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NOVEMBER 15, 1933-MARCH 19, 1934

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PRESS CONFERENCE OF GOVERNOR MORGENTHAU

November 15, 1933.

Governor Morgenthau: I see some new faces here today. Are you the men who cover the Treasury?

A. Yes, sir; some of us.

Governor Morgenthau: Well, I hope we get acquainted and get along. I don’t think you will find me very difficult.

Q. When are you planning to move over?

A. I am going to be sworn in at 10:30 Friday morning at the White House.

Q. Who is succeeding you here?

A. I don’t know. I have made a recommendation to the President. It is a Presidential Appointment.

Q. Are you taking Mr. Gaston with you?

A. I don’t know. I will say this, that I hope he will go with me. Nothing would please me more than if he would go. He was Deputy Conservation Commissioner. He was night city editor of the New York World up to the time it went out of existence. He came from there with me to Albany. He was there for two years as my deputy and he has been here with me as my deputy.

Q. What is his name?

A. Herbert E. Gaston.

Q. What sort of a job have you in mind for him over there? Undersecretary?

A. He goes along with me as one of my right hands. He has been that here. I hope he will continue to do that.
Governor Morgenthau: I see some new faces here today. Are you the men who cover the Treasury?
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A. He goes along with me as one of my right hands. He has been that here. I hope he will continue to do that.
Q. Have you yet discussed Treasury policies?
A. No; I am still head of the Farm Credit.
Q. What about fiscal policies?
A. Same thing.
Q. But you are in line with the Administration's gold plan?
A. I think so; in fact, I know so.
Q. Is this appointment really temporary?
A. All I know is what the President told me, that is, I am to be Under-secretary and Acting Secretary while Mr. Woodin regains his health. I sincerely hope he will.
Q. You mean you will come back here?
A. I just live from day to day.
Q. You feel your successor will be appointed almost immediately here?
A. I imagine so. I think he should be. It's a big job.
Q. Would you mind saying whom you have recommended?
A. I would rather not, because it's a Presidential appointment and those things should come from the White House. I would like to say this -- this is interesting to me, anyway, but I don't know whether it's interesting to you -- that in the eight months I was here we loaned $425,000,000 and when I leave here I am leaving in cash and Government securities $355,000,000. So I am leaving the Farm Credit Administration in pretty good shape.
Q. There seems to be some curiosity as to whether you studied under Professor Warren at Cornell.
A. Yes, I did. I took courses from Professor Warren.
Q. Which one, agricultural economics or farm management?
A. Both.
Q. Did you talk with Mr. Baruch when he was down here?
A. I did not. I met him in the hall and I said "How do you do?" I want to the strictly honest!
Q. Could you say -- this may be a rather bold question -- I presume you support Professor Warren's commodity dollar idea, privately?
A. I agree with your preface. I am not going to answer that.

I might say that I have the greatest admiration for Mr. Woodin; that he went in on the 4th of March with $10,000,000 in the Treasury and he is going away on his vacation leaving $1,400,000,000. I hope while he is away that the Treasury won't suffer from any action of mine.

Q. There is some talk going around that some of the other Treasury executives, like O.H.Y.Z. Sprague, and others are going to withdraw. Is there anything you can tell us on that?
A. I heard the President answer it with "Oh, yeah!" Well, I can't improve on the President's wisecracks!
MR. MORGENTHAU: I want to say in regard to the Director of the Budget, I expect to work shoulder to shoulder with him in connection with Government expenditures.

REPORTER: Reduction of Government expenditures, did you say?

MR. MORGENTHAU: No, I said in connection with Government expenditures.

REPORTER: Does the designation of Mr. McReynolds as having charge of personnel and the budget have any significance?

MR. MORGENTHAU: The budget of the Treasury Department has nothing to do with the Government budget. I am glad you brought that out. It is a question of preparing our budget. We are in the midst of preparing this budget, and in order that somebody will work with Mr. Douglas, who is head of the Budget, Mr. McReynolds is working with the Treasury budget, preparing for Mr. Douglas. There is no other significance.

REPORTER: How was that work performed heretofore.

MR. MORGENTHAU: I don't know.

REPORTER: I thought they had a Budget Committee of three, something like that.

MR. MORGENTHAU: They may have. I don't know.

REPORTER: Not a Committee of one, is it?

MR. MORGENTHAU: I don't like to take the responsibility of saying.
REPORTER: Does your announcement with reference to Mr. Douglas mean that he is not going to continue on?

MR. MORGENTHAU: I cannot say what Mr. Douglas is going to do. All I can say is I look forward to working with him.

REPORTER: Are you qualified to say, in reference to Mr. Douglas, in connection with expenditures, that he will be held in that express position? (Note: This question was asked in a very indistinct manner and transcript thereof may not be correct)

MR. MORGENTHAU: I said I expected to work with him - the Under Secretary, in his capacity.

REPORTER: Are you leaving tonight for Warm Springs?

MR. MORGENTHAU: Yes.

REPORTER: When will you be back?

MR. MORGENTHAU: Monday.

REPORTER: Are you taking Mrs. Morgenthau with you?

MR. MORGENTHAU: Yes.

REPORTER: Did you ask the Attorney General in connection with attending meetings of the Federal Reserve Board?

MR. MORGENTHAU: I am glad you brought that out. Let me give it to you off of the record. I don't think it is very important. When they handed me what my duties were it simply said the Under Secretary performs the duties of ......... The Federal Reserve Board is advised by its own counsel. The Under Secretary of the Treasury may not serve on the Board in the absence of the Secretary - that was previous to this administration. If you want to see it —
REPORTER: It has been released from another source.

MR. MORGENTHAU: It has?

REPORTER: That is an old ruling?

MR. MORGENTHAU: (Reading from paper). Let me say, this is what they gave me. I say again, as I said the other day, I have the greatest respect for Governor Black, and I believe and have every reason to believe, it is mutual. I don't see any particular significance in this. The meetings I have had with him are very pleasant.

REPORTER: Do you think the same ends can be accomplished whether you are an official member of the Board?

MR. MORGENTHAU: I can walk down to Governor Black's office at any time. I can sit down, figuratively speaking and put my feet under his desk, and he can do the same with me. We have very pleasant relations.

REPORTER: The Attorney General said this morning that he might be asked for a ruling on this question. Did you ask him?

MR. MORGENTHAU: I did not ask him.

REPORTER: Will you comment, Mr. Secretary, on the Federal Reserve Bank in New York, in regard to bond operations. There are stories around that the Federal Reserve Bank is conducting an investigation of the operations of Government securities —

MR. MORGENTHAU: That is news to me.

REPORTER: Was that inspired in Washington - an investigation to see whether the speculations have had a tendency to depress values of United States securities, did you suggest such an inquiry?

MR. MORGENTHAU: No.
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MR. MORGENTHAU: No.
REPORTER: Do you have any reason to believe there might have been some operation?

MR. MORGENTHAU: I have not been thinking about it.

REPORTER: Is the Treasury now buying bonds - Government bonds, today or yesterday?

MR. MORGENTHAU: We have been buying them this week, and on Monday I will announce what I bought this week. I came in here Monday, and I will announce what I bought to this point.

REPORTER: What is the purpose of these purchases?

MR. MORGENTHAU: We have money to invest.

REPORTER: Is that the only purpose, to invest your funds?

MR. MORGENTHAU: Yes, as they become available.

REPORTER: It is not to uphold the value of U. S. bonds?

MR. MORGENTHAU: They can stand on their own feet. Nobody has to uphold them.

REPORTER: Have you received a copy of the Federal Advisory Council's Resolution?

MR. MORGENTHAU: No.

REPORTER: Do you know about it?

MR. MORGENTHAU: I have heard about it as gossip. I know it is going around.

REPORTER: Do you care to comment on it?
MR. MORGENTHAU: No, I have not seen it.

REPORTER: You don't know it for a fact?

MR. MORGENTHAU: I have heard it as a matter of gossip.

REPORTER: Are these the first purchases of Government securities that have been made for some time, Mr. Secretary, by the Treasury?

MR. MORGENTHAU: No, they have been buying.

REPORTER: Has Mr. Litvinoff said his goodbyes here?

MR. MORGENTHAU: He said goodbye to me day before yesterday.

REPORTER: Did he borrow any money from the Government?

MR. MORGENTHAU: Not from me. See you all Monday.

THE CONFERENCE WAS CONCLUDED.
H. V. KALTENBORN'S RADIO ADDRESS ON HENRY MORGENTHAU, JR.

ACTING SECRETARY OF THE TREASURY

DELIVERED OVER THE COLUMBIA BROADCASTING SYSTEM

ON SATURDAY, NOVEMBER 25.

RADIO ANNOUNCER: Leaders in Action. Under this title, Columbia Broadcasting System, through Mr. H. V. Kaltenborn, will present an intimate picture of men making American history. He will give you a personal impression of some of the nation's leaders. He will have personal contact with those of whom he speaks. It is his purpose to make you more familiar with the men you read about. He begins with a study of Henry W. Morgenthau, Jr., Acting Secretary of the Treasury.

MR. KALTENBORN: Henry W. Morgenthau, Jr., is probably the first farmer to become Secretary of the Treasury. He owns and operates a 1400 acre farm in Dutchess County, New York, very close to that owned by the President. As a student in Cornell, he became interested in agriculture, and not so very long after his graduation, he became Governor Roosevelt's farm expert in New York State, and then a little later he became Conservation Commissioner of New York State, which is approximately the same kind of work. Twelve years ago he bought a farm because he wanted to become connected in a practical way with the subject. He bought a weekly magazine called "The Agriculturist", and has published it ever since; and he writes for it, too, even
conducting a personal column concerning his own experiences on his own farm; and he got lots of letters from farmers in reply to his discourses on his own experiences. In 1932 he traveled through the West, and saw the plight of the American farmer; and it left a very definite impression on his mind and heart. Upon his return he wrote an article containing an account of his experience and impressions.

Ever since April, he has been the head of the Farm Credit Administration, which is called the world's biggest bank. He is very close to the President, and consults with him almost every day with reference to money problems.

Before you can see Mr. Morgenthau, you first talk with Herbert Gaston, formerly connected with the New York World, who is now in charge of publicity in the Treasury. He worked hard to get an interview for me with Mr. Morgenthau, but this was Friday; Mr. Morgenthau was going to Warm Springs to see the President, and was tremendously busy. While I was talking with Mr. Gaston, suddenly he telephoned and said, "If Kaltenborn comes up right away, he can see me before I go."

As you enter the room of the Secretary, you see seated at his desk a rather small appearing man, although when he rises, you see that he is larger than you expected. He dresses conservatively, looking younger than his forty-two years; and it is very apparent that he does not like interviews. That becomes increasingly obvious. He is not a politician. He has not a particle of the characteristics or the flairs
of the politician -- he is certainly not expansive. I don't know what he enjoys doing besides horseback riding with his small daughter, but he certainly does not like interviews. I had only a few minutes, so I had to punch right along, and so I asked him some questions.

MR. KALTENBORN: Mr. Morgenthau, why did you say that the credit of the United States was as sound as the Rock of Gibraltar?

MR. MORGENTHAU: I meant just that.

MR. KALTENBORN: But why is the credit so good?

MR. MORGENTHAU: Because the United States can borrow all the money it wants at a reasonable rate, and get short term loans at a fraction of one per cent.

MR. KALTENBORN: Then why are the bonds selling so low?

MR. MORGENTHAU: Because those opposed to this Administration are doing a lot of talking and getting a lot of publicity, and this makes people nervous. I know a few who have even sold their Government bonds to buy speculative securities. I think they are very foolish to do this.

MR. KALTENBORN: What about inflation?

MR. MORGENTHAU: There is too much talk about inflation. In fact there is too much talk about money and money problems, because, after all, the money problem is only one aspect of our business situation. We should concentrate more on unemployment, and other issues of equal importance.

MR. KALTENBORN: Then if inflation is over-emphasized, why do men like Sprague retire from the Treasury?
MR. MORGENTHAU (becoming exasperated): There is too much talk about a few men. I suggest a little attention be given to the men coming in — the type with which I am surrounding myself, and whose advice I intend to take. I trust I do not appear arrogant and domineering.

When he said this, I was reminded of what someone said about Andrew Mellon. "He combined excessive timidity with imperious temper."

Mr. Morgenthau did not get such a good start with the newspaper men. It was not altogether his fault, because he commands rather than persuades. He issued that order, which is known in the Treasury as Order No. 1 because he felt that there were certain leaks — that certain representatives of the Press representing Wall Street agencies were getting certain material that should not be given to them. If he had been a politician, he would have called them in, and explained the situation to them, and then things would have gone more smoothly.

However, being the militaristic type, he issued the order, creating consternation and then resentment among the representatives of the Press. Those are minor matters, however, and will straighten themselves out in due time, and my impression, gathered at the Press conference was that while the newspaper men are still antagonistic, they like his sense of fair play, his plain spoken approach, and his fearlessness, and the fact that he is surrounding himself with distinct personalities quite different from himself. These include McReynolds, Bailie, and Gaston.
I talked to all of these men along the lines of future policy. The opinion expressed by each in a general way was that they had no preconceived notion except that the country's balance must be conserved, and would be. They were all certain of the fact that the fundamentals of the present business situation are sound. The President and Henry Morgenthau are certainly not radicals. They are trying out certain monetary methods. Factually, gold is very unimportant, psychologically it is very important; and I am still quoting the associates of Mr. Morgenthau, several of whom said these things. One of them said, "If we can make people realize that no one in the Administration wants inflation, and that we propose to do everything to prevent inflation, we can restore confidence. Business has become alarmed, and that is why we have not had more decided upturns. But we want it kept under control. Better not go too fast and then have to retard."

Mr. Morgenthau has the confidence of the Western farmers, and it is interesting that three or four of his closest associates were born in the Midwest. Two of them are farmer boys, and reflect the farmer's psychology in everything they do. That is an important fact. People in the past have believed that the Treasury has been too close to Wall Street. People ask, "Is he a hard money man?" He is not a hard money man, or a soft money man, but an American money man, and in the words of President Roosevelt, spoken when he announced his gold purchase policy, "Our dollar is now altogether too greatly influenced by the accidents of
international trade, by the internal policies of other nations, and by political disturbance in other continents. Therefore the United States must take firmly in its own hands the control of the gold value of our dollar. This is necessary in order to prevent dollar disturbances from swinging us away from our ultimate goal, namely the continued recovery of our commodity prices.

Those are the paragraphs which Mr. Morgenthau and his associates would emphasize in the President's famous radio address when he announced the present gold purchase policy which is now receiving such heavy criticism from so many sides. He agrees with the President's statement, so his associates say -- "The American dollar under American control."

Fundamentally, by both background, instinct, and training, he is what we would call a conservative, but is one of those men who have felt the call to wage a holy war against conditions as they are. He is working earnestly for the farmer, with whom he is corresponding, among whom he has lived. He sympathizes with the farmer, and yet this same man, strangely enough, was a member of the Bankers Club in New York, but is more interested in his fellow farmer than in his fellow club member, and if you would try to work out what this new Secretary of the Treasury is likely to do, you should attempt it from the point of view of the ordinary farmer instead of the point of view of the banker in New York.

"We are certainly not wild; no, and we are not even the wildest men who will be in Washington after January 1."
This statement is evidence of the fact that the man in the Treasury and his associates are thinking sometimes of those wild men and of what must be done to restrain their wildness.

Good night.
MR. MORGENTHAU: I have just two things to say. I told you last week I would announce what the Treasury bought in Government bonds through its fiscal agent, the Federal Reserve Bank of New York. Last week we bought $8,748,000 worth of securities for investments.

REPORTER: Mr. Secretary, has the Postal Savings been disposing of some short term stuff and putting long term stuff in?

MR. MORGENTHAU: I cannot answer. I don't know. All I can tell is what we have done.

REPORTER: For the purpose of comparison, can you tell us what the usual week's purchases are?

MR. MORGENTHAU: I feel it is just up to me to tell what has been done during the week I have been Acting Secretary. I will tell you every Monday morning what I have done the previous week.

REPORTER: You can't tell us whether this represents an increase or decrease over the previous week?

MR. MORGENTHAU: No.

REPORTER: Mr. Secretary, has Governor Harrison's visit any significance attached to it?

MR. MORGENTHAU: I don't think it has.

REPORTER: Have you planned to see Governor Harrison before he returns?
MR. MORGENTHAU: I hope to see him before he returns. The other matter I have is a statement about Mr. Tom K. Smith. I will read what it says. This is Mr. Tom K. Smith. He is here (indicating).

"The Acting Secretary of the Treasury announced today that Tom K. Smith of St. Louis had consented to assume temporarily the duties of adviser to the Acting Secretary on banks and banking problems.

"Mr. Smith, who is president of the Boatmen's National Bank of St. Louis, has arranged a leave of absence with the directors of his bank to permit him to enter upon his new duties at the Treasury. It was arranged that his compensation, to be paid from the Emergency Banking Fund, is to cover only his expenses while in Washington."

REPORTER: Mr. Secretary, is Mr. Smith going to supplement the work of Mr. O'Connor on closed banks?

MR. MORGENTHAU: Mr. Smith is going to work with me on anything that has to do with banks—everything that has to do with banks in any place that the Treasury comes in contact with banks—Mr. Smith is going to help me.

REPORTER: Mr. Secretary, will Mr. Smith take any part in formulating legislation to be submitted to Congress this next session?

MR. MORGENTHAU: Not that I know of.

REPORTER: Have you any tasks picked out for him to start with?

MR. MORGENTHAU: Yes, every day I have to sign these R. P. C. preferred stock things that come over here, and before I sign them I will ask Mr. Smith to look over them.

REPORTER: Is Mr. Drucere still in the Treasury Department?
MR. MORGENTHAU: He has an office here in the Treasury. The reason I am careful how I answer it is I don’t know his exact title. He is here just the way he has been. Whether he is out of the Treasury, I don’t know. Whatever his status is it remains unchanged.

REPORTER: Is he working with you any way on the banking situation?

MR. MORGENTHAU: He is working with the Treasury Department on banks.

REPORTER: Will Mr. Smith’s duties take him into the field of closed banks?

MR. MORGENTHAU: Any place that the Treasury comes into the banking situation. Mr. Smith is here to help me and to help the Treasury Department, whatever we do, or anything that has to do with banks.

REPORTER: Have you any idea how long he will stay, Mr. Secretary?

MR. SMITH: That is a good one.

MR. MORGENTHAU: He is here to help us out.

REPORTER: Will he supplant (?) Mr. O’Connor and Mr. Druere in matters of that sort?

MR. MORGENTHAU: Absolutely.

REPORTER: Mr. Secretary, it is rumored that Governor Harrison has entered into negotiations with the Bank of England to obtain stabilization – to bring the pound below the dollar – will you say anything about that?

MR. MORGENTHAU: No.
REPORTER: Is there any change in the situation in regard to newspaper men obtaining news at the Treasury since your Order No. 1?

MR. MORGENTHAU: I will let the newspaper men answer that one.

REPORTER: There is a story out that Mr. Ruppel is going to assist in Public Relations?

MR. MORGENTHAU: Mr. Ruppel and I happen to be old friends of a good many years' standing, and while Mr. Gaston is looking around for a couple of men to assist him, I asked Mr. Ruppel as a matter of personal friendship to come here three or four days to work with Mr. Gaston pending his final assignment.

REPORTER: That doesn't mean another shot in the arm, does it?

(No reply)

REPORTER: Mr. Secretary, Prof. McGill, after the announcement of last week, is quoted in New York newspapers as saying that he had not definitely made up his mind whether he would accept the position at the Treasury Department.

MR. MORGENTHAU: Prof. McGill got here this morning, and has taken off his coat and hat and gone to work.

REPORTER: What did he go to work on?

MR. MORGENTHAU: Two things: He is going to work on proposed — on income tax legislation, and be personal adviser to me on income tax matters.

REPORTER: Now, you have started something — where do we go from here?
MR. MORGENTHAU: We have just gotten started. There has been a Committee sitting here. They are sitting this afternoon.

REPORTER: You are not announcing any policy, up or down, as to what will be tax or not?

MR. MORGENTHAU: No.

REPORTER: Does that include any Members of the Ways and Means -- or any other department?

MR. MORGENTHAU: As I think, if I have been correctly informed, the Treasury was asked to have a committee which would report to the Ways and Means on December 5 -- this report will not be ready by December 5. I have only been here one week, and I tried to get hold of Congressman Hill to ask him to give us a week's extension, and he is out of town. I was going to ask him to give us at least one week.

REPORTER: Professor McGill is to concentrate on income tax, on that one thing?

MR. MORGENTHAU: Income tax I would say, that is for the time being.

REPORTER: Who is on this Committee, Mr. Secretary?

(Some person answered: A Deputy Committee, under Newes)

REPORTER: Did that include estate taxes?

MR. MORGENTHAU: All kinds of tax, all personal tax.

REPORTER: Mr. Secretary, is there any comment you can make or care to make for our edification on the story this morning about
those conflicting opinions on the validity of this gold program?

MR. MORGENTHAU: There is just one opinion I am interested in, and that is the Attorney General's. That is good enough for me.

REPORTER: That has not been made public. I wonder where we could get it?

MR. MORGENTHAU: There are just two sources, from the Attorney General or the White House, one or the other.

REPORTER: It would be interesting, since there is a conflict between the two this morning, if we could get the Attorney General's opinion on top of it.

(No reply)

REPORTER: From your remarks, the inference is possible that Mr. Cummings upheld the validity of this program.

(Some person said: The President said so, at a press conference. My recollection is he said in one of the conferences that the Attorney General has ruled).

MR. MORGENTHAU: I don't know what he said. I was not there.

REPORTER: Is there any change in the gold program the last few days?

MR. MORGENTHAU: Only the ones announced by the R. F. C.

REPORTER: Was anything said about the drastic financial operations?

MR. MORGENTHAU: No.
REPORTER: Mr. Secretary, there is a report that the Coast Guard will be transferred to the Navy, do you know anything about it?

MR. MORGENTHAU: I had a contact with the Coast Guard this morning, they brought me up and it was very well done, very comfortably done.

REPORTER: Do you want to keep the Coast Guard over here?

MR. MORGENTHAU: I have not been here long enough to make any comment. Any matter of transfer can only be done by executive order.

REPORTER: Can you tell us what is the object of Governor Harrison’s visit here today?

MR. MORGENTHAU: That will have to go until another talk.

REPORTER: Mr. Secretary, is there any significance in Governor Black’s visit to Warm Springs tomorrow?

MR. MORGENTHAU: No, the first I knew of it was when I read it.

END OF CONFERENCE
MR. MORGENTHAU: All right, gentlemen, what is on your mind today?

REPORTER: What is on your mind?

MR. MORGENTHAU: I have nothing.

REPORTER: When are you going to announce your December 15th financial program, Mr. Secretary?

MR. MORGENTHAU: I don't know what the mechanics is - sometime next week.

REPORTER: Sometime next week?

MR. MORGENTHAU: About the middle of the week.

REPORTER: How soon the short term?

MR. MORGENTHAU: You don't expect an answer to that. What else?

REPORTER: Mr. Secretary, the CHICAGO TRIBUNE states that the Administration's plan is to secure temporary stabilization between the dollar and the pound at $5.25 to $5.35. Is there any comment you care to make on that?

MR. MORGENTHAU: No.

REPORTER: Is that a denial?

MR. MORGENTHAU: No, I have no comment to make. I am not writing stories for THE CHICAGO TRIBUNE.
REPORTER: You are fixing the gold price.

MR. MORGENTHAU: All right. I have no comment to make.

REPORTER: Mr. Secretary, what about this story in the TIMES this morning that you and the President were on the telephone last night with regard to the appointment of a Liquor Commission and a so-called Dictator?

MR. MORGENTHAU: Off the record - the President will announce that at 11:30 our time. He is announcing it himself, the Committee and the Director. He is announcing that at 10:30 Warm Springs time.

REPORTER: There won't be any gold price fixed tomorrow?

MR. MORGENTHAU: No, the office is closed.

REPORTER: Mr. Secretary, I have a question which pertains to the banking situation in Detroit. A number of Congressmen and other officials have been trying to get in touch with you personally with regard to a Committee being formed to organize Detroit banks. They have been told that the law is they should get 75% of the depositors on proxies before they can get any plan for organization to be considered by your department. One bank, the Guardian, has 75% of the names. The other bank has a smaller percentage of names. They have made an attempt to get from the Comptroller’s office the names of depositors. They find it difficult to get the 75% unless they know who these depositors are. They contend that since the Department does require 75% on proxies, it would be a fair proposition to have them know at least who the depositors in
the banks are, and they announced they will appeal to you. Has anybody come to talk to you about that?

MR. MORGENTHAU: I believe we got a telegram. Whether we did or did not—anything like that, I will be able to see them, or they can see Mr. Smith. That is the kind of thing he will be glad to sit down and go over the situation with them.

REPORTER: So, it will not necessarily be handled by or through the Comptroller?

MR. MORGENTHAU: I will put it this way. Anything that has to do with banks—in order not to spread myself too thin, when it comes to banks, if they are not satisfied I will be glad to see them—Maybe the Comptroller is right, but as a matter of banks I will ask them to go to Mr. Smith and go over their problems.

REPORTER: Treasury Rule No. 9 says no information can be given out concerning any of the banks, and the Comptroller's office has invoked that rule, and pointed out the rule cannot be changed. Of course, the Secretary has power to let those committees go and see it.

MR. MORGENTHAU: If they want to come down, Tom Smith will be glad to sit down and talk to them.

REPORTER: Mr. Secretary, will Mr. Cummings continue in his present position after the first of the year?

MR. MORGENTHAU: As far as I know—I hope so.

REPORTER: What is the connection between him and Mr. Smith.
Wasn't that the function of putting all his attention on banks as far as they concerned the Treasury?

MR. MORGENTHAU: Not that I know of. After all, he is President of the Deposit Insurance Corporation. He has a man-sized job there.

REPORTER: Will he continue after the first of the year to handle matters as they pertain to banks?

MR. MORGENTHAU: He will continue to do after the first of January what he has been doing. There is no change contemplated. Well, if there is nothing else I hope you will have a nice Thanksgiving. I will see you all Monday.

END OF CONFERENCE
MR. MORGENTHAU: The first thing I have is the value of bonds that we bought for investment last week was $2,545,000, and I just want to state (off the record or on) that I got one of these news tickers. It is in the next room.

REPORTER: It isn't a stock ticker, is it, Mr. Secretary?

MR. MORGENTHAU: It is a news ticker. Anybody want to look at it? There are copies of this thing I want to read, if anybody wants one.

(Mr. Morgenthau read a paper designated "Order of the Secretary of the Treasury Amending Treasury Decision No. 1, of April 1, 1927, issued pursuant to the Act of March 3, 1927.")

MR. MORGENTHAU: Boiling it down, it means that the Bureau of Industrial Alcohol is transferred to the Internal Revenue Bureau.

No. 2, is letter from Dr. Doran as follows: "I hereby tender you my resignation as Commissioner of Industrial Alcohol, effective at your pleasure. Permit me to express to you my appreciation of your kindly consideration during the short but busy period that I have had the pleasure of serving under you. The Treasury has always been an organization that one can have pride to have been a part of, and I have the greatest personal regret in leaving at this time. However, I feel
confident that my activities in the future can be of definite public service. Very sincerely, J. M. Doran."

REPORTER: Can we copy it afterwards, Mr. Secretary?

MR. MORGENTHAU: Yes. I have accepted Dr. Doran's resignation, with regret. I will read another statement, and Dr. Doran is here and can speak for himself.

It is to Mr. Choate, Director of Federal Alcohol Control Administration.

"I hereby designate you as Representative of the Treasury Department to act on the Permit Committee, referred to in Article 3, Section 3, of the Marketing Agent for the Alcoholic Importing Industry, in place of and in stead of J. M. Doran."

(Signed)

Acting Secretary

I asked Dr. Doran to come here and thought you gentlemen and ladies might want to ask him some questions, or he might want to add something to it himself. That is the courtesy he is entitled to.

REPORTER: Where are you going, Dr. Doran?

DR. DORAN: The Distillers' Spirits industry have organized an institution and have a Code authority under the code adopted for them and they have many industrial problems, both technical and governmental, and they have asked me to serve them and I have accepted. It is in the line of work that I have pursued in this department from the days I started in the laboratory as a chemist, on through my administrative work. It is a duty I am familiar with, and I believe a great deal can be done to get that industry in line and keep it in line with good, sound
public policy.

REPORTER: We understand, Doctor, that you will be the
Will Hayes of the alcohol industry?

DR. DORAN: I wouldn't say that, but there is a field for a
lot of work at a time when everybody agrees that a good, sane handling
of that problem will be entirely in the public interest.

REPORTER: Doctor, you said something about code authority,
doesn't the Government appoint that authority?

DR. DORAN: That is proposed by the distillers and subject to
approval - the Distillers' Spirits Industry - subject to approval of the
Federal Alcohol Commissioner, Mr. Choate being Director of that administra-
tion.

REPORTER: What is your title?

DR. DORAN: I don't know that I have a title.

REPORTER: Will you be director of Code authorities, is that
your status?

DR. DORAN: The Code authority will naturally have an agent
through which they will act in their contacts under the Agricultural
Adjustment Act. I will perform that service. Then, outside of purely
Federal contacts, there are many industrial problems as well as state
problems, which will not necessarily be handled through any Federal Code
authority, but through the Distillers' Spirits industry.
DR. DORAN, continuing: I want to say this, there are a lot of things you cannot put in a letter, but it is rather tough to leave a Department you have been in 26 years and treated as well as I have been.

REPORTER: Mr. Secretary, I believe this combine of the two Bureaus is provided for in the Economy Act, or is it the President's Executive Order on Government organization?

MR. McREYNOLDS: The combine was made by executive order, but the technical, active operation of the executive order has been suspended for the present.

REPORTER: Who will take over the immediate direction of alcohol in the Bureau of Internal Revenue? Will there be some deputy commissioner of Internal Revenue who will perform that, as Dr. Doran has done?

MR. MORGENTHAU: I don't know.

REPORTER: I came in a little late, Mr. Secretary. If this question has been answered, pardon me. Is there any explanation why this bureau was transferred to the Internal Revenue?

MR. MORGENTHAU: It was part of the economy program, and we feel that this is an efficient and economic manner of handling the liquor traffic from now on.

MR. McREYNOLDS: It becomes a tax collection problem from now on.

REPORTER: Wasn't it there before prohibition?
MR. MCNEIL: Yes.

DR. DORAN: Goes back to where it was in 1920.

REPORTER: Will it still have a permit and all that stuff?

DR. DORAN: That portion of the permit drops out by repeal of the Eighteenth Amendment, but the denatured and industrial alcohol is still subject to permit. That has been in effect since 1906. That is the original Industrial Alcohol Act.

REPORTER: Will there be a deputy commissioner in charge of what is left of the administration of the prohibition laws?

MR. MORGENTHAU: We have been moving so fast I cannot answer. I don't know.

REPORTER: Is there any decision on the financing, Mr. Secretary?

MR. MORGENTHAU: No.

REPORTER: When do you expect to have a decision?

MR. MORGENTHAU: I hope sometime this week.

REPORTER: You can't fix any time closer than that?

MR. MORGENTHAU: No, sorry - All right - thank you!

REPORTER: Thank you, Mr. Secretary.

END OF INTERVIEW
MR. MORGENTHAU: I have nothing particular to sell you this morning, so if you want to ask me any questions, go ahead.

REPORTER: Can you say anything about Mr. Newes' reported resignation?

MR. MORGENTHAU: I have no comment to make on it. I will have to let it go at that. (Off the record, he and I both agreed we would make the same statement).

REPORTER: Who will make the affirmative statement, the President?

MR. MORGENTHAU: I don't know. He and I both agreed not to comment.

REPORTER: Has an order similar to that regarding the Internal Revenue Bureau been issued in regard to the Secret Service?

MR. MORGENTHAU: Transferring it?

REPORTER: Yes.

MR. MORGENTHAU: Yes.

REPORTER: Is Chief Moran to report to you directly?

MR. MORGENTHAU: Directly to me.

REPORTER: Can you tell us anything of your end in making these changes?
MR. MORGENTHAU: Simply to familiarize myself with the work, and I felt the way to do that was to have direct contact with the men in charge.

REPORTER: When will the tax recommendation be ready, Mr. Secretary?

MR. MORGENTHAU: I hope by the middle of this month.

REPORTER: The 15th?

MR. MORGENTHAU: I don't want to make a date. I had rather say the middle of the month than pin myself down.

REPORTER: The Ways and Means Committee seems to be planning that you will present it personally on the 15th?

MR. MORGENTHAU: I have not received any invitation yet from it. I will be glad to go up there if they ask me.

REPORTER: Is the Treasury following the procedure of studying the sub-committee's recommendation and comment on this?

MR. MORGENTHAU: Of course, we will make a study of the sub-committee's report.

REPORTER: Is anybody outside of the Department being consulted?

MR. MORGENTHAU: No.

REPORTER: Mr. Secretary, these departments reporting direct to you, does that mean all of them report direct to you rather than the Assistant Secretary?
MR. MORGENTHAU: No, I just changed the set-up on two of those bureaus. I wanted contact directly with these two bureaus.

REPORTER: Only the Secret Service and the Internal Revenue Bureau?

MR. MORGENTHAU: That is the only changes, just those two. I figured I would like to have direct contact with Mr. Helvering and Chief Moran.

REPORTER: Mr. Secretary, there has been a general supposition that some further action would be taken on the 4th Liberties - in exchange for this financing. Can you tell us any plans for that?

MR. MORGENTHAU: No.

REPORTER: Did you consider at this time that your bond market was adverse?

MR. MORGENTHAU: What do you expect me to say about that?

REPORTER: For our own information - it may keep us from speculating a little bit as to what the program of the Treasury is -

MR. MORGENTHAU: We simply made a study of the market, and we felt at this time this was the most advantageous kind of offer to make from the standpoint of the Treasury and the investing public.

REPORTER: Perhaps I didn't ask my question right, but I got the answer.

MR. MORGENTHAU: You got your answer, I have just given you.
REPORTER: I am wondering --

MR. MORGENTHAU: We felt that for the Treasury and the investing public at this time it was the most advantageous offer we can make.

REPORTER: Doesn't it mean that buyers get --

MR. MORGENTHAU: A little early - I might say the preliminary report shows the reception is excellent.

REPORTER: Does it look like you will close the books tonight, Mr. Secretary?

MR. MORGENTHAU: Well, this is my first one. I had rather, unless you feel you have to -- not make any comment on it.

MR. BAILIE: We will let everybody know as soon as we can.

MR. MORGENTHAU: For fear there might be some artificial interpretation, I would rather let you know later.

REPORTER: It is all right to say the preliminary reception is all right?

MR. MORGENTHAU: You can quote me as saying the reception is excellent, but as to when the books are closed -- - -

END OF INTERVIEW
MR. MORGENTHAU: I have just got back. I have been living in another place, and I have not the figures of what we bought last week. We will have them here in a couple of minutes.

REPORTER: Can you give us any light on the budget situation?

MR. MORGENTHAU: No, of course - we have just started.

REPORTER: Have you fixed the mark to shoot at?

MR. MORGENTHAU: Of course, that is not my job.

REPORTER: No, not officially.

MR. MORGENTHAU: No.

REPORTER: Who participated in the conference today besides yourself?

MR. MORGENTHAU: Which one?

REPORTER: At the White House, the Budget Director, yourself and some one else?

MR. MORGENTHAU: Mr. Baille. We bought last week for investment, $7,079,000 worth of Government securities.

REPORTER: Who takes Mr. Hewes' place, Mr. Secretary?

MR. MORGENTHAU: I didn't know the place was empty.

REPORTER: The name has been changed on the door, Mr. Secretary?

MR. MORGENTHAU: Really -
REPORTER: It is a new name.

MR. MORGENTHAU: I have not been down there.

MR. GASTON: That is news to me. I think all they did was to take my name off.

REPORTER: Mr. Hewes has been demoted to second place.

MR. MORGENTHAU: Has he?

REPORTER: Is there any significance to that?

MR. BAILIE: They just tacked my name up over there.

MR. MORGENTHAU: I will have to walk down there.

REPORTER: Mr. Secretary, is Mr. Hewes resigning?

MR. MORGENTHAU: I will just have to repeat what I said the other day. I have no comment to make.

REPORTER: Here is a non-controversial question. It is reported that the Denver Mint has been enlarged and most of the gold will be kept in Denver instead of New York and the assaying in Philadelphia, is that correct?

MR. MORGENTHAU: You are moving faster than I am. It is like the name on the door.

REPORTER: Mr. Secretary, there are stabilization stories that have cropped up again. Over in London they claim they have evidence that the Reserve Bank here is conferring with the Bank of England. Any comment on that?

MR. MORGENTHAU: All I can say is there is no change in the Treasury's policy.
REPORTER: One thing about this policy, when you say there is no change, it is true that the original policy embraced both an idea of gradual devaluation and eventually stabilizing in some way. Your statement that there is no change doesn't necessarily mean no stabilisation?

MR. MORGENTHAU: I have been here such a short time. I would not know how to answer that.

REPORTER: Have there been any overtures to the Bank of England?

MR. MORGENTHAU: Not from here.

REPORTER: Do you know of any?

MR. MORGENTHAU: Nothing that I know of.

REPORTER: If Governor Harrison of the New York Bank were to attempt any such thing you would know it, wouldn't you, Mr. Secretary?

MR. MORGENTHAU: I would think so.

REPORTER: Have you heard of any move on Mr. Harrison's part to negotiate with the Bank of England?

MR. MORGENTHAU: Absolutely not.

REPORTER: Have you been in touch with him lately?

MR. MORGENTHAU: Almost every day. I have not spoken to him today. I speak to him almost every day.

REPORTER: Mr. Secretary, is there anything to report on the
search for the gold news leak?

MR. MORGENTHAU: Well, that story broke about ten days ago, and Dow-Jones first brought it to our attention. We made an exhaustive study of that at that time and I personally came to the belief that there was not any leak, and that was just about ten days ago.

REPORTER: For your information, we had advice from somebody - a private source, not the regular source.

MR. MORGENTHAU: I would like to have it. You will be doing your Government a favor if you can give me any such information.

MR. GASTON: The Exchange Telegraphic Company, Mr. Gridley says, had it some minutes ahead of the press association.

(Mr. Gridley stated he did not know the exact time the Exchange Telegraphic Company got it).

REPORTER: Mr. Secretary, maybe you can straighten it out by telling us when the price is fixed, is it fixed the night before, or in the morning?

MR. MORGENTHAU: The price is fixed after nine o'clock in the morning. It is usually fixed between nine and nine-thirty in the morning.

REPORTER: Is it true that the Western Union representative gets it the same time as we do, and was it the case when the gold price was fixed?

MR. HAILIE: The mechanism of it is, the Western Union operator gets it about one minute after it goes to the reserve banks. The Reserve Bank got it this morning at 9:45 and it was on the ticker in New York at 9:46.
Mr. Baille, continuing: I had given the price after Mr. Morgenthau gave to me, about five minutes before that, and if there was anybody who knew of it before that ---

MR. MORGENTHAU: Knew it before I knew it. If they are doing it the only way I can dope the thing out is that somebody is doing some guessing. That is the only way - if anybody can throw any light on it, I will greatly appreciate.

REPORTER: What is the policy for fixing the price? Maybe they have the same policy?

MR. MORGENTHAU: (No reply)

REPORTER: How many people know of the price before we do?

MR. MORGENTHAU: I am going to tell you, but I will not tell you who they are. There are just two people besides myself.

REPORTER: Two besides yourself?

MR. MORGENTHAU: Yes.

REPORTER: That does not include the three that fix it?

MR. MORGENTHAU: Two besides myself, who know it.

REPORTER: That is all?

MR. MORGENTHAU: That is all. There are just two people besides myself.

REPORTER: Do you see any advantage of persons having that price four minutes ahead in London, in view of the fact we do not export gold?
MR. MORGENTHAU: I suppose they might either buy or sell sterling based on that information.

REPORTER: The exchange market has not reacted in any definite way through this medium.

MR. MORGENTHAU: On advance information?

REPORTER: I mean on the actual figure here.

MR. MORGENTHAU: I meant on some of the days when we have advanced it rather sharply, naturally they adjusted themselves to that advance, but the reason I doubt it — that they know it in advance — is first, the fact that that information is only with three people, and second, in asking various people whether they have lost money on this side, you see through the fact they knew it in advance in England — I have yet to find any reputable firm doing business in exchange who feel they have lost money through England having the information in advance, and that is why I question whether they have it. If some reputable firm would say "We are losing money on this every single day", then I would give the story some credence, but not having any reputable American bank or private firm feeling they lost out on it, I doubt it, but I again say if anybody can give me any information I will be delighted.

REPORTER: You say "reputable" firm, is that a form of speech — has any firm not very reputable said they lost any?

MR. MORGENTHAU: No, I will put it this way. No firm doing business in the foreign exchange has complained to me, reputable or otherwise (off the record).
REPORTER: Mr. Jones is in on fixing the price?

MR. MORGENTHAU: Of course.

REPORTER: Why has the gold price remained unchanged since December 1st, is that part of the policy too?

MR. MORGENTHAU: That is part of the policy.

REPORTER: What is it?

MR. MORGENTHAU: Oh, be good.

REPORTER: Do you look for any further raise in the price?

MR. MORGENTHAU: We meet every morning and talk it over and do the thing is best, that is all.

REPORTER: Mr. Secretary, you say you meet every morning. Does that mean in the future you and Mr. Jones will meet here personally or confer by telephone?

MR. MORGENTHAU: You mean on account of this — it isn’t fixed. Sometimes he drops in and sometimes I talk on the telephone, no fixed method. Sometimes he comes in and sometimes he doesn’t.

REPORTER: Is there a leak on the telephone, you think?

MR. MORGENTHAU: We don’t always talk over the same telephone.

REPORTER: Probably you can change that arrangement for the time being —

MR. MORGENTHAU: Yes, I may.

END OF INTERVIEW
Secretary Morgenthau: What I wanted to talk about was this story in the newspapers about Walter Cummings. I was very much disturbed to read about it because he has given me the finest kind of cooperation that anybody could give anybody. I know that he has done a perfectly magnificent job while he has been here and, as far as I am concerned, the longer he stays the better pleased I am and I hope he will stay just as long as he can afford to stay.

Q. Mr. Secretary, have you thought of a possible successor for him?
A. I don't know that he is going to resign. He hasn't handed his resignation to anybody.

Q. What you refer to is the statement in some of the papers that there were differences?
A. There was a statement in one of the papers that he had resigned. He has not handed his resignation to anybody. Different papers have it. Here is one -- "Two More Leave Treasury Jobs in Big Shake-up -- Cummings Quits Deposit Post January 1," "Walter J. Cummings, of Chicago, Chairman of the Federal Deposit Insurance Corporation, announced he would resign shortly after January 1." He was just in here and he said absolutely he has not said anything to anybody.

Q. Yesterday he said to us that "you all know that I am going to resign. I have nothing more to say."

A. The point I want to get over is this: the man has done a grand
job. Maybe his private business will make it necessary for him to
return. I don't know; that's his business. But as far as I am
concerned, the longer he stays the better it pleases me. I want to
get that over -- that he has given me every kind of cooperation,
extension of assistance, and we get along very well and I think
the fellow who has rendered as fine a piece of service to the Govern-
ment as he has, if he does good, certainly does deserve the thanks
of everyone. He has earned it and he is entitled to that commendation.

Q. In other words, there is no friction?
A. No. From the day I got here, Walter Cummings has given me every
kind of cooperation. I appreciate it and I don't know that he is
going to resign on the first of January and I don't think he knows
himself. I told him this morning that as far as I am concerned I
hope he will stay just as long as I do. That's the way I feel. He
is welcome as far as I am concerned to stay indefinitely.

Q. Isn't it true that his private business connections need his
attention?
A. That's up to him. I am just telling the way I feel about it.
I hope he will stay just as long as it is practicable for him to stay,
which is quite a different thing from some other people. You get what
I am trying to put over?

Q. Yes, sir. Is this your dog?
A. This is my daughter's.

Q. There was nothing to the story printed in the Herald Tribune that
you had differences with Mr. Hewes over gold policies?
A. I never discussed gold with Mr. Hawes. He had no more to do with it than Herbert Gaston. All Gaston runs down is the gold leak stories.

Q. The Tribune also said that Cummings was leaving for the same reason.

A. This is the answer. Mr. Cummings never had anything to do with gold. The story was unfortunate when a fellow has as fine a record as Mr. Cummings has. It is an unfortunate thing and it's the least I can do to tell honestly how I feel about Walter Cummings.

Q. Has anything developed on the gold leak, if any?

A. The stories keep coming in and I keep saying that I would be more than pleased if someone would help me to find it, and that's all. It's a great mystery. If anybody has any suggestions we will be glad to run them down, but I still can't find anything. Naturally, I am not leaving a stone unturned to try to find something.

Q. One other question. The President talked about budget at his press conference this morning, and as regards this Public Works item there seems to be a lot of public attention given to it. He said it was, first, a question of social needs and, second, financing ability. Is there anything you can add, especially on the second point as to just what "financing ability" is?

A. No. No, I don't want to get in on that, but if you would handle this other matter in a sympathetic way I would appreciate it.
Secretary Morgenthau: The only thing I have this morning that I would like to say is this: it has been suggested that I settle the Mitchell case, but I have decided it is in the public interest to proceed with the ordinary legal processes to collect the tax.

What do you have on your minds?

Q. I have one question that I don't think has been asked since Monday. This may be a little different phraseology. Senator Thomas says that Mr. Rand told him that somebody up here told him that they were negotiating with the Bank of England to stabilize the dollar at 62 cents.

Secretary Morgenthau: Going back to Monday, my position is just the same as it was Monday -- that I don't know anything about it.

Q. It's a much better question that way, though.

Secretary Morgenthau: Makes it much more interesting!

Q. Also, Mr. Secretary, will those countries that do pay their war debt, pay it here tomorrow or pay at the State Department?

A. The custom is for them to pay at the Federal Reserve Bank in New York, ordinarily. They pay the Federal Reserve as the fiscal agent for the Treasury.

Q. Will you announce the payment, if any is made?

Secretary Morgenthau: If that is the customary thing to do.

Q. Can you tell us anything about the newsprint situation that's holding up shipments from Canada on account of alleged dumping?

Secretary Morgenthau: I am sorry. I don't know a thing about it.
Should I?

Q. Mr. Secretary, in regard to your statement about the Mitchell case, you mean it has been suggested that a compromise be made?
Secretary Morgenthau: It was suggested; yes.

(Off the record remarks regarding tax hearings)

I am going before a committee tomorrow at ten.

Q. To testify on liquor taxes?
Secretary Morgenthau: Nothing to do with liquor. I am testifying at their request on this report.

Q. May we say that you are going up tomorrow?
Secretary Morgenthau: Yes; at their request to testify on the Committee’s report on modifications of the income tax law.

Q. That is, to the Ways and Means Sub-committee.
Secretary Morgenthau: That’s right. The Ways and Means have asked us at the Treasury to come up there and present our analysis or suggestions.

Q. You will have those suggestions tomorrow?
Secretary Morgenthau: Yes. They most likely will be printed or mimeographed. My statement will be formal and ready for you. Do you want it here tonight or at the hearing?

A. Like to have it at both places -- and as early as possible.
Secretary Morgenthau: I don’t think it would be proper for me to release it prior to the hearing.

Q. Not release it, but as a rule, with matter as complicated and technical as that may be, it is a great help if we can have an hour or so to analyze it.
Secretary Morgenthau: I’ll go a step further -- if it’s ready I
will have Professor Magill to sit with you an hour and you can
fire questions at him because, believe me, he has been putting
me through the jumps! If we have time I'll suggest that he get
here at, say, 9 o'clock. Are you fellows up that early? And
you can fire questions at him on what this thing means.
Q. It's usual that if we have advance copies it's always
marked "for release when the Secretary begins to deliver his
statement."
Secretary Morgenthau: But the thing will be to have it mimeographed
here so you can fire questions at him.
Q. Has the Detroit bank plan reached a stage where it has reached
you for approval?
Secretary Morgenthau: No.
Q. Did you notice a little item in the Post this morning about
your shower?
Secretary Morgenthau: Yes.
Q. Could you say how that money will be paid?
Secretary Morgenthau: I will put it this way: at the time I ordered
the cooling system and shower, I thought it was a proper expenditure
for the Government to make and I still think so.
Q. That kind of leaves it in the air.
Secretary Morgenthau: What do you want?
Q. Can you suggest how the money will be paid?
Secretary Morgenthau: Why I am hesitating is this: I don't want to
seem to be in a battle with the Comptroller, but, between us, I got
the Comptroller off the base. I am not worrying how it is going to be paid and I have to treat the gentleman with great respect and -- well as a matter of fact, why not tell them what fund it will be paid out of.

Mr. McReynolds: The statement in the Post was a trifle misleading, not purposely so undoubtably. What the Comptroller did was not to say that it was an improper expenditure at all. He merely said that we could not charge it to that fund. That will happen will be that it will be switched to the fund that it ought to be paid from and charged against that proper fund, undoubtedly by transferring counter warrants. It's just a tempest in a teapot. It does not mean that anybody is going to lose any money.

Secretary Morgenthau: The Comptroller has not held it is an improper expense.

Mr. McReynolds: I had a copy of his decision last night and went over it. The Comptroller has not charged that we have improperly expended money. It's merely technical, as to where it should be charged, and that will be done in due course.

Secretary Morgenthau: My only regret is I could not bring the shower over with me.

Q. Has anyone made any further complaints to you or has anything new developed in the supposed gold leak business?

Secretary Morgenthau: Not since Monday. I haven't heard anything. There has been nothing brought to my attention.

Q. Then the thing is closed?
Secretary Morgenthau: No. My attitude is simply this: that we are surrounding the gold price with all possible secrecy and using every precaution to see that there is no leak. I simply repeat what I said Monday, that if anybody can show us that there is a leak or indicate where the leak is coming from, he will be doing me a great favor.

We are being just as careful as anybody can be.

Q. Have you had any opportunity to make progress in the discussion of unsettled Russian debts and claims?

Secretary Morgenthau: No. I have not been doing anything about that.

Q. Mr. Secretary, I believe that you were or still are handling matters of Russian debt and stimulation of American trade with Russia. Any development in that?

Secretary Morgenthau: The only development, I take it, is the study that Mr. Fisk is making; that he will include Russian trade in that study he is making. I hope he will.

Q. Mr. Morgenthau, will your statement on taxes tomorrow take in the question of budgetary things?

Secretary Morgenthau: No, and no new taxes; purely an analysis of the Sub-committee's report.

Q. From an administrative point of view?

Secretary Morgenthau: Yes; they have asked us to come up there on that and we won't go any further than an analysis of the Sub-committee's report.
STATEMENT
OF THE
ACTING SECRETARY OF THE
TREASURY

REGARDING THE
PRELIMINARY REPORT OF A SUBCOMMITTEE
OF THE COMMITTEE ON WAYS
AND MEANS

RELATIVE TO METHODS OF PREVENTING THE AVOIDANCE
AND EVASION OF THE INTERNAL REVENUE LAWS
TOGETHER WITH SUGGESTIONS FOR THE
SIMPLIFICATION AND IMPROVEMENT THEREOF

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933
Preliminary Report of a Subcommittee of the Committee on Ways and Means

Relating To

Methods of Preventing the Avoidance and Evasion of the Internal Revenue Laws

Statement of the Acting Secretary of the Treasury

The Treasury Department appreciates the opportunity afforded it by the Committee on Ways and Means to present its views with respect to the amendments in the income and estate tax laws now under consideration.  Probably the Department can be of some aid to the Committee by furnishing the results of its actual experience in collecting taxes.  Accordingly, the Treasury has undertaken to ascertain the results of its experience in the administration of the provisions proposed to be changed, including in particular the various methods of tax avoidance which the Department has found to be commonly employed, and to indicate from such experience the probable effects and the results of the changes under consideration.  This memorandum summarizes this information.

The changes now under consideration by the Committee are specifically designed to prevent avoidance of the income tax, and thereby to increase the revenues therefrom.  The Treasury Department is in hearty accord with this objective.  An outstanding feature of our income-tax is that, in the first instance, it is self-assessed by the taxpayer, who makes up his own return.  It is therefore highly desirable that it be so drawn as to encourage the maximum of cooperation on the part of the great mass of honest taxpayers.  This cooperation can be retained, even though the tax rates are relatively high, provided the taxpayer is convinced that the provisions for the tax are inherently fair, and are being applied without discrimination.

On the other hand, if taxpayers become convinced that the provisions are essentially unjust, or that numerous people are evading them by the use of various devices, our entire income-tax revenue system will be seriously injured.  We have already had sufficient experience with laws which cannot be enforced because the public believes them to be discriminatory or unfair.

Consequently, the Treasury approaches the proposals of the subcommittee from exactly the point of view adopted by the committee: That the income-tax law should be revised to eliminate any loopholes which now exist, and to distribute the tax burden fairly among taxpayers.  Moreover, particularly in these times, legitimate business transactions should not be impeded by being driven to take uneconomic forms.  The income tax should properly take a reasonable toll from the business transactions in the community; it should not stop the traffic entirely.

[Text continues]
In the light of these general policies and objectives, the Treasury Department submits the following recommendations with respect to "Part I. Major Problems" of the Preliminary Report of the Subcommittee of the Committee on Ways and Means.

**Part I. Major Problems**

1. **Tax-rate structure.**—The Treasury fully agrees with the subcommittee that, from the point of view of revenue administration, it is desirable to reduce the normal tax rates from 2 sets to 1, and to adjust the surtax rates accordingly. The resulting increased simplicity of the rate structure is a sufficient reason for the change. The existing tax schedules would impose higher rates upon all taxpayers in receipt of net incomes in excess of $5,000, with the largest percentage of increase on taxpayers with net incomes from $15,000 to $20,000.

### Table 1: Initial normal and surtax on average incomes as reported for 1932 at 1933 rates, and of rates proposed by Ways and Means Committee

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<th>Net income (in thousand dollars)</th>
<th>1932 rate</th>
<th>1933 rate</th>
<th>Ways and Means Committee rate</th>
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**Note:** This table shows initial normal and surtax under the 1932 act for average individual incomes as reported to the 1932 income-tax returns. The percentage of income derived from distributive tax exempt income sources for some of the individual incomes in the above table will differ somewhat from the average normal and surtax on the basis of these averages are more typical of the actual income sources of a broad group than are taxes computed on taxpayers with specified classes of income.

2. **Depreciation and depletion deductions.**—The Treasury has considered two distinct problems in connection with these deductions: (1) the proposed limitation on such deductions to 50 percent of the depreciation and depletion actually incurred, and (2) discovery and percentage depletion.

(1) The depreciation and depletion deductions are intended to remove from gross income such amounts as in fact represent a return to the taxpayer of a portion of his capital investment. If no such deduction is allowed, the taxpayer can contend that he is in reality subjected to a capital tax in the guise of an income tax. Deductions for depreciation and depletion are fundamentally the same in character as deductions for the cost of goods sold in the case of a merchant. Consequently, the Treasury deems the wisdom of the proposal to limit such deductions to 50 percent of the amount actually sustained, not only because of its doubtful constitutionality, but because of its inherent unfairness. A taxpayer who did not provide for depreciation of assets used in his business could not long remain in business and the income tax should be based on the assumption that he will provide for such depreciation. Moreover, in a period of rising prices, depreciation reserves are more apt to be insufficient to provide for replacements, than excessive. If the 25 percent of the actual depreciation which it is proposed to disallow is permitted as a deduction in a later year, the taxpayer's income that year will be reduced and distorted. If it is to be disallowed completely, the tax is to this extent imposed on capital, not on income.

(2) The discovery depletion provisions enable a taxpayer who has paid $10,000 for a piece of property and has later discovered a mine (other than a metal, coal, or sulphur mine) upon it worth $1,000, to deduct depletion on the mine as if he had paid $1,000, 000 therefor. The taxpayer is thereby permitted to receive a tax free of $800,000 of income which, by any equitable standards, he should pay on it. To exempt the income of mine owners or of any other class, necessitates simply that the amount be made up by other taxpayers. The Treasury knows no reason why a limited class of
(6) Exchanges and reconstructions.—Early decisions of the Supreme Court indicated that in the absence of any specific statutory provisions an exchange of one piece of property for another piece of property might result in taxable gain or deductible loss, as the case may be. In other words, if a farmer traded one horse for another horse, even without any cash, gain or loss should be computed for income tax purposes. The court did not limit the realization of gain or loss in cases in which the property had a readily realizable market value.

Although these decisions were theoretically justified, Congress came to the conclusion 12 years ago that it was not practicable to administer the income tax on this basis. There are thousands of horse trades and similar barter transactions every year. To attempt to evaluate the property received in exchange in each case would be an enormous administrative task which, particularly in these years, would be very unlikely to show any considerable net revenue. Consequently, Congress in substance provided that gain or loss would be recognized on exchanges of property having a readily realizable market value, such as stocks, bonds, and negotiable instruments; on exchanges of property held primarily for sale; or on exchanges of one kind of property for another kind of property; but not on exchanges of property solely for property of a like kind. This provision has been in effect for 12 years.

The experience of the Treasury is that the provision does not result in tax avoidance or loss of revenue, but rather represents a definite and practical solution of the problem. It will be noted that the exempt exchanges are strictly limited to transactions in which it would be administratively difficult to determine any gain or loss. In the opinion of the Department the abolition of the exchange provisions would not result in increased revenue, while at the same time additional expense in administration would be required. The Department therefore recommends that no change be made in the exchange provisions.

The reconstructions provisions are, as the subcommittee states, perhaps the most complicated and difficult to understand of any sections of the law. In addition to their complexity, they are open to the serious objection of being overinclusive. When they were adopted in 1921, the draftsman attempted to state in minute detail exactly how each step of a reconstructions should be treated for tax purposes. Although this method had the apparent advantage of enabling taxpayers and their lawyers to determine in advance exactly how proposed transactions would be taxed, it had the disadvantage of leaving the Department no leeway in the administration of the law. Consequently, acute lawyers could and did attempt to find ways to take the technical form of a reconstructions within the statutory definition, with resultant loss of revenue. The Treasury has sought a number of these cases through the courts, with results on the whole unfavorable. The courts have attempted to work out the general principles underlying the statute, and to interpret specific sections in such a way as to carry out the general plan and to prevent avoidance.

In the light of this experience, 11 years ago, the Treasury has come to the conclusion that the present provisions should be completely
The subcommittee points out that no credit is now given for State income taxes, but only a deduction. Half of the States do not levy an income tax, and, in those which do, the rates have been kept comparatively low, so that on account of the existence of the Federal income tax, no such restraint operates abroad. But aside from these considerations, the matter of the allocation of profits of the affiliated group in this country is the correlation of the State and Federal taxing systems, and the prevention, as far as possible, of duplication of taxes upon the same source. The fact that this duplication already exists in this country is not an satisfactory reason for increasing the duplication in other directions.

[8] Consolidated returns. - For many years business enterprises have found it desirable for business reasons other than tax considerations to incorporate separately different branches of their enterprises. Thus, if a corporation does business in several States, it may be necessary under State law, as well as in order to form separate legal entities to handle the local business. Another illustration of the same general situation appears among the railroads, where numerous lines, legally owned by distinct corporations, have been combined to form a single system. Thus, a traveler over a railroad from New York to Chicago may pass over rights of way legally owned by a number of different railroad corporations.

Separate corporations forming part of a single enterprise of course have innumerable business relations with each other. Contracts are made, property is transferred, investments are performed by and between individual members of the affiliated group. Within broad limits, these arrangements can be made on whatever terms are chosen by the officers and directors of the parent corporation. By means of them, income as well as property can be shifted from one corporation to another as business or tax considerations may be deemed to require. If the arrangement is a permissible evasion of the tax law, it can and should be disregarded, but many such arrangements, which result in the receipt of income from one subsidiary to another or to the parent, are perfectly reasonable in themselves and cannot be proved to be fraudulent.

The members and their professional advisers, the lawyers and accountants, have long recognized that the only way to overcome the evil of a statement of income from affiliated corporations is to require a consolidated return, including therein the income and deductions of the parent and every subsidiary, with all intercompany transactions eliminated. Such a consolidated statement is simply an application of the actual fact that the separate corporations, though technically distinct legal entities, are, for all practical purposes, branches or departments of one enterprise. This has been substantially established for many years that many affiliated corporations today find it a practical impossibility to prevent the income from one subsidiary from being absorbed by the income of another or of the parent, for reasons already stated, this result is not likely to follow as a practical matter. Subsidiary corporations now showing losses in separate statements, could arrange, by intercompany contracts and by a readjustment of accounting methods, to obtain a fair share of the profits of the affiliated group. There is no way to prevent the bulk of such contracts because the Treasury cannot hold that a contract which enables a company to make a profit is necessarily unfair or abusive. Moreover, full recognition of intercompany transactions would often result in deductible losses as well as taxable gains. The fact that consolidated returns have been regarded as absolutely essential in check these practices in the past is sufficient basis for the belief that such evils will occur in the future.

For these reasons the Department believes that the abolition of consolidated returns might well be a backward step, which would result in little, if any, additional revenue. On the other hand, there are considerable savings to the Treasury, as well as to taxpayers, in the present arrangement. The administration of the law is simpler since it conforms to established business practices. The Treasury need deal with only one corporation, the parent. On the taxpayer's side, the requirement of separate returns would cause largely increased expense to set up separate sets of books for tax purposes, an undesirable result in itself. The present law permits a return in accord with business practice, and gives the Treasury broad powers to make the necessary rules and regulations to prevent escape from the tax. In the judgment of the Department, the law should not be changed in this particular.

In considering this proposal on its merits, the committee may wish to discuss as well other forms of taxation on large-scale businesses, such as the corporaion tax, to which recommendations are made beyond the scope of this statement.

191 Partnership losses. - If an individual loses money in his business or contracts, which is permitted to deduct this loss from any income which he may have from other sources. There can be little question as to the propriety of this arrangement, since the individual's capacity to pay the income tax is directly reduced by such losses.

The subcommittee proposes that, if an individual takes one of his former employees into partnership with him, and the partnership loses money, neither party shall be permitted to deduct this loss from his other income. The Treasury Department believes that this change is of doubtful wisdom. A partnership for other legal purposes, as well as for purposes of the tax law, is not regarded as a legal entity. Partners report all income of the partnership upon their individual returns, even though it has not been distributed to them. In this respect, the partnership is equally distinguished from the corporation, which is a distinct legal entity. The treatment of partnership income and deductions should be consistent. Such a proposal may well be determined by the corresponding partnership losses. The losses now deductible are not fictitious or imaginary and do not represent either evasion or avoidance of the income tax. In the opinion of the Department, the proposal would probably operate with extreme injustice upon the many small businesses scattered over the country, which typically are unincorporated.
creditors who fail to perfect their judgment lien before the Government's lien is filed.

(10) There is no provision in the present law whereby a taxpayer who desires to sell a portion of his property under a lien in order to apply the proceeds to the payment of a tax liability, may obtain a release of the lien on the property so sold. Subsection (e) of section 3146 of the Revised Statutes, should be amended by adding a new subdivision (4) providing that, if the net proceeds of a sale of a portion of the taxpayer's property is paid over to the collector to be applied against the taxpayer's account, the collector may issue a certificate of partial release of the lien as to that property.

(17) Section 1264 of the Revenue Act of 1928, as amended by section 618 of the Revenue Act of 1928, should be further amended to permit the Commissioner to examine books, records, and other data to ascertain the liability of transferees of property. Under the present law, if the tax liability is certain, the Commissioner has no authority to examine books of transferees to determine who the transferees are, or to examine any records which may have fallen into the hands of others after the liquidation of a corporation. The same section should be amended to permit collectors to exercise their power of subpoena to aid in finding assets from which taxes may be collected by distraint. It has been held that he has no such power under the present law.

CONCLUSION

In this memorandum, the Treasury Department has attempted in the main to discuss the specific proposals of the subcommittee. These involve almost wholly amendments to the income tax law. It has not been attempted to set forth here any recommendations as to other forms of taxation, to be adopted in addition to or in substitution for existing taxes. These recommendations can be made after the Budget estimates are completed and transmitted to Congress.

Finally, there is a great need, which the subcommittee recognizes, for a complete and thoroughgoing revision of the revenue laws, with resulting simplification. In this connection, the administrative provisions of all internal-revenue taxes should be reorganized and assembled into a single code, which could be left substantially unchanged from year to year. More important than this, the whole question of the relation of the taxing system of the United States to those of the several States should be carefully studied, and steps taken to coordinate the two. The President has strongly urged this program. The execution of these major tasks will require careful planning and study before any recommendations for legislation can be made. The Treasury has started this work, and expects, in due course, to present the results in complete form for your consideration.

Henry Morgenthau, Jr.,
Acting Secretary of the Treasury.
Mr. Morgenthau: What's on your mind? I have nothing.

Q. Mr. Secretary, can you tell us anything in elaboration of the statement, last night, about commissioning Justice Department investigators as Internal Revenue collectors?

A. No. I have not seen the statement, but I understand the Attorney General did give out a statement.

Q. He gave out a brief statement.

A. As a result of the conference we had yesterday. We are ready to cooperate and deputize his men whenever he sends the list over.

Q. Did he have any special number in mind?

A. All of his men in that particular Bureau.

Mr. McReynolds: The ones that are in the liquor -- or whatever they call it -- alcohol section of the Bureau of Investigation. That whole group will be deputized.

Q. Mr. Secretary, is there any more consideration being given as to how the Government can get the gold in the Federal Reserve Banks in case they want it?

A. You are going on the assumption that we have been considering it?

Q. I think it has been considered; it has been thought of, anyway.

A. I have no comment of any kind.

Q. If we continue to refute all stabilization rumors, will we be approximately correct?
A. I think your language is perfect.
Q. Did you see Senator Pittman this morning, Mr. Secretary?
A. No.
Q. What date will the Secretary’s report go to Congress this year?
A. We expect to have it ready in the usual time.
Q. The “usual” time is different this time because Congress convenes on Wednesday instead of Monday and the Secretary’s report always went in Wednesday noon under the old deal and it was always getting bawled up with the budget report and they used to do it because of precedence. This year they start Wednesday and you have to figure the President’s message, the budget report and the Secretary’s report. If you could keep it on separate days you would be that much ahead of the game on account of the publicity.
A. Maybe we would just as soon have it together.
Q. Other times it would be better to have it go separate.
A. You brought up something I have not considered.
Q. Sometimes they have a tax program in both reports.
A. Thanks for the tip. I just take it for granted that whatever the regular time is we will send it up. I will find out, I guess from the Clerk of the Senate.
Q. It’s the first time Congress has ever convened on Wednesday and it changes the whole procedure.
A. I will ask the Secretary of the Senate.
Q. He will just file it.
A. I sent up yesterday the health report of the Health Commissioner.
I transmitted that yesterday with a letter. You are just asking me
something I have not thought about.

Q. Mr. Secretary, is your report printed or has it yet to go through
the Government Printing Office?

Mr. McReynolds: It can't be released until it is delivered to Congress.

Q. A lot of annual reports come out just as soon as they are trans-
mitted to Congress.

It won't be released until Congress meets.

There have been a half dozen already printed, including Commerce,
War, Navy, Agriculture. This is the first time Congress has not con-
vened in December.

A. Would you fellows like to have the Health report?

Q. I just want it when it is available.

A. You realize, this is all brand new to me and you fellows have been
around and have the background and the precedents and stuff like that.
I am more than glad to cooperate with you and I will have McReynolds
find out if we can release it. If it can be done, it will be done
tomorrow or today.

Q. Mr. Secretary, will you be away over Christmas?

A. Yes. I am leaving Friday afternoon; going up to the farm and
stay there until Monday night with Mrs. Morgenthau and the three
children.

Q. Is there anything new in the proposal to transfer the Coast Guard
to the Navy?

A. Just what the President said yesterday. That's the last word.
Mr. Gaston: The President said nothing has been decided; that it was under consideration.

Q. Mr. Secretary, has any consideration been given as to what you are going to do about Liberty refinancings; that is, those that were not exchanged?
A. That's next April.

Q. Then you will have to do something before April.
A. Gosh, we have so many worries that I haven't given it a thought.

Q. When is your next refinancing?
A. I can't answer that.

Mr. Morgenthau: Do you want to see me Tuesday or Wednesday?
A. Tuesday, in the afternoon.
December 26, 1933.

PRESS CONFERENCE — MR. MORGENTHAU

Q. Mr. Secretary, are the mints ready to receive silver today?
A. I believe so; I am not quite sure.

Q. Will we get periodic reports on the progress of the mining?
A. Yes; just the way they give out how much gold they buy; what they do weekly.

Q. That will have to come through here, from this Department?
A. Yes. What I will try to do will be to have it for you, say once a week.

Q. Mr. Secretary, have you signed the regulations yet for governing the silver operations?
A. Everything has been taken care of. I was told by the Mint that they would be ready today. I hope that is right.

Q. Will we get the regulations tonight or tomorrow, Mr. Secretary?
A. Yes. There is no reason why you should not have them.
Mr. Gaston will dig them out for you. I'll be glad to let you have them.

Q. Mr. Secretary, how will this affect the supply of silver for jewelers and silversmiths.
A. I don't think it will affect them.

Q. There is plenty of silver in the market?
A. I think there will be plenty of silver left. I think you can buy the child a silver spoon or a wedding cup.
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Q. Mr. Secretary, did you buy any Governments last week?
A. Oh, yes! For the investment account, $7,910,000 and for the sinking fund, $8,600,000, and we got another account. I can't give you the technical title, but General Hines came over and he has some money to invest in connection with soldiers' insurance and he asked if we might invest that for him. Soldiers' Insurance Fund, I think it is. That gives us a fourth account that we are investing funds.

Q. How much is available in that fund?
A. I think about 2½ million dollars at present. The money is coming in all the time, and he said he will have about 2½ millions.

Q. Could you review what the other three are?
A. Farm Credit Administration, Deposit Insurance and Postal Savings.

Q. Mr. Secretary, are the purchases of silver to be limited or will all that is produced come in?
A. All newly mined silver.

Q. Mr. Secretary, the last time, I think, that there was an average price here of around 54 cents, the country produced about 60,000,000 ounces of silver a year. If production again, in response to price rise, reaches a total like that, will the Government still take all that comes in or would that cause a reopening of the question?
A. This is a part of a four year commitment.

Q. The commitment was for only 34,000,000 ounces a year.
A. No, I think if you will read it, it said "all newly mined silver."
Q. But it said not less than 24,000,000 ounces.
A. It said, "Not less than 24,000,000 ounces a year, but all newly mined." Our part of the agreement was to take 24,000,000 ounces off the market, but in the President's proclamation I think it said "all newly mined silver."
Q. It did not commit him for any particular period.
A. But the understanding was four years, but he can modify it.
Q. At his press conference he suggested it might run 10,000,000 or 15,000,000 ounces more.
A. He could limit it to 24,000,000 if he wanted, but as it stands — I think I am correct — it is not less than 24,000,000 and all newly mined silver.
Q. Mr. Secretary, what do you expect these mining companies to do with these silver dollars that they will get?
A. It has been suggested that they may give them to the miners.
Q. Do they have to take them or can't they take silver certificates?
A. Oh, yes, they have got to take the silver dollars.
Mr. Ballie: Silver dollars are the fashionable thing to use where those mines are located.
Q. How long before they will come back to the Treasury?
A. I don't know. I think they will stay out there.
Q. Just give silver dollars to Government employees; that will get them out.
Q. It won't be long before they get here.
A. Silver dollars? I don't know. It seems to have been very well received.
Q. They tried that two or three years ago and it wasn't long before it all got back in the Treasury.
Mr. Gaston: There's a lot of it in circulation in the West. You get silver dollars around Portland and Seattle as often as you do dollar bills in change.
Q. They are very handy in faro or a roulette game.
Mr. Secretary, you have been watching the course of Far Eastern currencies since this particular announcement?
A. Not particularly. At the press conference the President expressed a hope of agreement on other bases besides silver. Of course he meant gold. What can you tell us about that? Have you any moves on foot about that?
A. I should have adjourned two minutes ago.
Q. What kind of a movement could that be?
A. I haven't the slightest idea.
Q. Have you any moves afoot looking toward such an agreement?
A. I can't answer that.
Q. Have you been informed of what took place at the Federal Reserve meeting last Friday night?
A. No. You see, they don't let me sit with the Federal Reserve so I can't find out what's going on, but that's off the record.
Q. Do you have any suspicions of what went on?
A. Yes. I read in tonight's paper that they are getting some statistics on business. That's what they were doing Friday.

Q. We thought they were figuring how they could save their gold. (No answer.)

Q. How many banks will fail to qualify for deposit insurance?

A. I haven't the figure, but I can get it for you.

##
December 29, 1827.

Mr. Congressman: I beg to state the petition of the Director of Printing and Printing and Stationery, which I have received from him.

Mr. Speaker, this is the Director's letter, which I have received from him.

I write to you on the 29th of December, and I have received a letter from the Director, which I have enclosed with this letter.

In the meantime, I have enclosed a letter from the Director, which I have received from him.

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December 29, 1933.

Mr. Morgenthau: I had to show Jim Farley’s children the money in the Treasury. Yesterday they saw the Bureau of Engraving and Printing and today the vaults and gold.

Q. Mr. Secretary, does the Treasury plan soon to call in the Federal Reserve gold or can you do that without legislation?

A. We plan to do just what we said we would in the paper this morning.

Q. I know you plan to do that, but you may be planning to do something else.

A. We are on a 24-hour basis here.

Q. Could you revalue the dollar and let the Federal Reserve gold stay where it is?

A. I can’t discuss that sort of thing and I am not smart enough to try to bluff you.

Q. After the last order yesterday, how does that stand? Is the finder of a $5.00 gold piece liable to a fine and a year in jail?

A. The old order stands and this is supplemental. The real meaning of that order yesterday is just this: we put on a double penalty which was provided in the law and it’s just a mopping up of odds and ends.

Mr. Gaston: The President’s order was issued under the first section, and provided a fine of $10,000 and ten years in jail. This order is issued under the second section which makes him liable to forfeiture
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Mr. Gaston: The President's order was issued under the first section, and provided a fine of $10,000 and ten years in jail. This order is issued under the second section which makes him liable to forfeiture
of double the amount of gold --

Q. Mr. Secretary, have you any idea how much gold altogether may be still outstanding?

A. I think there are several millions of dollars.

Q. Can we quote you and say "It is a mopping up at the end of the year."

A. Yes, you can.

Q. Maybe you will start a new prosecution against Campbell in New York. I am not certain the case has been terminated.

A. They were not able to win their case against Campbell, but with this new order if they want to bring it again they can get people like Campbell. The way it was fixed we could not get Campbell.

Q. When is the deed line for clearing this?

A. Immediately.

Q. Suppose somebody finds a gold certificate in his truck twenty years from now. Would it be worthless?

A. Do you lay any stress on that question?

Q. Just trying to get the significance of it.

A. I mean business. If a fellow or his grandfather digs up a thing like that, that's an unusual case; but this order means business and we are going after a couple of million dollars lying around that they haven't turned in.

Q. Have you any plans by which you think you can reach possibly the thousands of little fellows?
A. We are not worrying about the little fellow. It's the big ones.
Q. I would like a little guidance. This Banking Act refers to partnerships, associations, individuals, corporations. The Federal Reserve Bank is not supposed to be legally a corporation, but in legislation naming a corporation like that is it usually construed by Courts to be broad enough to include Federal Reserve Banks?
Mr. Gaston: As to this order, the Federal Reserve Board is specifically excepted.
Q. This order did not make any exception to ear-marked gold, but I suppose that still stands in a classification by itself.
A. Yes.
Q. And it has nothing to do with your gold buying policy?
A. There is nothing back of it except we believe there is several millions of dollars worth of gold in banks and other places who have not taken this order seriously and we are just going to go after them. It's this kind of people we are interested in; not the little fellow who has around $50 or $100 worth of gold. The drive is not against him; it's against the fellow with more than $10,000.
Q. But, of course, now he does come into the picture.
A. He does, but the drive is not directed against him, but against the big fellow.
Q. The circulation sheet shows maybe $400,000,000 out. I assume that lots of that is lost and been taken out of the country.
A. Yes; that sort of thing.
Mr. Bailie: No doubt about the fact that there has been certain
drainage of gold from here for burial in French backyards. You can't trace it.

Q. Then it's practically impossible to tell how much gold is out?
A. Absolutely.

Q. Mr. Secretary, I have grievance. I called up one of your officials and asked him where he was born, for the purpose of identifying him, and he said he could not tell me; that it was against the rules; that I would have to ask Mr. Gaston.
A. Who was the official? That is perfectly stupid! The grievance, I hope, is not against me.

Q. But I haven't got the information yet.
A. Who was this official?

Q. Mr. Ellis. The reason I was interested in it was because the White House announcement said "Ellis of St. Louis." Apparently out there they had never heard of him and wanted some of his history.
A. I don't blame you, but don't charge that up to me.

Q. Mr. Secretary, I have another grievance. I think Mr. Gaston should have two telephones.

Q. So often we get stuff late in the afternoon without warning. Anyway we got your very complicated release at 5 o'clock for immediate release. My wire closes at 6, and I don't see why that stuff could not be held up until the next day.
A. I had to wait until the market closed.
Mr. Morgenthau: Last week for the sinking fund we bought $8,300,000 and for various investment accounts, $3,550,000.

I got an awfully nice telegram from Mr. Woodin which I would like to read:

"My great affection and congratulations to you, my dear Henry. And that you will make a great success is the sincerest wish of William H. Woodin."

I thought it was pretty nice.

Q. Mr. Secretary, can you give us anything on silver purchases as yet?

A. No, I cannot. We will as soon as we have it.

Q. How does your commodity price index look now, Mr. Secretary?

A. I haven't had a look at it this morning.

Q. Could we have the figure as you gave it to us a couple of weeks ago?

A. It's a little better; I don't know exactly what it is.

Q. Mr. Secretary, do you contemplate any change in personnel or policies?

A. I have no changes in mind.

Q. Mr. Secretary, there have been some sort of vague, indirect rumors -- not rumors, intimations -- in news reports recently of the possibility of the creation of a central bank; consolidation for Federal Reserve and its twelve banks into a central bank. I assume if there were anything like that in contemplation you would not
want to talk about it. Is there anything you want to say?
A. Only that I am not working on anything like that.
Q. Could you say that anyone is working on it in the Administration?
A. I can only speak for the Treasury and I can say no one in the Treasury is working on it.
Q. You would not want to say whether you are in favor of such a project?
A. No, I would not.
Q. How are they coming in balancing the budget? I see Mr. Gallatin is not hanging straight!
A. I have great trouble keeping the old man straight! I think you will have to go down to the end of the hall and see the Director of the Budget on that.
Q. Has any new money been allocated for gold purchases?
A. No.
Q. Have you given any thought to the appointment of an Under-Secretary?
A. No, I have not.
Q. When are you going to attend your first Federal Reserve Board meeting, Mr. Secretary?
A. I don't know. I don't know when they meet.
Q. I notice in some of the papers that you will practically run the Board from now on.
A. I think I have plenty to do right here.
Q. How about Mr. Bailie?
A. On the Undersecretary there is no change in the understanding between Mr. Bailie and myself as to what it was when he originally came down here.

Q. Was there a definite time limit set there as to how long he thought he could stay.
A. He just came down to help me out for an indefinite period.

Q. Have you thought of a successor to Mr. Cummings?
A. In the first place, I don't know that Mr. Cummings is intending to resign and, in the second place, the appointment is not mine; it's a presidential appointment. He is not responsible to me. He is responsible to the President.

Q. I thought it was a Treasury appointment.
A. I don't believe so.

Q. I thought he was Executive Assistant to the Secretary of the Treasury.
A. As far as Mr. Cummings is concerned, I feel just as I did a couple of weeks ago -- the longer he stays, the better I am pleased.

Q. Is Tom Smith going to stay indefinitely?
A. Tom Smith is the same way -- that he is here on an indefinite basis and the longer he stays, the better I am pleased.

Q. Mr. Secretary, has the matter of new revenues, which was not touched upon either by the Sub-committee or by you previously, been opened at all?
A. No, we have made no recommendations.
Q. Mr. Secretary, I just happened to pass Senator Borah in the hall. Did you see him this morning?
A. No, I did not. Any other senators?
Q. He was the only one I saw.
A. I have a little news, just on organization. Beginning with next Monday, the storekeepers and gaugers -- do you know who they are? I did not either. They are the fellows who go in and test the alcohol in the various distilleries, representatives of the Internal Revenue in the various distilleries, keep track of how much they do. Beginning next week they are all going to be shifted. We are going to shift them every 90 days.
Q. To keep them honest?
A. Well, we think it's this, that they ought to broaden their experience.
Q. Do they test alcohol or measure?
A. They test and measure it before it goes out.
Q. How often will they be shifted?
A. They will all be shifted Monday. After that, every 90 days.
Q. How many of them are there?
A. There is a lot of them. At least several hundred.
Q. Do you know how many warehouses there are?
A. I don't know that, but I should. This comes directly under Bliss and you can ask him any questions. He is going to do it with as little hardship as possible, but if a fellow has been on one detail for a long time, after Monday he will be on another. On the
17th we are having all the collectors of internal revenue and agents come in for a two-day conference and then the week following we are going to have the Customs and the week after that, Narcotics. What I am going to do is, each week, I am going to have the head of the different bureaus come in from the field and have a chance to get acquainted and have a chance to talk with them. And so each week, until we have had them all in, we will have a group each week. The ones I have scheduled is the one for Internal Revenue Collectors and Agents; the week after that, Customs, and the week after Customs, Narcotics.

Q. That is, to get acquainted with them?

A. To get acquainted with them and let them know what we expect of them.

Q. Do you have any special instructions in mind for your Internal Revenue collectors?

A. We are working out a quota for them on back taxes and we are going to show them what the back taxes are for their district and we will have it up on a blackboard and have a quota for the next six months and one for the following six months. We will see what percentage they will be able to collect in each district — kind of have a little rivalry. There are over $800,000,000 of these back taxes and I think it is time we got down to business and collected some.

Q. Will there be any prizes?

A. A silver cup!
Q. Is that the reason for the meeting this morning?
A. No. This morning was a staff meeting, which we have once a week and normally I have it on Monday, but I could not have it this past Monday because that was New Year's, and Tuesday I appeared before the Appropriations Committee and yesterday I was before the Finance Committee, so it got down to today. I have a meeting once a week and I ask all Bureau heads and all Assistant Secretaries to meet me once a week and they have a report which they make for the week previous. It gives everybody a chance to know something about Treasury business and the people come to like it and I like it. It gives these people a chance to tell what they do and get the credit for it and also to let me know and everybody else. A lot of people have no idea of the activities of the Treasury; it's so far-flung.

Q. That will continue?
A. Oh, yes; once a week. If I am called up on the Hill I can't always have it, but the idea is to have it every Monday morning and out of that I hope to get some done to give you fellows Monday afternoon.

Q. Mr. Secretary, any silver figures?
A. No. I asked the Mint people and I have told her to get them in every Monday at noon so that Monday afternoon you will have what has happened the week before. I will be able to announce every Monday afternoon what we have done the previous week.
Q. Anything on Mr. Bailie?
A. Mr. Bailie, Mr. Tom Smith and Walter Cummings are the ones you want; the status is exactly the same; nothing new on any one of the three.

Q. There was a story on the Hill yesterday that Mr. Bailie is going to leave in two weeks.
A. All I can repeat is the status on all three is exactly the same; nothing new in regard to any one of the three.

Q. Anything you can tell us about your financing plans?
A. Nothing, except that the President put me here to do a job and I am confident that we are going to be able to raise the money that we need.

Q. You don't know how soon you might have to begin?
A. We will have to begin right soon.

Q. That is, before March 15?
A. I will just say we will have to begin right soon.

Q. Before February, you mean?
A. As the children say, "you are getting hot."

Q. Will that financing take the form of a patriotic drive, Liberty Loans if necessary, or is that being considered? Any baby bonds?
A. No definite plans have been considered.

Q. Not even the type of issue?
A. No.

Q. You seem to have made a "home run" up with the Finance Committee
yesterday, Mr. Secretary.

A. Thank you.

Q. Do you care to express any views about reaction to the President's budget measure, in the way of how it might affect your financing plans?

A. I would say that the reaction has been very good. The financial markets, you might say, were disturbed absolutely a minimum.

Q. You mean the reaction was good in the markets?

A. Yes. You might really say there was no disturbance of the market at the end of the day. I believe Governments on an average were off 2/32. They go up and down 2/32 any day and my conclusion is that the financial world received it very well.

Q. Some of the New York papers attributed the steadiness of the Government market to official purchases.

A. We didn't do anything abnormal; didn't have to.
Mr. Morgenthau: Since the order of December 28 was put into effect, the amount of gold coin turned in amounts to $1,032,827; gold certificates amount to $1,757,600, and bullion, $19,575, or a total of $2,810,002, which looks as though this order was going to work.

Q. Mr. Secretary, do you know whether those were in large quantities or is it the little fellow who is coming through?
A. I don't know; it was reported to me just the way I gave it to you.

On silver, for the first week, 1,167 ounces. Of this 322 ounces were at San Francisco and 765 ounces at Denver.

Q. How much money does that make?
A. Multiply it by 64½ cents. And divide by 2.

Q. I know that. I am very poor at mental arithmetic.
A. This week for the sinking fund we bought an even $10,000,000 and for our investment account we bought $34,713,000, and the reason that is larger is on account of the lot of money coming in to Federal Deposit Insurance. As a matter of fact, two-thirds of this was for Federal Deposit Insurance. They have a lot — at least $300,000,000 they are very anxious to have invested.

Q. Mr. Secretary, if it's a proper question, how much reserve in cash will they have to carry?
A. I don't know.
Q. It's a question largely of curiosity.
A. I am not stalling you. I just don't know. I don't know how they figure it out. Of course, they have to have a goodly amount on hand in case there should be a call. They have been very anxious to get this money invested.
Q. Anything to say, Mr. Secretary, about filling your former post of Under Secretary?
A. No.
Q. Have you been asked to recommend anyone for it, Mr. Secretary?
A. Who would ask me?
Q. The President.
A. I have discussed it with him, but we haven't got anywhere on it.
Q. Does that also include the position of Assistant Secretary, Mr. Secretary?
A. We have discussed both positions, but we are nowhere near coming to a decision.
Q. Can you tell us anything about your price chart on gold purchases, Mr. Secretary?
A. You got me once on that. I fall for that once. I will refer you to Dow Jones. As a matter of fact, it looks pretty good today, but next week it might not. I am not going to fall for it twice!
Q. Any changes in personnel in sight, Mr. Secretary?
A. Nothing.

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o00-o00
January 22, 1926

Dear Mr. Responder:

We have received the letter you sent.

I thought you would be interested in this subject, but I just

must be quick today. (Note: information on [Invisible name])

There are some interesting topics about what we

can learn in this field. It should be brought to the attention

by a variety of experts concerned. We need more

research in this field. Furthermore, your time is going to

apply to somewhat similar fields concerned with

symmetry, etc. This will help us all grow in knowledge.

I thought you might be interested in knowing we are [Invisible name] to

undertake this problem. If you have any suggestions, we

would love to hear your input. But, in the

meantime, signs are that the whole field moves in the

same direction. The amount of issues they could arise from a way that

would involve a great deal of input and so there the answer

may be located in the same way they were thinking it.

They could speak of the volume to the end at every

child bring in a little. (Note: information on [Invisible name])

I think it was quite interesting to have that [Invisible name].
January 11, 1934.

PRESS CONFERENCE

Mr. Morgenthau: We have set up a little liquor store here. I thought you would be interested in this exhibit, but first I want to read this: (Read "Information for the Press - 1/11/34").

There are two interesting things about this. The first thing is that this should be brought to our attention by a retail liquor stores association, showing times have changed a little bit. Furthermore, that this is going to apply to everybody alike—the plain, garden variety of American citizen, like you and me, and also the diplomatic. The idea of the one bottle is this: we want to make it workable and forceful. If a fellow has a bottle in his bag, we are going to let him bring it in, but if he has a whole case, it does not mean the whole case comes in free. The amount of liquor they could bring in a year that way amounted to a great deal of money and we think the Government is entitled to the taxes and they were abusing it. They would count up the children in the car and every child bring in a bottle. They just simply abused it. I think it was quite interesting to have that Association,
Q. How about the diplomatic service?
A. That regulation is being approved, but it will apply to the diplomatic service. The American diplomat returning home can bring in his household goods, which he has accumulated, free, but we don't consider liquor as part of his household goods.

Q. It would not apply to foreigners?
A. No. Golly! Make that plain!

Q. Mr. Secretary, would a foreign Government which has made a partial payment on its debt be considered in technical default? (Not particularly for quotation.)
A. I don't know, but my guess would be "Yes," but I would want to check up on that. Anybody that does not pay in full, my guess would be, he is in default.

Q. What is the change relative to tobacco?
A. Just that it has to be an adult. Don't see why children should bring in 50 cigars.

Mr. Gaston: It was adults as it applied to non-residents; now it is made adults.

Q. What is the tea change? Any change there?
A. No change there; just repeated it as part of the order.

The other thing is that I have been around in the Department and we are not going to have any of the people working consistently overtime any more. That does not mean that
occasionally somebody has to stay half an hour or an hour overtime to clean up some emergency job. If they want to volunteer to do it, all right. But this consistent overtime has stopped. I have stopped it. I am very glad that the papers — your paper — brought it to my attention; very glad that they did. And wherever it is necessary, that the present day shift can't take care of it, we are going to have a night shift.

Q. Beginning tonight?
A. Whenever it is necessary. There will not be any more consistent overtime work.

Q. Where will they get these employees for the night shift?
A. Off the Civil Service list.

Q. What will that be, from four to ten?
A. I don't know; whether the regular night hours are. We are certainly not going to have people consistently working overtime. Occasionally, if they want to volunteer to stay half an hour or an hour to clean up, I don't think it's any more than they should do, but to do it consistently, I am 100 percent opposed to it.

Q. This will mean more reemployment?
A. Yes.

Q. How many employees?
A. Several hundred more, I guess.

Q. Three hundred?
A. Easily.
Q. There is some talk about the Civil Service not having that many.
A. Well, we will get them. I have always found ways to get them and I don’t suppose it’s any different here than what it was in Albany. If we had to get them, we got them, and we certainly will do it here.

Q. Salt Lake City thinks you are going to give a job to Marriner S. Eccles. Can you say anything about that?
A. I would appreciate it if you would give me another 45 hours on that.

Q. He has not arrived yet?
A. Whom?
Q. Eccles.
A. They say he is on his way home.

Q. I saw a Mr. Clark mentioned. The same 48 hours on that.
A. If you would it would help me, but if you have to print something, you can say he is here doing special work on income taxes; helping out on some extra difficult income tax cases on a temporary basis.

Mr. Gaston: Professor John Clark, of Denver.

Mr. Morgenthau: Do you have to use the Professor, Herbert? Make it Cheyenne, Wyoming.

Q. There is another report that H. C. Bennett of the Federal Deposit Insurance Corporation may be named to succeed Walter J. Cummings.
A. That’s not in my alley; that’s an independent agency responsible to the President.
Q. Do you plan to designate the man named to succeed Cummings as an Assistant, in the same manner as Cummings was designated?
A. No.
Q. Will Mr. Smith take over Mr. Cummings' duties here in the Treasury?
A. No; entirely different.
Q. The office will be abolished?
A. Yes, it will be abolished.
Q. Mr. Secretary, is there any other way you can get these employees without going to Civil Service?
A. I don't mind, if you want to, step in and ask McReynolds. It's his job to get the people, by hook or crook, but to get them. When the Civil Service does not have a list, I don't know how he gets them, but he will get them.
Q. What department will most of those 300 go into?
A. Practically all of them go in this building where they write CWA checks.
Mr. Gaston: 119 D Street, H. E.
Mr. Morgenthau: That's where most of the trouble is -- in the Accounting Division of the Treasurer's Office. It's so silly to be writing checks for the unemployed and take another group and sweat them to write checks when the whole purpose of CWA is to give employment. Somebody just didn't use his brain.
Q. Mr. Secretary, the Internal Revenue honored me yesterday for the first time by sending me an income tax return through the mails. Any significance in that? Are they going out in the by-ways and highways to solicit taxes?
A. News to me. I am glad they are on the job. If they are really going after it, that's fine.

Another thing: I have issued instructions that as long as there is any woman working in any Treasury Department there must be a trained nurse on duty.

Now as to this little story. This is the exhibition which sold me on the idea of why I was in favor of opening up the doors for liquor for 30 days, and I think, Captain Bliss, if you will take the chair and let the fellows see what we have here.

Captain Bliss: I think there are some glasses here; you may want to sample these.

This is the green liquor made by moonshiners. You might smell that. This is green whiskey made by distillers. The operation is the same and in most instances they make it out of the same thing; sometimes from grain; sometimes from molasses, and sometimes from cornmeal. What the bootleggers usually sell is made from cornmeal and sugar, rather than from grain.

Here's moonshine that has been seasoned in the wood.
And this is legitimate liquor. Both seasoned in wood. I will explain why this is important in Mr. Morgenthau's estimation.

Q. I assume this is the first liquor tasting party ever staged here.

Mr. Morgenthau: This is a unique press conference.

Captain Bliss: As a matter of fact, I have not tasted these, but moonshine liquor after it has been put into a barrel (a charred kag) and kept for 6 months, it takes a discerning taster of liquor to tell the difference between bootleg liquor that has been kept comparatively long and one that has been kept considerably more than a year, because after it has been in there a year the charcoal takes up the fusel oils and the esters and you get about the same color. It ought to be at least this to lose what we call "slop over."

They blend whiskey in two ways. They will take alcohol and blend it with a base of old seasoned liquor. Then what they have done, they have started blending the new liquor with the old liquor as a base and they have been putting in a very small quantity of old seasoned liquor.

Mr. Morgenthau: About 5 percent.

Captain Bliss: They were supposed to put in more, but the highest we have found is 5 percent, although I understand some is 10.
Q. You mean the legitimate distilleries?
A. Rectifiers.

Mr. Morgenthau: But the stuff they are selling on the market now is running from 1 to 5 percent real liquor.

Captain Bliss: And the rest is either alcohol or green whiskey. If they would stick to alcohol it wouldn't be quite so offensive, because it's highly refined, but the new whiskey have all these elements in it that gives it this terrible odor and terrible taste.

Mr. Morgenthau: The grain distilleries are working absolutely at the maximum. They are producing everything they can. I thought by letting them supply alcohol from molasses would give them a cheap supply of alcohol which they haven't now and letting in American whiskey would give them a decent liquor on a 50/50 basis. We want to break the bootleg ring which still has the country by the throat.

Captain Bliss: By reason of high prices and poor quality.
Mr. Morgenthau: Also we are interested, from the Treasury standpoint, in revenue. But it has been an impossible situation with people paying high prices and getting absolutely foul stuff and this is the kind of stuff they are getting.

By opening up the doors we can get in some decent whiskey and some decent alcohol to blend it with and by doing that we will do two things, break the bootleg ring and collect revenue.
Q. You get the alcohol from this country?
A. Grain distilleries, but they are working to the maximum. They are producing every gallon they can from grain. There isn't enough to go around of legal, pure alcohol. In order to get an additional supply, they have been given a 45 day permit -- Agriculture has given them a permit -- to manufacture alcohol from molasses. That gives us an additional supply. How much do you expect that will be?

Captain Bliss: They have in stock right now about 14,000,000 gallons of molasses alcohol.

Q. In other words, that can be turned into the trade today?
A. Immediately.

Q. Do they have to have a permit to manufacture more?
A. They want to continue to keep the grain distilleries working at full time and that's why they are only letting the permit run for 45 days. If at the end of that time, grain distilleries are still working at capacity and cannot take care of things, then they may extend the limit, but if at the end of 45 days the grain distilleries begin to have a let-up, then they will shut down on molasses and again make it exclusively of grain in order that the maximum amount of grain will be used for this purpose.

Q. Will 30 days be long enough for imports?

Mr. Morgenthaler: The reason they have gone into this thing is
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Q. Will 30 days be long enough for imports?

Mr. Morgenthau: The reason they have gone into this thing is
because of this exhibition which our chief chemist, Mr. Beyers prepared, and it's on that thing that I felt the situation was such that it was impossible.

Q. Section 3 of that order refers to other whiskies. Is that a lift on Scotch whiskies and things like that?

(Captain Bliss)

A. No, only American type which can be used in this blending.

Mr. Morgenthau: It's Bourbon and rye. We had a situation where there was not enough good alcohol and not enough good whiskey so the average stuff was 20 to 1. Due to high prices the bootlegger was about as strongly entrenched as he had ever been, so we thought that by letting in this supply and releasing the molasses alcohol we would give the people better liquor at cheaper prices and get some revenue for the Government. I think that sums it up.

Q. Is it permissible now to import rum made from cane molasses?

Mr. Morgenthau: I don't know.

Captain Bliss: They only let it in under permit. That's under the import quota. That's controlled by FACA.

Mr. Morgenthau: I am only interested in this from a revenue standpoint.
January 15, 1934.

PRESS CONFERENCE -- MR. MORGENTHAU.

Mr. Morgenthau: I have several things. What I will do first is the thing I always do each week. And then we prepared a memorandum, not for quotation, but to assist myself and assist you in an interpretation of what has happened today and the mimeographed copies of this will be finished in a few minutes and I will start. We will do the simple ones first.

The amount of silver bought last week was 547 ounces. We bought $33,868,000 of Government bonds and, again, half of that was for Federal Deposit Insurance.

The amount of gold we have taken in altogether has reached almost $7,000,000. Distribute these copies around. I am sorry we did not have time to mimeograph it, but it came in at the last minute.

Q. It will remain where it is?
A. I imagine it will be gradually transferred into United States Treasury vaults.

Q. In this building?
A. Not all here -- Denver or New York; different places where there are mints; where there is storage space available.
Q. But eventually you will take it all over from the banks?
A. We will take it over in an orderly fashion; gradually take it over until we have it stored in the mints.
Q. What are the legal provisions regarding the redemption of gold certificates? Apparently a lot of this machinery contemplates the issuance of gold certificates. Under the law, one of the Treasury’s obligations is to redeem in gold.
A. You mean new certificates?
Q. Is there a new form of currency set up in this?
A. There will be. You mean the gold certificates we are going to give to the Federal Reserve Banks?
A. That will be a new type of currency?
Mr. Oliphant: We will have to print some. Follow the old form.
Q. Will there be a redemption law? With the old gold certificate you could have presented it and demanded payment in gold.
Mr. Oliphant: The gold certificate never was a warehouse receipt. It is backed by 100% gold collateral, but it never was a warehouse receipt.
Q. I see. The President, this morning, said there was no legal authority now existent for the issuance of money against whatever increment in gold might accrue from devaluation. Is that true or doesn’t the Treasury have the power to issue gold certificates?
Mr. Oliphant: He meant gold certificates.

Mr. Morgenthau: The gold certificates would call for bullion rather than dollar value.

Mr. Oliphant: They always have called for dollars; never for ounces.

Q. Those won't circulate, will they?

Mr. Morgenthau: No; they will not.

Q. Can you tell us something about how this $2,000,000,000 fund will be operated. Will it be a revolving fund?

A. It will be a revolving fund as we use it. It will be used at the discretion of the Treasury, and, naturally, taking advice and, as long as I am here, I certainly would discuss it with the President.

Q. Will there be a separate Board within the Treasury to handle that?

A. No.

Q. Will there be new currency issued against the remaining $2,000,000,000 in profits?

A. I don't know.

Q. Can you say what will be the disposition of the additional profit?

A. No; the President did not say this morning.

Q. There is no provision in the law for converting additional profits into currency?
A. You could issue currency against that profit if you wanted to.

Q. What kind?

A. Gold certificates.

Q. What sort of currency will the stabilization fund use and what is this $2,000,000,000 to be composed of?

A. It will be the same kind of currency that we have now.

Q. They wouldn't get gold though?

A. No. It will be the regular kind of currency -- whatever we have now.

Q. Might you use the Federal Reserve as your agents, merely giving them more gold certificates to set up a credit and operate the stabilization fund?

A. No; for the gold we take over from them we give them new gold certificates, but besides that, this $2,000,000,000 fund will be used. It may never be used. The very fact that it exists may be sufficient.

Q. Might the Federal Reserve be your fiscal agents in the distribution of this fund?

A. We are using the Federal Reserve of New York now as our fiscal agent and they have done a splendid job for us. In the question of any foreign exchange operation I would certainly expect to continue to use the Federal Reserve of New York as our agent.
Q. In a foreign exchange operation would they use gold or gold certificates?
A. They simply would settle at the end of a definite period—two weeks or a month.
Q. That was what I was trying to get at. If you have a deficiency that has to be made up, you issue gold certificates from your $2,000,000,000 fund to that reserve bank?
A. No. We just issue regular gold currency in gold certificates. They would simply use that in payment or we could settle in gold abroad, in bullion.
Q. The $2,000,000,000 profit might be used to retire that much public debt?
A. It could be.
Q. Could that be done without any further authority?
A. Yes. That is, if there were devaluation that gave you as much money as you mentioned, the Government's portion of the gold could have gold certificates issued against it and those certificates could be used for any lawful purpose.
Q. The President estimated it would run between 3 1/2 and 4 billions.
A. If it is 60 cents, it will be $3,400,000,000 and if it is 50 cents it runs a little over $4,000,000,000.
Q. We had a little bit of trouble. We can only figure $2,900,000,000 on the 60 cent valuation.
A. Maybe there is something wrong in mine. They told me
it was $3,400,000,000.

Q. Do you know what is supposed to be the total supply of gold in the country.

A. Herbert, you had that.

Mr. Gaston: It is roughly $4,000,000,000 altogether. As of December 31 there was $2,621,300,000 in the Federal Reserve System and $1,393,700,000 in the Treasury, but against that Treasury holding there are gold certificates outstanding of $1,162,200,000. The total monetary gold stock as of December 31 was $4,322,900,000, from which you must deduct $311,000,000, or nearly that much, as outside of the Federal Reserve System and the Treasury -- that is, uncaptured gold; so it amounts to almost exactly $4,000,000,000 of captured gold.

Q. On that basis would the 60-cent dollar be $3,200,000,000 profit?

A. That's right.

Q. What are the restrictions that apply on purchases of foreign securities and currency that did not apply before the President's Executive Order of today? In other words, all foreign exchange transactions.

A. There are two Executive Orders. One cancels the previous Executive Order on foreign exchange and sets up a new one which we think is a little bit better, so we can control foreign exchange operations through licenses if we want to.
Q. Didn't you have that authority before?
A. We did not feel it was satisfactory, so we cancelled the old one and set up the new one.

Mr. Oliphant: For the moment you are continuing existing orders, but the new order gives you more power to widen as you like.

Q. Paragraph 9, regarding the purchase of gold to maintain equity of value between all forms of currency. I would like to have that explained.

A. The best way I can explain what we are trying to do is to use wheat as an example. If you wanted to maintain the wheat market and you only were limited to buying cash wheat you would not get very far, but if you were able to sell wheat futures in Chicago or Liverpool, it would give you the opportunity to do the whole thing. And what we are trying to do here is to get every piece of machinery that other countries have to operate in foreign exchange. We want to be able to buy gold or sell gold, or buy and sell foreign exchange. In other words, be able to do anything that anybody who is manipulating foreign exchange or gold price is doing now.

Q. To whom would we sell gold?
A. We might sell it to the Bank of England. We buy gold in every market and they sell it to us. Why might they not come over and want to buy it from us.
Q. Are RFC purchases going to be abandoned?
A. As of today.

Q. At what price will you take over their gold? Do you have any idea?
A. No. The way this bill is drawn up we take it over at the same price as from anybody else.

Q. They take a loss?
A. That's the way the bill is drawn. Anybody been to see Jesse?

Q. He came storming into the White House this morning.
A. I want to say he has known it, but he has not had a press conference yet.

Q. What is this $2,000,000,000? Why was that figure selected? What is the basis for it?
A. We figured that $2,000,000,000 was a figure that we might need. It's about the same as the equalization fund that the British have and we figured that if we are going to play this game we ought to have as many good chips as they have, and that's about as good a reason as I can give you.

Q. Why was 60 cents used as the upper limit?
A. We have talked with a great many people and we felt that after a good deal of discussion -- this has been going on for weeks -- the best advice we could get was that 60 cents should be the upper limit.
Q. That would permit variation between 50 and 60 cents?
A. That's the best advice.

Q. You could go up or down between those prices?
A. Between 50 and 60.

Q. What changes will be made in circulating money through the operation of this rule?
A. None.

Q. These gold certificates that are to be issued, they are not to be added to circulating money.
A. It's just a receipt we give to the Federal Reserve.

Q. And the Federal Reserve can --
A. -- continue to base their currency on that.

Q. If you issued gold certificates for the other part of the profit could you pay those out for current expenditures or would you need express authority?
A. I think we can.

Q. To pay Public Works, for instance?
A. I think so.

Mr. Oliphant: Practically, what you would do in that case, you pay for it through the Federal Reserve banks; the Federal Reserve would keep it and pay on its notes.

Q. In his message the President talked of possible redistribution of gold. Is that dependent on some future international stabilization?
A. I suppose through some trade agreement possibly.
Q. In this paragraph, "Provides that no currency of the United States shall be redeemed in gold except to the extent permitted in regulations issued by the Secretary of the Treasury with the approval of the President but that gold certificates owned by Federal banks shall be redeemed at such times and in such amounts as in the judgment of the Secretary of the Treasury are necessary to maintain equal purchasing power of every kind of currency of the United States." 

A. The thought back of that is that this gold certificate we give to the Federal Reserve we obligate ourselves to keep it at par.

Q. At what par?
A. 100 per cent.

Q. In gold?
A. 100% of its face value.

Q. Which is gold.
A. Which is dollars.

Mr. Oliphant: "Purchasing power," that's what the thing says — that all currency issued by or under authority of the United States shall always have equal purchasing power. That just repeats existing law. Under existing law the Secretary of the Treasury is bound to maintain all currency of the United States at a parity.

Q. When do we start to revalue?

Mr. Morgenthau:
A. That will have to come from the President.
Q. What kind of receipt into the Treasury do you call $4,000,000,000? It isn't taxes. It isn't customs.
A. It's just out of the air. My good luck.
Q. Would it be carried in the cash fund?
Mr. Oliphant: The law provides that it shall be carried in the general fund of the Treasury.
Q. Do you regard it as inflationary?
Mr. Morgenthau: I don't like that word.
Q. If covered into the general fund, does the President have authorization to spend it?
A. He has to have authorization.
Q. Didn't I understand this could be used for public works or other expenses?
Mr. Oliphant: It can be used, but first you have to have an appropriation to spend anything. You have the general fund of the Treasury. Charged against that fund are all appropriation bills that have been passed. You can pay out of the general fund against any appropriations that have been made. The money would have to be appropriated.
Q. At the press conference the President discussed international stabilization somewhat. In the Treasury's opinion would an agreement with France and England alone, would that accomplish that?
Mr. Morgenthau: Yes.
Q. This paragraph about the possibility of redeeming some of these gold certificates to keep all sorts of currencies at par, that does provide a possibility for an indefinite amount of this gold to drift back if circumstances warrant?
A. No. In the first place, there won't be any more gold coins. It goes out of existence. It all becomes bullion, with these various orders, except for the use of the arts. The Treasury will be custodian for all gold in the United States.

Q. You could not pay with gold?
A. No. The Treasury is the only person who could pay with gold. That will be on settlement of international balances.

Q. What's the title of this system of currency? Has it a name?
A. The President called it the bullion system. Let's call it the Roosevelt system.

Q. Are we back on the gold standard?
A. No.

Q. Isn't this comparable with the French bullion standard?
A. I don't think so.

Q. Do you still plan to borrow $10,000,000,000 to meet the Government's cost?
A. We will put it this way: we will borrow whatever is necessary.
Q. That was the budget estimate.
A. Yes.

Q. Certainly some of this profit could be used.
A. The present program is to go out and borrow.

Q. Do you think international stabilization is any nearer than when the President sent his message to Congress?
A. I would rather not comment.

Q. If you fix the value of the dollar at a certain percentage that is stabilization.
A. Not necessarily. England and France may continue to do as they wish.

Q. This does not anticipate international stabilization?
A. This is a move to take care of our own dollar.

Q. But is it predicated on the idea of international stabilization?
A. I would not say so.

Q. Has the Bank of England definitely declined to enter into a stabilization agreement on the base which is now proposed — of the 60-cent base?
A. I would rather not answer that.

Q. You say you would not predicate this move on the international idea. You mean you would not care to discuss it?
A. This was not set up with that idea in mind. We have gone ahead and expect to run our own show.
Q. Do you think there is a possibility of international stabilization?
A. I can't answer that.

Q. Is it possible to have international stabilization when one of the biggest currencies is fluctuating at 60 cents or ten percent less?
A. I think so. If we came to an agreement we most likely could stop that fluctuation, but it's that very fluctuation which gives us that power.

Q. This is not a commodity dollar?
A. No.

Q. It's a variation between 50 and 60 cents and you said that was sufficient to affect the domestic prices.
A. I did not discuss commodity dollar.

Q. The commodity dollar would be hooked up to the commodity index?
A. No one has said that we are attaching this to the commodity index.

Q. You would require a public statement that you were hooking it to the commodity dollar?
A. The commodity dollar is not in any way attached to this program.

Q. It could be more or less conducted as a commodity dollar within this range of 50-60?
A. We could, if we want to, but there is nothing visible or invisible to do with the commodity dollar.
Q. Just what do you mean by purchasing power adjustment? Where would you get purchasing power if not from the commodity index?
A. You mean whether we would vary the price of the dollar between 50 and 60 cents depending upon what prices commodities are selling? My answer is you would call it managed currency.
Q. Would it affect our plans if France left the gold standard?
A. It could not help but affect it, because it would affect the price of gold.
Q. Is it possible to carry on such extensive operations in foreign exchange without some international stability?
A. We have been conducting pretty large operations for the past two weeks without any understanding.
Q. The Treasury begins tomorrow to buy gold direct through the Federal Reserve of New York? Is that done under existing authorization?
A. It's a new set-up, a new Executive Order.
Mr. Oliphant: But under existing law.
Q. Why does the Federal Reserve pay gold coin and keep newly mined gold? Is that a temporary arrangement?
A. It's an arrangement which is necessary in order to do it under existing law.
Q. This change in prices that you said would be affected, would that be affected by devaluation or by fluctuating possibilities that are between the 50-60 limit?
(Mr. Morgenthau)

A. Two things will happen. Prices might go up in expectation of devaluation and most likely they may go up after we devaluate.

Q. Do you look for a general increase in prices?
A. I am no prophet.

Q. Is there any information as to how long it would take devaluation of 40 cents to have a corresponding effect on commodity prices?
A. The only way I can describe it is there has been a series of steps, one after another, and so far we think they have been satisfactory. This is another step, and weeks and months will tell whether we are going to reach the goal which the President has in mind, and I can't tell. We wouldn't be doing it if we did not at least believe in it. As to what the results are, I am not smart enough to guarantee them.

Q. What is the goal?
A. If you read the President's radio speech of October 22, I will refer you to that. He said it a good deal better than I can tell.

Q. Do you think the immediate trend is toward international stabilization?
A. I don't know.

Q. How could you count on increased commodity prices without a new issue of currency?
A. Through the devaluation of the dollar.
Q. If new currency is not going to be issued, there is no direct effect on prices.
A. Let's see what happens.
Q. I still don't get the arithmetic behind this.
Mr. Gaston: You divide 60 into 40. It would be 66-2/3 and the difference between 40 and 60, that's 66-2/3. It's two billions and 2/3 on a 60 cent dollar.
January 18, 1934.

PRESS CONFERENCE -- MR. MORGENTHAU.

Q. Do you know how much gold was turned in yesterday?

A. I know there was a lot.

Mr. Gaston: There was about $100,000 over the counter in the Treasurer's office.

Q. Someone tried to turn it in to your guard after the cash window closed.

A. Really!

Q. We have a lot of questions listed here, coming in from all over the country. The Canadian press wants to know if you are going over there and seize gold certificates. Will they be received as they come through from Canada?

A. We have extended this order because the money is running in so it would be foolish to shut down. We are going to give people a couple of days more -- that's all -- to turn in the money. It's coming in beautifully.
Q. Even assuming the dead line is passed, if it was offered in settlement of a balance it would be taken in, wouldn’t it?
A. As long as they comply with the rules and regulations they can turn the money in.

Q. That will apply, Mr. Secretary, using Canada as an example, to shipments of currency containing gold certificates? The banks will be allowed to turn them in, in due course?

A. I should think so. It’s a new one for me, but I want to repeat what I have said, that as long as they comply with the regulations and the door is open, I would say that they would take them in. We won’t let them go out of the country, but they can come in.

Q. Any held in Europe is worthless. It takes two or three weeks to come in. Will you give special regulations for that?
A. I suppose. A man came in here yesterday and couldn’t get back to his safe deposit box in Richmond in time. Where there
is a bona fide case, we are going to take care of them. It's the fellows who don't want to turn in, we are interested in; but the fellow who is going to make an honest effort to turn in, we will let common sense rule prevail.

Q. We have a message from Worcester, Mass. Somebody turned in an 1857 $1.00 gold piece and now they want it back.

A. That's interesting because Mrs. Klotz gave that to me yesterday. I don't know whether it was 1857. I showed it to Mr. Hall and it was a bona fide piece, and I said, "Send it back."

Q. Do you know whether it was from Worcester?

A. I don't remember, but I can find out. It came in yesterday and I thought the fellow, without knowing the value of it, had turned it in. We are honest around here.

Q. It's the first time since March they paid gold out.

A. I thought you were going to say it was the first time since March they were honest.

Q. Could you give us the amount, or will it be your policy to
give the amount of purchases by the Federal Reserve of New York
for account of the Treasury?

A. No.

Q. Can you say whether any foreign purchases are being made?

A. Yes; so are buying gold abroad.

Q. Is the Reserve acting as your agent?

A. As our agent.

Q. How soon do you anticipate the exchange regulations will
be ready, Mr. Secretary?

A. They are ready. It's just a question of what is the proper
time to put them out and into effect.

Q. Who is going to administer them?

A. The Federal Reserve of New York will handle it for us.

Q. They are going to designate the individual abroad to be in
supreme control, so to speak.

A. I will decide it with the advice of associates just the way
we are doing it now. I will have to take the responsibility.
Q. The reason of my question was the recent resignation of Mr. Keen. Do you have anyone in mind to succeed him?

A. The Treasury had absolutely nothing to do with Mr. Keen, with his employment or his resignation. For your information, his resignation had no significance. That was a purely administrative matter on the part of the Federal Reserve. After all, they employ their assistants. I had nothing to do with his employment or nothing to do with his resignation.

Q. Mr. Secretary, the dollar in London rose above $5. It went to 4.99 1/2 for the first time since, I believe, gold buying began. Do you offer any comment on that or explanation of it?

A. No.

Q. If your stabilization fund was operating now, would that be a satisfactory level?

A. Well, I will say this: that if we had our stabilization fund at this time it would be very useful.
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a satisfactory level?

A. Well, I will say this: that if we had our stabilization
fund at this time it would be very useful.
Mr. Secretary, what will be the status of this shipment of
gold on the Mauretania. If they try to sell it here in New York,
what would be the price offered for it?

Q. Who is the consignee?

A. According to the news dispatches, it is a private bank which
sends this shipment of gold from France here as a test. Would it
be offered the price here for newly-mined gold or would it be offered
the statutory price?

A. The statutory price.

Q. It will?

A. Absolutely. They are just out of luck.

Q. So that will be the test?

A. Why yes. There is no question they will get $30.67 unless
it is between the Bank of France, if it is the Central Bank.

Q. I think it's a private bank which makes the test.

A. We will make the test for them. They will get $30.67.
Q. Will you allow them to ship it out?

A. Once it is here, it is ours.

Q. That would be in the class of ear-marked gold?

A. No. If it is from the Central Bank of France that would be different. But if it is a private individual, once it arrives here on our shores and the customs officials get it, we will be very glad to give them $30.5%. Again I say, it seems the common sense answer.

That would be my feeling on the matter.

Q. How big is the shipment?

A. I don't know.

Q. Mr. Secretary, is there anything you can tell us about your financing plans?

A. We will have something pretty soon.

Q. Will the financing program await the announcement of legislation?

A. No.

Q. For such stabilizing effect as it might have?

A. No. We can't wait. It would be helpful if legislation would
precede our financing plans, but we can't wait.

Q. Mr. Secretary, there is something not quite clear to me. The minute this bill is signed by the President, is it necessary for him to issue a proclamation or can you automatically write up the profit on the 60-cent basis?

A. When this bill passes it has nothing to do with the actual devaluation. It simply says that if and when the President devalues he has to devalue between 50 and 60 cents.

Q. The President's message indicated that this was not the time to determine an exact value and it is not clear to me whether he thought this is not the time that the dollar shall be written down to 13,93 grains or whether he will simply fix the dollar's level by the Treasury's gold price without putting a definite number of grains in the gold dollar.

A. You are referring to the conference he had in his office before he sent his message up? Once the bill is passed, it just gives him
the power to devalue between 50 and 80. As to the time when he will
devalue, he has a free hand. He can devalue at once or he does not
have to devalue at all.

Q. I think he said specifically there is no profit on gold until
he issues his proclamation.

A. That's right.

Q. Can he devalue without fixing a definite number of grains to
the gold dollar? Is there another way?

A. Not that I know of.

Q. His equalization fund will have to be made out of the profit
on the devaluation of gold? In order to use this fund, you would have
to have a proclamation devaluing the dollar?

A. In order to get the profit.

Q. There is no equalization fund until he devalues?

A. Right.

Q. Do you look for an informal agreement or general understanding
Information has been printed regarding relative currencies. It has been printed that such an agreement would be the next step in the program.

Q. I don't think I shall answer that.

Q. You don't look for any tug of war?

A. I don't know.

Q. The British seem to think that some fugitive American capital is returning here. Is that true?

A. I don't know. We are watching it very closely and we have not been able to determine it.

Q. That would have the effect of moving the dollar up, wouldn't it?

A. Yes, it would. We are watching it closely.

Q. Is there any possibility of some regulation to slow the movement, if there is one, outside of the use of the stabilization fund?

A. I would rather not answer that.

Q. We had a story out of New York this morning that said there is some feeling up there that as long as the balance of trade continues
to favor the United States, the stabilization fund would not last very long trying to keep the dollar cheap.

A. All I can say is that so far we have been very fortunate. We have made money on our operations.

Q. Have you and Mr. Jones agreed on the price you will pay him for the R.F.C. gold?

A. Yes, I made the decision. I will put it this way. We are going to reimburse Mr. Jones exactly what he paid for his gold and that's entirely satisfactory to him.

Q. When you say you have made a profit on the operations, just what operations do you refer to?

A. On the gold purchases so far.

Q. Through R.F.C.?

A. Through R.F.C. There is no difference with Mr. Jones. It's highly acceptable to him.

Q. When was that agreement made, Mr. Secretary?

A. It was early this week.
Q. You suggested that the gold operations had resulted in a profit.

Is that profit calculated?

A. Without calculating revaluation.

Q. It will be considerably more when you revalue?

A. If and when we revalue. What we have done so far has been profitable to the United States Government, as far as we have gone.

Q. Could you say what the profit was in dollars?

A. I really don’t know. We have been on a rising gold market so we could not help but make money.

Q. When are you going to take your profits?

A. We will give it out when we do.

000-000
By September 28th, 1868, it had reached $307,482,000 of expenditure, of which $209,168,972 was for the Federal Reserve Bank.

There were to be 32 of each of the following: in 1873, the Secretary of the Treasury should declare two districts by which the reduction of duties on which would result in the raising of the duties. The Secretary for the District for the purpose of putting these duties to be paid, and so reported, paid to be free from restrictions of jurisdictional control.

If you have anything to say.

Dr.

Second point, there is the idea of a (the) limit in the reduction of their duties. That would be the extent of what.

The president that was to the House — that is the great benefaction to which the President would would not be a report in Congress at the one of their years — that president, up everybody hope to the breaking of the President.

In the Senate they were to add a whole $1,500 of the year for two years beyond which they would have to be further increased by Congress by resolutions. There seems to be a very strong belief in the Senate’s resolution for an additional $500 each.
PRESS CONFERENCE -- MR. MORGENTHAU

Mr. Morgenthau: Last week we bought $17,032,000 of Governments, of which again over half was for the Federal Deposit Insurance.

Q. There seems to be a lot of difference of opinion growing up as to whether the Secretary of the Treasury should administer the stabilization fund or any fund which would control, by inference, the value of the dollar. The Committee for the Nation and one group or another seems to think there ought to be a Board, one so constituted as to be free from political or presidential control.

Do you have anything to say?

A. No.

Q. Another point up there on the Hill is the setting of a time limit on the stabilization fund. What would be the effect of that?

A. The amendment that went in the House -- this is for your information -- that the President should submit a report to Congress at the end of four years -- that amendment as everybody knows had the backing of the President.

Q. In the Senate they want to set a time limit of one year or two years beyond which there would have to be further enactment by Congress to continue. There seems to be a very strong movement in the Senate committee for an amendment of that sort.
A. I think it would be unwise for me to comment on the various discussions that go on before the committee.

Q. But the House bill was the Administration bill?

A. Right.

Q. Governor Black issued a statement today in which he did not clear up to any extent what happened Saturday.

A. I understand that is the first official statement they ever got out.

Q. There was one about ten years ago.

A. I thought it was pretty sporty of them.

Q. There has been a lot of speculation over the meeting of Saturday and of course the assumption has been that possibly the Federal reserve banks would have to take part or possibly uphold your offerings.

A. His statement, I think, left the impression that I got a friendly reception. We are in the midst of what sort of offering we are going to make and in a couple of days we will have a clean-cut statement of what the offering will be and until then I would recommend —

Q. If the inference goes out that you are afraid, you can't sell them to the public.

A. I don't look scared, do I? As a result of that meeting on Saturday I have a very comfortable feeling. You can quote me as saying that.
Q. To have invoked your power, under the Thomas amendment, that reserve banks buy and hold up to $5,000,000,000 Government securities.
A. Now, listen! For obvious reasons I don't want to tip my hand. We are in the midst of considering what we are going to do. I can't say because I don't know. Within a day or a couple of days we will know and when we do you fellows will get it as soon as we make up our mind.

Q. I think the President said at his Friday conference that he was planning to see you this evening on financing.
A. Yes.

Q. What time do you expect to go over?
A. Eight thirty.

Q. Is it possible that Senate will act on this bill this week or what pressure is there, without quoting you unnecessarily, on it?
A. I just think this, and, as I say, I would rather not be quoted; not a direct quote; but just as long as the bill is pending I think it leaves an uncertainty in the minds of the public and I think the quicker the thing is cleared up, the better. I would rather not have a direct quote on that.

Q. The plans for financing are going ahead?
A. Yes. We are going ahead and absolutely we will have an announcement in a day or two.

Q. Can you say that you have completed the program for the entire rest of the fiscal year on financing?
A. Naturally we have laid out a tentative program from now until the first of July. But naturally it has to be tentative.

Q. Does the approximate $10,000,000,000 figure still stand?
A. Yes.

Q. The amendment the Treasury suggested in the gold bill enabling the Treasury to pay gold certificates for any purpose and not only public debt purposes would enable the Treasury to issue gold certificates and pay for running expenses on the basis of any increment in gold resulting from devaluation, would it not, except the $2,000,000,000?
A. I think you are right on that, but I would regret if any inference went out that we were thinking of using any of that money for running expenses, because for the moment we are not. We could do so mechanically if we wanted, but it would be unfortunate if that went out that we are thinking of using any part of that for running expenses.

Q. Got a new Under-Secretary in mind yet? You have a couple of posts around here we are pretty anxious to fill for you.
A. Eccles will be here next week.

Q. He will do pretty much what Baillie has been doing?
A. When he gets here we will see.

Q. Have you reached a decision on your house-to-house plan yet?
A. I am reading editorials in the Evening Star. As a matter of fact, I did not get a comeback. I put it up to the consideration of the collectors and asked them to give me their recommendation. I do not know what they decided.
Q. CWA is pretty broke, isn't it?

A. Just from what I see in the papers, I guess they have to get a bill through.
January 24, 1934.

PRESS CONFERENCE -- MR. MORGENTHAU.

Mr. Morgenthau: I had such good news I thought I would sport myself. This is for tomorrow morning’s release, if you don’t mind. The preliminary figures at four o’clock for the 3½’s was $2½ billion dollars. For the 1½’s it is a billion. We are closing the issues now and we will take anything that is mailed up to midnight.

Q. Was that a surprise, Mr. Secretary, or just what you expected?

A. I will put it this way, I am delighted with the results.

Q. Will the next financing come on March 15?

A. I don’t know that.

Q. We could not really figure on it before that, outside of the bills?

A. You know I never announce what we are going to do until we are about ready and I would rather not be pinned down. Make it distinct that this is for release tomorrow morning. We practically haven’t anything from San Francisco yet.

Q. Will you be taking any more than the $500,000,000 in each case?

A. No. It will be limited definitely to $500,000,000 of each.

Q. On that basis, isn’t it natural that you would float another
issue about the middle of February or the latter part of February?
A. If you don't mind, I would rather not say. When we get ready and have something definite, I will announce it, but I would rather not prophesy.

Q. Mr. Secretary, is the fact that you asked additional authority to issue notes and did not ask additional authority to issue bonds significant?
A. No.
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and have something definite, I will announce it, but I would rather
not prophesy.

Q. Mr. Secretary, is the fact that you asked additional authority
to issue notes and did not ask additional authority to issue bonds
significant?

A. No.
Secretary of the Treasury Morgenthau today announced the subscription figures and the basis of allotment for the January 29 offering of 2-1/2 per cent Treasury Notes of Series C-1935, maturing March 15, 1935, and of 1-1/2 per cent Treasury Certificates of Indebtedness of Series TS-1934, maturing September 15, 1934.

Reports received from the Federal Reserve Banks show that for the offering of Notes, which was for $500,000,000, or thereabouts, total subscriptions aggregate over $3,415,000,000. Subscriptions in amounts up to and including $10,000 were allotted in full, and all other subscriptions were allotted 14 per cent, but not less than $10,000 on any one subscription.

For the offering of certificates, which was for a like amount of $500,000,000, or thereabouts, total subscriptions aggregate over $1,355,000,000. Subscriptions in amounts up to and including $10,000 were allotted in full, and all other subscriptions were allotted 38 per cent, but not less than $10,000 on any one subscription.

Further details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.
January 25.

PRESS CONFERENCE — MR. MORGENTHAU.

Mr. Secretary, how is the income tax work coming along between you and the Committee, or Mr. Magill and the Committee?

A. Very satisfactorily.

Q. Have they done anything about the earned income question?

A. As far as what they are doing, any statement will have to come from the Committee. I don’t think it is proper for me to say anything.

Q. Has that French gold shipment been called to your personal attention? Have they offered or tried to sell it to you? It’s $150,000 worth.

A. I read in the papers this morning that it is on the way to Vera Cruz. I thought it was cleared up and was on its way to Vera Cruz. I think that’s right, but Herbert could check up on that.

Q. Mr. Secretary, wasn’t the Treasury’s former objection to Russian gold that they were not sure that the Soviet Government had good title to that gold? Did you, in reviewing the case, notice that?

A. Let me put it a different way. In all those three cases, in reviewing them we felt that there was no good legal reason behind them or evidence of reasoning back of those three previous rulings and it was on that basis that we overruled them.
Q. Was the question of their title to the gold one of the reasons why the Treasury refused it?
A. I can't answer that.

Q. Is there any other type of Russian goods you may take action on? I think manganese has some sort of suspect order against it.
A. As far as I know, those are the only three cases before the Treasury. We spent literally weeks on them and looked all through them and there was no good reason for maintaining those.

Q. Is Mr. Bailie still here?
A. Mr. Bailie is still here. Let me tell you the facts and let me ask your advice. He's through tomorrow. He's leaving tomorrow afternoon. Some of the papers said he was here secretly. His name is on the door and it's absolutely in the open. If Paul Wallon read the letter it was that he would resign sometime in January. The thing I wanted him to do is to stay until the financing is over and it's over and it's a great success and he was most helpful on the thing and sometime tomorrow he's going. But these are the facts. I would like you to give it a friendly tone.

Q. Will you write him a letter --
A. No. I did write him a letter.

Q. You didn't make a date.
A. He set the time. He feels this thing is over; this period is over, and it's another milestone in the Treasury, and he feels that he can go. I think the editorial in Scripps Howard and Paul Mellon were just a little bit rough. But the answer to that question is he is leaving tomorrow.

Q. Has there been any selection of a successor?
A. No.

Q. Who will be in direct charge of financing work as it goes on? Mr. Smith?
A. No. Until the Undersecretary comes in I am going to handle it myself.

Q. You say that as if you had an Undersecretary picked out.
A. No. I will say there is not a day when we don't look for one. If you can produce one...

Q. I thought there were a lot of unemployed according to the CMA. Mr. Eccles will probably arrive next week?
A. Monday.

Q. Without making any prediction, Mr. Secretary, can't you tell us something about the business situation as you see it?
A. No, I never have done that. I am not a very good fortune teller. I would rather keep out of that.

Q. The price has been going up for about a week now.
A. The trouble with saying good news is when it's bad it kind of hurts. It just happens to be good now, but I would rather not get into that angle.
Q. Any further figures on the financing?
A. They will have an allotment and figures for you. It will be pretty late tonight. Mr. Gaston will probably not have it before 8. I doubt if we can get that before 8.

Q. A lot of papers have been using the word "orthodox" in reference to Treasury financing. Is that a good word for the rest of the program?
A. I have always gone to Dr. Wise. He's liberal. I don't know. I wouldn't want to answer that.

Q. Mr. Secretary, to what do you ascribe the apparently preponderant preference for the longer issue?
A. I don't know. It's been a very pleasant surprise. A very pleasant surprise.

Q. Will you continue to build up cash on hand through bill issues as notes continue to mature? I notice they have each been a little larger.
A. I would rather not. Just as soon as we know anything definitely — and the reason why we can't is the thing shifts so rapidly and if I say we will do this next week I may have to recall it because they shift. In these times you might say our Government business is on a 24-hour a day basis.

Q. Is it true that Mr. Jones and the RFC are selling short-term securities to banks?
A. It isn't part of our program to receive money that way.
Q. I know that. But that money he is getting comes from
some place or other and his type of security is very similar to Government securities and if he were not in the market, supposedly those funds might come in here. The fact that he is in the market and offering a little higher interest, I was wondering if it made any difference?

A. This is in the family. For the time being he has stopped it and just for the reason you are pointing out.

After all, whether Jesse goes to the bank and sells one or two year notes, or whether I do, and he comes to me and says I need one or two million dollars -- it's only good sense that there should be only one agency going in the market. We can't compete. You may read tomorrow that Mr. Jones is going into the market again. He had some previous commitments. But the President has agreed that there should be one agency to raise money and that should be the Treasury. You can use that as background.

Q. How will you meet the debentures issued for gold? They fall due February 1, about $130,000,000, I believe.

A. I don't know, but I think we will pay for it out of the Treasury. We are not going to renew that. We are going to clean that up.
Mr. Strobridge has given us 90,000,000 worth of securities. It is not
known how to tell the Federal Deposit Insurance Corporation.

The story is that a man with other words.

I think the next check is for 175,000,000. It is to be
spent on next day. It will be in the checks and that
brings it to 250,000,000.

In order any statements by that amount to be the
next days when the market to the market.

The only difference to the methods of the various steps
that we maintain. We shall not time at a moment to time that
within the market and a moment to the market.

To the market and a moment to the market.

My actions will be the same as the day needs.

To the market.

It is to be expected that we may have a different
number.
PRESS CONFERENCE -- MR. MORGENTHAU

Mr. Morgenthau: Last week we bought $2,800,000 worth of Governments. Practically all of it was for Federal Deposit Insurance.

Q. How does that compare with other weeks?
A. I think the week before it was $17,000,000. This is the smallest we have had. One week it was $44,000,000 and then it dropped to $17,000,000.

Q. Is there any significance in that drop? Is the Federal Reserve backing the market to any extent?
A. The only significance to the smallness in the figures last week was that we would like to see what a natural market it was. I mean, the figures show what a natural market it was. But that's about all I can say. I think the figures speak for themselves.

You can't compare it with the open market operations of the Federal Reserve. We are really buying for investment where their operations were based on a different basis.

Q. Are you buying, on the investment basis, mainly long-term paper?
A. We never disclose which kind of paper.

Q. I was speaking generally.
A. It's an average -- not too long and not too short; it's more in the medium.

Q. Here's an unusual headline: Debt cancellation favored by your new aide.
A. Well, they have gone back to the old February 26 testimony.
Q. Has the War Debt report gone up?
A. It left my desk today.

Q. Just a compilation of figures? No opinion expressed?
A. No.

Q. Will you make that public, Mr. Secretary?
A. No. I sent it up to the Senate and I suppose they make it available up there and I don't think it's up to us to give it out.

On silver, last week we took in 94,921 ounces, practically all of it at San Francisco.

Q. That's a big jump.
A. Up to the 18th we had only taken in 2,181.

Q. Any significance in the sudden increase, Mr. Secretary, or are they just beginning to find out they can sell it?
A. I guess that's the answer. On gold, we are still taking in gold. There are two classes of gold here. Consigned gold received at the Mints during the week ending January 26 was 51,648 fine ounces as against the previous week of 46,253. The report of the Federal Reserve Board, at the close of the week, shows deposits of gold coins received under the Secretary's Order as amended, $17,963,287.72; gold certificates, $29,450,470, making a total of $47,413,757.72.

Q. That was for what period?
A. That was for the past week. (Explained later on there were total receipts to date).

Q. Have you the aggregate figures in mind of the gold that has come in -- gold and certificates since the Order?
A. Nothing other than that.
Q. Is this the first announcement that has been made?

Mr. Gaston:

A. That is both accumulation and weekly figure.

Q. This first paragraph "consigned gold receipts."

A. That means newly mined gold we take in every week at $34.45.

Q. On this devaluation, when the bill passes, what will be the status of gold taken to the mint for coinage? What would be paid for it?

A. Whatever the public price is.

Q. Would they pay that -- the published price -- for scrap gold?

A. For the moment, let us say the President signs the bill when it reaches him and let us say that he does nothing on revaluation. Then they will continue to take in newly mined gold at $34.45. If he signs the bill we will have a stack of executive orders and Mr. Gaston will analyze them and interpret them as we did before.

Q. Until then you will pay $20.67 for old gold at the mints?

A. I don't think we take old gold.

Q. How about scrap dealers?

A. I think they are buying it at $26 or $27.

Q. Still, if they wanted to have it coined they would only get $20.67 at the present time?

A. If they turned it in, you are right.

Q. Have the Executive Orders been drawn up?

A. They are in the process of being drawn up and we are having them analyzed.

Q. Will it be your policy to bring that gold -- the little the Federal reserves have -- into the Treasury right away?
A. As I understand it, the Federal reserve can act as depositories and there is no reason why we should. The danger of moving that gold would not compensate us for the trouble. As long as they can be depositories we will leave it there for the time being.

Q. Have you any very exact figure on exactly how much gold the Government will hold?

Mr. Gaston: We are still referring to the 4,011,000,000 plus whatever purchases have been made. I did not add purchases in that.

Q. Mr. Secretary, again supposing the passage of the bill, have you the machinery set up or staff ready to operate the stabilization fund?

A. We are ready to do business.

Q. It was reported that some agent had been selected in Shanghai to collaborate.

A. We will continue to use the Federal reserve of New York as our fiscal agent just as we are right now at this minute. They are buying our gold for us and we will continue to use them.

Q. You will rely, then, upon their experts in the matter of foreign exchange.

A. It will be a combination of their experts and experts in the Treasury.

Q. Are you going to bring somebody in, Mr. Secretary?

A. Undoubtedly.

Q. Not ready to give their names?

A. We will bring in different people at different times. Somebody recommended as being able to contribute something, he will come in for one month or twelve months, but I expect the Federal reserve to build up the machinery. If we have half a dozen people here
I think that will be a lot, notwithstanding they said we would hire 2,000 democrats.

Q. But at most not more than half a dozen people will have knowledge of what is being done with the fund?
A. I said we would have a half dozen. At the moment a fellow can't tell, but I can say we wouldn't build up a force of more than half a dozen experts to advise us. We will limit the knowledge of what we are doing to as few people as possible.

Q. That will be only two people -- you, Mr. Secretary, and the President.
A. I would say that is the answer.

Q. You will make public the sale of Government securities by this fund or will that be kept secret also?
A. You have asked me something I had not thought of.

Q. Are there any proceedings with Great Britain?
A. I am glad you asked me that. We are not discussing anything at this moment with Great Britain and that gives me the opportunity to say that I am not going to talk on it from now on. If you ask me that each week, sooner or later I will have to lie to you or say we are.

Q. There have been discussions recently?
A. No, there have not.

Q. Are there any in sight?
A. I am not going to answer that.

Q. Do you anticipate a currency war with Great Britain, with all the ramifications?
A. What's a fellow going to say when he is all armed?
Q. Of course you are armed, but you can also shield your arms.
A. I think I will have to let my actions let you know.
Q. Could you answer this, Mr. Secretary: do you think the objectives of the two funds are at very great odds?
A. I can't answer that, either.
Q. What would be the effect of a currency war?
A. It might be rather costly, to both.
Q. You hope to avoid a currency war?
A. I don't know. I am sorry I cannot answer you, Ken.
Q. At least you haven't declared war.
A. I think you are safe on that.
Q. Of course, if Britain agreed to our terms there will be no currency war.
A. I will put it this way. I am feeling very comfortable.
Q. Maybe you arranged an armistice.
A. I don't know.
Q. Mr. Secretary, the President did say, the other day, that he would set up informants on the exchange system in different financial centers. If that is done it will be done through the Federal reserve system?
A. We will use accredited representatives of the United States Government, that is, diplomatic and consular.
Q. Out in Shanghai it was reported someone had been selected as an informant.
A. We naturally would use our consular service.
Q. Will the President sign the bill tomorrow?
A. I can't answer that.
Q. When do you anticipate the proclamation about devaluation?
   A. That I don't know.

Q. You won't get the stabilization fund until you have that proclamation?
   A. No.

Q. And you want that, don't you?
   A. I don't know.

Q. You did a week ago, Mr. Secretary?
   A. Did I? That was a week ago.
February 3, 1919.

Dr. Langdon, all right. I am at your service.

Dr. Johnson, the results being as I am not quite
able to. In your instructions of yesterday, relative to
the value of gold for objects of no great central value,
our valuation will be gold standard currency $1 =
350.

Dr. Johnson, you would not only get in
the book of English, as in English in the gold-standard currency
for this purpose.

I am in the office, if the book will remain
in that to begin to sell gold.

As you desire, it will be.

So you will sell 10, it takes 10, on the -

The semi-annual.

If it comes in 10, on the price it also the gold
value.

That is the price in the gold.

Immediately then we could not, you just never enough.

If the currency is so the gold standard, same as before.

Until such time the golds should times of the price. Then
which is for control, there won't be an effect until he on.

I am wondering if we should get a little of the gold stock.

Would be in the gold.

Dr. Langdon.

I am not quite sure, what is the purpose?
PRESS CONFERENCE -- MR. MORGENTHAU

Mr. Morgenthau: All right, I am at your service.

Q. Mr. Secretary, one little point that I am not quite clear on. In your announcement of yesterday, relative to the "sale of gold for export to foreign central banks whenever our exchange rates with gold standard currencies reach gold export point." Does that mean you would not sell gold to the Bank of England, or is England on the gold standard currency for this purpose?

A. As I understand it, if the dollar should go below 69.05 then we begin to sell gold.

Q. But you would sell —

A. We could sell it, I take it, in the London market.

Mr. Oliphant: If London would fix its price so that our price moved away from it and you got a big enough spread as to warrant shipment, then we would sell. You get that spread automatically if the country is on the gold standard, such as France.

Until and unless the English pound is fixed at some point from which we can spread, there won't be any gold sale in London.

Q. I was wondering if we could get a list of the countries which are on the gold standard for this purpose; that is, the countries to which gold can now be sold under these conditions.

Mr. Morgenthau:
A. Gaston will get it for you.
Q. Suppose France should be forced off the gold standard and you would have practically a world embargo on gold. There is talk of that eventuality, or of the London market itself being discontinued. Would there then be any way of making the American gold price effective?

A. The only way I could see — if all the countries all had embargoes, then we would have to take it under advisement.

Q. Think of something else?

A. That's right. You have the answer.

Q. Mr. Secretary, in the profit on the gold, is that all going to be paid into the General Fund and then $2,000,000,000 taken out of the Fund, or will that fund not show at all in the Daily Statement?

A. The statute automatically sets up the $2,000,000,000 as an automatic appropriation. It will never go through the General Fund.

Q. You have a choice in buying gold — you can either pay for it out of the stabilization fund or you can simply buy it under the powers you already have. Will it be paid for out of the stabilization fund?

A. We could do it. Frankly, I don't want to be pinned down.

Q. Without mentioning any specific transactions, could you tell us if any have been made by the fund?
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A. We could do it. Frankly, I don’t want to be pinned down.
Q. Without mentioning any specific transactions, could you tell us if any have been made by the fund?
A. I am not going to answer that kind of question. I went
on record last Tuesday. The success of the whole thing is to keep
our moves secret.
Q. Then to save embarrassment in the future, you will
not answer questions about the fund?
A. That's right.
Q. You have mentioned a committee of experts — possibly
the Federal Reserve or Treasury. Has that committee been set
up to advise with you?
A. Yesterday; it was quite obvious, when we met with the
President — he had a group there of Governor Harrison, Governor
Black and Dr. Warren and Dr. Rogers, Mr. Oliphant and myself,
and those are the people who were consulted. The next time
the group may be somebody else. I think the group will be a
flexible one. Somebody suggests there’s a man who can contribute
something. I will say, Bring him down; I would like to talk
with him. I think it will be more or less of a shifty. As
we know of somebody who can throw some light and be of assistance we
will ask him to come in.
Q. Mr. Secretary, when you were before the Ways and Means
Committee in December, you said you would be ready to recommend
what the normal and surtax rate should be when the budget came
in. The budget is in now.
A. We have been working — Magill and I — day and night on
their bill and we have given them everything that they wanted.
Q. But, as you say, it's their bill.
A. It's their bill.

Q. Is the Treasury going to recommend any changes in surtaxes? Either now or when the bill goes to the Senate?
A. After this bill passes and we can catch our breath, then we will begin to study new ways and means, but unless Congress asks me to send up specific recommendations, we would not take the initiative.

Q. Can you give us some more light on the second tax bill you are speaking of?
A. Not a bill. Just a question of studying the whole tax problem. After this thing is over and during the summer we will begin to be able to do things other than the things we have to do at the moment. Everything we are doing now is of the moment.

Q. In that connection would you care to say anything on what some of the progressives are saying that while expenditures are increasing, the tax rates are not being materially increased.
A. I would rather not.

Q. I think you said also in your statement that you are making some study of excess profits taxes. Do you contemplate that when you finish your complete study of the taxes during the summer that you will be prepared to recommend tax revision to the next session of Congress?
A. First we have to do our study. We may not get a good idea out of it and we may find we can't add anything to it, but I certainly expect that after the rush is over Dr. Magill will study the whole tax problem. He may have no recommendations and he may have a half dozen. It's like an experiment in a laboratory. We may discover something and we may not.

Q. Is there any way you can check up on those who bought Swiss money in the summer and now they can come back and buy dollars and they will profit 40%?

A. I think I am correct in this: unless a man sends some goods abroad he could not actually buy the money - the francs. He had to send either cotton or some other commodity. He could not get money out of here.

Q. Wouldn't they, selling stocks?

A. I think I am correct in saying that it was practically impossible to get the money out of the country unless he did it through goods. Maybe he did it through stocks.

Q. I heard they were doing it in Montreal and London.

A. Through the Federal Reserve they had certain authority to control the return of capital, but to do it completely it's impossible. For instance, they can ask the stock exchange how much money is coming from abroad for investment in new American stocks and that sort of thing, but to answer your question — we are watching it, but to do anything is very difficult.
Q. Do you expect a big return flight of capital now?
A. That depends upon how good they think the dollar is.
Q. It's supposed to be 69 cents.
A. It isn't; it is.
Q. There has been a lot of talk recently that as soon as it was stabilized some bullion would come back.
A. I don't know. We are all interested, but it is anybody's guess.
Q. Would you care to comment on the general reaction in the world markets this morning?
A. I would rather not.
Q. Is there any intention of concentrating gold in the United States?
A. There is no bitter feeling, but a distinct feeling that if America is going to prosper, the world has to prosper. There is no bitterness about this thing. We would much rather see the world go along with us in this recovery than try to punish anybody and have America be the benefactor and have somebody suffer.
Q. Are we on an international gold bullion standard or what technically is the answer?
A. We are on a gold bullion standard for the moment.
Mr. Oliphant: We are, in the sense that we are not allowing gold to circulate.
Q. But we are not on a gold bullion standard in the technical sense of the word? Is France on the gold bullion standard?
A. The United States today, as long as the President leaves these regulations in force, is on a gold bullion standard.
Q. I thought in that case any citizen could go to the bank and get bullion if he presented a certain amount of paper money for it.
Mr. Oliphant: That’s why we added “international.”
Mr. Morgenthau: I am going along; each day I learn a little bit more about it. I think the best way to describe it is this: It’s a 1934 model of the gold bullion standard. That’s the only way I can describe it. It’s one which suits our own need.
Q. Stream lined?
A. Air flow.
Q. What did you do with all this money you had this morning?
A. When did you come in? It’s all there. We haven’t spent it yet.
Q. Your prospective borrowing is not going to be reduced by any of the profit on your gold, is it?
A. For the moment our borrowing program is along the orthodox line. I have nothing in mind that it should be any different.
February 5, 1934.

PRESS CONFERENCE – MR. MORGENTHAU

Mr. Morgenthau: We have mimeographed these for you. Give them out, Herbert. It will be a little easier for you.

Q. On these Government purchases, are most of those for Federal Deposit Insurance?
A. Yes. Two-thirds is for Federal Deposit Insurance. They are our best customer.

Q. Mr. Secretary, there are a lot of silver rumors around today, such as the Treasury investigating all banks and speculative holders of silver. It has been denied, but the rumors persist.
A. I don’t know, but through a misunderstanding — I did not know that the question had been asked — and it is true that we have asked the banks.

Q. All banks?
A. We have asked for the names of all holders of silver.

Q. Any kind of silver?
A. What they deal in — silver futures.

Q. It’s just futures and not spot?
A. Any kind. We are not interested in scrap silver, but we are interested in anybody who —

Q. Has speculative silver?
A. Yes.
Q. Preliminary to what, Mr. Secretary?
A. Finding out who holds it.
Q. Preliminary to revaluation of silver?
A. We are just trying to collect some information as to who has speculative silver.
Q. Will you comment as to whether there is any additional silver program ahead?
A. No.
Q. As you go back you get hold of all silver and then revalue as you did gold. Seriously! Can you give us an idea of what you have in mind?
A. No. But I am sorry that there was a misunderstanding in the office about the denial on that.
Q. Your order has gone out through the banks, Mr. Secretary?
A. We have sent people up there to get this information.
Q. Treasury agents?
A. Treasury agents.
Q. Only to New York, Mr. Secretary?
A. That's all.
Q. Is there any way you can check silver holdings as you did gold through banks?
A. As I understand it, there is a silver exchange and regular licensed dealers and we have asked them to furnish us the names of the people who hold these so-called certificates. They deal in lots of 25,000.
Q. Mr. Secretary, there is nothing illegal about silver holding now, is there?
A. No. It would be helpful to know how much silver there is and who has it.
Q. You have ample authority, haven't you, Mr. Secretary, to issue regulations against the hoarding of silver.
A. I really don't know. I haven't been thinking about it.
Q. Is there a plan to issue any more silver currency under the authorization in the new monetary bill to issue certificates against bullion you may have?
A. That is something in the future and I would not care to discuss it. By that I do not mean I am or I am not. I would rather not answer it.
Q. Mr. Secretary, what is the process of paying for gold that is now being imported in response to the offer of last week?
A. When it gets here, I understand they go to the Federal Reserve and the Federal Reserve, as our fiscal agents, take it up.
Q. How do they pay for it? In Federal Reserve currency?
A. Any kind of currency.
Q. Except gold certificates?
A. Except gold certificates.
Q. How will the Federal Reserve be credited for that expenditure?
A. We will take it over as we would any other purchase.
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A. We will take it over as we would any other purchase.
Q. Out of the general fund?
A. Out of the general fund.
Q. Mr. Secretary, are the stabilization fund figures going to stay in the daily statement?
A. For the time being.
Q. In other words, you have not begun any operations yet? Unless you have done it on credit.
A. You know I can’t answer that.
Q. I was wondering whether the $2,000,000,000 would be transferred to some other place where it would not show day-to-day changes. This way it shows what you are doing.
A. I haven’t crossed that bridge yet.
Q. As long as it stays here as an asset you should show on the other side if you make expenditures, as a matter of bookkeeping.
A. Yes.
Q. It could be deposited to the account of the Federal Reserve?
A. It might.
Q. The whole lump sum?
A. Yes; the whole lump sum.
Q. Could you say anything about the French reaction as a result of the new monetary program?
A. I would rather not say.
Q. What’s your own opinion about the reaction here? Seriously! You always smile at my questions.
A. You ask me such embarrassing ones that the easiest way out is to smile! They are so pointed that I don't know how to answer, so I smile.

Q. Has there been any protest from France in connection with gold buying?

A. I haven't received any.

Q. There has been a good deal of suggestion that private operators are taking capital out of France and that's shoving the dollar up and tending to shove France off the gold standard. Wouldn't the tendency be to hold France on and above the dollar down?

A. It is no use trying to parry with you people. There will be, from now on, a good many of these questions I can't answer. You know that anything I can give you, I will; but on this other stuff I cannot answer. If it is something I am doing, I will answer freely, but the other things, such as for me to comment on how France feels, they just lead up to the next question. I want to be cooperative, but anything I feel would give an inkling to the fund, one way or another, I will have to refuse to answer.

Q. When you get this information on silver, will it be made public?

A. I don't know.
Q. Anything about American capital coming home?
A. No.

Q. Mr. Secretary, have you been forwarded a report on Andrew Mellon from the Justice Department?
A. No. The last I know about is a formal statement the Attorney General gave on that.

Q. What is the reaction to the new policy revealed from letters and reports coming to you?
A. I would not know how to answer that because the only reaction I get is from reading the newspapers and I can answer that and say my reaction from reading the newspapers is that it is very favorable to revaluation. United States newspapers.

Q. Mr. Secretary, in connection with silver, isn't that one commodity that over-responded from the rise in the gold price, more than any other?
A. It's rather interesting that the figures here show that since the 31st of October gold is up 21% and silver is up 20%.

Q. What is the general price rise since October?
A. I haven't the general.

Q. That has been attributed to speculative holdings?
A. I don't know what accounts for it. I am not smart enough. These figures go back to the 31st of October.

Q. Your silver purchase program is involved in that? (No answer.)
Q. But the silver purchase plan was started after that?
A. December 31st.
Q. Is this the price for newly-mined silver that they get at the mines that you refer to or is it the market price for roll silver?
A. This price is the New York price — the Handy and Harman. They are the biggest dealers. They make the price.
Q. Mr. Secretary, you aren't looking into the silver market because of any unwarranted speculative moves in it?
A. I am curious. I think it would be interesting to know.
Q. Are you going to look into it, Mr. Secretary?
A. I am looking into it. We just misunderstood each other in the office when the question was asked earlier in the day.
Q. When you find out, what are you going to do about it?
A. I don't know.
Q. Where will that information come from?
A. From the licensed dealers in New York.
Q. You say you don't have any information on the price rise?
A. No; I have not got the general price figure.

oOo-oOo
February 8, 1934.

PRESS CONFERENCE — MR. MORGENTHAU

Mr. Morgenthau: I have invited Mr. Charles C. Burlingham, former President of the New York City Bar and, I think, one of the outstanding lawyers of America, to confer with me and Mr. Oliphant and Robert H. Jackson on the question of lawyers practicing before the Treasury. We have, I find, a rule which went into effect on February 15, 1931, and there are maybe 3,400 who have been licensed. You give a lawyer a permit and unless we receive a complaint nothing is done about it. It just goes on forever. And Mr. Burlingham and I also find that we have a committee made up of employees of the Treasury who make recommendations to me and the whole thing is put up to me. Well, I am not a lawyer, and Mr. Burlingham is going to review all those cases, looking into fees -- particularly contingent fees -- and see if there is a possibility of raising the standard of lawyers practicing before the Treasury, so if you get a permit to practice before the Treasury it really means something and possibly instead of giving a man a permanent permit, they might do it on an annual basis so it will be reviewed each year. Mr. Burlingham is volunteering his services. He is going to confer with Oliphant and Robert H. Jackson and myself.

All right, gentlemen, I am at your service.
Q. Anything new on silver, Mr. Secretary?
A. No.
Q. No reports as yet?
A. No.
Q. Is the investigation still confined to New York?
A. Yes.
Q. Any prospect of going into the Pacific Coast cities, like San Francisco?
A. I had not thought of that.
Q. Mr. Secretary, has the Attorney General given you his report on his investigation of the Mellon income tax case?
A. No.
Q. He said ten days ago it would be transmitted within a week.
A. I think I am 90% sure on that. I am quite sure that it would come to me.
Q. I imagine so. He said Mr. Morgenthu.
A. I am quite sure that I have not received it.
Q. Have you any comment as to the significance of the Treasury lifting the restrictions on hoarders returning their gold; that is, as to names and reasons.
A. Only to make it a little easier to give up.
Q. Have you finished the report on guaranteeing home loan bonds? President said it was over here now.
A. I am going to hand in a report at lunchtime today.
Q. You don't have any idea whether it will be made public?
A. I doubt it. You know, we make reports on all these bills when asked for and I have yet to see one that is given out.

Q. Is it safe to say, on our own authority, that the plan is similar to that on FCA?
A. On your own authority, yes.

Q. There is a report that some are privately held and I wonder if it would be retroactive?
A. I don't think so. They went up 9 points overnight and if they did not guarantee them they might think the Government ripped them.

Q. It might be right to say, on our own authority, that the question is not decided?
A. Right!

Q. Are you still satisfied with the action of the Exchanges?
A. I did not know I was not satisfied.

Q. Well, aren't you?
A. Did you hear the one "Stevie" pulled on me? I came out after the last meeting just before the President announced he was going to devalue. As I came out, about 3:40, Stephenson of the Associated Press said, "I hear you are going to have a 69-cent dollar. The Attorney General said so." He almost had me. I said, "The hell he did!"
Q. Mr. Secretary, when the budget went up the President said he expected expenditures to get to $10,000,000,000 or better by June. They are not going at a rate that will take them there by June. Any comment?
A. Just worried sick over it! No; I have no comment on it. We get reports from the independent agencies almost weekly as to what they forecast and from that we make up our requirements for financing. They give us the best estimate of what they will spend for the next 30 or 60 or 90 days and based on that information is how we make up our statement of requirements for borrowing.

Q. Is the outlook then that the deficit will not be as large as contemplated at first?
A. I cannot comment on that.

Q. Could you say anything regarding the progress being made in liquidating banks. There seems to be a feeling that they are not being liquidated as rapidly as they could and being turned back to their owners, particularly those in which the RFC has large interests.
A. It has been brought to my attention. But if it's RFC I would not want to comment on it.
February 12, 1934.

PRESS CONFERENCE - MR. MORGENTHAU

Q. How much is the issue for?
A. $800,000,000. $400,000,000, 12 months, 2 1/2%; $400,000,000, 5 years, 3 1/2%. That is released for morning papers. I would like for you to hold it for the morning papers. I would rather not have it on the United Press or Dow-Jones wires, if you don't mind.

Q. That will give you about $3,000,000,000 over your stabilization fund in your daily balance.
A. We have that off on one side and we are operating from the standpoint of our working fund, just as though the $2,800,000,000 was not there.

Q. Mr. Secretary, has it ever been segregated officially as a separate Treasury fund?
A. No.

Q. It's still part of the general fund?
A. Just in my own mind I have it set off at one side and we are going on with the financing just as though it was not there.

Q. Have you decided on the bookkeeping for that yet?
A. Not yet.

Q. But at some time it will have to appear as an expenditure in some form.
A. I suppose so. We are still trying to wrestle with it so we can spend it and not show it. That isn't for a quote. That's my humor.
We have here the usual figures. We invested $22,528,000 last week. And silver is up! Last week we took in 375,925 ounces against 117,554 the week before. And we have the gold figures in this press statements.

Q. Mr. Secretary, you had a meeting this morning with Earl Peters?

A. Yes.

Q. What was the outcome?

A. Nothing. They are still working and I am going to meet with them again at 4 o'clock. We will put them in a room and see if we can come to some agreement.

Q. Is there any real prospect if they do work out something that there will be some help from the Treasury?

A. I think it's too important a thing not to make a real effort to do something and I am approaching it — we hope we can find some way that we can help them. After all, some of these cities are right on the verge of bankruptcy.

Q. "On the verge" is good when you speak of Detroit.

A. I don't. We have some awful good people down here who were not involved. I asked them to come down.

Q. Did those people agree that this was a necessary step?

A. Put it this way: they all agreed that the emergency is here and there does not seem to be any daylight on how they are going to finance these cities and I am hoping we can find something. I will admit it's difficult to find a way.

Q. Do you think it advisable to keep scrip out of circula-
tion wherever possible?
A. I don't think that in itself is as important as it is if they can get the money at a decent rate of interest. Some of these cities are paying 6%; Cincinnati is paying 1%, and some of the others are getting it at 6.
Q. And some can't get it at all.
A. That's right; and some can't get it at all.
Q. The old plan that has been advanced for more than a year by the mayors' conference was to have the RFC buy tax warrants. I understand now they have some variation of that. Are they sticking pretty close to that or are they trying to get some new sort of plan?
A. I have a new idea, but I don't know whether it will work out.
Q. Can you tell us about it?
A. I would rather not because it's in half-baked form.
Q. Would it be safe to say that there is a pretty fair prospect of the Government doing something about this problem?
A. No. I wouldn't say that. I would not wish to go off half cocked and suggest we might do something and then find by this afternoon or tomorrow that we can't.
Q. Can you tell us of any of the suggestions that have been made to deal with the thing?
A. Frankly I would rather not, because I think this thing has been tackled so many times and never have found a way, so I would rather wait until we have something. In the meantime
we haven't found anything. After all, so many people have shot off their mouths about what they are going to do for the cities and then didn't do anything, that I would rather wait.

Q. Can we say the original plan of RFC tax warrants will not be adopted?

A. Put it this way: We did not discuss any method of financing through RFC because I figured if they wanted to do that, Mr. Jones was here and Mr. Jones told them to come over and talk with him and that's his business so we were going at it from a different method than doing it through RFC. We are tackling it from an entirely new angle. They may still do it through RFC, but that is not my business to discuss the method.

Q. I just got a telegram that a radio station at St. Paul is broadcasting that O'Connor had been ousted from the Treasury. Do you care to comment on that?

A. Too silly to comment on that.

Q. Are you going to Florida, Mr. Secretary?

A. I hope over Washington's birthday to go to one of three places and I don't know whether it will be Florida or South Carolina.

Q. Mr. Secretary, when Mr. Walter Cummings came into the Department as Banking Assistant to the Secretary of the Treasury, there was a good deal of overlapping of his work with the Comptroller's, such as review, etc. Does that
still go on? Does the man who occupies the position of banking adviser to the Secretary still look over a lot of that stuff as it comes down?

A. I will put it this way: the position that Mr. Walter Cummings filled has not been filled by anyone.

Q. Didn’t Mr. Smith take up some of those duties?

A. Oh, yes!

Q. Did he take up that particular duty?

A. What is all this, anyway? Both Mr. Smith and myself contact the Comptroller’s Office. Reports come in here from the Comptroller and both Mr. Smith and I go over them.

Q. Can you tell us what your investigation of the silver market has developed?

A. The report isn’t in yet.

Q. Nothing at all?

A. It isn’t complete.

Q. Can you tell whether or not you found that people who had been propagating for silver legislation and what—not have also been dabbling in the silver market?

A. No.

Q. Any senators?

A. We don’t want Senators, Bob. We want Congresmen and priests. —— No comment.

Q. Did you see Senator King?
still go on? Does the man who occupies the position of bank-
ing adviser to the Secretary still look over a lot of that stuff
as it comes down?
A. I will put it this way: the position that Mr. Walter
Cummings filled has not been filled by anyone.
Q. Didn't Mr. Smith take up some of those duties?
A. Oh, yes!
Q. Did he take up that particular duty?
A. What is all this, anyway? Both Mr. Smith and myself
contact the Comptroller's Office. Reports come in here from
the Comptroller and both Mr. Smith and I go over them.
Q. Can you tell us what your investigation of the silver
market has developed?
A. The report isn't in yet.
Q. Nothing at all?
A. It isn't complete.
Q. Can you tell whether or not you found that people who
had been propagating for silver legislation and what-not have
also been dabbling in the silver market?
A. No.
Q. Any senators?
A. We don't want Senators, Bob. We want Congressmen and
priests. — No comment.
Q. Did you see Senator King?
A. No. I have not seen him nor had a communication from him.
Q. Is the 20-to-1 silver plan being studied by the Treasury?
A. No. I would be delighted to see Senator King at any time.
The first I knew about it was when I read it in the paper.
Q. Mr. Secretary, is the silver investigation still confined to New York?
A. I am glad you asked that because I may have unconsciously misinformed you. They are following up all holders of silver wherever they are, but the statement I made as being in New York is true but someone may hold silver in New York but his address may be Chicago.
Q. Yes. But aren't there large-scale dealers of silver in San Francisco and other places?
A. That I don't know, but the big futures market is New York and all we are doing is to find out who owns the silver that is dealt with in New York. I may unknowingly or unintentionally misled you, but if a man lives in Chicago and owns silver in New York we would include him.
Q. What I meant was are dealers outside of New York being investigated?
A. The only silver market being investigated is the silver market in New York.
Q. Will you eventually make public this list of senators and priests and others?
Q. Do you know the history of the $55,000,000 in silver bullion that appears in the Treasury statement? What was the basis of fixing that value — the cost price?

A. I don't know. Glad to find out for you.
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000-000
The Treasury is today offering for subscription, at par and accrued interest, through the Federal reserve banks, Treasury notes to the amount of $800,000,000, or thereof, in two series of about $400,000,000 each. Both series will be dated and bear interest from February 19, 1934. One series, designated Series D-1935, is for twenty-two months, will bear interest at the rate of 2 1/2 per cent per annum, and will mature on December 15, 1935. The other series, designated Series C-1937, is for three years, will bear interest at the rate of 3 per cent per annum, and will mature on February 15, 1937. The notes will not be subject to call for redemption prior to maturity.

The Treasury notes will be exempt, both as to principal and interest, from all taxation (except estate or inheritance taxes) now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority.

Applications will be received at the Federal reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally will handle applications for subscribers, but only the Federal reserve banks and the Treasury Department are authorized to act as official agencies.

Applications, unless made by an incorporated bank or trust company, or by a responsible and recognized dealer in Government securities, must be accompanied by payment in full or by payment of 10 per cent of the amount of notes applied for. The forfeiture of the 10 per cent payment may be declared by the Secretary of the Treasury if payment in full is not completed on the prescribed date in the case of subscriptions allotted.
Subscriptions for amounts up to and including $10,000 will be given preferred allotment; all other subscriptions will be allotted on an equal percentage basis.

The Treasury notes will be issued in bearer form only, in denominations of $100, $500, $1,000, $5,000, $10,000, and $100,000. Interest on notes of Series D-1935 will be payable on a semianual basis on June 15 and December 15 in each year. Four coupons will be attached, and the first coupon will cover interest for the fractional half-year from February 19 to June 15, 1934. Interest on notes of Series C-1937 will be payable on a semianual basis on August 15 and February 15 in each year. Six coupons will be attached, and the first coupon will cover interest for the fractional half-year from February 19 to August 15, 1934.

The text of the official circular follows:

TREASURY NOTES - SERIES D-1935 AND SERIES C-1937

(Treasuy Department Circular No. 506, February 13, 1934)

The Secretary of the Treasury offers for subscription, at par and accrued interest, through the Federal reserve banks, under the authority of the act approved September 24, 1917, as amended, $800,000,000, or thereabouts, Treasury notes, in two series. The amount of each series is $400,000,000, or thereabouts.

DESCRIPTION OF NOTES

The notes of Series D-1935 will be dated February 19, 1934, and will bear interest from that date at the rate of two and one-half per cent per annum, payable on a semianual basis on June 15 and December 15 in each year. They will mature December 15, 1935, and will not be subject to call for redemption prior to maturity.

The notes of Series C-1937 will be dated February 19, 1934, and will bear interest from that date at the rate of three per cent per annum, payable
Subscriptions for amounts up to and including $10,000 will be given preferred allotment; all other subscriptions will be allotted on an equal percentage basis.

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on a semianual basis on August 15 and February 15 in each year. They will mature February 15, 1937, and will not be subject to call for redemption prior to maturity.

Bearer notes with interest coupons attached will be issued in denominations of $100, $500, $1,000, $5,000, $10,000, and $100,000. The notes will not be issued in registered form.

The notes shall be exempt, both as to principal and interest, from all taxation (except estate or inheritance taxes) now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority.

The notes will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury in payment of income and profits taxes payable at the maturity of the notes.

The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

APPLICATION AND ALLOTMENT

Applications will be received at the Federal reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally will handle applications for subscribers, but only the Federal reserve banks and the Treasury Department are authorized to act as official agencies.

Subscriptions for amounts up to and including $10,000 will be given preferred allotment; all other subscriptions will be allotted on an equal percentage basis.

The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to allot less than the amount of notes of either or both series applied for and to close the books as to any or all subscriptions at any time without notice; the Secretary of the Treasury also reserves the right to make allotment in full upon applications for smaller amounts.
to make reduced allotments upon, or to reject, applications for larger amounts, and to make classified allotments and allotments upon a graduated scale; and his action in these respects shall be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

PAYMENT

Payment at par and accrued interest for notes allotted must be made on or before February 19, 1934, or on later allotment. Any qualified depositary will be permitted to make payment by credit for notes allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal reserve bank of its district.

Applications, unless made by an incorporated bank or trust company, or by a responsible and recognized dealer in Government securities, must be accompanied by payment in full or by payment of 10 per cent of the amount of notes applied for. The forfeiture of the 10 per cent payment may be declared by the Secretary of the Treasury if payment in full is not completed on the prescribed date in the case of subscriptions allotted.

GENERAL PROVISIONS

As fiscal agents of the United States, Federal reserve banks are authorized and requested to receive subscriptions and to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal reserve banks of the respective districts. After allotment and upon payment Federal reserve banks may issue interim receipts pending delivery of the definitive notes.
February 16, 1934.

PRESS CONFERENCE -- Mr. MORGENTHAU

Q. Can you find a way to juggle the books, Mr. Secretary, so you can hide the stabilization fund?
A. It's still hidden, anyway.

Q. Anything new on silver?
A. No.

Q. Any reports?
A. No.

Mr. Jones and I just had a talk on city financing and we have asked Prof. Leland of Chicago University to come down here and work on a program, for a couple of weeks, and see if we can work out some sort of a program for RFC and the Treasury. He has been working for the Illinois Tax Commission. He's Simeon D. Leland.

Q. Mr. Jones has told us numerous occasions that he does not favor a great amount of money being devoted to that purpose. Is that your view, too? That is, he did not want any new appro
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Q. Mr. Jones has told us numerous occasions that he does not favor a great amount of money being devoted to that purpose. Is that your view, too? That is, he did not want any new appro-
Q. Well, you have the cities spending $6,000,000,000 a year and a number of them are facing bankruptcy and I don't see how the Federal Government can close its eyes to the situation.

Q. That does mean asking Congress for more money, doesn't it?

A. I don't know. That's why we want Leland to come down and work on it for us.

Q. I suppose that means Chicago and Detroit?

A. It means any city that has difficulty in borrowing money. Some of these cities can't borrow any money; some that do they charge them as high as 6%. And I don't know when we get all through what we can do, but at least I want to make an earnest effort and Mr. Jones is heartily in accord with making this study. We are absolutely together on it. As a matter of fact, it was he who asked Leland to go up on the Hill yesterday and testify.
Q. That's borrowing partially on tax warrants and partially on real estate?

A. Tax anticipation warrants for current expenses and there is the whole question of bonded indebtedness and tax delinquency.

It's a tough problem. I don't want to hold out any hopes, but at least I would like to go through the thing and make a careful study of it and so does Mr. Jones.

Q. In our preliminary studies have you noticed any figure on the amount of money they might need?

A. It's all guess work; nobody seems to know.

Q. What was the $6,000,000,000 figure you referred to?

A. That's all cities, total combined cities in America spend $6,000,000,000 a year.

Sometime tomorrow we will be able to give you the allotment on our last offer. We will have it sometime tomorrow.

Q. On this city stuff, would that mean you have to set up some new division in RFC?
A. We don't know. Put it this way: No agency of the
Government at present can handle it. It would mean new
legislation if we did it.

Q. Mr. Jones said it might be handled through banks and
trust companies and that RFC would accept the security they
receive from the cities as collateral for loans to these or-
ganizations.

A. I just had not heard that mentioned. I have only been
on this very recently and he has been on it a long time.

Q. You could not say how many cities are facing bankruptcy?

A. I don't know.

Q. Have there been any complaints received from business men,
I think particularly in New York, on failure to get fast action
in the Treasury, such as income tax, customs, and other things
of that character?

A. Not that I know of. Do you know of any?

Q. No. I was simply asked to ask you that question by
the New York Sun.

A. I personally haven't seen a single one. I'm always glad to receive them and all those complaint letters would come to me, but I haven't received one. As a matter of fact, I am surprised that we don't receive any.

Q. There was a suggestion that the Federal Reserve Board was considering the setting up of some intermediate credit banks and Mr. Black said that he would say nothing about it. I wonder if you would?

A. All I know is, I read Kenneth Clark's story yesterday.

Q. Ken said he saw the bill.

A. He has seen more than I have. That's all I know.

Governor Black is coming in at eleven to talk with me.

Q. He indicated he might have something to say this afternoon about it.

A. He is coming in at eleven and said he would like to talk with me. But that's the first that I knew about it. Ken had kind-of a scoop, didn't he?
Q. Gov. Black seemed to be as much in the dark about it as you are.

A. That's a fact.

Q. I suppose the Treasury is backing the recommendations that Mr. O'Connor made to Congress, on technical matters?

A. Yes. He let me read -- he submitted his report to me before it went up and I approved it. I thought the issue went over very well.

Q. What's it going to be, about four times?

A. Looks like four times. It's the mail that slows us up, but it looks like four times.

This is a very peaceful conference!

Q. They will all get you Monday. The "big shots" don't get up this early in the morning.

Is that Government borrowing going to tie up all the capital in the country?

A. I think there will be a little left over. Don't forget
we spend it as fast as we borrow it. That's the important point. The turnover is pretty fast.

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TREASURY DEPARTMENT
WASHINGTON

FOR RELEASE, MORNING PAPERS, Friday, February 16, 1934.

Press Service No. 1-34.

Secretary of the Treasury Morgenthau today announced the subscription figures and the basis of allotment for the February 19 offering of 2-1/2 per cent Treasury notes of Series D-1935, maturing December 15, 1935, and of 3 per cent Treasury notes of Series C-1937, maturing February 15, 1937.

Reports received from the Federal reserve banks show that for the offering of 2-1/2 per cent notes of Series D-1935, which was for $400,000,000, or thereabouts, total subscriptions aggregate over $1,332,000,000. Subscriptions in amounts up to and including $10,000 were allotted in full, and all other subscriptions were allotted 30 per cent, but not less than $10,000 on any one subscription.

For the offering of 3 per cent notes of Series C-1937, which was for a like amount of $400,000,000, or thereabouts, total subscriptions aggregate over $2,285,000,000. Subscriptions in amounts up to and including $10,000 were allotted in full, and all other subscriptions were allotted 16-2/3 per cent, but not less than $10,000 on any one subscription.

Further details as to subscriptions and allotments will be announced when final reports are received from the Federal reserve banks.

000-000
February 19, 1934.

PRESS CONFERENCE — MR. MORGENTHAU

Q. Have you been talking to Governor Harrison?

A. Un-huh.

Herbert, have you some statistics for them? Any questions after you have read them I will be glad to answer them.

Q. Can you tell us what you talked to Governor Harrison about?

A. He comes in about once a week or so. Maybe he was down here for some dinner and just dropped in.

Q. A routine talk then?

A. Routine. The only thing I have that might interest you is this. We sent out instructions, through Mr. Helvering. We looked over accounts to see what agents examine the returns. We took about 100 returns. I think it was some district in New York — the bigger returns — and we went back three years and found in 80 percent of the cases the same agents examined the same people and we thought it might be advisable when the new
returns are made after the 15th of March, if the agents get a "new deal" and have a chance to examine new returns. So all the agents, beginning the 15th of March, will examine different returns than they have heretofore because it seems to be the practice to let the same man examine the same returns year after year.

Q. Will that prevail everywhere in the country?

A. Everywhere with the exception of some of the country districts. There may be one man covering a rural district and you can't switch him around, but where there are five or more, or three or more agents, where it's physically and geographically possible, the fellow will be changed, but if the fellow is in a rural district it would be rather difficult to make him do it.

Q. That will take place every year?

A. We will rotate them every year. The men will examine one set of returns this year and, next year, another set of returns.
We think it might be helpful.

Q. Have there been any results, Mr. Secretary, from your conference with Mr. Burlingham?

A. We have drawn up some new rules and regulations and we sent them up to New York and he is going to study them. I have been rather surprised to see that they have not been making systematic requests of lawyers who come in as to whether they have their cards, and beginning today there will be a systematic request of people appearing before the Treasury as to whether or not they had a card and whether or not they belong to the "Order of the Treasury." I think some of the men have been rather lax as to whether a man belongs to the "Union."

Q. Have you decided whether the cards will be issued annually?

A. No; that's under consideration. But Mr. Burlingham did feel after he was here that they could make a number of changes in the rules and regulations.

Q. Any figures, Mr. Secretary, on municipal financing?

A. No. Professor Leland gets here tomorrow to go to work.
Q. Have you had any discussion with Justice officials lately about the transfer of agents permanently? I understood Mr. Stanley was down today.

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

Q. It's been in the works quite a while, hasn't it?

A. Yes, I will put it this way. We are ready. That's about all I have to say.

Q. Have you any estimate on the number of men who will be taken over? You saw the story in the paper this morning that they plan to give some of the jobs to deserving Democrats.

A. I did not see the story. Herbert told me about it. All I can say is we are ready any time. I don't want to be put in the position of saying anything about Justice. You can understand that.

Q. There are a lot of silver rumors again today, Mr. Secretary.

A. Silver is going up.
Q. Yes. New high since 1930. Is there anything imminent you can tell us?

A. I can't make any comment. Sorry.

Q. Have you finished your inquiry?

A. I don't think it is quite finished. At least, I have not got a report yet.

Q. I thought you were going somewhere.

A. I am, Wednesday night; be back Monday.

Q. Will you give us your itinerary? Some people might be looking for you.

A. I would just as lief they didn't.

Q. Can you say where you are going?

A. I would just as lief tell you boys, but I would appreciate it if you didn't mention it. I am going to Camden, South Carolina. It will be the first time I have been anywhere.

Q. We can be assured of peace over the holiday then?

A. As far as I am concerned,
Q. How about Mr. Gaston?

Mr. Gaston: I'll be here.

Mr. Morgenthau: As a matter of fact, Herbert had to do some tall scratching Saturday.

Q. How about the New York Times story that the budget was thrown out of line and which the Treasury corrected? Isn't your worry how to spend the money you have rather than to overspend it?

A. We are still within the President's budget.

Q. But aren't you going ahead slower than you anticipated with the spending?

A. I think the figures will have to speak for themselves.

Q. You will have to spend $1,500,000,000 a month from now on.

A. There are some fellows around this town who could do it, too. It's got some pretty good spenders. That isn't for quotes.

Q. There seems to be a lot of trouble, Mr. Secretary, about contracts with the War Department. Are you satisfied with the
status of contracts here at the Treasury? Have you ever made any special inquiry as to how they are being handled?

A. With the exception of one case, I haven't had any complaints and in that case the contract was not awarded. It's the only time I have got into one.

Q. You mean the New York contract?

A. Yes. With that exception, I haven't had any complaint and that is the only case. That's been thrown out twice, I believe, but otherwise I don't know of any. If anybody knows of any complaints — no, seriously, I would be more than glad to get them.

...
PRESS CONFERENCE — MR. MORGENTHAU

Q. Did you have a good trip, Mr. Secretary?

A. Yes. It's the first time I have been away for more than two days for I don't know how long.

Q. Can you tell us anything about Prof. Rogers' visit?

A. No. He is in and out of here, not every day, but three or four times a week.

Q. Not going to change the gold price?

A. That comes under my list of taboo questions. There is nothing to his visit. He's in and out of here regularly. As a matter of fact, he was on the train with me going down to Camden, His home is a half hour this side of Camden. What else?

Q. Is there anything you can say yet about March 15th refinancing?

A. No. It's a little early.

Q. But there won't be anything before March 15, except bills, I assume.
A. You know how we work here. We go along on a day-to-day basis.

Q. We always ask the question anyway.

A. You usually get the same answer.

Q. How about financial help for the cities?

A. We are studying the problem.

Q. Any results?

A. No, nothing.

Q. I understand there is a report on the Bill, in the Senate, that the Committee is not going to report out the bill they now have up there pending, on the bankruptcy bill for cities, and I wondered if that was being held up at your request.

A. The only thing I saw was what came over the U. P. ticker.

I got my news that way. I have not discussed it. That's the Summers' bill?

Q. I guess that's the Wilcox bill.
A. The one on bankruptcy is Summers; that's his bill in the House.

Q. Do you have any figures on price increases of one thing or another since the gold program started? You have those charts.

A. We run them all the time. Those figures are available.

Q. Do you have any idea of the percentage of price increase since either April or October?

A. Not particularly. I haven't got anything anybody else has not got.

Q. They were going the other way last week—prices. Is that situation being studied?

A. I know prices are off, but I haven't any comment to make.

Q. I was wondering if anything was in your mind to start them the other way again.

A. No.

Q. How is your silver inquiry coming along?

A. They are still at it.
Q. They haven't finished yet?

A. No. I wish I had some good rip-roaring stories, but I haven't.

Q. Government expenditure seems to be dropping off pretty rapidly. Do you think the budget figures might be changed by actual development?

A. They may not spend it right now, but if they don't right now I suppose they will later.

Q. I was thinking about that on a year-end fiscal year basis.

A. It may just mean -- take Public Works for instance, if they don't spend it now, they will spend it after the first of July. The commitments are all made.

Q. Some of the bonus boys would like to help you spend that.

A. Yes.

Q. Did you study Tom McCarran's plan for paying the bonus?

A. No. I have not.

Q. Is the Treasury doing anything on the study of intermediate
credit banks for business? Various agencies seem to be going about it.

Q. You mean the Black plan? Governor Black is working on it.

Q. You are not working independently?

A. We are working together on it.

Q. Do you think the Securities Act needs amendment?

A. I would rather not answer that.

Q. On that bank question, has there been considerable progress in the last week or has it been determined yet who is going to supply the funds for the Intermediate Credit Banks?

A. No, it's still being studied.

Q. Any indication of when the plan will be finished?

A. I should think it will come to a head this week. That's the so-called Black plan.

Q. It will be in the form of a bill, wouldn't it?

A. Of course, I am really stepping out of my reservation now, but I should think it should be in some kind of shape this week.
but if you can get something out of him I would prefer it.

A. Do you have a new Under-Secretary picked out?

A. No.

Q. Not enough candidates?

A. I saw that Arthur Krock tried to help me out in his column.

Q. Are you going to fill those vacancies?

A. Absolutely!

Q. I thought maybe you would use special assistants.

A. I am serious. I am very anxious to fill them, but it's a hard thing to find a man who will fill all the qualifications.

Q. How about Mr. MacLean of Chicago, of the Harris Trust?

A. I know the man. I have met him. This is off the record; it's not very nice to Mr. MacLean for me to say I am not considering him. He was suggested, but I don't know whether he wants it or not. I think he might have the same trouble as somebody else getting confirmed. The minute I can find somebody to fill
the bill, I will appoint him. I am going to fill both
vacancies.

Q. How much longer will Mr. Smith stay?
A. I think he stays as long as Congress is here. I hope
he will, anyway.

Q. He seemed to be quite happy about getting home last week.
I thought maybe he liked it so much he would not come back.
A. Off the record, his bank director told him his bank is
doing better since he has been away and they want him to stay,
so he says it has put him in kind of a tough spot.

Q. Dr. Macill in his address at Philadelphia refers to one
of your major problems as consideration of the future relation-
ship of the tax systems of the States and of the Nation. Is
the Treasury doing anything to discover how it may work out tax
cooperation with States?
A. No; that's one of the things we want to do just as soon
as we get a breathing spell. I have been trying to get one
real good State tax commissioner to work with us on that thing. We
have to recognize that there are certain zones for States and
certain zones for the Federal Government and if I ever get there
I am thinking a week ahead, I want to do it.

Q. The House Ways and Means Committee had a voluminous report
on that about a year ago.

A. Did they? I didn't know that I would be in the Treasury a
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March 1, 1934

PRESS CONFERENCE -- MR. MORGENTHAU.

Mr. Morgenthau: I was afraid I would not get back in time from the Hill, but I made it.

Q. Could you say anything in addition to what you told the House Committee about the monetary plan?
A. I am exhausted. I talked more up there than I have talked in a month.

Q. I got that impression from the story. You were certainly frank with them.
A. I don't know; I did the best I could. It was rather difficult.

Q. Is there anything new on your municipal financing idea?
A. I understand that Leland has some report ready and I hope to see him today or tomorrow.

Q. He's here?
A. Yes. He's been here about a week.

Q. You haven't any idea what the report will be?
A. No. He has been working on it.

Q. Are you ready to tell us anything in regard to March re-financing?
A. No. I'll be ready to talk on Monday on that. I have, let's say, between Monday and Wednesday.
Q. On this Leland report, when it's in and you have read it, when may we have whatever, if anything, you think we can have out of the report as soon as you have read it, without waiting for another conference?
A. I have to see what's in it.
Q. Of course, if there is anything in the report --
A. If there is anything in the report that I think will be helpful, I will give it to you.
Q. How will we get it? Mr. Gaston is out of town.
A. Upham is here.
Q. Referring again to March financing, will that include the 4th Liberties? They are due April 15th. Will that be an exchange issue?
A. I can't say.
Q. That will be in the picture, won't it?
A. We have it staring us in the face, but, if you have noticed, I don't like to talk about it until I have about made up my mind, but between Monday and Wednesday, certainly as far as March 15 is concerned, I will make up my mind.
Q. Of course, it's possible you will pay off Liberties in cash on April 15?
A. Well, if you don't mind, I would rather not answer it. We have not made up our mind yet and we have to between next Monday and Wednesday. That's the time table we are on.
Q. You are not going to pay them off in greenbacks?
A. Maybe new silver certificates.
Q. How is your silver investigation?
A. Still going on and slow, because the original purchaser mostly is not the present; you have to go through two or three people.

Q. Our story said you left the impression with the Committee that there should be no monetary changes this fiscal year.
A. No! Oh, no! I told them what I have always told you boys, that we are on a 24-hour basis. I made that statement very carefully.

Q. Are you or any of your staff analysing for you this new stock exchange bill?
A. Only in this way: that any of these bills that come up that might affect Treasury financing, they study it from that angle -- would it have any effect on Treasury financing?

Q. Have they given you an answer to that question?
A. No. We study any financial bill from that angle, but they will give me a report if it might affect our financing.

Q. Could you tell us what is the present status of the plans on the Intermediate Credit Banks to aid industry?
A. We are making progress.

Q. Is there likely to be a bill on that shortly?
A. I don’t know.

Q. The plan has not gone to the White House for approval?
A. That’s the trouble. It has not gone. It’s still here with Governor Black and myself.
March 5, 1934.

PRESS CONFERENCE -- MR. MORGENTHAU

Mr. Morgenthau: Before Bob Thornburgh can ask me when the next financing will be, I'll tell you. We will give it out Wednesday night for Thursday morning release. So there will be a financing.

Q. Did you outline it for the Governors this morning?
A. Yes. We took it up with them and went all over it and I got their recommendations.

Q. Are they as much in favor of bonds as the Advisory Council?
A. I don't know. We just discussed immediate questions of what we will do this month and next month. I did not go beyond that.

Q. Would we be far wrong if we guessed a billion?
A. Yes, you would be.

Q. We had better not guess then.
A. Of course, if you guess long enough -- as the children say, "Am I hot?". I will just give you one guess.

The other thing -- I just got word on our 182-day bills. They took them at .455. The last time it was .62 and the time before that, .99 and they bid $314,000,000.

Q. That was a $75,000,000 issue?
A. $100,000,000. What else have I got? Oh, yes, at this conference today the telegram; you know we sent out 100 telegrams and they are sufficiently interested that I suggested to the Federal Reserve system that they make a complete survey of the whole country as to what their needs might be for five year loans. They are going to do that by districts and hope to have it in by the end of the week.

Q. That's in connection with the intermediate credit bank plan?

A. Yes. We sort of made a test of it by sending out to two or three banks in each State and they were sufficiently interested — they not only gave the amount of money, but the number of people they could get back to work.

Q. And now you will be asking all member banks?

A. Yes, all member banks in the system. In addition to that, in order not to have them only on one side, they are asking the Chambers of Commerce as well. It means it will get both sides — the fellow who is going to borrow and the one who is going to lend. They thought they would have something by the end of the week.

Q. The intermediate credit plans will be held up until you get this?

A. I think so.

Q. Could you indicate, Mr. Secretary, from the replies you have had that it would help employment a great deal?
A. I will put it this way: it would help. I just read them through very quickly and it's rather misleading if they are not carefully tabulated.

Q. Do those first telegrams give any indication of how much money they would need?
A. We just took 50 or 75 telegrams and I would not remember how many there were.

Q. Would you think about $150,000,000 altogether?
A. I would rather not say. It's impossible, just running through a bunch of telegrams.

Q. Did it indicate a real demand for that type?
A. It was sufficient. I thought it was worth while to go further, because if you are going to set up a bank like that let's find out what the needs are. I feel now that anything we do that's new, the yardstick we use is, How many people is it going to put to work?

Q. I understand the question of whether income tax returns will be made public is somewhere in the Treasury. Is there any decision on that?
A. Where did you pick that up?
Q. Internal Revenue.
A. That is not actually so. We are considering it.
Q. It would be an awful blow to the newspaper men of Washington to make that public. We will spend our lives down there.
A. Let's put it officially this way, if you want something official on it: It's in the process of being studied.

Q. There was a bill introduced in the House or being prepared -- there has been some rumor in connection with it that it has Administration support -- to permit foreign governments to pay all war debts in silver. I think it's the Burdock bill.

A. Wasn't that the one last week there was so much excitement over? The AP, I think, told me they had five calls in one day. The bill has not come down here yet. We have not been asked about it.

This is something I am interested in. Commissioner Helvering sent out orders today to 2400 agents and 1500 deputy collectors and told them to do everything they could to help people make out income taxes. In other words, we want to meet the public half way, between now and the 15th. So there are 3900 people available to assist anybody in making out their income taxes.

Q. Any developments on the municipal situation?

A. I just haven't got around to it. This thing today has tied me up today. We had to make our decision on financing and we made it.

Q. Are they likely to conclude today or get through tomorrow?

A. I don't know. I was in there twice. I don't know how they are getting along. They made a decision on financing. I don't know what other business they have got. Island's report is here, but frankly I have not read it.
Q. Have you got a report on the stock exchange bill yet?
Did you say last time it was being studied?
A. Yes. I haven't got it yet. It has not reached me yet.

Q. Mr. Secretary, can you tell us anything about credit banks
other than what you have?
A. No.

Q. Any idea as to who is going to head it?
A. No. I think the first thing is to get basic information
as to how great the need is before we decide anything else --
how much money they will need and how many people it will put
to work and I want that information before I make any recom-
mendations to the President.
March 8, 1934. (10:30 a.m.)

PRESS CONFERENCE — MR. MORGENTHAU

Q. Are you really going to have some more gold bars made?
(Refers to theft of imitative gold bars from display cases in Treasury corridors.)

A. What do you think?

Q. Wait until you see if you can find these.

A. Well, I did my stuff on the Hill this morning.

Q. There is a report from Geneva that Prof. Viner, who is there, is sort of proposing a series of economic discussions and parleys, between various European countries and this country.

A. You mean after he gets here?

Q. No. That he is doing that now.

A. No. He's a private citizen.

Q. He is not acting for the Treasury in any capacity?

A. Absolutely no. All I know is that he is a very able citizen.

Q. Is there anything you wish to say about the attack Senator Cousins made on you up on the Hill yesterday?

A. No.

Q. I wonder what he will think about these tax suggestions.

A. I don't know. You might ask him.

Q. He has said that that is the reason he is holding them — to see how long it will take the Government to take this step.
A. I don't know what his position is.

Q. Is the Treasury still borrowing on the $10,000,000,000 program or has it been curtailed?

A. I will put it this way: we are borrowing as fast as we need the money. During the winter there is a lot of outside work that has slowed up and just as soon as spring is here I suppose the construction program will go ahead "full steam."

Q. Have you made any estimate as to how much money you expect to get back to the Treasury from PWA bonds -- on PWA bonds they bought?

A. No. We have had no occasion to do that.

Q. Mr. Secretary, that gold increment item in the trust fund in the daily statement continues to bother me at least. I know this may be taboo, but from the face of the daily statement it looks as if there has not been any difference drawn of the $2,000,000,000 earmarked and the $800,000,000 that is over and above. That's the look of the thing on the face of the statement.

A. I would rather not answer that.

Q. Did you see Mr. Crowley last night?

A. Yes.

Q. Could you say anything about it?

A. No. What does he say?

Q. Nothing.

A. Same here.
Q. We didn't discuss it. I heard him drop a remark that he was coming over here.
A. He comes over here often.
Q. Has the Secret Service entered any report?
A. Herbert, I refer them to you.
Mr. Gaston: I spoke to the Chief this morning, but there is nothing new to report.
Mr. Morgenthau: I am afraid that will be like our gold leak story -- it will run a long time.
Q. Mr. Secretary, I don't want to seem insistent on this thing, but is the accounting of that thing now set up permanently or will it be changed again? When it was put down in the trust fund there was some indication that that might not be a permanent arrangement, but we might expect it to be changed again.
A. All I can say is, you just watch it for the next day or two.
Q. We have been watching it for 30 or 35 days.
A. I am glad you drew my attention to it. I thought it had disappeared.
Q. Will there be another financing operation in April?
A. We have to take care of those called Liberties. I hear the new one is going awfully well.
Q. You expect to close your books on that tonight?
A. I think we may. There has been some little complaint from the Far West that this closing of the books so soon works a hardship, so I doubt if we close them until tomorrow night -- just
because there has been complaint from some of the country banks that they can't get the stuff in fast enough. So I expect most likely we will let it go to tomorrow, because this is a good time to do it because of its assured success. If we should let it go another time, it might be considered a sign of weakness. I think hereafter we will let it run 48 hours.

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The Secretary [name illegible], in the late [date illegible] press, said [name illegible] that the people in the Treasury department have informed him that the late measures of [name illegible] will have the effect of [name illegible]. He said no support [name illegible] has been paid on the sale of [name illegible] securities. I have had no report to that effect.

The Secretary [name illegible], in the late [date illegible] press, reported [name illegible] that the Secretary of the Treasury [name illegible] that he had plenty of other legislative matters to which he had to give his attention. The Secretary in [name illegible] of the story to complete correspondence on matters of the [name illegible] [name illegible] to the [name illegible] [name illegible] of the U.S.
March 8, 1934.

Regarding the attached story in the Washington Daily News of Thursday, March 8, Secretary Morgenthau made the following statement to a group of newspaper men called to his office for a special conference:

"This story is completely untrue. I have never read the stock exchange bill; I have never told a living soul what I think of it; I don't know what's in it and I have no opinion on it one way or another. I have not talked to the President about it. I am having a study made of the bill by people in the Treasury Department for the sole purpose of finding out what effect, if any, it will have on the sale of Government securities. I have had no report yet."

The Secretary later in the day (about four P.M.) saw Thomas Stokes, reporter for the Scripps-Howard Newspapers, who wrote the article and told him substantially the same things. He said to Mr. Stokes that he was keeping a completely hands-off attitude on the stock exchange bill; that he had plenty of other legislative matters to which he had to give his attention. The Secretary's denial of the story to newspaper correspondents was carried on the Dow-Jones ticker and on the city news ticker of the U.P.
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June 12, 1906

TRUST COMMITTEE — MRS. HENDRICK

Mr. Morganham, (In connection with the Supt. Greeting Hall.)

All I can say officially is that we have been short of both a

vote by the Supt. Henry, but in view of Mrs. Hendrick present

many times I felt the calling, I seemed to make this a matter

also and I wanted to come at while Sunday was here. It was

perfectly true we had been asked to go to church on 10th and

the evening Saturday night.

But that of study still they left. The study today.

We were told to take a study (not the principal of Govern-

ment) to study up morning.

I thought you were going out before morning;

If we get into these studies during such刺客 in St.

for the period of 8th in 10 and we were up by 10 and we were back

with Mr. Morganham. Still Saturday I was not illuminated on the

2) If there anything that can be said at this point about the

interpretation of those of the bill?

3) Mr. Morganham, that lesson go to there and victory,

4) Be sure that you still, possess!

5) I would for. You have in mind this for me.

6) This and 12 must be with your student nursing, don't go, Mr.

Umbrella. This will be done from the sheet itself of 3-10th.
Mr. Morgenthau: (In connection with the Stock Exchange Bill.)
All I can say officially is that we have been asked to make a
study by the White House, but in view of this little personal
thing where I hit the ceiling, I wanted to make this explana-
tion and I wanted to make it while Stokes was here. It was
perfectly true we had not been asked to go to work on it until
sometime around Saturday noon.
Q. What kind of study will that be? The whole thing?
A. We were told to make a study from the standpoint of Govern-
ment credit and banking.
Q. I thought you were doing that before Saturday.
A. It was going along and nobody paid much attention to it,
but now everybody is getting in on it and we were told to work
with Mr. Fayburn. Until Saturday I was not interested in it.
Q. Is there anything that can be said at this point about the
Treasury's opinion or views on the bill?
A. No. Somebody will most likely go up there and testify.
Q. Do you think you will, yourself?
A. I doubt it. Tom Smith is handling it for me.
Q. This ties in somewhat with your credit survey, does it not,
Mr. Secretary? You will tackle it from the same point of view?
A. The only legitimate thing to tackle it from is the standpoint of Government credit and as it affects the banking situation.

Q. Mr. Secretary, there have been demands made for manufacturers' sales tax and they will be laid before the Senate Finance Committee this week. Do you favor that plan?

A. I don't care to comment on it.

Q. Have you received a report from the Federal Reserve banks on long-term credit needs?

A. No. I understand it's ready. Governor Black and I haven't been able to get together, but I understand it's ready.

I have a new figure here for you. The Treasury started to buy gold on February 1, and from February 1 to March 9, inclusive, (this is all the gold) the mints took in $683,069,609. That's all the gold we took in and beginning next week we will separate the newly mined gold from the rest of the gold.

Q. Is this the first figure on gold since the first of February?

A. Since the first of February, but after this week we will separate it.

Q. This is foreign and domestic?

A. Everything. Everything that the mints have taken in.

Q. You bought no gold before February 1?

A. RFC did and they got out the statement and no one asked us, so they made the statement up to February 1 and since February 1 we have not made a statement.
Q. This includes gold bought from them?
Mr. Gaston: No; just mints and assay offices.

Q. Have you an off-hand figure in mind as to how much they made?
Mr. Gaston: I can get you that. There were some Treasury purchases also before February 1.

Q. Anything on silver, Mr. Secretary?
(Mr. Morgenthau)
A. No.

Q. Mr. Secretary, can you tell us the years that the Mellon income taxes cover?
A. No.

Q. Not any of the years or amount in controversy?
A. No. This is the procedure on Mr. Mellon or anybody else. We make an investigation and then turn the facts over to Justice. It isn't up to us to disclose any of the facts, I don't believe.

Q. Could you tell whether there have been penalty assessments against any of them?
A. I really don't think it's up to me to discuss the thing. I don't think in these stages I should.

Q. What is the statute of limitations on income taxes?
A. I don't know. I would have to find out.

Q. Did you make the investigation?
A. I am not awfully sure of this thing, but those papers went over to Justice before I came here -- quite a long time -- and as far as I know there is no other case just like it. He made a statement and then made another statement explaining his first statement as to what he was doing on the Mellon thing. Those papers all went over. Now that I am here he set up this income tax bureau to prosecute. We do make now all investigations and after the investigation is completed we send it over to the Attorney General and he decides whether he wants to prosecute or not, but that Mellon case was taken over before I came here. I believe he asked for it on some resolution from Congress, but I know it was started before I was here. But since I have been here all investigations on income tax are conducted here and we won't deputize anybody. We get requests to deputize people, but we won't do it.

Q. Could you tell us how many additional ones since the four of Saturday? Justice said there were more being prepared. Could you give us any idea of how many have been sent up there?

A. No.

Q. Did you make any recommendations to the Senate Finance Committee on tax reforms?

A. Mr. Magill sits with them every day and our position on that is that we are there as advisers. We don't initiate anything, but we are glad to give advice when it is asked, but we have not initiated anything. In a general way, the policy has been not to initiate anything, but simply to advise them.
Q. Do you care to say anything about the House bonus thing?
A. No.

Q. Do you plan to take up at all the case of Charles E. Mitchell?
A. I made a statement on that when I first came here. It would be a civil suit -- no compromise.

Q. Have you noticed any pick-up in income tax collections today?
A. What are you doing on that, Herbert?

Mr. Gaston: I didn't get any figures on that today.

Mr. Morgenthau: What's been customary on that?

Q. We got them in the daily statement each day, but they are two or three days behind when we get them.

Mr. Morgenthau: All I can say is that they are running remarkably close to the estimate we made; in fact, just a shade over the estimate.

Q. Do you contribute that to the Mellon action?
A. My figures are up to last Saturday.

Q. In the purchase of this gold, the stabilization fund has not been involved at all?
A. I told the boys I never would answer any questions on stabilization.

Q. Could you tell us the procedure on buying the gold?
A. We are perfectly willing to give you a breakdown on this -- where it came from; how much is scrap gold; how much is newly mined -- but when it comes to stabilization, while my skirts are clean, I made the announcement that I would not discuss it.
Q. If the stabilization fund hasn't anything to do with it, I thought you would be able to tell the procedure by which gold is bought.

Mr. Gaston: We have told the procedure. They draw a check for it out of the Treasury bank accounts. When the Assay Office or Mint gives them the check out of the Treasury regular bank account and when the thing is cleared, they have been depositing gold certificates in the Reserve bank to the approximate amount of the check.

Mr. Morgenthau: I am sorry, I did not understand your question.
March 15, 1934.

PRESS CONFERENCE -- Mr. Morgenthau

Q. I suppose the Coinage Committee wanted to talk to you about silver?
A. They wanted to know how I felt about it and whether I would come up there. I just showed them these charts here, one of which is quite interesting. It shows the wholesale prices for the whole world and the top is the United States. It seems as though the United States were doing a little bit better than any other country on world commodity prices.
Q. Except Italy.
A. Well, Italy is going bad. I showed them this. I told them we are constantly studying silver; that we feel that if the world ratifies the London agreement on silver we are going a long way on taking care of surplus silver for the next four years. I have just got an open mind as to what the next step should be after that.
Q. Mr. Secretary, what is still left of those ratifications? Has Canada ratified yet?
A. I don’t think Canada has. Spain has, I think. I think Canada and Mexico haven’t. They tell me Canada and Mexico are still to go.
Q. They have until April 1?
A. Yes. But India, China and we have signed.
Q. Then your attitude, Mr. Secretary, is that you would not want to see any bills pushed right at this time? I think you have stated that in open Committee, before the Banking Committee, I think.
A. What I tell them is this: it seems to me that the Administration has found a combination of circumstances which is pulling this country out of the depression. As long as the present combination works, why change it? I told them up on the Hill that if something went radically wrong and we saw we were going into another nose dive, then we would get busy. But as long as things are going a little bit better each week, I think it's a good time to sit tight. That's the way I feel. That's just the way I do feel too!
Q. Do you hold any real belief that silver will ever be much good?
A. We are constantly studying silver. I still have to be shown that silver alone is a cure-all.
Q. Mr. Secretary, what could you do about silver? Not just one thing, but several things for instance?
A. I don't know all the things off-hand, but I know a number of things that the President could do without any more legislation. He can do practically anything anybody wanted him to do without legislation if he thought it necessary. He can buy more silver in this country. I know of a number of things he could do if he felt it was necessary, but you see, these silver producers aren't turning in the silver.
We give you the figures each week. The silver mines are holding back their silver and not turning it into the mints.

Q. Why?
A. Gambling on the price.

Q. Has any serious consideration been given to reducing the seignorage charge?
A. No.

Q. What will happen to that investigation about stocks of silver in this country?
A. We haven't a final report.

Q. What was the real purpose of that?
A. To find out if all of these silver advocates were entirely disinterested.

Q. That's just what I thought. Have you found anybody interested?
A. We have found some that were not disinterested. If and when we complete the report we will give out the whole thing at one time - if we ever give it out.
March 15, 1934. 5:45 p.m.

MR. MORGENTHAU: What I asked you to come up for is this: My remarks about interested parties in silver seem to have been misunderstood in certain quarters and I want to say this: that as far as the investigation goes we have found that there is no Member of Congress who is a buyer of silver.

Q. Guilty conscience?

A. Listen, you fellows got me in hot water; now you had better please try and dig me out.

Q. Why should they think you were referring to them?

A. I don't know; but if you fellows will put that on the wire you will help me out a little.

A. Sure, I will.

Q. Is there any fact to the report that Counsel Pecora is undertaking a part of this silver investigation and is sending out for names of buyers of silver and who they are holding silver for? The intimation among the boys up at the Capitol is that he is interested in it, one way or another.

A. Oh, I guess I have said enough about silver. It's a lovely evening.

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March 19, 1934. (10:30 a.m.)

PRESS CONFERENCE — MR. MORGENTHAU.

Mr. Morgenthau: I just wanted to tell you that a couple of weeks ago we asked Professor James Harvey Rogers whether he would go to China for the Treasury and he is about to sail in a day or two. The purpose of his trip is partly to study silver. There seem to be two schools of thought on silver—one, that the increased price of silver would mean greater exports from the United States to China, and the other school of thought is that if the price of silver is increased China will have to curtail her imports.

Q. He is going to find out which is which?
A. He is going to find out which is which and he can see the small business man and the farmer as well as the people in the banking business. Just as soon as he can, if he can make up his mind which is which, he will let us know.

Q. Is he to make a survey by talking to individual private business men and farmers or by dealing with the Government?
A. He will do both. Yes, absolutely; with the Government and with the individual.

Q. Mr. Secretary, any dealings with the Government will be only for the purpose of getting information. He will not be negotiating in any sense?
A. No; purely an economic survey. He is going, of course, with the knowledge and approval of the President.

Q. Mr. Secretary, Mr. Walter Winchell has in his column that you are employing Raymond Moley shortly. Is that correct?

A. The answer is No. Should I answer that question?

Q. We will just disregard it.

Q. China is one of the two countries that has not ratified?

A. China has. Canada and Mexico are the only two who have not.

Q. Could we have the list of names on the silver report? I think it is one of the best untold stories in Washington today.

Q. It would probably clear up everything, Mr. Secretary, if you put that out.

A. Just let that ride. I will see you again at 4:30. I don't say I am going to say anything about it, but I want to avoid it now.
March 19, 1934. 4:30 p.m.

MR. MORGENTHAU — PRESS CONFERENCE.

Mr. Morgenthau: Do you want to take a look at this statement? (Silver and gold receipts for the week.)

Q. Mr. Secretary, is the Dies bill permissive or mandatory?
A. I don't know.

The only thing which is rather interesting in this statement is the fact that last week they turned in 832,000 ounces of silver, which is about 50% of all the silver which came in since the 8th of January. Anybody got any questions they want to ask?

Q. Is that in response to your warning?
A. As a matter of fact, I don't think so. It was in the making.

Q. A coincidence?
A. It was in the making.

Q. Mr. Secretary, these gold imports, are those bought? Is there any information on how they were bought or whether they were bought directly by the Treasury or through the Fund?
A. No. A lot of second-hand gold is coming in.

Q. They are melting gold ornaments over in Europe and sending it in here.
A. I don't know. Are they?

Q. Are you going to publish the list of names of those who were speculating in silver?
A. Not today.

Q. Some of the gentlemen didn't like your announcement about sending Rogers over to China; called it asinine, stupid and other terms of endearment. Mr. Borah says you imply that men who have been advocating silver legislation are seeking personal gain and he hopes he won't have to call on you for an explanation of the statement you made Thursday. Were any Members of Congress in the list?

A. I wrote a letter to Somers, which he read into the Record this afternoon, going over what I told the boys on Thursday evening and I wrote it in the letter and he read it in the Record. In that letter I said there are no Members of Congress named in the report.

Q. Who is on the list? Anybody who has testified before a Senate or House Committee?

A. I am sorry, Kenneth; I am not going to answer. All I am going to say is I stick by what I said Thursday, that there are no Members of Congress on that list.

Q. What does the Rogers move mean? Borah and King say you are trying to steer off legislation and that it is just a trick on your part.

A. I will just repeat what I said this morning; that is, that there seem to be two sides to the silver question. One side says that to increase the price of silver would increase our exports to China, and the other viewpoint says that if we
increase the price of silver that China can buy less, and both sides are very positive and, therefore, I thought that the way to find out was to send a man whom I have confidence in and the President has confidence in and send him over there and let him talk to people in all walks of life and business — see how they feel about it.

Q. Does Professor Rogers have a theory? I mean, which school of thought is he?
A. I wouldn't have picked him if he had a theory. His mind is completely open on the subject and up to a few weeks ago he had never paid any attention to silver, so he is just as open-minded as I am.

Q. Wheeler makes a point that it isn't necessary to consult Chinese coolies about our monetary policies when we have experts in our Senate. He has been over there and so has Pittman and he can tell you all about it.
A. Far be it from me to get into any discussion.
Q. You do infer that you don't want any legislation until Mr. Rogers can get back.
A. What I have said, and say again, is that the Treasury still is on a 24-hour basis on all monetary matters.
Q. Mr. Secretary, I don't take it seriously, but someone said that it might be the idea of the Administration to get Prof. Rogers out of the country.
Q. Anything on the April financing?
A. That's Bob's question. No.
Q. Do you have any thought at this time of using the
Thomas amendment in connection with it?
A. We don't know what we will do on financing. We never
know until the last day.
Q. You said that no Members of Congress were on the list.
Do you mean that you didn't want to say that there are members
of Congress who are speculating in silver?
A. I made an awfully careful statement on that thing, that
in the investigation of those who bought silver the list
showed no names on it of anybody who is a member of Congress.
Q. Were the names of any secretaries to Members of Congress
or men indirectly connected with the gentlemen of Congress?
A. There is no implication.
Q. No hook-up to Congress?
A. None.
Q. You said that was only insofar as the investigation has
gone, or has it since been completed?
A. I said the investigation was not completed.
Q. How do you stand on the Dies bill?
A. I think I have done enough talking on that. I refer you
to the letter I wrote Mr. Dies.
Q. If you want to know who is speculating in silver, shouldn't you also know who is holding silver stocks or who is dealing extensively in silver mining stock. Is there any investigation of that?

A. All of the investigation was on the holdings of speculative silver holdings.

Q. Is Father Coughlin on the list?

A. I am just going to stick to my answer. If I get down into the category I might just as well give you the list.
PRESS CONFERENCE -- MR. MORGENTHAU

Q. Mr. Secretary, the Treasury's position on the stock exchange bill seems to be a little confused. At least, it is confusing to me. Could you clarify it for us?
A. I am going to make a statement on it and then, if you don't mind, I am not going to amplify it. The Treasury would like to see Congress pass a stock exchange bill with teeth in it.

Q. That's plenty hot as far as it goes.
A. (No answer.)

Q. We had a query from New York. They had a rumor up there that 4 1/4 Liberty Bonds due April 15 might be redeemed in cash. Can you say anything on that?
A. The usual policy, at least as far as I am concerned, is that we will not discuss Treasury financing until we make up our minds definitely.

Q. The President gave a little discussion for background about the practice of issuing currency or notes to retire Government debts. I guess we can take that, in the absence of anything else, as a statement of Administration policy.
A. Well, I am not butting in on any White House press conferences. It would be foolish for me to get in on it.
Q. Mr. Secretary, have you received the Senate resolution on silver yet?
A. Yes.
Q. Can you indicate what will be done?
A. The resolution is under consideration.
Q. What do you consider they mean by the word "hoarder"?
Why was it drawn up that way?
(A.P.: Robinson didn't know any better.)
A. I don't know. I refer you to the Associated Press.
Q. It does not really call exactly for the material that you had collected — that word "hoarded."
A. We have the resolution under consideration. I studied my answers very carefully this morning.
Q. Sounds like it has been rehearsed!
Q. Could you say, Mr. Secretary, whether the work is complete so that if you did decide to send it, it is ready to go? Is the job finished?
A. We have the resolution under consideration.

I am leaving tomorrow night, going South for a week with my family. We are going to Sea Island Beach, Ga., and will be back April 1.
Q. Who will be Acting Secretary?
A. I will be. I have put in a special phone down there.
Q. You probably will not have an announcement about financing before April 1? You won't give it out down there?
A. I won't give it out down there.