

DIARY

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KLP

SPECIAL GRAY

1

Paris

Dated June 30, 1937.

Rec'd. 9:05 a.m.

Secretary of State,
Washington.

885, June 30, noon.

FROM COCHRAN

Referring to my telegram No. 819, June 19, 10 a.m., the following is the text of a letter dated June 29th which I have today received from President Bachmann of the Swiss National Bank:

"On June 17th we took the liberty, my colleague Weber and myself, in a letter in care of Mr. Morgenthau, Secretary of the Treasury, to expose our gold policy regarding the United States. We informed you that we are contemplating to convert our equalization fund fixed at 538,000,000 francs successively into foreign exchanges. According to the particulars given in the letter mentioned above the main part of this conversion is already executed.

Since we wrote to you for Mr. Morgenthau no further transactions have been operated for our account by the Federal Reserve Bank of New York and we are willing to abstain from such transactions till we receive an answer - which we hope to be in the affirmative - to our letter

of

Regraded Unclassified

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#885, from Paris - June 30, noon

of the 17th instant.

The present monetary situation in France which can hardly be regulated without an adjustment of the currency makes us anew realize how advisable it is for Switzerland to dispose of a sufficient amount of foreign exchanges. We should highly appreciate to receive within the next (*) days an answer to our letter in order to be able to continue our gold policy as outlined in the said letter".

HPD

BULLITT

(*) Apparent omission

RR

GRAY

Berlin

Dated June 30, 1937

Received 9:05 a. m.

Secretary of State,
Washington.

147, June 30, 1 p. m.

There are no indications here that the monetary developments in France will alter German policy with respect to the mark. It is believed that the position taken by Schacht at the time of the devaluation of the French franc in September (Embassy's telegrams 293 and 298) is still maintained.

Copies by mail to London, Paris, Rome, Geneva.

KLP WWC

DODD

June 30, 1937.
9:18 a.m.

Senator
Bulkley: Good morning!

H.M.Jr: Good morning, Senator.

B: Good morning, Mr. Secretary. Say, I hate to bother you with a matter of this sort, but some of my friends are very much concerned about it and think that an unfairness is likely to be done.

H.M.Jr: Yes.

B: You remember Bill Durbin died a few weeks ago. There was a lady from Ohio there that was his secretary - Mary Kelly.

H.M.Jr: Yeah.

B: Now there's been no new Register appointed yet, and can't she stay there until you get a new Register? I, I'm advised that they're talking about pushing her out, and saying there's some Civil Service appointee who is a Maryland Republican, and it just doesn't go very good with some of my friends, and if you could help her out I'd appreciate it.

H.M.Jr: A, a - Now, Mr. Senator, ^{so that} this thing is taken care of. Do you mind staying on this wire and let me switch you over to Steve Gibbons?

B: Yeah, that'll be all right - sure. He has it in charge does he?

H.M.Jr: Yeah - now just - if you'll stay on the wire, because I, I don't want this to slip with all the other things I'm trying to do.

B: That'll be fine. Thank you ever so much.

H.M.Jr: Now just a second, will you?

B: Thank you very much.

H.M.Jr: You stay on the wire.

B: Yeah.

Operator: Hello.

H.M.Jr: Would you give Senator Bulkley to Secretary Gibbons?

Operator: Surely

H.M.Jr: And if Secretary Gibbons is not in, the minute he comes in, have him call Senator Bulkley, please.

Operator: All right, I will.

H.M.Jr: Thank you.

B: Thank you so much.

H.M.Jr: Thank you.

RE FRENCH CRISIS

June 30, 1937
9:20 a.m.

Present: Mr. Taylor
Mr. Lochhead
Mr. White
Dr. Viner
Mr. Riefler

H.M.Jr: (On phone) Hello, Cochran. (Record of conversation follows:)

June 30, 1937
9:20 a.m.

H.M.Jr: Hello.

H. Merle
Cochran: Hello, Mr. Morgenthau.

H.M.Jr: Hello, Cochran?

C: Yes, sir.

H.M.Jr: Well, what happened that isn't on the ticker?
Do you know anything?

C: Have you heard that the measure passed the
Senate Finance Committee twenty to three?

H.M.Jr: Yeah, we got that.

C: With twelve exceptions.

H.M.Jr: Yeah.

C: Over on the

H.M.Jr: Yeah.

C: That's the last thing. The Senate - the
Senate started to work at three o'clock
and the chances are pretty good that it
will go through today all right.

H.M.Jr: Yes.

C: You see, everyone here has been very much stumped
over the fact that if Bonnet's rather frank dis-
closure of the state of the Treasury tumbles over -

H.M.Jr: Yeah.

C: See, the people haven't known the situation was
so bad there. said - said that
it looks like the Senate will pass the bill right
through.

H.M.Jr: I see.

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C:

H.M.Jr: Uh-huh.

C: And - one thing, I sent you a cablegram today reporting a letter that I had from Bachmann. He said that they are abstaining from transactions on the gold until they receive an answer to their letter.

H.M.Jr: They're doing what?

C: They are abstaining from those transactions on . They're doing

H.M.Jr: They're doing what?

C: gold policy.

H.M.Jr: I see.

C: That very night I wired it on ...

H.M.Jr: Good.

C: And the tone was better than the last one.

H.M.Jr: Uh-huh.

C: And he said he's not doing anything for the present.

H.M.Jr: Good.

C: So I wired that at 12 o'clock today. And as yet - but I did explain that we haven't the official report yet of last - of yesterday's statement.

H.M.Jr: Uh-huh.

C: There's been several statements come out which I'm sure are incorrect.

H.M.Jr: Yes.

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C: Because the papers carried the story that they were going to abolish the stabilization fund.

H.M.Jr.: Yeah.

C: That I - I've given the contrary information, originally so.

H.M.Jr.: I see.

C: I checked up with Cariguel this morning and he said no, there's no such -

H.M.Jr.: I see, yeah.

C: There's also - there's two different stories as to what Bonnet said about the tripartite. One is that Great Britain and the United States had been consulted and that you and Mr. Chamberlain would make statements on the subject.

H.M.Jr.: That we would.

C: Yes.

H.M.Jr.: Yeah.

C: And the other story is that the gentlemen's financial proposal that has been made has the full approval of the United States and the British Government.

H.M.Jr.: Yeah.

C: And that there was therefore no breach in the tripartite agreement.

H.M.Jr.: Yeah.

C: But I'll wire you the exact text as soon as it comes out but they said that the record wouldn't be published until tonight.

H.M.Jr.: All right.

C: So I thought there was no use wearing all of you out.

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H.M.Jr.: No, - well, we can wait.

C: Well, that's everything for now.

H.M.Jr.: Now, I'm going up at 1 o'clock Washington time to the Roosevelt-duPont wedding and will not be back until tonight.

C: Right.

H.M.Jr.: But Mr. Taylor will be here. All right, Cochran.

C: Oh, sir, you're not giving out anything now?

H.M.Jr.: Not a thing.

C: I mean, the more I think of it, the better I think it is - as to what you are going to do.

H.M.Jr.: Well, sure, why should we give out anything?

C: No, it's too uncertain.

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

C: Right.

H.M.Jr.: And I'm not going to give out anything until I've first consulted with the British.

C: Absolutely, yes.

H.M.Jr.: Yeah.

C: Because they think all this expose, all this disclosure of the situation has made the market for the bankers; everyone seems to think that a very great depreciation is inevitable.

H.M.Jr.: Uh-huh.

C: And it is indeterminable devaluation.

H.M.Jr.: ~~Of the franc.~~ Yes.

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C: Of the franc.

H.M.Jr.: Right.

C: today. I haven't been in touch with anyone today except I just dropped by and talked to Cariguel a little while.

H.M.Jr.: Well, let's wait now and see what they do.

C: All right - fine.

H.M.Jr.: If you get anything, telephone.

C: All right, sir.

H.M.Jr.: Thank you.

C: If it comes through this afternoon, I'll arrange to give Taylor word.

H.M.Jr.: Thank you.

C: All right, sir. Goodbye.

ooOoo

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H.M.Jr: Good morning, gentlemen. Let me just finish this thing. (Reads to himself message from Sir John Simon transmitted through British Embassy, marked "Secret.")

Well, I think that the answer on this thing.....
Read it out loud to these boys.

Taylor: They heard that yesterday morning, the only difference being that I think we all got the impression that they had not sent the note they were contemplating.

H.M.Jr: I think the answer to Trentham is very simple - simply that we're not going to do anything until we see the contents of the decree.

Taylor: Last night when Trentham came in I said that you had talked to the Chancellor after these two messages had been received.

H.M.Jr: Yes.

Taylor: And that you had an agreement with the Chancellor that neither of you would make any comment publicly or - I mean to the press or in Parliament, until you had had further consultation.

H.M.Jr: Well, I've got a call coming through with Butterworth. Why don't I just tell Butterworth he can walk over to the Treasury and say that I've got this thing and still my position is that I won't make any statement until I consult with them, and I'm not going to make any until I see actually what the French get through the Parliament.

Taylor: This other message that Butterworth telephoned to you late....

H.M.Jr: Yes.

Taylor:is after both of these.

H.M.Jr: Yes. I think there is a little misunderstanding. I think that cleans it all up.

Taylor: I'm perfectly sure it's all cleaned up, just the only difference being that we didn't know this had actually been sent and it was sent.

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White: It was sent, yes.

H.M.Jr: Yes.

White: And you know that alters - and let's recognize something that's important - they sent this without our knowing it, didn't they?

Taylor: He says it is....

White: Let's recognize....

Taylor: He says it's an interim reply, see?

White: Yes, but we wouldn't have done it. I think we have to be careful in this matter to - I think one step you mentioned is definite, that you ought to wait until you see the decree, but we ought to be careful not to pull English chestnuts out of the fire. We ought to do what we think is right. If England agrees, fine; if she doesn't.....

H.M.Jr: (To Kieley) Where is Schwarz? I've been waiting for him.

Kieley: Schwarz - I'll get him.

H.M.Jr: Well, they've done that before. I can't alter them; I've noticed several times they've jumped the gun.

White: But our interests are a little bit different in this case. It is our interest, definitely, to help France as much as possible.

H.M.Jr: And so what?

White: I say that when we hear their decree....

H.M.Jr: That's right. Then you're agreeing with me.

Lochhead: The Bank of France has sent the cable repeating yesterday's buying and selling price for gold. Even though they said yesterday "until further notice," they've confirmed it. And incidentally, we sold about two million francs this morning already. One bank was short; one of their customers didn't deliver until the end of the month; they had to come in the market and take a balance.

H.M.Jr: (On phone) Hello. (Conversation with Butterworth follows:)

June 30, 1937
9:29 A. M.

H.M.Jr.: Hello, Butterworth.

William
Butterworth: Hello.

H.M.Jr.: Good morning, Butterworth.
Butterworth, can you hear me?

B: Yes, sir.

H.M.Jr.: I think there's some confusion and crossing of wires as to messages. Mr. Trentham, the financial attache, gave me a memorandum from the Chancellor at about 9:30 last night Washington time. I am under the impression that the message that you gave me was given to you after the Chancellor cabled this message to Washington. Hello?

B: Hello. I was given that message at 8:30.

H.M.Jr.: Yes, but the message that you gave me and the message that Trentham gave me are two entirely separate messages.

B: Oh, really?

H.M.Jr.: They have nothing to do with each other.

B: Oh, really.

H.M.Jr.: See?

B: I was given mine at 8:30.

H.M.Jr.: Yes.

B: London time.

H.M.Jr.: Well, they have nothing to do with each other. Now they must know what is the message that they gave Trentham to give me because he got it about 2 or 3 o'clock Washington time in the afternoon.

B: Yes, sir.

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H.M.Jr.: And the message you got at 8:30. Now I want you to go over to the Treasury with this message from me.

B: But I dictated over the telephone to Wayne Taylor.

H.M.Jr.: Yeah, well now those two - that's right. Now those two that Wayne Taylor got were delivered formally to us at 5:30 Washington time.

B: Yes.

H.M.Jr.: Now what I want to know is - do those messages - does he still want an answer on those messages?

B: No, those messages - the French communication and the message in Parliament were superseded by your talk with Sir John Simon.

H.M.Jr.: Well, Trentham didn't know that.

B: And the British have just gotten in touch with me again --

H.M.Jr.: Yes.

B: To say that they understood that in your talk with Simon you both agreed not to make any public statement until one had communicated with the other.

H.M.Jr.: That - that clears up this matter.

B: They said that was their understanding.

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

B: And telephoned me and asked me to get in touch with you because Simon has been bombarded at the House of Commons with questions about the British Government's attitude.

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H.M.Jr.: Well, now you might tell the Treasury that the President of the United States at his press conference at 4 o'clock yesterday refused to comment in any way on the French situation or on the tripartite agreement.

B: Yes, I know. That was published in the press.

H.M.Jr.: Well, he refused to comment on it because - you might tell them privately he --

B: Now --

H.M.Jr.: Now wait a minute. Hello?

B: I wanted to tell you --

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

B: --that
Pardon me./ Simon feels that he must make a statement and they have just given me the following statement to communicate to you.

H.M.Jr.: All right.

B: Now shall I read it to you?

H.M.Jr.: Go ahead.

B: "The Chancellor of the Exchequer wishes to let Mr. Morgenthau know at once that he has been forced to make some statement today in reply to very numerous questions by members of Parliament. He has accordingly arranged to have the following question put to him this afternoon and will make the following reply. The reply is designed not to commit him in any way pending further discussion with Mr. Morgenthau." Now the question reads as follows: "To ask the Chancellor of the Exchequer whether he can make any statement as to the monetary measures announced by the French Government yesterday." And the answer is: "In the French Chamber yesterday Mr. Chautemps' Government announced their intention of asking

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for drastic powers to deal with the financial situation and I understand that the French Parliament is dealing with this demand today. Our position therefore is that the French Government are asking for such powers but until they have obtained them and decided on the action to take under them, it is not possible to state the details of their plans. It is generally recognized that the readjustment of the franc in September, 1936, was not entirely successful in reestablishing a lasting equilibrium between the economic systems of France and those of the United States and Great Britain such as is the underlying object of the tripartite agreement. I understand that the measures now contemplated by the French Government involve the removal of the upper and lower gold limits now prescribed for the franc. The House of Commons will be aware that Mr. Bonnet, the new French Finance Minister, only reached Paris on Monday and there has therefore not been the opportunity for full consultation with him which might otherwise have presented itself. I have been assured, however, by the French Government that it is not their object to seek any exchange advantage from this adjustment and that they are anxious to continue close collaboration with the Governments of the United States and the United Kingdom. This is also the strong desire of His Majesty's Government and I am in close touch with the French Minister of Finance and the Secretary of the United States Treasury with this object in view."

H.M.Jr.: Yes. Hello.

B: Yes, sir.

H.M.Jr.: Well, you tell them that that statement is entirely satisfactory to me.

B: I beg pardon?

H.M.Jr.: That statement is entirely satisfactory to me.

B: Yes, sir, I shall tell them.

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H.M.Jr.: And you may say that if necessary I may give out a statement to this effect: That pending - pending the passage of the legislation - of the proposed legislation before the French Parliament -

B: "Before the French Parliament."

H.M.Jr.: I will have nothing to say.

B: "I will have nothing to say."

H.M.Jr.: Yes.

B: Thank you, sir.

H.M.Jr.: Now that's most likely what I'll tell the press this morning.

B: Right, sir.

H.M.Jr.: See?

B: Yes, sir.

H.M.Jr.: And - just a minute, let me ask the men here whether there is anything else. No, I'm not going to say anything. Just stay on the wire.

B: Yes, sir, there are two other matters that I want to -

H.M.Jr.: All right. Go ahead.

B: In the first place, you know the communication which was read to you yesterday by the British and which I read over the telephone to Wayne Taylor -

H.M.Jr.: Right.

B: Er - regarding the British attitude toward the French action.

H.M.Jr.: Yes.

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B: Well that - the answer to that communication was made by the French here today.

H.M.Jr.: Yes.

B: And I have sent you a telegram --

H.M.Jr.: Yeah.

B: 420 of 2 p. m. describing the situation.

H.M.Jr.: All right.

B: I was shown by Monnick the note that he presented to the British.

H.M.Jr.: Yeah.

B: And I won't repeat it here unless you wish me to because it's in that telegram which has gone off.

H.M.Jr.: Well, do you mind giving me the tenor - I mean - the feel of it.

B: All right, I will. The note begins by referring to the British Government's oral communication of yesterday.

H.M.Jr.: Yeah.

B: And immediately deals with the British complaint that no prior consultation was undertaken by emphasizing that Bonnet did not arrive in France until June 28th, at which time he found "a situation which required adoption of immediate measures."

H.M.Jr.: I see.

B: The note then goes on to emphasize that thus far the question of particular measures had not arisen; that the only step which had been taken by France was to ask Parliament for full powers. In does,

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however, admit that the broad lines of future French policy have been made known to the British Government and it asserts that the French Government is only seeking the means of restoring greater equilibrium. Then it says, "in so doing M. Bonnet is only following the example" of the British Government --

H.M.Jr.: Ha-ha!

B: He refers to some of the inter-changes which took place between Great Britain and France prior to the tripartite agreement, in particular to one of September 14, 1936, which the British Government saved their face for preserving their own full liberty of action.

H.M.Jr.: I see.

B: But in my opinion the most important sentence in the note is that in which the Minister of Finance makes it clear that the French Government does not intend in the future to alter in any way the arrangement between the Bank of France and the Bank of England for their day-to-day settlements.

H.M.Jr.: I see.

B: And Bonnet predicts that the exchange movement will not be severe and emphasizes the part which the equilization fund should play in regulating these movements.

H.M.Jr.: I see.

B: He also expresses the hope that no objection will be taken by the British Government to the measures he proposes and he explains that the fact that these measures would be regarded as being within the framework of the tripartite agreement would be of help to him in obtaining support for them in the French Parliament and before the bar of French public opinion.

H.M.Jr.: Uh-huh.

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- B: The note concludes by taking cognizance of the British Government's remarks regarding the part played by a balanced budget in establishing confidence and it states that it is planned to wipe out the budget deficit for 1937.
- H.M.Jr.: Uh-huh.
- B: I take it that that means the ordinary budget, not the extraordinary.
- H.M.Jr.: Right.
- B: Now, the British likewise, when they gave me this, Sir John Simon's statement, they likewise told me of Monnick's visit. They didn't give me the details of the note but those I had already gotten from Monnick.
- H.M.Jr.: Yeah.
- B: They did say that Monnick had made an important oral statement at the time that he presented this note.
- H.M.Jr.: Yeah.
- B: And that contrary to the previous emphasis which had been that the measure was designed to protect the French gold reserve, Monnick said that he was instructed to state that the French Government was prepared to make use of the gold reserve to defend the franc.
- H.M.Jr.: Uh-huh.
- B: And that the Bank of France's gold reserve would be entirely at the Government's disposal.
- H.M.Jr.: Uh-huh.
- B: Evidently considerable allocation will initially be made to augment the gold resources of the French franc.

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H.M.Jr.: Yeah.

B: Also emphasized that the idea was not to let the franc go but to control it.

H.M.Jr.: Yeah.

B: And that the procedure--that is the procedure between the two central banks--would be the same as heretofore except that there would be no limit placed on the franc and therefore the franc would be on all fours with the pound.

H.M.Jr.: I see.

B: He said also that it was absolutely necessary that he should have the British reply by today -

H.M.Jr.: Uh-huh.

B: Waley told him that that was pretty much impossible.

H.M.Jr.: Uh-huh.

B: That they had to have time to think about it and they couldn't be pushed into a rapid decision.

H.M.Jr.: Uh-huh.

B: And that they must consult you.

H.M.Jr.: Uh-huh. Well, --

B: In some of the London papers this afternoon they have come out with the story that the United States has removed France from the list of the gold countries.

H.M.Jr.: Yeah, well, that follows the United Press stories - that's just the bunk. I said nothing to anybody.

B: Right, sir.

H.M.Jr.: I --

B: They didn't believe it anyway.

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H.M.Jr.: I haven't said anything to anybody.

B: Right. I was given this oral message which Monnick had communicated to Phil Waley -- I asked him whether my understanding was correct, namely, that from now on the franc was going to operate off the pound.

H.M.Jr.: Yeah.

B: Which the British apparently didn't like and there was a certain amount of fumbling of words but it was obvious that that was touché.

H.M.Jr.: That was what?

B: That that hit the nail on the head.

H.M.Jr.: Oh, touché, I know now. That the franc is going to operate off the pound.

B: That's my opinion - that that's Bonnet's idea. You know, that was the role that they had in 1933.

H.M.Jr.: I see.

B: Now the London papers here have likewise been publishing a statement as a result of Bonnet's appearance before the Finance Committee last night.

H.M.Jr.: Yes.

B: To the effect that - well, I'll read you what the Times says. "M. Bonnet said that he had been in communication with Mr. Morgenthau, American Secretary of the Treasury, and Mr. Montagu Norman, the Governor of the Bank of England, and had received their assent to this proposal."

H.M.Jr.: Yeah.

B: Now in one of the London papers they've commuted this story in a slightly different form.

- 11 -

H.M.Jr.: Yeah.

B: Waley and Phillips have been instructed to go to the French and get a statement from them as to what Bonnet really said and that statement is being sent over to me.

H.M.Jr.: I see.

B: Together with Rueff's telegram and I'll send it on to you, sir.

H.M.Jr.: All right. Now, just wait one moment. Now let me say this. I will be up at the Roosevelt-duPont wedding from one o'clock until about seven or eight tonight.

B: Yes, sir.

H.M.Jr.: But Mr. Taylor will be here.

B: Yes, sir.

H.M.Jr.: And I'm very much pleased the way you're handling this.

B: Thank you very much.

H.M.Jr.: Very much pleased. Now let me see if we have anything else. No, I guess - just a moment. Mr. Taylor said that what you telephoned me last night late that that has not yet come in.

B: It hasn't? It hasn't come in from the State Department you mean?

H.M.Jr.: No. But --

B: We put it on the direct wire. You know we have a direct wire between this Embassy and the State Department which operates from about 8 or 9 o'clock on until midnight.

H.M.Jr.: Well, it's not very good.

- 12 -

B: It went off shortly after I talked to you.

H.M.Jr.: Yeah.

B: So that it must have been in the State Department by 11 o'clock last night or --

H.M.Jr.: Well, Lockheed will check up. All right, if there's anything else, use the telephone. The cables are too slow.

B: Right, sir, I shall do that.

HMJr: All right.

B: Thank you very much.

ooOoo

-4-

H.M.Jr: Listen, you (Lochhead) better keep this whole damn thing straight for my diary to help him out. See that you get all the documents.

(Schwarz is in)

(To Schwarz) Now listen, I'm sore as a pup. Here's the Wall Street Journal. Duffield - I want you to send for Duffield and say that I want him to tell his manager that I'm - that this isn't right. I don't think I ought to see Duffield. But that's wrong, and that Duffield has no right - I mean - no, he'll come back and say the headlines... And the New York Times story is just the opposite. I'd rather deal with the boys here rather than call up Krock, because we don't know whether the boys down here wrote it, and if they didn't write it - and they like to get it. "France Warns U. S. She May Quit Pact."

Schwarz: That's the U.P. story.

H.M.Jr: "Jean Appert, Financial Attache to the French Embassy, delivered his government's message, by instruction, at the Treasury this morning." That's just cock-eyed. I wish you'd send right now for the New York Times and for the Wall Street Journal and tell them that this thing is too important for them to write some of these thumb-sucking stories.

Schwarz: The A.P. called me about two o'clock and said they saw that story from the Times.

H.M.Jr: Now, you can say for me that the Secretary of the Treasury will have no statement to make on the French situation.....

Viner: Has made.

H.M.Jr: Just a minute, please. - has no statement to make on the French situation until the pending legislation before the French Parliament passes, and he then will have to study it.

Schwarz: You wish to say "until it passes"?

H.M.Jr: Until they take action - it is disposed of.
Excuse me, Jake. I never do that with the press.

-5-

I mean I don't say I haven't made any statement, because they know I haven't made any statement. See what I mean?

Viner: They have a record of your statements, so they know.

H.M.Jr: I came out there through that door yesterday and what's-his-name - Duffield - saw me. He said, "Have you got anything to say?" I said, "I have no statement to make." Excuse me for

Viner: Oh no, that's all right.

H.M.Jr: But we don't - I officially don't deny it. He'll get the boys in the room and give them hell. See what I mean? If you don't mind... Am I right on the technique, that I shouldn't make a denial?

Schwarz: They know you haven't said anything.

H.M.Jr: That's the point. You just send for them and tell them, "Now, this is terribly important. The Secretary asked you boys to carry on where you are but don't go off half-cocked. And pending - while this legislation is pending before the French Parliament, of course, we won't make any statement, and after it does pass there he will have to have time to study and consult."

Schwarz: That takes care of them.

H.M.Jr: Have them come in and see you, will you? Now, Kung is coming in at ten, and after he leaves I'll let you know.

You (Viner) don't mind my.....

Viner: Oh no.

(Schwarz goes out)

H.M.Jr: You see - no, I want to explain something - my association with these fellows is swell, and he can give them hell - he can give them hell and they'll take it. They know damn well I haven't made any statement, and they know when they do this kind of thing, see, that they are wrong, and they know perfectly well they're wrong. But for me to officially say I haven't... It's a technique.

-6-

Viner: Uh-huh.

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

Taylor: Message number three, which is the one that hasn't come in, does require an answer.

Lochhead: That will be in 420, the one that hasn't - not 420, but the one you said hasn't come through yet.

Taylor: The one that hasn't come through yet, telephoned to you last night, does require an answer.

H.M.Jr: Who's it from?

Taylor: From the Chancellor to you.

H.M.Jr: What does it say?

Taylor: The one where he went into great detail about the technical arrangements being so important. Remember?

H.M.Jr: I see. Well, let's wait until we get it.

Taylor: Yes, but that does require an answer.

H.M.Jr: What the hell is the matter with the State Department?

Lochhead: They may have it over there since I've been in. We've been in for the past three-quarters of an hour.

Viner: They may have had nobody working there last night.

Kieley: Mr. Trentham calling Mr. Taylor.

Taylor: That's probably it.

H.M.Jr: I just think as a matter of courtesy I'll call up Hull and....

(On phone) Secretary of State, please.

(Taylor goes out)

(On phone) Hello. - - Oh, all right. Wait a minute for the Secretary.

-7-

This is working out beautifully. If the French and the English get mad at each other and I keep my mouth shut, I'm on perfectly safe ground. Right?

Riefler: Yes.

H.M.Jr: And of course what the English are worrying about is that 400 million pounds that they loaned them - made the loan on the railroads. That's what they're worrying about, plus everything else.

(On phone) Hello. (Conversation with Hull follows:)

June 30, 1937.
11:39 a.m.

H.M.Jr: Hello.

Governor
Harrison: Hello, Henry.

H.M.Jr: George?

H: How are you getting on?

H.M.Jr: Oh, wonderfully.

H: Good for you.

H.M.Jr: I just called up to tell you I thought you people down there handled the thing yesterday and today very well.

H: Well, I'm glad you feel that way. It was not so bad.

H.M.Jr: Well --

H: I called you up yesterday to tell you I thought you had done very well --

H.M.Jr: Thank you.

H: and to ask if there was anything more I could do, but you - I talked to Lochhead; you weren't available.

H.M.Jr: Well, things were moving pretty fast and Archie kept Knoke posted from hour to hour.

H: Yes, you've been very thoughtful and we appreciate it.

H.M.Jr: And right now I gave out a very short statement saying I would have nothing to say until the legislation passed or didn't pass the French Parliament.

H: Yes.

- 2 -

H.M.Jr.: And that's my understanding with the English that I'm going to just sit tight and do nothing until we know what we've got to deal with.

H: Well, I think that's quite the sound position to take.

H.M.Jr.: And I called down both the Wall Street Journal and the New York Times for stories that they wrote which were entirely wrong.

H: Yeah.

H.M.Jr.: And -

H: Have you heard from either the British or the Netherland people as to whether the French made the agreement to buy gold from them?

H.M.Jr.: No, no.

H: Uh-Huh.

H.M.Jr.: No. The British haven't had any agreement, you know. That's the trouble. I talked with Sir John Simon yesterday and they haven't any agreement. That's what they're so sore about.

H: Well, they used to have it I know.

H.M.Jr.: But they have nothing today. They've got nothing --

H: That's what I mean.

H.M.Jr.: They've got nothing like what we've got.

H: Yeah, well, I don't blame them if they get sore.

H.M.Jr.: Yeah.

H: Well, Henry, I think your position is quite right. You can't do anything until you know what they're going to do.

- 3 -

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

H: At the moment so far as you're concerned, there is a tripartite arrangement.

H.M.Jr.: Right.

H: I don't like the floating franc idea there and I think that will put them out.

H.M.Jr.: Well -

H: If they mean by that that they're not going to buy or sell gold at any price.

H.M.Jr.: Yeah. Well, we've got all the legal papers all drawn up for any capital move that they might make.

H: Yes.

H.M.Jr.: And just at present I'm not going to stew about what they may do and at least Bonnet has given them a straight right from the shoulder to the jaw. He's let them know what the situation is.

H: You bet he did.

H.M.Jr.: And it certainly shows what the English have had to take.

H: Yes, yes.

H.M.Jr.: And they've had to take plenty.

H: Yes. And I'm glad that's been brought up because there was some feeling that they weren't doing their part.

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

H: Yes.

H.M.Jr.: Well, George, as we go along, if it's agreeable to you, Archie Lochhead will keep Knoke informed.

- 4 -

H: Well, that's the most satisfactory way for me.

H.M.Jr.: Right-o.

H: I'm hopeful this means that you're temporarily anyway postponing anything about legislation about reserve requirements.

H.M.Jr.: Well, after all, you wouldn't want the Secretary of the Treasury to comment or try to hit proof the Federal Reserve Board.

H: Ha-Ha! Well, I don't know. Ha-Ha! Sometimes yes. Ha-Ha!

H.M.Jr.: (Laughs.)

H: Well, I told Eccles this quite frankly - that I'm in principle in favor of doing something to control capital movements.

H.M.Jr.: Yeah.

H: I'm really very fearful that with conditions as they are today -

H.M.Jr.: Yeah.

H: That even an optional bill may result in a deflation in securities, particularly in bonds by banks who will know that they are subject to that increased reserve..

H.M.Jr.: Yeah.

H: And I don't think we want another slump right now.

H.M.Jr.: Yeah.

H: I think it's - especially if the French really mean anything by this, it may tend especially to check the grain of gold this way.

- 5 -

H.M.Jr: Well, you sound a little bit inflationary to me today.

H: No, but I don't want to be deflationary.

H.M.Jr: I see. Well, I learned a new expression the other day. I was doubtful as to what the British Treasury did or didn't want and I spoke to the British Ambassador and he told me this, he says, "Well, what you want is, you want it direct 'from the 'oss's mouth."

H: Ha-ha.

H.M.Jr: So I suggest that you look at the - Byron and Keats.

H: Well, I think that's awfully pretty.

H.M.Jr: O.K.

H: (Laughs)

H.M.Jr: O.K., George. Be good.

H: Good-bye.

June 30, 1937.
9:59 a.m.

H.M.Jr: Hello.

Secretary
Hull: Hello, Henry.

H.M.Jr: Good morning. How are you?

H: Well, I thought you'd lay up after that heavy dinner last evening.

H.M.Jr: I did what?

H: I thought you'd be laying up after that heavy dinner.

H.M.Jr: No. Congressman Bloom kind of got my goat a little bit.

H: Yes.

H.M.Jr: I -

H: He knocked me out of a good speech.

H.M.Jr: Well, it was too bad, but I guess nobody can control him, huh?

H: No, no, he thinks he's - he does such tricks.

H.M.Jr: And I don't - I mean I think it would have been embarrassing to you if after I did it - if I had called on you again.

H: Oh, I didn't dream of that. It was a relief in that sense.

H.M.Jr: No, I know, but I didn't know whether you were definitely through or whether you --

H: I explained to those fellows so they would know that I had more interest than I expressed, you know.

H.M.Jr: But ...

- 2 -

H: They understood that I was trying to talk to them.

H.M.Jr.: Well, it was embarrassing for me because if I had asked you to speak again and you hadn't wanted to, then we both would have been in a hole.

H: Oh, well, don't pay any attention to what I said. It doesn't make any difference.

H.M.Jr.: Well, I mean - I do pay attention --

H: Except we wanted to make them feel all right.

H.M.Jr.: Well, I'm sure they did because --

H: Yes, I explained fully to them.

H.M.Jr.: Fine. Cordell, I've had numerous telephone conversations abroad and I'm taking this position. That I'm not going to say anything about the French situation until the legislation passes the Parliament. Then we can take a look at it and study it.

H: Yes.

H.M.Jr.: And --

H: It hasn't passed either House yet.

H.M.Jr.: No. And we just had a message which Butterworth telephoned over and he read me a statement that Chamberlain's going to make in the - before his Parliament this afternoon.

H: Yes.

H.M.Jr.: And he simply is just stalling for time.

H: Yes.

H.M.Jr.: But he feels he has to make - I don't mean Chamberlain, I mean Simon -

H: Yes, I know.

- 3 -

H.M.Jr: But - it's a very trivial statement - but there's been a little rottenness between the English and the French and I'm - and I'm very glad to sit on the sidelines and not get in on it.

H: Exactly.

H.M.Jr: But I thought I would say nothing, because we don't know whether they are going to take steps which will automatically put them out of the tripartite agreement or not.

H: Yeah.

H.M.Jr: And the New York Times ran a story this morning which was not true, and so did the Wall Street Journal.

H: Yes.

H.M.Jr: But I have made no statement today.

H: Yes.

H.M.Jr: And I'm not going to.

H: Well, I'm glad to keep up with you, Henry.

H.M.Jr: Fine. And Taylor keeps calling Feis right along, telling him....

H: Yes, I know.

H.M.Jr:what's going on.

H: Well, thank you. Thank you very much.

H.M.Jr: Thank you.

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H.W.Jr: He brought up last night that what he was worrying about was that the Chinese would think that that's all he had to say, and that he was rude to them, and he explained to the Chinese that he had a long speech to make. Well, as a matter of fact, I don't believe he had any long speech to make; he would have said a few more words. And he told them it was due to Bloom cutting him off, and that's the reason. He wanted me to think and the Chinese to know that he was going to say something more.

(Taylor returns)

Taylor: Trentham says he has this other message and wondered if we wanted to make an answer to Number Two, see? I said no, that we would answer them both together.

H.W.Jr: Well, listen, boys, I'm going to see this Chinese at ten - Kung - and when that thing comes back in - maybe by 11 o'clock you fellows will have something. I mean I'm - it isn't clear in my mind what I should answer. I don't know.

Riefler: I remember the message that he telephoned last night. It did not require an answer, did it?

Taylor: (Nods yes)

Lochhead: We'll get the message.

H.W.Jr: But I think we're sitting pretty, don't you, Jake?

Viner: Yes, I think we are.

H.W.Jr: I don't think we've made any mistakes yet. What?

Viner: I think they're anxious to exercise some influence on the course of the French legislation. I think that's impossible in the present situation.

H.W.Jr: Not only impossible; I think it's unwise.

I just got one thing. What would you (Taylor) think - and I wish you could talk to this crowd while we have an intermediate spell, and to Marriner - about announcing Wednesday - what is it - what's tomorrow - Thursday - that the first 50 million dollars into December 15 will go on sale Monday.

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Taylor: I would think yes.

H.W.Jr: I don't see why not.

White: I would like to - did you say....

H.W.Jr: December 15.

Taylor: Concentration of whatever it may be.

H.W.Jr: But would you get together with Bell and talk it over, and with these fellows, and then before I leave - that is, we have to make up our mind today, I think. I think those announcements go out this afternoon. What? My thought is to start it Monday. I don't see why we should wait around for this thing. It's five and a half months. I'd like to get that money - now! Huh? I'd like to hit that before I leave. Will you talk to Bell?

Taylor: Yes. I've got - I've got this first draft of their legislation, and also of their statement which was sent over to me last night.

White: There are mimeographed copies of those. It will be strange if it doesn't get out.

Taylor: This is a banking bill.

White: Are you interested in Chinese copper?

H.W.Jr: I'm just interested in making conversation.

June 30, 1937
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Secretary
Hull: Hello, Henry.

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-2-

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H: Oh, well, don't pay any attention to what I said. It doesn't make any difference.

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-3-

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H: Yeah.

H.M.Jr: And the New York Times ran a story this morning which was not true, and so did the Wall Street Journal.

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H.M.Jr: But I have made no statement today.

H: Yes.

H.M.Jr: And I'm not going to.

H: Well, I'm glad to keep up with you, Henry.

H.M.Jr: Fine. And Taylor keeps calling Feis right along, telling him

H: Yes, I know.

H.M.Jr: what's going on.

H: Well, thank you. Thank you very much.

H.M.Jr: Thank you.

JR

GRAY

London

Dated June 30, 1937

Rec'd 10:05 a.m.

Secretary of State,
Washington.

RUSH AND URGENT.

420. June 30, 2 p.m.

FOR TREASURY FROM BUTTERWORTH.

All London newspapers carry reports from Paris to the effect that Bonnet stated before the Finance Committee that he had obtained the cooperative support of the United States and Great Britain. The TIMES account reads as follows: "At this meeting M. Bonnet announced that if the government obtained the powers which they desire the franc would be detached from the gold standard and allowed to find its own level. He said that he had been in communication with Mr. Morgenthau, the American Secretary of the Treasury, and Mr. Norman Montague, the Governor of the Bank of England, and had received their assent to this proposal".

British Treasury telephoned me and stated that they had instructed Roe Dutton to obtain the exact (*) of Bonnet's statement. British Treasury was obviously

annoyed

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JR #420, June 30, 2 p.m., from London.

annoyed by the reports. They also stated that Monick was calling to deliver Bonnet's reply to the British communication which I transmitted yesterday by telephone.

On his own initiative Monick called and showed me the text of the note which he was to present to the British Treasury. The note begins by referring to the British Government's "oral communication" of June 29 and immediately deals with the British complaint that no prior consultation was undertaken by emphasizing that Bonnet did not arrive in France until June 28 at which time he found "a situation which required the adoption of immediate measures" the note goes on to emphasize that thus far the question of particular measures had not arisen; that the only step which had been taken by France was to ask its Parliament for full powers. It does, however, admit that the broad lines of future French policy had been made known to the British Government and it asserts that the French Government is only seeking the means of restoring greater equilibrium. "In so doing M. Bonnet is only following the example" of the British Government and reference is then made to a communication from the British Government dated September 14, 1936 in which the British Government maintains that it must preserve its full liberty of action.

Perhaps the most important sentence in the note is that in which the Minister of Finance makes it clear that

the

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JR #420, June 30, 2 p.m., from London.

the French Government does not intend in the future to alter in any way the arrangements in force between the Bank of England and the Bank of France for their day to day settlements.

Bonnet predicts that the exchange movement will not be severe and emphasizes the part which the equalization fund should play in regulating these movements. He also expresses the hope that no objection will be taken by the British Government to the measures he proposes and explains that the fact that they would be regarded as being within the framework of the tripartite agreement would be of help in obtaining support for them in Parliament and from French opinion generally.

The note concludes by taking cognizance of the British Government's remarks regarding the part played by balanced budget in establishing confidence and it is stated that it is planned that the budget deficit for 1937 will be wiped out.

BINGHAM

WFC:CSB

June 30, 1937

10:10 am

Present:

Chinese Ambassador
Dr. Kung
Mr. Kuo
Mr. Lee

HM, Jr.: I am dressed for the wedding.

Dr. Kung: Yes. That's right. How soon do you have to go?

HM, Jr.: In a little while.

Dr. Kung: The wedding takes place outside of the city?

HM, Jr.: Up in Delaware. In the state of Delaware at the du Pont home.

Dr. Kung: Well, I know you are busy, but we just come in to have this little chat with you. First, as I stated to you the other day, that I bring greetings, also expression of heartfelt appreciation from my Government and my people for what you have done in the way of assisting us in our currency reform and we assure you we want cooperate with you in any way which is in our power.

Therefore, the first thing that I would like to know is what is your policy with regard to the currency reforms and in what way we could cooperate, and then we would like to know about your economic policy. America is powerful nation. What you do affects the rest of the world and we wanted to know your policy so we could shift our policy to try to meet your wish and cooperate in stabilization. And then we want also to know about your policy on silver and gold because your country is country which has good deal of gold and silver and there are different talks and theories with regard to the gold at present and I think your Government will make announcement and the British Government will make another announcement. We wanted to know your policy so we could be informed, so our people will not feel uneasy about currency and also world trade.

-2-

HM, Jr: Well, Dr. Kung, there isn't very much I can say. I sort of feel -- I can only talk as to our financial policy and in these troublesome times, our financial policy is worked out from day to day and we have been following pretty much the same policy now for three years and each day that we follow it, it makes it that much more uniform and what we have been doing for the last three years is an open book. As to the future, both the President and myself announced that there was no change in prospect as to the price of gold. I think the world believes us.

And what we have been trying to do is to make mutually satisfactory arrangements with your country, Canada, Mexico, Great Britain, France, Belgium, Holland and Switzerland so that our merchants can buy and sell and be paid with a currency which is as near stable as possible. If they have a currency which is fairly stable with a minimum of fluctuation, why that stimulates business. Now, we have been quite successful in keeping the dollar very stable and we hope we will be able to continue to do so. Each day that we keep the dollar stable, it makes it that much stronger and gives people that much more confidence in the dollar. Of course, we have had this tremendous flight of capital here until we have almost \$2,000,000,000 on deposit of foreign money. It comes in at the rate of \$30,000,000 to \$40,000,000 a week. We would much rather it would stay home and work. We have no use for it.

The arrangements which we have with you, as far as we are concerned are entirely satisfactory. The Chinese Government has kept their word with us and we have bought the silver. The money that we paid you for the silver you kept on deposit, with one exception where you had to withdraw it because of exchange use. You kept to the letter of the agreement, which is most agreeable to us; gives us confidence in the Chinese people. And, as far as we are concerned, the agreement we have with you, which is just a Gentlemen's Agreement, is entirely satisfactory. As far as I know -- one can't look very far in the future, but as far as I can see, speaking for the United States Government, there is no reason why we should change.

As I explained to your representatives when they were here, Ambassador Sze and Mr. Chen, what we were doing we felt was to the mutual interest of both Governments. We were trying to show our friendship for China when China needed

-3-

friends and had very few. As Secretary of the Treasury we have tried to show that we had no ulterior motive other than just to keep the two nations on a friendly basis. Our only wish now is that both countries should continue to prosper and to grow.

There is nothing that I can do on the commercial end. I have nothing to do with it, but as far as I am concerned everything is lovely. As I say, we have this arrangement and you people have lived up to it and when an arrangement works well I think it is like a machine or an automobile -- one doesn't want to, as we say, tinker with the carburetor and the machine is working beautifully and better leave it alone. You are well represented here to carry out your wishes, your instructions. As far as I am concerned, I have no suggestions or criticisms, quite the contrary only pleasant things to say.

Dr. Kung: Well, Mr. Secretary, that's very kind of you to say that you appreciate the fact that we have tried our best to live up to the promise we made. In fact, I brought some silverware, things made by the Chinese artisans, by hand, with silver. Your people were concerned and thought we did not want to make use of the silver and suggested that we allow the silversmith to make use of silver to make articles. And to prove our sincere effort, I had something made by silversmith. I was going to bring it over to you to show to you now. And it is not only satisfaction for you, but it is satisfaction to us that we could live up to our agreement. And of course we shall never forget your friendship to our cause, as I say. And of course, while this is mighty Government, may be sometime we will be able to be of little service to a mighty country. We have a large country and we have plenty of resources and because of nearest neighbor I think there is great deal to be hoped, to be expected, from America to Chinese and Chinese to America. And it is source of satisfaction because the traditional friendship has been so strong. And yesterday I saw your President. First thing he said, I feel you are old friend of mine. Yes, that's the feeling.

HM, Jr.: That's very nice. He is a real friend of China.

Dr. Kung: Yes! Yes!

HM, Jr.: He is a real friend.

-4-

Dr. Kung: And you know that his mother was in China when she was little girl.

Hm, Jr: About two years old, because they had these, what they called real China clippers. I think his mother went over there when she was two years old.

Dr. Kung: She was very small.

But you do feel there is no likelihood to change this authority with respect to sterling?

Hm, Jr: No, I don't. Of course, this French situation is serious, but we don't get the impact here. Great Britain does. I have not had a chance to study these figures very carefully because they came last night, but I think if you would have some of your experts take the figures that Bonnet gave out, it looks as though England must have taken almost \$300,000,000 French gold in the last ten days and this whole impact has largely come on Great Britain and it has left us comparatively free. To show you, all we had to do yesterday was to supply 800,000 francs; today, 2,000,000 francs. That's all we have had to do. That's all that was in demand. It's nothing. And this whole impact is coming on Great Britain and we are really not getting it at all. And our Government bond market went up yesterday. Our stock market went up yesterday. This morning our Government market opened up again this morning. So it shows how much effect it had on us. I don't want to belittle it, but it won't have much effect on us, but it does have on England. As I say, it looks as though -- you can check it -- but from taking Bonnet's figures which he gave out, it looks as though \$300,000,000 of gold must have gone to England within the last ten days. (Hm, Jr sent for chart.) And now our stock market (referring to chart) is up, the first hour, up a point and our Government bond market is up. That shows how much effect it has on us.

As a matter of fact, I would like to get it settled one way or the other. It has been hanging over us. It's like a bank that is in trouble. Either you want to close it or give it new capital and let it get well, but having a sick bank doesn't help anybody. Either they had better get well or get sick, but not knowing -- as I told you last night, when the patient does not want to get well, the doctor can't do anything. But this thing of in between

-5-

and having it all the time is disconcerting. But in our stabilization fund we don't own one franc; not a franc. And when we operate this way we operate for the Bank of France and if we supply francs they have to cover with gold that day and they haven't changed their arrangements. It's still in effect today. If we do anything for them, they give us gold. They did it today and they did it yesterday.

Dr. Kung: How much gold does the Bank of France have?

H.M. Jr.: I haven't had time to study Bonnet's figures.

Dr. Kung: I mean in this country. How much deposit of gold?

H.M. Jr.: Quite a lot. I am not at liberty to say, but they have quite a lot of gold here and they haven't touched it. But the Bank of France has a lot of gold here earmarked.

Dr. Kung: By the way, you are speaking of your Government bonds and your short notes. You remember last year I was anxious to try to buy some of your Treasury notes, short-term notes. Deposits we have here is for current purposes; at the same time we would try to earn money for the Government. So I thought if we could invest some of that money into Government bonds or Treasury notes that it would be something.

H.M. Jr.: We do that for other Central Banks. What they do, you have your Bank notify the Federal Reserve of New York or notify us that they want so many million dollars invested in bills or notes or Government bonds and they will buy them for you for your account. We do that for other countries when they have money on deposit with the Federal Reserve. They just say, Will you buy \$500,000 or \$1,000,000 of notes or bonds or whatever you want, and they will invest that for you.

Dr. Kung: That's good.

H.M. Jr.: And they will do it for you and they will take just as much interest in it for you as for the United States Treasury. I mean they will take the same interest and they will buy it at a time when they can buy for you at the lowest price.

Dr. Kung: That is very good.

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HM, Jr: The other Central Banks and other Governments who have money here, from time to time ask us and we do it. We watch the market very closely and we take more care of their orders than we do of our own. We are very careful to see that they get the best price possible. You know our set-up. The Federal Reserve Bank of New York is our fiscal agent and they act for us. When we buy or sell Governments we use the Federal Reserve of New York as our agent.

Dr. Kung: Yes.

HM, Jr: We don't deal direct.

Dr. Kung: And since the cooperation has started we have been working very satisfactorily. There is something - I just want to throw it out for your consideration. You probably recall we had some money here in silver that was shipped to this country a few years ago for the purpose of disposing of it for the time being, deposited here as security for currency purposes, so we could borrow.

HM, Jr: Are you referring to the 11,000,000 ounces?

Dr. Kung: No; 50,000,000.

HM, Jr: Well, there are two different lots.

Dr. Kung: Yes. One lot is 12,000,000.

HM, Jr: The 12,000,000 came in first?

Dr. Kung: The 50,000,000 came before.

HM, Jr: But there are two different lots, came under different circumstances. One lot of 12,000,000. Is that in New York or San Francisco?

Dr. Kung: In San Francisco.

HM, Jr: And the 50,000,000?

Dr. Kung: In New York.

HM, Jr: To which are you referring?

Dr. Kung: I am referring to both. Of course, I appre-

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ciate all you have done and your country has done for us and I don't want to impose on your good friendship, but since we are here I would like, if possible, to make some sort of agreement. What we have in San Francisco for safe-keeping there, we have to pay storage and insurance and everything else, so complicated and costly; and then the 50,000,000 bunces that was shipped over here. Of course I know that you have your difficulties. I don't want to put you into any difficult thing or impose on your goodness, but I just thought I would mention the fact if something could be done, I shall be grateful. If it can't, I am still deeply grateful.

HM, Jr.: May I take it under consideration. As I understand, you are coming back. You are going out West and will be back.

Dr. Kung: Yes.

HM, Jr.: And I will try and have an answer when you come back. When will you come back?

Dr. Kung: The President was gracious enough to ask us to come back for a little chat and lunch with him on the 7th. If I came back I would probably stay a few days.

HM, Jr.: You get back on the 7th?

Dr. Kung: In the morning.

HM, Jr.: And you will be here

Dr. Kung: ... two or three days.

HM, Jr.: Are you going away, Mr. Ambassador?

Ambassador: I will stay here up to the 3rd.

HM, Jr.: Would you mind, Mr. Ambassador, calling me up on the 6th? I will be back one day earlier and by that time I will know. We will fix a time agreeable for Dr. Kung and myself if you will telephone me on the 6th.

Ambassador: I will telephone you the afternoon of the 6th. I am coming back from New York in the morning.

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HM, Jr: When you get back, just telephone.

Ambassador: I will telephone.

HM, Jr: And I would just like to have a chance to think that over.

Dr. Kung: We will appreciate any decision you come to.

HM, Jr: As I say, I did not know exactly what you would have in mind and so I am not ready to give you an answer like that (snaps fingers).

Dr. Kung: I thought while I am here I might just as well bring this up and call your attention. You remember, one time you suggested I should come to Spain to see you; we might settle things which

HM, Jr: Those things were more difficult; I mean, times were more difficult.

Mr. Kuo: Mr. Secretary, if I may, I would like to say one word supplementing what Dr. Kung said regarding charges, troubles, that are incurred in deposit of silver here in this country. In addition, there are other inconveniences. On this 50,000,000 monthly renewal also causes some inconvenience on both sides and also fact that more silver is coming into Government Treasury in China it is desire of Dr. Kung to increase foreign currencies a little more.

HM, Jr: Are you going with Dr. Kung?

Mr. Kuo: I will stay here.

HM, Jr: Why don't you arrange to see Mr. Taylor and go into this thing in more detail, because no one has talked to us about it. If you could see Mr. Taylor and tell him what you have in mind and then maybe we can understand your problem a little bit better.

Ambassador: That's very good suggestion.

HM, Jr: See Mr. Taylor and explain to him just what the problem is.

Dr. Kung: We had such delightful evening last night.

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HM, Jr.: Little informal and friendly, and I enjoyed having you very much.

Dr. Kung: I hope some day I hope to have privilege and pleasure of entertaining you in China.

oOo-oOo

STANDARD FORM NO. 14A
APPROVED BY THE PRESIDENT
MARCH 10, 1925

My Letter
TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

(The appropriation from which payable must be stated on above line)

JUNE 30, 1937

HIS EXCELLENCY
VINCENT AURIOL
~~MINISTER OF JUSTICE~~ MINISTER OF JUSTICE
PARIS FRANCE

PLEASE ACCEPT MY SINCERE THANKS FOR YOUR CONDIAL MESSAGE. I
SHARE WITH YOU THE MEMORY AND THE BELIEF THAT OUR EFFORTS HAVE
BEEN REALLY EFFECTIVE IN PROMOTING INTERNATIONAL UNDERSTANDING.
WITH RENewed THANKS FOR YOUR COOPERATION AND WISHING YOU EVERY
SUCCESS IN YOUR NEW POST

HENRY MORGENTHAU JR

VINCENT AURIOL

Please accept my sincere thanks for your cordial message. I share with you the memory and the belief that our efforts have been really effective in promoting international understanding.

With renewed thanks for your cooperation and wishing you every success in your new post.

OK
M. L.

VINCENT AURIOL

Please accept my sincere thanks for your cordial message. I share with you the memory and the belief that our efforts have been really effective in promoting international understanding.

With renewed thanks for your cooperation and wishing you every success in your new post.

TRANSLATION OF ATTACHED CABLE

IN LEAVING THE MINISTRY OF FINANCE MY THOUGHTS GO OUT TO YOU
I SHALL ALWAYS KEEP THE PRECIOUS MEMORY OF OUR COLLABORATION
TOWARD BETTER INTERNATIONAL UNDERSTANDING
WITH ALL RESPECT AND GOOD WILL

VINCENT AURIOL

Treasury Department
TELEGRAPH OFFICE

59

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PARIS 1835 P M JUNE 24 37

MORGENTHAU

DIRECTEUR ETAT TRESORERIE WASHINGTONDC USA

QUITTANT MINISTERE FINANCES MA PENSEE VA VERS VOUS GARDERAI

SOUVENIR PRECIEUSE COLLABORATION POUR ENTENTE INTERNATIONALE

RESPECTUEUSE SYMPATHIE.

VINCENT AURIOL

MINISTRE DE LA JUSTICE

225P

Pages 60 and 61: see pages 231-232

June 30, 1937.
11:13 a.m.

H.M.Jr: Hello.

Operator: Chairman Eccles.

H.M.Jr: Hello.

E: Good morning.

H.M.Jr: Good morning to you. Now on the French thing - we've got a lot of notes and a lot of stuff, but there's nothing in particular and we're just going to sit tight until we really know what does pass Parliament, see?

E: There's nothing new since

H.M.Jr: Nothing but a lot of details.

E: Yeah.

H.M.Jr: I mean they've sent me over stuff, and the English have got their messages sort of falling on top of each other. There was one that came in yesterday morning; they sent another one that came to me last night, although they telephoned me before to - preceded it.

E: Did you still get - did you get the selling and buying rates this morning again?

H.M.Jr: Got our selling and buying rates today.

E: And the situation with the French and the English is just the same. They haven't

H.M.Jr: They haven't straightened out their difficulties.

E: And there is going to be no public statement at all either by us or by them....

H.M.Jr: No.

E: ...in the meantime.

H.M.Jr: No, we sit tight until we know where we're at.

-2-

- E: Uh-huh. Well, I was just in a Board meeting. I just came out to the phone and I'm taking up with them the - reporting to them on the progress on this legislative program.
- H.M.Jr: Now, what I'd like for you to do, if it's convenient to you - I'd like to meet with your executive committee on Wednesday, July 7th.
- E: Wednesday, July 7th.
- H.M.Jr: At 11 o'clock.
- E: All right.
- H.M.Jr: And what I'm going to ask them - propose at that time is that we start then selling a series of \$50 million a week into December 15th.
- E: The tax period week.
- H.M.Jr: Through that.
- E: Leaving the 9-months stuff ride along.
- H.M.Jr: Well, that's what we have in mind now - leave the thing as is and start a new series into December 15th. Leave the 9-months as they are.
- E: I think it's very difficult to make any change in the present bill program except merely the addition of the \$50 million, which of course is the usual thing that has been done.
- H.M.Jr: Well, we'd like to keep on doing business as we have been until
- E: Until we decide what's going to happen to this legislation.
- H.M.Jr: Exactly.
- E: Well, I think you're absolutely right.
- H.M.Jr: But I thought I would go through the motions of meeting with your committee and give them a chance to make any suggestions or objections whatever

-3-

E: I was going to have a meeting tomorrow. They've been - Harrison has been asking for one.

H.M.Jr: Well, there's no reason why I should meet with them before July 7th.

E: Well, all right, I'll put that down. 11 o'clock July 7th.

H.M.Jr: Yes.

E: Will you be here Tuesday? You'll be here the 6th, won't you?

H.M.Jr: Oh, yes.

E: Well, I'll see you in the meantime anyway.

H.M.Jr: O.K., and if anything happens we'll let you know.

E: All right, and thanks for calling.

H.M.Jr: All right.

For pages 65 to 96, see 222 following.

Duplicates of 196 to 222.

RE FRENCH CRISIS

June 30, 1937
11:30 a.m.

Present: Mr. Taylor
Mr. White
Mr. Riefler
Mr. Lochhead
Dr. Viner
Mr. Oppen
Mr. Oliphant

H.M.Jr: He's going to get it his way or he doesn't want it.

Taylor: And if this particular Cabinet happened to fall, you see, he's taken the position - he's about a yard to the right of his Cabinet, see?

H.M.Jr: I think he has handled himself pretty well.

Taylor: Yes, damn well.

White: I have a little chart of the - sort of make-up of the French House of Deputies, if you're interested. Shows the....

H.M.Jr: (nods no)

I only talked 123 minutes yesterday - \$860. Cheap?

White: For what's involved.

H.M.Jr: A thousand dollars to keep the level.

Taylor: At the right time I think you could spend another \$150 or \$200 and talk to Bonnet.

H.M.Jr: Jesus, you fellows just want to put me in the grave; you just don't want to dig it.

Taylor: I said at the right time.

H.M.Jr: You don't want to just dig it; you want to put me in - and a few faded flowers.

(Oppen comes in)

Hello, Clarence.

-2-

(Schwarz comes in)

H.M.Jr: I just wanted to tell you that (press dispatch of statement) was perfect. And tell me - what about the Times?

Schwarz: Times said they got that from their office - from the French Embassy; didn't get it here.

H.M.Jr: They got it from the French Embassy?

Schwarz: That's what he said.

Taylor: They quote Henry and Appert.

H.M.Jr: All right. Everything else O.K.?

Schwarz: I gave them this statement; we all got together. Had some mimeographed.

(Oliphant comes in)

H.M.Jr: We - who's "we all got together"?

Schwarz: I got the boys all together.

H.M.Jr: That's good.

(Schwarz goes out)

I simply - all I have to add at this time - if during the six or seven hours that I'm out of Washington there should be a statement come in officially as to what Bonnet gets from Parliament, I wish you fellows would be working on it, you see, so that when I get back this evening, which will not be too late - I can fly back; I am flying back - come back in 35 minutes - why, I'll be available after supper tonight to go over it, you see. So I mean if something comes in I'd like to have it - not more than two alternatives, not more than two pages. Look at the lawyers; they only O.K. one. It's the economists that give us these alternatives. I want to warn you, Herman, that Jake's his old stuff, just as tough...

Oliphant: Is he good again?

H.M.Jr: Oh yes, he's awfully good.

Oliphant: Well, I feel better.

-3-

Viner: I'd like to report to you that no progress is being made on the tax matter.

White: I disagree with that flatly. I report further progress.

H.A.Jr: Oh, he's marvelous. It's the Westchester air.

Well, while you people are trying to get together on the tax thing, we'll be passing the tax bill.

Viner: I know. It's happened that way before.

H.A.Jr: Well, I happen to be a very innocent party. I didn't even know there was a conference, didn't even know there was any discussion, didn't know there was anything to discuss. Like when Wayne tried to explain to me what he told the Chinese. I said, "Having argued with them two nights, that's all I can stand."

Well, that's all. I'll - when I take off, what I'll do, so you can - when I take off from there I'll send you a radio; that will give you some indication. And if you have any message, send it - the only way you can reach me is to send a radio postcard to Burke, you see?

Oliphant: Do you want any texts sent?

H.A.Jr: No.

Taylor: If we get in....

H.A.Jr: Just 35 minutes in the air. No, I mean I might decide to take a little tour, go down to Havana and back.

Viner: Fly around the Washington Monument.

Taylor: We'll let you know whether or not there is anything that requires...

H.A.Jr:working on. And otherwise....

(On phone) Governor Harrison and then Mr. Knoke, please.

What else you got, Jake?

Viner: Not a thing.

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H.M.Jr: This doesn't do any harm, because they did do their job. This doesn't cost anything.

What's that letter?

Taylor: That's the same message I have.

H.M.Jr: (On phone) Hello. (Conversation with Knoke follows:)

June 30, 1937
11:42 a.m.

H.M.Jr: Hello.

Knoke: Good morning, Mr. Secretary.

H.M.Jr: Hello, Knoke?

K: Yes.

H.M.Jr: I just wanted to say - and I've just told your boss, Governor Harrison, that I'm delighted with the way you've handled the thing the last two days.

K: Thank you very much, sir.

H.M.Jr: It's gone along beautifully and I'm very much pleased.

K: Thank you very much. May I just ask a question? I know you're in a hurry.

H.M.Jr: Who said I was in a hurry?

K: What?

H.M.Jr: I have nothing to do.

K: Ha-ha. I thought you were going away.

H.M.Jr: All right.

K: Well, we just got a cable in from the Belgians asking whether we would again do their gold operation with them.

H.M.Jr: Comme bien?

K: Well, they don't mention, but we've done 10 million before and I would suggest the same amount.

H.M.Jr: Sold.

- 2 -

K: All right, sir. Then I may tell Archie that you approve.

H.M.Jr: He's sitting here.

K: Oh, I see, all right.

H.M.Jr: And the loud speaker is on. You know, the trouble with the Treasury is they never can give you a decision.

K: (Laughs) Well, I'll say this. This is a decision.

H.M.Jr: All right. Sure.

K: Thank you, sir.

H.M.Jr: Righto.

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H.H.Jr: This is no time to tell Belgium we won't take gold.

Well, gents, thanks everybody, and.....

Viner: There's one.....

Taylor: Say your piece, man.

H.H.Jr: Who's got a piece to say?

Riefler: It isn't quite ready for saying yet. In trying to see what it was the British wanted in the way of a reply, the only thing I could find was at the end of the second message, where they have given us a very long background discussion of what they were thinking. They said, "We would like the same from you." And in checking back over what we had actually given them, we haven't given them that. We said we weren't going to make a statement and we said we thought the technical arrangements of the tripartite agreement were still in effect. So that I just thought I'd try to work out what was a general statement of our background, and I - I'm not very far along. I've got a rough draft which I'd like to clear with the people here.

H.H.Jr: That's all right, sure. But also remember the point which White pointed out this morning, that the British shot that note to the French....

Riefler: Without.

H.H.Jr:without...

Riefler: But they have given us the general statement of what they are thinking.

H.H.Jr: Without.

Riefler: If we're going to give them anything, that's all we could give them.

H.H.Jr: My own inclination is - I don't see that the United States Government gets into the game. It looks to me as though he went half-cocked or....

Ellis: That is, it wouldn't occur to you to send a like note to France without consulting.

-7-

H.M.Jr: I might. He either went off half-cocked or lost his temper. Neither one pays.

Viner: I think it's Phillips, because you remember the first thing Phillips said at the phone is, "We have been very irritated."

H.M.Jr: Well, the thing that they did - and my own inclination is that this stuff is moving so fast - I mean don't - I'd be more than pleased to have you try it, but this is my own inclination: the thing is moving so fast that by the time I get back and you have something polished, we most likely will have the French thing and then we'll have to make up our mind what's the situation and what are we going to do. Right?

Taylor: We thought it would be useful to have it ready.

H.M.Jr: That's all right. You fellows have got nothing to do all afternoon.

Viner: Help us to crystallize our ideas.

H.M.Jr: And keep you out of mischief.

Viner: Or be the means of getting into mischief.

H.M.Jr: O.K. Jake, could I talk to you about a purely personal matter for a minute.

Pages 105-106: see pages 233-233-A.

JR

PLAIN

London

Dated June 30, 1937

Rec'd 12:30 p.m.

Secretary of State,
Washington.

421. June 30, 6 p.m.

FROM SECRETARY MORGENTHAU TO BUTTERWORTH.

I understand from the British Treasury that when Monick presented Bonnet's note this morning he made at the same time an important oral statement which has a decided bearing on the sentence which I particularly stressed in my 420, June 30, 2 p.m. (see third from last paragraph). It amplifies this sentence and contrary to the previous position taken by the French, namely that the proposed measures were designed to protect the French gold reserves, Monick stated that the Bank of France's gold reserves were entirely at the disposal of the French Government and that the French Government was prepared to make full use of them to defend the franc. He added that a "considerable allocation" from the Bank of France would initially be made to augment the gold resources of the equalization fund. He also emphasized that the idea was not to let the franc go but to control it and that the procedure would be the same as heretofore except for the absence of any upper and lower limits which merely placed the franc on all

fours

-2-

JR #421, June 30, 6 p.m., from London.

fours with the pound. Monick urged the necessity of a reply by today and he was informed by the British Treasury that this was virtually impossible. Since dictating the above Monick telephoned of his own initiative for the purpose of informing me of his oral statement. His account of what he said is not dissimilar from that of the British Treasury. My feeling is that today's French communications to the British Treasury have somewhat changed the picture, that it is to be expected that British resistance will at any moment weaken and that in the end they will come out in favor of making a statement indicating that France is still in the tripartite club. However before doing so they may once again attempt to obtain from the French a more precise statement as to how they will use the new powers in the matter of depreciating the franc.

BINCHAM

HPD

JR

PLAIN

London

Dated June 30, 1937

Rec'd 12:45 p.m.

Secretary of State,
Washington.

423. June 30, 6 p.m.

FOR TREASURY FROM BUTTERWORTH.

With reference to the second paragraph of my 420, June 30, 2 p.m., regarding Roe-Dutton's instructions to obtain the exact text of Bonnet's statement, I quote below the telegram which he sent to the British Treasury a copy of which they gave me.

"I have been unable to get into touch with the Minister of Finance himself who is appearing before the Finance Committee of the Senate. His officials have however shown me an advance proof of the Official Journal, the official record of the debate. This showed no statement at all by M. Bonnet of an agreement by Washington or London except that he spoke of the necessity of maintaining cooperation with the great democracies. M. Kammy Schmidt reporter of the Finance Committee of the Chamber however spoke as follows: 'Moreover I will inform the Chamber that the Government has informed the Finance Committee that the measures which it contemplates as regards the currency were submitted for the approval of the powers

co-signatory

-2-

JR #423, June 30, 6 p.m., from London.

co-signatory of the tripartite agreement who have assured the French Government of their great good will'. The reports in the British press are obviously founded on an earlier version of M. Schmidt's statement which also appears in the French press and which is not in accord with the revised and official text. The Finance Committee meets in secret and no record is available. It is possible that some misunderstanding occurred and that M. Schmidt went beyond the above in what he said in the Finance Committee but has since corrected himself. In any case his report is not equivalent to a direct statement by ministers".

The following is the extract from the uncorrected report of Bonnet's speech to the Chamber:

"The French Government has unanimously recognized that the defence of the franc could not be ensured without too heavy sacrifices for the gold holding within the limits fixed by the monetary law. That is why the Government intend, and it declares this quite frankly, to use the powers which it asks of you to suppress these limits. The French Government intends to use the Greater liberty of the franc which will thus be given to it with the desire of avoiding as far as possible that this modification should influence prices

-3-

JR #423, June 30, 6 p.m., from London.

prices. It is their intention moreover to maintain the system voted by Parliament at the time of devaluation that is to say a stabilization fund which will permit it to ensure a mobile defence. It thinks that this is the form best suited to defend the gold holding and which will permit ⁱⁿ the best technical condition and at well-chosen levels do down the speculators".

BINGHAM

HPD

DDM

PLAIN

112

LONDON

Dated June 30, 1937

Rec'd 1:00 p.m.

Secretary of State

Washington

222, June 30, 6 p.m.

FOR RELEASE FROM BUTTERWORTH

For purposes of confirmation I am repeating the message to you from the Chancellor of the Exchequer which I delivered by telephone this afternoon:

"The Chancellor of the Exchequer wishes to let Mr. Morgenthau know at once that he has been forced to make some statement today in reply to very numerous questions by members of Parliament. He has accordingly arranged to have the following question put to him this afternoon and will make the following reply. The reply is designed not to commit him in any way pending further discussion with Mr. Morgenthau. Question: To ask the Chancellor of the Exchequer whether he can make any statement as to the monetary measures announced by the French Government yesterday. Answer: In the French Chamber yesterday Mr. Chautemps' Government announced their intention of asking for drastic powers to deal with the financial situation and I understand that the French Parliament is dealing with this demand today. The present position therefore is that the French Government are asking for such powers but until they have obtained them and de-

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-2- from London 4422, June 30, noon.

aided on the action to take under them it is not possible to state the details of their plans. It is generally recognized that the readjustment of the franc in September 1936 was not entirely successful in re-establishing a lasting equilibrium between the economic systems of France and those of the United States and Great Britain such as is the underlying object of the tripartite agreement. I understand that the measures now contemplated by the French Government which involve the removal of the upper and lower gold limits now prescribed for the franc are addressed to adjusting this situation. The House will be aware that Mr. Bonnet the new French Finance Minister only reached Paris on Monday and there has therefore not been the opportunity for full consultation with him which might otherwise have presented itself. I have been assured however by the French Government that it is not their object to seek any exchange advantage from this adjustment and that they are anxious to continue close co-operation with the Governments of the United States and the United Kingdom. This is also the strong desire of His Majesty's Government and I am in close touch with the French Minister of Finance and the Secretary of the United States Treasury with this object in view.

BINGHAM

CSB

June 30, 1937.
11:39 a.m.

H.M.Jr: Hello.

Governor
Harrison: Hello, Henry.

H.M.Jr: George?

H: How are you getting on?

H.M.Jr: Oh, wonderfully.

H: Good for you.

H.M.Jr: I just called up to tell you I thought you people down there handled the thing yesterday and today very well.

H: Well, I'm glad you feel that way. It was not so bad.

H.M.Jr: Well --

H: I called you up yesterday to tell you I thought you had done very well --

H.M.Jr: Thank you.

H: And to ask if there was anything more I could do, but you - I talked to Lochhead; you weren't available.

H.M.Jr: Well, things were moving pretty fast and Archie kept Knoke posted from hour to hour.

H: Yes, you've been very thoughtful and we appreciate it.

H.M.Jr: And right now I gave out a very short statement saying I would have nothing to say until the legislation passed or didn't pass the French Parliament.

H: Yes.

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H.M.Jr: And that's my understanding with the English that I'm going to just sit tight and do nothing until we know what we've got to deal with.

H: Well, I think that's quite the sound position to take.

H.M.Jr: And I called down both the Wall Street Journal and the New York Times for stories that they wrote which were entirely wrong.

H: Yeah.

H.M.Jr: And -

H: Have you heard from either the British or the Netherland people as to whether the French made the agreement to buy gold from them?

H.M.Jr: No, no.

H: Uh-huh.

H.M.Jr: No. The British haven't had any agreement, you know. That's the trouble. I talked with Sir John Simon yesterday and they haven't any agreement. That's what they're so sore about.

H: Well, they used to have it I know.

H.M.Jr: But they have nothing today. They've got nothing --

H: That's what I mean.

H.M.Jr: They've got nothing like what we've got.

H: Yeah, well, I don't blame them if they get sore.

H.M.Jr: Yeah.

H: Well, Henry, I think your position is quite right. You can't do anything until you know what they're going to do.

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H.M.Jr: No, and --

H: At the moment so far as you're concerned, there is a tripartite arrangement.

H.M.Jr: Right.

H: I don't like the floating franc idea there and I think that will put them out.

H.M.Jr: Well --

H: If they mean by that that they're not going to buy or sell gold at any price.

H.M.Jr: Yeah. Well, we've got all the legal papers all drawn up for any possible move that they might make.

H: Yes.

H.M.Jr: And just at present I'm not going to stew about what they may do and at least Bonnet has given them a straight right from the shoulder to the jaw. He's let them know what the situation is.

H: You bet he did.

H.M.Jr: And it certainly shows what the English have had to take.

H: Yes, yes.

H.M.Jr: And they've had to take plenty.

H: Yes. And I'm glad that's been brought out because there was some feeling that they weren't doing their part.

H.M.Jr: That's right.

H: Yes.

H.M.Jr: Well, George, as we go along, if it's agreeable to you, Archie Lochhead will keep Knoke informed.

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H: Well, that's the most satisfactory way for me.

H.M.Jr: Right-o.

H: I'm hopeful this means that you're temporarily anyway postponing anything about legislation about reserve requirements.

H.M.Jr: Well, after all, you wouldn't want the Secretary of the Treasury to comment or try to influence the Federal Reserve Board.

H: Ha-Ha! Well, I don't know. Ha-ha! Sometimes yes. Ha-Ha!

H.M.Jr: (Laughs)

H: Well, I told Eccles this quite frankly - that I'm in principle in favor of doing something to control capital movements.

H.M.Jr: Yeah.

H: I'm really very fearful that with conditions as they are today -

H.M.Jr: Yeah.

H: That even an optional bill may result in a deflation in securities, particularly in bonds by banks who will know that they are subject to that increased reserve.

H.M.Jr: Yeah.

H: And I don't think we want another slump right now.

H.M.Jr: Yeah.

H: I think it's - especially if the French really mean anything by this, it may tend especially to check the flow of gold this way.

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H.M.Jr: Well, you sound a little bit inflationary to me today.

H: No, but I don't want to be deflationary.

H.M.Jr: I see. Well, I learned a new expression the other day. I was doubtful as to what the British Treasury did or didn't want and I spoke to the British Ambassador and he told me this, he says, "Well, what you want is, you want it direct 'from the 'oss's mouth."

H: Ha-ha.

H.M.Jr: So I suggest that you look at the - Byron and Keats.

H: Well, I think that's awfully pretty.

H.M.Jr: O.K.

H: (Laughs)

H.M.Jr: O.K., George. Be good.

H: Good-bye.

June 30, 1937
11:42 a.m.

H.M.Jr: Hello.

Knoke: Good morning, Mr. Secretary.

H.M.Jr: Hello, Knoke?

K: Yes.

H.M.Jr: I just wanted to say - and I've just told your boss, Governor Harrison, that I'm delighted with the way you've handled the thing the last two days.

K: Thank you very much, sir.

H.M.Jr: It's gone along beautifully and I'm very much pleased.

K: Thank you very much. May I just ask a question? I know you're in a hurry.

H.M.Jr: Who said I was in a hurry?

K: What?

H.M.Jr: I have nothing to do.

K: Ha-ha. I thought you were going away.

H.M.Jr: All right.

K: Well, we just got a cable in from the Belgians asking whether we would again do their gold operation with them.

H.M.Jr: Comme bien?

K: Well, they don't mention, but we've done 10 million before and I would suggest the same amount.

H.M.Jr: Sold.

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K: All right, sir. Then I may tell Archie that you approve.

H.M.Jr: He's sitting here.

K: Oh, I see, all right.

H.M.Jr: And the loud speaker is on. You know, the trouble with the Treasury is they never can give you a decision.

K: (Laughs) Well, I'll say this. This is a decision.

H.M.Jr: All right. Sure.

K: Thank you, sir.

H.M.Jr: Righto.

June 30, 1937
2:32 p.m.

Treas.
Operator: Mr. Taylor on the line.
W. C.
Taylor: Yes, hello, Butterworth.
B'worth: Good morning, Taylor. - Hello, Mr. Taylor.
T: Yes, how are you?
B:
T: Yes
B: This is Butterworth speaking.
T: Yes, Butterworth.
B: Is this Mr. Taylor?
T: Yes.
B: - The British Treasury has just informed me and they asked me to deliver to Mr. Morgenthau the following message from the Chancellor of the Exchequer.
T: Right.
B: "I have received written reply from Bonnet together with further oral message today. Gist of his statement is that the French equalization account can and will obtain gold from Bank of France for the purpose of supporting the franc and that it is not their intention to allow the franc to fluctuate without control. On the other hand they anticipate a drop when market reopens. In their view the pre-existing arrangements for technical cooperation between equalization funds can be resumed with the sole difference that the franc will not be held within previous gold limits. They pressed strongly for a reply today as to whether we regard this new departure as coming within the Tripartite Monetary Agreement. While these explanations make the position clearer in certain directions, there is, of course, no certainty as to the level of which the franc will be allowed to fall, or as to the success with which they will control fluctuations

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thereafter. My feeling is that it will be desirable to continue arrangements envisaged in the Tripartite Monetary Agreement for the present, but it will be impossible to decide on our final attitude until we have some experience of what happens. I am anxious to avoid a position in which we should announce that the Tripartite Monetary Agreement continued in full force and then on finding that the situation was developing on unsatisfactory lines should ourselves be compelled to appear later as bringing agreement to an end so far as France is concerned.

"I should also explain that it seems to us that the whole question whether the franc can be sustained and therefore whether France can continue to take part in the Tripartite Monetary Agreement is mainly governed by the reality or otherwise of the budgetary reforms which the new French Government are now foreshadowing. Unless we have some clearly defined point at which we have reserved a right to intervene, we are likely to become powerless in the whole matter. With this in mind I propose to send the following reply to Bonnet if you see no objection."

Have you got that?

T: Yeas.

B: Now then, shall I read the reply?

T: Yeah.

B: Now this is the proposed reply.

"The Chancellor thanks Mr. Bonnet for the messages communicated today by Mr. Monnick. In view of the insistent demand made in the British Parliament for an immediate statement, and bearing in mind the representation which Mr. Bonnet made, the Chancellor this afternoon made a statement in the House of Commons, of which we understand Mr. Bonnet already has a copy.

"The Chancellor is glad to have further indication given of the measures which the French Government propose to take in connection with the exchange value of the franc. He has noted

that the French equalization account both can and will obtain gold from the Bank of France for the purpose of supporting the franc henceforward. At the same time the Chancellor is not unnaturally anxious as to the immediate position which may arise following the reopening of the market, when it is anticipated that a fall in the franc may take place. The Chancellor cannot conceal that a movement of this kind may cause considerable apprehension in this country and will render His Majesty's Government's position difficult.

"The Chancellor has noted that it is Mr. Bonnet's intention to continue the same type of practical arrangements for the management of the franc as have recently been in force in cooperation with the British and United States authorities. In view of the general character of the decision reached by the French Government which, as indicated in his message yesterday, the Chancellor feels, may have more serious repercussions than the French Government have assumed, the Chancellor cannot avoid apprehension both on the score of the level to which the franc may fall and on the difficulty of controlling it and he remains for his part uncertain how far and in what way the authorities in this country would be able to continue reciprocal arrangements along the lines which have been followed up to now. He can only suggest that the development of the matter must be carefully watched and further consultations take place as soon as it is seen how the exchange situation of the franc actually develops in the immediate future. So far as under the proposed arrangements the franc is kept relatively steady and not too far from recent level

1: Hello.

2: Just a moment.

"...he is willing that the practice under Tripartite Monetary Agreement should continue but he would like to know before business opens on the first of July to what the precise level as compared with recent weeks Mr. Bonnet will allow the franc to move."

Now, the situation is this. I've just been given this message. The French have once again requested the British Treasury to make a move tonight because they say that when the markets are opened tomorrow morning they must have some precise statement or they will have grave difficulty.

Taylor: Yean.

U: And that being the case, the statement has, I gather, at the last moment just been formulated. So that it has just been given to me with the request that I telegraph it immediately, and with the further request that they would very much appreciate it if you could give an answer within an hour or so. I said that I didn't know whether that was possible. They said of course they would understand the if you couldn't give it until tomorrow, but that it may cause, if the French are correct in their anticipation, some difficulty. And I didn't feel there was any desire on the part of the British to push it, but due to the fact that they had been pushed very hard themselves, they were presenting it to us much in the same way that it had been presented to them.

T: Well, from what I gather - now, there's one question; that is, whether we have any objection to the British asking the French if they would indicate a rate.

B: That's it; that's the most important part of it.

T: Or - that's really the question that's being asked, isn't it?

B: That's really the question, yes.

T: Wait just a minute. (Confers with others)
Butterworth, the other part of it - I mean outside of whether is that they have some doubt as to whether the tripartite agreement - if we say that it gets full effects without any hedges at all, you see, as to what might happen.

B: That's right.

T: That's right. But their inclination is to go ahead as long as you have some hedge policy and the hedge policy would *

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- H: They don't want to nail their heads to the French mast.
- B: What?
- H: I say they don't want to nail their heads to the French mast unless they have some pretty good idea as to what level the franc is going to start off at and how strongly the French authorities are going to act if they start into bankruptcy.
- T: Yes, why that's
- B: And they don't want to give them a blank check.
- T: That's right. And you're merely asking the question - but I don't reply to the other thing until they give some indication, isn't that it?
- B: That's it.
- T: Yes. Just a minute. (Pause) Hello.
- B: Yes.
- T: May I ask you this question. It didn't come over any too clear. Is it your understanding that the position of the British Treasury is that there would be no reduction in the tripartite arrangement until time enough had elapsed to see whether or not the franc could hold the rate they'd start out on?
- B: Well, I do - couldn't you put it a little bit differently?
- T: Fine.
- B: The position of the British Treasury is that they don't want to say that any action which the French may take falls within the confines of the Tripartite Monetary Agreement, but that they are willing to go on with the French now. Of course they want to get a rate out of them. If they get a satisfactory rate, they are willing to go on with the French. They feel confident in there that they should hold to their temporary position. That is emphasized in that message from Simon to Mr. Morgenthau.

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- T: Yes, O.K. O.K., Butterworth. Now, the Secretary is at the wedding.
- B: Yes, I know.
- T: And there's no real possibility of getting in touch with him much before 7 o'clock, which makes it pretty late.
- B: You see, the French are - you - you couldn't get him on the telephone?
- T: No, he's on a train.
- B: He's on a what?
- T: He's on a train at the minute.
- B: I see. Because the French are hanging on here. They want a reply tonight if they can get it.
- Taylor: Right. Now, my personal impression is that there is no possible objection to their asking the French what rate they contemplate. Hello?
- B: Yes.
- T: That was exactly the same type of question which we put up before
- B: What?
- T: ...when the tripartite agreement was first made. I don't know whether that will be assurance enough for the British Treasury, but if they wish to act immediately with the understanding that Mr. Morgenthau is on the train, we certainly have no objection to their asking that question. And we'd be very interested to receive the answer ourselves.
- B: Well, you can see no objection to their going ahead? Because I think these people would rather delay than have us think that they are pushing ahead without our concurrence.

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T: Yes. Well, we cannot give our concurrence, you see, without checking with the Secretary.

B: Right.

A: But ...

B: What do you suggest I do?

T: Tell them just that - that he's not here and the President is also out of town and we can't reach either one of them for about five hours.

B: Yes. Could you - would you repeat to me exactly what you'd like me to tell them? Mr. Morgenthau will not be available for about five hours.

A: Yes. Therefore, we cannot answer within an hour. However, that the information as to their contemplated rate is exactly the same type of question which was asked before, and it's information which certainly would be useful.

B: Right. Then I shall communicate with them and

T: Yes, but that is my personal opinion and is not official.

B: What?

T: That is my personal opinion and not official.

B: Yes, I understand. And would you like me to call you back and tell you what their decision is?

A: Yes.

B: Because otherwise they may want us to get as quick as possible.

T: Right. Just one more second.

B: Right, and I'll call you back.

T: One - one more second. We are not necessarily endorsing the asking of that question, you see, but naturally we would also be equally interested in having it. That's a very wishy-washy position but it's the one that we have to take at the moment. (Pause) O.K., Butterworth, call me back about what they do.

Wednesday
June 30, 1937
3:57 p.m.

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H.M.
Cochran: Hello, Taylor, how are you?
W. C.
Taylor: Well enough. And you?
C: Quite all right, thanks.
T: Ah - we have gotten over the first page -
the passage of the one decree.
C: How is that?
T: The news of the passage of one decree. It says,
"President LeBrun signed the decree
abrogating the fixed minimum gold content
of the franc."
C: That's right.
T: Yeah.
C: That's the last - well, there's a little more
news. You had the fact that the content will be
subsequently fixed by decree.
T: That's right.
C: And the convertibility of the notes will be fixed
by decree.
T: That we didn't have.
C: That's left to decree also.
T: Yeah. The equalization fund will govern the
French franc rates to other currencies.
C: Right.
T: And the Bourse will open.
C: The Bourse will open. And ten minutes ago the
bank - my friend there called me to let me know
that they had just finished a meeting of their
Board, the General Counsel, in which they had

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approved the convention with the Minister of Finance. And so they told me that had then gone to the Ministry of Finance to see about the plans for tomorrow. If they can they will probably open up in the morning but they are still considering tonight just how they will operate.

- T: Right. They've made their arrangements to get enough gold from the Bank of France so as to cover any operations of the franc.
- C: Yes, they have that privilege, you see?
- T: Yes, that's right.
- C: The fund is going to be continued in this throughout, at ten billion francs.
- T: Yes.
- C: And the initial credit which the Bank is going to give the Government, in round figures, is fifteen billion.
- T: Sixteen?
- C: Fifteen.
- T: Fifteen?
- C: Fifteen.
- T: I got it.
- C: I gave it to you in my telegram this afternoon. And I haven't seen the text yet, but my friend said to assume it would be fifteen, about.
- T: Right.
- C: What's the credit which they'll open to the Treasury.
- T: I see. Now, we are not able to make any statement probably before all the arrangements have been made for the bourse to open.
- C: Yes.

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T: And I wish that you would explain that to the French, that on account of the Secretary's absence we will not be able to indicate anything -

C: I see.

T: - before the Bourse opens.

C: Before the Bourse opens?

T: Probably. See - see, he gets back here not earlier than eight o'clock tonight.

C: Yes.

T: And then there'll be some discussion as to what kind of a comment - what kind of a statement we will make, if any, because I believe that they rather expect one.

C: Well, they talked to me about it as you know, yesterday.

T: Yes. Well, they've been -

C: - about seven last night.

T: Yes. Well, they've talked to us again here through Appert.

C: And I have not been in touch with the Treasury today. They have not called me.

T: They have not called you?

C: They have not called me today.

T: Right. I see. Now -

C: I didn't look them up. I did see our friend at the bank today. And then, in a telegram which I sent this afternoon at five p.m. I summarized the situation which exists and let you know what a shock this revelation from Bonnet in regard to their low finances and outflow of gold and so on has made.

T: I see.

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- C: And I suggested that hesitancy in making any statement seemed warranted until the situation has been clarified a little. That was just my personal suggestion.
- T: Yes. As you probably know, there were a lot of conversations going on in London.
- C: Yes. I presumed there were, yes.
- T: Yes. And we are not in a position to comment on that situation either at the present time.
- C: No.
- T: But we are working with them, quite naturally.
- C: Uh-huh.
- T: Yes.
- C: That was the idea that I guessed from the Secretary's talk this afternoon - that there would be nothing done until you are pretty sure.
- T: Yes.
- C: That there would be nothing done - nothing said until you are pretty sure of the situation and then it could be only after agreement with our cousins.
- T: Yes. Here's the one thing that you can emphasize to the Treasury at the present time, is our general desire to cooperate - ah - wait a minute; I see a head snaking here. One minute, please. (Pause) Ah - never mind that. Ah - that doesn't mean that we don't want to, you see, but -
- C: Yes.
- T: What?
- C: It's a little risky....
- T: Yes.
- C: ...to say much of anything, because they just grasp anything we say.
- T: Right. Well then, I think if you could simply indicate that on account of the Secretary's absence from town, why, we won't be able to give them any particular comments until probably after the Bourse has opened.

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C: Yes. All right. Well, I'll get that word to them tonight.

T: Wait a minute. (Pause)

T: No, I think that is all we can do, Cochran. Simply indicate why we have not been able to communicate today.

C: The Secretary's been away all afternoon.

T: Yeah.

C: Yes. Fine, I'll get in touch with them and let them know.

T: And also the President, you see?

C: What's that?

T: Both the Secretary and the President are at this wedding -

C: Yes, yes.

T: And unfortunately we can't comment until we get their impressions.

E: I see. I see. So then, in the morning early I shall cable you the exact text of this amendment to their convention and the new decree. I was ^{just} starting down town to see if I could get it tonight if it was ready.

T: Yes.

C: But it is usually pretty difficult to get until the Journal Official comes out, you see?

T: Oh yeah.

C: But I can run it off, code it and get it to you by the time you open up in the morning.

T: All right, Cochran. We may cable you tonight, but that's not determined.

C: Will there be another call, do you think?

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T: Well, I think we'll handle it by cable.

C: I see.

T: Yeah.

C: All right, fine. And - speak to the State Department to be sure to get to you my Eight Eight Six, will you?

T: I will.

C: Eight eight six at five p. m. this evening.

T: Right. Thank you, Cochran.

C: All right, thank you.

T: Goodnight.

C: Goodnight.

June 30, 1937 4 pm

Appert telephoned Lochhead today to inquire if the Secretary had given out a statement on the French situation or if he had announced he would make any comment on the French situation. Lochhead told Appert that the Secretary had let it be known he would have no comment to make until after he had learned further facts.

Appert then inquired if it would be necessary for him to remain in Washington for the Secretary's reply and Lochhead advised him he could return safely to New York; that the telephone could be used and we would be glad to keep in touch with him, and, further, that Appert should feel free to call at any time.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: June 30, 1937, 5 p.m.

NO.: 886 FROM COCHRAN.

The official record of the debate in the Chamber last night on the finance bill will not be available until tomorrow. Widely different reports are carried in press on certain matters of particular interest, but it remains for the Journal Officiel to verify them. I will mention only two points meanwhile. (1) the New York HERALD (Paris edition) and apparently some American journals report that Bonnet had said that following the unpegging of the franc the necessity of maintaining the stabilization fund would be eliminated and the Treasury would get the francs which it held. I refer to my telegram No. 874 of June 29, 3 p.m., in which I repeated the statement Rueff made to me that under the plan now being voted the stabilization fund would be retained.

(2) Some papers stated that when Bonnet appeared before the Finance Committee of the Chamber he was asked whether the United States and Great Britain agreed with his plan of suppressing the lower limit of the franc. It is reported that statements on this subject would be made by Messrs. Morgenthau and (?). It is stated in other papers that at the opening of the Chamber session the Finance Committee reporter said that the French Government's financial proposals were being made with the full approval of the

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the British and American Governments and that
END SECTION ONE.

BULLITT.

EA:LWW

PARAPHRASE OF SECTION TWO OF TELEGRAM NO. 888 of
June 30, 1937, from Paris.

therefore no breach in the Tripartite Agreement was constituted thereby.

Bonnet's revelations regarding the depletion of Treasury resources, the exhaustion of the stabilization funds, gold and foreign exchange and the Bank of France's gold losses in recent days are having a strong repercussion here. Parliament has apparently been startled to such an extent by these figures that the extensive powers which the Government requests will be granted, and the immediate task of attempting to right the situation will be given the Government.

I have in my series of cablegrams (omission) reconstruction of the financial crisis which was developing and have given figures which the disclosures of Bonnet confirmed. Since the Chautemps Government was set up I have indicated the lack of faith in this regime on the part of the financial and business community. Since the public now knows the real state of affairs, it is realized that a new franc is to come and the Auriol franc is finished.

END SECTION TWO.

BULLITT.

EA:LWW

PARAPHRASE OF SECTION THREE, No. 888 of June 30, 1937, from Paris.

It is felt by market observers that the reluctance or perhaps inability of the new Government to depart importantly from the program of Blum will tend to seriously lower the franc.

The same effect will result from the big loan which the Government will seek from the Bank of France (Cariguel anticipates eighteen billion francs).

Outside of France today quotations indicate a belief that the rate may be around 24 or 25 francs to the dollar when official quotations open; this is still speculative, however. Very tight money market in Paris. Many people will need francs, this being the end of the half year and the quarter, as soon as the market is reopened. This natural support for the franc will thus be present, as opposed to the bearish influence resulting from the revelations made by Bonnet and from the market's lack of faith in the new Government's ability to correct the financial and economic situation without a serious currency sacrifice. It would seem entirely logical in the circumstances that authorities of the American and British Treasuries should be hesitant to make any significant statement regarding the present and prospective status of the Tripartite arrangement until the situation is more clear and until the measures to be undertaken by the French Government are definitely revealed.

It is now 6 p.m., and just as this message is being

finished

Regraded Unclassified

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finished a report from the Senate says that the financial bill was adopted by a vote of 157 to 82. It is therefore expected that the markets will be reopened tomorrow.

END MESSAGE.

BULLITT.

EA:LWW

LMS

PLAIN

London

Undated

Rec'd 5:30 p. m.,
June 30, 1937Secretary of State,
Washington.

424.

URGENT AND RUSH.

FOR TREASURY FROM BUTTERWORTH.

Inasmuch as telephone connection was so poor and British Treasury has now informed me that they feel that a decision by Mr. Morgenthau tonight, regardless of the fact that it will not reach here until the early hours of the morning, is highly desirable (repeat highly desirable) I am putting on the direct wire the Chancellor of the Exchequer's message to the Secretary of the Treasury together with the Chancellor's proposed reply to Bonnet.

The former reads as follows: "I have received written reply from Bonnet together with further oral message today. Gist of his statements is that French equalization account can and will obtain gold from Bank of France for purpose of supporting franc and that is is not their intention to allow franc to fluctuate without control. On the other hand they anticipate a drop when markets reopen. In their view pre-existing arrangements

for

LMS 2-No. 424, from London, undated.

for technical cooperation between exchange funds can be resumed with sole difference that franc will not be held within previous gold limits. They pressed strongly for reply today as to whether we regard this new departure as coming within tripartite monetary agreement. While these explanations make position clearer in certain directions there is of course no certainty as to level of which franc will be allowed to fall or as to success with which they will control fluctuations thereafter. My feeling is that it will be desirable to continue arrangements envisaged in tripartite monetary agreement for present but it will be impossible to decide on our final attitude until we have some experience of what happens. I am anxious to avoid a position in which we should announce that tripartite monetary agreement continued in full force and then on finding that the situation was developing on unsatisfactory lines should ourselves be compelled to appear later as bringing agreement to an end so far as France is concerned. I should explain that it seems to us that the whole question whether the franc can be sustained and therefore whether France can continue inside the tripartite monetary agreement is mainly governed by the reality or otherwise of the budgetary reforms which the new French Government are now foreshadowing. Unless we have

LMS 3-No. 424, from London, undated.

we have some clearly defined point at which they can hold the franc, we should be powerless to intervene in the whole matter. With this in mind I propose to send following reply to Bonnet if you see no objection".

The draft reply to Monsieur Bonnet reads as follows:

"The Chancellor thanks Monsieur Bonnet for the messages communicated today by Monsieur Monick. In view of the insistent demands made in the British Parliament for an immediate statement, and bearing in mind the representations which Monsieur Bonnet made, the Chancellor this afternoon made following statement in the House of Commons, of which he understands Monsieur Bonnet already has a copy. The Chancellor is glad to have the further indications given of the measures which the French Government propose to take in connection with the exchange value of the franc. He has noted that the French equalization account both can and will obtain gold from the Bank of France for the purpose of supporting the franc henceforward. At the same time the Chancellor is not unnaturally anxious as to the immediate position which may arise following the reopening of the market when it is anticipated that a fall in the franc may take place. The Chancellor cannot conceal that a movement of this kind may cause considerable apprehension in this country and will

render

LMS 4-No. 424, from London, undated.

render His Majesty's Government's position difficult. The Chancellor has noted that it is Monsieur Bonnet's intention to continue the same type of practical arrangements for management of the franc as have recently been in force in cooperation with the British and United States authorities. In view of the general character of the decision reached by the French Government which, as indicated in his message yesterday, the Chancellor feels may have more serious repercussions than the French Government have assumed, the Chancellor cannot avoid apprehension both on the score of the level to which the franc may fall and on the difficulty of controlling it and he remains for his part uncertain how far and in what way the authorities in this country would be able to continue reciprocal arrangements on the lines which have been followed up to now. He can only suggest that the development of the matter must be carefully watched and further consultations take place as soon as it is seen how the exchange situation of the franc actually develops in the immediate future. So far as under the proposed arrangements the franc is kept relatively steady and not too far from recent level, he is willing that the practice under tripartite monetary agreement should continue but he would like

LMS 5-No. 424, from London, undated.

like to know before business opens on the 1st July to what precise level as compared with recent weeks Monsieur Bonnet will allow the franc to move."

BINGHAM

SMS:EMB

Wednesday
June 30, 1937
6:20 p.m.

145

W. C.
Taylor: Hello, Butterworth.

Butterworth: Hello.

T: Yes, hello, Butterworth.

B: I'm sorry I didn't call you back before but the delay was unavoidable because the British Treasury had to go into a huddle and make up its collected mind.

T: Right.

B: Have you gotten my telegram number 424? - which gives the text of those messages?

T: It just came.

B: It did? Because I felt the connection was so poor and I rather gathered that you got the impression it only dealt with the question of - of the extent of making exchange inquiry. It's my impression it went a little further than that, and more or less says to the French that they must behave themselves in the matter of the exchange value of the franc.

T: Well, that was - that wasn't all the impression that I got, but that's in -

B: Oh, I've put it on the wire.

T: Yes. I'm glad you did.

B: The position is this, that the British think that they'd better get an answer tonight if they can because the French are still anxious to know.

T: Yeah.

B: The following message has been given to Monnick, from the British, and I'll read it to you.
It says:

"The Chancellor of the Exchequer"

-2-

T: Wait a minute. Go slower.

B: " will send a reply today to Monsieur Bonnet, despite the fact that he has been on the front bench in the House of Commons almost continuously since he received Monsieur Bonnet's message. He has tried to get in touch with Monsieur - with Mr. Morgenthau whom he wished to consult but finds that Mr. Morgenthau will be absent from Washington until 9 p.m. - 2 a.m. our time. The Chancellor hopes to get in touch through the American Embassy with Mr. Morgenthau during the night and to send a reply to Monsieur Bonnet as soon as he has done so."

T: Right.

B: Now, there are one or two other little things. Well, there's one other thing, that is, that we've made arrangements here - that arrangements are being made here so that when you let me know I can let the British know and they can then communicate with the French.

T: Well, we'll be here at the Treasury. The Secretary gets here about nine o'clock our time.

B: Yes.

T: And we'll get word to you as soon as it's possible after that.

B: Right. Well, I shall be available for a call.

T: Right. Just a minute.

B: Now there's one -

T: What?

B: No, no. Go ahead.

T: Herbert Feis wants to talk to you.

B: All right.

Feis: Walton -

-3-

B: Hello, Herbert.

Fels: Walton, you're keeping bad hours.

B: I know it.

Fels: How did you get into this?

B: Well, I'm enjoying it.

Fels: Good for you! Come and see us soon.

B: "I'd like to."

Fels: Well -

B: Herbert, let me tell you a little bit about the exchange rate position. I understand that Montague Norman sent one of his men over informally to Paris.

Fels: Yes.

B: And he has been talking with his office in London from the Bank of France. I gather that the British have, through that agency, let the French know that they think 120 is about the right figure, and that 130 would be too (noise distorts next word). When I heard this I said, "If this is your usual British compromise, namely, that if the thing eventually settles at about 125, you'll feel that that's the right thing." And they more or less said that they wouldn't be surprised if eventually it came to that.

Fels: Everybody's got that, Walton.

B: They've got that?

Fels: I mean everybody here understands that, yes.

B: Right.

Fels: And we'll hear your voice again before morning.

B: Right.

-4-

Fels: Before your morning.

B: Right.

Fels: Right you are, Walt. So long.

Wednesday
June 30, 1937
6:30 p.m.

145

H. U.
Cochran:
W. C.
Taylor:

Hello.

Hello.

C: Hello, Taylor.

T: Yeah, hello, Cochran.

C: I was calling you again to let you know that after I spoke with you I tried to find Rueff; I couldn't at that time. I did get Cariguel, and I gave him your message. And I told him that it would be a little easier for me to urge an American statement if I could tell you people something more as to what to expect. He then told me now they would open up tomorrow. Do you hear it?

T: Yes.

C: As far as he is aware there will be absolutely no new restriction on exchange trading. As for the rates, he said that they would let the franc go down to range from one twenty-five to one hundred and thirty to the pound, and would then gradually bring it back to one hundred twenty-five.

T: I got it.

C: He said that a representative from London came down this afternoon and they gave him the general idea as to what they intend to do but gave him no figures. We're the only ones who have these figures.

T: I see.

C: And he will cable the Federal in the morning, with instructions for the day. And after I talked with him, Rueff called me while I've been here trying to get through the call and I also gave him your message. And he was quite anxious that I - that you people do something.

T: Well, we'll be sitting up all night doing it.

C: Right. Well, anyway, I told him that - the circumstances.

-2-

I: Right.

C: And he told me about a statement Chamberlain had made in the Parliament this afternoon.

I: Yes. Ah - we've been in communication with Butterworth -

C: Yes.

T: And the answer from the British and the answer from ourselves will not come until after the Secretary has gotten here.

C: Yes.

T: Which will be at about nine o'clock.

C: Yes.

T: We will then draft our reply.

C: Hello.

T: Yes.

C: You will draft then?

T: We will draft then, after - we've done some drafting of course but we want to get - bring him up to date because he's been out of touch.

C: Well, I presumed you'd be working tonight so I thought this one point would - - -

T: It's very interesting.

C: All right. Well, that's the whole thing.

T: Now, whether - will you have anybody there that we can -- can we get through to you later then - later tonight?

C: I'm down at my office and I shall be at home in another - oh, a half or three quarters of an hour.

T: Yeah.

C: So you could get me any time there. You have the home number.

-3-

T: All right. Well, we may do that.

C: Well, the number is - I think that it is Kleberg 7902.

T: Kleberg 7902?

C: Yes. Now, I shall be there in a half or three quarters of an hour.

T: All right, fine.

C: But they urged the confidential character, of course, of the - -

T: Yes, naturally.

C: Surely. All right.

T: Thank you, Cochran.

C: Thank you, sir. Good night.

T: Good night.

MR. FRANK CHAISIS

June 30, 1937
8:45 p.m.

Present: Mr. Taylor
Mr. Lochhead
Mr. Oliphant
Mr. Oppen
Mr. Viner
Mr. White
Mr. Hiefler
Mr. Feis

Mr. Jr: What's this?

Mr. Jr: That's the cable that came over. Butterworth telephoned it and then he confirmed it, and so it's better to take it on the confirmation.

Mr. Jr: (Cable 424) "Inasmuch as telephone connection was so poor and British Treasury has now informed me that they feel that a decision by Mr. Morgenthau tonight, regardless of the fact that it will not reach here until the early hours of the morning, is highly desirable (repeat highly desirable) I am putting on the direct wire the Chancellor of the Exchequer's message to the Secretary of the Treasury, together with the Chancellor's proposed reply to Bonnet.

"The former reads as follows: 'I have received written reply from Bonnet together with further oral message today. Gist of his statements is that French equalization account can and will obtain gold from Bank of France for purpose of supporting franc, and that it is not their intention to allow franc to fluctuate without control. On the other hand, they anticipate a drop when markets reopen. In their view, preexisting arrangements for technical cooperation between exchange funds can be resumed, with sole difference that franc will not be held within previous gold limits. They pressed strongly for reply today as to whether we regard this new departure as coming within tripartite monetary agreement.

"While these explanations make position clearer in certain directions, there is, of course, no certainty as to level of which franc will be allowed to fall, or as to success with which they will control fluctuations thereafter. My feeling is that it will be desirable

-2-

to continue arrangements envisaged in tripartite monetary agreement for present, but it will be impossible to decide on our final attitude until we have some experience of what happens. I am anxious to avoid a position in which we should announce that tripartite monetary agreement continued in full force and then, on finding that the situation was developing on unsatisfactory lines, should ourselves be compelled to appear later as bringing agreement to an end so far as France is concerned.

"I should explain that it seems to us that the whole question whether the franc can be sustained and therefore whether France can continue inside the tripartite monetary agreement is mainly governed by the reality or otherwise of the budgetary reforms which the new French government are now foreshadowing. Unless we have some clearly defined point at which they can hold the franc, we should be powerless to intervene in the whole matter. With this in mind I propose to send the following reply to Bonnet if you see no objection."

"The draft reply to Monsieur Bonnet reads as follows: 'The Chancellor thanks Monsieur Bonnet for the messages communicated today by Monsieur Monnick. In view of the insistent demands made in the British Parliament for an immediate statement, and bearing in mind the representations which Monsieur Bonnet made, the Chancellor this afternoon made following statement in the House of Commons, of which he understands Monsieur Bonnet already has a copy.'

"The Chancellor is glad to have the further indications given of the measures which the French Government propose to take in connection with the exchange value of the franc. He has noted that the French equalization account both can and will obtain gold from the Bank of France for the purpose of supporting the franc henceforward. At the same time the Chancellor is not unnaturally anxious as to the immediate position which may arise following the reopening of the market, when it is anticipated that a fall in the franc may take place. The Chancellor cannot conceal that a movement of this kind may cause considerable apprehension in this country and will render His Majesty's Government's position difficult.

-3-

"The Chancellor has noted that it is Monsieur Bonnet's intention to continue the same type of practical arrangements for management of the franc as have recently been in force in cooperation with the British and United States authorities. In view of the general character of the decision reached by the French government, which, as indicated in his message yesterday, the Chancellor feels may have more serious repercussions than the French government have assumed, the Chancellor cannot avoid apprehension both on the score of the level to which the franc may fall and on the difficulty of controlling it, and he remains for his part uncertain now far and in what way the authorities in this country would be able to continue reciprocal arrangements on the lines which have been followed up to now. He can only suggest that the development of the matter must be carefully watched and further consultations take place as soon as it is seen how the exchange situation of the franc actually develops in the immediate future.

"So far as under the proposed arrangements the franc is kept relatively steady and not too far from recent level, he is willing that the practice under tripartite monetary agreement should continue, but he would like to know before business opens on the 1st July to what precise level, as compared with recent weeks, Monsieur Bonnet will allow the franc to move."

I take it everybody has seen this. Oui, oui?

Wickham: That was telephoned over first, and they wanted an answer, and they were told it would be impossible to give an answer until you came back. In the meantime, Butterworth telephoned. We haven't got the confirmation of the telephone conversation; here's the text. The British think that they better get an answer tonight.

Taylor: No matter how late.

A. J. Jr: "Hello, Butterworth. - Hello. - Hello." (Reads part of telephone record to himself). Where is 424?

Wickham: That's the one you just read.

A. J. Jr: I can't understand, with a direct wire over there, why it takes so long for it to come through. Do you (Feis) understand why it takes so many hours - the transmission?

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Veis: Well, I don't know what you have - you mean in the cables?

H.A.Jr: well, anyway..... (continues reading for short while)

Lochhead: Then there was a further call from Cochran, the main part - Cochran brought out that he had been in communication with Cariguel, and Cariguel told him that they intended to open the franc tomorrow at between 130 and 125 to the pound - probably at 130 and then bring it back to 125. Translated into our terms, 130 to the pound would be 3.80; 125 is 3.96.

H.A.Jr: Wait a minute; they're going to open at what?

Lochhead: Between 130 and 125.

H.A.Jr: Give me ours.

Lochhead: 3.80 and 3.96.

H.A.Jr: 3.80 and 3.96. And up to now the limits have been 4.35 and....

Lochhead: 4.35 and 4.65.

H.A.Jr: ...and 4.65.

Lochhead: Cochran mentioned, however, that as far as he understood, that rate had not been given to the English, that we were the only ones that knew that rate.

Taylor: However, that some people from the Bank of England had been over and...

H.A.Jr: Well, I - well, I'll wait a minute, because I have had an hour, a couple of hours, to think this thing over.

Oliphant: That 125 is back to that old rate.

H.A.Jr: Pardon me?

Oliphant: That 125 is back to the old rate.

Lochhead: Yes, 3.96 is what they call the old point.

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A.J.Jr: Well now, is that all?

Cochran: That's practically everything that he had in his report, wasn't it?

A.J.Jr: Well, I'd like to find out from this bird Henry if when he gave it to the New York Times that they weren't going to stick to the tripartite agreement, whether he was doing that under orders or not.

Wils: Henry came in to see me this morning, and I think his real reason was to tell me to tell you - in order that I should tell you, but I didn't think it worthwhile - how disturbed they were over that New York Times story, and it arose out of a conversation not with one of the men that customarily covered economic affairs, but Ainton, who didn't understand what it was all about; and in their judgment it simply had no relation to what they had told him. The part that disturbed him most was the way it started off by saying something about being out, that they had been instructed to deliver a message to you that France was going to depart from the tripartite agreement; that all their anxieties, all their interests, were to the contrary; and Henry and Appert were both waiting to hear from you. They had a sense of having delivered a message to you yesterday morning, which they apparently thought you would follow up by getting in touch with them.

A.J.Jr: You (Taylor) saw them; I didn't see them. What did they say?

Taylor: Said that - they repeated the message that we'd gotten from Cochran, and I said, "Thanks very much. We'll comment on this as soon as we are able to."

Wils: Incidentally, at four this afternoon Appert called up and wanted to know whether he should wait around for a statement or go back to New York. I told him he could go back to New York.

Taylor: And Appert, in my - on his way out of my office, why, some newspapermen talked about the tripartite agreement, and he said, "Of course we're in the tripartite agreement."

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W.Jr: That was carried from the ticker here. But we called New York Times down this morning for that story and they stated they didn't get anything from our end.

Wals: Well, Henry and Appert apparently tried to tell Hinton what it was all about, but Hinton apparently got it wrong.

W.Jr: Well, Hinton's a first-class reporter.

Wals: I - that doesn't correspond to my experience, when he's concerned with economic questions.

W.Jr: Well, I don't - he doesn't cover us here.

Wals: He doesn't cover the Department either.

W.Jr: (On phone) Locate Mr. Schwarz in Mr. Gaston's office, in case I should want him, and tell him to stay in touch with a telephone, please.

W.Jr: Hinton did come in.

W.Jr: What?

W.Jr: Did come into the Treasury. I talked to him; I know him.

W.Jr: You talked to him?

W.Jr: Yes.

W.Jr: Did you tell him of anything about the tripartite?

W.Jr: (Holds no) I told him to look up the original declaration and the technical thing of October 13 and that would permit him to get all the background that he wanted.

W.Jr: Well, if.... All I want to find out - if Henry washes his hands of it, then he had no official instructions to make any such statement - Henry.

Wals: Is the one....

W.Jr: ...which the Times printed.

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Viner: He has disclaimed it.

Walt: He not only had no official instructions, but he said it was the very opposite of what he tried to indicate.

Walt Jr: All right, then, the situation we're facing is this, which it seems to me is a very simple one. Under the tripartite agreement, France and England and ourselves agreed not to devalue between certain points, and the French - their certain points were between 4.35 and 4.65 - and not to seek competitive advantage. I haven't got all the thing - I got it in my head anyway. But certainly not to start devaluation. Now, have they asked - have the French asked the United States Government whether it is agreeable to us that they go to 3.80?

Walt: They notified you fully of the fact.

Walt Jr: Well, they notify us, they don't ask me.

Walt: And asked for a reply.

Walt Jr: The French?

Walt: That's this thing we've been talking about.

Walt Jr: The French have?

Walt: Yes, they've been pressing for it.

Walt Jr: The French?

Walt: Yes.

Walt Jr: I mean whether it's agreeable to us?

Viner: Presumably for - "reply" was the word they used, wasn't it?

Walt Jr: Well, where's the paragraph in the agreement which covers devaluation? I mean let's forget the British for a minute; I'd like to concentrate on the French.

(Oppen hands his file to Secretary, who reads)

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H...Jr: (On phone) Ask the White House operator what time the President's train is going to pull out. I know they've got a telephone in there, see. And tell them that, to find out; if they don't know, let them call up, see, because I may want to talk to him before he pulls out. Also if they know when he is expected at the train and when he is expected to arrive on the train and when he is expected to leave. I know they have a telephone in his car. Please.

Now, where's the - what the French have put up to us?

Taylor: It's in one of these early cables. It's been changed very materially since then.

H...Jr: Don't have they put up today?

Taylor: It's the message you read to us at the hotel the other night.

H...Jr: When we were together? That message? Nothing since then? But what about this 3.80 - 3.96?

Edw: That message, supplemented by what they have told Cochrane regarding their plans and intentions.

Taylor: It was clear they didn't ask in the sense of is it all right with us; they were notifying us, possibly, for comment, but there's no clear question that "We're going to do this if it's all right with you." That they did not state.

H...Jr: They're going to do it anyway.

Edw: They say they were going to do it anyway, but they ask for comment. You might imply.....

Dillmont: Did they say that? They say, "These are our plans and we'd like to have your reactions." That's a vital difference.

H...Jr: Just a minute please. May I - because to me the thing is - let's decide the French thing first, what is our relationship with them. And then, about the English, I think that's a secondary matter. What steps have the French taken to notify us? That's what I'd like to be made clear on. And is it a notice or is it "We will only do this if you will approve?" Now, who's got that?

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- Loganhead: Here was the message, a confirmation of what Cochran....
- H.L.Jr: Do you agree with me? It's a French thing first and let's settle our relationship with the French.
- Loganhead: They communicated with you through Cochran, then he gives you a program, and then - there's the end.
- Field: Gave that to Cochran and then must have instructed Expert to come in here and deliver on this thing.
- Taylor: That's right, and that's the same message which was given to the British.
- Field: Then he has supplemented - made what I think a fairly continuous effort to keep Cochran informed of the further details of their prospective action.
- Taylor: One thing that might be added to what Cochran said, and that is the Bank of France will send over a new cable tomorrow morning making an offer only within the new range. Isn't that right?
- Loganhead: Yes.
- White: They did not ask for our comment on that.
- Ellenent: I suppose that phrasing is about as near as one sovereign can come in talking to another sovereign to saying, "We don't do it unless you agree." That is, if we might put ourselves in their position, we couldn't say, "Now, we'll do this - we're going to do this if you agree." We'd have to put it another way: "This is what we're thinking about; we'd like to have your comments." That's the danger - that is, one sovereign wouldn't ordinarily - couldn't put it that bluntly.
- H.L.Jr: I think we might as well have Henry sitting in the outside office in case we want to consult him, huh?
- Field: Oh, I'd say - I have an idea that it mightn't be too early to find out where he is, but I should think perhaps it is a little bit early to ask him down here. I think there is quite a field of discussion that you may want to.....

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A.S.Jr: (On phone) Miss Spangler, see if you can find out where to locate Monsieur Jules Henry. I imagine he's the acting Ambassador, or he's the Counselor of the French Embassy. And find out where he is and have him let you know where he can be reached. I may want to see him. That's H-e-n-r-i.

Leis: It's H-e-n-r-y.

A.S.Jr: It's either H-e-n-r-i or H-e-n-r-y. He's the Counselor of the French Embassy. See if you can locate him and tell him I may want to see him. And also find out where Sir Ronald Lindsay, the British Ambassador, is, and if he's available. And did the White House answer you? - - Thank you.

(Secretary goes out)

Deamano: If the Secretary is going to get tough with them.....

Aligent: Have we had any indications - I haven't read all these documents - have we had any indication from any source that they were doing this in order to gain a competitive advantage?

White: They said the opposite.

Taylor: It's all been the opposite.

Viner: Say, Herman, somebody ought to throw out the note that the thing to consider is what are our major objectives, not the question of their past procedure. I think the French have been delinquent in keeping us informed, but what do we care? I mean that ought to be a minor consideration.

White: That will be next after he gets a clear picture.

Deamano: Who's at fault, the old administration or the administration we're dealing with now?

Aligent: Is there any evidence that they propose to do what - I think the first question is, have they manifested a desire to consult? Answer, yes.

Leis: I would say no, but we can't.....

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- White: I think he's (Feis) answering a different question.
- Ollivant: First, have they manifested a disposition to consult? Yes. Is there any evidence that they are doing this for competitive advantage, or is it merely because they are driven to it?
- White: Oh, the latter, very definitely. Very definitely they have said so in every indication.
- Feis: And I think that may help to remind the Secretary that Bonnet only landed there.....
- White: I think all that is true.
- Viner: And part of the record is that Bonnet was in here to see him before he sailed - was in and didn't see him.
- White: It would be a little misleading for the Secretary to believe that they said they were going to have this range and now do we feel about it, because they said they were going to put that on tomorrow morning. I think after he recognizes that, then we can take the other approach.
- Ollivant: No, no, now listen, White - now go slow there. In their first communication with us, they didn't say they were going to put that on tomorrow - no, no. The question is, have they manifested a spirit - a disposition to consult?
- Viner: Incompletely.
- White: Not completely, but sufficient so that you can.....
- Ollivant: Now listen, it's about as much as one proud sovereign, with a bunch of Senator Thomases.....
- Viner: Much more than we would have gone under the conditions.
- Taylor: There's all the difference between consulting and asking for permission.
- Ollivant: Consulting may very well be as far as you can go as a matter of - in view of your local political situation. Now, just imagine our - with Hiram Johnson loose down on the Hill - going any farther than saying, "We'd

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like to consult." Don't you (Taylor) agree with me?

Taylor: Sure. I think, considering everything, why, they did a - about as good a job as they could.

Cliphent: Considering everything, including their manners.

Taylor: Why, leaving that out.

(Secretary returns)

Viner: I think we've reached a full consensus.

A.S.Jr: Well, may I have it? - - Go ahead, you're the....

Viner: No, I'm not.

A.S.Jr: Go ahead.

Viner: And I think that we did it after much difficulty, because there are varying points of view that have to be ironed out. And I think my impression of the basis of it all is that we gradually did get to thinking about what are your major objectives, and not what has been the past course of events. What is it we want to get? And, under those terms, what is the best thing we can do under the circumstances tonight to serve those major purposes, disregarding the minor matters; and that the two major purposes are, first, to maintain cooperation between the three countries, and secondly, to shift the emphasis of the English pressure on France to one of helping her rather than one of scolding her.

And we have here a draft which is either to be sent by you - proposed that you should send it to Mr. Simon or that it should be the basis from which you might want to talk to him on the phone, whichever procedure you want. But it is the crystallization of our ideas, and I think we all agree without any reservations. Isn't that so?

Cliphent: That is true. Might I add another thing that we all agreed on just while you were out. I asked two questions. Are we all agreed that they have manifested a desire to consult? Everybody agrees to that. Has there been any evidence that they proposed this program in order to seek a competitive advantage, or is it

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merely because they are driven to it? And everybody around the room said it was the latter.

Viner: "Thank you for the expression...." - this is to Mr. Simon from you - "Thank you for the expression of your views transmitted to me on June 29 and 30. I regret that a brief absence precluded an immediate comment on your proposed reply to Monsieur Bonnet.

"Taking into consideration the limited time within which Monsieur Bonnet was able to operate and the extreme difficulties of the situation which faced him on his arrival, I feel that his failure to consult completely with our two Treasuries is understandable."

W.C.Jr: (On phone) Hello. - - Well, I wonder if he's talking standard time. - - I see. - - You got in his private car. - - I see. - - All right. If I knew you were going to talk to Kannee, I would have asked whether Mrs. Morgenthau is all right; but it's too late. - - Oh, they are? - - Oh well, that's something. - - Did you tell them to let us know before they pull out or not? - - All right. Now, what about the others? Have you had time? - - Yes. Well, you tell them to keep in touch, will you, and we may want... And what about - is Mr. Henry going to stay at the Mayflower? Find out about Sir Ronald.

He's with Jimmy Dunn.

W.C.: (Smiles) He is?

W.C.Jr: What?

W.C.: You keep right on going and - I tell you, what about inviting the whole damn party down here? You've taken Wayne and myself.

W.C.Jr: Was that the party you were on?

W.C.: Tell them to bring the food.

Viner: "I share your apprehension over the repercussions which might arise from an undervalued or unduly fluctuating

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franc, but I believe that the danger of such unfortunate consequences can best be minimized by avoiding, in so far as possible, any move on our part which might add to any lack of confidence in its future.

"In the present juncture of world affairs, I trust that you will agree with me that it is of prime importance to preserve, even at some cost and risk in other connections, the beneficial effect on confidence in the future of democracy which resulted from the tripartite declaration and its ensuing arrangements. These demonstrated that the great democratic powers could, in full mutual trust and confidence, devise and operate measures for the cooperative management of economic matters of international consequence.

"In view of all these considerations, it is my conviction that every effort should be made to permit France to continue as a participant in the tripartite declaration, with the thought, of course, that this position may be reconsidered at any time in the future should subsequent developments make it appear desirable to do so.

"If we are agreed along these lines, I would propose sending the following message to Monsieur Bonnet as adequate to meet the situation:

"Now that the French Ministry of Finance has been given the powers which it sought, and is thereby enabled to take such action as it feels will best meet the situation, I look forward to a continuation of close cooperation between our Treasuries under the tripartite declaration.

"May I express to you personally my cordial good wishes, and the sincere hope that France will soon emerge from the temporary difficulties with which she is now confronted."

H.A.Jr: May I read that again? Who did that?

Viner: Oh, it's a cooperative enterprise.

H.A.Jr: And you mean to say Harry White hasn't even got a couple words?

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Viner: There's some words of Harry White in there.

White: There is perfect agreement.

Taylor: That's an 8-hour job, I think.

W.L.Jr: That's good - I mean if he - just wouldn't feel like home unless someone.....

Viner: We told him that unless he agreed we wouldn't give him any dinner. So we didn't give him any dinner.

W.L.Jr: "Thank you for the expression of your views transmitted to me on June 29 and 30. I regret that a brief absence precluded... .." Isn't that a little informal - "brief absence"?

Viner: Away from Washington?

Taylor: He knows where you've been.

W.L.Jr: I wonder.

Viner: Or you might say "an unavoidable absence."

Clifford: Oh no, not unavoidable; lots of us avoided it.

W.L.Jr: "I regret that a brief absence precluded an immediate comment on your proposed reply to Monsieur Bonnet."

"Taking into consideration the limited time within which Monsieur Bonnet was able to operate and the extreme difficulties of the situation which faced him on his arrival, I feel that his failure to consult completely with our two Treasuries is understandable."

"I share your apprehension over the repercussions which might arise from an undervalued or unduly fluctuating franc, but I believe that the danger of such unfortunate consequences can best be minimized...." "The danger of such unfortunate consequences" - that doesn't make sense to me.

White: Should be "contingencies."

W.L.Jr: That doesn't make sense to me, - "the danger of such unfortunate consequences."

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- Fels: Mr. Secretary, I can't step in, but this seems to be unusually good because it makes the point that with France still in close cooperating relations with the British and American governments there will be this influence and system, which might do much to prevent undervaluation or undue fluctuations, but that if these relationships are broken, the general shock to confidence in France and the position of the French government as a result would actually increase the risk of getting a great devaluation and the fluctuations.
- H.L.Jr: My dear Herbert, I'm sorry, that does not make sense.
- Oliphant: May I just suggest that we make it "I believe that this danger can best be minimized."
- H.L.Jr: (On phone) Put him on. Hello? - - Hello; yes, Kannee. (Record of conversation follows:)

Wednesday
June 30, 1937
9:23 p.m.

Henry
Kannee: Mr. Secretary.

HMJr: Hello.

K: Mr. Secretary?

HMJr: Yes

K: I just talked to Steve Early.

HMJr: Yeah.

K: He asked me to tell you that the President is probably very tired. He's been standing for hours shaking hands with some thirteen hundred people.

HMJr: Yeah.

K: And he wanted me to tip you off to that - unless it's very essential he thought that it might be well to forget to call.

HMJr: Uh huh.

K: - keep it over until tomorrow.

HMJr: Uh huh.

K: But, as you wish.

HMJr: Well - hello. Who else is there besides yourself?

K: Steve Early - Mr. McIntyre will probably return with the President. Steve Early is on the train; Mrs. Roosevelt; Mrs. Morgenthau is in the compartment right near here.

HMJr: Yeah. - Let me talk to Mrs. Roosevelt.

K: Mrs. Franklin D.?

HMJr: Yes.

K: All right, I'll try to get her here.

HMJr: What?

K: I'll try to get her to the phone.

HMJr: Yeah.

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K: Can you just hold on for a minute, sir?

HMJr: Yeah.

K: Thank you.

(Pause) (Long Pause)

T.O.: Hello.

HMJr: They're going to put Mrs. Roosevelt on. Listen to it.

T.O.: All right.

HMJr: Call me.

T.O.: All right.

(Secretary hangs up)

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A.J.Jr: Steve Early says I shouldn't talk to the President. He doesn't even know what it's about - Jackass. I know the President, after 24 years.

Isn't there some way of changing that?

Oliphant: Viner has it changed.

A.J.Jr: What have you done?

Viner: "But I believe that this danger...."

A.J.Jr: "But I believe that this danger...."

Viner: And take out "such unfortunate consequences."

A.J.Jr: "....that this danger..." - yes.

Viner: "can best be minimized" - and then go on.

A.J.Jr: "....that this danger can best be minimized by avoiding..." That helps, striking it out - that helps. "....in its future"?

Wils: "...future of the franc."

A.J.Jr: "...any lack of confidence...."

Wils: "...in the future of the franc."

A.J.Jr: Yes, that's much better. I like that much better.

(On phone) They're going to put Mrs. Roosevelt on. Listen to it; call me.

"....lack of confidence in the future...."

Wils: "....of the franc."

A.J.Jr: Now - "I share your apprehension over the repercussions which might arise from an undervalued or unduly fluctuating franc, but I believe that this danger can best be minimized...."

(On phone) (Conversation with Mrs. Roosevelt follows:)

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T.O.: Hello.
Mrs. Franklin D.
Roosevelt: Hello.

HJr: Hello.

Mrs. F.D.R.: Hello. Yes, Henry.

HJr: Eleanor -

Mrs. F.D.R.: Yes.

HJr: The reason I am bothering you is this.

Mrs. F.D.R.: What?

HJr: The reason I am bothering you is this. I was going to speak to the President about this French situation. And Steve Early told Kannee to tell me that I'd better forget it and not bother him before he leaves, that he was so tired. Well, if he is really terribly tired of course I don't want to bother him. But I know him pretty well and I know he doesn't like me to make these important decisions without first consulting with him.

Mrs. F.D.R.: Oh. Well, now, I don't know that he could ever get to this telephone.

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HMJr: Well, they say they - he could - they could put it right into his compartment.

Mrs. F. D. R.: Well, now, did he say he did want to talk to you?

HMJr: I haven't asked him. I just asked Kannee to let me know when he got to the train.

Mrs. F.D.R.: I see.

HMJr: And Kannee called me back and said Steve Early said to tell me I'd better forget about it, that the President was too tired. But he said they can put a phone right into his - the observation car where he sits.

Mrs. F.D.R.: Well now, what do you have to decide? Is it very important?

HMJr: It's pretty important.

Mrs. F.D.R.: It is?

HMJr: Yes, it's the question of whether we want to continue the Tripartite Agreement or not. I can make up my mind. I know what I want to do. And if he's terribly tired I don't want to bother him.

Mrs. F.D.R.: Well, - suppose that I just ask him whether he does want to be bothered or doesn't?

HMJr: I think that's the easiest way.

Mrs. F.D.R.: I think I could do that perfectly well. I don't think it could take very long to put the telephone in his room.

HMJr: Well, Kannee sent word they could do it in thirty seconds.

Mrs. F.D.R.: Well -

HMJr: I don't know what he means, but they - -

Mrs. F.D.R.: Well then that, I think, is the thing to do.

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HMJr: They say they'd put it right through the window of the car.

Mrs. F.D.R.: Yes. Well, then I think the thing to do is to wait until he gets back and simply ask him whether he wants to be bothered or doesn't want to be bothered.

HMJr: Yes. And it's in regard to the Tri-partite Agreement and I have to make an answer to both the French and British Governments tonight.

Mrs. F.D.R.: Yes. All right, Henry, I'll ask him as soon as he gets back and then I'll call back- either one of us will call you and let you know or he will call you.

HMJr: And you might tell Kannee to have the phone ready so they can put it in - -

Mrs. F.D.R.: I'll tell Mr. Kannee.

HMJr: How is my wife?

Mrs. F.D.R.: I saw your wife; she looks very well. And your boys were angels and brought us back to the train in your car.

HMJr: Laughs.

Mrs. F.D.R.: And they were very sweet. Your wife left early with Joan.

HMJr: I see.

Mrs. F.D.R.: And put her to bed, and she was waiting for us when we arrived; ~~being~~ seemed much relieved to see the boys.

HMJr: Uh huh.

Mrs. F.D.R.: And I think she has gone to bed.

HMJr: Fine.

Mrs. F.D.R.: All right. All right, Henry, I'll do that.

HMJr: Goodbye. Thank you.

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W.L.Jr: One's going to put it up to the President and let him decide. At least... Because I know my President.

Glissant: You also know your Steve.

W.L.Jr: Well..... yes. I mean - yes.

"I share your apprehension over the repercussions which might arise from an undervalued or unduly fluctuating franc, but I believe that these dangers can best be minimized by avoiding, in so far as possible, any move on our part which might add to any lack of confidence in the future of the franc." Now, I think that's a good sentence; I'm satisfied. Herbert?

W.L.Jr: Yes, sir.

W.L.Jr: Now let's take the next thing. "In the present juncture of world affairs, I trust that you will agree with me that it is of prime importance to preserve, even at some cost and risk in other connections, the beneficial effects on confidence in the future of democracy which resulted from the tripartite declaration and its ensuing arrangements." Now, that sentence can't be improved. What? "In the present juncture of world affairs, I trust that you will agree with me that it is of prime importance to preserve, even" - this is the sentence - "even at some cost and risk in other connections...." What are the other connections?

W.L.Jr: Lowering the franc.

W.L.Jr: It isn't clear. Maybe you're talking about the Spanish situation. It isn't clear. I think you can just leave that out - "even at some cost and risk in other connections" - supposing you just leave it out. "I trust that you will agree with me that it is of prime importance to preserve the beneficial effects on confidence in the future." Just leave that out. What?

W.L.Jr: Better with it out.

W.L.Jr: What? I'd just leave that out. Another thing, supposing this thing goes wrong; I've got to be ready to make these things public, and Senator Borch will say,

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"Mr. Morgenthau, if you knew about these risks you were taking, what right did you have to risk American dollars?" Well, I don't like it. I don't think it helps it any. Do you agree with me, Herbert?

Fels: I think certainly I would want to revise it, and I think I would take it out. Then I'll follow with my suggestion, again partly on its merits and partly on an idea of possible future publication. I don't like to indicate that such fears as to the future of democracy.....

H.H.Jr: Well, we haven't come to that.

Fels: Just say "the beneficial effects which resulted from the tripartite agreement" and leave out "the future of democracy," I think.

Walter: You mean we shouldn't break down so as even to say that it is jeopardized. Well....

H.H.Jr: Wait a second. "I trust you will agree with me it is of prime importance to preserve the beneficial effect on confidence which resulted from the tripartite declaration."

Taylor: "...beneficial effects" - you can cut out the "confidence."

Fels: "...beneficial effects," and leave it.....

H.H.Jr: "...beneficial effects on confidence..."

Walter: Leave out "on confidence."

H.H.Jr: And then leave out "in the future of democracy."

H.H.Jr: "...which resulted from the tripartite declaration." I'd leave out "and its ensuing arrangements." I'd leave it out. "In the present juncture of world affairs, I trust that you will agree with me it is of prime importance to preserve the beneficial effects which resulted from the tripartite declaration."

Walter: There's just one point that he'd make quite a point of in there, that of the arrangements being a part of it, and we're trying to get him around to our point of view.

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Viner: The declaration itself wasn't.....

M.L.Jr: "...and its ensuing arrangements." All right.

Wais: I was going to suggest, as a matter of fact, the addition of a short additional paragraph, tying up with this - no, at the end of this paragraph. After you have finished the next sentence, I'll make the suggestion, Mr. Secretary.

M.L.Jr: "These demonstrated that the great democratic powers could, in full mutual trust and confidence, devise and operate measures for the cooperative management of economic matters of international consequence."

Clifford: How about leaving out "in full mutual trust and confidence"? It tends to spill over there. Then it reads "that the great democratic powers could devise and operate measures for the cooperative management of economic matters of international consequence."

M.L.Jr: We didn't; we didn't.

Clifford: Didn't what?

M.L.Jr: Devise and operate measures for cooperative management of....

White: It really wasn't management.

Wais: "...devise and operate" - "devise and work cooperative measures for the direction of" instead of "management."

White: Yes, "management" is a bad word.

M.L.Jr: "These have demonstrated that the great democratic powers could" - everybody agree to leave out "in full mutual trust and confidence"? Why leave it out?

White: It's too slushy.

Clifford: Little sentimental.

Wais: The only point I think it would be to gain - it would be chiding Simon a little bit for his querulous tone. That would be the only point. It might give him the opposite.

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White: "Full mutual trust and confidence" is much too strong words to use for the kind of measures.....

Wais: "...could successfully devise...."

Oliphant: "...could, with mutual confidence, devise and operate....."

A. J. Jr: "....could, with..." - what did you say?

Oliphant: "...with mutual confidence."

A. J. Jr: "....could, with mutual confidence, devise and operate measures...." I don't like the word "devise."

Wais: "....agree upon and operate...."

Oliphant: "...could set up and operate...."

White: Or "develop" or "establish."

A. J. Jr: Establish what?

Winer: Establish procedures, if you like, instead of measures.

A. J. Jr: ".....create and establish....."

Oliphant: "...create and operate" is all right.

A. J. Jr: ".....create and operate" is all right.

Oliphant: Yes

A. J. Jr: "....create and operate measures....."

Wais: Now I suggest changing the position of the word "cooperate," possibly to safeguard you against some further accusation that you have submitted our monetary interests in cooperative management.

A. J. Jr: ".....create and operate....."

Winer: "...create and work...."

A. J. Jr: "...cooperative measures."

Oliphant: "...create and carry out cooperative measures."

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H.M.Jr: What did you say, Herman?

Oliphant: "...create and carry out cooperative measures."

H.M.Jr: "...create and carry out cooperative measures for the...."

White: "...direction..."

H.M.Jr: I think....

Feis: "...cooperative measures..."

H.M.Jr: What?

Feis: "...in the monetary field..."

H.M.Jr: I don't think that helps. "These demonstrated that the great democratic powers could, with mutual confidence, create and carry out cooperative measures." What you're trying to do is define the tripartite agreement. That's all-inclusive.

Taylor: You don't need the machinery.

Oliphant: Now, do you want the word "the" in?

H.M.Jr: Do you mind, just one second.

Oliphant: I beg your pardon.

H.M.Jr: "In the present juncture of world affairs, I trust that you will agree with me that it is of prime importance to preserve the beneficial effects which resulted from the tripartite declaration and its ensuing arrangements. These demonstrated that the great democratic powers could, with mutual confidence, create and carry out cooperative measures." Now, that's a strong sentence. What? What we're trying to do is define the tripartite agreement. Run? Does somebody have a.....

Oliphant: I suggest striking out the word "the" before the word "great."

Taylor: All right.

H.M.Jr: "These have demonstrated that great....."

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Olliphant: We may not be the only great ones.

Viner: Why not leave out "great" too?

Olliphant: No, it's important that they're world leaders.

Viner: But "powers" - you don't use the word "world" - word "powers."

Olliphant: Say "great democracies."

Waite: "...peoples..."

A. J. Jr: "....peoples..."

Viner: "....great democracies...."

Waite: "....democratic peoples...."

A. J. Jr: "....democratic peoples...." I thought we all agreed this was as good as is - but this is fun. "We have demonstrated that great democratic peoples" - or "nations..."

Taylor: "...nations" is better than "peoples."

Viner: "...nations" is better.

A. J. Jr: "....that great democratic nations could, with mutual confidence, create and carry out cooperative measures."

Now the next - "In view of all these considerations, it is my conviction...."

Waite: It is at that point, partly, I think, as an additional consideration to bring home to Simon something which has only become clear since he dictated that message, I suggest a short paragraph, something of this sort: "I believe also that the information received in the course of the evening regarding the exchange rate for the franc which the French government has in mind, and the affirmation of the intention of the French government to reestablish....."

Taylor: Give that to him on the telephone.

A. J. Jr: I can give - this should be a state paper, and that could be given verbally.

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Oliphant: And we're not - we're not advised that he is advised.

Feis: I beg your pardon?

Oliphant: We're not advised that he is advised. The French have told us but haven't told us they've told him.

White: And this could be published as is.

H.A.Jr: And it's a good paper. No, Herbert, I don't want to get in....

Feis: I confess I can't understand your objections.

H.A.Jr: Do you mind coming back to it? Do you mind letting me run through it to satisfy me?

Taylor: You take this very high plane and then say, "This rate's all right."

H.A.Jr: Herbert, what I'm trying to do is go through to satisfy me, and then we'll go do it again. Is that fair?

Feis: Quite.

H.A.Jr: This is my first chance at it.

"In view of all these considerations, it is my conviction that every effort should be made to permit France to continue as a participant in the tripartite declaration, with the thought, of course, that this position may be reconsidered at any time in the future should subsequent developments make it appear desirable to do so."

Now, I like the first part of that paragraph. "In view of all these considerations, it is my conviction" - that's firm - "that every effort should be made to permit France to continue as a participant in the tripartite declaration..." - I'd say there should be a period.

White: You could stop.

Oliphant: Want to put in "reasonable" before "effort," Henry?

H.A.Jr: Pardon me?

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Oliphant: Want to put in "reasonable" before "effort"?

R. L. Jr: "Reasonable," yes. ".....every reasonable effort should be made to permit France to continue as a participant in the tripartite declaration." Now, when you talk you say that "every reasonable effort should be made," then looking to the future under this thing we can stop; well, that's strong, and then we get mealy-mouthed. I'd leave the rest of that out.

Kierler: That, again, simply would be a concession to Simon....

Taylor: ...that you need in for several reasons.

R. L. Jr: Christ almighty, I'm telling him what I think. Why should I put myself in his position? He's made two or three "bulls" in the last two or three days; he's lost his temper. I do this thing with the one hand and say, "By God, I want this thing." ... "Well, maybe I don't."

(hearty laughter)

Oliphant: Sounds like Al Smith.

Taylor: I don't think you quite got the implication of that thing.

Oliphant: Why not say it on the telephone?

R. L. Jr: No, I.....

Taylor: You want to reserve your position anyhow.

R. L. Jr: Look here, we've got to keep in mind that every time we've made a financial agreement - this is important - this is what I've told Hull - we've had nothing in mind except that that financial arrangement - we don't have any railroad concessions, no loans we want to make paid; we haven't got any little side agreements of 400 million dollars that they owe our banks for railways; we have nothing except that we want to make this thing pay, and our eyes are on the level. Now, Simon's got something else in mind, and I think that this is the time that the United States Government, United States Treasury, can take a strong position

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and say that every reasonable effort should be made to continue - that this thing should continue. If Mr. Simon still doesn't agree and he wants to tell them that they should balance their budget and they should have a 44-hour week instead of a 40-hour week, and all the rest of that stuff, that's his business.

Viner: Well, there is one possible point there, that you could say, "It may be pointed out, of course, that the tripartite declaration itself permits the participating parties to reconsider their position at any time."

White: That's obvious; he knows that.

Higham: He knows that.

H.S.Jr: If you gentlemen don't mind, - we have the right to go over this thing three times more - I'd like to go through it once so it satisfies me. Now this paragraph reads, "In...." - if you don't mind, I'll stay here and go over it.

Taylor: It's all right with me.

H.S.Jr: "In view of all these considerations, it is my conviction that every reasonable effort should be made to permit France to continue as a participant in the tripartite declaration." That's the meat of the cocoon and that's what I believe.

Taylor: "Reasonable" is a good enough hedge.

H.S.Jr: Then, - as I say, Herbert, don't worry.

Feis: This doesn't worry me, Mr. Secretary.

H.S.Jr: "If we are agreed along these lines...." "If we are in agreement" - isn't that better?

Feis: Well, on this whole phraseology that's the only question.

Taylor: I don't like that "If we are agreed along these lines," but we know what we had in mind.

Viner: Would you like to hear a suggestion?

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H.A.Jr: I don't like "If we are agreed...."

Seis: I'd like to know first what is intended.

H.A.Jr: May I read that - "If we are in agreement I would propose sending the following message to Monsieur Bonnet as adequate to meet the situation: 'Now that the French Ministry of Finance has been given the powers which it sought, and is thereby enabled to take such action as it feels will best meet the situation....' - "will meet its internal situation."

White: It's both.

Wiegler: It's both.

H.A.Jr: That's important, because we give each fellow the right to take care of his internal situation.

Oliphant: May I make a suggestion right here? Just let me - will you follow it, and just let me read it. "Now that the French Ministry of Finance has been given the powers which it sought to meet the present situation, I look forward to a continuation of close cooperation between our Treasuries under the tripartite declaration."

H.A.Jr: You say "meet the situation"?

Oliphant: "...meet the present situation."

White: I think it is desirable to avoid a distinction between domestic and international at this point.

H.A.Jr: Now read that again, Herman.

Oliphant: Now that the French Ministry of Finance has been given the powers which it sought to meet the present situation, I look forward to a continuation of close cooperation between our Treasuries under the tripartite declaration.

H.A.Jr: "....to meet the situation" or do you say "meet the present situation"?

Oliphant: "...to meet the present situation."

H.A.Jr: Now let me just say a minute - if this thing goes over there - they've been giving us one hour to answer, and

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Bonnet is sitting on the anxious seat too; we can tell them that we're in consultation and that we're trying to come to an agreement with the British. They've told them they're consulting with me.

Whitcomb: I personally think that should be done.

Dylan: We've already gotten word to them that we had to wait until you - through Cochran that we would get an answer to them as soon as we possibly could, you see.

H.L.Jr: I hate to call Cochran up at four o'clock. I'd like to see this Bozo, this Frenchman that told this... The French Embassy gave out something; they don't fool me a bit - that story that I had agreed to have this thing done here. Well, we can do it both ways; have been doing it both ways. I'd like to give this thing myself to Henry and I'd like to give it to Sir Ronald Lindsay. I'd like to put it on the wires so that when Butterworth and Cochran wake up they'll have it there.

Waller: They're waiting in the Treasury.

Waller: They're waiting up now for you - Simon, everybody.

Whitcomb: You see, when we had this job before, you remember, we didn't know just what day the French could be shoved off.

H.L.Jr: You mean I've got to telephone this over to the British and say, "Now give me an answer"?

Wells: That's the point I had in mind when I say the intention - I think this message that we have outlined here is markedly divergent from Simon's message upon which he's asked us to comment. Now, I can see ourselves going back to Simon and after making clear the reasons that we have already stated, and perhaps, if it's done over the telephone, some additional ones, and then saying to him, "Now, it looks to us as if a message of this sort would be wiser," and then putting forward something of this sort that we have drafted.

H.L.Jr: You mean put that first?

Wells: That's it.

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H.M.Jr: Put it first?

Feis: Say first to Simon, "The contingency....."

H.M.Jr: Say, "This is the kind of message that I think I'd like to send."

Feis: That's right.

H.M.Jr: "For the following reasons." And let this thing follow.

Feis: That might be done; that might be done too. To me....

Taylor: That doesn't make any difference.

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

Feis: I haven't still brought out my point.

H.M.Jr: Oh, please.

Feis: If it's going to be handled that way, then I think we might try something close to what is drafted here on the second page.

H.M.Jr: Let me just get this one sentence, because if the President calls it will be any minute. "If we are agreed along these lines" - certainly "if we are in agreement." "If we are in agreement, I would propose..."

Feis: "If you concur in these views....."?

Taylor: "If I had your concurrence, I would like very much to say....."

Wilment: "If we are in agreement...."

H.M.Jr: "If we are in agreement, I would propose..." - "I propose."

Feis: "Would" is a little bit weaker.

H.M.Jr: ".....as adequate." (Nods unfavorably)

Feis: That's in reference to his very long proposed message.

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W.A.Jr: "If we are in agreement, I would propose sending the following message to Monsieur Bonnet."

Herb: I think the rest had better be left out, because that assumes you are criticizing him.

W.A.Jr: "I propose sending the following answer to Monsieur Bonnet's message."

Herb: No, just "message to Bonnet."

W.A.Jr: Well, it's an answer, isn't it? It's an answer to Bonnet. Bonnet asked me. "I would propose sending the following answer."

Herb: He asked for comments.

W.A.Jr: All right, "message." "If we are in agreement, I would propose sending the following message to Monsieur Bonnet as adequate to meet the situation."

Herb: Leave that out.

W.A.Jr: I think I'd leave that out.

Herb: Still I have my point in there.

W.A.Jr: May I simply say that if we're going to do this - now, you don't like this form?

Herb: No, it isn't that. I just raise the question. We might still - I can imagine Simon saying, "Yes, gentlemen, I am agreed with this," but if he then proceeds to send the message along the lines of his draft and we proceed to send this message, and they come to Bonnet in the morning, or whenever they are delivered, two messages extremely divergent in immediate import.....

W.A.Jr: That won't happen, Herbert. May I tell you why?

Herb: Yes

W.A.Jr: My senses tell me that the British are leaning very heavily on us and are extremely anxious that - at this juncture to have our cooperation, and Mr. Simon

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will not send a message which doesn't come pretty near approaching what the United States wants.

Now, this isn't - may I just say one other thing, if I may. I think that - not being personal but talking to you as a representative of the State Department - I think your tail is down a little bit on account of the buffeting which you have received - I don't mean you personally - on the trade agreement. That's not true on this thing, and their whole tone, since he's been in and before, has been one of making every effort. Now why? From the figures which came last week, which shows that they got 300 million dollars worth of gold in ten days?

Woolfson: Well, stretched out in two periods - about 350 million dollars worth of gold within two weeks.

A.S.Jr: Within two weeks. We've not got this impact at all. This is a very serious situation to them; it isn't to us.

Wols: My anticipation is the same as yours.

A.S.Jr: And I mean I simply feel that the position of the Treasury - the United States Treasury - is a little bit different than you people, because we have met with a little success and you've had great difficulty with them, and if I was in your position I'd be doing just what you say, only I might even be more so. You understand the spirit in which I say that.

Wols: Completely, and my anticipation is close to yours. But I think - and I'm just putting it again - more of a suggestion - that it is quite possible to limit the risk along these lines by a change in phraseology.

A.S.Jr: May I have it, please?

Wols: Well, I haven't formulated.....

Wols: Here's what you dictated earlier.

Wols: That's a different idea; if it's going to be handled this way, it isn't necessary. But if we said, "I hope we are agreed along these lines," or something of this sort: "Therefore it would be my inclination....."

A.S.Jr: Well, anything like that. That's all right; that's

all right.

Fels: Well, I'm trying to make sure that there is an identity of reply made to the British, and this leaves sort of a.....

Viner: To the French.

Fels: To the French. ...and this leaves it in an ambiguous way. That's what disturbs me.

Viner: We should express some wish that we do at least have a substantial conformity in our messages.

Fels: As drafted this leaves open the question as to whether we and the British are to seek to arrive at substantial conformity before a reply is made to the French. Now I'm suggesting that our effort be carried forward to reach that substantial conformity before.....

Viner: The thing for you to do, then, is to frame an addition to the last two lines so as to fit that.

Oliphant: Well, how about this....

Fels: That is, about the whole problem.

W.Jr: Well, what you're simply saying is that - you could say something like this: "It is our sincere hope and desire that our two governments may present similar messages."

Oliphant: Or "In view of all the foregoing considerations, it is my hope that we might join in a message to Bonnet along the following lines.

Taylor: Don't use "join."

W.Jr: "It is my sincere hope and desire....." Taylor, what did you say?

Taylor: I say, don't say "join."

Oliphant: He objected to the word.

Fels: I think Riefler has a pretty good suggestion. He

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suggests starting off, "Personally I would like to send the following message to Monsieur Bonnet, along the following lines:" Then the message and then go on.

Wiegler: And have your paragraph in which you express your agreement with him aside from the rest of that.

Fels: "...weighing all the preceding considerations, that your judgment corresponds with mine, and a substantial conformity can be reached in the replies made by the two governments."

Oliphant: Pretty nearly what you (H.M.Jr) said, only it takes more words.

H.M.Jr: Now, what's the matter with this: "It is my sincere hope and desire that our two governments may present similar messages along the following lines." "in?"

Wiegler: (Nods yes)

H.M.Jr: All right, I say "my sincere hope and desire," but that doesn't close it.

Oliphant: Nor does it dictate the text either. It says "along the following lines."

Wiegler: You've got one bug in there; it's a personal message, you see.

H.M.Jr: Pardon me?

Wiegler: What you're suggesting is a personal message; it won't be a government message, you see.

H.M.Jr: No, I say that our two governments may present - you want to say "our two Treasuries"?

Taylor: I'd say "we"; this is to him.

Wiegler: It might mean us.

H.M.Jr: It should be "our two governments" or "our two Treasuries."

Oliphant: "...that the two of us...."

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Fels: I think it's a matter of indifference.

White: You've been talking about Treasuries.

Oliphant: You say "we"; why don't you say "the two of us"?

B.M.Jr: I'd like to say "our two governments" or "our two Treasuries." I say that our two Treasuries.....

Taylor: You can say that "you and I...."

Oliphant: I like that - "you and I."

B.M.Jr: What?

Oliphant: "You and I."

B.M.Jr: That's better. "....that you and I may present similar messages along the following lines."

White: That "may" bothers me.

B.M.Jr: No, that's exactly what I want - "that you and I may" - desire. What would you say - "could"?

White: "You and I should."

Viner: I'd say - "along these lines" - I'd say "somewhat along these lines," so that he can modify his to suit his own personal relations with Bonnet, etc.

B.M.Jr: Now, that's inviting....

Oliphant: Well, you've already said "along these lines." That doesn't mean the exact message.

Viner: That doesn't give him enough leeway.

Taylor: All right, stick in a "somewhat."

Viner: You're giving him a form, you see.

Oliphant: You say "along these lines," you don't say "along these exact lines."

B.M.Jr: "...somewhat along these lines." Does that make you

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happy?

Viner: Yes.

H.H.Jr: "...somewhat." Now are you ready to have me read it once more? Let me read it through once without interruption, may I?

Opponent: We'll do our best.

H.H.Jr: If White will please Viner and Viner will please White, maybe I can go through without any interruption.

Viner: Well, we've gone through it without any difficulty so far today.

H.H.Jr: "Thank you for the expression of your views transmitted to me on June 29 and 30. I regret that a brief absence precluded an immediate comment on your proposed reply to Monsieur Bonnet.

"Taking into consideration the limited time within which Monsieur Bonnet was able to operate and the extreme difficulties of the situation which faced him on his arrival, I feel that his failure to consult completely with our two Treasuries is understandable.

"I share your apprehension over the repercussions which might arise from an undervalued or unduly fluctuating franc, but I believe that these dangers can best be minimized by avoiding, in so far as possible, any move on our part which might add to any lack of confidence in the future of the franc.

"In the present juncture of world affairs, I trust that you will agree with me that it is of prime importance to preserve the beneficial effects which resulted from the tripartite declaration and its ensuing arrangements. These demonstrated that great democratic nations could, with mutual confidence, create and carry out cooperative measures.

"In view of all these considerations, it is my conviction that every reasonable effort should be made to permit France to continue as a participant in the tripartite declaration.

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"It is my sincere hope and desire that you and I may present similar messages somewhat along the following lines to Monsieur Bonnet:

"Now that the French Ministry of Finance has been given the powers which it sought to meet the present situation, I look forward to a continuation of close cooperation between our Treasuries under the tripartite declaration. May I express to you personally my cordial good wishes and a sincere hope that France may soon emerge from the temporary difficulties with which she is now confronted."

I think that's pretty good.

Viner: May I submit some suggestions for two minor verbal changes?

H.S.Jr: Oui! He didn't get that.

Viner: In the paragraph.....

H.S.Jr: He didn't get that.

Viner: In the paragraph beginning "I share your apprehension" - that's the third paragraph....

H.S.Jr: "I share your apprehension" - yes.

Viner: "but I believe that these dangers...." - of course, the dangers can be best minimized by things the French can do; we're talking about what we can do. I'd say that "I believe we can best minimize these dangers."

Taylor: Good.

Clarke: Good.

H.S.Jr: "....but I believe that we can best minimize...."

Viner: "...this danger," wasn't it?

Oliphant: No, "these dangers."

H.S.Jr: "...these dangers."

Oliphant: Yes, "these dangers."

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Viner: Now....

H.M.Jr: "... by avoiding....."?

Kiefler: "...by avoiding...."

Viner: Then, in your (H.M.Jr) sentence, which I hesitate to touch....

Opponent: Naturally.

Viner: ...I'd like to tie that up with what has gone before and make it a direct outcome by introducing the simple word "therefore" - "It is therefore my sincere hope...."

H.M.Jr: Das iss alles?

White: I have one suggestion.

H.M.Jr: Oui, oui.

White: When you say that the great democracies have demonstrated their ability to carry out cooperative measures, it appears as though there never have been any before. I'd like to limit this to the monetary or economic field, because there have been many demonstrations of cooperative measures in....

Opponent: Well, they know what you're talking about.

H.M.Jr: I wouldn't bother, if you don't mind.

White: No, it's not important.

H.M.Jr: Now, I was wondering whether - from the standpoint of the State Department, this doesn't hurt your relations one bit, does it?

Weis: I would be greatly surprised if the Secretary saw it any differently than we see it here.

H.M.Jr: Herbert, in the first place, I greatly question that he got that eight o'clock train, see? That was the train we were all coming back on. I'd just as leave ask.....

Weis: After all - I mean bearing on your last remark, as to the effect of the State Department's attitude - after all, this particular occasion is not a

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conclusive stage; it is just one step.

H.A.Jr: Look, Herbert, it isn't fair to Mr. Hull to put this up to him on the telephone unless he has the whole background. It isn't fair. I'm not going to hold you - you can say it to me, but without his sitting down and spending an hour or two, the way I have, how can he give me a answer on the telephone? This is - if you think....

Feis: I should be greatly surprised.

H.A.Jr: If you say to me you'd like me to do it, I'll do it.

Feis: No, I've been thinking of that for the last two hours, and...

H.A.Jr: I mean if you want me to call him up on the telephone, I'd just as leave do it, if I can't get the President.

Feis: Oh, no, on this ground alone: that this is after all just an intermediate stage of discussion.

H.A.Jr: If I was going to break it off, then I think I ought to talk to him, but I'm....

Feis: As an intermediate ground of discussion, I don't think it's necessary.

(A long intermission for supper,
during which draft of message to
Simon is twice retyped and several more
changes made)

Oliphant: It's just going to make all the difference in the world whether or not there is going to be anything available before the opening of the markets tomorrow, and it doesn't cost much - I think it would be worth while, after you talked to Butterworth, to talk to Cochran.

H.A.Jr: I think so too.

Viner: It will depend a lot on what we hear from Butterworth. He may tell us they have decided to go to bed and to postpone this to tomorrow.

McIntyre: I'd want my men in Paris fully informed.

Felt: Is this message one of signature - you say, "Thank you for the expression of your... ." - how do you want to sign it, "Secretary of the Treasury" or "Morgenthau"?

H.A.Jr: No, I think I'd sign it "Morgenthau."

Felt: O.K.

H.A.Jr: Yes.

I love that message from McIntyre. They're on daylight saving time up there.

Viner: That's given them a pretty good night's sleep already.

H.A.Jr: No, I mean the President - this is 20 minutes past 12 and he's on the train; the train was scheduled to leave at 10.

Just make a note, will you, that at 11:15 Colonel McIntyre, the President's secretary, called me up and said that the President said to tell me that he knows all about this international monetary situation and it's all right to go ahead. So I answered, "Well, if he knows all about it, he must be clairvoyant." So McIntyre says, "Well, you've talked to him, haven't you," and I said, "No, I haven't talked to him today and he doesn't know what happened." So McIntyre says, "Well, maybe the President is clairvoyant." So he said, "Do you want me to take any message back" and I said, "No, I'll just assume the responsibility and go ahead and do what I think is best."

That was about it, wasn't it?

Felt: Is this all right for Butterworth, that "the following is the text of the message for delivery to Sir John Simon, as you were instructed by telephone?"

H.A.Jr: Yes, that's all right.

Felt: Suppose we shoot that over there now, and then if you have anything to add after your conversation we can just shoot that over too.

H.A.Jr: (On phone) Hello? - - Thank you. (Conversation with Butterworth follows:)

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Feis: Henry, I think this came from the Embassy in Paris - I'm a little bit noggy - saying that this government was at any rate going to be in there for some time, at least a few weeks. I don't think there is any chance they will fall this week, and one reason is that the information - Chautemps before he took office had a promise from various party leaders and the Senate that they'd give him these full powers.

H.M.Jr: Oh yes, but.....

Feis: Henry (of the French Embassy) told me this.

H.M.Jr: I don't get the significance of that.

Feis: Well, this full power bill has only passed the Chamber.

White: No, no.

Taylor: Passed the Senate.

Viner: Passed the Senate.

Feis: Well then, it hasn't any significance.

Taylor: Big victory.

Feis: I didn't know that.

H.M.Jr: Passed it before I left.

Feis: They can't shake the government out this week; it's in there.

H.M.Jr: He's got it until the 30th of August; that's the date. That's why I told Wayne I'd come back.

White: Very substantial majority in the Senate - very large.

Taylor: And it passed in the Senate Financial Committee by 12 to 3.

H.M.Jr: They knew they'd get it.

Taylor: Now, if Sir John comes back and says that he still wants assurances as to what the range is going to be, well..... - but otherwise, they're O.K. I don't think we give a damn. If he wants to get that, he

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can get it.

Viner: That's just a day rate.

Taylor: Just for that day.

H.M.Jr: (On phone) How coming?

Operator: I think I'll have him in a few minutes. Talking on the same line; it takes to get him on.

H.M.Jr: Thank you.

Operator: You're welcome.

Taylor: My point is that there is no harm in asking; we don't care. And we want to remember.....

H.M.Jr: I don't give a hoop. Jesus, what's-his-name, Chamberlain, wouldn't do it for me. I tried my best to get him to do it.

Taylor: All right. Well, therefore, inasmuch as we did try our best to get them to do it, why, we can't take the position that they oughtn't to ask.

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

Taylor: Well, that's O.K.

H.M.Jr: But I still say I'm going to do business with the French until they break their word.

Taylor: That's all right.

H.M.Jr: I don't get the point. I don't see what you're shooting at.

Oliphant: Your point is, you don't care if he asks Chauteemps who his girl friend is, he can ask anything he wants to.

Taylor: He can ask anything. If he feels he's got this assurance, fine with us, but we're not going to demand it.

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Viner: And we're not going to participate in the questions.

H.M.Jr: Right, we're all together, boys.

Taylor: Because that's what Butterworth was talking about.

Riefler: I have a further point. It seems to me that it is rather futile to be pressing them on that right now, in the midst of a run, but that if this rate is successful and they are able to gain francs, gain gold, on it, that then we might very decently examine whether it is too low or not.

Taylor: Well, that's all right, Win.

Riefler: But for this thing - not only we're not going to participate, but we think it is an unwise move.

Viner: Don't have to tell them that any more.

Taylor: We can't tell them that because we took the position very definitely at the time the other one was done that we damn well wanted to know. See?

Viner: Of course, their reply would be, "You didn't need to know it from us."

Taylor: I don't think we ought to get bogged down in that argument, whether they should or shouldn't ask - that's the point I make.

H.M.Jr: (Has conversation with Cochran, record of which follows:)

Wednesday
June 30, 1937
11:27 p.m.

198A

HMJr: Hello.
Treas.
Operator: Mr. Butterworth.
HMJr: Thank you.
T.O.: Go ahead.
HMJr: Hello.
B: Hello.
HMJr: Good morning - Butterworth.
B: Yes
HMJr: This is the Secretary.
B: Yes, sir.
HMJr: I hope you have a pencil and paper.
B: Yes, I have.
HMJr: Have you - are your eyes open?
B: They're open, thank you.
HMJr: Are you at home?
B: Yes, I'm at home.
HMJr: Well, I'll go very slowly and then I'll - this
is the message for Sir John Simon.
B: Right.
HMJr: "Thank you for the expression ...
B: "Thank you for the expression
HMJr: "... of your views
B: "..... of your views
HMJr: "..... transmitted to me.... - hello.
B: Yes.

198 B
~~15 B~~

HMJr: "... transmitted to me on June twenty-ninth and thirtieth. - on June twenty-ninth and thirtieth.

B: "... and thirtieth....

HMJr: "I regret"

B: "I regret"

HMJr: "... that a brief absence ...

B: "....that a brief

HMJr: ".... a brief absence ...

B: "....a brief absence...

HMJr: "... absence - a brief absence precluded an immediate comment.

B: ".... a brief" ...

HMJr: "... absence ...

B: How do you spell it?

HMJr: a-b-s-e-n-c-e

B: "... a brief absence..

HMJr: "... precluded....

B: "... precluded...

HMJr: "...an immediate comment ...

B: " "...comment ...

HMJr: ".... on your proposed ...

B: "... on your

HMJr: ".... on your proposed reply ...

B: ".... on your proposed reply ...

HMJr: ".... to Monsieur Bonnet.

B: ".... to Monsieur Bonnet.

~~198C~~
198C

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HMJr: Now, I'll repeat that one paragraph so we'll get one paragraph right.

"Thank you for the expression of your views transmitted to me on June twenty-eighth and thirtieth. - June twenty-ninth and thirtieth. I regret that a brief absence precluded an immediate comment on your proposed reply to Monsieur Bonnet."

Now, just a minute. Just a minute, Lochhead will do it. He can read it to you and then after he is through I'll talk to you.

B: Yes.

A.

Lochhead: "Taking into consideration

B: "Taking into consideration

L: "... the limited time ...

B: "... the limited time ...

L: "... within which ... -

Hello.

B: Yes.

L: Have you got that?

B: Yes.

L: "... Monsieur Bonnet ...

B: "... Monsieur Bonnet ...

L: "... was able ..

B: "... was able ...

L: "... to operate...

B: "... to operate...

L: "... and the extreme ...

B: "...and the extreme...
L: "...difficulties...
B: "...difficulties...
L: "...of the situation ...
B: "... of the situation ...
L: "... which faced him....
B: "... which him..?
L: "...which faced him... - f-a-c-e-d
B: What's that?
L: "...which faced him ...
B: "...faced...
Yes.
L: "... on his arrival...
B: "... on his arrival...
L: Comma.
B: Comma.
L: "...I feel that ...
B: "...I feel that...
L: "...his failure...
B: "...his failure...
L: "...to consult...
B: "...to consult ...
L: "...completely ...
B: Yes.
L: "...with our two Treasuries....

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B: "...with our two Treasuries...

L: "...is understandable...

B: "...is understandable...

Yes.

L: Period. New paragraph.

"I share....

B: "I share?

L: That's right.

B: Yes.

L: "...your apprehension....

B: Yes.

L: "...over the ...

B: "...over...

L: "...repercussions...

B: "...repercussions...

Yes.

L: "...which might arise...

B: "...which might arise...

L: "...from an over-valued...

B: "...from...

L: "...from an under-valued...

B: "...from an under-valued...

L: "...or unduly...

B: "...or unduly...

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L: "...fluctuating franc,..
B: "...fluctuating franc,..
L: Comma.
B: Comma.
L: "...but I believe...
B: "...but I believe...
L: "...that we can best...
B: "...that we can best...
L: "...minimize...
B: "...minimize...
L: "...these dangers...
B: "...dangers...
L: "...by avoiding,..
B: "...by avoiding,...
L: Comma.
B: Comma.
L: "... in so far as ...
B: "... in so far as...
L: "... possible,...
B: "... possible, ...
L: Comma.
B: Comma.
L: "...any move...
B: "... any moves?

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L: "...move - m-o-v-e -
B: I've got it.
L: "...on our part...
B: "...on our part...
L: "...which might add...
B: "...which might add...
L: "...to any lack....
B: "...to any lack....
L: "...of confidence...
B: "...of -
Yes.
L: "...in the future...
B: Yes.
L: "...of the franc....
B: "...of the franc.
L: Period.
B: "...in the future of the franc?
L: That's right.
B: Right. Period.
L: Period. New paragraph.
B: New paragraph.
L: "In the present....
B: "In the present...
L: "...juncture...
B: "...juncture...

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L: "...of world affairs,...

B: "...of world affairs,...

L: Comma.

B: Right.

L: "...I trust you will agree....

B: "...I trust....

Yes.

L: "...with me...

B: "...with me...

L: "...that it is...

B: "...that it is...

L: "...of prime importance...

B: "...of prime....

Yes.

L: "...to preserve...

B: "...to preserve....

L: "...the beneficial...

B: "...the beneficial'....

L: "...effects...

B: "...effects...

L: "...which resulted...

B: Yes. That's right.

L: "...from the ...

B: "...from the...

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L: "...Tripartite..."
B: "...Tripartite...."
L: "...Declaration..."
B: "...Tripartite formation?"
L: No, declaration.
B: "...declaration - Tripartite declaration..."
L: "...and its..."
B: "...and..."
All right.
L: "...ensuing..."
B: All right.
L: "...arrangements."
B: "...arrangements."
L: Period. New sentence.
B: Right.
L: "It was thus...."
B: "It was thus...."
L: "...demonstrated..."
B: "...demonstrated..."
Right.
L: "...that great...."
B: "...that great...."
L: "...great democratic..."
B: "...great democratic"

-10-

L: "...nations....
B: Yes.
L: "...could,...
B: "...could...
L: Comma.
B: Comma.
L: "...with mutual confidence,...
B: "...with mutual confidence,...
L: Comma.
B: Comma.
L: "...create and carry out...
B: "...create and carry out...
L: "...cooperative measures...
B: "...cooperative measures....
Right.
L: Period. New paragraph.
B: Right.
L: "In view of...
B: ".....of...
L: "...all these considerations...
B: "...full of these considerations?
L: "...In view of all...
B: "In view of all of...
L: "In view of all these considerations.....

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B: "In view of all these considerations,....
L: Comma.
B: Comma. Right.
L: "...it is my conviction...
B: "...it is my conviction....
L: "...that every reasonable....
B: "...that every.....
All right.
L: "...effort....
B: "...effort....
Right.
L: "...should be made...
B: "...should...
Right.
L: "...to make it possible...
B: Yes.
L: "....for France...
B: "...for France...
L: "...to continue...
B: Right.
L: "....as a participant...
B: Right.
L: "...in the
B: Yes.
L: "...Tripartite Declaration.

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B: "...Tripartite Declaration.
L: Period.
B: Period.
L: New paragraph.
B: Yes.
L: "It is therefore...
B: "It is therefore...
L: "...my sincere hope...
B: Right.
L: "...and desire...
B: "...and desire...
L: "...that you and I...
B: "...that you and I...
L: "...may present...
B: Right.
L: "...to Monsieur Bonnet...
B: "...to Monsieur Bonnet....
L: "...similar messages...
B: Right.
L: "...somewhat...along the following lines:
B: All right.
L: Semi-colon, quote:
B: All right.
L: "Now that the...
B: "Now that...

L: "...the..."

B: Right.

L: "...French Ministry of Finance..."

B: "...French Ministry of Finance..."

L: "...has been given..."

B: "...has been given..."

L: "...the powers..."

B: Right.

L: "...which it sought..."

B: Right.

L: "...to meet..."

B: Right.

L: "...the present situation..."

B: "...present situation,

L: Comma.

B: Comma.

L: "...I look forward..."

B: Right.

L: "...to a continuation..."

B: Yes.

L: "...of close cooperation..."

B: "...cooperation..."

Right.

L: "...between our Treasuries..."

B: "...between our Treasuries..."

L: "...under...

B: "...under...

L: "...the Tripartite Declaration...

B: "...under the Tripartite Declaration...

L: Period. New paragraph.

B: Paragraph.

L: "May I express to you...

B: "May I express to you...

L: "...the sincere hope...

B: Yes.

L: "...that France...

B: "...that France...

L: "...will soon emerge...

B: "...will soon emerge...

L: "...from the temporary...

B: "...from the temporary...

L: "...difficulties...

B: Right.

L: "...with which...

B: I say I didn't get that.

L: "...with which...

B: "...from the temporary difficulties...

L: "...with which...

B: "...with which...

L: "...she is now...

B: "...now...

L: "...confronted.

B: Right.

L: Period.

B: Right.

L: Unquote.

B: Right.

L: Signed "Morgenthau".

B: Right.

L: Now, I think you'd better read that back.
Do you want to just read that back to me?

B: "Thank you for the expression of your
views transmitted to me on June twenty-
ninth and thirtieth. I regret that a brief
absence precluded an immediate comment
on your proposed reply to Monsieur Bonnet.

"Taking into consideration the limited
time within which Monsieur Bonnet was
able to operate and the extreme diffi-
culties of the situation which faced him
on his arrival, I feel that his failure
to consult completely with our two
Treasuries is understandable.

"I share your apprehension over the
repercussions which might arise from an
undervalued or unduly fluctuating franc,
but I believe that we can best minimize
these dangers by avoiding, in so far as
possible, any move on our part which might
add to any lack of confidence in the future
of the franc.

"In the present juncture of world affairs,
I trust you will agree with me that it is

of prime importance to preserve the beneficial effects which resulted from the Tripartite Declaration and its ensuing arrangements. It was thus demonstrated that great democratic nations could, with mutual confidence, create and carry out cooperative measures.

"In view of all these considerations, it is my conviction that every reasonable effort should be made to make it possible for France to continue as a participant in the Tripartite Declaration.

"It is therefore my sincere hope and desire that you and I may present to Monsieur Bonnet similar messages somewhat along the following lines:

QUOTE: Now that the French Ministry of Finance has been given the powers which it sought to meet the present situation, I look forward to a continuation of close cooperation between our Treasuries under the Tripartite Declaration.

May I express to you the sincere hope that France will soon emerge from the temporary difficulties with which she is now confronted.

Signed "Morgenthau".

- L: All right. After "confronted" you have what - after "confronted" unquote. That's the end of that quote.
- R: Yes. Unquote - that's at the end of the message?
- L: That's right.
- R: Thank you.
- L: Just a moment.
- HLJr: Butterworth.
- L: Yes, sir.

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HEJr: Where are you talking from?

B: I'm talking from my house, sir.

HEJr: I see. Have they put in that special phone?

B: No, sir, they haven't done so yet. I've written you about that.

HEJr: Oh. Now, what's the next move?

B: The next move is that I get in touch with Waley. I think I shall do so right away.

HEJr: Good.

B: Ah - I - May I ask one or two questions to - just so that I might undertake to answer something they'd ask us about? I take it that they'd wish to ask the French something on the matter of a rate.

HEJr: Now, wait a minute, wait a minute. Try that again. If I can't hear better I'm going to ask them to improve this connection. I don't hear very well. Now, let's try it once more.

B: All right. Waley is going to ask me one or two questions so if you will be good enough I should like to ask you one or two questions.

HEJr: Yes, if you will talk a little slower and a little louder.

B: Yes, sir. In the first place -

HEJr: That's better.

B: - I take it that you've seen - you don't think it desirable to ask the French about a rate.

HEJr: Yes.

B: The position here was that the British felt that they couldn't very well ask about a rate until after they had replied to Monsieur Bonnet's previous note, but that before - but that after replying, and as part of the reply, they wanted to ask the French officially about

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the rate although they knew unofficially that the French expected to open up at 1:20.

HMJr: Yeah. Now, just a minute, will you please.

B: Yes, sir.

HMJr: Just hold on, please.

B: That I will.

(Pause)

HMJr: Hello.

B: Yes.

HMJr: Now, I'll give you the information first and then we'll decide whether you can pass it on.

B: Right.

HMJr: Rueff and Cariguel -

B: Yes.

HMJr: - told Cochran that they expect to open up on the morning of July first with the rate of from a hundred and twenty-five to a hundred and thirty.

B: That's right.

HMJr: Hello.

B: Yes.

HMJr: Now, they've given us that.

B: Yes.

HMJr: Which, translated in our money is three-eighty to three ninety-six.

B: Well. Now, I was told by the Treasury last night -

HMJr: Yes.

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S: - that the Bank of England, who sent a man over to Paris yesterday -

WJr: Yeah.

B: - to talk informally with the officers that were there -

WJr: Yes.

B: - had come to an informal agreement with the French at the figure of 120.

WJr: Well -

B: The British position is this, that they don't care to have the rate open up only on the basis of such informal assurance as we'll say Rueff gave Cochran or the Bank of France may have given the Bank of England. They want it to come officially from the Treasury as to what rate they're going to open up at and what rate they expect to hold the franc.

WJr: Yes.

B: But when the French yesterday feared - shifted their position from saying that they were undertaking these measures to defend their gold reserve to saying that they would be willing to use their whole gold reserve to defend the franc, then that, in the British eye, changed the picture. But at the same time it required from the French some idea as to what level they expect to use these resources to defend the franc.

WJr: Uh huh.

B: The British still have rather clearly in mind what happened to them in '27.

WJr: I see.

B: And they don't propose to sit here with a run-away franc perhaps on their hands.

WJr: Well, the way - the way we feel is this. They've

evidently given us a little bit different rate than they've given the English. But I must say this, that whenever Cariguel - and I emphasize Cariguel -

B: Yes.

HMJr: - has given us a rate -

B: Yes.

HMJr: - it's always been correct.

B: Right.

HMJr: See?

B: Yes. Well, they - in any case they want to find out officially. And I think that any communication which they give - which is made to the French as a joint statement or separately - I think that they would like it to contain an inquiry -

HMJr: Contain what?

B: - as to what the French intentions are in the matter of holding the exchange rate of the franc.

HMJr: Uh huh.

B: Because otherwise they feel that they are simply writing the French a blanket check.

HMJr: Well now, just a minute.

(Continued on page 21)

B: - open up at a hundred and twenty-five -
it would be two hundred in a day and they
wouldn't have any way to stop it or any
right to take action.

H.M.Jr: Well now, just a minute. Dr. Viner's here
and he's raising a finger. Just a minute. (Pause)
You see, if we take the position here that we
have no reason to question Cariguel because
whenever he has told us what he was going to do,
he has lived up to it.

B: Yes.

H.M.Jr: Now, he has told us that they are going to
open up tomorrow, as I say, between 125 and 130.

B: Yes.

H.M.Jr: And that we will in the morning get our usual
cable giving us an order, I take it, to buy
and sell francs, and that we can convert into
gold the same day.

B: Yes.

H.M.Jr: Now of course what we do is we do not operate
in the franc until we get that cable.

B: Right.

H.M.Jr: Now if we don't get any cable tomorrow we just
don't operate.

B: Right.

H.M.Jr: Now that's our position. We got one today, we
got one yesterday. Now if - they've told us
that we'd get another cable tomorrow. Now under
those circumstances, there is only one thing I can
do - Mr. Cariguel has always kept his word -

B: Yes.

H.M.Jr: - and I have no reason to doubt it, and I'm not
going to doubt it until he breaks it.

B: Right, sir.

H.M.Jr: Now I can't tell what this rate is going to do to us but I show in this cable that I'm willing to go along and try it -

B: Yes.

H.M.Jr: Because I think it is so important that we should.

B: Yes, sir.

H.M.Jr: And in that spirit -

B: I understand the British not only want to know just what the opening rate will be, but what the French intend - where the French intend to peg this rate.

H.M.Jr: Well, of course, if you'll - if you'll - it's rather amusing, and it must be to the French - I tried up till the last minute to get the British to give me that assurance before we agreed on the tripartite agreement and they flatly refused to give me any such agreement.

B: Oh, I quite agree. I'm not defending their position -

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

B: - only I'm suggesting you prompt me because these are the questions that are going to be asked me.

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

B: Possibly they will be asked - the questions - to you first.

H.M.Jr: I want to help you all I can; I want to help you. Now, what else have you got in mind?

B: Also this. There is one thing more. What about the question of publicity?

H.M.Jr: Well, at this stage there is no reason for me to give out any publicity. I've just got nothing to say.

B: Right. But I think the French will press for some public statement on the part of the British and ourselves.

H.M.Jr: Well, you can tell the British Treasury that I will make no statement until we have conferred with them.

B: Right.

H.M.Jr: And you may be interested to know that Dr. Feis, amongst others, is sitting here.

B: Good.

H.M.Jr: So I thought you would like to know that.

B: Yes, I do. Thank you very much.

H.M.Jr: Now just a minute. Mr. Taylor wants to raise a question. Just a moment please. (Pause)

Hello?

B: Yes.

H.M.Jr: They say as to publicity you might have this in mind. If we agree on this message, why, that would be all that we'd have to say.

B: Right.

H.M.Jr: See?

B: Yes, that was raised in my mind, that this was a message that might appropriately be made public.

H.M.Jr: That's right. It might be.

B: Right.

H.M.Jr: It would be agreeable to me to make such a message public.

B: Thank you very much. That's just what I wanted to know.

H.M.Jr: Now just a moment. Wait a minute. Will you - it's 12 o'clock here - would you expect to get in touch with me again tonight? I hope not.

B: Ha-Ha. I really hardly know. I'll have to - I'll send this over to the British Treasury and I suppose I won't be able to get an answer out of them for possibly about four or five hours. That's low - about six hours.

H.M.Jr: Well, they're not going to wake up Sir John Simon, are they?

B: No, they're not.

H.M.Jr: Well -

B: It's between five and six o'clock here. Six o'clock here so that within about six hours, so I should say at about twelve noon I suppose they will have made up their minds.

H.M.Jr: Well, try and not to call me if possible before 7:30 Washington time.

B: 7:30 Washington time.

H.M.Jr: 7:30 Washington time.

B: Right.

H.M.Jr: If possible try and hold it until then.

B: Right, sir, I'll do my best.

H.M.Jr: And we're six hours difference you see. It's 12 here now.

B: Right.

H.M.Jr: Just a minute. Dr. Feis wants to say something.
(Feis: I don't think you made it quite clear to him as to whether he could tell the Treasury what you told him about the French plans on the rate)

H.M.Jr: Hello.

B: Yes.

H.M.Jr: I don't know whether you should tell the British about the rate that the French have given us. But I don't see why not. After all, they're our partners and the French shouldn't tell me anything on rates that I can't repeat.

B: Right. I'm inclined to agree with you.

H.M.Jr: Just a minute.
(Viner: I disagree with you.)
H.M.Jr: Why shouldn't I?
Viner: You may break Cochran's contacts. Cariguel may not have the right to tell Cochran)

H.M.Jr: They think that - hello? They think that if you tell them this, this puts Cochran in dutch.

B: All right, sir, well, I shan't tell them.

H.M.Jr: What?

B: I say, I won't tell them. They told me last night that they had heard from the French that they expected to open at a hundred and twenty.

H.M.Jr: Well, what I will do is this. I am going to talk to Cochran when I am through talking to you.

B: Yes.

H.M.Jr: If he feels that it isn't breaking a confidence, I will tell him to telephone you direct.

B: Right.

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H.M.Jr: How's that?

B: Now then, if I don't hear to the contrary from him, I can use that information as I see fit.

H.M.Jr: No.

B: No, the opposite.

H.M.Jr: The opposite. Only release that information if Cochran says that you may.

B: Right.

H.M.Jr: See?

B: I understand.

H.M.Jr: And I'm going to talk to him now and I'll ask him if you can tell them that and by the time you're dressed I imagine he'll call you.

B: Thank you very much, sir.

H.M.Jr: Now what do you think of the message?

B: Well - I mean as my personal reaction I thoroughly approve of it. I think these people are going to choke once or twice when they receive it because they are trying to get what they can out of the French by way of assurances because they have no confidence that the present government is going to hold her affairs in shape.

H.M.Jr: I see.

B: I think they seem to feel not very good about the French.

H.M.Jr: I see.

B: And they appear very much hurt by the way France.....

H.M.Jr: Uh-huh. Well --

B: On the other hand there's the question of control

H.M.Jr: Well, all right, we've sent you this. We've already cabled it - sent it over the State Department just so that you'll have it cabled - it's the same message.

B: Thank you, sir.

H.M.Jr: And as I say, try not to call me until 7:30 if possible.

B: All right, sir, I won't.

H.M.Jr: But if you have to call - if you have to talk to somebody, call up the Treasury and ask for Lockheed.

B: All right, I will.

H.M.Jr: See?

B: Right, I will.

H.M.Jr: But otherwise give me until 7:30.

B: That I will.

H.M.Jr: All right. Carry on.

B: Thank you.

H.M.Jr: Goodbye.

ooOoo

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Wednesday
June 30, 1937
11:27 p.m.

HMJr: Hello.
Tress.
Operator: Mr. Butterworth.
HMJr: Thank you.
T.O.: Go ahead.
HMJr: Hello.
B: Hello.
HMJr: Good morning - Butterworth.
B: Yes
HMJr: This is the Secretary.
B: Yes, sir.
HMJr: I hope you have a pencil and paper.
B: Yes, I have.
HMJr: Have you - are your eyes open?
B: They're open, thank you.
HMJr: Are you at home?
B: Yes, I'm at home.
HMJr: Well, I'll go very slowly and then I'll - this
is the message for Sir John Simon.
B: Right.
HMJr: "Thank you for the expression....
B: "Thank you for the expression....
HMJr: "....of your views....
B: "....of your views....
HMJr: "...transmitted to me.... - hello.
B: Yes.

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HMJr: "...transmitted to me on June twenty-ninth and thirtieth. - on June twenty-ninth and thirtieth.

B: "...and thirtieth..

HMJr: "I regret..."

B: "I regret..."

HMJr: "...that a brief absence..."

B: "...that a brief....

HMJr: "...a brief absence..."

B: "...a brief absence..."

HMJr: "...absence - a brief absence precluded an immediate comment.

B: "...a brief..."

HMJr: "...absence..."

B: How do you spell it?

HMJr: a-b-s-e-n-c-e

B: "...a brief absence..."

HMJr: "...precluded....

B: "...precluded....

HMJr: "...an immediate comment..."

B: "...comment....

HMJr: "...on your proposed..."

B: "...on your....

HMJr: "...on your proposed reply..."

B: "...on your proposed reply..."

HMJr: "...to Monsieur Bonnet.

B: "...to Monsieur Bonnet.

HMJr:

Now, I'll repeat that one paragraph so we'll get one paragraph right.

"Thank you for the expression of your views transmitted to me on June twenty-eighth and thirtieth. - June twenty-ninth and thirtieth. I regret that a brief absence precluded an immediate comment on your proposed reply to Monsieur Bonnet.

Now, just a minute. Just a minute, Lochhead will do it. He can read it to you and then after he is through I'll talk to you.

B:

Yes

A.

Lochhead:

"Taking into consideration....

B:

"Taking into consideration....

L:

"...the limited time...

B:

"...the limited time...

L:

"...within which... -

Hello.

B:

Yes.

L:

Have you got that?

B:

Yes.

B:

"...Monsieur Bonnet...

B:

"...Monsieur Bonnet...

L:

"...was able...

B:

"...was able...

L:

"...to operate...

B:

"...to operate...

L:

"...and the extreme...

P: "...and the extreme...
L: "...difficulties...
B: "...difficulties...
L: "...of the situation...
B: "...of the situation...
L: "...which faced him....
B: "...which him..?
L: "...which faced him... - f-a-c-e-d
B: What's that?
L: "...which faced him...
B: "...faced...
Yes.
L: "...on his arrival,..
B: "...on his arrival,..
L: Comma.
P: Comma.
L: "...I feel that...
B: "...I feel that...
L: "...his failure...
B: "...his failure...
L: "...to consult...
B: "...to consult...
L: "...completely...
B: Yes.
L: "...with our two Treasuries...

-5-

B: "...with our two Treasuries...

L: "...is understandable...

B: "...is understandable...

Yes.

L: Period. New paragraph.

"I share...

B: "I share?

L: That's right.

B: Yes.

L: "...your apprehension...

B: Yes.

L: "...over the...

B: "...over...

L: "...repercussions...

B: "...repercussions...

Yes.

L: "...which might arise...

B: "...which might arise...

L: "...from an over-valued...

B: "...from...

L: "...from an under-valued...

B: "...from an under-valued...

L: "...or unduly...

B: "...or unduly...

L: "...fluctuating franc,..."
B: "...fluctuating franc,..."
L: Comma.
B: Comma.
L: "...but I believe..."
B: "...but I believe..."
L: "...that we can best..."
B: "...that we can best..."
L: "...minimize..."
B: "...minimize..."
L: "...these dangers..."
B: "...dangers..."
L: "...by avoiding,..."
B: "...by avoiding,..."
L: Comma.
B: Comma.
L: "...in so far as..."
B: "...in so far as..."
L: "...possible,..."
B: "...possible,..."
L: Comma.
B: Comma.
L: "...any move..."
B: "...any moves?"

L: "move - m-o-v-e -

B: I've got it.

L: "...on our part...

B: "...on our part...

L: "...which might add...

B: "...which might add...

L: "...to any lack...

B: "...to any lack...

L: "...of confidence...

B: "...of -

Yes.

L: "...in the future...

B: Yes.

L: "...of the franc...

B: "...of the franc.

L: Period.

B: "...in the future of the franc?

L: That's right.

B: Right. Period.

L: Period. New paragraph.

B: New paragraph.

L: "In the present...

B: "In the present...

L: "...junction...

B: "...junction...

L: "...of world affairs,...

B: "...of world affairs,...

L: Comma.

B: Right.

L: "...I trust you will agree...

B: "...I trust...

Yes.

L: "...with me...

B: "...with me...

L: "...that it is...

B: "...that it is...

L: "...of prime importance...

B: "...of prime....

Yes.

L: "...to preserve...

B: "...to preserve...

L: "...the beneficial...

B: "...the beneficial...

L: "...effects...

B: "...effects...

L: "...which resulted...

B: Yes. That's right.

L: "...from the...

B: "...from the...

L: "Tripartite...
B: "...Tripartite...
L: "...Declaration...
B: "...Tripartite formation?
L: No, declaration.
B: "...declaration - Tripartite declaration...
L: "...and its...
B: "...and...
All right.
L: "...ensuing...
B: All right.
L: "...arrangements.
B: "...arrangements.
L: Period. New sentence.
B: Right.
L: "It was thus...
B: "It was thus...
L: "...demonstrated...
B: "...demonstrated...
Right.
L: "...that great....
B: "...that great...
L: "...great Democratic...
B: "...great Democratic...

L: "Nations...

B: Yes.

L: "...could,...

B: "...could...

L: Comma.

B: Comma.

L: "...with mutual confidence,...

B: "...with mutual confidence,

L: Comma.

B: Comma.

L: "...create and carry out...

B: "...create and carry out...

L: "...cooperative measures...

B: "...cooperative measures...

Right.

L: Period. New Paragraph.

B: Right.

L: "In view of...

B: ".....of...

L: "...all these considerations...

B: "...full of these considerations?

L: "...In view of all...

B: "In view of all of...

L: "In view of all these considerations...

B: "In view of all these considerations,...

L: Comma.

B: Comma. Right.

L: "...it is my conviction...

B: "...it is my conviction...

L: "...that every reasonable...

B: "...that every.....

All right.

L: "...effort...

B: "...effort...

Right.

L: "...should be made...

B: "...should...

Right.

L: "...to make possible...

B: Yes.

L: "...for France...

B: "...for France...

L: "...to continue...

B: Right.

L: "...as a participant...

B: Right.

L: "...in the...

B: Yes.

L: "...Tripartite Declaration.

B: "....Tripartite Declaration.
L: Period.
B: Period.
L: New Paragraph.
B: Yes.
L: "It is therefore...
B: "It is therefore...
L: "...my sincere hope...
B: Right.
L: "...and desire...
B: "...and desire...
L: "...that you and I...
B: "...that you and I...
L: "...may present...
B: Right.
L: "...to Monsieur Bonnet...
B: "...to Monsieur Bonnet...
L: "...similar messages...
B: Right.
L: "...somewhat...along the following lines:
B: All right.
L: Semi-colon, quote:
B: All right.
L: "Now that the...
B: "Now that...

L: "...the...

B: Right.

L: "...French Ministry of Finance...

B: "...French Ministry of Finance...

L: "...has been given...

B: "...has been given...

L: "...the powers...

B: Right.

L: "...which it sought...

B: Right.

L: "...to meet...

B: Right.

L: "...the present situation...

B: "...present situation,

L: Comma.

B: Comma.

L: "...I look forward...

B: Right.

L: "...to a continuation...

B: Yes.

L: "...of close cooperation...

B: "...cooperation...

B: Right.

L: "...between our Treasuries...

B: "...between our Treasuries...

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L: "...under...
B: "...under...
L: "...the Tripartite Declaration...
B: "...under the Tripartite Declaration...
L: Period. New paragraph.
B: Paragraph.
L: "May I express to you...
B: "May I express to you...
L: "...the sincere hope...
B: Yes.
L: "...that France...
B: "...that France...
L: "...will soon emerge...
B: "...will soon emerge...
L: "...from the temporary...
B: "...from the temporary...
L: "...difficulties...
B: Right.
L: "...with which...
B: I say I didn't get that.
L: "...with which...
B: "...from the temporary difficulties...
L: "...with which...
B: "...with which...

L: "...she is now...

B: "...now...

L: "...confronted,

B: Right.

L: Period.

B: Right.

L: Unquote.

B: Right.

L: Signed "Morgenthau".

B: Right.

L: Now, I think you'd better read that back.
Do you want to just read that back to me?

B: "Thank you for the expression of your views transmitted to me on June twenty-ninth and thirtieth. I regret that a brief absence precluded an immediate comment on your proposed reply to Monsieur Bonnet.

"Taking into consideration the limited time within which Monsieur Bonnet was able to operate and the extreme difficulties of the situation which faced him on his arrival, I feel that his failure to consult completely with our two Treasuries is understandable.

"I share your apprehension over the repercussions which might arise from an undervalued or unduly fluctuating franc, but I believe that we can best minimize these dangers by avoiding, in so far as possible, any move on our part which might add to any lack of confidence in the future of the franc.

"In the present juncture of world affairs, I trust you will agree with me that it is

of prime importance to preserve the beneficial effects which resulted from the Tripartite Declaration and its ensuing arrangements. It was thus demonstrated that great democratic nations could, with mutual confidence, create and carry out cooperative measures.

"In view of all these considerations, it is my conviction that every reasonable effort should be made to make it possible for France to continue as a participant in the Tripartite Declaration.

"It is therefore my sincere hope and desire that you and I may present to Monsieur Bonnet similar messages somewhat along the following lines:

QUOTE: Now that the French Ministry of Finance has been given the powers which it sought to meet the present situation, I look forward to a continuation of close cooperation between our Treasuries under the Tripartite Declaration.

May I express to you the sincere hope that France will soon emerge from the temporary difficulties with which she is now confronted.

Signed "Morgenthau".

- L: All right. After "confronted" you have what - after "confronted" unquote. That's the end of that quote.
- B: Yes. Unquote - that's at the end of the message?
- L: That's right.
- B: Thank you.
- L: Just a moment.
- BMJr: Butterworth.
- L: Yes, sir.

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AMJr: Where are you talking from?

B: I'm talking from my house, sir.

AMJr: I see. Have they put in that special phone?

B: No, sir, they haven't done so yet. I've written you about that.

AMJr: Oh. Now, what's the next move?

B: The next move is that I get in touch with Waley. I think I shall do so right away.

AMJr: Good.

B: Ah - I - May I ask one or two questions to - just so that I might undertake to answer something they'd ask us about? I take it that they'd wish to ask the French something on the matter of a rate.

AMJr: Now, wait a minute, wait a minute. Try that again. If I can't hear better I'm going to ask them to improve this connection. I don't hear very well. Now, let's try it once more.

B: All right. Waley is going to ask me one or two questions so if you will be good enough I should like to ask you one or two questions.

AMJr: Yes, if you will talk a little slower and a little louder.

B: Yes, sir. In the first place -

AMJr: That's better.

B: - I take it that you've seen - you don't think it desirable to ask the French about a rate.

AMJr: Yes.

B: The position here was that the British felt that they couldn't very well ask about a rate until after they had replied to Monsieur Bonnet's previous note, but that before - but that after replying, and as part of the reply, they wanted to ask the French officially about

the rate although they knew unofficially that the French expected to open up at 120.

HMJr: Yeah. Now, just a minute, will you please.

B: Yes, sir.

HMJr: Just hold on, please.

B: That I will.

(Pause)

(Telephone conversation interrupted for following discussion with group present in Secretary's office)

Taylor: Our information is different from the English.
But they're going to - they've also given it to
us unofficially.

H.M.Jr: What's the rate in terms of sterling?

Lochhead: 135 to the pound to 125.

H.M.Jr: And who gave us that?

Taylor: The French and Rueff, unofficially.

H.M.Jr: (On phone) Hello.

Butterworth: Yes.

... ..

(Telephone conversation resumes:)

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(Telephone conversation resumes)

B: Yes.

HMJr: Now, I'll give you the information first and then we'll decide whether you can pass it on.

B: Right.

HMJr: Rueff and Cariguel -

B: Yes.

HMJr: - told Cochran that they expect to open up on the morning of July first with the rate of from a hundred and twenty-five to a hundred and thirty.

B: That's right.

HMJr: Hello.

B: Yes.

HMJr: Now, they've given us that.

B: Yes.

HMJr: Which, translated in our money, is three eighty to three ninety-six.

B: Well - now, I was told by the Treasury last night -

HMJr: Yes.

B: - that the Bank of England, who sent a man over to Paris yesterday -

AMJr: Yeah.

B: - to talk informally with the officers that were there -

AMJr: Yes.

B: - had come to an informal agreement with the French at the figure of 120.

AMJr: Well -

B: The British position is this, that they don't care to have the rate open up only on the basis of such informal assurance as we'll say Rueff gave Cochran or the Bank of France may have given the Bank of England. They want it to come officially from the Treasury as to what rate they're going to open up at and what rate they expect to hold the franc.

AMJr: Yes.

B: But when the French yesterday feared - shifted their position from saying that they were undertaking these measures to defend their gold reserve to saying that they would be willing to use their whole gold reserve to defend the franc, then that, in the British eye, changed the picture. But at the same time it required from the French some idea as to what level they expect to use these resources to defend the franc.

AMJr: Oh huh.

B: The British still have rather clearly in mind what happened to them in '27.

AMJr: I see.

B: And they don't propose to sit here with a run-away franc perhaps on their hands.

AMJr: Well, the way - the way we feel is this. They've

evidently given us a little bit different rate than they've given the English. But I must say this, that whenever Cariguel - and I emphasize Cariguel -

B: Yes.

HMJr: - has given us a rate -

B: Yes.

HMJr: - it's always been correct.

B: Right.

HMJr: See?

B: Yes. well, they - in any case they want to find out officially. And I think that any communication which they give - which is made to the French as a joint statement or separately - I think that they would like it to contain an inquiry -

HMJr: Contain what?

B: - as to what the French intentions are in the matter of holding the exchange rate of the franc.

HMJr: Uh huh.

B: Because otherwise they feel that they are simply writing the French a blanket check.

HMJr: Well now, just a minute.

(Continued on page 21)

B: - open up at a hundred and twenty-five -
it would be two hundred in a day and they
wouldn't have any way to stop it or any
right to take action.

H.M.Jr: Well now, just a minute. Dr. Viner's here
and he's raising a finger. Just a minute.

(Pause)

(Conversation interrupted for following
discussion in Secretary's office)

21-A

Viner: They also - Cariguel also said first thing in the morning we would be cabled, officially presumably, the opening rate.

Oliphant: May I add another thought. He said that they'd be 125 to 130 but they'd pull it back to 125, so the market will shoot at 125.

H.M.Jr: (On phone) You see, if we

(Telephone conversation resumed)

(Telephone conversation resumes)

H.M.Jr: You see, if we take the position here that we have no reason to question Cariguel because whenever he has told us what he was going to do, he has lived up to it.

B: Yes.

H.M.Jr: Now, he has told us that they are going to open up tomorrow, as I say, between 125 and 130.

B: Yes.

H.M.Jr: And that we will in the morning get our usual cable giving us an order, I take it, to buy and sell francs, and that we can convert into gold the same day.

B: Yes.

H.M.Jr: Now of course what we do is we do not operate in the franc until we get that cable.

B: Right.

H.M.Jr: Now if we don't get any cable tomorrow we just don't operate.

B: Right.

H.M.Jr: Now that's our position. We got one today, we got one yesterday. Now if - they've told us that we'd get another cable tomorrow. Now under those circumstances, there is only one thing I can do - Mr. Cariguel has always kept his word -

B: Yes.

H.M.Jr: - and I have no reason to doubt it, and I'm not going to doubt it until he breaks it.

B: Right, sir.

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A.A.Jr: Now I can't tell what this rate is going to do to us but I know in this cable that I'm willing to go along and try it -

A: Yes.

A.A.Jr: Because I think it is so important that we should.

B: Yes, sir.

A.A.Jr: And in that spirit -

B: I understand the British not only want to know just what the opening rate will be, but what the French intend - where the French intend to peg this rate.

A.A.Jr: Well, of course, if you'll - if you'll - it's rather amusing, and it must be to the French - I tried up till the last minute to get the British to give me that assurance before we agreed on the tripartite agreement and they flatly refused to give me any such agreement.

B: Oh, I quite agree. I'm not defending their position -

A.A.Jr: No, no, no, but -

B: - only I'm suggesting you prompt me because these are the questions that are going to be asked me.

A.A.Jr: But I'm just -

B: Possibly they will be asked - the questions - to you first.

A.A.Jr: I want to help you all I can; I want to help you. Now, what else have you got in mind?

B: Also this. There is one thing more. What about the question of publicity?

- 23 -

H.M.Jr: Well, at this stage there is no reason for me to give out any publicity. I've just got nothing to say.

B: Right. But I think the French will press for some public statement on the part of the British and ourselves.

H.M.Jr: Well, you can tell the British Treasury that I will make no statement until we have conferred with them.

B: Right.

H.M.Jr: And you may be interested to know that Dr. Feis, amongst others, is sitting here.

B: Good.

H.M.Jr: So I thought you would like to know that.

B: Yes, I do. Thank you very much.

H.M.Jr: Now just a minute. Mr. Taylor wants to raise a question. Just a moment please.

(Pause)

(Conversation interrupted for following discussion in Secretary's office:)

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Taylor: Two things. Our position generally is that we don't think it is essential to know what the range is if they don't give it to us. We'd like to know, naturally, but it isn't essential.

H.M.Jr: I'm not going to say that, no.

Taylor: The other thing is that, as far as any publicity goes, the message which is sent to Bonnet is all you need.

Viner: If it is sent.

Taylor: If it is sent.

Oliphant: That's right, if it is sent.

Feis: I think you've covered the publicity question - that you won't say anything.

Viner: You'll have to find out what the arrangements are for tonight, whether he expects to get a reply to send back to you tonight.

H.M.Jr: Hello?

Butterworth: Yes.

.....

(Telephone conversation resumed)

(Telephone conversation resumed)

H.M.Jr: Hello?

B: Yes.

H.M.Jr: They say as to publicity you might have this in mind. If we agree on this message, why, that would be all that we'd have to say.

B: Right.

H.M.Jr: See?

B: Yes, that was raised in my mind, that this was a message that might appropriately be made public.

H.M.Jr: That's right. It might be.

B: Right.

A.Jr.: It would be agreeable to me to make such a message public.

B: Thank you very much. That's just what I wanted to know.

A.Jr.: Now just a moment. Wait a minute. Will you - it's 12 o'clock here - would you expect to get in touch with me again tonight? I hope not.

B: Ha-Ha. I really hardly know. I'll have to - I'll send this over to the British Treasury and I suppose I won't be able to get an answer out of them for possibly about four or five hours. That's low - about six hours.

A.Jr.: Well, they're not going to wake up for Sir John Simon, are they?

B: No, they're not.

A.Jr.: Well -

B: It's between five and six o'clock here. Six o'clock here so that within about six hours, so I should say at about twelve noon I suppose they will have made up their minds.

A.Jr.: Well, try and not to call me if possible before 7:30 Washington time.

B: 7:30 Washington time.

A.Jr.: 7:30 Washington time.

B: Right.

A.Jr.: If possible try and hold it until then.

B: Right, sir, I'll do my best.

A.Jr.: And we're six hours difference you see. It's 12 here now.

B: Right.

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A.M.Jr: Just a minute. Dr. Feis wants to say something.
(Feis: I don't think you made it quite clear to him as to whether he could tell the Treasury what you told him about the French plans on the rate)

A.M.Jr: Hello.

B: Yes.

A.M.Jr: I don't know whether you should tell the British about the rate that the French have given us. But I don't see why not. After all, they're our partners and the French shouldn't tell us anything on rates that I can't repeat.

B: Right. I'm inclined to agree with you.

A.M.Jr: Just a minute.
(Viner: I disagree with you.)
A.M.Jr: Why shouldn't I?
Viner: You may break Cochran's contacts. Cariguel may not have the right to tell Cochran)

A.M.Jr: They think that - Hello? They think that if you tell them this, this puts Cochran in Dutch.

B: All right, sir, well, I shan't tell them.

A.M.Jr: What?

B: I say, I won't tell them. They told us last night that they had heard from the French that they expected to open at a hundred and twenty.

A.M.Jr: Well, what I will do is this. I am going to talk to Cochran when I am through talking to you.

B: Yes.

A.M.Jr: If he feels that it isn't breaking a confidence, I will tell him to telephone you direct.

B: Right.

A.M.Jr: Now's that?

B: Now then, if I don't hear to the contrary from him, I can use that information as I see fit.

A.M.Jr: No.

B: No, the opposite.

A.M.Jr: The opposite. Only release that information if Cochran says that you may.

B: Right.

A.M.Jr: See?

B: I understand.

A.M.Jr: And I'm going to talk to him now and I'll ask him if you can tell them that and by the time you're dressed I imagine he'll call you.

B: Thank you very much, sir.

A.M.Jr: Now what do you think of the message?

B: Well - I mean as my personal reaction I thoroughly approve of it. I think these people are going to choke once or twice when they receive it because they are trying to get what they can out of the French by way of assurances because they have no confidence that the present government is going to hold her affairs in shape.

A.M.Jr: I see.

B: I think they seem to feel not very good about the French.

A.M.Jr: I see.

B: And they appear very much hurt by the way France....

H.M.Jr.: Uh-huh. Well --

B: On the other hand there's the question of control

H.M.Jr.: Well, all right, we've sent you this. We've already cabled it - sent it over the State Department just so that you'll have it cabled - it's the same message.

B: Thank you, sir.

H.M.Jr.: And as I say, try not to call me until 7:30 if possible.

B: All right, sir, I won't.

H.M.Jr.: But if you have to call - if you have to talk to somebody, call up the Treasury and ask for Lochhead.

B: All right, I will.

H.M.Jr.: See?

B: Right, I will.

H.M.Jr.: But otherwise give me until 7:30.

B: The I will.

H.M.Jr.: All right. Carry on.

B: Thank you.

H.M.Jr.: Goodbye.

ooOoo

Wednesday
June 30, 1937
9:16 p.m.

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HMJr: I thought he'd pull out at ten.

Treas.

Operator: He said they'd pull out at ten o'clock, and
I said - -

HMJr: All right. Now, what about the others?

T.O.: Mr. Henri is at the Hotel Mayflower.

HMJr: Yeah.

T.O.: And Sir Ronald Lindsay is dining with Mr. Dunn
at the State Department, but I haven't called
there yet.

HMJr: Well, you tell him that - to keep in touch,
will you?

T.O.: Yes, I will.

HMJr: And we may want him. And what about - is Mr.
Henri going to stay at the Mayflower?

T.O.: Yes, he said he'd be there all evening.

HMJr: Well now, find out about Sir Ronald.

T.O.: Right.

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BRITISH EMBASSY,
WASHINGTON, D.C.

June 30th, 1937

My dear Taylor,

As agreed with you on the
telephone this morning I enclose copies
of the further message from the Chancellor
to Mr. Morgenthau which arrived last night.

Yours sincerely,

Er L. T. Taylor

Wayne C. Taylor, Esq.,
Department of the Treasury,
Washington, D.C.

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Message from Chancellor of the Exchequer to
Mr. Morgenthau,

SECRET.

Please convey following to Mr. Morgenthau
from Chancellor of the Exchequer.

Gist of it has been communicated to United
States Embassy in London who may have already spoken
on telephone with Mr. Morgenthau.

There has been an agreed quotation between
our authorities and French authorities down to
(yesterday?) but we have no quotation for French franc
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 reply till tomorrow. The information
which reaches us from Governor of Bank of France is
that in present position no indication of future
plans can be given. Until legislation is passed the
nature of plans will not be known. If good progress
is made with legislation it is hoped that some
indication may be given to us before close of business
tomorrow, Wednesday. In the meantime judging from
general account which I have received from French
Government my fear is that franc may be allowed to

float /

float. I do not know whether we shall have any quotations or if so whether French authorities will be ready to continue arrangements to turn daily surpluses of franc into (gold?). I am completely in the dark as to how we can operate. It is no doubt true French Government can continue to express concurrence in very (general?) declarations which were embodied in tripartite agreement itself but I cannot help feeling what has especially attracted notice and especially been approved by public opinion everywhere was general character of administrative arrangements for concerted action at the time of that declaration and continued since to give practical effect to desire to maintain 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 franc the French Government hope to continue those practical arrangements. It would I think be unfortunate to aver that tripartite declaration is in full force if and so long as 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 nature of any (positive?) statement to be made by our two Governments.

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float /

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219

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Message to the

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231

Thank you for the expression of your views transmitted to me on June 29 and 30. I regret that a brief absence precluded an immediate comment on your proposed reply to Monsieur Bonnet.

Taking into consideration the limited time within which Monsieur Bonnet was able to operate and the extreme difficulties of the situation which faced him on his arrival, I feel that his failure to consult completely with our two Treasuries is understandable.

I share your apprehension over the repercussions which might arise from an undervalued or unsuly fluctuating franc, but I believe that we can best minimize these dangers by avoiding, in so far as possible, any move on our part which might add to any lack of confidence in the future of the franc.

In the present juncture of world affairs, I trust you will agree with me that it is of prime importance to preserve the beneficial effects which resulted from the Tri-partite Declaration and its ensuing arrangements. It was thus demonstrated that great democratic nations could, with mutual confidence, create and carry out cooperative measures.

In view of all these considerations, it is my conviction that every reasonable effort should be made to make it possible for France to continue as a participant in the Tri-partite Declaration.

It is therefore my sincere hope and desire that you and I may present to Monsieur Bonnet similar messages somewhat along the following lines:

QUOTE: Now that the French Ministry of Finance has been given the powers which it sought to meet the present situation, I look forward to a continuation of close cooperation between our Treasuries under the Tri-partite Declaration.

May I express to you the sincere hope that France will soon emerge from the temporary difficulties with which she is now confronted. UNQUOTE

~~105~~
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JR

TELEGRAM SENT GRAY.

June 30, 1937

12 p.m.

AMEMBASSY

LONDON

266.

FOR BUTTERWORTH FROM SECRETARY OF THE TREASURY.

The following is the text of the message for delivery to Sir John Simon, as you were instructed by telephone.

"Thank you for the expression of your views transmitted to me on June 29 and 30. I regret that a brief absence precluded an immediate comment on your proposed reply to Monsieur Bonnet.

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In

JR #265, June 30, for Butterworth from Secretary of the Treasury. Sent to London.

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HULL
(HF)

EA

JR

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June 30, 1937

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LONDON

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-2-

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HULL
(HF)

EA

230

TREASURY OFFICIALS CONFERRED BY TRANS-ATLANTIC TELEPHONE EARLY TODAY WITH BRITISH AND FRENCH GOVERNMENT FISCAL CHIEFS, REPORTEDLY TO DEVISE SOME MEANS OF KEEPING ALIVE THE FORM OF THE TRI-PARTITE MONETARY AGREEMENT, THREATENED BY FRANCE'S CRITICAL FINANCIAL SITUATION.

IT WAS GENERALLY BELIEVED HERE THAT FROM THE DISCUSSIONS MAY EMERGE A REVISED THREE-POWER MONETARY ACCORD WHICH WILL TAKE INTO ACCOUNT THE EXPECTED DEVALUATION OF THE FRANC TO ABOUT FOUR CENTS. 6/30--R950A

7.45

JOINT STATEMENT PROBABLY WILL BE ISSUED
TODAY BY THE UNITED STATES AND GREAT BRITAIN
ANNOUNCING CONTINUED MONETARY COOPERATION
BETWEEN THE TWO COUNTRIES DESPITE THE
DISRUPTION IN THE OLD TRI-PARTITE AGREEMENT
CAUSED BY WITHDRAWAL OF FRANCE - SECY MORGEN-
THAU WILL MAKE STATEMENT CLARIFYING THE
AMERICAN POSITION AND IT IS EXPECTED TO
BE ACCOMPANIED BY A BRITISH STATEMENT
EXPLAINING THAT COUNTRY-S POSITION

JUN 30 1937

U S MONETARY STATEMENT MAY BE ISSUED AT 10 A M

WASHN- OFFICIALS SAID THIS MORNING THAT
THERE IS AN EVEN CHANCE THAT THE FORTHCOMING
AMERICAN STATEMENT ON THE WORLD MONETARY
SITUATION WILL BE ISSUED BY SECY MORGENTHAU
AT 10 A M N Y TIME- THE STATEMENT IS EXPECTED
TO REAFFIRM COOPERATION WITH GREAT BRITAIN
AND TO REDEFINE RELATIONS WITH THEM

MORGENTHAU ON MONETARY SITUATION

10.19

WASHN- SECY MORGENTHAU SAID THAT HE WOULD
WITHHOLD COMMENT ON THE WORLD MONETARY SITUATION
UNTIL FRANCE HAD COMPLETED HER LEGISLATION
AND THE TREASURY HAD STUDIED IT- HE WILL MAKE
A STATEMENT AT THAT TIME HOWEVER

JUN 30 1937

-PENDING FINAL ACTION ON THE PROPOSED
LEGISLATION BEFORE THE FRENCH PARLIAMENT AND
AN OPPORTUNITY BY TREASURY OFFICIALS TO STUDY
IT I WILL WITHHOLD COMMENT- SECY MORGENTHAU
SAID

U S MONETARY STATEMENT TEMPORARILY POSTPONED
 WASHN- THE FORTHCOMING STATEMENT BY
 SECY MORGENTHAU ON THE WORLD MONETARY
 SITUATION EVIDENTLY WILL NOT BE ISSUED UNTIL
 TOMORROW AT THE EARLIEST

JUN 30 1937

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ADD U S MONETARY STATEMENT TEMPORARILY
 POSTPONED

WASHN- SECY MORGENTHAU HAS LEFT
 WASHINGTON TO ATTEND THE DU PONT-ROOSEVELT
 WEDDING AND WILL NOT RETURN TO THE CAPITAL
 BEFORE LATE TONIGHT OR TOMORROW MORNING

HIS STATEMENT MAY BE RELEASED AT HIS
 10 30 A M PRESS CONFERENCE TOMORROW IF BY
 THAT TIME THE FRENCH GOVERNMENT HAS INFORMED
 HIM OF WHAT IT INTENDS TO DO UNDER ITS BROAD
 DECREE POWERS

THE SECRETARY HAS SAID THAT HE WILL ISSUE
 A STATEMENT AFTER HE HAS HAD AN OPPORTUNITY
 TO STUDY THE NEW FRENCH PROGRAM

WASHINGTON EVIDENTLY IS AWAITING A
 CLEARER IDEA OF THE DETAILED ACTION WHICH
 THE FRENCH GOVERNMENT PLANS UNDER THE GENERAL
 LEGISLATION ENACTED TODAY- DESPITE SEVERAL
 TRANSATLANTIC TELEPHONE CONVERSATIONS WITH
 ITS PARIS REPRESENTATIVES THE TREASURY IT
 IS BELIEVED HERE IS NOT YET FULLY INFORMED
 ON WHAT THE CHAUTEMPS GOVERNMENT CONTEMPLATES

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PARIS.--THE GOVERNMENT'S EMERGENCY POWERS BILL, DESIGNED TO END A CRISIS IN THE NATIONAL FINANCES, WENT TO THE SENATE TODAY. THERE WAS PROSPECT OF FINAL ACTION TONIGHT.

PREMIER CAMILLE CHAUTEMPE AND FINANCE MINISTER GEORGES BONNET, CONFIDENT OF FAVORABLE ACTION IN THE UPPER HOUSE AFTER A TRIUMPH IN THE CHAMBER OF DEPUTIES, PLANNED TO DEVALUE THE FRANC AT ONCE TO PERHAPS 25 TO THE DOLLAR AND TO ORDER THE SUSPENDED BOURSE OPENED FOR BUSINESS TOMORROW MORNING.

THE CHAMBER APPROVED THE EMERGENCY POWERS BILL, GIVING THE GOVERNMENT AUTOCRATIC POWERS TO END THE CRISIS BY DECREE UNTIL AUGUST 31, IN THE EARLY HOURS OF THIS MORNING.

THE SENATE MET BRIEFLY TO RECEIVE THE BILL AND REFERRED IT TO THE FINANCE COMMISSION, WHICH MET AT ONCE AND APPROVED IT BY A VOTE OF 20 TO 3.

IT WAS EXPECTED THAT THE SENATE WOULD VOTE ON THE BILL BEFORE NIGHT-FALL, POSSIBLY WITHOUT AMENDMENT, SO THAT THERE WOULD BE NO NEED OF FURTHER CHAMBER ACTION.

ON THE CHANCE THAT THERE MIGHT BE SENATE AMENDMENTS, THE CHAMBER WAS CALLED TO MEET AT 9 P.M. TO DEAL WITH THEM.

6/30--RE53A

PARIS.--THE SENATE LATE TODAY PASSED THE "FULL POWERS" BILL
GIVING PREMIER CAMILLE CHAUTEMPS VIRTUALLY DICTATORIAL POWERS TO
DEAL WITH THE NATION'S FINANCIAL CRISIS.

6/30--R1217P

ADD FRANC, PARIS

THE BILL, WHICH WAS APPROVED BY THE CHAMBER OF DEPUTIES EARLY TODAY
AFTER AN ALL-NIGHT SESSION, WAS PASSED IN THE SENATE BY A VOTE OF
167 TO 82, AND WILL BE ENACTED INTO LAW SWIFTLY.

CHAUTEMPS AND HIS FINANCE MINISTER, GEORGES BONNET, PLANNED TO
DEVALUE THE FRANC IMMEDIATELY, PERHAPS TO 25 TO THE DOLLAR, AND ORDER
THE SUSPENDED BOURSE OPENED FOR BUSINESS TOMORROW MORNING.

6/30--R1218P

ADD FRANC, PARIS

SHORTLY AFTER PASSAGE OF THE BILL, PRESIDENT ALBERT LEHRUM SIGNED
A DECREE ABROGATING THE FIXED MINIMUM GOLD CONTENT OF THE FRANC. THE
DECREE SAID THE NEW GOLD CONTENT OF THE FRANC WOULD BE DETERMINED
LATER. IT STIPULATED THAT UNTIL THE NEW GOLD CONTENT IS FIXED, THE
EQUALIZATION FUND WILL GOVERN THE FRANC'S RATIO TO OTHER CURRENCIES.

IT WAS ANNOUNCED THAT THE BOURSE WILL RE-OPEN TOMORROW.

6/30--R216P

FRENCH SENATE FINANCE COMMISSION VOTES
EMERGENCY POWERS 7.03

PARIS - THE SENATE FINANCE COMMISSION
APPROVED THE GOVERNMENT-S EMERGENCY FINANCE
POWERS BILL BY VOTE OF 20 TO 3

THE BILL WENT TO THE SENATE TODAY - THERE
WAS PROSPECT OF FINAL ACTION TONIGHT

PREMIER CAMILLE CHAUTEMPS AND FINANCE
MINISTER GEORGES BONNET CONFIDENT OF
FAVORABLE ACTION IN THE UPPER HOUSE AFTER A
TRIUMPH IN THE CHAMBER OF DEPUTIES PLANNED
TO DEVALUE THE FRANC AT ONCE TO PERHAPS 25
TO THE DOLLAR AND TO ORDER THE SUSPENDED BOURSE
OPENED FOR BUSINESS TOMORROW MORNING

THE CHAMBER APPROVED THE EMERGENCY POWERS
BILL GIVING THE GOVERNMENT AUTOCRATIC POWERS
TO END THE CRISIS BY DECREE UNTIL AUG 31
IN THE EARLY HOURS OF THIS MORNING

ON THE CHANCE THAT THERE MIGHT BE SENATE
AMENDMENTS THE CHAMBER WAS CALLED TO MEET
AT 9 PM TO DEAL WITH THEM - THE SENATE
FINANCE COMMISSION PASSED THE BILL WITHOUT
AMENDMENT - BUT IT WAS UNDERSTOOD THAT
COMMITTEE MEMBERS PRIVATELY GOT FINANCE
MINISTER BONNET TO AGREE VERBALLY TO CERTAIN
RESTRICTIONS OF HIS USE OF POWER - THUS THE
WAY SEEMED OPEN FOR SENATE PASSAGE WITHOUT
AMENDMENT

CHAUTEMPS AND BONNET PLANNED TO INSIST
ON FINAL ACTION TONIGHT SO THAT THE BOURSE
SUSPENDED PENDING PASSAGE OF THE EMERGENCY
BILL COULD REOPEN TOMORROW

JUN 1 1937

BY UP

720 JUN 30 1937

ADD FRENCH SENATE FINANCE COMMISSION
VOTES EMERGENCY POWERS

PARIS - THE SENATE WAS TO START WORK ON THE BILL AT 4 PM -11 AM EDT- - BY LAW IT WAS NECESSARY TO POST THE BILL FOR ONE HOUR STARTING AT 3 PM TO PERMIT ITS CONSIDERATION TODAY

TO SMOOTH THE PATH IT WAS UNDERSTOOD THAT VERBAL RESERVATIONS TO THE GOVERNMENT BILL WOULD BE MADE BY JOSEPH CAILLAUX PRESIDENT OF THE FINANCE COMMISSION AND ABEL GARDEY FINANCE COMMISSION REPORTER

ANTICIPATING VICTORY IN THE SENATE FINANCE MINISTER BONNET THIS MORNING TRANSFERRED 400 000 000 FRANCS FROM THE STATE DEPOSIT FUND TO AID IN MEETING MONTH-END OBLIGATIONS

THE CHAMBER OF DEPUTIES VOTE INCLUDED SPECIFIC APPROVAL OF THE DEVALUATION PLAN AS WELL AS OF OTHER MOVES OUTLINED BY BONNET IN A SPEECH BEFORE THE VOTE - - HEAVY INCREASE IN DEATH DUTIES INDIRECT TAXES AND RAILROAD FARES

BONNET SAID HE WAS DETERMINED TO BALANCE

THIS YEAR-S BUDGET BEFORE THE END OF THE
YEAR

BONNET ANNOUNCED THAT THE GOVERNMENT
WOULD SUPPRESS THE SECTION OF THE SEPTEMBER
1936 GOLD LAW PASSED BY VIRTUE OF THE TRI-
PARTITE MONETARY AGREEMENT FIXING THE FRANC-S
GOLD CONTENT AS 43 MILLIGRAMS - HE PROMISED
THAT THE DEVALUATION WOULD NOT BE -EXAGGERATED-

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BY UP

WASHN - TREASURY OFFICIALS CONFERRED
BY TRANSATLANTIC TELEPHONE TODAY WITH BRITISH
AND FRENCH GOVERNMENT FISCAL CHIEFS

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FRENCH SITUATION

8.23

JUN 30 1937

PARIS- THE SENATE FINANCE COMMITTEE APPROVED SPECIAL POWERS TO THE GOVERNMENT BY A VOTE OF 20 TO 3 WITH 12 ABSTENTIONS INCLUDING CAILLAUX- PASSAGE OF THE GOVERNMENT-S DEMANDS BY THE SENATE BEFORE THE CLOSE OF THE DAY IS CERTAIN

WITH THE POLITICAL ASPECTS OF THE QUESTION PRACTICALLY SETTLED NOW PARIS BANKERS ARE SPECULATING AS TO WHAT THE LEVELS OF STERLING AND DOLLARS WILL BE WHEN THE EXCHANGE MARKET REOPENS- PRIVATE TRADING IN SWISS AND BELGIAN MARKETS THIS MORNING WAS DONE AT THE EQUIVALENT OF STERLING RATES OF 118 AND 122 FRANCS TO THE POUND- THIS COMPARES WITH LAST OFFICIAL MARKET RATES HERE OF ABOUT 110 55 BEFORE THE MARKET HOLIDAY WAS DECLARED

THERE IS A DISPOSITION TO BELIEVE THAT 125 FRANCS TO THE POUND WILL BE TAKEN PROVISIONALLY AS THE UPPER LIMIT- THIS COMPARES WITH THE STERLING PARITY OF THE POINCARÉ FRANC OF 1928 STABILIZATION OF 124 21

IT IS NOW CONFIRMED THAT THE STABILIZATION

FUND BESIDES RETAINING ITS EXISTING RESOURCES WHICH CONSIST ENTIRELY OF FRANCS WILL RE-COMMENCE OPERATIONS WITH GOLD FROM THE BANK OF FRANCE- THIS IS CONTRARY TO UNDERSTANDING LAST NIGHT THAT THE 10 000 000 000 FRANCS OF THE FUND WOULD BE TURNED OVER TO THE TREASURY

THE IMMEDIATE TASK OF THE FUND HOWEVER ACCORDING TO GENERAL EXPECTATION HERE WILL BE TO SELL AND NOT TO BUY FRANCS SINCE LIQUIDATION OF WEAK SPECULATIVE POSITIONS IS LIKELY TO BRING OFFERS OF STERLING AND DOLLARS IN THE MARKET,

IT IS AFTER THIS PROFIT-TAKING WHICH MAY AMOUNT TO SEVERAL BILLIONS OF FRANCS THAT DANGER ARISES OF NEW PRESSURE ON THE FRANC

THE STABILIZATION FUND WILL LIKELY ADOPT THE BRITISH PRACTICE AND RETREAT BEFORE MAJOR MOVEMENTS OF THE EXCHANGE RATES WHILE SEEKING TO MODERATE SUDDEN FLUCTUATIONS

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-BY U P-

246

908

JUN 30 1937

PARIS- THE FRENCH FRANCS WAS QUOTED AT 24 TO THE AMERICAN DOLLAR -4 1666 CENTS A FRANC- IN UNOFFICIAL CURB TRANSACTIONS TODAY- THAT COMPARED WITH 22 46 TO THE DOLLAR -4 45 CENTS A FRANC- FRIDAY WHEN THE PREVIOUS OFFICIAL TRANSACTIONS OCCURRED

THE UNOFFICIAL STERLING QUOTATION TODAY WAS 120 FRANCS AGAINST 110 89 FRANCS FRIDAY

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BY UP

1040

FRENCH SENATE DISCUSSION

JUN 30 1937

PARIS - GARDEY IN OPENING THE SENATE DISCUSSION SAID BONNET HAD TOLD THE FINANCE COMMISSION THAT THE GOVERNMENT PLANNED TO ALLOW THE FRANC TO FIND ITS OWN LEVEL - HE READ A LETTER TO THE SENATE FROM BONNET AND CHAUMPS EXPLAINING IT WAS HOPED TO REGULARIZE THE FRANC THROUGH THE EXCHANGE EQUALIZATION FUND AND ALSO THAT THE GOVERNMENT WAS PLEDGED NOT TO UNDERTAKE FORCED CONVERSION OF RENTES A FORCED LOAN OR EXCHANGE CONTROL

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BY UP

1200

FRENCH SENATE PASSES CHAUMPS BILL

JUN 30 1937

PARIS - THE SENATE LATE TODAY PASSED THE -FULL POWERS- BILL GIVING PREMIER CHAUMPS VIRTUALLY DICTATORIAL POWERS TO DEAL WITH THE NATION-S FINANCIAL CRISIS

ADD FRENCH SENATE

1214

PARIS - THE BILL WHICH WAS APPROVED BY THE CHAMBER OF DEPUTIES EARLY TODAY AFTER AN ALL NIGHT SESSION WAS PASSED IN THE SENATE BY A VOTE OF 167 TO 82 AND WILL BE ENACTED INTO LAW SWIFTLY

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JUN 30 1937

ADD FRENCH SENATE.

1239

PARIS- CAILLAUX AND LAVAL ABSTAINED FROM VOTING

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JUN 30 1937

BY UP

JUN 30 1937

FRENCH BOURSE TO REOPEN TOMORROW

PARIS - IT WAS ANNOUNCED THAT THE BOURSE WILL REOPEN TOMORROW

SHORTLY AFTER PASSAGE OF THE FULL POWERS-BILL BY THE SENATE PRESIDENT ALBERT LEBRUN SIGNED A DECREE ABROGATING THE FIXED MINIMUM GOLD CONTENT OF THE FRANC - THE DECREE SAID THE NEW GOLD CONTENT OF THE FRANC WOULD BE DETERMINED LATER - IT STIPULATED THAT UNTIL THE NEW GOLD CONTENT IS FIXED THE EQUALIZATION FUND WILL GOVERN THE FRANC-S RATIO TO OTHER CURRENCIES

LONDON.--BRITAIN IS COLLABORATING CLOSELY WITH FRANCE AND THE U.S. TO HELP THE FRANC, SIR JOHN SIMON, CHANCELLOR OF THE EXCHEQUER, ANNOUNCED TODAY IN COMMONS.

SIR JOHN TOLD MAJ. CLEMENT R. ATTLEE, LABOR LEADER, THAT HE WAS KEEPING IN CLOSE TOUCH WITH GEORGE BONNET, FRENCH FINANCE MINISTER, AND SECRETARY MORGENTHAU TO ENSURE THE COOPERATION OF THE THREE GOVERNMENTS FOR FRENCH MONETARY READJUSTMENT.

"I HAVE BEEN ASSURED BY THE FRENCH GOVERNMENT," THE CHANCELLOR SAID, "THAT IT IS NOT THEIR OBJECT TO SEEK ANY CHANGE OR ADVANTAGE FROM THIS ADJUSTMENT AND THEY ARE ANXIOUS TO CONTINUE CLOSE CO-OPERATION WITH THE GOVERNMENTS OF THE UNITED STATES AND THE UNITED KINGDOM.

"THIS IS ALSO THE STRONG DESIRE OF HIS MAJESTY'S GOVERNMENT AND I AM IN CLOSE TOUCH WITH THE FRENCH MINISTER OF FINANCE AND THE SECRETARY OF THE UNITED STATES TREASURY WITH THIS OBJECT IN VIEW."

6/30--R1038A

ADD COMMONS, LONDON

"IT IS GENERALLY RECOGNIZED," SIMON CONTINUED, THAT READJUSTMENT OF THE FRANC IN 1936 WAS ENTIRELY SUCCESSFUL, RE-ESTABLISHING LASTING EQUILIBRIUM BETWEEN THE ECONOMIC SYSTEM OF FRANCE AND THOSE OF THE UNITED STATES AND BRITAIN, SUCH AS IS THE UNDERLYING OBJECT OF THE TRI-PARTITE AGREEMENT.

"I UNDERSTAND MEASURES NOW BEING CONTEMPLATED BY THE FRENCH GOVERNMENT WHICH INVOLVE REMOVAL OF THE UPPER AND LOWER GOLD LIMITS NOW PRESCRIBED FOR THE FRANC, ARE ADDRESSED TO ADJUSTING THIS SITUATION."

6/30--R1107A

LONDON- IN THE HOUSE OF COMMONS IN A
STATEMENT ON FRENCH MONETARY SITUATION CHANC-
ELLOR SIMON SAID THE FRENCH GOVERNMENT WAS ASK-
ING FOR DRASTIC POWERS TO DEAL WITH THE FINAN-
CIAL SITUATION AND UNTIL IT HAS OBTAINED THEM
AND DECIDED ON ACTION TO TAKE UNDER THEM IT WAS
NOT POSSIBLE TO STATE DETAILS OF ITS PLANS- IT
WAS GENERALLY RECOGNIZED HE SAID THAT READJUST-
MENT OF THE FRANC IN SEPT 1936 WAS NOT ENTIRELY
SUCCESSFUL IN REESTABLISHING LASTING EQUILI-
BRIUM BETWEEN THE ECONOMIC SYSTEM OF FRANCE AND
THOSE OF UNITED STATES AND GREAT BRITAIN SUCH
AS IS THE UNDERLYING OBJECT OF THE TRI-PARTITE
AGREEMENT

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ADD SIMON JUN 30 1937 1015

LONDON- CONTINUING SIMON SAID -I UNDER-
STAND THAT MEASURES NOW CONTEMPLATED BY THE
FRENCH GOVERNMENT WHICH INVOLVE REMOVAL OF THE
UPPER AND LOWER GOLD LIMITS NOW PRESCRIBED
FOR THE FRANC ARE ADDRESSED TO ADJUSTING THE
SITUATION- I HAVE BEEN ASSURED HOWEVER
BY THE FRENCH GOVERNMENT THAT

ADD SIMON JUN 30 1937 1017
THAT IT IS NOT ITS OBJECT TO SEEK ANY EXCHANGE
ADVANTAGE FROM THIS ADJUSTMENT AND THAT IT IS
ANXIOUS TO CONTINUE CLOSE COOPERATION WITH THE
AMERICAN AND BRITISH GOVERNMENTS- THIS IS ALSO
THE STRONG DESIRE OF HIS MAJESTY-S GOVERNMENT
AND I AM IN CLOSE TOUCH WITH THE FRENCH FINANCE
MINISTRY AND THE SECRETARY OF UNITED STATES
TREASURY WITH THIS OBJECT IN VIEW-

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NO FRANC QUOTATIONS HERE

8.35 JUN 30 1937

NO QUOTATIONS ON FRENCH FRANC ARE
AVAILABLE YET IN THE LOCAL FOREIGN EXCHANGE
MARKET- PARIS MARKETS ARE STILL CLOSED AND
NO FRANC BUSINESS IS BEING DONE IN LONDON-
LATE YESTERDAY AFTERNOON SPOT FRANCS WERE
QUOTED HERE FOR SMALL AMOUNTS AT ABOUT 4 45C

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904 JUN 30 1937

FRENCH FRANCS OFFERED

SOME OFFERS OF FRENCH FRANCS HAVE APPEARED
IN THE LOCAL EXCHANGE MARKET, BUT NO BIDS ARE
YET REPORTED- SPOT FRANCS WHICH ARE FRIDAY
DELIVERY ARE OFFERED AT 4 41 CENTS COMPARED WITH
CLOSING SPOT RATE LAST NIGHT OF 4 45- FRANCS FOR
DELIVERY TOMORROW ARE OFFERED AT 4 46 CENTS

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913 JUN 30 1937

SPOT FRANCS AT NEW LOW

SPOT FRANCS WHICH IS THE FRIDAY DELIVERY
HAVE TOUCHED A NEW LOW IN THE LOCAL MARKET
BEING OFFERED AT 4 26 1-4C OFF 18 3-4 POINTS-
THE OFFER DID NOT MEET WITH A BID AND AS FAR
AS IS KNOWN NO ACTUAL BUSINESS HAS BEEN DONE
AT THIS LEVEL

STERLING 4 93 7-16 UP 1-4 CAN DLR
9975 UNCH GLORS 5493 UP 2 SWISS 2284 OFF
6 1-2 BELGA 1683 1-2 OFF 4 1-2

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920 JUN 30 1937
FRANC WEAKNESS CONTINUES

WEAKNESS CONTINUES IN FRENCH FRANCS CARRY-
ING QUOTATIONS INTO FURTHER NEW LOW GROUND-
TOMORROW FRANCS ARE OFFERED AT 4 39C AND FRIDAY
FRANCS WHICH ARE THE SPOT DELIVERY ARE
OFFERED AT 4 25C OFF 20 POINTS FROM LAST NIGHT'S
CLOSE- NO BIDS ARE SHOWING YET- CURRENT QUOTA-
TIONS COMPARE WITH THE FORMER LEGAL MINIMUM OF
4 35C WHICH HAS BEEN SUPPRESSED

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JUN 30 1937

922
SWISS AND BELGIAN EXCHANGE WEAK

WEAKNESS HAS DEVELOPED ABROAD THIS MORNING
IN SWISS AND BELGIAN EXCHANGE AND IS REFLECTED
HERE IN LOWER QUOTATIONS FOR THE TWO CURRENCIES-
LOCAL EXCHANGE MARKET ATTRIBUTED THE DECLINE TO
SYMPATHETIC REACTION TO FRENCH DEVELOPMENTS

IN THE EVENT THAT THE MEASURES OF THE
FRENCH GOVERNMENT PROVE SUCCESSFUL IN BRINGING
REPATRIATION OF FRENCH CAPITAL THESE TWO CURR-
ENCIES WOULD COME UNDER PRESSURE IT IS BE-
LIEVED BECAUSE OF THE FRENCH CAPITAL WHICH
IS LODGED IN THOSE TWO COUNTRIES

THERE ARE NO INDICATIONS YET THAT THE RE-
PATRIATION HAS DEVELOPED AND WEAKNESS IN BELGAS
AND SWISS FRANCS IS BELIEVED TO BE SPECULA-
TIVE ANTICIPATION

BELGAS ARE QUOTED AT 16 84C OFF 4 POINTS
AND SWISS FRANCS AT 22 83 1-2 OFF 7 POINTS

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SPOT FRANCS BID AT 4 08C

A BID OF 4 08C FOR SPOT FRANCS HAS APPEARED IN THE MARKET BUT THE OFFER IS NOW 4 23C- THIS IS THE FIRST BID WHICH THE MARKET HAS SEEN THIS MORNING

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JUN 30 1937

SPOT FRANCS 4 20 CENTS OFFERED

SPOT FRANCS ARE CURRENTLY QUOTED 4 20 CENTS OFFERED 4 08 CENTS BID - TOMORROW FRANCS ARE OFFERED AT 4 30 CENTS WITH NO BID - TRADERS STATE NO BUSINESS HAS YET BEEN DONE AND MARKET CONSISTS ENTIRELY OF QUOTATIONS

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SPOT FRANCS ARE OFFERED AT 4 10 CENTS A NEW LOW

JUN 30 1937

FRANCS SELL AT 4 08C

FIRST ACTUAL BUSINESS IN FRENCH FRANCS THIS MORNING HAS BEEN DONE AT 4 08C FOR SPOT OFF 37 POINTS FROM LAST NIGHT-S CLOSE- MARKET IS NOW NOMINALLY QUOTED AT ABOUT 4 10C OFFERED 4 05C BID

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JUN 30 1937

170 1222D
FOREIGN EXCHANGES QUIETER

FOREIGN EXCHANGE MARKET HAS TURNED QUIETER AND MORE STEADY- FRENCH FRANCS HAVE LEVELLED OFF AT AROUND 4 09 CENTS FOR THE SPOT- STERLING IS FIRM AND 4 93 5-8 HAS BEEN PAID UP 7-16 CENTS- SWIS FRANCS ARE SOMEWHAT FIRMER AS COMPARED WITH EARLIER LOWS TODAY AND ARE BID AT 22 85 CENTS- THIS COMPARES HOWEVER WITH LAST NIGHT-S CLOSE OF 22 90 1-2 CENTS
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FOREIGN EXCHANGES DULL 172D

FOREIGN EXCHANGE MARKET HAS BEEN DULL 100 30 1937
THROUGHOUT THE LUNCH HOUR AND VICTORY OF THE CHAUTEPS GOVERNMENT IN THE SENATE SO FAR HAS HAD NO EFFECT UPON THE MARKET - SOME BUSINESS IN FRANCS PASSED THROUGH SOME TIME AGO AT 4 11C AND THE MARKET IS NOMINALLY QUOTED NOW ABOUT 4 10C BID 4 14C OFFERED

STERLING IS FIRM AT 4 DLS 93 3-4C UP 9-16C - SWIS AND BELGIAN CURRENCIES CONTINUED TO RECOVER SOMEWHAT FROM EARLIER LOWS WITH SWIS FRANCS QUOTED AT ABOUT 22 86 1-2C OFF 4 POINTS FROM LAST NIGHT-S CLOSE AND BELGAS AT 16 83 1-2 OFF 4 1-2
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COVERING IN FRANCS 1937 30D

SOME SHORT COVERING HAS APPEARED IN FRENCH FRANCS FOLLOWING PRONOUNCED WEAKNESS DURING THE DAY AND QUOTATIONS ARE SLIGHTLY ABOVE THE LOWS - SPOT FRANCS ARE BEING TRADED AT 4 14 1-4 TO 4 15 1-4C - A SMALL AMOUNT OF FRANCS FOR TOMORROW DELIVERY HAS CHANGED HANDS AT 4 18C