve percentages may be prescribed, however, against foreign demand deposits, savings deposits, and time deposits and against foreign deposits of banks located in central reserve cities, reserve cities, or elsewhere.

A member bank of the Federal Reserve System which would be required under the new law to maintain reserve balances against a foreign deposit exceeding \$7500 would be excused from carrying reserves against that deposit under the now existing reserve requirements of the law. Against deposits of less than \$7500, however, a member bank would continue to carry reserves in accordance with now existing requirements (26 per cent in New York City against demand deposits).

Deposits of Foreign Central Banks and Foreign Governments

The Board of Governors would be given authority to require that all deposit balances maintained in this country by foreign central banks and foreign governments be carried in a Federal Reserve bank, by prohibiting any other bank from receiving such deposits. This authority could be exercised by the Board from time to time whenever it found it necessary to do so.

This provision would not affect banks having total deposits of less than \$10,000,000 and would not affect any deposit not in excess of \$7500.

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Obtaining Information as to Foreign Deposits

Each bank subject to the new law would be required to furnish from time to time to the Federal Reserve bank such reports and information as the Board may require with respect to the bank's deposits and depositors. In making such reports a bank would be entitled to rely upon information which it may obtain in good faith from its foreign depositors or their representatives or agents.

Penalties

A bank would be subject to a penalty of \$_____ per day for violation of any provision of the new law and this amount could be collected by the Federal Reserve bank. Also, a Federal Reserve bank could bring suit to enjoin a bank from violating the law.

It would be punishable by fine for any depositor or representative or agent thereof, with intent to deceive, to give false information to any bank in connection with the new law.

GROUP MEETING

June 28, 1937
9:30 A.M.

Present: Mr. Taylor
Mr. Magill
Mr. Oliphant
Mr. Haas
Dr. Viner
Miss Roche
Mr. Gibbons
Mr. Lochhead
Mr. Bell
Mr. Upham
Mr. McReynolds
Miss Chauncey

H.M.Jr: Who's got anything they want to ask me? - - Mac?
Anything you want to ask me?

Mac: Nothing.

H.M.Jr: Cy?

Upham: Press conference at three with you?

H.M.Jr: Yes. Who's handling that, Schwarz?

Upham: Cnic is, yes.

H.M.Jr: Dan?

Bell: I have nothing special. I'm working on some revisions of the daily statement for July 1; I don't know whether you'll be interested in looking at them.

H.M.Jr: Yes, and I'd like a revised statement of money till the 15th of September - December 15.

Bell: O.K.

H.M.Jr: I'd like to have it Wednesday morning.

Bell: All right.

H.M.Jr: Huh?

Bell: Yes, sir.

H.M.Jr: And I think that before the statement comes out - I think it would be helpful if you could give an interpretation. The way everybody today is trying

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to interpret it - you see, the Times had a story, and some other papers - I mean their interpretation, I don't know whether - now, I read that we'll run over on the expenditures.

Bell: Uh-huh. Well, that's the June 30 statement. We'll have an explanation of that. But what I'm doing is revising the daily statement.

H.A.Jr: Oh. Well, I meant the final.....

Bell: That's the June 30.

H.A.Jr: Yes.

Bell: That will be out Friday morning.

H.A.Jr: Well, I think - when will it be in your hands?

Bell: We ought to have a press release about 11 o'clock, not later than 11.

H.A.Jr: I think it would be good if you'd see the boys yourself, run over it with them.

Bell: Glad to.

H.A.Jr: Huh?

Bell: Glad to.

H.A.Jr: Don't you think so? I think the thing that everybody's overlooked is the way the emergency expenditures are running down. I mean nobody mentions that at all.

Bell: Of course, you know that this 150 million over is all on two items.

H.A.Jr: No, I don't know.

Bell: Well, the R.F.C. and the Old Age Reserve.

H.A.Jr: Well, that's interesting.

Bell: That explains....

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A.S.Jr: But I think if you'd see the boys yourself and run over it - I think it would be very helpful. What?

Bell: Be delighted to.

A.S.Jr: Then Wednesday morning you'll have something for me?

Bell: Yes, sir.

A.S.Jr: Get your boys off, Archie?

Lochhead: Yes. Now, the francs are holding.

A.S.Jr: I spoke....

Lochhead: You spoke to Knoke and it's continuing about that. I was down at the train when I called.

A.S.Jr: Excuse me?

Lochhead: I came in direct from the train down here this morning.

A.S.Jr: Expecting to see me?

Lochhead: Well, I didn't know whether you called at the office or.....

Gibbons: Nothing pressing.

Knoke: Nothing very special, sir. Lay-offs on our National Health Survey are being made and....

A.S.Jr: Lay-offs?

Knoke: Lay-offs, yes, sir, under the reductions. We may have some serious trouble; I hope not. I spent most of Saturday and Sunday - a group came down to see me; apparently the welfare situation is not adequate there and jobs aren't opening up. They had a couple people commit suicide when they got the quit slips. But aside from that....

A.S.Jr: Well, I happened to talk to a young man that works on this art project in New York, and on a 25 percent lay-off there's no discrimination of any kind; they just pick them out of a hat - I mean....

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- Roche: We haven't done that. We've tried to - worked out as decent an agreement as could be worked out when lay-offs happened, with the group themselves, in favor of people that have children or families. But even so, it's been.....
- M.H.Jr: Well, on the art project in New York there isn't any, and they - under the Hopkins organization there is no provision that people - they haven't checked their home conditions, so people don't know.
- Roche: Well, of course, what happened - one of these cases, an illustration. They did try to keep the people that had children, dependents. This young woman got hers; she had a dependent father, and he just turned on the gas; and she tried to commit suicide. Instances of that sort. I suppose they're perfectly natural. We'll work it out the best way we can. I just thought if something got in the paper about it, I didn't want you to think we hadn't been working on it.
- M.H.Jr: What percentage are you cutting?
- Roche: We're going down about 250, following the schedule we agreed upon.
- M.H.Jr: I don't know what that is.
- Roche: We're about the WPA - slightly more than the WPA percentage.
- M.H.Jr: More than 25?
- Roche: Well, our work was supposed to be closed about December, with no new projects to take their place, and there haven't been any new projects; so we're just working on it the best we can.
- M.H.Jr: I haven't talked to Hopkins on this thing since he's back from Florida, so I know very little about it.
- Roche: I understand they're cutting all of the departmental allotments 35 percent.
- Roche: Well, ours is not that much because we have already made some, you see.

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H.M.Jr: Well, Hopkins hasn't sought me out and I have had no reason to seek him out, so I haven't the slightest idea - I mean since how many - how long is it since he went to Florida with Mr. Ickes? Must be what, two months?

Roche: (Words not understandable)

H.M.Jr: Huh?

Roche: Three hundred fifty thousand, approximately, I understand.

H.M.Jr: Harry told me last night that he had his rolls down to 1,662,000 and they were being laid off at the rate of anywhere from fifty to seventy-five thousand a week, and that by the middle of August he'd have that somewhere down in the neighborhood of a million and a half. That's just his rolls and doesn't include the departmental. And he also said that he didn't intend to have any publicity about it at all, and the next morning it was all in the paper and there's been headlines ever since.

H.M.Jr: Well, Miss Roche, if you have any difficulties.....

Roche: Yes, I just wanted to tell you roughly about it.

H.M.Jr: ...will you talk to Mac, if you find it gets beyond you, or even if you need assistance - put it that way. What?

Roche: Well, the only thing we could do, of course, would be to keep the project going after it's through, so I don't....

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

Roche: We may have to face that possibility and I would like to feel free to call upon Mr. McReynolds if I might; I would anyway.

H.M.Jr: I mean we have known now for over six months that the Treasury would be out of the relief business.

Roche: Yes, it's moved right along on schedule.

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W.W.Jr: At least six months, so - I mean it isn't as
tough...

Macne: It's just that other jobs haven't developed and
people don't see the facts when they haven't any
place to go.

Mac: Well, we've asked for reallocation of unexpended
balances; that was carried over because that is
to be reallocated when it runs over, so as to carry
out projects. With one exception, that's all we've
asked for. That exception is Revenue's job, and
we have asked for continuance of two of those
because Hopkins' organization itself - not only do
we make money out of it, but Hopkins' organization
itself didn't know where to put those people, and
we just put it up to them.

W.W.Jr: Which two, Mac?

Mac: The Liquor Dealers and Miscellaneous Tax. They're
cutting that - oh, I don't know - about a couple
thousand.

Macne: We've laid off about 500 the last month now.

W.W.Jr: Anything else?

Macne: Nothing very special, except I'll be sending you
a memorandum some time the next week on some general
matters you've spoken to me about.

W.W.Jr: Jake?

Viner: Nothing.

W.W.Jr: Family all located all right?

Viner: Yes.

W.W.Jr: What's your telephone number, if you don't mind,
up there?

Viner: Bedford Village 7001, to be routed by - through
Mount Kisco.

W.W.Jr: Will you (Miss Chauncey) tell the operator that?
Will you get Mr. Riefler's also?

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Viper: That's also the only telegram wire address; has to be phoned in from Mount Kisco.

H.M.Jr: But if you call, what exchange do you call?

Viner: Bedford Village 7001.

H.M.Jr: And will you get Mr. Riefler's too. George?

Haas: I have nothing special this morning.

H.M.Jr: Wayne?

Taylor: Nothing particular.

H.M.Jr: I didn't know Dr. Kung asked to pay his respects and see people; he'd like to do it before the dinner, so he's coming - dropping in here about 11:30.

Taylor: You're going to - no, you're not going to that lunch today.

H.M.Jr: No, you going?

Taylor: Yes.

H.M.Jr: No. Did you go last night - Saturday night?

Taylor: Yes.

H.M.Jr: I had a nice note from Mrs. (Robert Wood) Bliss. Was it nice?

Taylor: Yes, very nice. Very few people; only about - oh, 12 people.

H.M.Jr: Did you have a chance to talk to him?

Taylor: Yes.

H.M.Jr: I'll talk to you afterwards.

Taylor: He's very keen to talk to you.

H.M.Jr: Well, that's set for tomorrow.

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Taylor: Yes.

H.M.Jr: Did he get down to business?

Taylor: Well, he talked about the French situation more than anything else.

H.M.Jr: Well, I talked to Cochran yesterday and he said that the program - that the French are supposed to - new Parliament - new government is supposed to submit a comprehensive plan to Parliament tomorrow. And they give Bonnet from noon today until noon tomorrow to have a comprehensive plan; feel sorry for him.

Well, you're - I'm seeing you and Harriner at ten, am I?

Taylor: (Nous yes)

H.M.Jr: Now, as far as our own crowd are concerned, is there anything that I'm going to see Harriner about that any of them have any doubts about?

Taylor: Well, George is not - he's been working on this tax thing.

H.M.Jr: No, I don't mean taxes; I mean on the hundred percent reserve on foreign deposits.

Viner: Has that draft been changed since we saw it?

Taylor: There's been no - some minor changes.

Viner: Well, some were made here. Have any been made over there?

Taylor: Yes. We haven't seen the final changes.

Viner: But it doesn't change anything important.

Taylor: No, not as far as I know. He's bringing that over this morning.

H.M.Jr: All right, he's bringing something over to me.

Taylor: He's bringing over to you a draft of the bill - the action that his Board took.

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H.M.Jr: Well then, the move - proper move is that I want to submit it to my crowd, give them a chance to see it. They haven't seen it, have they?

Taylor: They haven't seen the last draft.

Viner: The very last stages.

H.M.Jr: Well, that gives me an out, doesn't it?

Taylor: Yes.

H.M.Jr: I mean not be precipitous, huh?

Taylor: I told him that you had your schedule of lunch today and one of the reasons for having it this morning was....

H.M.Jr: well, I never know whether the President - I never know until I hear what he's - I mean that's not a firm contract; that's on a weekly basis.

Viner: Is the bill thing still in?

Taylor: What?

Viner: Is that bill provision, buying - direct purchase of bills?

Taylor: I don't know. I mean that was one of the things that we said we didn't care about one way or the other.

Viner: That's his problem.

H.M.Jr: I said to leave it in so that Glass would have something to kick out that he didn't like, so as to satisfy him. I said, "For Heaven's sake leave at least one thing in there that Glass can kick out and feel happy about." My thought was to leave it in, fight like the devil, and finally give in to Glass about that. Right? But then, what I'm getting at - I can say, "Now, Marriner, of course you don't expect to me to say yes today because I want to consult with my consultants." Is that proper?

Taylor: We'll see how it goes.

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H.A.Jr: All right.

Taylor: I don't know now it's going to go.

H.A.Jr: All right. What was your golf score? Then I can tell who carried the ball.

Taylor: 34. Couldn't make it go in the hole; otherwise it was all right.

Oliphant: One of the cases we're presenting on percentage depletion - the Texas Company - (Mr. Oliphant's words very muffled and not understandable) - - would you think there would be any suggestions?

H.A.Jr: As to the Texas Company?

Oliphant: Various controls of the Texas Company.

H.A.Jr: I think it's in the stockholders.

Oliphant: Well, I just wondered.

H.A.Jr: I think it's like - my guess would be it's like the Santa Fe Railroad.

Oliphant: Chase?

Taylor: No.

H.A.Jr: My guess would be it's like the Santa Fe Railroad.

Taylor: Very widely held - oh, some big blocks, but no control.

H.A.Jr: You see, a year or two ago the man who ran it, the President, was kicked out - a complete reorganization. I mean there was a man who dominated it; he was put out about a year or so ago. But I would say that is pretty well distributed, isn't it?

Taylor: (Nods yes)

Oliphant: Well, that apparently checks, but - with what - we haven't been able to find it.

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Taylor: See, there's never been one banking group that held the financing - went from one to another.

Oliphant: One of those managerial pictures. Well, that checks with what we haven't been able to find.

H.M.Jr: You (Miss Chauncey) might tell Mr. Shafroth if I'm all right I'll see him at the hotel about six o'clock tonight.

Chauncey: All right, sir.

Oliphant: That's all.

(Secretary sends note to Miss Roche)

A.M.Jr: Do you know that man?

Roche: Very well.

H.M.Jr: How do you rate him?

Roche: I think I told you once.

H.M.Jr: I want to ask you again. Do you mind?

Roche: Just the same as I did before.

A.M.Jr: I don't remember.

Roche: Not very well, sir, no.

H.M.Jr: I couldn't remember. It was brought to me again. I couldn't remember.

Roche: I can give you some concrete instances, if you care for them.

H.M.Jr: It's enough.

Roche: Thanks.

H.M.Jr: What?

Roche: Thanks.

Magill: Things seem to be coming along satisfactorily on this inquiry. You noticed, of course, that the nuisance tax bill passed.

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A.A.Jr: And Railroad Retirement?

Magill: Finance Committee's taking that up this morning - Carriers Tax.

Stanley Reed was over this morning and said he'd written you a letter regarding certain cases in the Supreme Court which involved the question of the power of the states to levy a tax upon the gross receipts or income of companies which have contracts with the United States Government; and his interest in it is not merely in the narrow problem of whether or not on these particular cases the tax can be imposed, but what policy the Federal Government ought to adopt generally on that issue of the taxation of these corporations carrying out Government contracts and so on. Interior and War and some of the other departments, he says, probably are vigorously opposed to taxation on the ground that it will raise the contract prices. His inclination is that it would be better for all concerned if these exemptions were eliminated, if they exist.

Viner: now are these corporations distinguished from other corporations in the tax law?

Magill: So far as I - I don't quite get the force of the question - so far as I know, they are not - they are not distinguished. That is, here's some company that's engaged in working on a dam for the United States, and their contention is that the State of Washington cannot tax their gross profits in building this dam, derived from.....

A.A.Jr: have you (Miss Chauncey) read anything.....

Chauncey: I have not seen it; it may have been routed elsewhere.

Taylor: I think I've got it for the minute, unless they sent it back to you (Oliphant).

A.A.Jr: Well, why don't the three of you (Magill, Oliphant, Taylor) handle it?

AcK: Of course, there shouldn't be any such exemption.

Viner: No, the Treasury ought to oppose the exemption.

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Megill: It seems so to me very strongly. I'm personally vigorously opposed to it.

H.M.Jr: Listen, don't let's start anything new. We've got enough on the griddle. But you three fellows can handle it. What? How's that? - - I don't want to take it up.

Eliphant: He called me about two weeks ago on it.

H.M.Jr: But I do say this, that it is so rare that the Attorney General ever asks us anything that I would like to give it - it should be acknowledged. I mean it's so rare that they ask us; we're always asking them.

Megill: I think from the way he talked that he really is feeling his way, he really does want advice from us.

H.M.Jr: Well, I'd be - as I say, we're always crowding them, and so.....

Megill: And further, so far as I can make out, his own view accords with that expressed here.

H.M.Jr: Well, anything else?

Megill: (Nods no)

H.M.Jr: What my schedule is - I got Kung at - let's see, Eccles at ten, Kung at 11:30. Don't know yet when I'm going to see the President. Press conference at three.

I want to ask who in this room is going up to the Roosevelt-DuPont wedding? Are you (Roche)?

Roche: (Nods yes)

H.M.Jr: Are you (Taylor)?

Taylor: (Nods no)

H.M.Jr: Just you?

Roche: I don't know.

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A.A.Jr: I am. I mean I just wondered if I could help anybody on arrangements.

Boone: I'm going with Mr. West and his wife and....

A.A.Jr: Nobody else going?

Taylor: (Nods no)

Agill: (Nods no)

Boone: Thank you very much.

A.A.Jr: And you're going up with Mrs. West.

Now, one other thing. Who's going to be here in July?

Bell: I am.

(Loonhead and Haas raise hands; Oliphant also)

A.A.Jr: Who's going to be here in August?

(Gibbons, Haas, and McReynolds raise hands)

Boone: May be gone three or four days, not more.

A.A.Jr: What you (Bell) going to be doing?

Bell: I don't know what's going to happen. I think I'll be here.

Ch: Dan doesn't want to commit himself.

A.A.Jr: Well, Steve, what are your plans for July and August?

Gibbons: I haven't any. My wife and youngsters are going over to the Hawaiian Islands, and - but I haven't planned anything.

A.A.Jr: When are they going?

Gibbons: I think about July 10. When will Congress adjourn, though? Just one of those things.

A.A.Jr: Weren't you at Jefferson Island?

Gibbons: No.

H.M.Jr: Neither was I.

Gibbons: Looks as though they wouldn't get away from here very soon.

H.M.Jr: But you plan to be here. Miss Roche, you....

Roche: I'll have to be away four days, possibly five, during that time.

H.M.Jr: Aren't you going to take any vacation?

Roche: I'm going home for a few days - not more than four days at most.

H.M.Jr: Why don't you take an Eastern vacation?

Roche: I will, around here.

H.M.Jr: What?

Roche: Around here.

H.M.Jr: All right. Mac, you're going to be away in August, huh?

Mac: I'll be here in August.

H.M.Jr: Away in July?

Mac: Well, I don't know whether I can get away; I may be away a week. But I'm going away for a couple weeks after - from the time you get back until school opens for the kid.

Gibbons: Is your (H.M.Jr) youngster all right?

H.M.Jr: Yes, she's all right.

All right.

TAX LOOPHOLE AND FOREIGN BANK
FINANCE LEGISLATION

June 28, 1937
3:25 p.m.

Present: Mr. Magill
Mr. Taylor
Mr. Eccles
Mrs Klotz

Mr. Jr: With corrections, suggestions, and interruptions from these two gentlemen, I'll try to repeat what the President said to Eccles, Taylor, and myself. I won't go into the background, because... You fellows didn't go in to see him (Magill)?

Mr. Jr: No, he had some people in there with him.

Mr. Jr: Well, I'll give you the results first. Then if you need explanations, why, Wayne can give it to you.

The President would like you, if possible, to arrange that when you appear at 10 o'clock Thursday morning on the Hill, either Mr. Harrison or Mr. Doughton will say to you, "Now, Mr. Magill, these hearings have been going along for about two weeks. When will the Treasury be ready to give this Committee the legislation necessary to correct these evils, which we are pretty well familiar with now? Do you think you could give it to us so we'd have it within a week? We've got this story pretty well now and we'd like to have this thing within a week."

And your attitude - "Yes, Mr. Chairman, the Treasury, with the help of your staff, will be ready within a week to give you the legislation necessary to close up these loopholes. But, Mr. Chairman, at this time I would like to bring to your attention that, as a companion piece of legislation, which, while I do not believe it will go before this Committee, but it fits right into this picture of alien money, and that is a piece of legislation which the Federal Reserve has worked out in conjunction with the Treasury...." - is that the way you want to express it?

Eccles: I think so.

Mr. Jr: What?

Eccles: I think so, yes.

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H.R.Jr: ".....which the Federal Reserve has worked out in conjunction with the Treasury, which has to do with....." - would you use the word "not money"?

McCles: No, I don't like that.

H.R.Jr: Allens?

Taylor: Treatment of foreign balances.

H.R.Jr: ".....treatment of foreign balances. But we believe that this will necessitate going before another - before Banking and Currency. But at this time, inasmuch as you have seen fit to ask us whether we'd be ready, we'd like to say 'Yes,' but we have another companion piece of legislation."

Then the program is that Eccles, Taylor and I will have arranged that Joe Robinson and Wagner, the Speaker, Sam Rayburn, and Steagall will see us at 10:30, and at 10:30 Harriner will go before them and explain what this piece of legislation is, which has to do with dealing with foreign balances. And then he's got to work this thing out very carefully and have a statement which he will give to Joe Robinson with the hope that he, Joe Robinson, will give it to the press, the President's thought being that if he do this thing Thursday, that within a week from Thursday we will have our legislation - have it introduced and get it on its way.

Now, have I - have I - have I summed it up?

McCles: Yes, I think that covered it very well. There's only one thought....

H.R.Jr: He (reporter) can give you (Magill) a copy of what I'm saying.

McCles: There's only one thought that occurs to me. I don't know whether this is important from Magill's point of view. And that is, I would explain this to Joe Robinson and would give him a statement to release to the press which I - as I understand it, should be a joint statement by the Treasury and the Reserve System; either that or a statement that would possibly be approved by the Treasury. And it seems to me, however, that there is the time to make

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the joint statement.

W. J. Jr.: Where at, up on the Hill?

W. J. Jr.: That Joe Robinson would make - because I don't see how he could make it purely with reference to banking legislation alone; if I had a statement with reference to bank legislation, and inasmuch as you're tying it in with the tax legislation, which is prior, as it should be, then I think we should give to Joe Robinson a joint statement, where he could say that this banking legislation is for such and such a purpose, to show how it ties into the tax program and the sterilization program. That's a joint statement we've got to work out.

Now, will I have to - we may not on that day be ready to give to Robinson the finished bill to introduce.

W. J. Jr.: Well, that doesn't make any difference.

W. J. Jr.: It's much better not to.

W. J. Jr.: Yes.

W. J. Jr.: It's much better not to.

W. J. Jr.: The finished bill which will be actually introduced may come along a few days later, just like your tax bill, after you make this statement, will come along. But we have at least paved the way for.....

W. J. Jr.: The principles.

W. J. Jr.:both the tax bill and the banking bill, which seem to be - the President was very anxious that it be done in just that way, wasn't he?

W. J. Jr.: Yes. He felt he's paved the way for this tax bill. Now we're bringing something entirely new, and he doesn't want this banking bill to stick out like a sore thumb. He wants to tie it into the whole problem of handling foreign money, loopholes, and the whole business, making it all one thing. And - but he feels that the time has - from what he's talked down there, the time is getting so short now that

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we'd like to have all this legislation introduced by next week.

McCles: Let them know now that it's coming.

A.J.Jr: and begin to wind this thing up - didn't say so, but I got that impression - which I thought would be very good news to you (Magill).

Magill: Yes, that's a good idea, I think. I think as far as we're concerned, after tomorrow and the next day, when they'll get some more explosives that will interest them - I think then it's about time to put a period to it.

A.J.Jr: Incidentally, the President said he was very much pleased the way things were going on the Hill.

Magill: Good.

A.J.Jr: And the only thing that was raised about the Treasury at the Island - a few of them - Joe Robinson and a few of them got together and asked about the gold. The President said he wasn't worried, England wasn't worried, Van Zealand wasn't worried. They said, "What about Russia?" He said, "We've just opened a banking account." When he got through he said, "Did I learn my lesson pretty well?" I said, "Yes." So he told them that he, the President, wasn't worried, and he said, "I left them perfectly quiet and satisfied." As nearly as I could make out, that was the only question raised about the Treasury in three days.

Now, Harriner, would you - may I say this: we're all available, see? Viner's here, Riefler's here, we're all available to help, see? And it's on you (Magill) to see Harrison and Doughton about moving the question popped Thursday.

Magill: (Nods yes)

A.J.Jr: Who will see Robinson about arranging for the meeting?

McCles: I think it would be well for you to contact him. If you want to, I will.

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H.M.Jr: No, I'll try; I'll try it tomorrow - tomorrow morning.

Eccles: Contact Robinson and let Robinson ask the others.

H.M.Jr: Yes, that's a pretty good plan.

Eccles: Now, it occurs to me that you want Glass.

H.M.Jr: Well, the way I did the last time, I told them what we wanted, what it is; I said, "Now, Senator, you know what it is and I'll leave it to you, see?" We don't invite the people. We don't invite them; he does. I don't even know whether he's going to be here Thursday.

Eccles: They had people there before really that wouldn't have been there likely - there was no occasion for it.

H.M.Jr: I know, but.....

Eccles: You can't tell.

H.M.Jr:I left it entirely to him.

Eccles: It's his legislation; that will go before the Banking and Currency Committee.

H.M.Jr: What about this informal committee on which Jesse Jones and Crowley and all those fellows sit in? Do we want that?

Eccles: I should say not; got enough trouble with reports without having a committee besides that. Huh? Do you (Taylor) agree?

H.M.Jr: Just as soon as you have - are you going to draft this statement - you will as to the reserves, I suppose. Will you do it?

Eccles: Well, I'd like somebody working here; I mean I'd like to work with them. Now, Wayne's got some ideas on this thing from a standpoint of the international aspect of it; I've got it with reference to the domestic.

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- H.H.Jr: If I may say, we've got the best staff in the Treasury we've ever had; we've got the best technical help we've ever had. And on the tax thing I won't worry about - there isn't anything to worry about. This is all good news to you (Magill), isn't it?
- Magill: Fine, yes, fine. Now, who's going to do the tax part of this statement by Joe Robinson?
- H.H.Jr: Oh, he won't - are we going to include the tax statement?
- Boyles: Well, you won't include the tax statement. All you will do in reference to this banking legislation that is being introduced - you will tie it in.
- Magill: I thought you said a minute ago that in your statement for Joe Robinson you were going to put in something about taxes.
- Boyles: And it is part of the program.
- H.H.Jr: Not what the tax program is.
- Boyles: No detail, except to say they are taxes for the purpose of dealing with foreign earnings so as to accomplish certain objectives.
- H.H.Jr: May I put it this way. I think we ought to have a little - follow the President's idea - a little opening paragraph in order to show what this tax thing is and what we are trying to accomplish; and then say - then you come right in after that - "Now, in connection with this program of the Federal Reserve and the Treasury, we wish to accomplish certain things that have to do with foreign balances. I mean just a little opening, maybe 50 words, as to what we're trying to do on the Hill in connection with aliens.
- Magill: Well, on the banks....
- H.H.Jr: See, is that about right?
- Boyles: Well, of course, your tax program involves a good deal more than purely the alien problem, so it seems to me that Robinson's statement that has to do with this banking - this particular piece of legislation, which

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will go to the Banking and Currency Committee - that he states that this is the intent of the legislation and then he ties it into that part of the tax program that has to do with it. I don't think you want to tie it into any other part. It seems to me that the thing to do is to first point out the banking aspect and then tie that into the particular part of the tax legislation only that deals with aliens, because we don't want to tie the tax legislation into - necessarily into - I mean the whole banking legislation into the whole tax program.

W. J. Jr.: McGill has just got this thing. Let it circulate through his brain. I've told you word for word what the President told me, see? He wants to tie this question of excess reserves on foreign balances into the tax program. Now, you (Eccles) haven't had time to think it over what statement we want to put into the mouth of Joe Robinson to do this thing, and you (McGill) haven't had time. Think it all over.

McGill: Then I can - in other words, as far as I'm concerned, you'd like me to write a paragraph to tie in this matter with....

W. J. Jr.: Tie it into the original statement that went from the Secretary to the White House to the Hill, in which it is mentioned that the foreign - unequal treatment for foreigners was one of the things which did cause whatever it does cause. I think that's obviously the thing to tie it to, because there's your framework, and this comes in.

McGill: That's right; that's what I would do.

Eccles: When we're getting banking legislation so as to increase reserves against foreign balances in case additional capital comes here, or even in case it doesn't come, to take care of some of the capital that may already be here.

W. J. Jr.: It is a permanent improvement in our banking system, which is a result of dealing with your foreign balances, etc. - indicates that it is a desirable thing.

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W.Jr: (On phone) Let me have his (Senator Robinson) secretary.

Magill: Tomorrow afternoon be time enough?

W.Jr: As far as I'm concerned. I think, Harriner - I think he's got this pretty fast. I think he wants to....

(On phone) Yes, hello. Hello? - - Henry Morgenthau, Jr. - - Who is this, please? - - Brewer, I'd like to see the Senator on a very important matter the first thing in the morning, if it is convenient for him. What time do you.... - - My office? Well, I'm not going to be here for more than 15 minutes, but... - - Well, what I'm going to.... - - Well, if he could see me the first thing, and it would not take more than five minutes. It will not take more than five minutes. - - Thank you very much.

Deedes: Does Robinson say about this statement - I'm just thinking, will this go before him, banking legislation - Steagall and.....

W.Jr: Don't worry about that - those boys. Listen, let's let this thing simmer over the night. He's the leader. Now, his only question that he's going to raise is, how about the Speaker. Now, it may be a question of the Speaker saying, "Well, Joe, I may want to make a statement." But that's the - it's Joe Robinson or the Speaker. But don't worry about the other fellows, Harriner; don't worry about the Hill. The President said, "At politics I'm a past master; take my word for it."

Deedes: I don't worry about the Hill except what they say and the kick-back we get afterward.

W.Jr: All right. Have you (Magill) got it?

Magill: Yes.

W.Jr: Could you stay just one minute.

LMS

GRAY

London

Dated June 28, 1937

Rec'd 2:45 p. m.

Secretary of State,
Washington.

412, June 28, 7 p. m.

FOR TREASURY FROM BUTTERWORTH.

In the course of a speech in the House of Commons this afternoon on the motion to increase the exchange equalization fund by 200,000,000 pounds Sir John Simon announced that at the end of each June and December a brief public statement would be made regarding the amount of the gold and foreign exchange holdings of the fund as of the previous March and September, that is, for the six months period ending three months before. In this connection he indicated that the British fund now possessed some 26,674,000 ounces of gold which together with that in the Bank of England of 73,842,000 ounces, made a total of gold resources of 100,516,000 ounces which at prevailing prices was worth over 700,000,000 pounds. Its foreign exchange holdings he indicated were now "trifling". He also announced that the Public Accounts Committee would be allowed confidentially at the end of January of each year to examine the state of the fund's accounts as of the end of April and that the

committee

LMS 2-No. 412, June 28, 7 p. m., from London.

committee would be allowed to question confidentially a Treasury official. Sir John Simon explained the necessity of keeping the current transactions of the British fund secret and emphasized that the above concessions were now possible because of the inherent strength of the position of the pound. He also stated that the Treasury had concluded that when all considerations are weighed "we should not consider the present gold holdings as excessive and I hope it is made quite plain that the action I am now proposing and the terms of the resolution that will carry it out do not indicate any change in our present policy". In general Simon's speech was elementary in substance and his delivery of it indicated that he had but recently assumed the office of Chancellor of the Exchequer.

Due to Bank of France's request of the commercial banks forward franc dealings have practically ceased. However, pressure on the spot franc was heavy again today. The Belgian authorities again sold belgas heavily; by this artificial selling the gold which would in the given circumstances automatically flow to Belgium is thus diverted to the United States.

BINGHAM

KLP

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: June 28, 1937, noon

NO.: 869

RUSH FROM COCHRAN.

At 11 o'clock I talked with the Bank of France. This morning at an early hour the French control came into the market with a bold gesture of offering sterling at 110.55, the equivalent of the rate to which the franc strengthened on Saturday in New York. However my friend told me that "he did not have much courage" since very heavy demands for sterling were beginning to come in.

The big French banks were called to the Bank of France on Friday for consultation as to how they were to operate. Today a circular letter was received by the Paris American banks from the Paris bankers' syndicate in which reference is made to a similar communication of May 1935, and asking that the banks refrain from operations in future exchange and foreign bank notes. Therefore starting today local dealings in forward francs are presumably disillusioning. However trading in London reveals future franc more offered with one month discount against sterling £ 1/2 and 3 months 10 3/4. At noon today Bonnet arrives in Paris.

BULLITT.

EA:LWN

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris

NO.: 871

DATE: June 28, 4 p.m., 1937.

FROM COCHRAN.

The losses of the fund have again been tremendous today in spite of the fact that the French control, in an effort to give an impression of strength, has held the sterling franc rate at 110.55. Exchange operators have no confidence in the new government's ability to settle the financial difficulties, and the market atmosphere is very bad. The operators think that unless gold losses are stopped and a more constructive policy is pursued than any which they expect from this new government, further devaluation will be inevitable.

Bonnet and Chautemps lunched together this noon. Bonnet is working with Treasury experts in preparation for a Cabinet meeting which is to be held this afternoon at five o'clock. It is planned that tomorrow the full Council of Ministers will go over the declaration of policy which it is expected the Government will present to the Chamber Tuesday before three o'clock. Press articles which are obviously inspired hint that with

reference

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reference to finances this statement will be quite general and that the details of a plan will not be worked out by Bonnet until the latter part of the week. In the meantime, the Government will request exceptional powers of Parliament. It is expected that there will be general debate in that Chamber tomorrow evening.

Today at London where dollar is bid the National Bank of Belgium is buying gold. There is no forward quotation for the franc here but the rates in London are 7 and 9 now. French rentes are irregular.

BULLITT.

EA:EB

June 28, 1937.
4:08 p.m.

George
Harrison:

Good morning - good evening, Henry. I called you to tell you I'm glad you're back, and I was very sorry about your being knocked out last week.

H.M.Jr:

Well, just a little bit tired.

H:

Yes - well I don't wonder. Feeling better?

H.M.Jr:

Yes, I'm - I feel fairly well. I feel . . .

H:

. . . Yes . . .

H.M.Jr:

I can hang on until I get away now.

H:

Yes - when are you going to do that?

H.M.Jr:

I hope to - well - to get away the end of this month.

H:

Good for you!

H.M.Jr:

Yeah.

H:

That's fine. Well, that's pretty soon now.

H.M.Jr:

Yes.

H:

Well, I don't know whether I'm going to see you before that or not. I'm waiting now to hear from Harriner - whether we've got a meeting tomorrow or not.

H.M.Jr:

Well, I don't know but I certainly expect to see you before I go because this French thing will have to move one way or the other.

H:

Well, I think so too.

H.M.Jr:

Yeah.

H:

It's dreadful.

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H.S.Jr: And just as soon as we know what they're going to do, then I want your advice and help.

H: Well, I've been thinking a lot about the so-called reserve requirement bills that Merriner is working on and you're working on and I'm getting more and more - while I appreciate the reason for them - more and more fearful.

E.W.Jr: Yeah.

H: That the introduction of a bill about reserve requirements now might be very deflationary. I don't care if you put it off.

H.S.Jr: Yeah.

H: These banks that have got huge foreign balances, if they see those bills about reserve requirements, might begin to liquidate Governments again.

H.W.Jr: Yeah.

H: And we've had a lot of talk about what reserve requirements did to the bond market for credit - he-ha!

E.W.Jr: Yeah.

H: And I hate to see it all over again.

H.S.Jr: Uh-huh.

H: And I think it's a pretty big risk to take unless it's a last resort.

H.W.Jr: Uh-huh.

H: Frankly. And I want to talk to Merriner about that so I'm trying to get him now. I think he ought to have a meeting of our Executive Committee if we don't meet with you tomorrow or Wednesday, say, anyway.

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H.M.Jr: Yeah. But if you should come to Washington,
let me know. I'd like to see you.

H: May I do that?

H.M.Jr: If you please.

H: All right, I'll let you know then.

H.M.Jr: Thank you very much.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 28, 1937.

TO Secretary Morgenthau
FROM Mr. Taylor

At the meeting with the President this afternoon in connection with the proposed banking legislation, the President agreed that the legislation was desirable and suggested that the way in which it should be presented to Congress was that on Thursday Senator Harrison or Representative Doughton make the following type of statement: That the hearings were progressing satisfactorily but that naturally the Treasury must be in a position to submit certain recommendations and specific legislation which would meet the loophole problem; that the Committee would like to have these recommendations as soon as possible. Mr. Magill, in replying to this statement, would indicate that he would be able to furnish specific recommendations in approximately a week, but that at this time it was necessary to indicate that one of the aspects of the situation would involve banking legislation which had been studied by the Treasury and the Federal Reserve Board and that this legislation naturally would go to another Committee; that the Secretary and Mr. Eccles arrange with Senator Robinson and other Senate leaders to meet with them immediately after Mr. Magill would have made this statement and explain to the Senate leaders the purpose of the banking legislation and its relationship to the taxation picture. It was also decided that, if possible, Senator Robinson should give out any statement which would be made.

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There was considerable conversation about the possible handling of incoming gold and the amount of gold now sterilized by the Treasury. The general conclusion was that freedom of action and cooperation between the Treasury and the Federal Reserve Board should be emphasized but that no very precise information on this subject should be given to Congress or the banking community so that in the event that it proved desirable to feed in additional amounts of gold into the banking system any such action would not be precluded by any assurances which might have been given.

The question of informing the members of the Tripartite Agreement of the contemplated action was discussed and it was agreed that it would be desirable to cable our representatives in Paris and London on Wednesday so that the information would be given to Tripartite members before any statement appeared in the press.

After our return from the White House, in your office, Magill was informed of the program and entrusted with the duty of writing the section of the statement which should tie in with the tax legislation. Harriner Eccles is to proceed with the work on the bill itself and clearing the matter with the Board. The Treasury was given the duty of preparing the first draft of the statement which should be utilized by Senator Robinson, as well as the points to be brought out in the statements to be made by Chairman Eccles and other members of the Board who might be called to appear and representatives of the Treasury who might be called on to appear before the Banking Committees or to comment on the subject to the press; also to prepare the explanation to be contained in the cables to London and Paris.

- 3 -

I called a meeting later in the afternoon and explained the schedule to Messrs. Viner, Reifler, White and Haas. The first order of business is the preparation of the statement of points to be covered. As soon as this has been completed and agreed upon we will use it as the basis for drafting the cables and for preparing a suggested statement for Senator Robinson.

uev

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris

DATE: June 29, 3 a.m.

NO.: 874

STRICTLY CONFIDENTIAL FROM COCHRAN.

I was called to the Ministry of Finance at midnight by Rueff. He requested that I communicate to Mr. Morgenthau the following information, in the spirit of consultation envisaged by the tripartite agreement:

The Cabinet meeting which began Monday evening and lasted until late in the night was attended by Bonnet. He was strongly in favor of a bold program and insisted that he wanted to return to Washington if his colleagues were unwilling to agree with him.

The plan that is to be presented to the Council of Ministers on Tuesday morning brought forth unanimous assent. Should the Council of Ministers approve the plan drawn up in the Cabinet, the Government will present its declaration before the Chamber at 3:00 o'clock Tuesday afternoon. The Ministers believe they can procure the approval to their plan of both the Senate and the Chamber. It is the Ministers' idea to ask for full powers for the Government to carry out financial measures by decree. The Government will probably be willing to write into the bill the main specific measures of authority which it desires, if objection thereto develops in the debate. However, they prefer to keep their plan secret. Following is the plan:

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(1) To reduce importantly the expenses planned in the extraordinary budget for 1937.

(2) To bring into balance the ordinary 1937 budget.

(3) To seek a credit from the Bank of France to tide the Treasury over the present emergency. A specific amount for the credit has not yet been decided.

(4) To suppress the limits of 43 and 49 milligrams of gold fixed for the franc by the monetary law of October 1, 1936, which would then permit the franc to fluctuate, and find its own level. The stabilization fund would be retained and, since there would be no revaluation or stabilization for the present, no new profit would be taken. No final rate for the franc can yet ~~been~~ be seen. Due to Government disbursements and social legislation, the increased charges upon French economy may make a cheaper franc necessary. France will not endeavor to seek competitive advantages in international exchange relationships.

(5) The Paris exchange and security markets will be closed tomorrow in order to check the heavy outflow of gold and stop speculation, and will remain closed until the enactment of legislation. However, the banks will stay open.

(6) Request was made by the French Ministry of Finance that American authorities limit in so far as possible and beginning Tuesday exchange operations in the French
franc

-3-

Franc on the American market as was done last September, such control to continue until the passing of legislation. (It is hoped by the Government to get legislation through on Wednesday). The British were similarly requested to cooperate.

Secretary Morgenthau is assured by the French Ministry of Finance of its earnest desire to hold to the tripartite agreement and to avoid exchange control. To prevent graver dangers to the Franc, the Ministry considers the above steps imperative.

Rueff told me his Ministry would naturally welcome any reactions from the American Treasury to the plans of his Government as now confidentially divulged and as may be developed hereafter; he has promised to keep me informed of further developments. END OF MESSAGE

BULLITT

EA:DJW

STRICTLY CONFIDENTIAL.

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DEPARTMENT OF STATE

OFFICE OF THE ECONOMIC ADVISER

MEMORANDUM

June 29, 1937, 8:30 a.m.

My dear Secretary Morgenthau:

Thinking over the conversation in your room late last night I realize that I did not fully grasp all the circumstances bearing upon the question of advance notification to the British Treasury of any moves that the American Treasury might make affecting foreign deposits in this country. Taking into account (1) the general shock arising from the French action, (2) the fact, as you brought out at the end of last night's talk, that action on our part will inevitably be connected in the public mind with the French situation, (3) the fact that the British Treasury has just augmented its stabilization fund as an indication of its intention of doing its full part in meeting the present gold situation, and (4) the potential importance of having complete interchange and cooperation during these times, I think the case becomes strongly weighted in favor of giving to the British all possible information regarding prospective action. This will give the sense to them not only of working in partnership but also an opportunity to work similarly. I am confident that Secretary Hull will be of the same opinion when I talk with him this morning.

Further,

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

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Further, if you will permit me to make what is probably an unnecessary comment, I should think it would be to the mutual advantage to take as seriously as possible the French affirmation in Cochran's cable that they wish to remain in the Tripartite Agreement, and to continue to treat them as though they were even though in the first few days of their crisis there is slight irregularity in their action. I am not suggesting of course that the American Treasury take substantial financial risks. The inducement for remaining a member of this Agreement may be a most important factor in preventing or limiting steps taken in the direction of exchange control.

I am reporting last night's meeting to the Secretary of State, and thank you very much for the opportunity of participating therein.

Sincerely yours,

H. Feis

Tuesday, June 28, 1937

Upon arriving at the dinner given by the Chinese Ambassador for Dr. Kung last evening, the Secretary advised the Treasury officials present that he had just received a telephone call from Cochran that France would close the Bourse this (Tuesday) morning and that the new Government had decided to ask for certain powers in order to control the exchange situation. The Secretary requested that immediately following the dinner a meeting be held in his room at the Carlton Hotel to discuss the situation.

At 10:30 pm, last night, the following met with the Secretary: Governor Eccles, Mr. Taylor, Dr. Viner, Dr. Wheeler, Dr. White, Dr. Feis and Mr. Lochhead. The Secretary read to the group the memorandum he had written of his telephone conversation with Cochran. (This conversation had been confirmed by Cochran's cable No. 874, copy of which is attached hereto.) p. 120

Cochran told the Secretary that the French had asked that the New York banks be requested not to engage in transactions in French francs while the Paris Bourse was closed in the same manner as was followed last September.

HM, Jr. telephoned President Harrison of the Federal Reserve Bank of New York and Vice President Knoke, explaining the situation and asking that they take appropriate steps to carry out this request. Knoke called back later and reported that they had gotten in touch with the majority of the important New York banks and had made the request as desired by the French.

HM, Jr. also telephoned the President and explained the situation to him.

There was some discussion among the group as to whether the contemplated action by France would make it necessary for the Government to withdraw from the Tripartite Agreement. It was decided, however, that until it was definitely known whether the French parliament had granted or denied the necessary powers to the Minister of Finance, the United States Secretary was not in position to make a decision.

FEDERAL RESERVE BANK
OF NEW YORK

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OFFICE CORRESPONDENCE

DATE June 29, 1937.

TO CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION

FROM L. W. Kneke

WITH BANK OF FRANCE.

Mr. Cariguel called me at 9:05 this morning. In order to prevent a shortage of francs, he said, it would be in order for us to sell for his account francs for prompt delivery on the basis of 110.55 to the pound as long as such francs were to cover legitimate commercial requirements. The Bank of England, he said, was doing the same thing in London. He would confirm this by cable later on.

I inquired whether there was anything he could tell me yet. Cariguel answered that in reply to a question raised by Mr. Morgenthau the Bank of France had stated that they were willing to convert into gold on the basis of yesterday's rate any francs which we might buy. He added, "In other words, you see, the tripartite agreement remains in full force." I thanked him for the information and told him that I would keep in touch with him during the day. Cariguel then mentioned that the British were going to make a statement this afternoon to the effect that, in their opinion, what France was planning now was within the scope of the tripartite agreement. Mr. Morgenthau, Cariguel continued, had been asked whether he would make a similar statement and had replied that he would naturally first have to know whether he could buy gold from the Bank of France as provided for under the agreement. The Bank of France's answer to this had been in the affirmative.

LWK:KNC

FEDERAL RESERVE BANK
OF NEW YORK

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OFFICE CORRESPONDENCE

DATE June 29, 1937.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION

L. W. Knoke

WITH BANK OF FRANCE.

I called Mr. Cariguel at 12:10 today.

I mentioned that our franc market here was lifeless and asked whether, under his cable No. 343, it would be all right for us to buy francs for him if offered to us. He replied that if we bought he would give us gold without any question. I mentioned that I understood the Standard Oil had offered a small check for about 100,000 francs, which they had received this morning from one of their South American offices and inquired whether, in a case like that, where the legitimate commercial nature of the transaction was obvious, it would have been in order for us to make the purchase. Cariguel thought, that in circumstances such as these, where we knew the people well, we might buy for limited amounts. He cautioned me, however, that what they of course wanted to avoid was that we should buy francs for him which might have come from France.

LWK:KNC

HA

GRAY

London

Dated June 29, 1937

Rec'd 9:00 a. m.

Secretary of State

Washington

HUGH

413, June 29, 1 p. m.

FOR TREASURY FROM BUTTERWORTH.

British Treasury telephoned this morning and informed me that Bonnet late last night had communicated to Washington and London his proposed measures. British Treasury inquired whether by any chance I had received any reactions from Washington thereto.

Shortly afterwards Monick telephoned and asked me to meet with him. He showed me the telegram which the French Finance Minister had sent him last night, the substance of which he had conveyed to the British Treasury. Speaking personally and confidentially, he said that he was pleasantly surprised at the boldness of Bonnet's proposals and he obviously held the view that with a free franc the French Government would have to frame its policy and actions to maintain and to increase confidence for otherwise as confidence ebbed so the franc would decline and so the Government would fall. I gathered that Monick

looked

PA -2- 415, June 29, 1 p. m., from London

looked for one more crisis.

Which also in the course of our conversation referred to the fact that the United States would now be the only currency, with the exception of Belgium which did not count, on a fixed gold basis and therefore the managed currencies could only thus be managed on the fixed dollar. In fact he went so far as to admit that if the United States should intimate that it was no longer prepared to remain in this unique position, then France and England would have to agree to a general stabilization. In this connection, reference is made to Leith Ross's remarks to be found in my 315, May 27, 6 p. m.

BRITAIN

PLS:TC

June 29, 1937.
9:53 a.m.

Taylor: Hello.

Butterworth: Hello.

T: Hello, Butterworth.

B: Yes, sir.

T: - This is Taylor.

B: Oh, hello Taylor. How are you?

T: Fine - and you?

B: Very well, thank you.

T: The Secretary is over - is out at the minute
and he wants me to talk - me to talk to you.

B: Right. Now I have just returned from the British
Treasury where I took up the question which Mr.
Morgenthau telephoned me about. Ah - his instinct
in not being willing to believe the French on a
stack of Bibles was correct.

T: Right.

B: The Treasury tell me that they have not made any
commitment to Monnick or anyone else....

T: Right.

B:that Sir John Simon would make a statement....

T: Yes.

B: ...that in his opinion the French are still acting
under the Tripartite Agreement.

T: In his opinion they still are?

B: No, he...

T: Oh yes.

B: He has not agreed to make any such statement.

T: Right.

B: And Sir John Simon has asked me to tell
Mr. Morgenthau that this is completely untrue.

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Q: Right.

A: According to the British Treasury what happened was this. About half past eleven last night Monnick telephoned to Waley and informed him of the French Government's proposal. Sir John Simon was not reached last night, but Waley and Phillips met Monnick this morning and talked to him, but before Sir John Simon had reached the British Treasury. In the course of their conversation Monnick emphasized that the French Government had no intention of going in for exchange

Q: Going into what?

A: Going in for exchange

Q: Yes.

A: and said that he'd do his utmost to depreciate this statement. and the British considered that the French were still acting within the Tripartite Agreement. Phillips then stated that since the Treaty on stabilization of funds, which they again discussed this afternoon at the

but that he could not make any statement

Q: Yes.

A: But, my friends at the Treasury particularly emphasized that no commitment had been made, and that no commitment could have been made because when Monnick talked with Phillips and Waley the Chancellor of the Exchequer that nothing had happened out of place

Q: Right.

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- B: And now this. The present question - on the purchasing of gold, the British tell me - Treasury tell me that the Bank of England has suspended quotations that is, London is not dealing at all in francs.
- T: Yes.
- B: But have arranged for the Bank of France to provide any francs at the rate of 110.55 per pound.
- T: Yes.
- B: But - that is, the Bank of France is supplying the francs.
- T: I got it.
- B: They have, however, made it clear to the French that while they are prepared to do this for today and tomorrow, that they must not expect that they will be willing to continue doing this; that they do not intend to continue doing it beyond tomorrow.
- T: Oh-huh. Just a minute. (Holds aside conversation) Now has the Bank of England agreed to give gold for any sterling balances which the French may have acquired as a result - may acquire as a result of sales of francs?
- B: Not yet.
- T: Not yet?
- B: The Bank of England will not, on its own account, buy francs at all.
- T: Yes, but this is that - the French, you see, will create possibly a sterling balance as a result of sales.
- B: That's right.
- T: And no arrangements have been made with the Bank of England by the French to furnish - to convert that sterling into gold?
- B: Not as far as I know.

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- T: Yes. I suppose with the London gold market there, why, it's - it's an academic question.
- E: Yes, that's right.
- T: Right.
- B: Now Taylor, I was over at the Treasury and they gave me two messages to the Secretary of the Treasury. Now, have you got someone there who can take them down?
- T: Yes.
- B: Am I going too fast?
- T: No, that's all right.
- B: Now the first message is a personal message from the Chancellor of the Exchequer to Mr. Morgenthau, and on this message they'd like an answer - well, as soon as possible.
- T: Right.
- B: It reads as follows:
- "I may be asked in Parliament this evening whether I regard the decision of the French Government to suppress the upper and lower gold limits as a departure from the tripartite monetary agreement."
- Chairman: Repeat please.
- B: Hello.
- C: Ask him to repeat it please.
- T: Can you repeat that last?
- B: "I may be asked in Parliament this evening whether I regard the decision of the French Government to suppress the upper and lower gold limits as a departure from the tripartite monetary agreement."
- T: Yes.
- B: "In that case, I shall reply that events have shown that the readjustment of the franc, September, 1936,..."

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T: Repeat.

B: Now repeat all - the sentence, "In that case, I shall answer", start there.

B: "In that case, I shall reply that events have shown that the readjustment of the franc, September 1936, . . ."

T: All right - "September 1936".

B: Yes.
"was not entirely successful in re-establishing a lasting equilibrium between the economic system of France"

T: Right.

B: "and those of the United States and Great Britain."

T: The last - about, about the last ten words.

B: "the readjustment of the franc, September 1936, "

T: Yes.

B: "was not entirely successful in reestablishing a lasting equilibrium between the economic "

T: Equilibrium.

B: " systems of France and those of the United States and Great Britain."

T: O.K.

B: O.K.?

T: Yes.

B: "I have not been informed at what limit the French Government hopes to establish the franc."

T: Yes.

B: "And naturally . . ."

T: R- Repeat that - "I, I have not been informed at what limit the French Government . . ."

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"At what limit"

Yes. "The French Government wishes to, intends to reestablish the franc" - is that it? That's the point.

Yes.

"And naturally, a position of this sort requires time for thought and consultation."

Yes.

Right?

Yes, that, that's. . .

"For the moment I limit myself to saying that I have been assured by the French Government that it is not their intention to limit franc deposits, and that they are anxious to continue close cooperation with the Government of the United States and United Kingdom as called for by the Monetary Agreement."

O.K.?

Yes.

Now

Yes.

Now, the Chancellor of the Exchequer that is going on about the equalization fund, and it comes on about six o'clock our time. Now it's about five minutes past four our time.

Right.

That looks to me a pretty kind of statement - a - so that no red light will flash back right away if that's o - . .

We, we, we'll give it to you as soon as we can. It may, it may take half an hour, but we'll call you back in time.

Right. Now then, I've got another message.

Go ahead.

Now this message is the proposed reply which the British wish to send to the French.

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T: Right.

B: This is an interim reply.

T: An interim reply?

B: That's right.

T: Yeah.

B: Now then it reads as follows:

"I am eagerly awaiting information
as to the steps which the French
Government are taking

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Butterworth: "....to liquidate the budget deficit which our own past experience has proved will be of importance in restoring confidence."

Taylor: Right.

B: How's that?

Taylor: That's all right.

B: "I understand the intention of the French Government will be to abandon their present gold limits and not merely to suspend them, subject to an application to return to them later."

Taylor: Subject to a what?

B: An application - a-p-p-l-i-c-a-t-i-o-n.

Taylor: Yes

B: - - to return to them later.

"I note also their statement that the communication was made under paragraph three of the Tripartite Agreement. But I do not see how there can be any successful application at this stage and a decision has been taken and is about to be communicated to the French Parliament.

"Nevertheless, I shall now record my regret that the decision has taken this ^{whatever} grounds may exist. The present condition for temporarily suspending those limits, I consider, that their supersession - s-u-p-e-r-s-e-s-s-i-o-n may have serious consequences.

Taylor: I didn't quite get that last.

B: "I consider that their permanent supersession may have serious consequences."

Taylor: Supersession?

B: Yes

Taylor: I'll get a dictionary.

B: Yes (Laughs)

Taylor: All right, go ahead.

B: "...may have serious consequences and on your part will consider the repercussion of the decision on the Tripartite Agreement in consultation with the United States Government,"

Taylor: O. K.

B: "...before saying in what form and under what condition will be possible for it to remain."

Now that's the end of that message.

Taylor: Yes

B: And John Simon said, at the same time, that he has adopted this attitude - that -- he said this to us, not the French.

Taylor: Yes

B: He said

had adopted this attitude in view of the serious situation in France and the uncertainty of why they can support that decision and so it has been begun.

Taylor: Yes

B: And he said, "I shall be very glad to know Mr. Morgenthau's general feeling on the matter as soon as possible."

But now, Taylor -

Taylor: Yes

B: The copies of these messages are going to go through in the usual routine way with the messages so that if you want to check on the wording he said that you could check with him.

Taylor: Right.

B: But the urgent matter is the one for Parliament.

Taylor: Yes, I get that.

B: Right.

Taylor: I gather that there's a - from the tone that - of message number two, that there's a slight scolding involved there.

B: I beg pardon.

Taylor: There's a slight scolding involved.

B: Oh yes, I don't think they feel at all pleased with -

Taylor: Yeah.

B: - the situation. I think there's a good deal of irony in that message.

Taylor: Yes. Well, we're - we're thinking it over.

B: Oh, - I should think so. That second reply needs a good deal of thought.

Taylor: No, I was thinking about the French situation. And we will consult and give them comments on both, and also - -

B: You're going to take more time over the second than over the first?

Taylor: Oh yes, the first one is comparatively easy. Now, while I've got you, on the telephone; in one of your early cables, it's cable 313 of May 27.

B: Yes.

Taylor: At the end of it you make this comment:

"The gold problem, they believe, is now receiving active attention in Washington,"

B: Yes

Taylor: "... and the United States is in the process of formulating the policy we'll follow."

B: Yes

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Taylor: "I might add incidentally that any action regarding "hot money" such as an increase in the withholding tax..."

B: Yes.

Taylor: "...if Washington took action without prior consultive discussion with Great Britain..."

B: Yes.

Taylor: "...would not in the given circumstances be understood in London."

B: Yes.

Taylor: Now, is that your personal comment or did you get that pretty hard from somebody?

B: That's my personal comment.

Taylor: Yes.

B: I think that this situation has changed perhaps a little bit since that message was written, you know.

Taylor: Yes.

B: There's the - there's the various exchanges that have gone forth between the two treasuries.

Taylor: Yes. Well, that's just - I just wanted to check on that, because -

B: My personal hunch is that the Tripartite thing is not just the paper it's written on; it's a kind of glowing organism.

Taylor: Right.

B: - anything.

Taylor: Yeah.

B: And that we don't have to ask peoples' advice always, but we should consult them prior to any step, because, after all if we increase the tax to such an extent that we don't just stop money coming in but we force money to go out, well then, I mean, it brings us the rate of exchange.

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Taylor: Yeah, yeah.

B: I mean, it's just doing it in another way.

Taylor: And under any circumstances it would be advisable to give some advance notice.

B: So that - because of common sense and we simply have to do small things to imitate if we're playing for the larger game.

Taylor: Yeah. All right, fine, and I'll let you know as soon as I can about the other one.

B: Right.

Taylor: Right.

B: By the way, Taylor -

Taylor: Yeah.

B: Remember the letter that you wrote me about your friend - who is coming over here to the garden party?

Taylor: Yeah.

B: I haven't heard from her - not at the Embassy, but the garden party is on the - July the twenty-second. Perhaps if she wants to attend that she could drop us a line and tell us when she's going to be here and whether she wants to go.

Taylor: All right, fine.

B: Right.

Taylor: Thank you.

B: July twenty-second.

Taylor: Right.

B: Goodbye.

Taylor: Goodbye.

Message from the Chancellor of the Exchequer
to Mr. Morgenthau.

SECRET.

(Original m 8.193)

I may be asked in Parliament this evening whether I regard the decision of the French Government to suppress upper and lower gold limits as a departure from tripartite monetary agreement. In that case I shall reply that events have shown that readjustment of franc in September 1936 was not entirely successful in reestablishing a lasting equilibrium between economic systems in France and those of United States and Great Britain. I have not been informed within what limits French Government hope to establish franc and naturally decisions of this importance require time for thought and consultation. For the moment I limit myself to saying that I have been assured by French Government that it is not their intention to seek any exchange advantage and that they are anxious to continue close cooperation with Governments of United States and United Kingdom as called for by monetary agreement.

June 29th, 1937.

Message from Chancellor of the Exchequer
to Mr. Morgenthau.

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SECRET.

Original m 8 194

In continuation of my immediately preceding telegram the message from Chancellor to Mr. Morgenthau proceeds as follows:-

I assume that you will have received a message from the French Government in same terms as that which has reached me. I note that they state that they have decided not to allow reserves of Bank of France to be further reduced. (Last published reserves of 57 milliard francs must have been reduced substantially during the past week and there is also a claim on them for four milliards for the purpose of repaying next November credit of French Government raised in London early this year). I do not understand their statement combined with further statement that fluctuations in francs will continue to be smoothed out by equalisation fund which everyone knows has no gold left. On the contrary unless they are going to abandon for time being all efforts to support franc they must transfer more gold from Bank of France to equalisation fund.

Bank of England at the request of Bank of France has suspended quotations and dealing in spot francs in London and Rotterdam, informing National Bank that it will be impossible to do this for more than today and tomorrow.

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I do not see any opinion can be formed as to probable course of franc in near future until we know details of French Government proposals for liquidating budget deficit and improving position of French Treasury and how these are received in Paris.

I have sent interim reply privately to French Government as follows: Begins. I am eagerly awaiting information as to steps which French Government are taking to liquidate budget deficit which our own past experience has proved to be all important in restoring confidence.

I understand the intention of the French Government to be to abandon their present gold limits and not merely to suspend them subject to an obligatory return to them later. I note also their communication was made under paragraph 3 of tripartite agreement but I do not see how there can be any effective consultation on this when a decision has been reached and is about to be communicated to French Parliament. Nevertheless I feel bound to record my regret that decision has taken this form. Whatever grounds may exist in present conditions for temporarily suspending gold limits I consider their permanent supersession may have serious consequences and I need time to consider repercussion of decision on tripartite agreement in consultation with United States Government before saying in what form and under what conditions it will be possible for it to remain in being.

Reply ends.

I have adopted this attitude in view of serious situation in France and uncertainty how far they can enforce their decision once gold has been abandoned. I should be very glad to learn your general feeling on matter as soon as possible.

THE FRENCH CRISIS

June 29, 1937
10:00 a.m.

Present: Mr. Taylor
Mr. Lockhead
Dr. Viner
Mr. Riefler
Mr. Oppen
Mr. Eccles
Mr. White
Mrs. Klatz
Miss Chauncey

Taylor: He's sent two messages.

W.S.Jr: Who has?

Taylor: Mr. John Simon, to you.

W.S.Jr: Yes.

Taylor: One of which requires more or less of an immediate answer. That is a comparatively innocuous statement that he was going to make in reply to a question which he expects will be made to him in Parliament.

W.S.Jr: Is it in writing?

Taylor: Miss Chauncey is doing it. That's comparatively easy. (See Taylor's phone conversation with Butterworth at 9:53 a.m. today.) The other one is an interim reply to the French. which has lots of knobs on it.

W.S.Jr: Got that too?

Taylor: Yes.

W.S.Jr: Who gave you that?

Taylor: Butterworth.

W.S.Jr: When I get ready, I'm going to talk to Sir John Simon direct. I've just been with the President. Talk to him direct.

Taylor: The second reply shows considerable annoyance, but willingness to play after you hear the whole story.

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Viner: But regrets that they have chosen this way.

Taylor: And that they have obviously formulated a program which they are submitting to Chamberlain and that it's a hell of a time to consult, after you've already formulated it.

H.A.Jr: (On phone) Hello.

Operator: Operator.

H.A.Jr: Mrs. Spengler?

Operator: Yes, sir.

H.A.Jr: What about this Cochran call?

Operator: I'll try to get them now. I couldn't get them until you quit talking to London.

H.A.Jr: They understand I want to tie up this line exclusively for my use, don't they?

Operator: Yes, they do.

H.A.Jr: Are they doing....

Operator: They're tying up this same line.

H.A.Jr: Yes, but when we don't talk, no pay.

Operator: Oh yes, you have to pay for it anyway.

H.A.Jr: They will?

Operator: They haven't started charging us yet. They won't start charging until.....

H.A.Jr: You tell them that after I get through talking to Cochran I want them to hold up the line.

Operator: I see.

H.A.Jr: Because - you tell them that I wish to talk to Sir John Simon, and they can start working on it and get him ready - Chancellor of the Exchequer, see, in London at the British Treasury.

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Operator: I see.

W.Jr: But I'll need at least five minutes interval. You see, by the time I talk to Cochran.... See?

Operator: Yes, I understand.

W.Jr: Explain to the operator that ten minutes after I'm through talking with Cochran I'd like to be able to talk to Sir John Simon, the Chancellor of the Exchequer of the British Treasury. But I'd like about a ten-minute interval.

Operator: All right.

W.Jr: But see?

Operator: I understand.

W.Jr: So I won't - I'd rather pay for the line for those ten minutes rather than have somebody else get in and block me.

Operator: Surely.

W.Jr: I mean I'd rather pay for it. Do a little dealing with them.

Operator: I will. (end of conversation with operator)

W.Jr: Let me just give Harriner what's happened this morning - good morning - which has nothing to do with this. (This discussion and all subsequent discussion relating to legislation re foreign balances transcribed separately).

W.Jr: - Operator, listen, will you give me whoever is in charge of the overseas telephone in New York, the head man or woman.

Operator: All right.

W.Jr: I want to talk to them.

Operator: I'll have Mr. Cochran in about a minute. Do you want him first or not?

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H.B.Jr: In a minute - so why all this nonsense about tying this up? You going to have Cochran?

Operator: I'll have him in just a minute.

H.B.Jr: O.K. Hello - and put the call through on Sir John Simon.

Operator: All right. I have Mr. Cochran now. Go ahead.
(Dictaphone record of conversation follows:)

Tuesday
June 29, 1937
10:30 a.m. (approximately)

H.M.:
Cochran: Hello, Mr. Morgenthau.

H.M.Jr.: All right, now go ahead, Cochran.

C: After I talked with you I tried to get Rueff and Cariguel.

H.M.Jr.: Yeah.

C: I did not get Rueff because he didn't return to his office; he went directly to the Chamber debate.

H.M.Jr.: Yeah.

C: I talked with Cariguel and asked him to consult with Fournier, the Under Governor. I put up the question as to whether our fund could convert into gold at the bank French francs which it might buy.

H.M.Jr.: Yes.

C: If so, at what price.

H.M.Jr.: Yes.

C: They assured me that the changes which have been made today -

H.M.Jr.: Yes.

C: - by decree and which are planned in their so-called program will not in any way affect the technical arrangement which we have had heretofore.

H.M.Jr.: Now, repeat that again.

C: That the changes which have been affected by his speech today -

H.M.Jr.: Yes.

C: And which are planned in the program of the so-called Bonnet Government..

H.M.Jr.: Yes.

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C: - would in no manner affect the technical arrangements -

HMJr: - Wait a minute, I'm writing this down.
"No manner affect the technical...."

C: Arrangements -

H.M.Jr: "...arrangements..."

C: ...which have heretofore...

HMJr: Just a minute. "...have heretofore.." - yes.

C: ...obtained....

HMJr: "...obtained..."

C: ...between the American and French monetary authorities.

HMJr: "...between U. S. and French." - Yes.

C: He said that since the French Stabilization Fund would now be more anxious than ever to acquire foreign exchange -

HMJr: Yeah.

C: - and have the facilities for getting gold for it -

HMJr: Yeah.

C: - there would certainly be a willingness on the part of the French to continue to give reciprocal gold facilities to the United States.

HMJr: Well now, repeat that again.

C: He said that since the French Stabilization Fund will now be more anxious than ever -

HMJr: Yeah.

C: - to acquire foreign exchange -

HMJr: Yeah.

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C: - and have the facilities for obtaining gold for that exchange -

RMJr: Yean.

C: - there would certainly be willingness on the part of the French to continue to give reciprocal gold facilities to the United States.

RMJr: Well now, just a moment, wait a minute. Wait a minute. Just a moment. In other words, I interpret that to mean that we continue just as is.

C: Yes, that's his understanding after talking with Fournier.

RMJr: Yes, now, just a moment.

C: - at this time.

RMJr: Now, wait a minute. (Pause) Now, hello?

C: hello.

RMJr: Archie Lochness says that a couple of hours ago Knoke called Cariguel.

C: Yes, he called Cariguel while I was talking to Cariguel.

RMJr: Yes, well now just please listen a minute, please.

C: Yes.

RMJr: And Cariguel gave Knoke a rate to buy francs at four forty-six - to sell francs. Hello?

C: Yes.

RMJr: - to sell francs at four forty-six.

C: Yes.

RMJr: But he gave - Cariguel gave Knoke no buying rate. Do you get that?

C: For gold.

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RMJr: No buying rate for francs.

C: Yes, but he said that the rate for gold which he had quoted yesterday was the same today and until further notice. Cariguel read me the telegram which he is sending to Knoke this afternoon.

Jr: Yes, well, Knoke - well, now, have you any other message on that?

C: Just on that one point. This is a telegram which Cariguel was sending to Knoke. It said:

"Confirming our telephone conversation please sell francs for our "S" exchange account..."

RMJr: Yes.

C: "...on the basis of 110.55 the pound sterling."

At the rate of exchange here yesterday. And he said:

"We confirm that the prices for gold quoted in our 337 yesterday are still effective until further notice."

RMJr: I see. Now, it just came this second; it's just come in this second. Now, just hold on. Just stand by, will you please.

C: He wanted to explain that message to me. He said, "I assure you that the control will continue to buy and sell gold as heretofore."

RMJr: Yes, well now just stand by a moment please.

C: All right.

(Pause)

RMJr: (Spoken aside) (Tell Clarence Oppen to come right in here. Well now, any questions?)

RMJr: Now, hello?

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Ct: Yes.

RMJr: Just stay a minute. I'm going to try something; I don't know whether I can do it or not, but I am going to try while you're on the wire to get hold of Knoke and see if he's satisfied. See?

Ct: All right. Fine.

RMJr: Now just - just stay on a minute and we'll see if it's possible. I don't know whether it is or not.

Ct: All right. Luck to you.

RMJr: Hello.

Ct: Hello.

RMJr: Just stay there.

Ct: Yes.

Trans. Op.: Yes, sir.

RMJr: See if you can get Mr. Knoke in on this conversation, will you?

T.O.: Yes, sir.

RMJr: See - do you think that can be done?

T.O.: Yes, it can be done; I don't know whether you can hear or not but I'll find out.

RMJr: Well, let's try it.

T.O.: Right.

(Pause)

RMJr: Cochran -

Ct: Yes.

RMJr: On that basis - this telegram just came in this second - I would say they're living up to the Tripartite Agreement.

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W...Dr: Yes. Do you people see any question on that basis? They're in on that basis?

Winer: still operating under the old terms.

W...Dr: (On phone) Cochran, on that basis - this telegram just came in this second - I would say that they are within the tripartite agreement.

W...Dr: I have Mr. Knoke.

W...Dr: Now wait a minute. (Conversation with Knoke follows)
(also remainder of conversation with Cochran)

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T.O.: I have Mr. Knoke.

C: my understanding of it.

HMJr: Yes. Now, wait a minute, Knoke.

T.O.: Just a minute.

HMJr: Hello.

Knoke: Hello, Mr. Secretary.

HMJr: Knoke, can you hear Cochran, he's on this wire?

T.O.: Go ahead.

C: Hello.

HMJr: Hello.

Knoke: Yes.

HMJr: Knoke -

Knoke: Yes.

HMJr: Now, this telegram which just came in from the Bank of France, is that satisfactory to you?

Knoke: Which one was that?

HMJr: Well, the one where they give you a buying and selling rate as of yesterday.

Knoke: Oh yes, that is - as long as they follow that they are demonstrating the fact that they are continuing or that they want to continue under the Tripartite Agreement.

HMJr: You're entirely satisfied?

Knoke: Well, I'm absolutely satisfied.

HMJr: All right. Have you done any business?

Knoke: No, there is no business.

HMJr: There is no business?

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Knoke: No.

HMJr: And are the banks - are they pressing you, questioning you?

Knoke: Very little. We have probably called - oh, twenty-five or thirty.

HMJr: Yes.

Knoke: And everyone of them is - they immediately say that they of course would promptly comply with that.

HMJr: Yes.

Knoke: They asked us very few questions. Two or three said they had some commercial trade for sale.

HMJr: Allright.

Knoke: Why of course we buy them, and I told them then we're from the French.

HMJr: Yeah.

Knoke: And I told them all that we were ready at the request of the Bank of France to give them francs for tomorrow's delivery which is the end of the half-year, you see?

HMJr: I see.

Knoke: In any contract falling due, as long as the francs were needed for commercial requirements.

HMJr: Yes. Well, now just a moment.

(Short Pause)

HMJr: In view of this telegram from the Bank of France don't you think you'll have to put in a buying and selling order? Hello

K: Yes. Well I.....

HMJr: Think that over.

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K: What?

B.M.Jr: Think it over.

K: Yes, I have thought of that but I - I - probably will know a little more when the regular cable comes in. I know Ceriguel this morning had no - no such intention.

B.M.Jr: I see.

K: And I think as long as the - as long as we have requested that there be no operations I don't think we should step into the market either.

B.M.Jr: Well think it over.

K: All right, sir.

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H.M.Jr: Now - well just a minute - Cochran.

C: Hello

H.M.Jr: Could you hear that?

C: No I couldn't hear him. I could get a word now and then.

H.M.Jr: All right, will you get off, Knoke, then?

K: All right.

H.M.Jr: Hello

C: Yes sir.

H.M.Jr: Cochran.

C: Yes

H.M.Jr: Knoke is entirely satisfied with this arrangement so what I'm doing is - I'm putting in a call for Sir John Simon direct and I'm going to tell him that with this - what we have - I will make a - ready to make a public statement that the tri-partite agreement is still in force.

C: I see.

H.M.Jr: See ?

C: Yes.

H.M.Jr: And that - don't say anything - I will call you back after I have talked with Sir John Simon.

C: I'm to say nothing now to the press.

H.M.Jr: Well you - I've got the call in - I'll have it in about five minutes and I'm keeping the trans-Atlantic wire open, see?

C: Yes.

H.M.Jr: After I've talked to him I'll call you right back. Can you find out what they've done with the other Club Members in the meantime?

C: That is - ah - you don't mean England - you mean the three countries.....

H.M.Jr: All of them - the other four countries.

C: Belgium, Switzerland and The Netherlands.

H.M.Jr: Yes, and England.

C: And England.

H.M.Jr: Yes, and your friend, Monnick, as usual - ah - has just been lying.

C: I - I sent you all of that dressed up a little bit.

H.M.Jr: Well they've checked up in England and he's just been doing some lying again. The French government - the best thing the French government they can do for themselves is just to take that fellow and "can him".

C: I told you about it.

H.M.Jr: Well you can tell them that I say so now.

C: Yes, I'll do that.

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WMJr: Well you can tell them that I say so now. As long as they keep that fellow Monnick on they're always going to find themselves in hot water.

C: Ah-ha.

WMJr: He's just a plain God-damned liar, that's all.

C: I see, yes.

WMJr: And I don't care how strong you put it.

C: I, I'll be happy to do it.

WMJr: All right.

C: I just - I can only get in touch with Cariguel while Rueff is in the Chamber. See? He's over there at the debate . . .

WMJr: Well . . .

C: . . . which is going on.

WMJr: All right. You do the best you can.

C:

WMJr: All right.

C: And I - and what I've given you now I've confirmed in a wire which is being coded.

WMJr: All right. Thank you.

C: There hasn't been much trading on the Continent in francs.

WMJr: Yeah.

C: On some of the the rate has gone to about one hundred and thirteen.

WMJr: Yeah. . . .

C: to the pound, as compared to one ten, fifty-five.

WMJr: Well, see if you can find out what arrangements they're making with England, Belgium, Holland and Switzerland.

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C: I, I'll get on it right away and try to have it
when you call me back.

H.M.Jr: All right.

MEMORANDUM ON FOREIGN BALANCES
(Excerpts from meeting re French
crisis)

June 29, 1937
10:05 a.m.

Mr. [unclear]: Let me just give Harriner what's happened this morning - good morning - which has nothing to do with this.

At ten minutes of nine (a.m.) I called on Senator Robinson and explained to him what the President said about this program for Thursday. Now, when Robinson heard that, he said, "Well, do you know that we've cleared the decks for us to take up the court plan, and while that's on nothing else can come up without unanimous consent." And he said, "This thing is going to run for an indefinite period." He said, "Now, as far as I'm concerned..." - and he said, "Be very popular on the Hill - if the President wants this financial matter to come first, we'll put the court matter aside and let this thing - give it the right of way." And he said, "It will make a lot of people very happy on the Hill."

Well, I explained to him very briefly what we were trying to do on the taxes and about the excess reserves on foreign deposits, and he said, "Well, I'm all for that; it sounds good to me." So he said - "But," he says, "this is an understanding that I've got with the President." So I said, "Let's call him about it." So about five minutes past nine we got on the wire and the President told him just word for word what I told him. So the President insisted that we go forward on this thing Thursday.

So I then, after he hung up, explained to Joe and said, "I'm going to go down to see the President now and strongly urge him that he do one of two things. If we announce it Thursday, then we can have right of way ahead of the court. If we can't get the right of way ahead of the court, then we should abandon this thing, because it would be too unsettling to have this thing hang over the market for a month, and it would only give Senator Glass a chance to work up a block proposition."

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So Joe said, "You've got to explain that to the President. I'm ready to do either." He said, "I not only want the President to know it, but I want you to tell it to him, but when you get through with the President you call me back again yourself; I want to get it from you too. There's been too much double-dealing around here - none from me; none from you." He said, "I'm willing to do either one the President says." "But," he says, "I don't want it to go out of the country that I'm the fellow to postpone the court plan. But I can tell you it will make a lot of people very happy to postpone it."

So I went down to see the President and the President said, "Joe seems to misunderstand this thing; there's some mistake." I said, "No, he doesn't misunderstand it." That's what I told him. I said, "After all, we talked two o'clock yesterday and I didn't know that the court plan was the right of way. I also didn't know that the French thing was going to break. And I'm responsible for Joe taking the attitude of one or the other." And I said, "Now, Mr. President, I urge you very strongly to make up your mind that you want this financial legislation before the court plan or postpone it until afterwards."

"Well," he said, "we can't postpone the court plan; that's all set." He said, "We'll do it next week." "Well," I said,.....

Wheeler:

Well, you could.....

W. Jr.:

Wait a minute, don't get nervous.

We could not do it this week. So then my suggestion - "Call up Joe Robinson and you can talk to him and say to go ahead with the court plan on Tuesday, and then we'll postpone this financial thing until we know more about it" - and that you (Eccles) were ready. And the President - "We won't tell this to Joe, but if the thing gets bad enough, serious enough, we'll just stop the whole thing on the Hill for one day and put this legislation through."

"Well," I said, "the only thing I'm sorry about, Mr. President - I think it would be a nice - a great

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opportunity to demonstrate to the country that you are ready in this emergency and take this one worry out of the way and have this thing settled." He said no, he's got to go through with the court plan, "and I can't postpone it, but if it gets bad enough we'll simply shove the court plan aside for a day and put this legislation through."

Now, that's what happened this morning.

McCles: Well, that puts this off indefinitely then.

W.C.Jr: Well, unless something happens.

* * * * *

McCles: The President wanting that program to go up Thursday - did you get the impression that he expected that it would merely go up and then nothing would be done with it until after the court plan?

W.C.Jr: That Thursday stuff is off.

McCles: Yes, I know, but what I'm - what did he have in mind? He wanted to take it up Thursday and apparently he said he wanted to take up the court plan too; therefore, why the point in sending up our bill?

W.C.Jr: Don't question me too closely on this.

McCles: I just wondered if I missed some point.

W.C.Jr: You didn't miss any more than I missed.

McCles: It just doesn't connect up. In other words, was he merely thinking of an announcement that the program would be in, and that then it would be there for a month kicking around? That wouldn't be so good. A thing like - of this sort - when it goes up, ought to be done just as quickly as possible.

* * * * *

McCles: On this other thing, we'll just continue to work on it; simply result in giving us more time.

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- H. I. Jr: Aren't you pleased - I mean that you have the time?
- Reeles: I'm pleased with it except that if this court thing lasted 30 days up there, and then you've got to bring up this - or even three weeks - then you've got to bring new legislation into the mill, we may find difficulty in getting it.
- H. I. Jr: True, but my hope is that this thing will get so bad that the President will say, "I want it today."
- Reeles: This means your tax program also.

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Richmond: They have now got a telegram from the Bank of France that the rate for buying and selling gold which they gave yesterday is to continue for today and until further notice. Now, that's all right. Now, for your information - they give the rate, of course, at milligrams, etc., but it works out that we can buy francs at 446 and sell them at 446½, a very narrow range.

W.V.Jr: But still they have done it?

Richmond: They have done it, yes.

W.V.Jr: So they are all right.

Richmond: They are all right on that basis; they have come within the gold.....

W.V.Jr: Different from what they did for the British, apparently.

W.V.Jr: Well now, is there any question?

Richmond: Not if they give us that.

W.V.Jr: Now, hello (on phone again to Cochran) Just stay a minute. I'm going to try something. I don't know whether I can do it or not, but I'm going to try while you're on the wire to get hold of Knoke and see if he's satisfied, see? Now, just stay on. We'll see if it's possible; I don't know whether it is or not.

W.V.Jr: Yes, it can be done. I don't know whether you can hear him or not.

W.V.Jr: Is there any question in your minds that the thing....

Richmond: If they are giving us a buying and selling rate for gold, they've complied with the.....

Viner: Is there mention of notice to us?

Richmond: They've said that the rates of yesterday will continue today - the buying and selling rate - that is, they have offered to buy gold and sell gold at fixed rates to us.

(upper comes in)

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H.H.Jr: Now, what's this rate? What's this rate they've given us?

Chauncey: They say that their buying rate and selling rate of yesterday's cable will continue.

H.H.Jr: Give me the buying.

Chauncey: It's going to translate it. We can buy francs at 446.

H.H.Jr: Buying rate, what?

Chauncey: Buying rate, 446.

H.H.Jr: Selling rate....

Chauncey: 446.

H.H.Jr: Selling rate, 446.

Chauncey: And we can convert any transactions done at those rates into gold.

H.H.Jr: Convert any transactions.....

Chauncey: That's good.

H.H.Jr: ...any transactions into gold.

Chauncey: But we have been asked informally to limit transactions.

H.H.Jr: I wonder if you could get this before you talk to John Simon, because these are the two messages he sent to you.

(Mrs Klots and Miss Chauncey come in)

Chauncey: This is the first one right here.

(H.H.Jr reads messages from Sir John Simon as given by Butterworth in telephone conversation)

H.H.Jr: Well, this is all superseded.

(On phone) Hello, operator. What about Sir John Simon?

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Operator: I've placed the call. I expect to have him in about seven or eight minutes. I talked to the London chief operator at New York who handled these calls, and she said she could control the circuit as far as London but she had nothing to do with the London and Paris... She thinks they will cooperate.

Mr. Jr: But is she tying up the circuit for me?

Operator: From here to London.

Mr. Jr: And don't faint when you get the bill, but don't tell me what it is.

Operator: All right, I won't.

Mr. Jr: Now, all right, when it comes through let me know.

Operator: All right.

Mr. Jr: Now listen, Harriner, any time that you - it's our own game - any time you've got a question, just sound you mind....

Operator: I'm a good listener.

Mr. Jr: I mean I want you here, and I take it - I'm moving, you see, terribly fast, but any time you have any doubts just - like Wayne, make funny faces at me.

Mr. Jr: Shall I step out for a second? I want to get some papers; just want to call my office.

Mr. Jr: Is it necessary?

Mr. Jr: I want to get those papers I prepared.

(Opper goes out and returns shortly)

Mr. Morgenthau: Mr. Morgenthau, it looks to me as if the French have taken steps to keep within the tripartite agreement technically. They will buy and sell gold, but on the other hand they are stopping transactions, in effect.

Mr. Jr: Well, for the time being that means that as far as their interests between governments, they are still on; as far as the public is concerned, it is not given

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the advantage, and for the present technically....

H. J. Jr: There's nothing that I can say. The fact that they've given us this supersedes all this thing.

W. J. Jr: That's why it is so necessary to know what they've done in London, because that doesn't tie up with what we knew from Monnick when you first talked to him.

H. J. Jr: Clarence, get this thing. The French have given us a buying rate of 440, a selling rate of 446, and they will convert any of these transactions into gold, and the technical arrangements are in force; I say, subject to your questioning it, that as far as we are concerned the tripartite agreement is still in force. I am now calling up the Chancellor of the Exchequer and if they have given him the same arrangement then there is no reason why I shouldn't say publicly that, if we are asked the question, "Yes, the tripartite agreement is in force."

W. J. Jr: (Nods yes)

Viner: As far as the Government of the United States is concerned.

H. J. Jr: Well, there isn't anything else, Jake.

Viner: Well, it was understood that the public could....

H. J. Jr: No, no. No, Jake, it's operating government to government. The public can get their francs, yes.

Viner: Can they?

H. J. Jr: Sure, we'll sell them francs at either rate. We'll buy or sell at 440 or 446.

W. J. Jr: Well, for commercial transactions. We wouldn't want to engage in speculative transactions or transfers of capital.

W. J. Jr: It seems to me that this technical compliance postpones the necessity for making a decision....

H. J. Jr: Yes, but I ought to make a statement.

W. J. Jr:for the present.

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- B.A.Jr: And I would say that the technical arrangements under which the tripartite agreement was set up between France and ourselves - I hope I can add "and Great Britain" - are still in force today as they were yesterday.
- Series: That's right, today as they were yesterday.
- B.A.Jr: Today as they were yesterday; - and that anybody who had a legitimate commercial transaction and can prove it and wants to buy and sell - he can come in and do so through arrangements which we have made with the French government.
- Loganhead: I'd rather not have to add that last statement, because you're going to get in a lot of controversy with the banks as to what is legitimate and what isn't.
- Viner: And also as to whether they really wanted anything but governmental transactions.
- B.A.Jr: Well then, I can simply say, "The technical arrangements which were in force yesterday are still in force today, as between....."
- Viner: Treasuries.
- B.A.Jr: ".....as between the French Government and the United States."
- Viner: As between the Treasuries of the three governments.
- B.A.Jr: And I hope I'll be able to say for Great Britain.
- Viner: As between the Treasuries, stabilization and equalization funds.
- B.A.Jr: I say that all this (Butterworth's telephone messages from Simon) is superseded.
- Taylor: Not necessarily, because of the point that he makes in his second message, which is the more important one.
- B.A.Jr: I don't agree.

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Vincent: Well, you don't have to go along with that; that's the point. I think that you ought to think now, in these few minutes, whether you oughtn't to suggest to him that we're not prepared to make as harsh a statement to the French as that.

Myers: Until we know more.

Taylor: That for the present they have made working arrangements which keep them within the tripartite, and we for our part are not disposed to make any such cold or unsympathetic statement to them. Do you (Taylor) check on that?

Taylor: That's the way I feel.

Vincent: and so may be doing him a favor by giving him the suggestion that he might think it over.

W.C. Jones: (On phone) Tell Chic Schwarz to come right in here, please.

Vincent: Could Harriner have a look at that second cable?

W.C. Jones: Oh, I'm sorry. (Hands to Eccles)

Myers: Until you know what their Parliament is going to do, why, there is no point in our making any comment.

W.C. Jones: But there's no harm in making a statement to say that the same technical arrangements....

Myers: The British are taking a much stronger stand than is justified at this moment; it may be justified tonight or tomorrow morning.

(Schwarz comes in)

W.C. Jones: Chic?

Schwarz: Yes, sir.

W.C. Jones: What are the boys doing?

Schwarz: They're hounding us, and they're all outside right now.

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H.H.Jr: Well, boiling it down - I can't read all this stuff.

Schwartz: We just got a report of a vote of confidence - 393 to 142.

Wiper: That's good; that's a high vote. That's better than Blum was getting. He had 185 and 168 against.

H.H.Jr: (To Schwartz) Well, I would just sit tight. And we're working here.

Schwartz: I've been telling them that pending the - during the debate over there it is not our position to comment on their own problems. ..

H.H.Jr: Well, stick around. Where are all the boys?

Schwartz: They are all right outside there in the corner.

H.H.Jr: In my room?

Schwartz: No, in the corridor.

H.H.Jr: On, in the corridor?

Schwartz: Yes, sir.

H.H.Jr: That's all right. O.K., that's all. Just wait; you'll be available.

How is Herbert today?

Schwartz: He's considerably better. I just spoke to him on the phone for a while.

(Schwartz goes out)

Taylor: Where's Harry White?

Lazphead: Yes, Harry White.

H.H.Jr: (On phone) Tell Harry White to come in here.

Now, what I'm going to do is, I'm going to take this as an oral examination. I'm going to ask Sir John Simon to tell me what he has in mind, rather than to go on this (messages via Butterworth), because most likely he's got this straight now and why rub this

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thing in and make him back down? I'll say, "Sir John, I'm calling you up - I just left the White House and the President wanted me to get in touch with you, and I'd like to know how does the thing stand. This is the way it stands over here." Maybe by then - I mean he doesn't have to reverse himself. It makes it much easier.

Vinor: Would you tell him you received the two messages?

H.A.Jr: Which messages?

Vinor: That he sent you.

H.A.Jr: Yes, but I....

Saylor: You're going - there's been developments since then, as far as the French and ourselves are concerned. You (Chauncey) have got a full transcript of that Butterworth?

Chauncey: Telephone conversation?

Saylor: Yes

Chauncey: No, not yet.

(White comes in)

H.A.Jr: (Reading press dispatches) "Three thousand dealers off the Bourse." That's a good way to handle it. I'm going to tell Jim Landis he's overlooked something.

This is: "Chairman Eccles of the Federal Reserve Board went over to see the Secretary of the Treasury to tell him how to conduct negotiations with France. Secretary Morgenthau was pleased to receive all the suggestions from the Chairman."

Eccles: Who did you have write that up?

H.A.Jr: Well now, listen, there it is.

Eccles: Seems in good humor this morning anyway.

H.A.Jr: I wish you would have seen the line the President

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gave me last night. Did he ride me last night quarter past twelve!

(On phone) Operator, what about that call?

Operator: Sir John Simon is in the Treasury, but they haven't been able to locate him yet.

A.Jr: How long is it going to be?

Operator: I don't know.

A.Jr: Do we pay for this time?

Operator: No, not till you start talking.

A.Jr: All right. How long will it take them to locate him?

Operator: She said he was in the Treasury.

A.Jr: Well, O.K. All right.

Taylor: He's due at Parliament six o'clock their time - about an hour.

A.Jr: Does Harry know what's happened?

Wile: Not since.....

A.Jr: Clarence, you're perfectly happy about this thing, aren't you?

Wyer: Oh yes. There's been no announcement of the French program, has there?

A.Jr: Yes, we have a cable.

Wyer: I mean nothing further that would affect the tri-partite agreement.

A.Jr: Riefler, when you stick around here you don't get bored, do you?

Riefler: Not so far.

A.Jr: What?

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Alvin: Not so far.

S.S.Jr: If you get bored, we'll try to start something.

Alvin: I'd like to be bored for about a month or six weeks.

S.S.Jr: You would. But you don't want me bored.

Alvin: You're going to be at Waikiki Beach.

S.S.Jr: This is going to make it possible.

How are we going to handle Van Zeeland on this thing?

Alvin: Got a date with him at 11:30.

S.S.Jr: Now listen, I'm going to see him. What's the little French Attache's name - Appert - if he comes in any more, "the President of France, he has a stomach ache," or something like that - I warn you.

Alvin: He isn't as objectionable a character as Mr. Monnick, but I don't think the French Government is very well represented here in these United States.

S.S.Jr: Well, they are as well represented here as we are in London, with the exception of Butterworth. I mean, excluding Butterworth, I'd say they are as well represented as we are.

"Paris - The Chamber of Deputies voted confidence in the Popular Front Government today on its demand for emergency powers to save the franc and fortify the country's economic condition. The vote was 393 to 142.

"While debate was in progress in both the Chamber of Deputies and Senate, the Government had forcibly closed financial markets and suspended payments in gold and foreign currency. After its vote, the Chamber adjourned until 9 p.m. to allow the Finance Committee to consider the government projects. (Note: S.S.Jr. read this "to allow the Finance Committee to go out for supper.")

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"Add Treasury conference. In conference with Secretary Morgenthau were Chairman Eccles of the Federal Reserve Board and Assistant Secretary of Treasury Wayne C. Taylor, expert on international financial matters. (Note: H.M.Jr. read this "were Assistant Secretary Wayne C. Taylor, Chairman Eccles, Mrs. Klotz and Miss Chaucey.")

"It was learned unofficially that the French were regarded as still members of the tripartite monetary agreement, (here H.M.Jr. interposed "Mrs. Klotz objects" - is that right?) although not participating actively. Officials here, according to these sources, regard the French measures as temporary, or rather in the nature of a holiday."

Editor: Your General Counsel early this morning, while you were down on the Hill, decided that today was the same as Christmas.

H.M.Jr: You mean....

"Pittman on the French situation. Chairman Pittman of the Senate Foreign Relations Committee, today criticized France's action in suspending gold payment and said the move would tend to make the world financial situation more satisfactory. Pittman said he felt that no action on the part of Congress was necessary or advisable, but declined to comment on whether the Treasury would take any new action as a result of France's move."

(On phone) Hello?

Editor: Sir John Simon.

H.M.Jr: Hello? (Conversation with Simon follows:)

June 29, 1937.
11:10 a.m.

Operator: Sir John Simon.

H.M.Jr: All right.

Operator: Go ahead.

H.M.Jr: Hello.

Sir John
Simon: Hello.

H.M.Jr: This is Henry Morgenthau, Jr.

S: . . . speaking?

H.M.Jr: Hello.

S: Who is that?

H.M.Jr: Henry Morgenthau, Jr.

S: Henry Morgenthau, Jr.

H.M.Jr: Yes. Is this Sir John Simon?

S: Sorry, Mr. Morgenthau.

H.M.Jr: Is this Sir John Simon?

S: Yes it is - I'm glad to greet you and to hear your voice.

H.M.Jr: Thank you, I'm glad to talk to you.

S: (Laughter) Well, it's a great way of making contacts.

H.M.Jr: Yes, it's a nice way to do it. Ah - Sir John, things have been happening so fast this morning that when I got your message I thought it would be best to talk to you directly.

S:

H.M.Jr: Now, we have been in touch with the French, and the French have made the same technical arrangement with us for today as they did yesterday.

S: I, I'm just going to repeat it Mr. Morgenthau to be sure that I get it rightly.

H.M.Jr: I'll do it. . . .

S: the French

H.M.Jr: The French have given us the same technical arrangements

S: The French have given you the same technical arrangements

H.M.Jr: for today

S: Yes

H.M.Jr: as we had yesterday

S: that you had with them yesterday.

H.M.Jr: Yes. They have given us a buying rate for the franc

S: Have given you what?

H.M.Jr: A buying rate - a rate at which to buy the franc.

S: Yes.

H.M.Jr: Yes - at four forty-six.

S: Four forty-six.

H.M.Jr: Yes - and a selling rate at

S: selling rate

H.M.Jr: at - at four forty-six and one quarter.

S: Four forty-six and a quarter.

H.M.Jr: And any franc that we should buy, we have the right to convert these

S: Yes.

H.M.Jr: We have the right to convert these francs into gold.

S: have the right to

H.M.Jr: to convert these francs into gold.

8: You have the right to turn these francs into gold?

H.S.Jr: Yes, just - just the way we have right along.

8:you've been doing it right along.

A.S.Jr: I - I mean in other - in other words, the arrangements that we have with them today are exactly the same as they were yesterday or the day before.

8: In other words, your arrangements today are exactly the same as you had yesterday and the day before.

H.W.Jr: Yes. Now under those circumstances - ah - ah - we feel that they are still in the Tripartite Agreement.

8: I - I didn't quite hear the beginning of that sentence, Mr. Morgenthau.

H.S.Jr: I say, under those conditions . . .

8: . . . Yes, under those conditions . . .

H.S.Jr: . . . we feel . .

8: . . . You feel - the American Government - the Treasury feels . . .

H.S.Jr: . . . yes, that they are living up to the Tripartite Agreement.

8: That they are doing what?

H.S.Jr: Living up to the Tripartite Agreement.

8: Are tearing it up?

H.S.Jr: No, living it up - ah - ah - living up to it - ah - they - they're keeping it.

8: Oh yes, I see.

H.S.Jr: Yes.

8: You feel that they're keeping - keeping up the Tripartite Agreement. Yes, yes, I see.

H.W.Jr: Yes. Now, I - I - I wondered whether they had made similar arrangements with you.

8: You wanted to know whether they had made similar arrangements, as those you've described, with us.

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H.A.Jr: Yes.

S: Well, the answer is "no."

H.A.Jr: The answer is "no". Well

S: When did they first make these arrangements, Mr. Morgenthau?

H.A.Jr: Pardon me?

S: When did they begin this arrangement with you?

H.A.Jr: Well, this - this arrangement came in by telephone and cable within the last hour.

S: Well, but I mean you say it is the same arrangement as you had yesterday and the day before.

H.A.Jr: Well, each day we get a cable from them, and we get a cable from you

S: Each day you get a cable from them and you get a cable from us.

H.A.Jr: . . giving us a buying and selling rate . .

S: . . giving you a buying and selling rate . .

H.A.Jr: . . for the pound sterling and for the franc . .

S: . . for the pound sterling and for the franc.

H.A.Jr: Now, we got our cable from you, and we have our cable from the French.

S: A cable from us and a cable from the French - yes.

H.A.Jr: So we're in exactly the same position as we've always been.

S: So you're in just the same position as you've always been.

H.A.Jr: Yes. (Pause) Now, I've asked our man Cochran to inquire what arrangements they made with the other countries . .

S: Yes.

H.A.Jr: . . . in the Tripartite Agreement, and . .

S: What you're really asking is whether they have made a similar arrangement with us.

H.M.Jr: Right.

S: Well, if that's it, the answer is, "No, they haven't."

H.M.Jr: Well then, if you agree with me, I will withhold making any statement until they do make such arrangements.

S: You - you're saying to me that if I agree, you will withhold making any statement - I mean making any public statement . . .

H.M.Jr: Yes.

S: I see . . . until they have made a similar arrangement with us.

H.M.Jr: Right.

S: Well, I shall need to continue that until

H.M.Jr: Yes.

S: But the fact is, I think, apparently they haven't made any such arrangements with us.

H.M.Jr: Par - - pardon me - I - I didn't hear that.

S: I - I say that's a very technical thing.

H.M.Jr: Yes.

S: I'll have to - have to consider that, you know.

H.M.Jr: I understand.

S: The fact is that up to the present they haven't made any such arrangements with us.

H.M.Jr: Well, this - this arrangement just came in within the last half hour.

S: But they're today's arrangements.

H.M.Jr: Yes.

S: Came in within the last half hour.

H.M.Jr: Yes.

S: Well now, look here, Mr. Morgenthau.

H.M.Jr: Yes.

S: I - I'll confer with somebody who is here in the room with me, and just keep on the telephone on the telephone.

H.M.Jr: Yes.

S: Is it clear? Can you hear me?

H.M.Jr: Yes, I hear you very well.

S: I hear you very well - very well indeed.

H.M.Jr: I - I will stay on the phone until you have consulted with your associate.

S: All right, thank you. That's very good.

H.M.Jr: I will stay on the telephone.

(Long Pause)

(Unknown): Yes, are you there?

H.C.Jr: Hello.

(Unknown): Now wait a moment, here's Sir John Simon.

A.M.Jr: Hello.

S: Is this Mr. Morgenthau?

H.M.Jr: Yes.

S: I'm sorry to have kept you waiting.

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

S: It's a good thing - about that

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

S: And it's not the way that that information strikes us. They don't understand Monsieur Bonnet making franc for the future

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appearances for yesterday and today; you get a rate for today and you may get it tomorrow and the day after, until they've carried their legislation.

H.M.Jr: That's right.

St: Well then, as soon as ever they've carried their legislation, whatever it is, it's
then they may leave the franc,
may they not, any level.

A.M.Jr: Ah - I didn't - do you mind repeating? I didn't get that very well.

S: I say, you haven't got any promise from the French that they will hold by this arrangement in the future.

A.M.Jr: No, what they said was - I've read over what - the notes I made. They said that they would give us a rate until further notice.

St: They would give you a rate . .

A.M.Jr: . . . until further notice . . .

S: . . . till further notice.

A.M.Jr: Yes.

S: Yes.

H.M.Jr: Now that might be one day or two days. Hello?

S: . . . would give you a rate until further notice.

A.M.Jr: Yes.

S: Well, what my - what my thought is
is this. That's all right for today and
perhaps for tomorrow . . .

A.M.Jr: Yes.

St: But until further notice - but of course they can stop it when they don't want to go on with it.
and they might not figure
that it shouldn't
go all over the place.

A.M.Jr: Well, that - that - I think your interpretation is quite reasonable.

- S: Yes, and we haven't got any such agreement with them. We're clearing up, you know, some old - some old odds and ends of exchange from the last few days, but we've got no arrangement about the future.
- H.W.Jr: Well, could - did - did they not give you an arrangement today?
- S: No, they have not.
- H.W.Jr: I see.
- S: No, they didn't. And Mr. Morgenthau, I'm going to get Sir Frederick Phillips to speak to you, but I'd like to say first that I'm most grateful to you . . .
- H.W.Jr: Yes.
- S: . . . for being good enough to come and - to let me know what was just said. You've been very helpful to us, and we appreciate it very much indeed.
- H.W.Jr: Well, Sir John, may I say this? We feel here that after all, this responsibility is going to rest on - on your Government and ours, and we - we - we're - we want to do everything we can to work as closely together with you as possible.
- S: Well, I - I think - I appreciate that feeling, Mr. Morgenthau, entirely.
- H.W.Jr: And . . .
- S: . . . on an absolutely united basis, I'm sure of that. We've got to work together over this, so that all
- H.W.Jr: But I'm afraid that in the final analysis your Government and ours will have to carry this burden.
- S: Well, it may be that carry it between us.
- H.W.Jr: Right.
- S:
- H.W.Jr: Fine.
- S: We'd be ever obliged to you, Mr. Secretary, if you won't make a public statement until recess is up.

H.M.Jr: We will not make a public statement until I hear from you.

S: Very good.

H.M.Jr: Now, one other thing, if I may

S: In the House of Commons to make any statement today at all.

H.M.Jr: Pardon me?

S: I hope - I hope that it won't be necessary to make any statements in the House of Commons today . . .

H.M.Jr: Yes . .

S: . . . at all.

H.M.Jr: Right.

S: I expect that sometime tomorrow - tomorrow afternoon - I may be asked for something.

H.M.Jr: I see.

S: But of course I will communicate with you, you know.

H.M.Jr: Yes.

S: Because we want to keep in step.

H.M.Jr: Ah - I think it's very important because - ah - ah - I - I don't like to say this, but again today I think that both your Government and ours was told information which was not correct as just to what I was ready to do and what you were ready to do.

S: You've got the right angle altogether; I quite agree with you.

H.M.Jr: And this . . .

S: Now I'd like for you to speak to Sir Frederick Phillips.

H.M.Jr: Yes, I'd like to.

S: You can do that if you would. He's my technical adviser.

H.M.Jr: Yes, I'd be delighted to talk to him.

S:

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

Sir Frederick
Phillips:

Hello, Mr. Morgenthau.

H.M.Jr: Well, how-do-you-do, Sir Frederick. Ah - have I
made it . . . Hello?

P: Sir Frederick Phillips speaking. Sir?

H.M.Jr: Yes, yes, I - I hear you quite well.

P: We - we did know that the Bank of France was
supplying the francs
at the old rate, but that the Bank of England

H.M.Jr: I see.

P:

H.M.Jr: I see.

P: . . . absolutely no arrangements with them at all
as to what happens after that.

H.M.Jr: I see. I see. Well, they gave . . .

P: . . . it is natural on that point to say . . .

H.M.Jr: Well . . .

P: . . . that we're not satisfied at the present moment.

H.M.Jr: Pardon me?

P: We couldn't possibly say we were satisfied at the
present moment.

H.M.Jr: You - you can say you're not satisfied?

P: No, we aren't satisfied with it at all.

H.M.Jr: No.

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P:

H.A.Jr: Well, I - I wanted to give you the information that we had and, as a matter of fact, I don't believe we've had any transactions take place in the francs in our market today.

P:

I see.

H.A.Jr:

Although, of course, we have this buying and selling order . . .

P:

Yes.

H.A.Jr:

. . . for the French Government.

P:

Yes.

H.A.Jr:

But so far, up to a few minutes ago, no transactions had taken place. That - but that - would you hold the wire just a minute please?

P:

Gladly.

(Pause)

H.A.Jr:

Ah - ah - well, Sir Frederick? Hello? Hello? Hello?

P:

Hello.

H.A.Jr:

Sir Frederick?

P:

Yes, speaking.

H.A.Jr:

Well, if anything develops we'll let you know.

P:

If anything develops you'll let us know.

H.A.Jr:

and would you mind asking Sir John Simon how late it's convenient to have me call him, in case of an emergency?

P:

Yes. (Pause) Any time at the Treasury this evening.

H.A.Jr:

Well, how late?

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P: Ah - that's . . . just one moment. It's half past five here now.

H.M.Jr: Yes.

P: Any time within the next three hours.

H.M.Jr: All right. Well, thank you very much.

P: Thank you.

H.M.Jr: Good-bye.

P: Good-bye.

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(While waiting between first and second portions of conversation:)

H.A.Jr: Was that conversation all right?

Taylor: Fine.

H.A.Jr: There's no use going into this whole business.

Viner: This may be a way of disposing of that.

H.A.Jr: Listen, he's a lawyer, I'm a farmer; between us, we understand each other. I mean he can understand what I'm talking about; if he doesn't, he's got Sir Warren Phillips in there.

Incidentally, Herry, look up whether Sir Warren Phillips is the son of Sir Admiral Warren Phillips. The permanent Under Secretary of the Treasury - Sir Warren, isn't it?

Miller: Frederick.

H.A.Jr: Sir Frederick. Is he the son of Admiral Phillips?

Miller: Well, if he is, Admiral Phillips must be pretty old.

H.A.Jr: The President knows this fellow - the President knew the Admiral and when he comes over he'd like to be able to say, "I knew your father."

Viner: Get the Who's Who.

H.A.Jr: He (White) has a way of doing it.

You (Viner) satisfied so far?

Viner: Yes, I'm all right.

H.A.Jr: I should say, "Old top, by the way, we go fifty-fifty, don't we?"

Viner: He's supposed to be a very icy, cold person.

H.A.Jr: So am I (jocularly).

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Viner: So that just - he's got a bad reputation that way.

W.V.Jr: So have I.

Viner: And then afterwards he's sick about it. He's always getting in wrong; his heart seems to be in conflict with his manner.

W.V.Jr: He's also oily like a fish.

W.V.Jr: You know, the President said - he said, "When you talk to Sir John Simon and you offer to carry this load, make sure it's at least fifty-fifty."

(On phone) Hello (Second portion of conversation with Simon, and conversation with Phillips, follow:)

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A.Jr: All right? What?

Viner: My guess is that he will not send that second message today.

A.Jr: He said that he will make no statement.

Viner: No public statement.

A.Jr: And he will answer no questions in Parliament today.

Archie: About sending France that message.

Archie: He's thinking that over.

Archie: He won't send that without first communicating with you again.

A.Jr: I think it's all right, don't you, Harriner?

Archie: Looks all right so far. Unusual situation - arrangements between us and France, but none between France and England.

Viner: I think Archie's explanation is the right one.

A.Jr: I didn't want to say that (to Sir John Simon), Archie, because what I'm trying to do is - I want to sit back as long as possible and give France all the time possible. Now, after all, this naturally will annoy the English and they will send and say, "Well, why don't you do as well by us as you do by the Americans?" Let them work it out.

Viner: That's right - let the French.

A.Jr: (On phone) Hello.

Operator: Do you want me to continue to hold that line?

A.Jr: Release it. Now wait a minute, just a minute. Do you (Taylor) want to tell Cochran what happened - our conversation? What do you think?

Archie: Yes.

A.Jr: No, he was going to find out... (To Operator) No, release the wire.

Archie: We'll wait until we hear from him.

Message from the Chancellor of the Exchequer
to Mr. Morgenthau.

SECRET.

I may be asked in Parliament this evening whether I regard the decision of the French Government to suppress upper and lower gold limits as a departure from tripartite monetary agreement. In that case I shall reply that events have shown that readjustment of franc in September 1936 was not entirely successful in reestablishing a lasting equilibrium between economic system in France and those of United States and Great Britain. I have not been informed within what limits French Government hope to establish franc and naturally decisions of this importance require time for thought and consultation. For the moment I limit myself to saying that I have been assured by French Government that it is not their intention to seek any exchange advantage and that they are anxious to continue close cooperation with Governments of United States and United Kingdom as called for by monetary agreement.

June 29th, 1937.

Message from Chancellor of the Exchequer
to Mr. Morgenthau.

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SECRET.

In continuation of my immediately preceding telegram the message from Chancellor to Mr. Morgenthau proceeds as follows:-

I assume that you will have received a message from the French Government in same terms as that which has reached me. I note that they state that they have decided not to allow reserves of Bank of France to be further reduced. (Last published reserves of 57 milliard francs must have been reduced substantially during the past week and there is also a claim on them for four milliards for the purpose of repaying next November credit of French Government raised in London early this year). I do not understand their statement combined with further statement that fluctuations in francs will continue to be smoothed out by equalisation fund which everyone knows has no gold left. On the contrary unless they are going to abandon for time being all efforts to support franc they must transfer more gold from Bank of France to equalisation fund.

Bank of England at the request of Bank of France has suspended quotations and dealing in spot francs in London and Rotterdam, informing National Bank that it will be impossible to do this for more than today and tomorrow.

I do not see any opinion can be formed as to probable course of franc in near future until we know details of French Government proposals for liquidating budget deficit and improving position of French Treasury and how these are received in Paris.

I have sent interim reply privately to French Government as follows: Begins. I am eagerly awaiting information as to steps which French Government are taking to liquidate budget deficit which our own past experience has proved to be all important in restoring confidence.

I understand the intention of the French Government to be to abandon their present gold limits and not merely to suspend them subject to an obligatory return to them later. I note also their communication was made under paragraph 3 of tripartite agreement but I do not see how there can be any effective consultation on this when a decision has been reached and is about to be communicated to French Parliament. Nevertheless I feel bound to record my regret that decision has taken this form. Whatever grounds may exist in present conditions for temporarily suspending gold limits I consider their permanent supersession may have serious consequences and I need time to consider repercussion of decision on tripartite agreement in consultation with United States Government before saying in what form and under what conditions it will be possible for it to remain in being.

Reply ends.

I have adopted this attitude in view of serious situation in France and uncertainty how far they can enforce their decision once gold has been abandoned. I should be very glad to learn your general feeling on matter as soon as possible.

MA

GRAY

Paris

Dated June 29, 1937

Rec'd 10:13 a. m.

Secretary of State

Washington

875, June 29, Noon.

PRO COCHIN.

Journal Official this morning carries two financial decrees. The first provides that

"The stock and produce exchanges will be closed from June 29, 1937 until a date which will be fixed by a decision of the Minister of Finance"

The second decree provides that

"Article one. The payment of bills of exchange and other commercial engagements expressed in gold or in foreign currencies maturing from the date of June 29, 1937 may be postponed upon the written request of the debtor; the date from which the payment may be demanded will be fixed by a decree of the Minister of Finance.

Article two. A protest may not be presented before the date fixed by the decision referred to in the preceding article as concerns commercial bills the payment of which shall have been postponed under the conditions laid down in the said article.

Article three. During the same period the interest on
the

MA -2- 875, June 29, Noon, from Paris

the debt corresponding to the commercial bills and other commercial engagements referred to in the preceding articles will be calculated at the rate of discount of the Bank of France."

Please inform Commerce.

BULLITT

CSD

FROM FRENCH GOVERNMENT VIA
 JEAN APPERT (given to Mr.
 Taylor and Mr. Lochhead)

June 29, 1937
 11:35 a.m.

Paris: Can I go ahead?

(Taylor): Yes.

Report: Well, Mr. Taylor, I have been requested to - I have been ordered by the cable which I received this morning from the French Government, which I have from Mr. Georges Bonnet, to have with the American Government some of this consultation which has been provided for in the monetary agreement of September 26, 1936, sir. And paragraph three - you remember that at the end of this paragraph it is said that the United States Government, the British, and the French governments will arrange for such consultation as may prove necessary with the other two governments and their designated agencies. And I'll give you - the best I can do is to give you a translation, an abridged translation, of the cable I received this morning.

Mr. Bonnet told me that the Council of the Minister will examine this morning - it is now past - has examined this morning a financial rehabilitation plan which is to be submitted at the end of the afternoon - no, which has been submitted yesterday from the Council of the Cabinet. The Council of the Cabinet is headed by the Premier and the Council of the Minister is headed by the President of the Senate.

In order to carry on this program, the French Government will ask this afternoon the Parliament for very broad powers. This program provides steps in order to insure the complete balance of the ordinary budget of 1937. It will provide also for a lessening - a very large lessening of the charge of the Treasury for new loans from the Bank of France to the Government. The Government expects a very important result from these measures. However, it has decided not to allow the gold stock of the Bank of France to decrease any more. Consequently, it intends to suppress the limits which in the monetary law, the French monetary law, are made compulsory - the exchange rate of the franc against gold between 49 and 43 milligrams of gold. Also, the movement of the francs will be

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restrained by the stabilization fund, and the franc will be able to find a point of equilibrium better suited to the economic condition and financial condition of the country.

The plan according full powers is going to be submitted to the Parliament this afternoon, and the Government intends to ask for an immediate vote in the two houses. In order to prevent speculative moves, security and commodity exchanges will be closed today.

They have been requested, as it is provided in the tripartite agreement of September '36, to approach without delay the American Government to inform him about the intention of the French Government and to ask him to let me know what will be the position of the American Government about this matter.

I wish to stress the fact that the French Government is not seeking in any way in these steps to take an unreasonable exchange advantage. I wish to stress that in carrying on this particular program the French Government intends to maintain with the American Government, as well as with the British Government, close collaboration, which has been the happy outcome of the tripartite agreement, to which the French Government feels more devoted as a neighbor.

And that is about all the cable asked me to say. So, Mr. Taylor, the French Government, at your mercy, will await your answer, and I would like you to carry this message to Mr. Morgenthau and ask him to consult the American Government and to let us know as soon as possible, of course, at his earliest convenience, which will be his position in this matter. And any information you could require I would be glad to give you, and telephone or cable to Paris if you want to know anything - something more.

Taylor:

Well, I think that... We're very glad to have the communication, naturally, and we will comment on it as soon as we are able to. We will undoubtedly consult other members of the tripartite agreement, and after consultation, why, we will give you an answer as quickly as possible.

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Appert: Well, I see nothing else. I don't want to hurry you in this matter, but the sooner is the best. I suppose that in Paris they are very anxious.

Taylor: Oh yes, as soon as we possibly can. It might be that we will communicate by telephone, because we will be talking to Cochran. We already have, as a matter of fact. And it may be that we will use that channel of communication. But if we do, I'll tell you about it.

Appert: Yes, thank you.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: June 29, 1937, noon

NO.: 877

FROM COCHRAN.

This morning at 11:30 I had a telephone call from Rueff. He said that he had just ~~had communication~~ communicated with Monick, the French Financial Attaché in London. The latter said that the British Chancellor of the Exchequer thought that he might be questioned in Parliament this afternoon regarding the Tripartite Agreement and the situation in France. According to Monick, the Chancellor intended to answer that the French Government had consulted with the British Government in accordance with the terms of the third paragraph of the Tripartite Agreement, and that the Tripartite Agreement still stands. The British were making official inquiry as to whether such a gratuitous statement by the Chancellor, in the event that the direct question was not posed, would be welcomed by the French. Rueff sent word that the French would very much appreciate such a statement. Rueff said that the French Financial Attaché in London was under the impression that officials of the American and British Treasuries were in communication. I was asked
by

- 2 -

by Rueff to inform the Secretary of the Treasury of the above and also indicate to him that the French would consider it very much to their advantage and would be much gratified if the American Treasury might see fit to issue some sort of a statement along the lines suggested by the British.

BULLITT.

EA:LWW

June 29, 1937
12:30 p.m.

Mr. Slotz
Mr. Viner
Mr. Taylor
Mr. Lockness
Mr. Ainsler
Mr. White

Mr. Appert had to say practically what you got over the last cable in the form of an official communication, specifically referring to Paragraph three.

That's that?

Well, that's the one about consulting. That's the one that Sir John Simon was kicking about. And we thanked Mr. Appert very much for his communication and said that we would reply to it as soon as possible, but undoubtedly would consult the other members of the tripartite agreement.

(On phone) Will you arrange for me to talk to Mr. Simon at three and immediately after that, when I get through, I want Mr. Butterworth. Please. Arranged at three and immediately after that Butterworth.

(White House phone) President, please. - -
Yes, because it will be one way. -

(White House phone) Hello? Hello, Mr. President. - - Well, I got through to Sir John Simon and I told him that the French finally made a buying and selling arrangement with us. - - Yes, they came through. - - Well, at - to sell at 4.46 and buy at 4.46. - - 49 is the top limit in....

43 milligrams is the top and 43 milligrams is the lower limit.

49 in France?

That would be 4.35, the lower limit, and the upper, 4.47.

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Mr. J. J. 4.35 and 4.65.

(To the President) The 43 and 49 - that's milli-grams; but in cents it's 4.35 and 4.65. - - - 4.46 and 4.46; - in other words, one quarter leeway. - - No. And they said it would be good until further notice. - - Now, here's the interesting..... - - Well, he was just dumfounded because he had no such arrangements. They had made no arrangement with him. So I told him that I would refrain from making any statement that the tripartite agreement was still in force until I heard from him, and he was tremendously obliged and very much pleased, and he said he would refrain from making any statement in Parliament this afternoon until he consulted further with me. - - He's getting in touch with the French. He said that they had some odds and ends of foreign exchange which they were going to try to clean up but they had no such arrangement as we had. - - They would, yes. They'd deliver gold to us. The technical arrangements haven't changed a bit. I mean they're living up.... - - True, but on the other hand, if an Englishman has a contract and he wants to buy francs, he can't buy any. I mean it's stopped all business with England but our merchants can still do business with them. We will only give anybody francs today who has a commercial contract. We won't give anybody - we control it completely here. So it means that an American business man can today do business with France but an Englishman cannot, so the advantage is all ours, for once. - -

- - As far as I know - I'll ask Archie - we haven't done any business today.

Mr. J. J. There's a moratorium.

Mr. J. J. We're watching - we're asking anybody who has an actual commercial contract to come in to us.

Mr. J. J. But so far no business?

Mr. J. J. Not so far.

Mr. J. J. (To the President) we have asked any business man who has an open contract to come in to us and state his problem. So far nobody has come in.

-3-

Macaness: That's not public.

A.A.Jr: (To the President) But that's not public. And I've put in calls for Cochran and Butterworth again at three. But Sir John Simon was just tickled to death. I don't think he had ever talked across the Atlantic before. He was just tickled. - - Yes. - - Unfortunately, I had to pay for the call, though. I couldn't go fifty-fifty on that. - - I'll do that. - - O.K. Thank you. (End of conversation with President).

He says next time reverse the charges.

Wyster: Here is something that throws some light on this Business.

A.A.Jr: Don't throw any light on anything. I don't want any light.

Wyster: I'll read it to these mugs; then you can listen or not as you see fit.

A.A.Jr: Which side of the table is Mrs. Klotz?

Mr Klotz: With the other mugs.

A.A.Jr: We'll find out whether she's curious or not.

Wyster: "Journal Officiel this morning.....

A.A.Jr: A little louder.

Wyster: "First, that stock and produce exchanges will be closed from June 29, 1937, until a date which will be fixed by a decision of the Minister of Finance." That's new.

"Second decree provides that: Article One. The payment of bills of exchange and other commercial engagements expressed in gold or in foreign currencies maturing from the date of June 29, 1937, may be postponed upon direct request of the debtor. The date from which the payment may be demanded will be fixed by a decree of the Minister of Finance. Article Two. ... "

A.A.Jr: You sound like a lawyer.

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- Taylor: "Protests may not be presented before the date fixed by the decision referred to in the preceding article as concerns commercial bills."
- S. J. Jr: No, Wayne, you take them back in your room and read them that junk.
- Taylor: The point is, one reason you haven't got any demand for francs is because they've got a moratorium on the other end.
- Macnead: Knoke spoke to Cariguel again when he got his cable.
- Viner: This protects the French debtor but still leaves the American debtor.....
- Macnead: I'm not worried about the fellow trying to buy but about the fellow trying to sell francs. Knoke spoke to Cariguel after he got the cable and he said, "Now, do you really want to buy francs?" Cariguel said, "No, I don't really want to buy francs." Knoke said, "Well, what about if an American tries to sell his francs?" He said, "You're going to get your gold."
- I told Knoke that he wants to watch out if there is any commercial, and in fact I would really welcome a moderate amount of francs, just to get it on the record.
- S. J. Jr: If the Standard Oil, for instance, sold a million dollars worth of oil and it comes due on June - what's today - June 30 - it comes due today and they want francs for it, there's no moratorium on that; they present it and they get it.
- Viner: The French debtor doesn't have to pay.
- White: But that's Standard Oil.
- S. J. Jr: I'd like an American business man to come in with a bill of a million dollars and see.....
- Macnead: On the other hands, if the French debtor owed a million francs he'd pay a million francs over to the American; the Standard Oil would have a million francs. The question is, can the Standard Oil Company sell that million francs to us today? The answer is "Yes."

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B.A.Jr: Well, listen, boys, if it's agreeable I'm going to get a little to eat, then I'm going to lie down. And if there's something - I'd like to let it go, whatever happens, until three o'clock, unless there is something that can't wait.

Taylor: Fine.

B.A.Jr: And I'll tell Eccles he's to come back over at three. I think he kind of likes it. I think he enjoyed it.

Taylor: I talked to Feis and brought him generally up-to-date.

B.A.Jr: Good.

White: Eccles talked to me a little on the way down. We happened to be walking down the hall. And I would substantiate that.

B.A.Jr: (On phone) Hello, Marriner. If you've got nothing better to do, about three o'clock we're going to do some more transatlantic telephoning - if you'd like to, drop over. - - That's right. - - That's all. - - No, I would say all bets are off on the Thursday stuff. - - No, it's all - Magill will say nothing on Thursday. We've got until we run out of Republican names; when we get down to Democratic names, we'll call the hearing off. - - What? - - Oh, your neighbors. - - All right. - - Well, listen, Marriner old man, when we're sitting around waiting for calls we can have a chit-chat. I'm getting very Chinese - chit-chat. - - All right.

Well, let's adjourn. You're (Taylor) keeping the State Department happy?

Taylor: Well, I just told them in general what had happened.

B.A.Jr: Listen - wait a minute, Jake - everybody, you fellows aren't worried about anything, are you? Anybody worried? Everybody happy? O.K.

BC

Plain

London

Dated June 29, 1937

Received 2:15 PM

Secretary of State,
Washington.

RUSE 416 June 29, 8 p.m.

FOR SECRETARY MORGENTHAU FROM BUTTERWORTH.

British Treasury has asked me to call at 8:30 p.m. to obtain result of their deliberations after your telephone conversation with Simon. I have indicated to overseas telephone service that I will be available for a call from you at 9:15 p.m. and I will then communicate what I have obtained from British Treasury.

BINGHAM

CSB

LMS

GRAY

Paris

Dated June 29, 1937

Rec'd 2:30 p. m.

Secretary of State,
Washington.

881, June 29, 6 p. m.

FROM COCHRAN.

The following is a translation of the text as published in the press of the sole article of the Finance Bill laid before the Chamber this afternoon by the Chautemps Government.

"The Government is authorized, until August 31, 1937, to take by decree agreed to in Council of Ministers, all measures of a nature to assist the repressing of attacks on the credit of the state, the fight against speculation, the economic restoration, the control of prices, the equilibrium of the budget of the Treasury, and the defense, without control of exchange, of the gold holdings of the Bank of France".

BULLITT

CSD

RB

GRAY

Paris

Dated June 29, 1937

Rec'd 3 p. m.

Secretary of State

Washington.

RUSH.

832, June 29, 6 p. m. (SECTION ONE)

PROF COCHRAN.

At 4:45 p. m. I talked by telephone with Cariguel at the Bank of France. I asked him if he had been in contact with the central banks in the other club countries today and if the technical monetary relations between French and the others were being continued as heretofore. He told me that he had taken it upon himself this forenoon to telephone the central banks of the Netherlands, Belgium and Switzerland. Furthermore, he had been in repeated conversation with the Bank of England. He said that it was clearly understood with each of these banks that the arrangement which controls their relations under the tripartite agreement and the technical agreements subsequent thereto would be continued. He said that England and Belgium were the only ones of the European club members with which the French fund ordinarily has gold dealings.

At

RB

-2-#882, June 29, 6 p.m. from Paris

At 5 o'clock I got in touch with Rueff who was in the Chamber where he had been following the procedure this afternoon. I told him of my conversation with Cariguel which was the subject of my

(END SECTION ONE)

BULLITT

KLF

MA

GRAY

Paris

Dated June 29, 1937

Rec'd 3:30 p. m.

Secretary of State

Washington

RUSH.

882, June 29, 6 p. m. (Section two)

879, June 29, 4 p. m. Rueff confirmed completely what Cariguel and Mourrier had assured me, in that there would be no change in the technical relations between the French and American stabilization fund and that reciprocal gold facilities would continue to be extended by France to the United States.

I told Rueff that the Secretary of the Treasury had informed me that full cooperation of the American banks had been obtained in the matter of restricting franc transactions. I told him further that the matter of an American statement on the tripartite agreement was under consideration. I asked Rueff if a statement from any of the club countries other than the United States and Great Britain had been sought. Rueff insisted that the French had not sought a statement from the British but that the latter had voluntarily indicated to Monick their willingness to make a statement. Rueff said that he considered the situation of the three major powers different

MA -2- 882, June 29, 6 p. m., from Paris

different from that of the three countries which had been added to the club. He said therefore that exchange of views had only been initiated by the French with the American and British authorities. He added that official instructions had been sent to French diplomatic chiefs of mission in Belgium, Switzerland and the Netherlands informing them of the present French situation. They were instructed to explain this to the respective monetary authorities and to ask that the latter continue to collaborate as heretofore with

BULLITT

HPD

RE

GRAY

Paris

Dated June 29, 1937

Rec'd 3:50 p. m.

Secretary of State
Washington.

RUSH.

082, June 29, 6 p. m. (SECTION THREE)

the French monetary authorities. The situation is therefore, according to Rueff, that the French have advised the British and ourselves in advance and have sought our reactions. On the other hand they have through their diplomatic officers informed the Governments of Belgium, Switzerland and the Netherlands of the steps which France is taking and have sought continuing collaboration on the part of the monetary authorities of those countries on the same lines as heretofore followed. They do not expect any public statements from the three minor powers.

The Chautemps Government received strong vote of confidence in Chamber this afternoon. Financial blank was referred to the Chamber Finance Committee. Chamber meets at 9 or 9:30 tonight to study blank. Understood there was an unpleasant incident when Blum entered the Senate to read the Government's blank to that body which resulted in Blum retiring

RB

-2-"882, June 29, 6 p. m. from
Paris SECTION THREE

retiring and Sarraut taking his place to read the proposed law. Too early to say whether this incident may have any significant effect upon relations between Socialists and Radical Socialists in the Popular Front.

(END MESSAGE).

BULLITT

KLP

UPD

June 29, 1937.
3:05 p.m.

217

H.M.Jr: Hello

Operator: Mr. Cochran. Go ahead.

H.M.Jr: Hello - hello

C: Hello Mr. Morgenthau.

H.M.Jr: Hello Cochran.

C: Yes.

H.M.Jr:

C: What's that?

H.M.Jr:

C: très bien, Monsieur.

H.M.Jr: Good. Did you have a good dinner?

C: Yes - had a good dinner.

H.M.Jr: All right.

C: Sitting here at home.

H.M.Jr: Yes.

C: Just had word that the Chamber was meeting at 9 o'clock to go ahead with the debate on this bill.

H.M.Jr: Ah-ha.

C: It was accepted by the Chamber Finance Committee.

H.M.Jr: Yes, we got that.

C: So it got through the Committee.

H.M.Jr: Yes, by one vote.

C: Yes.

H.M.Jr: Yes.

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C: I thought that was merely a mistake; I heard it over the radio but that was your report too - just by one vote?

H.M.Jr: One vote.

C: Yes. There's no newspaper comes out later than six o'clock here.

H.M.Jr: Well now there's a long statement on the United Press ticker by Bonnet where he gives all kinds of figures and ends up by saying that "announcing further devaluation of the franc, Bonnet told the Commission that the government will decide to eliminate the lower limit of franc - rate as fixed in the tripartite agreement."

C: I see.

H.M.Jr: And that's dated - oh - 2:51 our time.

C: Yes- yes.

H.M.Jr: Now if you haven't got anything I've got something to tell you.

C: Well I have a couple of little things.

H.M.Jr: Shoot.

C: Well, after I talked with you I got a hold of Rueff.

H.M.Jr: Yeah.

C: - at the Chamber. And I also got a hold of Cariguel again.

H.M.Jr: Yeah.

C: And I asked him if he had been in contact with the Central Banks in the other Club countries.

H.M.Jr: Yeah.

C: And he said that he had gotten in touch with them on his own initiative, that is, with the Netherlands, Belgium and Switzerland before noon. But he said he had been in contact with the Bank of England all day.

H.M.Jr: Yeah.

C: And he said it was clearly understood with each of these banks that the arrangements which controlled their relations under the Tripartite Agreement and the technical arrangements which followed would be continued and then when I talked to Rueff - ah - I got him in the Chamber this afternoon - he confirmed that information which Cariguel had given me earlier, you know.

H.M.Jr: Yeah.

C: That is, about their willingness to give gold to us.

H.M.Jr: Ah-ha.

C: And Rueff said that the machinery would be just the same, but the rates would be different.

H.M.Jr: Yes.

C: And then I told - ah - Rueff - that I had talked to you and wanted to know if any statements were going to be given out by any of these other countries

H.M.Jr: Yes.

C: and he said that he didn't anticipate any by the three smaller countries.

H.M.Jr: He did not what?

C: Anticipate statements would be given out by the three countries which were added to our tripartite.

H.M.Jr: Ah-ha.

C: He said that - that while he had given the British and ourselves advance information and had discussed the steps with us they were not giving - ah - they were not discussing with the other three.

H.M.Jr: I see.

C: But he said that they - he had - they had sent instructions to their Diplomatic Officers in Belgium, Switzerland and the Netherlands to inform their respective monetary authorities about this step that France is taking

H.M.Jr: Yes.

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C:and to ask these countries to continue to have their central banks or monetary authorities cooperate with the French as heretofore.

H.M.Jr: Uh huh. Well, now, are you through?

C: Another thing I had was that at seven forty-five this evening....

H.M.Jr: Yeah.

C: Rueff called me here. He was in the Chamber then.

H.M.Jr: Yeah.

C: And he said that they had telephoned him from London...

H.M.Jr: Yeah.

C:that you had been in touch with the British.

H.M.Jr: Yeah.

C: And that you had the impression that the price - that the franc was going to be fixed at four forty-six.

H.M.Jr: Yeah.

C: And that that rate would be continued but that you wanted some assurance though that you would be given twenty-four hours' notice if there are to be any changes.

H.M.Jr: And now, is that that fellow Monnick again?

C: I - it must be - I can't understand any other way.

H.M.Jr: Well -

C: I told Rueff - I said I haven't said that four forty-six was going to be retained.

H.M.Jr: Yes.

- Q: I said to Cariguel and I suppose he sent wires across that that was the rate which they were holding - were offering to-day but that was yesterday's rate and that that rate would be continued while - in this period when there was no quotation.
- A.P.Jr: Well now let me tell you what happened.
- Q: All right.
- H.M.Jr: I haven't got the exact timing and all that but sometime during this morning we certainly got the impression here that the French gave the impression to the English that I was going to make a statement to-day
- Q: Yes.
- H.M.Jr:that - ah - the tripartite agreement was still on, see?
- Q: Yes.
- H.M.Jr: Then the English were given the same impression by the French - ah - that I was going to make a statement, see?
- Q: Yes.
- H.M.Jr: Then, in the meantime, Sir John Simon sent over a proposed statement which he was going to make this afternoon.
- Q: He said that to you.
- H.M.Jr: What?
- Q: He said that to you?
- H.M.Jr: Yes.
- Q: I see.
- H.M.Jr: Where he was going to send a pretty sharp statement over to the French.
- Q: I see.
- H.M.Jr: He was going to spank them.
- Q: Yes.

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H.M.Jr: And - ah - when they got all this confusion, I picked up the telephone and called John Simon and spoke to him myself.

C: Yes.

H.M.Jr: Direct.

C: Yes.

H.M.Jr: I then told him about the rates which we had been given to operate on today by Cariguel, who gave us the buying and selling rate of 446 and 446 1/2.

C: Yes.

H.M.Jr: See?

C: Yes.

H.M.Jr: I then asked the British whether they had any similar arrangement with the French.

C: Yes.

H.M.Jr: And the British had no such arrangement.

C: No.

H.M.Jr: And they had not heard from the French and they couldn't understand it. They said they were trying to clean up some odds and ends of foreign exchange which had been hanging over for several days but they had no arrangement and no assurance that if they did buy or sell francs that they could convert into gold.

C: I know.

H.M.Jr: Yeah. Then I assured John Simon that I would not make any statement about the tripartite agreement until I further consulted with him.

C: Yes, yes.

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- A.S.Jr: And then he said he would try not to make any statement himself and would try to get them not to ask him any questions in Parliament today.
- C: I see.
- A.S.Jr: And I gather that Parliament - at the time it closed he did not make any statement.
- C: Yes.
- A.S.Jr: Well, he hasn't up till now anyway.
- C: I had an idea that he had.
- A.S.Jr: Well, he was ready to make a very sharp statement and they were very much put out and very much annoyed, see?
- C: Yes - yes.
- A.S.Jr: Now, er - don't - an - and I - and as usual - I mean you remember what the French tried to do when they tried to get that dollar loan against - from the banks over here.
- C:
- H.W.Jr: Yes. So I had a direct contact with Sir John Simon and as a matter of fact their Embassy just told me quietly that there's a long statement which is coming which will take them at least two hours to decode and when it's in they're going to send it down.
- C: You're going to what?
- H.W.Jr: They're sending me a long statement - It's long enough that it takes two hours to decode.
- C: Yes, yes.
- A.S.Jr: As a result of my conversation with Sir John Simon. Now the British and ourselves understand each other. There's no misunderstanding.
- C: No, no.

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- W.M.Jr: And I've made no statement to the press today and will make no statement.
- C: Yes.
- W.M.Jr: But the fact remains that the first thing this morning they only gave us a selling rate at 446 - a buying rate, I mean.
- C: Yes.
- W.M.Jr: But they gave us no selling rate and no assurance as to convertibility into gold.
- C: No.
- W.M.Jr: And that came along around about 12 o'clock our time.
- C: Yes, yes.
- W.M.Jr: Now that is the whole story what's happened today.
- C: Yes.
- W.M.Jr: In the meantime I'm going to sit perfectly tight and do nothing, especially in view of the United Press story which came across about twenty-five minutes ago which said that Bonnet expects to devalue and he said he wants to devalue on account of the tremendous loss of gold.
- C: Yes. Well, they certainly intend to let the franc slip. I mean, it's going lower than it has been. There's no question about that.
- W.M.Jr: Well, that's the point. And I'm sorry that every time they get into a jam, they just don't play the game, that's all.
- C: And they did transmit that message to their Treasury
play one
against the other.
- W.M.Jr: Right. It just doesn't work.

- Q: No, and I have no way of checking that. I just take what they say.
- H.M.Jr: Well, that's the story and I'm not going to make any statement unless the French treat the English the same way they've treated us which they haven't done so far.
- Q: But the French didn't tell me that they had given the British out-and-out statement that they had come to any formal exposure of the declaration that has just been going on and they say that it is entirely the same arrangements that heretofore existed.
- H.M.Jr: Well - now just hold the wire a minute. (Pause; aside conversation) Now the only business we did - there was a demand today for 600,000 francs which we sold.
- Q: I see.
- H.M.Jr: That's the only business.
- Q: Yes.
- H.M.Jr: Now, that's that, and we'll just sit tight now and see, because as I say, there's a long cable coming in.
- Q: Yes, because there's nothing - whatever you do doesn't help in this tonight. The debate's today, you see.
- H.M.Jr: The debate is started now.
- Q: Yes.
- H.M.Jr: Well -
- Q: You haven't told me - you people of course understand that they are trying to debate things about the tripartite and it helps them politically very much here if they can give that impression.
- H.M.Jr: Sure. Even though it isn't the truth.

-10-

C: if they couldn't say that they are still cooperating - are still enjoying this cooperation....

A.S.Jr: Sure.

C: ...with the other parties...

A.S.Jr: Yes.

C:they would have less chance of holding the franc than they have now.

A.S.Jr: Yeah.

C: but there's nothing you could do now to help them in their debate tonight. There's such a thing as moving too quickly I agree.

A.S.Jr: Yes. Well, all right. If it's important, call me, but don't call me tonight after 11 o'clock Washington time unless it's awful important, see.

C: Oh no, no, no. You've had enough. I'm not going to ...

A.S.Jr: I mean I don't mind being called up to 11 o'clock; there's six hours' difference, you know.

C: Well, I'm not going to the Chamber tonight because that will go on for some time, you see.

A.S.Jr: All right.

C: And there's no paper that comes out. And even when you're there, it's pretty difficult to get

A.S.Jr: Yes, but if the French want something, you know, at the last minute - they've got to have it in an hour or so - use your head, and as I say, if it's after 11 o'clock our time, just put it in a cable. And if you think it's important enough, why, call Lochhead. We'll keep our switchboard open tonight.

C: I see.

A.S.Jr: It will be open all night.

-11-

C: If we call you, we'll call tonight. I'm not going to call Rueff back on this business.

H.M.Jr: But I've just got a feeling he'll call you, put something up to me.

C: He told me he'd be at the Chamber at five but I can't call him now.

H.M.Jr: All right.

C: If he does call me, I'll tell him that I'm going to advise you.

H.M.Jr: All right. What is up for advisement?

C: There's no business.

H.M.Jr: That's right.

C: There's no statement, I mean.

H.M.Jr: That's right. Wait a minute. Just hold the wire. Well, we'll wait and see what happens in the French Parliament tonight.

C: Yes, of course, that incident in the Senate gave a very bad impression, you know.

H.M.Jr: What was that?

C: Blum went over to the Senate to read this gentlemen's declaration.

H.M.Jr: Yes.

C: And Chautemps was presenting it to the Chamber, and they had a disagreement over there when he entered the place.

H.M.Jr: He did.

C: We went out again with before the
Senate could read it.

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

-12-

C: And Farreau, one of the radical Senators, had to go over and read it in his place.

H.V.Jr: I didn't know that.

C: I sent a cablegram telling you what I said to Cariguel and to Rueff and what they said to me.

H.V.Jr: O.K.

C: But this incident may be rather significant. It looks like trouble may develop between the radical socialists and the socialists.

H.M.Jr: I see. What is Blum?

C: Blum is a socialist.

H.V.Jr: I see. All right.

C: The Ambassador was due to come back this evening about seven or eight o'clock.

H.M.Jr: Where has he been?

C: He's been down south all the time.

H.V.Jr: No!

C: Down in southern France.

H.M.Jr: Really?

C: Yes, I told you one day he'd gone away.

H.M.Jr: Yeah, well I took it that certainly he'd be back; that's over ten days ago, isn't it?

C: Yes, about ten days or two weeks now.

H.V.Jr: Uh-huh.

C: So he's due back this evening some time.

H.V.Jr: All right.

C: All right. Good night.

H.M.Jr: Good night.

June 29, 1937
3:28 P.M.

Willed
Butterworth:

Hello.

H.M.Jr: Hello, Butterworth.

B: Yes, sir.

H.M.Jr: What's on your mind?

B: I've been over to the British - you got my telegram, sir?

H.M.Jr: Yes.

B: I've been over to the British Treasury and there's a message for you from Sir John Simon. I shall read it to you. Shall I?

H.M.Jr: How long is it?

B: It's not very long.

H.M.Jr: All right.

B: "There has been an agreed quotation between our authorities and French authorities down to yesterday --"

H.M.Jr: Repeat that please.

B: "There has been an agreed quotation between our authorities and French authorities down to yesterday --"

H.M.Jr: Yes.

B: "But we have no quotation for French francs today."

H.M.Jr: Yes.

B: "Stop. The market --"

H.M.Jr: Wait a minute.

B: " -- is closed today --"

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H.M.Jr: Wait a minute. I got that "we have no quotation for French francs today." I didn't get the rest.

B: Then "period."

H.M.Jr: Yes.

B: "The market is closed today and tomorrow except for clearing up a few old transactions"

H.M.Jr: That means the British market.

B: That's right.

H.M.Jr: Yes.

B: "Quote stop."

H.M.Jr: What?

B: "Period."

H.M.Jr: Oh.

B: "Still less have we any indication --"

H.M.Jr: Say that again.

B: "Still, s-t-i-l-l --"

H.M.Jr: Yes.

B: "Still less have we any indication as to what quotation there will be, if any, for ensuing days."

H.M.Jr: For what?

B: "For ensuing, e-n-s-u-i-n-g, following days."

H.M.Jr: Yes.

B: "We have now asked French Treasury representative in London" -- that is Monnick of course --

"whether he can give us any information or assurance on this point. He is unable to give a reply until tomorrow. The information which reaches us from the Governor of the Bank of France is that in the present position no indication of future plans can be given."

H. S. Jr: Hello.

H: Hello.

H. S. Jr: Yes. Go ahead.

B: "Until the legislation is passed the nature of the plans will not be known."

H. S. Jr: Uh-huh.

H: "If good progress is made with the legislation it is hoped that some indication may be given to us before the close of business tomorrow, that is, Wednesday."

H. S. Jr: Yeah.

B: "In the meantime judging from the general account which I have received from the French Government my fear is that the franc may be allowed to float." F-l-o-a-t.

H. S. Jr: Yeah.

B: "I cannot know whether we shall have any quotations or if so whether the French authorities will be ready to continue the arrangement to turn daily surpluses of francs to gold."

H. S. Jr: Uh-huh.

B: "I am completely in the dark as to how we can operate."

H. S. Jr: Yes.

B: "It is no doubt true that the French Government can continue to express concurrence in the very general declarations which are

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embodied in the tripartite agreement itself --"

H.M.Jr: Yeah.

B: " -- but I cannot help feeling that what has especially attracted notice --"

H.M.Jr: Yes.

B: "-- and especially is approved by public opinion everywhere was the general character of the administrative arrangements --"

H.M.Jr: Of the what?

B: " -- the general character of the administrative arrangements --"

H.M.Jr: Yeah.

B: " -- concerted" c-o-n-c-e-r-t-e-d "concerted at the time of that declaration and continued since --"

H.M.Jr: Yes.

B: " -- to give practical effect to the desire to maintain the greatest possible stability in exchanges."

H.M.Jr: Yeah.

B: "I am at present altogether at loss to know in what way and to what extent or at what level of the franc the French Government hoped to continue those practical arrangements."

H.M.Jr: Yeah.

B: "It would I think be unfortunate to aver" a-v-e-r "that the tripartite declaration --"

H.M.Jr: Repeat that, I didn't get it. "I think it would be unfortunate to" what?

B: "To aver." a-v-e-r

-5-

H.W.Jr: Yes.

B: A for Albert, V for Verne, E for Everett,
R for rice. " -- that the tripartite
declaration is in full force --"

H.W.Jr: Is what?

B: "Is in full force."

H.W.Jr: "Is in full force," yes.

B: "In full force if and so long as the
franc is moving quite erratically."

H.W.Jr: "Quite" what?'

B: "Quite erratically."

H.W.Jr: I see.

B: E-r-r-a-t-i-c-a-l-l-y.

H.W.Jr: Right.

B: "For this reason it seems to me necessary
that we should wait for a short while in
order to ascertain what is in fact going
to happen --"

H.W.Jr: Yes.

B: " -- and I hope then that we may consult
together as to the nature of any positive
statement to be made by our two Governments."

H.W.Jr: Right. Period, paragraph.

B: That was given to me by Phillips just a short time
ago and --

H.W.Jr: There was what?

B: It was --

H.W.Jr: What's that?

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E: I say I was given this by Sir Frederick Phillips and Waley just a few minutes ago.

H.M.Jr: Yeah.

B: They had just come out of a conference with Sir John Simon at which this action took place.

H.M.Jr: Yes. Well, I've got it now you put it on - you cable it too.

B: Right, sir. And -

H.M.Jr: And will you send a copy by air mail -

B: I beg your pardon?

H.M.Jr: Send a copy by air mail over to Cochran.

B: Yes, I will.

H.M.Jr: Tonight.

B: Right, I'll do that. Now likewise Lindsay is being cabled this same message.

H.M.Jr: What's that?

B: Lindsay is being cabled this same message.

H.M.Jr: Yeah, they've got it and they said it would take them a couple of hours to decode it. Is that the message?

B: Yes, that's the message.

H.M.Jr: Now do they expect any answer?

B: What's that?

H.M.Jr: Do they expect any answer?

B: Well, I shouldn't think so directly, no. Because their position is as outlined here.

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H.M.Jr: Yeah.

B: Hope that Sir John will not have to make any statement at all. He's going to do his best to avoid making any statement to Parliament at all.

H.M.Jr: Well --

B: If he does, we'll hedge.

H.M.Jr: Now I had a very good conversation with him.

B: Yes, I know, they left with me the copy of your conversation.

H.M.Jr: Was he pleased at my calling him?

B: I couldn't gather very much.

H.M.Jr: Well, he seemed to be very much pleased. It was a very satisfactory conversation.

B: Good.

H.M.Jr: And I assured him that I would not make any statement without first consulting with him.

B: Yes, that's what I gathered. As I see it, sir, would you like my personal hunch?

H.M.Jr: I'd be glad to receive it.

B: It's this - that this Government here is allied with France but not with le front populaire.

H.M.Jr: Is what?

B: I feel sure but not convinced.

H.M.Jr: I didn't hear you.

B: I say this Government here is allied with France --

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H.M.Jr: Allied with what?

B: With France, F-r-a-n-c-e.

H.M.Jr: Allied with France?

B: Yes, with France.

H.M.Jr: Yes.

B: But not with le front populaire.

H.M.Jr: I see.

B: And I don't think that they are convinced that this is the final government.

H.M.Jr: I see.

B: And so I don't think they want to stick their neck out.

H.M.Jr: Yeah.

B: At the same time, they remember very definitely today '27, when they allowed the franc to stabilize at too high a rate.

H.M.Jr: Yeah.

B: They want to hold over the franc the - the club of the tripartite agreement ...

H.M.Jr: Yeah.

B: ...because they are not convinced that, whatever the intentions of the present French Government are, that they will have the power, to be given as a dead certainty, to enforce their desires.

H.M.Jr: I see.

B: And therefore they don't want to the credit of the United States and Great Britain through the mouth of the present French Government.

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A.M.Jr: I see.

B: Now that's my personal hunch as I see it.

A.M.Jr: Right.

B: I might be wrong there. I'm not expressing either agreement or disagreement with their views.

A.M.Jr: Right. I understand.

B: I'm just giving you my impression of how they feel.

A.M.Jr: I'm glad to receive that. Well, we're very calm here. We've got - we're just sitting here. A statement came out from the United Press accredited to Bonnet that he said he is going to devalue further.

B: Uh-huh.

A.M.Jr: That he has to devalue further, and that came over just about an hour ago.

B: Yeah.

A.M.Jr: And after they get through with their battle in the Parliament, we'll know more tomorrow morning and I don't think anything more will happen tonight and --

B: I feel that these people here, whatever Bonnet may say, I mean that he's not going to devalue down to 124 or whatever figure it is, they are not convinced that he is in a position to demand this assurance.

A.M.Jr: I see.

B: I think they are rather skeptical about the position.

A.M.Jr: Yeah.

B: In other words they are not at all sure that the and not are in the saddle.

-10-

H.M.Jr: Uh-huh. All right.

B: Thank you, Mr. Secretary.

H.M.Jr: All right. Well, I'm glad to get that and I doubt if anything more will happen tonight.

B: Right. Thank you, sir.

H.M.Jr: Hello.

B: Yes.

H.M.Jr: You might be interested - the only thing that happened here today was that we sold 600,000 francs today. That's all we did.

B: 600,000 francs.

H.M.Jr: That's all.

B: Now are those francs supplied to you by the Bank of France?

H.M.Jr: Well, we think so - yes.

B: You think so.

H.M.Jr: Yes.

B: I see.

H.M.Jr: We sold them for the account of the Bank of France.

B: The account of the Bank of France.

H.M.Jr: Yes. There was a demand that commercials are buying and we supplied them and charged them to the account of the Bank of France.

B: Well, it's their account, then.

H.M.Jr: Yeah.

B: Well, thank you so much, sir.

H.M.Jr: Not at all.

B: Good night, sir.

LMS

GRAY

London

Dated June 29, 1937

Rec'd 3:30 p. m.

Secretary of State,
Washington.

415, June 29, 6 p. m.

FOR TREASURY FROM BUTTERWORTH.

The TIMES and other London papers in referring to the debate, the first part of which was reported in my 412, June 8, 7 p. m., mentioned the complaint of Sir Francis Acland an opposition liberal that the news of the proposal to increase the equalization fund had leaked out in New York before it was announced in London. Acland's statement as reported in Hansard is as follows: "I think everybody will agree that the statement of the Chancellor of the Exchequer at the end of last week with regard to this resolution being made when it was, did a great deal of good and that it was at once a sedative and a tonic. It evidently seemed to finish off the last remains of the gold scare. It meant that we were willing to help the United States and France to hold their babies - those very different babies which are only alike in that they are inconveniently heavy at times. The news of it got out to the United States before it did here. The considerable buying of gold mining shares

which

LIS 2-No. 415, June 29, 6 p. m., from London.

which took place on Thursday after 4:30 on American orders showed that that was so. I know how difficult it is to prevent but this is not the first time it has happened and it would be a good thing if it could be prevented in future."

Boothby (see next to last paragraph, my 266, May 4, 5 p. m.) made on behalf of city opinion a particularly strong speech in which he took the view that there is no reason whatever to suppose that if conditions were anything like normal the available supplies of gold in the world today for monetary purposes would be too great for the adequate support of the credit structure and he deprecated the way in which the gold scare was allowed to develop: "instead of it being nipped in the bud no clear explicit statement of policy was given either from the other side of the Atlantic or from this side and the discount in relation to the American shipping parity of gold was allowed by our authorities to widen until on one day the difference was something like 7 pence; and that caused many people to think that all effective cooperation between the Treasury officials here and in Washington had for the time being come to an end. Nobody knew what was going to happen. It may be that the reason why the discount became so wide was that we had at the time insufficient sterling reserves in the

L/3 3-No. 415, June 29, 6 p. m., from London.

in the exchange equalization account; and that I believe is one of the main reasons why the Chancellor of the Exchequer has had to come to the House today to ask for 200 million pounds, a sum which I do not think will be too much. But it just shows what confidence or the lack of it can do. Immediately you had that uncertainty the trend was reversed.

(Much?)

Just has been made of the fall in the value of securities by between 20 and 30 percent. That is a temporary thing, not very serious in itself, except for the people who held the securities as a speculation and not as investment; but much more serious was the temporary but quite distinct reversal in the trend of commodity prices which if it had been allowed to continue could have landed us in very serious consequences. That is the answer to those who maintain academically that a deliberate alteration in the price of gold need not involve an alteration in the level of commodity prices, a reduction in the price of gold at the present time would be a signal to the trading community that prices were going to fall and would be so interpreted; and prices would fall. Of course so long as gold is now allowed to affect the credit structure

structure

L'S 4-No. 415, June 29, 6 p. m., from London.

structure for the time being and temporarily it need not affect the price level; but that is an artificial condition which is not desirable as a permanent feature of policy.

If arising out of this proposal of the Chancellor of the Exchequer there is to be increased cooperation between the exchange equalization account of this country and that of the United States we ought in my submission to bring every pressure upon the United States Government to allow some of the gold which has flowed into the United States to influence the credit structure and to raise the commodity price level over there. It is because commodity prices in the United States are kept so artificially low as to be out of alignment with the exchange value of the dollar that the inflow of gold into America has been aggravated and with it the problem of maldistribution.

With regard to the future I would say that this step of the right honorable gentleman is to be welcomed not only because it will be of such value in restoring confidence which should never have been lost but because it is a practical gesture far more powerful than any words could be towards the United States of America. That is a point of supreme importance. In the long run cooperation
between

LMS 5-No. 415, June 29, 6 p. m., from London.

between the British Empire and the United States of America in the economic field is the best hope of the future and indeed of saving civilization. There may be great technical difficulties in the way of achieving a wider economic agreement; but they can and must be swept away because the basic interests of the United States and of this country and the Dominions are identical. Separately we can achieve something perhaps; together the United States and the British Empire could use their natural resources and their gold in fruitful cooperation to restore prosperity to the whole world".

BINGHAM

333

June 29, 1937

At two minutes of four I told Steve Early to keep the President from saying anything about the Tripartite Agreement at his press conference, which was held at four o'clock. I promised Sir John that we would not say anything about it and I just wanted to make sure that the President would not discuss it at his press conference.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris

DATE: June 29, 4 p.m.

NO.: 879

SECTION ONE FROM COCHRAN.

I refer to Secretary Morgenthau's telephonic inquiry at 1:30 p.m. today as to whether under the new monetary setup in France the American stabilization fund could convert into gold at the Bank of France the French francs which it might buy and if so at what price could they be bought.

I at once got in telephonic touch with Cariguel and asked him the above questions. After consultation with Under Governor Fournier, he assured me that the changes which have been effected by decree today and which are envisaged in the program of the Chauteemps Government ^{in any way} would not/affect the technical arrangements which have heretofore obtained between the American and French monetary authorities. Cariguel said that since the French stabilization fund would now be more anxious than ever to acquire foreign exchange and have the facility for (END SECTION ONE).

BULLITT

EA:DJW

PARAPHRASE OF SECTION TWO of No. 878 from Paris.

obtaining gold thereof there would certainly be willingness on the part of France to continue to give reciprocal gold facilities to the United States. Cariguel had to receive a call from New York while he and I were talking.

I talked with Cariguel again at 2:50 p.m. He told me that Knoke had raised questions similar to mine. The situation was explained over the phone by Cariguel to Knoke. Cariguel told me that he was this afternoon sending Knoke a cablegram confirming his conversation with him. The substance of this cablegram was a request to Knoke to sell francs for the account of the French stabilization fund on the basis of yesterday's rate of 110.55 francs to the pound. Cariguel said in this message that the prices for gold quoted in his telegram of yesterday were still effective until further notice is given. Assurance is given us by Cariguel that the control will continue to purchase and sell gold just as it has done before.

Cariguel said to me that when Knoke asked whether the balance in French francs which the American stabilization fund now holds could be converted into gold he, Cariguel, unhesitatingly answered that such was the case.

I am not repeating this technical information, since Cariguel tells me that he has given Knoke full details regarding franc transactions of which the French officials would approve today on the market in the United States.

END MESSAGE.

BULLITT

EA: LWW

Regraded Unclassified

Pages 247 through 273
are dated June 29, 1938,
and have been placed in
June, 1938, book.

LMS

PLAIN

London

Dated June 29, 1937

Rec'd 6 p. m.

Secretary of State,
Washington.

417, June 29, 11 p. m.

FOR SECRETARY MORGENTHAU FROM BUTTERWORTH.

As instructed I repeat the message for you which was given me as result of your conversation with Simon of British Treasury tonight:

"There has been an agreed quotation between our authorities and French authorities down to yesterday but we have no quotation for French francs today. The market is closed today and tomorrow except for clearing up of a few old transactions. Still less have we any indication as to what quotation there will be, if any, for ensuing days. We have now asked French Treasury representative in London whether he can give us any information or assurance on this point. He is unable to give a reply till tomorrow. The information which reaches us from Governor of Bank of France is that in the present position no indication of future plans can be given. Until the legislation is passed the nature of plans will not be known. If good progress is made with the legislation it is

LMS 2-No. 417, June 29, 11 p. m., from London.

it is hoped that some indication may be given to us before the close of business tomorrow, Wednesday. In the meanwhile judging from the general account which I have received from the French Government my fear is that the franc may be allowed to float. I do not know whether we shall have any quotations or if so whether the French authorities will be ready to continue arrangement to turn daily our losses of francs into gold. I am completely in the dark as to how we can operate. It is no doubt true that the French Government can continue to express concurrence in the very general declarations which were embodied in the tripartite agreement itself but I cannot help feeling that what has especially attracted notice and especially been approved by public opinion everywhere was the general character of the administrative arrangements concerted at the time of that declaration and continued since to give practical effect to the desire to maintain the greatest possible stability in exchanges. I am at present altogether at a loss to know in what way and to what extent or at what level of the franc the French Government hope to continue those practical arrangements. It would I think be unfortunate to aver that the tripartite declaration is in full force if and so long

LMS 3-No. 417, June 29, 11 p. m., from London.

so long as the franc is moving quite erratically. For this reason it seems to me necessary that we should wait for a short while in order to ascertain what is in fact going to happen and I hope then that we may consult together as to the nature of any positive statement to be made by our two Governments."

BINGHAM

SMS:EMB

RECEIVED
JUL 1 1944
U.S. DEPARTMENT OF STATE
WASHINGTON, D.C.

JUN 29 1937

9.20

FRANCE TEMPORARILY SUSPENDED FROM LIST OF
COUNTRIES TO WHICH UNITED STATES WILL SELL GOLD

WASHN - THE FRENCH THROUGH THEIR SUS-
PENSION OF GOLD PAYMENTS HAVE AUTOMATICALLY
SUSPENDED THEMSELVES FOR THE TIME BEING
FROM THE LIST OF COUNTRIES TO WHICH THE UNITED
STATES WILL SELL GOLD UNDER TERMS OF THE TRI-
PARTITE AGREEMENT - IF THE FRENCH CHANGE THE
VALUE OF THEIR CURRENCY THE SECRETARY OF THE
TREASURY WILL BE REQUIRED TO ISSUE A NEW FIND-
ING OF FACT TO THE EFFECT THAT IT IS -TO
THE PUBLIC INTEREST- TO BUY AND SELL GOLD
WITH FRANCE AT NEW NEW RATIO

NO FORMAL ANNOUNCEMENT TO THIS EFFECT HAS
BEEN ISSUED BUT THE TERMS OF THE TRI-PARTITE
AGREEMENT ARE SUCH THAT FRANCE IS AUTOMATICAL-
LY DROPPED FROM THE LIST OF GOLD EXCHANGE
COUNTRIES UNTIL SHE RESUMES GOLD PAYMENTS
HERSELF

SECY MORGENTHAU-S STATEMENT OF NOV 23

IMPLEMENTING THE TRI-PARTITE AGREEMENT DECLARES THAT THE U S WILL SELL GOLD TO THOSE COUNTRIES WHOSE STABILIZATION FUNDS TREASURIES OR FISCAL AGENTS -ARE LIKEWISE OFFERING TO SELL GOLD TO THE UNITED STATES- - FRANCE NO LONGER MEETS THIS QUALIFICATION AND THEREFORE IS AUTOMATICALLY OUT OF THE TRI-PARTITE AGREEMENT DURING THE -HOLIDAY- WHICH NOW EXISTS BECAUSE OF HER SUSPENSION OF GOLD PAYMENTS

WHAT THE STATUS OF FRANCE UNDER THE AGREEMENT WILL BE TOMORROW DEPENDS UPON WHAT ACTION IS TAKEN TODAY IN PARIS AND ON WHETHER THE UNITED STATES DECIDES THAT GOLD DEALINGS WITH FRANCE CAN BE RESUMED ON THE REVISED BASIS - AMERICAN AUTHORITIES ARE WITHHOLDING COMMENT AND PREDICTIONS SAYING THAT TODAY IS -A SORT OF HOLIDAY-

MEANWHILE THE BURDEN OF CURRENCY STABILIZATION UNDER THE TRI PARTITE AGREEMENT RESTS PRIMARILY ON THE U S AND ENGLAND ASSISTED BY BELGIUM HOLLAND AND SWITZERLAND

-0-

JUN 29 1937

U S TO HAVE STATEMENT ON MONETARY SITUATION

WASHN - THE UNITED STATES TREASURY PROBABLY WILL HAVE A STATEMENT CLARIFYING THE CURRENT INTERNATIONAL MONETARY SITUATION FOLLOWING CONCLUSION OF THE FINANCIAL DEBATE IN THE FRENCH PARLIAMENT TODAY IT WAS LEARNED

THE STATEMENT PROBABLY WILL EXPLAIN THE STATUS OF FRANCO-U S GOLD RELATIONS IN THE LIGHT OF ANY ACTION TAKEN BY THE FRENCH PARLIAMENT

THE SECRETARY OF TREASURY MUST DETERMINE WHETHER IT IS IN THE INTERESTS OF THE U S TO DEAL WITH FRANCE AGAIN ON WHATEVER REVISED GOLD BASIS FRANCE ADOPTS

INDICATIONS ARE THAT THE FRENCH PLANS INSOFAR AS THEY ARE KNOWN HERE ARE ACCEPTABLE TO THIS COUNTRY AND THAT THEREFORE GOLD RELATIONS BETWEEN THE TWO COUNTRIES WILL BE RESUMED - IN THE MEANTIME HOWEVER FRANCE IS OUT OF THE TRI-PARTITE AGREEMENT AS LONG AS HER SUSPENSION OF GOLD PAYMENTS CONTINUES

ECCLES CONFERS WITH MORGENTHAU

1030

WASHN - CHAIRMAN ECCLES OF THE FEDERAL
RESERVE BOARD CONFERRED WITH SECRETARY OF
TREASURY MORGENTHAU SHORTLY BEFORE
11 30 AM N Y TIME - UPON ENTERING THE
SECRETARY-S OFFICE THE CHAIRMAN MADE NO
STATEMENT OF THE REASON FOR HIS VISIT BUT
IT IS BELIEVED TO BE THE INTERNATIONAL SITUAT-
ION

280

JUN 29 1937

HE CONFERRED WITH THE SECRETARY LAST
NIGHT ON THIS SUBJECT

-D-

ADD ECCLES AND MORGENTHAU CONFER

1156

WASHN- CONFERENCE BETWEEN SECY MORGENTHAU
AND CHAIRMAN ECCLES ADJOURNED AFTER ABOUT
HOUR- CHAIRMAN ECCLES SAID -MY TONGUE IS TIRED-
-BEFORE THE CONFERENCE HAD ADJOURNED TWO
SPECIAL ADVISERS TO SECRETARY MORGENTHAU
PROFESSOR WINFIELD RIEFLER AND PROFESSOR JACOB
VINER HAD JOINED THE GROUP

JUN 29 1937

AT THE CONCLUSION OF THE CONFERENCE WITH
CHAIRMAN ECCLES SECY MORGENTHAU RECEIVED
PREMIER VAN ZEELAND OF BELGIUM AND JEAN APPERT
FRENCH FINANCIAL ATTACHE

ADD ECCLES AND MORGENTHAU CONFER

WASHN- ASST SECY TAYLOR HARRY D WHITE
TREASURY MONETARY EXPERT AND ARCHIE LOCHHEAD
STABILIZATION FUND MANAGER JOINED THE CONFERENCE-
THE SECRETARY CALLED FOR A STENOGRAPHER

JUN 29 1937

-D-

1157

Emergency French Fiscal Measures

EMERGENCY FRENCH FISCAL MEASURES TODAY BROUGHT TREASURY OFFICIALS INTO HURRIED CONFERENCES TO STUDY EFFECTS ON THE TRI-PARTITE MONETARY AGREEMENT BETWEEN GREAT BRITAIN, UNITED STATES AND FRANCE.

TREASURY OFFICIALS DECLINED TO COMMENT, BUT OBSERVERS BELIEVED THE FRENCH ACTION PLACED THAT COUNTRY TECHNICALLY OUTSIDE THE TRI-PARTITE AGREEMENT. THEY CITED THAT PORTION OF THE AGREEMENT UNDER WHICH ADHERENTS AGREE TO PAY FOREIGN OBLIGATIONS IN GOLD OR FOREIGN EXCHANGE. UNDER THE DECREE ISSUED BY THE FRENCH GOVERNMENT, SUCH PAYMENTS ARE SUSPENDED.

6/29--R1040A

ADD TREASURY CONFERENCE (TIMED 1040A)

IN CONFERENCE WITH SECRETARY MORGENTHAU WERE CHAIRMAN ECCLES OF THE RESERVE BOARD AND ASSISTANT SECRETARY OF TREASURY WAYNE C. TAYLOR, EXPERT ON INTERNATIONAL FINANCIAL MATTERS.

IT WAS LEARNED UNOFFICIALLY THAT THE FRENCH WERE REGARDED AS STILL MEMBERS OF THE TRI-PARTITE MONETARY AGREEMENT ALTHOUGH NOT PARTICIPATING ACTIVELY. OFFICIALS HERE, ACCORDING TO THESE SOURCES, REGARDED THE FRENCH MEASURES AS TEMPORARY, OR RATHER IN THE NATURE OF A "HOLIDAY."

6/29--R1053A

JEANS APPERT, FINANCIAL ATTACHE OF THE FRENCH EMBASSY SAID TODAY

**THAT FRANCE WAS STILL IN THE TRI-PARTITE MONETARY AGREEMENT AND WISHES
TO CONTINUE IN IT.**

6/29--R1132A

ADD TREASURY CONFERENCE

**THE FINANCIAL ATTACHE, JEANS APPERT, OF THE FRENCH EMBASSY JOINED
THE CONFEREES AT THE TREASURY.**

**HE SAID HE HAD THE GREATEST CONFIDENCE IN THE RECOVERY OF THE
FINANCIAL SITUATION IN FRANCE.**

**"FRANCE IS A COUNTRY WHERE THE SITUATION CHANGES VERY
QUICKLY," HE ADDED. "WE ARE NEVER CLOSER TO RECOVERY THAN WHEN THINGS
SEEM DESPERATE."**

6/29--R1146A

ADD TREASURY CONFERENCES

**PREMIER VAN ZEELAND OF BELGIUM CONFERRED WITH MORGENTHAU AFTER
ECCLES AND APPERT LEFT.**

6/29--R1204P

ADD TREASURY CONFERENCES (TIMED 1146A)

**APPERT SAID, AFTER CONFERRING WITH ASSISTANT SECRETARY OF TREASURY
WAYNE TAYLOR AND ARCHIE LOCKHEAD OF THE U. S. STABILIZATION FUND,
THAT FRANCE HAD NOT VIOLATED THE TRI-PARTITE AGREEMENT IN ANY WAY.**

6/29--TP129P

1230

JUN 29 1937

283

VAN ZEELAND SAYS TALK WITH MORGENTHAU -VERY SATISFACTORY-

WASHN- PREMIER PAUL VAN ZEELAND OF BELGIUM HAVING CONFERRED WITH SECY MORGENTHAU FOR ABOUT AN HOUR SAID THAT HIS DISCUSSION WITH THE SECRETARY WAS -VERY SATISFACTORY- BUT OF A GENERAL NATURE

THE PREMIER INDICATED THAT HE MIGHT HAVE A STATEMENT TO MAKE AFTER CONFERRING AGAIN WITH PRESIDENT ROOSEVELT

JUN 29 1937

1232

MORGENTHAU SAYS PROBABLY NO STATEMENT TODAY

WASHN- SECY MORGENTHAU SAID AT 12 30 TODAY -AY THAT HE HAD NO STATEMENT TO MAKE AT THAT TIME ON THE INTERNATIONAL MONETARY SITUATION AND THAT PROBABLY HE WOULD NOT MAKE ANY STATEMENT TODAY

THE SECRETARY PROBABLY WILL WITHHOLD ANY ANNOUNCEMENT UNTIL ACTION IN FRANCE IS COMPLETED - THE STATEMENT THEREFORE PROBABLY WILL HAVE TO BE WITHHELD UNTIL TOMORROW IN VIEW OF ADJOURNMENT OF THE FRENCH SENATE UNTIL TOMORROW MORNING

JUN 29 1937

1245

ADD FRENCH FINANCIAL ATTACHE

WASHN - FOLLOWING A CONFERENCE WITH ASST SECY OF TREASURY TAYLOR THE FRENCH FINANCIAL ATTACHE SAID THAT FRANCE HAS DONE NOTHING TO VIOLATE THE TRI-PARTITE AGREEMENT BUT THE DECLINED TO SAY WHETHER HIS COUNTRY COULD BE CONSIDERED ACTIVELY PARTICIPATING IN THE AGREEMENT AT THIS TIME

-0-

Mr. Pittman on French Situation

CHAIRMAN PITTMAN OF THE SENATE FOREIGN RELATIONS COMMITTEE, TODAY PRAISED FRANCE'S ACTION IN SUSPENDING GOLD PAYMENT AND SAID THE MOVE WOULD TEND TO MAKE THE WORLD FINANCIAL SITUATION "MORE SATISFACTORY."

6/29--R1058A

ADD PITTMAN

PITTMAN SAID HE FELT THAT NO ACTION ON THE PART OF CONGRESS WAS "NECESSARY OR ADVISABLE," BUT DECLINED TO COMMENT ON WHETHER THE TREASURY WOULD TAKE ANY NEW ACTION AS A RESULT OF FRANCE'S MOVE.

HE ALSO DECLARED THAT HE DID NOT BELIEVE THE STEP WOULD RESULT IN ENDING THE TRIPARTITE "GENTLEMAN'S AGREEMENT" BETWEEN FRANCE, GREAT BRITAIN AND THE U.S. TO STABILIZE CURRENCIES.

"GREAT BRITAIN PROBABLY WILL HAVE TO SUPPORT THE FRANC FOR A SHORT WHILE," PITTMAN SAID, ADDING THAT THERE WAS AMPLE AUTHORITY FOR THIS COUNTRY TO JOIN IN THE SUPPORT IF IT WAS DEEMED WISE.

"THE FRANC, AFTER A SHORT TIME, PROBABLY WILL BE STABILIZED AT A LOWER RATE. THE MORATORIUM ON COMMERCIAL PAPER WILL BE SHORT, AND I DO NOT BELIEVE THERE WILL BE ANY DISCOUNT IN THE EVENTUAL PAY-OFF IN THE NEW FRANC.

"I BELIEVE THAT FINANCIERS AND ECONOMISTS THROUGHOUT THE WORLD WILL HAIL THE MOVE, AND I BELIEVE IT WILL TEND TO MAKE THE WORLD FINANCIAL SITUATION MORE SATISFACTORY."

6/29--R1102A

JUN 29 1937

1052

SEN PITTMAN SAYS NO CONGRESSIONAL ACTION
NECESSARY ON FRENCH MONETARY SITUATION
WASHN-

-1110

SENATOR PITTMAN ON FRENCH MONETARY SITUATION
WASHN - SENATOR KEY PITTMAN CHAIRMAN OF
SENATE FOREIGN RELATIONS COMMITTEE SAID
THAT NO CONGRESSIONAL ACTION WAS NECESSARY
OF DESIRABLE IN THE PRESENT FRENCH MONETARY
SITUATION - HE DECLINED TO EXPRESS AN
OPINION AS TO POSSIBLE TREASURY MOVES BUT
SAID HE THOUGHT THE SUSPENSION OF GOLD
PAYMENTS BY THE FRENCH GOVERNMENT WAS
-AN EXCELLENT THING - I BELIEVE IT HAS
IMPROVED THE WORLD SITUATION- THE SENATOR
SAID - -I THINK ECONOMISTS AND FINANCIERS
WILL WELCOME THE MOVE-
-0-

12 00 JUN 29 1937

ADD SEN PITTMAN

WASHN- THE CHAIRMAN OF THE SENATE FOREIGN
RELATIONS COMMITTEE ALSO SAID THAT HE EXPECTED
THAT THE FRANC WOULD BE PUT AT A CONSIDERABLY
LOWER LEVEL THAN THE OLD FRANC
-0-

NO MARKET IN FRENCH FRANCS

FOREIGN EXCHANGE DEALERS DO NOT EXPECT ANY DEALINGS IN FRENCH FRANCS TODAY UNLESS THERE IS SOME ACTION TAKEN BY THE VARIOUS CONTROL FUNDS- THERE IS NO MARKET FOR FRANCS IN PARIS AND LONDON

-0-

8205
JUN 29 1937

DOW JONES MORNING GOSSIP

WAL

L

STREET DOES NOT EXPECT ANY IMMEDIATE FRENCH SELLING OF OUR SECURITIES AS A RESULT OF THE FINANCIAL MEASURES GOING FORWARD IN FRANCE- AS A MATTER OF FACT FRENCH HOLDERS OF OUR SECURITIES ARE EXPECTED TO - SIT TIGHT- UNTIL -WHEN AS AND IF- LEGAL MEASURES FORCE THEM TO SELL

JUN 29 1937

LONDON THIS MORNING SHOWS EASIER MARKETS BUT INTERNATIONAL BROKERS SAY NEITHER AMERICAN NOR LONDON BANKERS ARE SURPRISED BY THE COURSE OF EVENTS IN FRANCE AND EXPECT SPEEDY DEVALUATION TO MAKE UP THE POLICY OF THE NEW FINANCIAL MINISTRY IN FRANCE

WALL STREET BELIEVES THAT MUCH OF THE LATE SELLING OF OUR SECURITIES YESTERDAY CAME FROM INTERNATIONAL SOURCES- IN ITS PRESENT MOOD THE STREET IS EASILY VULNERABLE TO ANY SORT OF SELLING AND UNPLEASANT NEWS

8495

JUN 29 1937

(DJ 10:05, 6/29/37) Foreign Exchanges Quiet

Foreign exchange market is quiet pending further developments in France. Following lead of Paris and London markets there is no business being done in Fr. francs either in the spot or forward markets.

There is some activity in sterling where speculative selling has entered market in addition to commercial offerings noted in first few days. Volume of business so far is not heavy but at times this morning the Brit. Exch. Control has been compelled to sell dollars to counter the trend. Sterling is currently quoted at 4.93-1/8, slightly below the earlier quotations but unchanged on the day.

FRANC SETTLEMENTS MADE

11 30 JUN 28 1937

THERE IS NO DIFFICULTY IN LIQUIDATION OF FRANC CONTRACTS IN SPITE OF THE SUSPENSION OF DEALINGS IN THE PARIS EXCHANGE MARKET IT IS REPORTED IN THE LOCAL MARKET - EXCHANGE AUTHORITIES ARE PREVENTING A SQUEEZE IN CONTRACTS MATURING DURING THE PARIS HOLIDAY BY SUPPLYING FRANCS

BANK OF ENGLAND IS UNDERSTOOD TO BE SUPPLYING FRANCS FOR WEDNESDAY AND THURSDAY DELIVERY AT 110 55 FRANCS TO THE POUND - THIS INDICATES A QUOTATION SLIGHTLY OVER 4 46C IN NEW YORK

SOME SMALL BUSINESS IS BEING DONE IN THE LOCAL MARKET FOR VARIOUS DATES ALTHOUGH TRADING IS GREATLY RESTRICTED - A BID OF 4 46C HAS BEEN HEARD FOR TOMORROW FRANCS AND 4 40C FOR THURSDAY FRANCS - SOME SMALL BUSINESS HAS BEEN DONE IN FRIDAY FRANCS AT 4 38 CENTS AND A QUOTATION OF 4 33C FOR JULY 12 HAS BEEN HEARD

FRENCH GOLD TO LONDON

140 JUN 29 1937

BRITISH CUSTOMS RETURNS AFFORD PARTIAL REFLECTION OF THE HEAVY PRESSURE LAST WEEK ON THE FRENCH FRANC AS THE CRISIS GREW - DURING THE FOUR DAYS ENDED MID DAY MONDAY SOMETHING OVER 41 000 000 DLS OF GOLD ARRIVED IN THE UNITED KINGDOM FROM FRANCE - THIS IS A DIRECT CONSEQUENCE OF THE CONTINUED SUPPORT WHICH WAS NECESSARY FOR THE FRANC

PARIS, TUESDAY--THE GOVERNMENT EARLY TODAY ORDERED THE CLOSING OF THE SECURITY AND COMMODITY BOURSES, SUPPOSEDLY IN AN EFFORT TO PREVENT UNCONTROLLABLE SPECULATION WHEN THE FINANCIAL RELIEF MEASURES OF THE NEW CHAUTEUPS GOVERNMENT ARE ANNOUNCED IN PARLIAMENT.

6/28--*TPE04F

ADD CHAUTEUPS, PARIS.

THE DECREE WAS TO BE PUBLISHED IN THE "OFFICIAL JOURNAL" AND IT WAS INDICATED THAT THE CLOSING WOULD BE FOR TODAY ONLY.

PREMIER CAMILLE CHAUTEUPS WILL GO BEFORE THE CHAMBER OF DEPUTIES SHORTLY AFTER NOON TO READ HIS "MINISTERIAL DECLARATION" AND EXPLAIN HIS PLANS FOR SOLVING THE NATION'S FINANCIAL AND ECONOMIC CRISIS.

THE SAME EXPLANATION WILL BE GIVEN IN THE SENATE BY LEON BLUM, WHO WAS FORCED TO RESIGN THE PREMIERSHIP A WEEK AGO WHEN THE SENATE DENIED HIM "DICTATORIAL" POWERS TO DEAL WITH THE SITUATION. BLUM IS VICE-PREMIER.

CHAUTEUPS' POPULAR FRONT GOVERNMENT WAS EXPECTED TO DEMAND THE SAME BROAD POWERS FROM PARLIAMENT THAT BROUGHT ABOUT BLUM'S BOWNFALL.

THE NEW CABINET, IN A MEETING THAT LASTED UNTIL LATE INTO THE NIGHT, APPROVED A PLAN OF SOLVING THE NATION'S FINANCIAL CRISIS THAT BORE THE AUTHORSHIP OF GEORGES BONNET, WHO RUSHED BACK FROM A SPECIAL AMBASSADORIAL POST IN WASHINGTON TO BECOME NEW FINANCE MINISTER.

6/28--*TPE11F

PARIS.--THE CHAMBER OF DEPUTIES VOTED CONFIDENCE IN THE POPULAR FRONT GOVERNMENT TODAY ON ITS DEMAND FOR EMERGENCY POWERS TO SAVE THE FRANC AND FORTIFY THE COUNTRY'S ECONOMIC CONDITION. THE VOTE WAS 393 TO 142.

WHILE DEBATE WAS IN PROGRESS IN BOTH THE CHAMBER OF DEPUTIES AND SENATE, THE GOVERNMENT HAD FORCIBLY CLOSED FINANCIAL MARKETS AND SUSPENDED PAYMENTS IN GOLD AND FOREIGN CURRENCY.

AFTER ITS VOTE, THE CHAMBER ADJOURNED UNTIL 9 P.M. TO ALLOW THE FINANCE COMMITTEE TO CONSIDER THE GOVERNMENT PROJECTS.

6/29--R1055A

PARIS--THE FINANCE COMMISSION OF THE CHAMBER OF DEPUTIES VOTED FULL POWER TO THE POPULAR FRONT GOVERNMENT TO DEAL WITH THE FINANCIAL CRISIS TODAY BY A VOTE OF 17 TO 16.

6/29--TP124P

PARIS.--PREMIER CHAUTEMPS TOOK TO PARLIAMENT TODAY HIS DEMAND FOR EMERGENCY POWERS TO COMBAT A GRAVE CRISIS IN THE NATIONAL FINANCES, AND ANNOUNCED HE WOULD DEMAND THAT BOTH HOUSES END THEIR DEBATE ON HIS PROPOSAL BY NOON TOMORROW.

IT WAS ANNOUNCED THAT CHAUTEMPS WOULD SEEK POWERS UNDER FIVE HEADINGS:

- 1) TO RESTORE SOUNDNESS TO THE TREASURY.
- 2) TO FIGHT SPECULATION IN THE FRANC.
- 3) TO EFFECT ECONOMIC RECOVERY.
- 4) TO BALANCE THE BUDGET.
- 5) TO DEFEND THE FRANC.

CHAUTEMPS KEPT SECRET THE DETAILS OF THE PLANS HE AND HIS MINISTERS WORKED OUT, AND AGREED UPON UNANIMOUSLY AT A MEETING BEFORE THE OPENING OF THE DAY IN PARLIAMENT.

BUT IT WAS GOSSIPED WITHOUT CONFIRMATION THAT FOR ONE THING THE GOVERNMENT MIGHT IF NECESSARY LOWER THE VALUE OF THE FRANC TO 25 TO THE DOLLAR. YESTERDAY'S RATE WAS 22.40 TO THE DOLLAR.

STOCK AND COMMODITY EXCHANGES WERE CLOSED BY FINANCE MINISTRY DECREE UNTIL FURTHER NOTICE. PAYMENTS IN GOLD OR FOREIGN EXCHANGE WERE SUSPENDED.

THE CABINET, MEETING IN A FORMAL COUNCIL OF MINISTERS UNDER PRESIDENT ALBERT LEBRUN, APPROVED THE DETAILS OF THE EMERGENCY FINANCE-POWERS BILL AS PERFECTED BY FINANCE MINISTER GEORGES BONNET.

A FOUR-PAGE MINISTERIAL DECLARATION TO BE READ IN PARLIAMENT THIS AFTERNOON ALSO WAS APPROVED.

6/29--R903A

PARIS--THE FRANC MUST BE DEVALUED, GEORGES BONNET, FINANCE

29.

MINISTER, TOLD THE FINANCE COMMISSION OF THE CHAMBER OF DEPUTIES
TODAY.

6/29--TP140P

ADD BONNET, PARIS.

FRANCE HAS BEEN DRAINED OF GOLD TO THE EXTENT OF BILLIONS OF
FRANCS AND IS IN A CRITICAL POSITION WHICH CALLS FOR DEVALUATION
OF THE FRANC FROM ITS PRESENT LEVEL, BONNET TOLD THE COMMISSION.

HE REVEALED THAT THE TREASURY IS IN DESPERATE STRAITS AND HAD TO
BORROW HEAVILY FROM STATE FUNDS TO MEET ITS WEEK-END COMMITMENTS.

6/29--TP150P

ADD BONNET, PARIS.

BONNET REVEALED THAT NO MORE GOLD REMAINS IN THE FRENCH EXCHANGE
EQUALIZATION FUND.

ALTHOUGH HE DID NOT SAY SO AT THE MOMENT, RELIABLE SOURCES REPORTED
THAT HE WOULD ANNOUNCE TONIGHT FRANCE'S WITHDRAWAL FROM THE TRI-
PARTITE AGREEMENT UNDER WHICH THE FRANC IS LINKED FOR STABILITY WITH THE
DOLLAR AND THE POUND STERLING.

THE U.S. AND GREAT BRITAIN WERE SAID--WITHOUT AUTHORITATIVE
CONFIRMATION--TO HAVE AGREED TO THE LOWERING OF THE FRANC RATE. THE
SAME SOURCES SAID THAT THE DENUNCIATION OF THE TRI-POWER AGREEMENT WAS
DECIDED UPON WITH THE APPROVAL OF BRITISH PRIME MINISTER NEVILLE CHAM-
BERLAIN, AND UNITED STATES TREASURY SECRETARY HENRY MORGENTHAU, JR.

6/29--R202P

Regraded Unclassified

ADD BONNET, PARIS

BONNET REVEALED THAT THIS MORNING THE TREASURY HAD ONLY 20,000,000 FRANCS (\$892,500) ON HAND FOR MONTH-END PAYMENTS DUE TOMORROW AND HAD TO BORROW 400,000,000 FRANCS (\$17,850,000) FROM THE STATE DEPOSIT FUNDS, CAISSE DE DEPOT ET CONSIGNATION.

HE INSISTED THAT THE GOVERNMENT NEEDED FULL POWERS AND IT IS IMPOSSIBLE TO BROOK DELAY.

6/29--R206P

ADD BONNET, PARIS

BONNET SPOKE IN THE FRANKEST TERMS TO THE FINANCE COMMISSION AND GAVE STARTLING FIGURES OF FRANCE'S FINANCIAL PLIGHT. HE REVEALED THAT BETWEEN JUNE 1 AND JUNE 22 OF THIS YEAR 5,200,000,000 FRANCE IN GOLD (\$232,050,000) HAD FLOWED OUT OF THE COUNTRY, AND THAT BETWEEN JUNE 23 AND YESTERDAY, 2,500,000,000 FRANCS (\$111,562,500) HAD BEEN LOST.

THE NEW FINANCE MINISTER REVEALED THAT THE REGULAR BUDGET SHOWED A DEFICIT OF BETWEEN 6,700,000,000 AND 8,000,000,000 FRANCS (\$298,987,500 AND \$357,000,000), WHICH HE PROPOSED TO COVER THROUGH NEW TAXATION.

HE DECLARED THAT 17,000,000,000 FRANCS (\$758,625,000) IN FRESH CASH MUST BE RAISED BEFORE THE END OF THE YEAR.

6/29--R222P

4
ABB BONNET, PARIS

IN ADDITION TO THE DEFICIT IN THE ORDINARY BUDGET, BONNET SAID THE EXTRAORDINARY BUDGET SHOWED A SHORTAGE OF 8,500,000,000 FRANCS (\$379,312,500). IN ADDITION, TREASURY OBLIGATIONS WHICH MUST BE MET BETWEEN NOW AND THE END OF THE YEAR TOTAL BETWEEN 16,000,000,000 AND 18,000,000,000 FRANCS (\$714,000,000 AND \$803,250,000).

ON OCT. 5, THE GOVERNMENT MUST MEET 5,400,000,000 FRANCS (\$240,975,000), OF MATURING UNRENEWABLE BONDS, ISSUED BY THE FORMER GERMAIN-MARTIN FINANCE MINISTRY.

ON DEC. 1 THE FIRST BRITISH LOAN MADE TO SUPPORT THE FRANCE IN ITS EARLIER DIFFICULTIES IS DUE. IT AMOUNTS TO 4,400,000,000 FRANCS (\$196,350,000). IN ADDITION, THE BONDS ISSUED UNDER THE VINCENT AURIOL MINISTRY, AMOUNTING TO BETWEEN 7,000,000,000 AND 8,000,000,000 FRANCS, (\$312,375,000 AND \$357,000,000) MUST BE MET DURING THE YEAR.

BONNET EXPLAINED THAT FRANCE'S WITHDRAWAL FROM THE THREE-POWER ACCORD ELIMINATES THE NECESSITY OF MAINTAINING THE EXCHANGE EQUALIZATION FUND, WHICH AT PRESENT HAS 10,000,000,000 PAPER FRANCS (\$446,250,000) BUT NO GOLD. THE BANK NOTES WOULD THUS REVERT TO THE TREASURY TO AID THE GOVERNMENT IN MEETING ITS OBLIGATIONS.

DURING THE YEAR, BONNET SAID, TREASURY OBLIGATIONS WOULD BE MET IN GREAT PART BY RAISING THE PAPER LIMIT OF THE GOVERNMENT'S CURRENT ACCOUNT AT THE BANK OF FRANCE, PROBABLY BETWEEN 10,000,000,000 AND 13,000,000,000 FRANCS (\$446,250,000 AND \$669,375,000.)

IN ANNOUNCING FURTHER DEVALUATION OF THE FRANC, BONNET TOLD THE COMMISSION THAT THE GOVERNMENT WILL DECIDE TO ELIMINATE THE LOWER LIMIT OF THE FRANC RATE AS FIXED IN THE TRI-POWER AGREEMENT.

6/29--12317

JUN 29 A M

JUN 29 1937

FRENCH SITUATION

PARIS- MUCH TO ITS SURPRISE PARIS AWOKE THIS MORNING TO FIND MARKETS FOR SECURITIES AND EXCHANGES AND COMMODITIES CLOSED BY GOVERNMENT DECREE UNTIL FURTHER ORDER- THE PUBLIC HOWEVER WAS SO WELL AWARE OF THE CRITICAL FINANCIAL CONDITIONS THAT IT RECEIVED THE NEWS CALMLY

THERE IS GROUND FOR BELIEVING THAT ONLY AT THE CABINET COUNCIL LAST NIGHT WAS THE CLOSING OF THE MARKETS PERCEIVED AS NECESSARY AND THIS FOR SEVERAL REASONS- FIRST BECAUSE THERE WAS A DIFFERENCE OF OPINION WITHIN THE CABINET ON FINANCE MINISTER BONNET-S FINANCIAL MEASURES- SECONDLY EVEN IF THE CABINET WERE ABLE TO AGREE ON THE TEXTS DEBATES THEREON IN THE CHAMBER OF DEPUTIES AND SENATE WOULD HAVE DEMANDED SEVERAL DAYS- THIRDLY URGENT ACTION WAS REQUIRED TO CHECK THE FLIGHT OF CAPITAL AND DEFEND THE GOLD RESERVE- THE GOVERNMENT THEREFORE DETERMINED TO PRESENT IMMEDIATELY THE SPECIAL POWERS BILL FOR APPROVAL WITHIN 24 HOURS BY BOTH CHAMBERS- CLOSING OF ALL MARKETS IN THE MEANTIME NOT ONLY HALTS A POSSIBLE PANIC BUT PRACTICALLY FORCES PARLIAMENT TO ACT QUICKLY SINCE THE COUNTRY-S ACTIVITIES

CANNOT BE SUSPENDED INDEFINITELY WITHOUT THE GRAVEST RESULTS

ALL BANKS RECEIVED ORDERS THIS MORNING TO SELL FRANCS ONLY AGAINST FOREIGN BANK NOTES TRAVELERS CHECKS OR LETTERS OF CREDIT IN ORDER TO SATISFY TOURIST REQUIREMENTS AT DOLLAR AND STERLING RATES PREVAILING YESTERDAY NAMELY 22 41 AND 110 55- IT IS UNDERSTOOD THE BANK OF ENGLAND IS ALSO SELLING FRANCS AT 110 55- ORDINARY CHECKS IN STERLING AND DOLLARS FOR EXCHANGE INTO FRANCS ARE UNACCEPTABLE UNLESS WITH THE APPROVAL OF THE BANK OF FRANCE- NATURALLY ALL DEMANDS FOR STERLING AND DOLLARS AGAINST FRANCS ARE REFUSED

NO INDICATION IS GIVEN OF THE GOVERNMENT'S MONETARY PLANS AND PROBABLY THEY ARE NOT YET DEFINITE- INDICATIONS ARE THAT THE GOVERNMENT WILL IN ANY CASE DEMAND ADDITIONAL BORROWING POWERS FROM THE BANK OF FRANCE AND ATTEMPT FOR A WHILE TO AVOID STABILIZATION OF THE FRANC WITHIN THE EXISTING LEGAL LIMITS OR A NEW LOW LEVEL- EVEN STABILIZATION AT ANY LEVEL SEEMS LESS LIKELY THAN ADOPTION OF A NEW FLOATING FRANC WITHIN WIDER LIMITS AS RECOMMENDED EXPRESSLY BY RIST AND BAUDOUIN- RESORT TO DEFINITE PERMANENT CONTROL OF EXCHANGES IS CONSIDERED MOST IMPROBABLE SINCE BONNET IS AN INVETERATE ADVOCATE OF MONETARY LIBERALISM

FRENCH FINANCIAL MEASURES 7.05

PARIS - PREMIER CAMILLE CHAUTEPS TOOK TO PARLIAMENT TODAY HIS DEMAND FOR EMERGENCY POWERS TO COMBAT A GRAVE CRISIS IN THE NATIONAL FINANCES AND ANNOUNCED HE WOULD DEMAND THAT BOTH HOUSES END THEIR DEBATE ON HIS PROPOSAL BY NOON TOMORROW

IT WAS ANNOUNCED THAT CHAUTEPS NEW LEADER OF THE POPULAR FRONT GOVERNMENT WOULD SEEK POWERS UNDER FIVE HEADINGS-

- 1 - TO RESTORE SOUNDNESS TO THE TREASURY
- 2 - TO FIGHT SPECULATION IN THE FRANC
- 3 - TO EFFECT ECONOMIC RECOVERY
- 4 - TO BALANCE THE BUDGET AND
- 5 - TO DEFEND THE FRANC

JUN 29 1937

CHAUTEPS KEPT SECRET THE DETAILS OF THE PLANS HE AND HIS MINISTERS WORKED OUT AND AGREED UPON UNANIMOUSLY AT A MEETING BEFORE THE OPENING OF THE DAY IN PARLIAMENT WHICH MEETS 10 AM -EDT-

BUT IT WAS GOSSIPED WITHOUT CONFIRMATION THAT FOR ONE THING THE GOVERNMENT MIGHT IF NECESSARY LOWER THE VALUE OF THE FRANC TO 25 TO THE DOLLAR - YESTERDAY-S RATE WAS 22 40 TO THE DOLLAR

STOCK AND COMMODITY EXCHANGES WERE CLOSED BY FINANCE MINISTRY DECREE UNTIL FURTHER NOTICE - PAYMENTS IN GOLD OR FOREIGN EXCHANGE WERE SUSPENDED

THE CABINET MEETING IN A FORMAL COUNCIL OF MINISTERS UNDER PRESIDENT ALBERT LEBRUN APPROVED THE DETAILS OF THE EMERGENCY FINANCE-

POWERS BILL AS PERFECTED BY FINANCE MINISTER
GEORGES BONNETT

A FOUR-PAGE MINISTERIAL DECLARATION
TO BE READ IN PARLIAMENT THIS AFTERNOON ALSO
WAS APPROVED

IT WAS DECIDED TO ASK AUTOCRATIC FINAN-
CIAL POWERS UNTIL AUGUST 31 AND TO DEMAND
THAT THE CHAMBER REMAIN IN CONTINUOUS SESSION
UNTIL A VOTE WAS TAKEN ON THE PROJECT - A
NIGHTLONG SESSION WAS EXPECTED - THEN THE
SENATE WOULD ACT - ASSUMING THAT BOTH HOUSES
AGREED TO THE PROJECT CHAUTEUPS PROPOSED
TO SEND THEM ON AN INDEFINITE VACATION
BEGINNING NEXT WEEK

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LONDON DEALINGS IN FRANCS SUSPENDED

LONDON - IN CONFORMITY WITH THE DECISION
OF FRENCH AUTHORITIES TO CLOSE THE PARIS
BOURSE DURING THE CONSIDERATION OF MEASURES
DEALING WITH THE COUNTRY-S FINANCIAL CRISIS
THE LONDON BANKERS COMMITTEE DECIDED TO
SUSPEND ALL DEALINGS IN FRENCH FRANCS UNTIL
FURTHER NOTICE

RULING RATES OF EXCHANGES AT 10 35 AM
FOLLOW - N Y CABLES 4 93 AMSTERDAM 8 965
ITALY 93 75 BERLIN 12 292 CANADA 4 93 3-4

RULING RATES AT 12 35 PM FOLLOW - N Y
CABLES 4 9335 AMSTERDAM 8 9850 ITALY 93 75
BERLIN 12 297 CANADA 4 94 1-8

-0-

ADD FRENCH FINANCIAL MEASURES 7/18

PARIS - THE BOURSE CLOSING DECREE IN
THE OFFICIAL JOURNAL READ-

-BY DECREE THE SECURITY AND COMMERCIAL
BOURSES ARE CLOSED BEGINNING JUNE 29 1937
UNTIL A DATE TO BE FIXED BY DECISION OF THE
MINISTER OF FINANCES

-BY DECREE-

-ARTICLE 1- PAYMENT OF COMMERCIAL BILLS
AND OTHER COMMERCIAL ENGAGEMENTS IN GOLD
OR FOREIGN CURRENCIES BECOMING DUE
BEGINNING JUNE 29 1937 MAY BE POSTPONED
ON WRITTEN DEMAND OF THE DEBTOR - THE DATE
ON WHICH PAYMENT MAY BE DEMANDED WILL BE
FIXED BY DECISION OF THE MINISTER OF FINANCE

-ARTICLE 2- PROTEST SHALL NOT BE MADE
BEFORE THE DATE FIXED BY THE DECISION FORESEEN
IN THE PREVIOUS ARTICLE CONCERNING COMMERCIAL
BILLS OF WHICH PAYMENT IS POSTPONED UNDER
CONDITIONS FIXED BY THE SAID ARTICLE

-ARTICLE 3- DURING THE SAME PERIOD
INTEREST ON DEBT CORRESPONDING TO BILLS AND
OTHER COMMERCIAL ENGAGEMENTS AFFECTED BY
THE PRECEDING ARTICLES WILL BE CALCULATED
AT THE REDISCOUNT RATE OF THE BANK OF

JUN 29 1937

FRANCE -

THE CHAITEMPS-BONNET PLAN WAS SAID TO ENVISAGE A SHARP REDUCTION IN GOVERNMENT EXPENDITURES NEW INDIRECT TAXES A 25 PC INCREASE IN RAILROAD FARES AS PART OF THE WORK OF INCREASING CONFIDENCE RELIEVING THE TREASURY SITUATION AND WINNING BACK TO THE COUNTRY CAPITAL THAT HAS FLED ABROAD

CHAITEMPS WAS REPRESENTED LAST NIGHT AS SET AGAINST NEW DEVALUATION PROVIDED THAT THE COUNTRY COOPERATED IN FINANCIAL RECOVERY AND SPECULATION WAS HALTED IN CURRENCY

BUT THE ECHO DE PARIS AMONG OTHER SOURCES REPORTED THAT THE LIMITS FIXED FOR VARIATIONS OF THE FRANC BY THE MONETARY LAW OF OCTOBER 1 UNDER THE TRIPARTITE AGREEMENT WOULD BE LOWERED

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IN PARIS POLICE MOVED ON THE BOURSE IN STRONG NUMBERS TO ENFORCE THE ORDER CLOSING EXCHANGES - THEY CHASED OFF 3 000 BROKERS AGENTS WHO TRIED TO TRANSACT CURB TRANSACTIONS TO BE NEGOTIATED BY LONDON REPRESENTATIVES

BY UP

7,245 JUN 29 1937

FRENCH FINANCIAL MEASURES 7.05

PARIS- THE GOVERNMENT-S DECLARATION TO
PARLIAMENT SAID-

-THE MOST PRESSING DUTY AND RAISON D-ETRE
OF OUR GOVERNMENT IS TO TAKE WITHOUT DELAY
ENERGETIC MEASURES TENDING TO REPRESS INTOLER-
ABLE ABUSES OF SPECULATION SAVE THE GOLD
RESERVES OF THE BANK OF FRANCE COVER THE
TREASURY-S NEEDS SEEK A BALANCED BUDGET
WATCH OVER PRICES AND RE-KINDLE THE NATIONAL
ECONOMY

-THE TASK IS TO PRESENT TO PARLIAMENT A
VAST PLAN CAPABLE OF ASSURING THE PERMANENT
RESTORATION OF THE FINANCIAL AND ECONOMIC
SITUATION AND FORTIFYING THE INDISPENSABLE
CONFIDENCE OF THE COUNTRY IN ITSELF AND ITS
FUTURE

-TOWARDS THIS END THE MINISTER OF FINANCE
WILL IMMEDIATELY SUBMIT TO THE CHAMBER BILLS
OF CAPITAL IMPORTANCE CONFERRING ON THE GOVERN-
MENT THE NECESSARY POWERS TO ACT WITH ALL THE
PROMPTNESS AND FIRMNESS WHICH THE PUBLIC INTER-
EST REQUIRES

-THE CABINET WILL NATURALLY ENGAGE ALL
ITS POLITICAL RESPONSIBILITY ON THESE BILLS
WHICH BOTH HOUSES SHOULD DISCUSS WITHOUT
INTERRUPTION-

THE DECLARATION PLEDGED CONTINUITY OF
FOREIGN POLICY PRCLAIMING FRANCE TO BE
-PASSIONATELY ATTACHED TO THE SEARCH FOR
PEACE WITH ALL PEOPLES AND ONLY CONCEIVING IT

IN JUSTICE AND WITH RESPECT TO THE INDEPENDENCE OF ALL COUNTRIES-

FRANCE THE DECLARATION SAID WILL REMAIN FAITHFUL TO THE LEAGUE OF NATIONS AND HER FRIENDS

-UNANIMOUS IN ITS PATRIOTIC SENTIMENTS- IT CONTINUED -SURE OF HERSELF AND HER FRIENDS FRANCE IS EQUALLY RESOLVED TO ABSTAIN FROM ALL MENACES AND NOT TO SUFFER ANY

-PEACE CANNOT BE PURCHASED WITH SACRIFICES THAT WOULD LEAD TO SERVITUDE AND WAR - PEACE CAN ONLY BE ACHIEVED THROUGH THE PEOPLE-S WILL TO DEFEND IT WITH ALL THEIR FORCES AND SERVICE OF LAW

-WE WILL NOT NEGLECT ANYTHING IN THIS RESPECT AND WILL MAINTAIN AT MAXIMUM STRENGTH THE FORCES THAT PROTECT THE FATHERLAND-S SECURITY

-WE ADDRESS A CORDIAL APPEAL TO ALL NATIONS AND ALL GOVERNMENTS WITHOUT EXCEPTION IN ORDER THAT THEIR SINCERE ADHERENCE TO THE REGIME OF MUTUAL ECONOMIC AID AND ARMS LIMITATION FINALLY WILL BRING FORTH HOPE OF PERMANENT CO-OPERATION BETWEEN RECONCILED PEOPLES-

THE DECLARATION PLEDGES THE GOVERNMENT NOT TO ALLOW EXISTING SOCIAL LEGISLATION TO BE INFRINGED- THE PRESENT -PAUSE- IN LEGISLATION WILL BE CONTINUED IT SAID BUT THAT DOES NOT SIGNIFY REACTION BECAUSE NEW REFORMS MUST WAIT ON FINANCIAL AND ECONOMIC RECOVERY

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-BY U P-

17 23

JUL 29 1937

FRENCH PROGRAM BEFORE PARLIAMENT

PARIS- THE POPULAR FRONT GOVERNMENT DEMANDED EMERGENCY POWERS FROM PARLIAMENT TODAY

A GOVERNMENT DECLARATION OUTLINING THE CABINET-S AIMS WAS READ TO THE CHAMBER OF DEPUTIES AND SENATE- THE GOVERNMENT STAKED ITS LIFE ON ADOPTION OF THE PROGRAM INSISTING THAT IT BE APPROVED BY NOON TOMORROW

PREMIER CHAUMPS READ THE DECLARATION IN THE CHAMBER AND VICE-PREMIER BLUM WHOM HE SUCCEEDED REAT IT IN THE SENATE- IT WAS THE SENATE WHICH CAUSED THE DOWNFALL OF BLUM-S GOVERNMENT BY DEFEATING HIS REQUEST FOR MUCH Milder POWERS THAN NOW ASKED BY CHAUMPS

THE CHAMBER LISTENED COOLLY TO THE DECLARATION ONLY THE RADICAL SOCIALISTS -CHAUMPS PARTY- APPLAUDING

CHAUMPS PROVOKED AN IMMEDIATE BATTLE BY DEMANDING A VOTE OF CONFIDENCE ON POSTPONEMENT OF ALL INTERPELLATIONS UNTIL THE GOVERNMENT-S FULL POWERS HAVE BEEN VOTED

FOREIGN EXCHANGES QUIET *PO*

FOREIGN EXCHANGE MARKET IS QUIET PENDING FURTHER DEVELOPMENTS IN FRANCE - FOLLOWING LEAD OF PARIS AND LONDON MARKETS THERE IS NO BUSINESS BEING DONE IN FRENCH FRANCS EITHER IN THE SPOT OR FORWARD MARKETS

THERE IS SOME ACTIVITY IN STERLING WHERE SPECULATIVE SELLING HAS ENTERED MARKET IN ADDITION TO COMMERCIAL OFFERINGS NOTED IN FIRST FEW DAYS - VOLUME OF BUSINESS SO FAR IS NOT HEAVY BUT AT TIMES THIS MORNING THE BRITISH EXCHANGE CONTROL HAS BEEN COMPELLED TO SELL DOLLARS TO COUNTER THE TREND - STERLING IS CURRENTLY QUOTED AT 4 93 1-8 SLIGHTLY BELOW THE EARLIER QUOTATIONS BUT UNCHANGED ON THE DAY

BY UP

CHAUTEMPS GOVERNMENT GETS CONFIDENCE VOTE
ON INTERPELLATIONS

PARIS - THE GOVERNMENT WON THE INITIAL SKIRMISH WHEN THE CHAMBER GAVE IT THE CONFIDENCE VOTE ON INTERPELLATIONS - THE COMMUNISTS RALLIED TO THE SUPPORT OF THE POPULAR FRONT

ALBERT SARRAUT ONE OF THE THREE MINISTERS OF STATE READ THE DECLARATION IN THE SENATE - VICE PREMIER LEON BLUM WAS SCHEDULED TO READ IT IN THE SENATE BUT OBJECTED AT THE LAST MINUTE TO DOING SO BEFORE THE BODY WHICH CAUSED THE DOWNFALL OF HIS GOVERNMENT LAST WEEK

ADD FRENCH VOTE OF CONFIDENCE

PARIS- THE VOTE WAS 393 TO 142

115 JUN 29 1937

AFTER ITS VOTE THE CHAMBER ADJOURNED
UNTIL 9 PM TO ALLOW THE FINANCE COMMITTEE
TO CONSIDER THE GOVERNMENT PROJECTS

THE SENATE LISTENED TO THE DECLARATION
AND THEN ADJOURNED UNTIL 9 AM TOMORROW

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1.203 JUN 29 1937
FRENCH SITUATION

PARIS- IT HAS BEEN CONFIRMED THAT THE
CRITICAL ATTITUDE ADOPTED BY THE COMMUNISTS
TOWARD THE GOVERNMENT-S PLANS IS CAUSING
HESITATION ON THE PART OF THE SOCIALISTS

IT HAS BEEN SUSPECTED THAT ADJOURNMENT
OF THE CHAMBER UNTIL 9 O-CLOCK THIS EVENING
WAS CAUSED BY UNCERTAINTY OVER THE SOCIALISTS
AND THAT THE INTERVAL IS BEING USED FOR
NEGOTIATIONS

COMMUNISTS OPPOSED THE PROSPECT OF A DRASTIC
ALL AROUND INCREASE IN INDIRECT TAXES- THEY
DEMAND TAXATION OF BIG FORTUNES AND REPRESSION
OF FISCAL FRAUD AND EXPORTATION OF CAPITAL

THE GOVERNMENT ARGUES THAT ITS PROGRAM
MUST BE CONSIDERED AS A WHOLE AND ALL MEASURES
MUST BE APPLIED SIMULTANEOUSLY

THE CHAMBER OF DEPUTIES IS EXPECTED TO DE-
BATE THE BILL THROUGHOUT THE NIGHT AND THE SENAT
-E TOMORROW AFTERNOON

CLOSING OF PARIS MARKETS TOMORROW THEREFORE
IS INEVITABLE

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-BY U P

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JUN 20 1937

CHAMBER FINANCE COMMISSION VOTES FULL POWER TO
CHAUTEMPS GOVERNMENT

PARIS- THE FINANCE COMMISSION OF THE
CHAMBER OF DEPUTIES VOTED FULL POWER TO THE
POPULAR FRONT GOVERNMENT TO DEAL WITH THE
FINANCIAL CRISIS BY A VOTE OF 17 TO 16

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BONNET SAYS FRANC MUST BE DEVALUED

JUN 20 1937

PARIS - UP- FRANCE HAS BEEN DRAINED OF
GOLD TO THE EXTENT OF BILLIONS OF FRANCS AND IS
IN A CRITICAL POSITION WHICH CALLS FOR DEVALUA-
TION OF THE FRANC FROM ITS PRESENT LEVEL
GEORGES BONNET FINANCE MINISTER TOLD THE
FINANCE COMMISSION OF THE CHAMBER OF DEPUTIES
TODAY

BONNET REVEALED THAT THE TREASURY
HAD TO BORROW HEAVILY FROM STATE FUNDS TO MEET
ITS WEEK END COMMITMENTS

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-BY U P-

JUN 20 1937

ADD BONNETT ON FRANC

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PARIS- BONNET REVEALED THAT NO MORE GOLD
REMAINS IN THE FRENCH EXCHANGE EQUALIZATION FUND

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-BY U P-

218
ADD BONNET ON FRANC

JUN 29 1937

PARIS- BONNET TOLD THE COMMISSION IT IS IMPOSSIBLE TO MAINTAIN THE FRANC AT THE PRESENT RATE

HE REVEALED THAT THIS MORNING THE TREASURY HAD ONLY 20 000 000 FRANCS ON HAND FOR MONTH-END PAYMENTS DUE TOMORROW AND HAD TO BORROW 400 000 000 FRANCS FROM THE STATE DEPOSIT FUND CAISSE DE DEPOT ET CONSIGNATION

HE INSISTED THAT THE GOVERNMENT NEEDED FULL POWERS AND IT IS IMPOSSIBLE TO BROOK DELAY

5-24
ADD CHAMBER FINANCE COMMISSION VOTES POWERS

PARIS - IN THE CHAMBER-S FINANCE COMMITTEE VOTE OF 17 AGAINST 16 ALL FIVE COMMUNIST MEMBERS ABSTAINED AND THREE SOCIALISTS - THIS INDICATES THE PROBABILITY OF THE COMMUNISTS ABSTAINING BUT NOT OPPOSING THE CHAMBER

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JUN 29 1937

BY UP

JUN 29 1937

ADD BONNET ON FRANC

PARIS - IN ADDITION TO THE DEFICIT IN THE ORDINARY BUDGET BONNET SAID THE EXTRA-ORDINARY BUDGET SHOWED A SHORTAGE OF 8 500 000 000 FRANCS - IN ADDITION TREASURY OBLIGATIONS WHICH MUST BE MET BETWEEN NOW AND THE END OF THE YEAR TOTAL BETWEEN 16 000 000 000 AND 18 000 000 000 FRANCS

ON OCT 5 THE GOVERNMENT MUST MEET 5 400 000 000 FRANCS OF MATURING UNRENEWABLE BONDS ISSUED BY THE FORMER GERMAIN-MARTIN FINANCE MINISTRY

ON DEC 1 THE FIRST BRITISH LOAN MADE TO SUPPORT THE FRANC IN ITS EARLIER DIFFICULTIES IS DUE - IT AMOUNTS TO 4 400 000 FRANCS - IN ADDITION THE BONDS ISSUED UNDER THE VINCENT AURIOL MINISTRY AMOUNTING TO BETWEEN 7 000 000 000 AND 8 000 000 000 FRANCS MUST BE MET DURING THE YEAR

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BY UP

JUN 29 1937

ADD BONNET ON FRANC

PARIS - ON DEC 1 THE FIRST BRITISH LOAN MADE TO SUPPORT THE FRANC IN ITS EARLIER DIFFICULTIES IS DUE - IT AMOUNTS TO 4 400 000 000 FRANCS

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-BY U P-

JUN 29 1937

BONNET ON FRANCS

PARIS- BONNET EXPLAINED THAT FRANCE-S WITHDRAWAL FROM THE THREE-POWER ACCORD WILL ELIMINATE THE NECESSITY OF MAINTAINING THE EXCHANGE EQUALIZATION FUND WHICH AT PRESENT HAS 10 000 000 000 PAPER FRANCS BUT NO GOLD- THE BANK NOTES WOULD THUS REVERT TO THE TREASURY TO AID THE GOVERNMENT IN MEETING ITS OBLIGATIONS

DURING THE YEAR BONNET SAID TREASURY OBLIGATIONS WOULD BE MET IN GREAT PART OF RAISING THE UPPER LIMIT OF THE GOVERNMENT-S CURRENT ACCOUNT AT THE BANK OF FRANCE PROBABLY BETWEEN 10 000 000 000 AND 15 000 000 000 FRANCS

REGARDING FURTHER DEVALUATION OF THE FRANC BONNET TOLD THE COMMISSION THAT THE GOVERNMENT PLANS TO ELIMINATE THE LOWER LIMIT OF THE FRANC RATE AS FIXED IN THE TRI-POWER AGREEMENT

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-BY U P-

JUN 29 1937

ADD BONNET ON FRANC

PARIS- AFTER BONNET-S SPEECH THE COMMISSION GAVE THE GOVERNMENT-S FINANCIAL REHABILITATION PROGRAM ASKING EXTRAORDINARY POWERS TO DEAL WITH THE SITUATION A FAVORABLE BUT NARROW VOTE OF 17 TO 16

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ADD BONNET ON FRANC

JUN 29 1937

PARIS - REUTERS - BONNET IS UNDERSTOOD TO HAVE STATED TO THE FINANCE COMMISSION OF THE CHAMBER THAT THE FRANC SHOULD BE ALLOWED TO FIND ITS OWN LEVEL

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-BY U P-

JUN 29 1937

ADD BONNET ON FRANC

PARIS- BONNET SPOKE IN THE FRANKEST TERMS TO THE FINANCE COMMISSION AND GAVE FIGURES OF FRANCE-S FINANCIAL FLIGHT- HE REVEALED THAT BETWEEN JUNE 1 AND JUNE 22 OF THIS YEAR 5 200 000 000 FRANCS IN GOLD HAD FLOWED OUT OF THE COUNTRY AND THAT BETWEEN JUNE 23 AND YESTERDAY 2 500 000 000 FRANCS HAD BEEN LOST

THE NEW FINANCE MINISTER REVEALED THAT THE REGULAR BUDGET SHOWED A DEFICIT OF BETWEEN 6 700 000 000 AND 8 000 000 000 FRANCS WHICH HE PROPOSED TO COVER THROUGH NEW TAXATION

BONNET DECLARED THAT 17 000 000 000 FRANCS FRESH CASH MUST BE RAISED BEFORE THE END OF THE YEAR

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June 29, 1937
(DJ 7:15 am)

London dealings in francs Suspended.

London - In conformity with the decision of French authorities to close the Paris Bourse during the consideration of measures dealing with the country's financial crisis the London Bankers Committee decided to suspend all dealings in French francs until further notice.

Ruling rates of exchanges at 10:35 am follow. N.Y. cables 4.93, Amsterdam 8.965, Italy 93.75, Berlin 12.292, Canada 4.93-3/4. Ruling rates at 12.35 pm follow. N.Y. cables 4.9335, Amsterdam 8.9850, Italy 93.75, Berlin 12.297, Canada 4.94-1/8.

DECISION TO CLOSE THE FRENCH BOURSE AND THE TEMPORARY CESSATION OF DEALINGS IN FRENCH FRANCS CAUSED FRESH UNCERTAINTY IN LONDON STOCK MARKET AND ALTHOUGH THERE WAS PRACTICALLY NO SELLING QUOTATIONS WERE MARKED DOWN AS A PRECAUTIONARY MEASURE - BRITISH FUNDS WERE DULL WAR LOAN 3 1-2S BEING QUOTED AT 99 15-16 PDS - AMONG FOREIGN BONDS FRENCH ISSUES WERE NOMINAL WITH THE 4S AROUND 14 1-4 PDS - GERMAN BONDS WERE STEADY WHILE CHINESE BONDS WERE AGAIN SUPPORTED - KAFFIRS HAVE BEEN SHARPLY MARKED DOWN ALTHOUGH THERE WAS SOME RESISTANCE - WEST WITWATERSRAND WAS QUOTED AT 8 3-4 PDS AFTER SELLING AT 8 1-2 PDS - COPPER ISSUES WERE EASIER WITH RIO TINTO WEAK AT 19 PDS RHOKANA CORP 12 3-8 PDS AND DE BEERS DEFERRED 16 3-4 PDS AFTER TOUCHING 16 1-2 PDS - INDUSTRIAL SHARES WERE NEGLECTED WITH QUOTATIONS WHERE CHANGED EASIER - MOTOR ISSUES AND THE HEAVY INDUSTRY GROUP SHOWED A SMALL GENERAL DECLINE - UNILEVER ISSUES WERE MARKED DOWN ON OFFERINGS FROM AMSTERDAM - OIL SECURITIES WERE DEPRESSED ON CONTINENTAL SELLING - ROYAL DUTCH SOLD AT 46 1-2 PDS SHELL TRANSPORT & TRADING 5 15-32 PDS AND MEXICAN EAGLE 18S - RUBBER ISSUES WERE DULL WITH THE COMMODITY PRICE AT 9 9-160

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BY UP

LONDON.--IT WAS ANNOUNCED AT THE OPENING OF THE MARKETS TODAY THAT THERE WOULD BE NO DEALINGS IN FRENCH FRANCS, DUE TO SUSPENSION OF THE PARIS BOURSE.

THE AMERICAN DOLLAR OPENED AT \$4.93-1/8 TO THE POUND AND HARDENED TO \$4.92-15/16.

SUSPENSION IN FRANC DEALINGS WAS ON AN INDEFINITE BASIS, ALL DEALINGS BEING BANNED UNTIL FURTHER NOTICE.

6/29--R906A

LONDON EXCHANGE MARKET

JUN 29 1937

2447

LONDON - WITH DEALINGS IN FRENCH FRANCS
SUSPENDED CONSIDERABLY LESS TENSION PREVAILED
IN THE LONDON FOREIGN EXCHANGE MARKET AND
TURNOVER WAS SMALL

THERE WAS A FAIR DEMAND FOR AMERICAN
DOLLARS AND INTERMITTENT SALES WERE REPORTED
TO HAVE BEEN MADE BY THE BRITISH CONTROL
TO COUNTER THE TREND

CONTINENTAL CURRENCIES MOVED ERRATICALLY -
DISAPPEARANCE OF FORWARD PREMIUMS ON BELGAS
AND SWIS FRANCS WAS EXPLAINED IN SOME
QUARTERS AS REFLECTING FEARS THAT IN THE EVENT
OF A FURTHER SHARP DEVALUATION OF THE
FRENCH FRANC SOME READJUSTMENT OF THESE
TWO CURRENCIES MIGHT BE NECESSARY

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JUN 29 1937

DUTCH TO EASE FOREIGN CAPITAL ISSUE EMBARGO

AMSTERDAM - IT IS REPORTED FROM OFFICIAL SOURCES THAT THE DUTCH AUTHORITIES INTEND TO APPLY THE EMBARGO ON NEW FOREIGN CAPITAL ISSUES IN HOLLAND IN A FAR MORE FLEXIBLE MANNER

UNDER THE NEW POLICY NEW ISSUES FROM FOREIGN CORPORATIONS AND INSTITUTIONS WHOSE BONDS OR SHARES ALREADY ARE QUOTED IN AMSTERDAM WILL NO LONGER BE FORBIDDEN IN PRINCIPLE

HOWEVER THE AUTHORITIES RESERVE THE RIGHT TO JUDGE EACH SPECIAL CASE SEPARATELY

FROM THIS IT IS NOT TO BE DEDUCED THAT FOREIGN CORPORATIONS AND INSTITUTIONS WHICH DO NOT HAVE BONDS OR SHARES QUOTED HERE WILL BE BARRED ABSOLUTELY FROM FLOATING NEW ISSUES IN THE CAPITAL MARKET HERE

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PRESIDENT ROOSEVELT DECLARED TODAY THAT THE FRENCH MONETARY CRISIS HAD NO REFLECTION IN AMERICAN FISCAL AFFAIRS.

6/29--TP444P

ADD ROOSEVELT, FRENCH FINANCE.

THE PRESIDENT WOULD NOT DISCUSS THE FRENCH MONETARY SITUATION AND DEVALUATION OF THE FRANC, REFERRING PRESS CONFERENCE QUESTIONERS TO THE TREASURY DEPARTMENT.

HE DID SAY, HOWEVER, THAT THERE WAS NO REFLECTION FROM THE SITUATION IN WASHINGTON.

6/29--TP449P