PRESS CONFERENCES
VOLUME III
SEPT. 4, 1934-APR. 22, 1935
Alcohol, Cuban
  Shipment to any port which is known as a base for
  smuggling alcohol to U. S. - prohibited by Pres-
  idential decree (Carlos Mondietta)...................... Book III: p. 171
  Anslinger, H. J., Commissioner of Narcotics............ III: p. 207
  Architects, Division of
  Majority of contracts let - personnel being
  reduced inevitably........................................ III: p. 222

Baby Bonds. See U. S. Savings Bonds

Bank Credit, Availability of - 7th Fed. Res. Dis-
  trict
  4000 refused loans in Chicago Fed. Res. Dist. being
  examined....................................................... III: p. 35
  Report ready - being analyzed................................ III: p. 175
  Press release #3-92 on report read .....................III: pp. 183,184,187
  Summary of findings and recommendations at be-
  ginning of report........................................... III: p. 184
  Reception of Chicago report so good, Cleveland to
  be done next.................................................. III: pp. 189,224

Banking
  4 agencies which contact banks - all called to-
  gether to discuss policy.................................. III: p. 35
  Banking Bill of 1935
  Approved by entire "lending committee" of Treasury. III: p. 289
  Bonds, First Liberty

Bootlegging
  Ridiculous to say question can be answered simply
  by reducing taxes........................................... III: p. 137
  Decreasing...................................................... III: p. 138
Criminal cases ("Treasury Revenue Police" - 6 agencies)
   New form of reporting........................................ Book III: p. 136
Consolidated Gas (N.Y.)
   See New York City
Corporations, Family (Incorporated pocketbooks)
   Drive on................................................................. III: p. 102
Cotton
   Opinion on "dumping" in Germany asked of Treasury... III: p. 177

- D -

Distillers
   Claim need for more storekeeper-gaugers.................. III: p. 201
Douglas, Lewis - resignation................................. III: p. 1

- E -

Eccles, Marriner S.
   Chairman of Federal Reserve Board......................... III: p. 147
Emergency Agencies (Independent)
   To go under Budget Bureau eventually........................ III: p. 240
Export-Import banks
   Survey being made by George Peek............................ III: p. 216

- F -

Federal Reserve Bldg.
   Site purchased from Treasury.................................. III: pp. 94-5
Financing (arranged chronologically)
Financing (Continued)
Feb. 22, 1935. Tenders are invited for 2 series of Treasury bills aggregating $100,000,000 approximately. One series will be 182-day bills; the other series will be 273-day bills. Book III: pp. 300, 311
Mar. 14, 1935. All outstanding First Liberty Loan bonds are called for redemption on June 15, 1935....................... III: pp. 344, 349

G

Gold (arranged chronologically)
Will be sold to Mexico, China, Canada, etc........... III: pp. 376, 377
Treasury would like to see rest of world have considerable gold - better for trade............ III: p. 376
Banco de Venezuela of Caracas buys 86,000 ounces. III: p. 392
Gold Decision of Supreme Court....................... III: p. 296
Government Bonds (Discount) See United States Savings Bonds
Graves, Harold........................................ III: p. 136

H

HOLC bonds guaranteed as to principal and interest and distributed through a syndicate............. III: p. 109

I

Income tax publicity..................................... III: p. 297
Independent Agencies - (Emergency)
To go under Budget Director eventually............. III: p. 240
Inheritance tax
Ad inserted in N. Y. paper to trap certain accountan.......................... III: pp. 65, 83
Mr. Morgenthau advocates taxing inheritances the same as incomes.......................... III: p. 370
Insurance company investments: newspaper reports that Federal Gov't. will supervise................ III: p. 218
Internal Revenue, Bureau of
"Ring" - 2 men dismissed, N.Y. tax firm involved. III: pp. 160, 161
Johnson, Oscar

Study of "various activities of government in lending money on commodities" possible... Book III: p. 211

-L-

Liquor - evasion of tax on (arranged chronologically)

Effort to clean up tax evasion. Starts in N.Y.C.

Federal-State-City Drive. Harold Graves and

Herbert E. Gaston go up to start if off. ........... III: p. 264

Report on Chicago........................................ III: p. 274

Report on New York City................................ III: p. 275

Report in New York City shows wholesalers' sales have

increased 14% since check-up............................. III: p. 307

Harold Graves in Chicago................................ III: p. 308

Strike delays Chicago drive; State Liquor Commission

in Ill. wants to investigate "down state"............. III: pp. 315, 347

State Liquor Com. in Ill. does not include Chicago.

City of Chicago issues own licenses................... III: pp. 317-18

4 weeks' report on New York City...................... III: pp. 323, 326

6 weeks' report in New York City; 7 weeks' report in

Chicago........................................................ III: p. 353

Detroit drive next........................................ III: p. 353

Policeman McClary killed in raid in Va................ III: pp. 355, 379

-M-

Magill, Roswell

Returns from England...................................... III: p. 2

Dr. Viner will turn all tax studies over to Roswell

Magill....................................................... III: p. 26

Report on trip abroad..................................... III: p. 145

Resigns.................................................... I/II: p. 151

Report on British system sent to Congress........... III: p. 180

Marble dealers

If price is lowered - they and Treasury (for bldgs. of

P. 0.'s) can "get together"............................. III: pp. 294, 317

Medical care

Report care for employees on P.W.A. program may be

provided for as part of $4.8 billion.................... III: p. 210
Narcotics, Bureau of
Release issued by subordinate contrary to Treasury policy - Analinger took blame. Book III: p. 207

New York City
Treasury applied to P.W.A. for $100 million dollars for power plant to serve Federal bldgs. III: p. 218
Consolidated Gas makes an offer. III: pp. 252, 397-8-9

O'Connor, J.F.T.
President's statement on San Francisco offer quoted. III: pp. 127, 147
Morgenthau admits Federal Reserve offered O'Connor the post. III: p. 173

Painting and Sculpture, Section of
First national project. III: p. 225
Pike, Mrs. Bernice (Collector of Customs in Cleveland and National Committee woman). III: p. 244
Political activities, regulations for Treasury employees issued. III: pp. 43, 48

Reciprocity treaties
Cuban one "cost us" $25,000,000. III: p. 181
Relief
$1.8 billions allotted; when bill is introduced in Congress, cognizance of Supreme Court regulations will be taken. III: p. 212
Workers on Treasury projects. III: p. 228
Rogers, James Harvey
Back from China. III: p. 55
Rye (Polish-Latvian). III: p. 382
Schultz, "Dutch"

Agents have approached Treasury................... Book III: p. 165
St. Paul, Minn. - Collector of Internal Revenue
Joe Wolff resigns and remains as Nat'l. Committeeman... III: p. 77
Silver (arranged chronologically)

If Treasury can carry out mandate of Congress and make it fit in with international trade balance, so much the better; therefore watch shipments of gold. If England owed U. S. $20,000,000, we would buy $20,000,000 worth of silver and there would need be no movement of gold................... III: pp. 84-5
Mexico only government U. S. deals with direct........ III: p. 128
Nationalization deadline was Nov. 7, 1934............. III: p. 149
Cuban purchase........................................ III: p. 255
Price raised after general misunderstanding caused incorrect stories to go out over ticker - April 24, 1935..................................... III: pp. 363-64-65
M. Lopez (Mexican Treasury) confers with Morgenthau.. III: p. 373

Smuggling

France takes steps to prevent Island of St. Pierre being used as base...................................... III: p. 401
Newfoundland takes steps to prevent use as rum-running base.......................... III: p. 314

Stabilization Fund

Statement on.............................................. III: pp. 281-82
"First operation in foreign countries on a large scale"................................. III: p. 284
(Remark withdrawn)........................................ III: p. 286
Court decision on gold pending; bankers and dealers in international exchange cease to operate... III: p. 287
(Decision made)............................................ III: p. 296
Silver can be bought and sold with fund................ III: p. 359

Tax Studies

Comparative tax study - certain cities to be compared with D. C..................................... III: pp. 180,196,229,396
Overlapping (Federal, state and municipal)............. III: pp. 190,213

Treasury Balance

High because RFC, etc. estimate their needs at a higher figure than they later discover necessary... III: p. 69

Treasury bills

9 months' bills at discount issued for last time..... III: p. 300

Treasury employees

Check-up on those also holding political jobs....... III: p. 244
"Treasury Revenue Police" - 6 agencies meeting once weekly with Harold Graves.................... III: p. 136
U. S. Savings Bonds (Discount or Baby Bonds)
(arranged chronologically)
Bought and sold - reported on 15th of each month...Book III: p. 73
Government wants to get bonds into hands of widely
buying public and off the speculation markets in
Chicago and New York......................................... III: p. 113
Check-up shows "unit of purchase" to be $20,000; too
large - may not repeat experiment of dealing
through syndicate................................................ III: p. 133
To be issued through P. O. in the small communities.. III: p. 237
Only issued at par. $25-$10,000............................... III: p. 238
Will banks object?.............................................. III: p. 247
Not a drive against Postal Savings......................... III: p. 247
Bill passes and goes to President......................... III: p. 256
New series 1st. of each month - same price all month;
not salable or transferable.................................. III: pp. 256-57
No paid advertising............................................ III: p. 292
$6,000,000 - 1st day and a half............................ III: p. 321
$1000 denomination popular in country, $25 in cities -
exactly opposite from what was expected................ III: p. 321
8 day report: $15,000,000 sold and $3,000,000 of un-
filled orders..................................................... III: p. 340

Viner Reports
See bank credit, availability of

Wire tapping
"Any method will be used to get dope peddlers,
smugglers, etc."................................................ III: p. 97
5 Treasury agencies - Secret Service, Custom, Nar-
cotics, Alcohol Tax, Coast Guard, meeting each week
Chicago tapping by one of Elmer Irey's men.......... III: p. 98
Wolff, Joe
Collector of Internal Revenue, St. Paul, resigns...... III: p. 139
REPORT ON SECRETARY MORGENTHAU'S
PRESS CONFERENCE, SEPTEMBER 4, 1934.

Secretary: I haven't got anything.

Q. Anything new about financing, Mr. Secretary?
        Secretary: This is for your own information and is off the record, but you will have a statement at 12 o'clock, noon, Saturday, Washington time, for Monday morning release.

Q. Mr. Secretary, would you comment on the resignation of Mr. Douglas--as to whether it means any change in the Treasury policy?
        Secretary: (No answer)

Q. Will that place be filled pretty soon or not?
        Secretary: I don't know.

Q. Mr. Bell is definitely a temporary appointee, though?
        Secretary: I am not going to make any comment any way on Mr. Douglas' resignation.

Q. Do you think Mr. Bell is a good man, Mr. Secretary?
        Secretary: Yes.

Q. Have you read Mr. Hoover's article in the Saturday Evening Post--some of the other cabinet members are taking shots at it.
        Secretary: I am pretty busy here during the daytime. I read my Saturday Evening Post in the evening.

Q. Mr. Secretary, do you have any idea yet about how much silver you may get under this nationalization program--does the trend suggest anything?
        Secretary: I don't think so.
Q. Mr. Secretary, do you think you have killed the inflation scare for the time being?
Secretary: I don’t think I would be so bold as to suggest that.
Q. Mr. Secretary, of the amount of nationalized silver, could you say whether that amount is satisfactory to date, at least?
Secretary: No answer. Sorry.
Q. When does this work on the new budget have to get started, or has it started already?
Secretary: You’ll have to ask the Acting Director of the Budget.
Q. When are you going to announce the finances, Mr. Secretary?
Secretary: At 12 o’clock, Saturday noon, for release Monday. 12 o’clock our time.
Q. How about tax revenues? It seems that a lot of these emergency taxes expire in January and June and, of course, some action will have to be taken looking to their replacement; possibly new taxes. Can you give us any idea?
Secretary: Dr. Magill will be in town within a couple of days and expects to take up for the first time the question of taxes.
Q. Is he just back from England?
Secretary: He has been back about ten days—the first time in Washington.
Q. Will your policy generally be directed to the paying for the stuff as we go along—won’t that come in this next session?
Secretary: Frankly, when I see Magill tomorrow, that will be the first time I have given any thought to next year’s revenue.
Q. Do you know whether he is prepared to make a general report—one covering the European situation?
Q. Mr. Secretary, do you think you have killed the inflation scare for the time being?

Secretary: I don't think I would be so bold as to suggest that.

Q. Mr. Secretary, of the amount of nationalized silver, could you say whether that amount is satisfactory to date, at least?

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Secretary: Dr. Magill will be in town within a couple of days and expects to take up for the first time the question of taxes.

Q. Is he just back from England?

Secretary: He has been back about ten days—the first time in Washington.

Q. Will your policy generally be directed to the paying for the stuff as we go along—won't that come in this next session?

Secretary: Frankly, when I see Magill tomorrow, that will be the first time I have given any thought to next year's revenue.

Q. Do you know whether he is prepared to make a general report—one covering the European situation?
Secretary: I don't know. We have just had a very brief conversation.

Q. Is the Viner material on taxation in shape?

Secretary: No.

Q. Could you say anything about the budget outlays for relief, etc.—the general trend—as to whether they are going to be continued and in what volume?

Secretary: No answer.

Q. Are you going to look into budget questions generally about the same time that you are going to look into the tax matter—they are closely related.

Secretary: I think we will confine ourselves to revenue.

Q. Are you going up to Hyde Park again any time soon?

Secretary: Well, I go home.

Q. Are there any conferences up there next week?

Secretary: I never know; we were awfully busy over this last weekend, picnics, etc.

Q. Did you see the ball game, Mr. Secretary?

Secretary: I didn't go to the baseball game.
Secretary of the Treasury Morgenthau is today offering for subscription through the Federal Reserve Banks two series of Treasury notes and an issue of bonds in exchange for Treasury certificates of indebtedness of Series T9-1934 maturing September 15, 1934 and Fourth Liberty Loan 4½ per cent bonds called for redemption October 15, 1934. The offering is entirely on an exchange basis. Cash subscriptions will not be received.

Of the notes, one series, maturing in two years and bearing interest at the rate of one and one-half per cent per annum, is offered only in exchange for the certificates of indebtedness maturing September 15, which bear interest at the same rate. This is the only exchange offering open to the holders of those maturing certificates.

The second series of notes, maturing in four years and bearing interest at the rate of two and one-half per cent per annum, is offered only in exchange for Fourth Liberty Loan bonds called for redemption October 15.

An additional issue of 3½ per cent Treasury bonds of 1944-46 is also offered in exchange for the called Fourth Liberties. Bonds of this additional issue are identical with and form part of the series first issued April 16, 1934. They will mature April 15, 1946, but are redeemable on and after April 15, 1944.

Thus holders of the called Fourth Liberties will have the option of exchanging for a four-year note bearing 2½ per cent interest or a 10-13 year 3½ per cent bond. In each case interest adjustments will be made so that all holders of called Fourth Liberties will receive interest on them in full to October 15, while on the securities obtained in exchange interest will accrue to them from September 15.
No other exchange offering will be made for these called Fourth Liberty Loans.

The bonds eligible for exchange for the new securities are the Fourth Liberty Loan 41/2 per cent bonds of 1933-38 included in the second call for redemption, issued April 13, 1934. They are those bearing serial numbers ending with the digit 2 or the digit 8, which in the case of permanent coupon bonds are preceded by the distinguishing letters B or H. Their total face amount is slightly less than $1,250,000,000. Interest on all these called bonds, whether they are exchanged or not, ceases on October 15, 1934.

The amount of Treasury certificates of indebtedness of Series TS-1934, maturing September 15, is $524,748,500.

Holders of the maturing certificates of indebtedness or the called bonds who desire to take advantage of the exchange offering should act promptly.

A brief description of the three issues now offered for subscription follows:

**Treasury Notes, Series D-1936**

Treasury notes of Series D-1936 are offered only in exchange for Treasury certificates of indebtedness of Series TS-1934, maturing September 15, 1934. The notes will be dated September 15, 1934, and will bear interest from that date at the rate of 1 1/2 per cent per annum, payable semiannually. They will mature September 15, 1936, and will not be subject to call for redemption prior to maturity. The amount of the offering is limited to the amount of the certificates maturing September 15, 1934, tendered and accepted.
Treasury Notes, Series D-1938

Treasury notes of Series D-1938 are offered only in exchange for Fourth Liberty Loan 4-1/4 per cent bonds of 1933-38 called for redemption on October 15, 1934. The notes will be dated September 15, 1934, and will bear interest from that date at the rate of 2 1/4 per cent per annum. They will mature on September 15, 1938, and will not be subject to call for redemption prior to maturity. The amount of the offering is limited to the amount of such called Fourth Liberty Loan bonds tendered and accepted.

Treasury notes of both series 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.

The Treasury notes will be issued in bearer form only, in denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000, and the additional denomination of $50 will be made available in notes of Series D-1938.

Treasury Bonds of 1944-46

3-1/4 per cent Treasury bonds of 1944-46 are offered only in exchange for Fourth Liberty Loan 4-1/4 per cent bonds of 1933-38 called for redemption on October 15, 1934. The bonds will be an addition to and will form a part of the series of 3-1/4 per cent Treasury bonds of 1944-46, issued pursuant to Department Circular No. 508, dated April 4, 1934. They are identical in all respects with such bonds, with which they will be freely interchangeable. These bonds are dated April 16, 1934, and will bear interest at the rate of 3-1/4 per cent per annum payable on a semi-annual basis. The coupon bonds will carry the semianual coupon payable October 15. They will mature April 15, 1946, but are redeemable at the
option of the United States on and after April 15, 1944. The amount of
the additional offering of these bonds is limited to the amount of such
called Fourth Liberty Loan bonds tendered and accepted.

As more specifically stated in the official circular, the bonds will
be exempt, both as to principal and interest, from all taxation except
surtaxes, estate and inheritance taxes, and excess-profits and war-profits
taxes; the interest on bonds of $5,000 principal amount under one ownership
will be exempt from all taxation.

Bearer bonds with interest coupons and bonds registered as to principal
and interest will be issued in denominations of $50, $100, $500, $1,000,
$5,000, $10,000 and $100,000.
UNITED STATES OF AMERICA

TREASURY NOTES

1-\(\frac{1}{2}\) percent

Series D-1936 Due September 15, 1936

Dated and bearing interest from September 15, 1934

Interest payable March 15 and September 15

OFFERED ONLY IN EXCHANGE FOR TREASURY CERTIFICATES OF INDEBTEDNESS OF

SERIES TS-1934

1934 Department Circular No. 522

(Public Debt Service)

EXCHANGE OFFERING OF NOTES

The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, offers for subscription, at par, one and one-half percent notes of the United States, designated Treasury notes of Series D-1936, in payment of which only Treasury certificates of indebtedness of Series TS-1934, maturing September 15, 1934, may be tendered. The amount of the offering is limited to the amount of Treasury certificates of indebtedness of Series TS-1934 tendered and accepted.

DESCRIPTION OF NOTES

The notes will be dated September 15, 1934, and will bear interest from that date at the rate of one and one-half percent per annum, payable semiannually on March 15 and September 15 in each year. They will mature September 15, 1936, and will not be subject to call for redemption prior to maturity.

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 profit 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.

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.

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.

Subject to the reservations made in the next succeeding paragraph, all subscriptions will be allotted in full.

The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Allotment notices will be sent out promptly upon allotment.

TERMS OF PAYMENT

Payment at par for any notes allotted under this circular must be made on or before September 15, 1934, or on later allotment, and may be made only in Treasury certificates of indebtedness of Series TS-1934, maturing September 15, 1934, which will be accepted at par, and should accompany the subscription.

GENERAL PROVISIONS

As fiscal agents of the United States, Federal reserve banks are authorized and requested to receive subscriptions, 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, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering which will be communicated promptly to the Federal reserve banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, offers for subscription, at par, two and one-half percent notes of the United States, designated Treasury notes of Series D-1938, in payment of which only Fourth Liberty Loan 4-1/4 percent bonds of 1933-38 included in the second call for redemption on October 15, 1934 (hereinafter referred to as Second-called Fourth 4-1/4's), may be tendered. The amount of the offering is limited to the amount of Second-called Fourth 4-1/4's tendered and accepted. Fourth Liberty Loan bonds not included in the second call for redemption on October 15, 1934, will not be accepted for exchange under this circular.  

1 Pursuant to the second call for partial redemption (see Department Circular No. 509, dated April 13, 1934), all outstanding Fourth Liberty Loan 4-1/4 percent bonds of 1933-38 bearing serial numbers ending in 2 or 8 (in the case of permanent coupon bonds preceded by the distinguishing letter B or H, respectively) have been called for redemption on October 15, 1934, on which date interest on such bonds will cease.

2 First-called Fourth 4-1/4's (which ceased to bear interest on April 15, 1934) bear serial numbers ending in 9, 0 or 1 (in the case of permanent coupon bonds preceded by the distinguishing letter J, K or A, respectively), and uncalled Fourth 4-1/4's bear serial numbers ending in 3, 4, 5, 6 or 7 (in the case of permanent coupon bonds preceded by the distinguishing letter C, D, E, F or G, respectively).
In addition to the exchange offering under this circular, holders of Second-called Fourth 4-1/4's are also offered the privilege of exchanging all or any part of such called bonds for 3-1/4 percent Treasury bonds of 1944-46, which offering is set forth in Department Circular No. 524, issued simultaneously with circular.

DESCRIPTION OF NOTES

The notes will be dated September 15, 1934, and will bear interest from that date at the rate of two and one-half percent per annum, payable semiannually on March 15 and September 15 in each year. They will mature September 15, 1938, and will not be subject to call for redemption prior to maturity.

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.

Bearer notes with interest coupons attached will be issued in denominations of $50, $100, $500, $1,000, $5,000, $10,000 and $100,000. The notes will not be issued in registered form.

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.

Subject to the reservations made in the next succeeding paragraph, all subscriptions will be allotted in full.
The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Allotment notices will be sent out promptly upon allotment.

TERMS OF PAYMENT

Payment at par for any notes allotted under this circular must be made on or before September 15, 1934, or on later allotment, and may be made only in Second-called Fourth 4-1/4's, which will be accepted at par, and should accompany the subscription. If any subscription is rejected, in whole or in part, the Second-called Fourth 4-1/4's tendered therewith and not accepted will be returned to the subscriber.

Interest on Second-called Fourth 4-1/4's tendered and accepted will be paid in full to October 15, 1934, on which date interest on all Second-called Fourth 4-1/4's will cease. Such payments will be made, in the case of coupon bonds, through payment of coupons dated October 15, 1934, when due, which coupons must be detached by holders before presentation of the bonds for exchange for the notes offered hereunder, and, in the case of registered bonds, through the issue of interest checks in regular course for final interest due October 15, 1934, in favor of the holders of record on September 15, 1934.

SURRENDER OF SECOND-CALLED FOURTH 4-1/4'S ON EXCHANGE

Coupon Bonds. Second-called Fourth 4-1/4's in coupon form tendered in exchange for Treasury notes offered hereunder, should be presented and surrendered to a Federal reserve bank or to the Treasurer of the United States and should accompany the application. All coupons bearing dates subsequent to October 15, 1934, should be noted that Second-called Fourth 4-1/4's in coupon form tendered in exchange for 3-1/4 percent Treasury bonds under Treasury Circular No. 524 must have the October 15, 1934 coupons attached as the interest represented by such coupons will be applied to the accrued interest on the 3-1/4 percent Treasury bonds issued in exchange and the balance paid on delivery of such bonds or promptly following allotment.
should be attached to such coupon bonds when surrendered, and if any such
coupons are missing, the application must be accompanied with cash payment
equal to the fact amount of the missing coupons. The bonds must be
delivered at the expense and risk of the holder. Facilities for transporta-
tion of bonds by registered mail insured may be arranged between incorporated
banks and trust companies and the Federal reserve banks, and holders may
take advantage of such arrangements when available, utilizing such
incorporated banks and trust companies as their agents. Incorporated banks
and trust companies are not agents of the United States under this circular.

Registered Bonds. Second-called Fourth 4-1/4's in registered form
tendered in exchange for Treasury notes offered hereunder, should be assigned
by the registered payee or assigns thereof to "The Secretary of the Treasury
for exchange for Treasury notes of Series D-1938", in accordance with the
general regulations of the Treasury Department governing assignments for
transfer or exchange, and thereafter should be presented and surrendered with
the application to a Federal reserve bank or to the Treasury Department,
Division of Loans and Currency, Washington. The bonds must be delivered at
the expense and risk of the holder.

GENERAL PROVISIONS

As fiscal agents of the United States, Federal reserve banks are authorized
and requested to receive subscriptions, 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, to issue allotment notices, to receive payment
for notes allotted, to make delivery of notes on full-paid subscriptions allotted,

4 The final coupon attached to temporary coupon bonds became due on October 15,
1920. The holders of any such temporary bonds which are included in the second
call for partial redemption on October 15, 1934, will receive the past due
interest from October 15, 1920, if such bonds are tendered for exchange under
this circular.
and they may issue interim receipts pending delivery of the definitive notes.

The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering which will be communicated promptly to the Federal reserve banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
Dated and bearing interest from April 16, 1934 Due April 15, 1946

Redeemable at the option of the United States at par and accrued interest on and after April 15, 1944

OFFERED ONLY IN EXCHANGE FOR SECOND-CALLED FOURTH LIBERTY LOAN BONDS

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, September 10, 1934.

EXCHANGE OFFERING OF BONDS

The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, for refunding purposes, invites subscriptions, at par with an adjustment of accrued interest as of September 15, 1934, from the people of the United States, for three and one-quarter percent Treasury bonds of 1944-46, in payment of which only Fourth Liberty Loan 4-1/4 percent bonds of 1933-38 included in the second call for redemption on October 15, 1934 (hereinafter referred to as Second-called Fourth 4-1/4's) may be tendered.¹

The amount of the additional issue of three and one-quarter percent Treasury bonds of 1944-46 will be limited to the amount of Second-called Fourth 4-1/4's tendered and accepted. Fourth Liberty Loan bonds not included in the second call for redemption on October 15, 1934, will not be accepted for exchange under this circular.²

¹ Pursuant to the second call for partial redemption (see Department Circular No. 509, dated April 13, 1934) all outstanding Fourth Liberty Loan 4-1/4 percent bonds of 1933-38 bearing serial numbers ending in 2 or 8 (in the case of permanent coupon bonds preceded by the distinguishing letter B or H, respectively) have been called for redemption on October 15, 1934, on which date interest on such bonds will cease.

² First-called Fourth 4-1/4's (which ceased to bear interest on April 15, 1934) bear serial numbers ending in 9, 0 or 1 (in the case of permanent coupon bonds preceded by the distinguishing letter J, K or A, respectively), and uncalled Fourth 4-1/4's bear serial numbers ending in 3, 4, 5, 5 or 7 (in the case of permanent coupon bonds preceded by the distinguishing letter C, D, E, F or G, respectively).
In addition to the exchange offering under this circular, holders of Second-
called Fourth 4-1/4's are also offered the privilege of exchanging all or any part
of such called bonds for 2-1/2 percent Treasury notes of Series D-1938, which
offering is set forth in Department Circular No. 523, issued simultaneously with
this circular.

DESCRIPTION OF BONDS

The bonds now offered will be an addition to and will form a part of the series
of three and one-quarter percent Treasury bonds of 1944-46 issued pursuant to Depart-
ment Circular No. 508, dated April 4, 1934, are identical in all respects therewith,
will be freely interchangeable, and are described in the following quotation from
said Circular No. 508:

"The bonds will be dated April 16, 1934, and will bear interest from
that date at the rate of three and one-quarter percent per annum, payable
on October 15, 1934, on a semiannual basis, and thereafter semiannually
on April 15 and October 15 in each year until the principal amount be-
comes payable. They will mature April 15, 1946, but may be redeemed at
the option of the United States on and after April 15, 1944, in whole or
in part, at par and accrued interest, on any interest day or days, on
4 months' notice of redemption given in such manner as the Secretary of
the Treasury shall prescribe. In case of partial redemption the bonds
to be redeemed will be determined by such method as may be prescribed by
the Secretary of the Treasury. From the date of redemption designated
in any such notice, interest on the bonds called for redemption shall
cease.

"Bearer bonds with interest coupons attached and bonds registered
as to principal and interest will be issued in denominations of $50,
$100, $500, $1,000, $5,000, $10,000, and $100,000. Provision will be
made for the interchange of bonds of different denominations and of
coupon and registered bonds and for the transfer of registered bonds
under rules and regulations prescribed by the Secretary of the Treasury.

"The bonds shall be exempt, both as to principal and interest, from
all taxation 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, except (a) estate or inheritance taxes, and (b) graduated
additional income taxes, commonly known as surtaxes, and excess-profits
and war-profits taxes, now or hereafter imposed by the United States, upon
the income or profits of individuals, partnerships, associations, or
corporations. The interest on an amount of bonds authorized by said
act approved September 24, 1917, as amended, the principal of which does
not exceed $5,000, owned by any individual, partnership, association, or
corporation, shall be exempt from the taxes provided for in clause (b)
above.

"The bonds will be acceptable to secure deposits of public moneys,
and will bear the circulation privilege only to the extent provided in
the act approved July 22, 1932, as amended. They will not be entitled
to any privilege of conversion.

"The bonds will be subject to the general regulations of the
Treasury Department, now or hereafter issued, governing United States
bonds."

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.
Subject to the reservations made in the next succeeding paragraph, all subscriptions will be allotted in full.

The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Allotment notices will be sent out promptly upon allotment.

TEMS OF PAYMENT

Payment at par and accrued interest to September 15, 1934, for any bonds allotted under this circular must be made on or before September 15, 1934, or on later allotment. Payment of the principal amount may be made only in Second-called Fourth 4-1/4's, which will be accepted at par, and should accompany the subscription. If any subscription is rejected, in whole or in part, the Second-called Fourth 4-1/4's tendered therewith and not accepted will be returned to the subscriber.

Interest on Second-called Fourth 4-1/4's tendered and accepted will be paid in full to October 15, 1934. In the case of coupon bonds accepted in exchange such interest will be anticipated and paid upon the terms and conditions hereinafter prescribed. Interest on all Second-called Fourth 4-1/4's will cease on October 15, 1934.

Coupon Bonds. Coupon bonds tendered in payment should have coupons dated October 15, 1934, as well as all subsequent coupons attached. 3-1/4 percent Treasury bonds in coupon form issued in exchange will have all coupons attached, including the coupon maturing October 15, 1934; and a payment of the amount by which the 4-1/4 percent coupon maturing October 15, 1934, exceeds the accrued interest from April 16 to September 15, 1934, of the 3-1/4 percent coupon maturing October 15, 1934, (such excess being $7.752732 per $1,000 principal amount) will be made upon delivery of the 3-1/4 percent coupon bond. 3-1/4 percent Treasury bonds in registered form issued
in exchange will bear interest from September 15, 1934; and a payment of the full
amount of the 4-1/4 percent coupon maturing October 15, 1934, will be made promptly
following allotment.

Registered Bonds. Interest on registered bonds tendered in payment and accepted
will be payable on October 15, 1934 to the holders of record on September 15, 1934,
the date of closing of the transfer books. 3-1/4 percent registered bonds issued
in exchange for registered bonds will bear interest from September 15, 1934; and
no cash payment for accrued interest will be required. 3-1/4 percent Treasury bonds
in coupon form issued in exchange for registered bonds will have all coupons attached,
including the coupon maturing October 15, 1934; accordingly, a cash payment for
accrued interest from April 16 to September 15, 1934, ($13,497,268 per $1,000 prin-
cipal amount) must accompany the application.

SURRENDER OF SECOND-CALLED FOURTH 4-1/4'S ON EXCHANGE

Coupon Bonds. Second-called Fourth 4-1/4's in coupon form tendered in exchange
for Treasury bonds offered hereunder, should be presented and surrendered to a
Federal reserve bank or to the Treasurer of the United States and should accompany
the application. Coupons dated October 15, 1934, and all coupons bearing datesub-
sequent to October 15, 1934, should be attached to such coupon bonds when surrendered,
and if any such coupons are missing, the application must be accompanied with cash
payment equal to the face amount of the missing coupons. The bonds must be delivered
at the expense and risk of the holder. Facilities for transportation of bonds by
registered mail insured may be arranged between incorporated banks and trust companies
and the Federal reserve banks, and holders may take advantage of such arrangements.

3 It will be noted that Second-called Fourth 4-1/4's in coupon form tendered in ex-
change for 2-1/2 percent Treasury notes of Series D-1938 under Department Circular No.
523 will not have the October 15, 1934, coupon attached; and there will, accordingly,
be no anticipation of interest upon exchange for notes under such circular.

4 The final coupon attached to temporary coupon bonds became due on October 15, 1920.
The holders of any such temporary bonds which are included in the second call for
partial redemption on October 15, 1934, will receive the past due interest from
October 15, 1920, if such bonds are tendered for exchange under this circular.
when available, utilizing such incorporated banks and trust companies as their agents. Incorporated banks and trust companies are not agents of the United States under this circular.

Registered Bonds. Second-called Fourth 4-1/4's in registered form tendered in exchange for Treasury bonds offered hereunder should be assigned by the registered payee or assignee thereof in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange in one of the forms hereafter set forth, and thereafter should be presented and surrendered with the application to a Federal reserve bank or to the Treasury Department, Division of Loans and Currency, Washington. The bonds must be delivered at the expense and risk of the holder. If Treasury bonds are desired registered in the same name as the Second-called Fourth 4-1/4's surrendered, the assignment should be to "The Secretary of the Treasury for exchange for Treasury bonds of 1944-46"; if Treasury bonds are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for Treasury bonds of 1944-46 in the name of ____________"; if Treasury bonds in coupon form are desired, the assignment should be to "The Secretary of the Treasury for exchange for Treasury bonds of 1944-46 in coupon form to be delivered to ____________".

GENERAL PROVISIONS

As fiscal agents of the United States, Federal reserve banks are authorized and requested to receive subscriptions, 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, to issue allotments notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

The Secretary of the Treasury may at any time, or from time to time, prescribe suplemental or amendatory rules and regulations governing the offering which will be communicated promptly to the Federal reserve banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE
September 6, 1934
10:30 A.M.

Q. Mr. Secretary, did you hear about Ballantine's speech last night?
Secretary: Yes.

Q. Did you hear it?
Secretary: No.

Q. Were you edified?
Secretary: I am not going to comment on it.

Q. Did you read in the Wall Street Journal this morning about the big trapping movement up there yesterday?
Secretary: Yes.

Q. Stacks up pretty well.
Secretary: What do you mean?

Q. I mean the story.

Q. Mr. Secretary, there was one inquiry I was asked to make of you: Did you say you thought Mr. Stark's resignation would break the bond market?

(Laughter.)

Q. I didn't take you very seriously.
Secretary: I understand. It's a good one for so early in the morning. Now I haven't got a thing for you.

Q. Mr. Secretary, I was also asked to ask you a question: In your last speech you gave a sort of an invitation to any one who wanted to write in for information to do so.
Secretary: Right.
Q. Have you received any such requests?
Secretary: Oh, yes.
Q. To what extent?
Secretary: A very goodly number.
Q. Hundreds or thousands?
Secretary: Several hundred.
Q. Could you give us the general nature of those questions?
Secretary: Multitudinous subjects—all sorts of things.
Q. There must be one or two things they asked for repeatedly or especially?
Secretary: The general tone is friendly. Many wanted copies of the speech.
Q. All questions answered, Mr. Secretary?
Secretary: All the letters are answered.
Q. Do you have any letters from newspapermen, Mr. Secretary?
(No answer.)
Q. Have you heard anything from Dr. Viner's survey in Chicago?
Secretary: No. All I can say is that he has some 50-odd men going and they have gotten off to a very good start, and he is very much pleased the way the thing got started, but there are no reports yet.
Q. When did you say you expected to receive official reports from him on the study he has made this summer?
Secretary: I keep using October 1st as the date, but he tells me that is a little bit early. We will say after the 1st of October.

Q. Did Dr. Magill have any special tax suggestions as a result of his investigation in England?

Secretary: He also has a special report which will be finished very shortly. He hasn't given it to me yet.

Q. Will you tell us anything about your conversation with him?

Secretary: The conversation was simply along these lines—as to his future relations with the Treasury, because he didn't know himself until he made arrangements with Columbia University, and he will be able to work with us this winter, but he won't be able to be down here as much as before because the University can't spare him, but he is immediately taking up the question of our legislative organization as it affects taxes. Nobody can guess, because the decision was only made last night that he would do the work, because he didn't know what his dean would say. He is now going to go home and sit down and study the various methods and suggestions so that when the proper time comes we will be prepared.

Q. That work will be done in New York?

Secretary: Some in New York and some here, but in close contact with our own people, but he will have to spend most of his time at the University—he will have to do the work nights.

Q. Just how will the work he is doing dovetail with the work being done by Dr. Viner down here?
Secretary: It all dovetails.

Q. Will Dr. Viner be under his direction?

Secretary: No. Dr. Viner will turn over those matters in connection with taxes to Dr. Magill and confine himself to banking and currency. I needn't tell you that we have a happy family here. We never have any troubles here, but Viner is turning over all of the tax studies as to revenue to Magill.

Q. There was a good story in yesterday's papers about the $500,000,000 in new taxes which will be necessary.

Secretary: That is another one of those Timbuctoo stories. We just decided last night that Magill was available and he didn't know until he talked to us whether he could work with us.

Q. That's the beginning of the study?

Secretary: Yes. Dr. Viner had a long conference yesterday with Magill who gave him the reports and he is taking them home.

Q. Is Professor Leland doing anything for you on this municipal financing proposition?

Secretary: This is off the record: I don't know just what Leland's status is. You see, he was paid by the R.Y.C. not by us; let me do a little homework on that.

Q. To find out where he is?

Secretary: Yes.

Q. About this tax matter: Is Mr. Magill to draw up tentative recommendations as to what sources of tax revenue shall be drawn upon?
Secretary: What I expect him to do is this: He may have three, he may have five, he may have ten different methods of continuing a program. I mean this whole thing, after all, will dovetail into a program which I doubt very much whether there will be anything said on it until the President's message goes to Congress the first week in January.

Q. That is, before anything is made public?

Secretary: Yes. After all, it takes in the whole financial and fiscal policy and I doubt very much if anything will be disclosed on it until the President's message to Congress the first week of January.

Q. Does that mean that the Ways and Means Committee will not get to work on it before the session begins?

Secretary: Well, our relationship with the Ways and Means is this—the experts are here and they are available to the Ways and Means Committee and our men will work with them. It is up to us to furnish them with the information they want and they will do that.

Q. Isn't it a pretty fair assumption that the Administration is against the sales tax?

Secretary: Says who?

Q. Well, the President was horrified at the idea when I wrote a story about it once. The general disposition of Congress is against it.

Secretary: I think I will stick to my first-week-in-January story.
Q. Of course, there is a basic decision as to whether you want any new taxes or the continuation of existing taxation? Any decision yet?

Secretary: No decision yet.

Q. That won't be left up to Professor Macill, will it?

Secretary: No.

Q. Who will then?

Secretary: What I don't want to say is this: I don't want to put this in the President's lap, but last year here was the situation: I was shoved into this job the middle of November. The best that we could do was to go along on things as they were. This year I didn't have very much time or very much to contribute on any of those things. The people I brought in didn't know enough about it. Now I imagine what will happen (this is off the record) is that Dr. Macill will take these things as though there were six methods of taxation, say—method A will raise so much, method B so much, etc. Some time in October the President will send for me to discuss this program—I need so much money; what are the ways?

Here are six ways and he will decide which fits in with his program. I don't want this story to go out as this is up to the President and I know he hasn't done anything on it and won't until he comes back. What Macill and Viner and the rest of us are doing is to get ready for the time when he will send for us and we will sit down as though we have to solve a jig-saw puzzle and put the pieces together—and we
must have the pieces. As a practical way, I should think that is what he will do.

Q. Mr. Secretary, as to the report on taxation not going out until Congress meets—that applies to Dr. Viner's report on matters concerning banking and other things, doesn't it?

Secretary: We really haven't crossed that bridge yet; I don't know.

Q. It might be made public any time?

Secretary: Yes, but this question of taxes, after all, it is a tax revenue-budget proposition and that thing has to be finally put into shape, and I would be very much surprised if the President would want it to go out prior to his message to Congress.

Q. Mr. Secretary, there has been no determination then as to whether taxes will be lowered, kept, or raised. We can quote you as saying that no decision has been made. Haven't you decided that you are going to have new taxes?

Secretary: No. Whether they will be more, less or the same—no decision has been made. Our decision any way is simply in the form of a recommendation. It is up to Congress to pass the recommendations.

Q. Mr. Secretary, has the Treasury been making a check on the movement of newly-mined gold between the mines and assay offices, particularly out in Colorado? There are a number of men out there, supposedly in the Treasury Department, working on something, and there is a suspicion that a leak
has been discovered and that all the gold isn't getting to the assay office.

Secretary: It's news to me. Where will they send it? Who is going to pay them any more?

Q. Mr. Secretary, did you hear Chairman Crowley's statement this morning that the banks could lend many more millions than they are lending—that they are 50% liquid? Have you any comment?

Secretary: No, I never comment on the heads of other groups. I would be awfully busy if I did.

Q. That is the same thing as you are trying to determine by the Viner study in Chicago, isn't it?

Secretary: Don't press me too hard. Mr. Crowley is a friend of mine.

Q. Are the banks loosening up any?

Secretary: I don't know.
Sec.: I've got nothing but our usual stuff on silver and gold and stills. I don't think there is anything particularly out of the way in either of these statements.

Q. Aren't you buying government's a little more heavily than usual -- this week, $18,000,000?

Sec.: I don't know.

Q. It all comes out of the stabilization fund, doesn't it, Mr. Secretary?

Sec.: No answer. (Smiles)

Q. What about the new financing? Do you have any reports? How is it coming along?

Sec.: Satisfactorily.

Q. What is the most demand for, Mr. Secretary? -- The bonds or the notes.

Sec.: We don't know.

Q. Have you had reports already?

Sec.: We haven't any reports as to bonds or notes.

Q. Mr. Secretary, can you tell us something about the meeting going on down at the Public Health today?

Sec.: Mr. Gaston will have a statement which Mr. Law gave, which is a very good statement.

Q. Will it cover the whole meeting?
Sec.: No, just what Mr. Law said.

Q. Will it deal with classification of assets and that sort of thing.

Sec.: No. His speech and his attitude on examining of banks and slow assets, etc. It was a very good statement.

Q. Mr. Secretary, he did make, more or less, some recommendation, didn't he? about a change in examining policy.

Sec.: Yes.

Q. How do you regard that?

Sec.: I thought his speech was excellent.

Q. There is a real need, isn't there for some change in re-classification or something to get the money out -- make the examination not too stiff.

Sec.: What I said to them was this. We have got a group of over 50 people in the Federal Reserve district making this study as to loans by banks and until we get the facts I'm going to withhold judgment. I don't see how anybody can tell unless he knows the facts.

Q. What district is this?

Sec.: This is the Chicago district -- we are examining 4,000 cases out there. Until they come in with the report any comment I make will be pure guesswork.
Q. 4,000 cases?
Sec.: 4,000 cases of refused loans. I can make no comment until I have the reports. I also told them that if nothing else comes out of it the agencies will contact the banks and ask for suggestions. I know in the case of our National Bank examiners that this is the first time they have been together in twelve years.

Q. You don't have these people up here, as some stories imply, to tell them that they haven't been lenient enough.
Sec.: No, this isn't a meeting to scold anybody. I don't like to scold people. Simply, we have four agencies which one way or another contacts the banks and, certainly, they would have to be miracle men -- each man acting on his own -- to guess what the national policy is towards banks because they never sat down together to discuss it. If we only get one idea out of this meeting, I'd say it was a success.

Q. Mr. Secretary, you talk about national policy -- does that go farther than method of examination? Do you have that in mind?
Sec.: I mean by that the national attitude towards the examination of banks.

Q. Just the examination?
Sec.: Just the examination.
Q. I understood, Mr. Secretary, that the newer agencies were accepting the attitude of the National Bank examiners -- that is, the F.D.I.C. would take their recommendation in the examination of National Banks. There wouldn't be the possibility of conflict, and where they didn't examine they would make their own plans of examination conform with that of the National Bank examiners -- so Mr. Crowley said.

Sec.: That attitude has come out of all the agencies sitting down and discussing their mutual problems in preparation for this meeting. But I certainly think that the banks have some justification for kicking when you consider the amount of paperwork that they have to do in getting the information ready which the various agencies ask for. There isn't any question but what that can be simplified.

Q. There has been some complaint that the banks have been asked to mark down the value of government's -- has that come to your attention?

Sec.: Not particularly.

Q. It has happened though.

Sec.: It hasn't happened to be brought to my attention.

Q. Is there a move to change the valuation of governments in portfolios from market to par, or otherwise.
Sec.: I don't know.

Q. That would be in your group.

Sec.: Yes. These fellows are out on the firing line contacting the banks every day and out of this meeting I hope to get some constructive suggestions. It is up to them to make suggestions.

Q. Will you take up the question of your own refinancing policy with them?

Sec.: No, why should we?

Q. It might be helpful if this meeting this afternoon were open.

Sec.: I thought it was open.

Q. It was closed when I was down there.

Q. Can you take up the matter of liberalization of credit to industry and what-not and go through that? Your government financing would match up with that, wouldn't it?

Sec.: I don't know what you are getting at. I can't see particularly where that group would come in on the question of government financing of bonds. My attitude towards them was that any suggestion they have which would help us or if we could help them we would be glad to do so. If they have any suggestions on government financing, God bless them!

Q. There have been reports coming from the banks that some of the examiners, I think really, in all fairness, it is the R.F.C., have sought to mark down governments in the banks' portfolios
which would bring about deposit exposure necessitating additional bank capital. Furthermore, the banks are, to use a common expression, "fed up" on taking government securities—they don't want too many long-term securities as evidenced by your four-year plan. They have plenty of short-term certificates. Now you asked for this!

Sec.: I'm open all the time for suggestions.

Q. (Cont'd) That's why I asked you the question as to whether or not you would take up with the banks the question of your present refinancing operations. The bank has to straighten out somehow. You are going to come along, I suppose, with another big offering soon.

Sec.: The way they are working at the meeting this afternoon is this: Each group meets together in the morning by themselves and they come in in the afternoon with any suggestions they have and they will make them. Our attitude isn't that we brought them together to lay out the law to them but for some suggestions. If we get one good one the meeting would be worthwhile. This isn't my meeting; this is a meeting of these boys altogether.

Q. Mr. Secretary, did you have any intention of asking the bank examiners to be a little more liberal in handling or passing on some of the financing?

Sec.: As I said, this question of bank credit is still up
for discussion. Until this meeting is over, we will withhold judgment awaiting the report on the examination of the 4,000 cases. Then we should know pretty well what the banks are doing -- we are getting wonderful cooperation from the banks. I don't know of a single case where they have refused to show us their records.

Q. In that district, Mr. Secretary, haven't the banks complained that they were afraid to make long-term loans because of the attitude of the bank examiners?

Sec.: There are all kinds. There are individual statements. What I want to get away from is the isolated cases. I want a cross-section of the conditions in the heart of America.

Q. How well is that thing going?

Sec.: It is well started.

Q. How soon do you expect to get it?

Sec.: It will take three weeks to make the study and three weeks to analyze it.

Q. Suppose you got a system worked out in this present group. Will it be a policy thereafter to make uniform policies for all the banks.

Sec.: No.

Q. I thought possibly you might take it another step further and confine the examination to what should be done with various securities, etc.
Sec.: No.

Q. With the results of the study probably six weeks off, just what can these agencies or the examiners do to stimulate loans to industry in the meantime? Do you plan on some help from them in the methods of examining banks in that period?

Sec.: I think we have got to wait until this meeting is over and see what comes out of it. As far as I am concerned, I don't see why, if they are agreeable, why the press should not be admitted tomorrow afternoon.

Q. Mr. Secretary, who addressed them today, in addition to Mr. Law?

Sec.: Mr. Law, Mr. Jones and myself. Also Mr. O'Connor.

Q. Do they expect to make some definite recommendations?

Sec.: I think so, I hope we get some.

Q. Would you mind designating somebody to see whether this session will be open tomorrow afternoon?

Sec.: I think Herbert Gaston.

Mr. Gaston: The only difficulty would be the inhibiting of the frankness of the discussion up there and stopping them from getting down to brass tacks.

Sec.: We want them to get down to brass tacks. The four agencies involved would have to get the permission of the Federal Reserve, R.F.C. and F.D.I.C.
Q. Mr. Morgenthau, are you going to name a new Collector in the Pittsburgh district to succeed Dave Lawrence; he resigned some time ago under the political order.

Sec.: Sure we are.

Q. The talk about Pittsburgh is that Dave is going to stay out until after the campaign and then be reappointed. Is that true, or not? In other words, will you leave this post, vacant until after November?

Sec.: As a matter of fact, I understand that there is a man who has been recommended and we are considering him now. His name isn't Lawrence.

Q. It isn't the Senior Deputy who is now the Acting Collector?

Sec.: After all, that is a Presidential appointment. We haven't made a recommendation yet, but I believe we will very shortly.

Q. In other words this Pittsburgh suspicion isn't borne out -- can you say that?

Sec.: So many suspicions come out of Pittsburgh, I would say that they have a wrong suspicion, if that is good English.

Q. How about a Federal Reserve Governor -- is that coming along soon?

Sec.: You'll have to hound the White House for that.
Q. Do you think Mr. Eccles will be with the Treasury very long? Can you tell us about when you will have something definite that you can give to us in the next day or two?

Sec.: I don't know. I am sorry about this meeting this afternoon but, you see, there are three other agencies involved and I don't want to talk to them. I think if they decide not to have the press in there, a statement could be gotten out tomorrow afternoon. That I can promise you if you don't get in -- a statement by tomorrow night.
Mr. Morgenthau: I will read these out loud. This one on political activities to officers and employees of the Treasury Department.

The purpose of this circular and the reason for it is that we have had so many letters and so many misunderstandings. This answers a multitude of questions from our fifty-odd thousand employees.

(Reads) Any questions?

Q. It somewhat liberalizes the original regulations, doesn't it?
A. I would say "interprets".

Q. You say "offensive participation"—does that necessarily mean no participation at all? It doesn't, does it?
A. Correct.

Q. They may take time off, without pay to engage in these political activities?

A. Such as listed here. I mean, that clears up the whole thing.

We have had, I know, a case where some doctor was giving part-time service to the Health Department and got $23.00 a month on part-time, and he interpreted the law as meaning that he couldn't be a member of the Public Health Office besides giving part-time. Cases like that had to be cleared up and this, I think, does it. There has been a lot of time spent on it. I'll read this other one here, too.

(Reads Instructions to Collectors of Internal Revenue) If you've got any very technical questions Mr. Berkshire is here from the Internal Revenue.
Q. Are you going to apply that to bootleggers?

Mr. Berkshire: It doesn't apply to a bootlegger as we understand a bootlegger. The retailer may not be handling some of this liquor, but he will be openly operating from a place of business in a dry state.

Q. The other fellow is operating, but not openly.

A. That's right; catch him. That's the business of the other enforcement officers.

Q. I believe we had a very detailed press release on this three or four weeks ago—not on the application of the regulations but on what was proposed to be done—more detailed than this; given out in July.

Mr. Gaston: There was an announcement on August 10th. The new thing in this is the use of this list of those who pay occupational tax—to find violations of the other tax.

Q. Is such information going to be made available to state authorities?

Mr. Morgenthau: Yes.

Q. That hasn't been done in the past, has it?

A. The information would be carried in the bulletin which would be posted.

Q. Another way of checking up on violation of state laws?

A. Yes.

Q. Isn't it a fact that in states which are dry the state authorities simply permit them to carry on liquor traffic—isn't that the case in Georgia?
Mr. Berkshire: As to what state authorities are doing—we know just what we read in the papers.

Mr. Morgenstern: This should be helpful to any state that wants to enforce the law, and the purpose of it is to be helpful to the state authorities.

Mr. Gaston: If he is violating any state laws or license laws and ordinances, he is committing a Federal offense at the same time.

Mr. Morgenstern: We think this will be very helpful.

Q. What is the situation on the refunding operations?
A. Well, if I read some of the newspapers I would be sick. But knowing the facts, I'm not.

Q. Let's have the facts.
A. The facts are just what I said the other day—that the refunding is going forward satisfactorily.

Q. How long are you going to leave the 4 1/4 exchange open?
A. Long enough to give everyone a chance who wants to convert them.

Q. Will it be left open until October 15th?
A. I don't know.

Q. That one which was just closed just applies to 1 1/2's?
A. Yes. And I wish you would stress it because a person may be a bondholder and not a financier and it's sort of confusing. It is just that one-year certificate that closes today. But the called 4 1/4's are open until further notice. If you men—and lady—would stress that, I would appreciate it.

Q. Is the exchange of 4-year notes or liberty bonds greater?
A. It looks as though there would be more for the 4-years.
Q. Have you estimated how many have been turned in so far?
A. No, but I will just simply say that on the certificates it has been very satisfactory.
Q. You don't anticipate that you will have to pay off any of these bonds in cash, do you; that any will fail to present their certificates for exchange?
A. Bonds?
Q. Yes.
A. As I understand it, in years gone by on these conversions, if 80% convert they considered that very good. That is about what they are running.
Q. You anticipate that you'll have to pay off 20%?
A. I don't anticipate anything. From history, the regular staff here tells me these conversions usually run about 80% converted and 20% in cash.
Q. Then, if 80% were converted and 20% in cash, that would come out of the Treasury balance?
A. Yes. If that is what happened, that would be the regular thing.
Q. If, by any chance, it is less than that figure, would it be possible to say whether there would be any new issues in October?
A. I'll answer that, but just a little bit differently. What we are trying to do is to keep the Treasury financing up on a four-times-a-year basis. Unless something unforeseen happened, and I don't see anything—why we will keep it on that basis.
There might be some national calamity—I don't mean financial—but a flood or fire—that might necessitate our raising some money; but outside of that we are going to keep it on that basis and that is why we are going to call in Liberties now.

Q. Mr. Secretary, we had a flood in the press room yesterday: the second one in a week.

A. Water?

Q. Water and -- .

A. I see.

Mr. Gaston: They want more life preservers; they want the Alcohol Tax Unit to supply part of them.

Mr. Morgenthau: Anything else?

A. Thank you, Mr. Secretary.
MEMORANDUM FOR THE PRESS.

The following circular letter is being distributed to all Treasury Department employees:

POLITICAL ACTIVITY OF TREASURY EMPLOYEES.

To Officers and Employees of the Treasury Department:

As a result of numerous inquiries received by the Treasury Department requesting information as to whether holding a certain office or engaging in a particular activity violates a specific section of Treasury Department Circular No. 518, regarding political activity of Treasury employees, heretofore issued by me on August 2, 1934, the following explanation of said Circular No. 518 is issued for the guidance of Treasury Department employees not under Civil Service:

Generally, the regulations are not intended to curtail or interfere with the exercise of a person's civic rights and duties as a citizen.

The instructions contained in said Circular should not be construed:

1. To restrain an employee from voting as he or she desires or from expressing his or her opinion, privately or publicly, on political subjects.

2. To prevent any such employee from voluntarily contributing to the campaign fund of the party of his choice, if such contribution is made freely and without coercion or improper solicitation, and is not made to a person in the service of the United States.

3. To prevent any such employee from introducing speakers, or from making speeches on public questions or the work of a particular office, provided offensive partisanship is not displayed in said speeches.

4. To prevent such employee from attending a county, state or district convention as a member or a delegate, if such employee does not act as Chairman of the convention, attempt to use the power of his public office to control or manipulate the proceedings or display such obtrusive partisanship as to cause public scandal.

5. To prevent such employee from holding positions on boards of education, school committees, public libraries, religious or charitable institutions incorporated, established or sustained by State or municipal authority.

Employees of the Treasury Department may engage in the above-mentioned activities, provided the attention required by such activity does not interfere with the regular and efficient discharge of the duties of their office in the Treasury Department, and provided the time used for such activities is charged against the employees' annual leave or leave without pay. Under no circumstances should any such activity be performed at the Government's expense.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.
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September 13, 1934.

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HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
PRESS CONFERENCE - MR. MORGENTHAU

Mr. Morgenthau: I played hookey yesterday. I have nothing, but thought you might have.

Q. Thought you would make a statement about the World Court - I mean the Central Bank.
A. I have nothing.

Q. In fact any kind of a statement would be appreciated. Is it time yet to ask you the question whether you expect to begin to balance the budget at the end of this year?
A. (No answer).

Q. Can you tell us anything about your new tax program?
A. No. I haven't got any story today. Just thought I would say "Hello". How about you?

Q. Could you tell us just when you are going to start conferences on the budget?
A. Hearings started Monday. Mr. Bell started hearings yesterday.

Q. It will run along for a month?
A. A couple of months. I started hearings yesterday. I think Agriculture is first at the bat.

Q. Mr. Secretary, are you starting out with any idea to wallop a certain amount off, or just hear the extensions and then see what to do?
A. That will have to work out.
Q. Do you have any compilation of any silver reports due on Saturday?

Mr. Gaston: I don't think any compilation has been made. The final date for making the reports was September 15th, except in the case of those who had extensions and most of the users - most of the industrial users - had silver. That is, with the more important holders of silver, the reports are not in and some of the extensions run as far as October 15th and there has been no compilation, I am sure.

Q. Mr. Secretary, you are familiar, I believe with the Kiplinger letter. The last one said that the Comptroller of the Currency of the Treasury was no longer an independency, but was a dependency of the Treasury and as a result Mr. O'Connor would be forced out.

Mr. Morgenthau: That story comes up about one a month.

Q. Yes it does, but this was a little stronger than usual. Of course it grew out of the recent conference of bank examiners.

A. I can say this to you, off the record, that Kiplinger wrote that, but he didn't get it from me and that's all you want.

Q. Would you say whether it is true?

A. I can't deny it every few weeks. I just got a nice longhand memorandum this morning, asking for my photograph and I am sending him my autographed photograph this afternoon.

Q. Maybe he wants to take that with him to California.

A. Do you think he would? I would say score one for you.

Q. As a result of the recent bank examiners' conference, there is going to be some easing up on the bank examination, not necessarily
lax, but reclassification of particularly slow ones and stuff of that sort. The President himself had something to say on it at Hyde Park.
A. I have nothing to say.
Q. Did that meeting set up any permanent committee to go ahead with the study?
A. I was talking to Dr. Viner this morning and he feels that there will be some concrete recommendations coming out of that meeting.
Q. There isn't any continuing body?
A. No, but I would say that we ought to have meetings like that at least twice a year.
Q. The President told the fellows at Hyde Park, I think, last Wednesday. I think he used the phrase "rule of reason" on bank examinations, giving the idea that a lot of loans were being disapproved that might well be approved. Would you agree to say anything about that?
A. No.
Q. When do you think the recommendations will be ready?
A. They ought to have those, I would say in a few days.
Q. At the next conference?
A. That comes too soon.
Q. Have you talked with Mr. Magill about the Tax Bill?
A. He took a mess of material home with him that he is working on.
Q. When are you going to get that back?
A. Just as soon as the committees of the Senate and House begin to sit.

Q. I talked to Doughton yesterday and he said he was going to have his committee up here early in November. That is the sub-committee.
A. I suppose if he calls on us, we will have Magill there.

Q. You are not very helpful today.
A. No, I didn't have anything, but thought you might have.
Mr. Morgenthau: What's new today?

Q. Did you see that the Advisory Council is demanding that the stabilization of the dollar be effected immediately?
A. Yes.

Q. Could you give us anything on that, Mr. Secretary? Were you informed of their action?
A. I read it in the newspaper this morning; I'm a good reader of the newspapers.

Q. How is the refunding operation coming along — the exchange of the fourth Liberties?
A. Very nicely.

Q. Could you tell us what percentage of those bonds turned in for the one — what percentage have been held for various government accounts?
A. I think I might say on that that as far as the accounts in the Treasury as against the — I don't believe that any of those were for the Treasury.

Q. That includes Postal Savings?
A. Yes. If there were any it was very small; I will be glad to give you the figures.

Q. I imagine that all that you had were exchanged last time.
A. If there were any there were very few. I would be glad to give you the figures — it isn't important. I mean, it has nothing to do with the Federal Reserve System. I am talking just about the accounts that we here are responsible for. But the member banks of the Federal
Reserve — that is something else.

Q. How is the Chicago survey getting along, Mr. Secretary?
A. They tell me, very well.

Q. Is it finished yet?
A. No.

Q. Any developments that you can talk about yet?
A. I haven't heard a thing.

Q. Have you caught up with Professor Leland yet, to find out what he is doing?
A. I don't know. I gave that assignment to Gaston.

Mr. Gaston: The last I heard he is still working on his final report.

Q. He is working on that municipal debt proposition, isn't he?
Mr. Gaston: Yes, he is working on a summary and analysis of what he found out.

Q. What about Professor Rogers' findings?
Mr. Morgenthau: Well, he is giving me a verbal report, of course.

Q. What did he say?
A. Oh, he told me all about the Chinese food — how well it was cooked and how much he liked it.

Q. He had a nice trip?
A. Yes, I don't know whether his report will ever be made public.

Q. Mr. Secretary, an uproar in Georgia has followed an announcement that you would collect this thousand dollar tax against dealers in intoxicating liquors in dry states. Will this Federal tax be collected from beer dealers down there who handle only 3.2? The
Federal Government inspectors said that 5.2 wasn't intoxicating.

A. I don't know.

Mr. Gaston: If the selling of the alcoholic beverage is in violation of the state or local law they would be liable for this tax. If there's no question that it is an alcoholic beverage, and if their law forbids the sale of it then they are liable to this excise tax.

Q. Is there any way under the law to bring about a suspension of that tax? The Georgia people, and Kansas also, are trying to find some way to get around it temporarily, apparently until the Legislature can act.

Mr. Morgenthau: The law is there; it is up to us to carry it out.

Q. Another "Whiskey Rebellion". Mr. Secretary, the point came up yesterday -- whether the mayor of a city might have access to Federal income tax returns as governors have where the state or city has an income tax law, and I was told that the mayor would not have, under the Executive Order. That came up under the New York income tax. Now I wonder whether an effort will be made to extend the Executive Order to municipalities.

A. It hasn't reached me, but my guess would be no. Up there they can get it from the Internal Revenue Collector of New York.

Q. They can get it from state authorities.

A. Yes.

Q. Well, but they couldn't examine the individual and corporation
returns.
A: No. If Bob is right, and I am sure he is, they would have to ask
the governor of the state and he would have to ask us.
Q: To revert just a moment to Professor Rogers -- did I understand
you to say that you do not know whether his report would ever be
made public or not?
A: That is correct.
Q: Will this Advisory Council, so called, of the Federal Reserve
make a report to you?
A: No, except in my capacity as Chairman of the Federal Reserve.
Q: They will make recommendations.
A: They will make recommendations to me in my capacity as Chairman
of the Federal Reserve Board.
Q: Did you sit in on this meeting at all?
A: No.
Q: In view of the present setup of the present Advisory Council,
Mr. Secretary, and the setup of the Roosevelt Administration, how
much influence would the Council have?
A: Well, after all, this Council was set up and is purely advisory,
and, as I understand, they meet four times a year, and I think that
they represent a group and their advice should be taken as coming
from one group.
Q: Don't they presumably represent all the business interests in
their districts?
A. No. They represent a group of members of the Federal Reserve Banks. They are not businessmen; they are bankers. It's an advisory group.

Q. I didn't think they had to be bankers.

A. They are all banking officials -- Federal Reserve bank officials. Whatever their advice is worth, it should be considered.

Q. What is your quotation on the "advice"?

A. I wasn't sarcastic. It's a group of people, and, after all, they are not to be (don't misunderstand me) -- that's just one kind of advice -- take it along with other kinds. I try to keep my mind open to all kinds but that's only one part, and that's one segment of the picture, but only one.

Q. Have you actually seen this particular resolution?

A. I read it in the morning papers.

Q. Mr. Secretary, this question is so old it is almost history, but do you remember when you took over those Home Owners' Loans and sold them again -- there wasn't any announcement made of the banks who took them up.

A. We sold them through the Federal Reserve office in New York, and they sold them, to whom I don't know.

Q. You sold them through them and not to them?

A. Oh, no. They sold them to dealers in governments or to banks but they acted as our fiscal agents, but it wasn't sold to the System itself or to any of their group.

Q. Do you think it would be a good policy where there are private
sales like that, as distinguished from public sales, to let us know who gets them.

A. I have nothing to hide in that respect. As a matter of fact, we went much further people around here thought. We thought it was unnecessary to announce them, but in order to keep my weekly picture straight I announced them. As I understand it, various banks and governments dealers bought them at par.

Q. The only think I have in mind is that, after all, you do have authority to sell these things without public sale — any government issue — under one of these acts.

A. We didn’t even have to say we sold them — it wasn’t even necessary

Q. Just as a matter of public record. When a government is sold without public offering, I thought there might be as much publicity as possible, as it could be abused. (That has no inference on my part)

A. No. The price was fixed; we had $22,000,000 of Home Owners’ Loan to sell at par and anyone who wants them can have them.

Q. Was that a general announcement to all banks, or did some banks come in to you?

A. No. The Federal Reserve in New York are our fiscal agents and I hold them responsible and as long as I have been here they have given wonderful service, and I have yet to hear the slightest criticism of the Federal Reserve in New York in their capacity as fiscal agents for the Treasury.

Q. Mr. Secretary, several Washington business firms within the last few days have received demands for additional income tax payments dated back three or four years. Does that mean that there is going
to be a general upward revision of the tax returns?

A. I wouldn't deduct anything; it is just that somebody is on the job.

Are they going after the Washington businessmen?

Q. We have had several complaints in the office about it.

A. Did they include lawyers?

Q. No. There is no general movement to scan income taxes for the past three or four years and detect flaws and dig up as much money as they can?

A. I really don't know. All I know is that I think they are doing a pretty good job up there.

Q. Isn't the tax return closed, unless you dig up fraud?

A. Yes. So you and I have nothing to worry about.

Q. Mr. Secretary, how do you look on this recommendation of the Advisory Council for the stabilization policy?

A. I think it is very interesting.

Q. There is a sort of feeling among so called government circles that we might be approaching a good time to do something with Great Britain. (No answer).

Q. As a usual procedure, the Federal Reserve Advisory Council always informs you of their recommendations to the Board as Ex-officio chairman.

A. I suppose so.

Q. And your only knowledge is what you have read in the papers?

A. Yes, I don't think there is anything significant in it. I suppose in due time it will come, but we don't know when it
will get here.

Q. Have you done any more about taxes since we last saw you?
A. No; just working.

Q. When do you think you will get a definite policy on taxes?
A. I will just say what I said before—that on questions of not taxes and the budget, there will be anything until the President's message to Congress.

Q. You said a while ago that you thought it would come in due time—did you refer to the report or to policy.
A. Report.

Q. Mr. Secretary, I think it was a couple of days ago that I read in the Journal of Commerce a story on the central bank idea—did you read that?
A. No.

Q. Could you comment on that?
A. No.
At a recent meeting of our members, (A.P.) of course the majority of them are Democrats, there was a great deal of discussion as to how the cost of the New Deal was to be paid, and they specifically requested me to ask you that and when it was going to start.

Mr. Morgentau: Well, I thank you for forwarding the message. I have nothing to say.

Q. Can you tell us anything about the budget, Mr. Secretary?

A. I will make the same statement I made before—there won’t be anything until January, unless the President has some announcement.

Q. How about these stabilization rumors that have been floating around?

A. I guess they’ll have to float. I have no comment.

Q. Anything new on Professor Viner’s work?

A. No.

Q. Are you using an advertising agency in New York?

A. (No answer) Are you with the Tribune? No? Well, this is off the record. This is the best thing that has happened in a long time. The Home Owners’ Loan once employed McCann’s in New York to advise them and I will let McCann’s take care of the New York Tribune; far be it from me to get between an advertising agency and a newspaper, having been in the publishing business myself. That’s off the record. If you want a story from that it is up to the Home Loan to tell you. The only place I saw it was in the New York Tribune. Did anybody else see it?

Q. That’s where I saw it, in the Herald Tribune.
A. You ask the Home Owners' Loan that question — that's the answer, but what I have said is off the record.

Q. Do you expect that the Federal Farm Loan Corporation might employ an advertising agency?
A. I don't know.

Q. There was some other advertising stunt used by the Treasury directly according to the New York Times — a want ad appeared in the Times advertising for expert accountants. It was supposed to trick people to come in to see the Internal Revenue in regard to Inheritance Taxes.
A. Well, I understand that there were two agencies which put in some advertising and we're having that investigated. All I know is that they did it entirely on their own, and all I can say is that the way it looks on the surface it would be something that I heartily disapprove of. But it is something that I just heard about, and I say unless there is something back of it about which I don't know, I would not approve of that kind of thing.

Q. I think it appeared last week.
A. I heard about it last Friday.

Q. Were there two agencies?
A. I haven't the story right. But two revenue agents put some kind of a trick ad in the paper and getting people to come in.

Q. Mr. Secretary, will you discuss, off the record, or on, the complaints of business about the uncertainty of monetary conditions?
A. I think the President yesterday answered that very well.

Q. Not just the U. S. Chamber of Commerce but in general.
A. I will say just what I said.

Q. Mr. Secretary, would you care to say anything concerning that question of the President's right to veto a single item in an appropriation bill?

A. No.

Q. Is there anything new out about the bank examiners' conference last week?

A. I would say early next week we ought to have something on that.

Q. Any inquiry in any other Federal Reserve district going to be made?

A. No, I think this one will be enough, although I can't say. Put it this way—let's wait to see what we get out of the Chicago district.

Q. Who will represent the Treasury in the Committee meeting today to talk over margins?

A. Me.

Q. When do you hope to present that report to the Federal Reserve Board?

A. I didn't understand that—the General Counsel's Office is representing the Treasury in that meeting and the Federal Reserve Board will meet to receive the report at 2:30 this afternoon.

Q. Could you comment on those matters that so far have not been settled—have been disagreed on?

A. No.

Q. Are they important or are they minor?

A. I wouldn't even want to say that.

Q. When is this group meeting, Mr. Secretary? Are they meeting now?

A. Well, unless they have changed their plans, as I understand, they
were to meet at 9 o'clock this morning and have a report ready for the Federal Reserve Board at 2:30 this afternoon.

Q. Who else is represented in the group besides the General Counsel?
A. I would rather the Federal Reserve gave that out. I would rather let Judge Thomas give that out.

Q. Mr. Secretary, anything new on National Committeeman Joe Wolfe? You granted him an extension until the end of this month to decide.
A. Well, I guess he'll have to decide then.

Q. Would your recent ruling allowing certain members to participate in politics include him?
A. Not as National Committeeman.

Q. Will there be any further extensions to those persons who have gotten 30-day extensions?
A. So far as I know none have been brought to my attention. I'm taking it for granted that those extensions will end it. Have you heard of any?

Mr. Gaston: No, I haven't heard of any. My understanding is that Joe Wolfe was going to resign as Committeeman.

Mr. Morgenthau: I don't know of any so I take it that they will make up their minds before the extensions expire.

Q. Anything further to say about taxes?
A. No, Sorry, so many "no's" today.

Q. Maybe you could talk about the Stabilization Fund. The call 4th's are still staying open?
A. Yes, this is off the record—if you would give more publicity to this as you did on Monday, it would be very helpful. I appreciate what you did Monday.
Q. They will stay open for a while then?
A. Yes, they can stay open until October 15th.
Q. Are you going to keep it open long?
A. I don't know they are coming in awfully well and as long as they are coming in, I see no reason to close.
Q. How much do you expect to come in?
A. I don't know.
Q. You'll get over a billion dollars in?
A. I would rather you wouldn't ask. I would rather stick by what I said the first time—that I would consider 80% good.
Q. That would be 80% of $1,200,000,000.
A. Yes.
Q. Mr. Secretary, if you reduced your balance to a billion and a half, that would be sufficient, wouldn't it? Your balance wouldn't have to be two billion, would it? The general fund balance.
A. That would be all right.
Q. You could reduce it to a billion and it still wouldn't be considered low.
A. As I understand, they went through the war with only $500,000,000 at times.
Q. Why is it that the balance has been kept so high? Even at the end of the Hoover Administration and this Administration it has been kept up to one or two billion.
Mr. Gaston: I believe it was only $200,000,000 at the end of the Hoover Administration.
Mr. Morgenthau: For background, the reason it was so high was this—that all through February, March, and April we would get estimates from the E. F. C. of what they would need each month and as it ran they would spend just about 10% of their estimates. That went along for three months and each month we took them seriously—for get just what the figures were—they would need so much money. Of course, the answer was that the repayments had started and they did not need so much—I think the estimates ran about $500,000,000 or $750,000,000 a month, but they spent about 10% of their estimates, so the first thing we knew we had piled up an extra billion dollars. We got up to that point and simply carried along on that level.

Q. Now that there is a steady back payment of loans does it appear that that is going to continue?

A. Nobody knows. This is absolutely off the record. It is awfully hard for some of these agencies, it seems to me, to estimate or give us even a month’s notice of what they are going to need. When you get three or four agencies off a couple of hundred million it mounts up. So far the estimates have been to our advantage. Suppose, though, they spent more than they said they would and the tables were turned around the other way, and I never know but what some day they may turn around and spend a lot more, and that is one of the reasons why I want a comfortable balance—because I don’t know that they will keep on constantly over-estimating their expenditures. But that’s what is happening and makes Bell and me lay awake nights. Bell always collected that information for the Director of the Budget. This is all off the record.
Q. If you reduce that balance what becomes of what you cut off of the balance?
A. You would just add that much less money. We would stop taking bills each week. For a month that would mean $300,000,000. But until these people can make better guesses, we really need that.

Mr. Gaston: There's another factor in that balance--the $800,000,000 gold profit.

Q. Mr. Secretary, because of the large balance can you foresee whether there will be any new financing other than bills before December?
A. No. I answered that when we started out. Unless some national calamity occurred we would keep the Treasury on a quarterly basis. And there is certainly no national calamity in sight that I see.

Q. I gathered the impression that it was the Treasury's definite idea to reduce that balance substantially below what it is now. Am I wrong on that?
A. I wouldn't say so.

Q. You took in an additional $25,000,000 on this last bill issue.
A. Yes, we raised it. The trend is to get away from the yearly stuff and not have something coming due every few months. On September 15th we had some $500,000,000 come due and Dec. 15th almost 900 million of one-year notes. We have got this stuff turning over each week and it is much easier to handle than on a yearly basis. It is much easier on a bill basis than on the yearly notes. The tendency here is to work in that direction rather than on yearly basis.
Q. You don't mean, do you, that when those yearly notes mature there's a possibility that some even shorter maturities might be substituted?
A. We are picking up six-month notes and we are not extending the yearly stuff. We are just turning it over when it comes due. It's very difficult financing when you have these large amounts come due.

Q.- When this $990,000,000 comes due you mean that you will probably refund that with six-months stuff?
A. No. We will try to spread out the maturities. If the market is good, we will try to convert them into long-term issues. We are trying to get away from these large blocks of short-term stuff coming due at one time.

Q. What is the cost of the issue of these certificates? It might make an interesting story.
A. It isn't very expensive. We don't have to go before the Securities Commission. I can give you the figures if you would care to have them.
Q. Why the suspension?

Mr. Morgenthau: For your background, because there is too much attention paid—more than it was worth.

Q. It doesn't mean, sir, that purchases have been suspended?

A. It just means that on the 15th of each month we are announcing what we bought or sold the previous month.

Q. This will be a net figure?

A. A net figure. This week's net sales were $1,280,000.

Q. Is that the first time the net sales have appeared on the weekly sheet?

A. I think so.

Q. Heretofore the purchases have always been net.

A. Yes, but we have never sold any with the exception of that $22,000,000 of the Home Owners' Loan, about which I told you.

Q. Mr. Secretary, is there any story behind the fact that there is a sale instead of a purchase this week? You are not unloading now?

A. (No answer)

Q. You could ask a good question on that inasmuch as the bond market is not sufficiently strong to cause you to sell to take a profit.

A. As a matter of fact, what we did sell we did take a profit on.

Q. Can't you say what they were?

A. I am not going to say, but what we did sell were at a profit. There's nothing to it except doing this thing weekly—that is for background—there is so much attention paid to it. The Federal Reserve just shows its net position and no one pays any attention to it. We come out with
our net figures every week and they play them up. The Federal Reserve figures are ten times as large and their net figures are announced, but nobody pays any attention to them. We make the financial page—they make the classified columns.

Q. You want to get in the want-ads?
A. I want to get in the want-ads.

Q. Theirs are announced weakly?
A. Yes, but nobody pays any attention to them.

Q. There isn't any professional jealousy there?
A. I don't want any more publicity—I am willing to share 50-50 with them.

Q. I want to ask if you can throw any light on the matter of taxes that we may have to deal with before the winter is over, either for background or for quotation.
A. No. I think what I said before and the President said it at his conference—that I doubt whether there will be anything else on budget or taxes before his message to Congress the first week in January.

Q. Mr. Secretary, could you tell us something of what was discussed at the White House today?
A. I am sorry; I would love to; it's a good story.

Q. Mr. Secretary, could you throw any light on the Chinese protest with regard to silver?
A. No. There are two reasons—(1) on account of the White House conference and (2) anything from foreign countries will have to come from the State Department.

Q. They said it would have to come from the Treasury.
A. I know; but my position is more logical.

Q. Mr. Secretary, is there any change in prospect in the silver program?
A. None that I know of.
Q. Have you read Professor Rogers' report yet?
A. No.
Q. Anybody ever going to read it?
A. Oh, yes; Oh, yes! We read our professors very carefully.
Q. Has he submitted one yet?
A. As a matter of fact, he hasn't. It will come in very shortly.
Q. You still say that you doubt that it will ever be made public?
A. I'll stick to that.
Q. Is there a report in prospect on your bank examiners, Mr. Secretary?
A. Yes.
Q. Mr. Jones made some comments on it this morning and said that, among other things, it appeared, and he thought, that there would be a reclassification of loans and also uniform bank examination. I might sometime tell you his other comment.
A. I see. What's the matter, do the ladies embarrass you? I'll see you later.
Q. He did make the observation that he thought loans might be reclassified and there would be uniform examination and that that was the logical outcome of that meeting.
A. What the Treasury will do is this: It will either have nothing to say or it will have a formal report.
Q. That wouldn't require on legislation?
A. Not necessarily.
Q. Are you still studying this central bank of issue situation?
A. Who said I was studying it?
Q. Somebody said that the Treasury was the "Brain Trust".
A. Whoever I said was studying it is still studying it.

Q. Isn't it time for reports from the Viner Committee, Mr. Secretary?
A. No.

Q. I thought they would complete the work by October 1st.
A. Yes, but they decided to stay on a little later. I'm not stalling--I haven't had a single report.

Q. Is that Chicago survey finished, Mr. Secretary?
A. I believe they have finished the field work.

Q. Would you care to make any comment on the statement of the Federal Reserve Advisory Council?
A. I think it speaks for itself—it is a very good statement.

Q. You think it is a very good statement—the Advisory Council's?
A. Oh, I thought you said the Federal Reserve. What I meant to say was that the statement of the Federal Reserve Board in reference thereto was good.

Q. Did you have anything to do with that, Mr. Secretary?
A. I was there; I presided when the resolution was adopted.

Q. That was unanimous?
A. It was.

Q. There have been published reports, Mr. Secretary, that Mr. Coolidge was going to retire. Will you comment on that?
A. Now let me get talking for a minute off the record—there's absolutely nothing to it. I don't want to comment or deny, but I will tell you, off the record, there is nothing to it. You know I resigned twice last week myself—the President took care of that.

Q. Mr. Secretary, have you any comment to make on the President's radio talk?
A. I think it was a great speech.
Q. Will you discuss the possibility of spending for the unemployment relief program?
A. I'll just stick by that—I think it was a great speech.
Q. Mr. Secretary, have you done anything about a successor to Joe Wolff, Collector of Internal Revenue at St. Paul?
A. Why he has just resigned. We don't move as quickly as that.
Q. He kept his political job and committee-ship and resigned his Treasury job?
A. Well, all I know, the only thing that affects me, is that he resigned. The political part is not my concern.
Q. Mr. Secretary, have you anything on the R.F.C. reduction of interest rate on their preferred stock in banks?
A. (No answer)
Q. Will you say whether the Treasury has considered the possibility of the government's trading some of its gold to China for some of its silver?
A. I will go back to my first statement—my two reasons for not commenting on it.
Q. Have you any idea how much of the silver of the country we have taken under the nationalization of it—what has come in? The statements shows 90,000,000 ounces.
A. I would say practically all of it.
Q. Much under former estimates?
A. We never had estimates.
Q. I mean private estimates—they were somewhere between 100,000,000 and 150,000,000 ounces.
A. These figures speak for themselves; if we had made any guess it would be different. As far as I know, we didn't.
Mr. Coolidge: There are no announcements that I know of, so it is only a question of whether any of you want to ask anything.

Q. Have you read the Post this morning?
A. I haven't—no.

Q. Have you read any account of Secretary Wallace's new book in which he referred to "money-magic" being only temporary?
A. I saw something about it, but I haven't read it as yet.

Q. Would you care to say whether you agree?
A. I haven't seen enough—I'll have to read it.

Q. I would like to have the Treasury's reaction on that.
A. I can't give it—I'll just say I haven't had read it.

Q. Have you heard anything of the credit survey in Chicago; is that completed yet?
A. Oh, that examination? No, that's not completed yet.

Q. Some newspaper stories have seemed to indicate that the Treasury had apparently abandoned its general idea of putting out long-term notes where it could and going on the basis of short-term borrowing, not necessarily entirely exclusively, but the stories read almost so. Has there been any such change?
A. No. I always feel that it is a question of market conditions at the time. It is a job that you have to do, based on market conditions.

Q. But, as a general rule, you still feel that Treasury financing should be on a long-term basis when it can be done without paying too high a price?
A. That is a very complicated question; it is a question of market conditions.
Q. Can you outline that to us?
A. Well, if you want a little talk off the record; -- it's too apt to be misinterpreted.
Q. Not off the record.
A. I can't.
Q. Would it be fair to say that you favor a long-term issue in December if, for example, the market would seem to support it?
A. It's a very complicated problem—a very complicated problem as to whether there's a lot of investment money around, a lot of bank money around, and what rates the people desire without disturbing the money market.
Q. The Secretary indicated at one of his recent conferences that he would like to do something of a long-term nature.
A. (No Answer).
Q. Mr. Secretary, has any action been taken in calling any more of the 4th's yet?
A. No action has been taken. We usually take action only at the last minute. That's our general policy.
Q. Is the present issue still open?
A. Yes, until October 15th.
Q. Mr. Secretary, anything been heard from the British on the silver situation?
A. Not that I know of.
Q. Another country except China?
A. Not that I've heard of.
Q. Can you say anything about the discussions with regard to China?
A. No, I wouldn't say anything about that; that's a problem for the State Department—I won't even say that; leave that out; I just won't say anything about that.
Mr. Morgenthau: All right, gentlemen; no leads today; I have nothing have you.

Q. Will you tell us anything about your budget conference at the White House?

A. Something is the matter with you fellows' eyesight over there; I came right out and nobody saw me.

Q. Is that so?

A. I came right out the front door and nobody wanted to talk to me.

Q. Mr. Secretary, it was announced ahead of time that if we did see you, you wouldn't say anything.

A. Well, I'll stand by that announcement; the White House will have to make the announcement. All I say is "budget" and that's all I say.

Q. As a matter of figures, is there any reason why, during the balance of this fiscal year the deficit rate should increase at a higher ratio than during the first quarter—the first quarter's deficit was half a billion.

A. I don't know.

Q. Wouldn't it have been much larger if it hadn't been for the repayment of R.F.C. funds?

A. Possibly. It might be accelerated by the expenditure for winter relief. I don't say anything. I wouldn't want to forecast.

Q. Mr. Secretary, the other day it was printed that there would be no appointment as a permanent budget director by the President. Could you say anything about that?

A. That's a Presidential matter. The President answered it at his press conference, didn't he?

Q. Yes.

A. He answered that question.
Q. Mr. Secretary, can you say anything about the decisions on the two gold cases today?

A. No, I just saw the flash on your service that they were dismissed.

Mr. Gaston: The decision of the Supreme Court was that they would hear arguments on the case.

Mr. Morgenthau: All I know is what I saw on the flash.

Mr. Gaston: They refused to hear Campbell's appeal.

Q. Mr. Secretary, the other day I asked you about something, and this is off the record; I think you said then that there were certain want-ads inserted in New York papers on inheritance tax matters. Was there anything further on that?

A. Well, off the record, I made further inquiry and that was a trap which they were setting for a certain man, and, as I understand it, it was successful. It wasn't the practice but that was the trap set for a certain person and they got him; it isn't the practice—it was the plan to entrap a certain accountant and they did.

Q. Mr. Secretary, some time ago you told us that the Home Owners' Loan employed an advertising agency; since then, has either the Treasury or Farm Credit employed any?

A. Well, I know the Treasury has not and I don't know any reason why we should, and I am quite sure the Farm Credit has not and I can't imagine why the Treasury should.

Q. Mr. Secretary, what is the status of the plan to merge the Coast Guard with the Navy?

A. The first I saw about it was this (exhibits clipping), and as far as I know there is no such plan being considered.
Q. Any news from Dr. Viner yet on his Chicago work?
A. No.

Q. Anything you can say about your silver plan?
A. You fellows don't read Paul Mellon until two weeks after he writes his story. It's like the Washington Herald. You turn every morning to our friend's column.

Q. Mr. Secretary, inasmuch as he did have that story in there and other stories since then, won't you tell us just a little more directly what it is?
A. Well, there is no definite plan. As I've said before, Congress gave us a certain job to do and we're going to do it, and if we can make it fit in with our international trade balance and still carry out the program why I think it would serve two purposes.

Q. Has it been successful so far?
A. I would say so, but it is too early to draw any conclusion.

Q. Are you actually trying to offset the favorable balance of trade by buying silver?
A. All I can say is that if you men will watch the shipment of gold either way, in the United States or out of the United States, that is the best indication of this whole program. The silver program—I mean the purchasing—has been going such a short time that you can't draw any definite conclusions.

Q. That is, the movement of gold is the best indication of your silver?
A. Well, it is a weather-vane.

Q. In other words, there is not much movement of gold either way?
A. Well, I mean the movement of gold stopped about the middle of August and there hasn't been anything since then—maybe it's our silver purchases and maybe it isn't, but it has been such a short time it is too early to tell.
Q. But in the event that we have more payments due us from abroad than
we are due to remit abroad, wouldn't that gold movement be an indication?
If England owed us $20,000,000 we could buy $20,000,000 worth of silver over
there and there would be no compensating gold movement to indicate that?
A. Well, put it a little bit differently. After all, we have $250,000,000
to $300,000,000 in favorable balance due us from abroad. They have got to pay
us in something—they have been paying us in gold. Since the middle of August
the gold shipments have stopped; that's why I say that the gold is a weather-
vane as to how the rest of the world is paying us. It isn't only England—it
seems to be like a lake, that is, you draw a bucket of water from one corner
and the water seeks its level and it's the same way with silver.
Q. Mr. Secretary, this may indicate considerable ignorance: The government
buys silver abroad, for instance; the private trade—for instance, International
Harvester, buys from somebody and that sort of thing; now how do you bring that
balance -- ?
A. Well, as I understand it, when we buy silver we have to buy sterling with
which to pay for it. Whether we buy it or whether International Harvester does
it, it has the same effect; when we buy silver we have to pay for it—we ex-
change our dollars for sterling abroad, and it affects the international money
market the same way.
Q. Isn't there a seasonal fluctuation to deal with so that there may be gold
movements so that, generally speaking, over a period of a year the gold move-
ments would be such that they would offset each other—the gold movements
back and forth.
A. Well, as I said before, it's too early to tell. If we have six months
behind us instead of six weeks, I could answer you better.
Q. Are you working with George Peak on that?
A. No. You know how I am; I never make any statements against any other head unless it is of interest, and I don't want to make any reflections on George.

Q. We were wondering if you were using his figures.
A. I don't want to answer the same like a reflection on him, but the answer to your question is "No".

Q. Mr. Secretary, I saw from the Commerce Department that $5,000,000 in silver money had come from China in the last week of last month and that is just a continuation of silver money coming from China and we have had word that the Chinese Government is protesting that we are taking all their silver away from them.

A. As I said before, that where the U. S. policy touches another European country, I feel it's up to the State Department to answer those questions.

Q. Mr. Secretary, the recent French elections have been generally interpreted as strengthening the hand of the so-called European gold block; would you say anything about such interpretation.

A. I just repeat what I said before—when it touches another country, I would rather not comment.

Q. Have you anything to say about the possibility of calling another block of Liberty Bonds on the 15th?

A. Well, if we do anything, there won't be any announcement before Monday. That doesn't mean anything, but if we do do something, there will be an announcement. There will be tonight an announcement of how many converted Liberties have been awarded and if those of you who can will give it a play
I would appreciate it. We will give you the news each night and figures for the next three days.

Q. Are you going to close the 15th, Mr. Secretary?
A. No, it closes Thursday night, and Monday, Tuesday and Wednesday night we will let you know how many have been converted and please stress the fact it closes Thursday.

Q. After that, those who don't convert will be paid off in cash, and probably you will get about $150,000,000?
A. I never guess.

Q. Mr. Secretary, if you can give us an approximate figure we could give a better play to it.
A. How early do you need it?
Q. Oh, about 5 o'clock.
A. You'll have it by then.
Mr. Morgenthau: I've got nothing; any questions?

Q. Is there anything new on the budget, Mr. Secretary?
A. No.

Q. Mr. Richberg made some references to the budget in Chicago.
A. Well, off the record, I take the same position as the President -- I didn't read it.

Q. Will you gentlemen be reading that speech in a week or so?
A. I imagine over the weekend we will most likely get around to it.

Q. Mr. Secretary, you didn't read the Herald-Tribune this morning -- the editorial page?
A. Should I?

Q. You might find it interesting.
A. All right; I'll do that right away.

Q. Mr. Secretary, is it fair to say on the budget that the customary conversations or talks with the President are going on?
A. Yes, and what I have said a number of times, that naturally we are working on it and as I said here and I understand he said, I doubt very much whether there will be anything on the budget until his message goes up to Congress. So far as the Treasury is concerned that is our position.

Q. The President indicated yesterday in his talk with us that the gold price still might be a factor in trade -- in bringing prices up.
A. Well, I didn't realize that. I could not comment on that.
Q. Just one question -- he said it might be a factor -- the gold price.
A. Well, I wouldn't say anything.
Q. The President said he was working for the stabilization of prices and of the dollar. Could you suggest the machinery by which that might be brought about? He said studies were being made on that point, I believe.
A. I would rather not comment.
Q. May I ask my biweekly question about Dr. Viner's survey in Chicago?
A. And I'll give you my biweekly answer -- we'll have to make it biannual -- I'm still waiting.
Q. Mr. Secretary, when do you expect a report on the unification or coordination of bank examination?
A. Still waiting on that.
Q. That's coming ahead of the Chicago report, isn't it?
A. I don't know, but I haven't got anything on that. That's straight.
Q. Has this group finished the study on banking and taxation?
A. Well, I haven't got any reports from Viner yet.
Q. Do you expect them soon, Mr. Secretary?
A. Yes, very soon.
Q. Next week?
A. I wouldn't set any date.
Q. Will we get anything out of these reports?
A. I think you will.
Q. Will you make them public?
A. I imagine some of them will be made public -- not necessarily all of them though. And I am quite sure there will be something on them.

Q. Will it come out before the President makes his speech to the Bankers on the 24th?

A. I don't know; I hadn't thought of that.

Q. Mr. Secretary, there appears to be a vacancy as Chief National Bank Examiner in the Chicago District. Do you know whether there is any thought of filling that shortly?

A. No.

Q. There's a report that a man named Hunt would be appointed.

A. I really don't know.

Q. Anything new on the appointment of a collector of customs out there to fill Czarmecki's place -- the Republican holder?

A. No. We've got Pittsburgh fixed up.
A drawing was held at 4:45 P.M. for the conversion and refunding of the Fourth Liberty 4½% bonds, certificates of partial redemption, third call, third series.

The Secretary of the Treasury drew the numbers himself, the numbers being 5, 6 and 7, the final digits of the bonds chosen, and the letters "s", "f" and "g".

Mr. Morgenthau: The serial number on all the bonds ending in the final digits 5, 6 or 7; in the case of the coupon bonds there is also a distinguishing letter and it corresponds with the final digit.

Mr. Gaston: It will begin with the letter "s" and end with 5 or with the letter "f" and end with 6 or with the letter "g" and end with 7.

Q. You are going to call the rest of them in April, I suppose?

Mr. Morgenthau: I thought you would be satisfied.

Q. Mr. Secretary, do you expect to announce any time soon an exchange offer?

A. I can't say; I don't know. Have you got a good question?

Q. Not about this — I mean, if everybody is through with this.

Q. About how many does this leave outstanding?

A. There were, roughly, about $3,200,000,000 and this takes in about $1,800,000,000, leaving about $1,400,000,000.

Mr. Gaston: If anybody wants a complete circular it will be ready some time this evening at the Public Debt Office or at my office.
Q. Mr. Secretary, it appeared that you had a conference over at the Federal Reserve Board today; is there anything you can tell us about that?

A. Among other things they are talking about their new building.

Q. What else?

A. How we would landscape it.

Q. What is the status of that new building matter, Mr. Secretary, for the Federal Reserve Board?

A. They are in the process of purchasing the land.

Q. They haven't picked the site?

A. They've picked the site and they bought it from the Treasury and somebody said I'd have to be careful not to act as a seller and buyer.

Q. Where is it?

A. It's down near the Lincoln Memorial. There isn't a street car or lunch counter within a mile.

Q. How did the Treasury happen to own that site?

A. They bought it; they've had it about twelve years.

Q. Is it on Constitution Avenue?

A. I don't know exactly where it is; they told me that we made a good sale.

Q. Any profit, Mr. Secretary?

A. We sold it at cost plus the average interest rate for the 12 years
Q. Are they going to proceed with the building right away, Mr. Secretary?
A. Well, the usual procedure; picking an architect, etc.
Q. I didn’t mean right away, but the usual course? The project is under way?
A. Yes, they will have it up in a couple of years.
Q. Didn’t they get a million dollars for it?
A. I don’t know, but they will need more than that; I haven’t figured it but the land must cost them around $650,000 or something like that, plus the interest. They get the money not from the Government, but from the banks.
Q. But you charge them for the land?
A. Yes.
Q. Does the Chinese Silver tax make any difference in your silver program?
A. Not that I know of.
Q. Does it tend to put the price of silver up in London?
A. It went up today.
Q. What is it?
A. It’s around 55¢, possibly over 55¢.
Q. Do you think that will keep the price of silver down internally in China, Mr. Secretary?
A. I don’t know.
Q. Do you think it will really help them.
A. I can’t answer that—I don’t know.
Q. Mr. Secretary, weren’t you to report the bond purchases on the 15th of the month?
Q. Are they going to proceed with the building right away, Mr. Secretary?
A. Well, the usual procedure; picking an architect, etc.
Q. I didn't mean right away, but the usual course? The project is under way?
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A. Not that I know of.
Q. Does it tend to put the price of silver up in London?
A. It went up today.
Q. What is it?
A. It's around 56¢, possibly over 55¢.
Q. Do you think that will keep the price of silver down internally in China, Mr. Secretary?
A. I don't know.
Q. Do you think it will really help them.
A. I can't answer that—I don't know.
Q. Mr. Secretary, weren't you to report the bond purchases on the 15th of the month?
A. The 15th of the month for the current month; we will have to operate a month so that November 15th we will report for October.

Q. What is the status of the silver buying program—have you slowed it down a little bit?

A. It's in a healthy status.

Q. I saw an article the other day which has subsequently been denied, that they were buying a lot more to speed it up.

A. I don't think we made that statement.

Q. Mr. Secretary, in connection with the figures given for the silver transferred to the U. S., does that include the silver purchased before the nationalization by the stabilization fund?

A. I don't think so.

Q. What did you talk to Mr. Harrison about over the weekend?

A. Fish. Wonderful fishing on the Chesapeake—I caught six perch.

Q. How big were they?

A. Oh, about so big!

Q. Mr. Secretary, I understand that you have formally approved the wire-tapping instructions issued to narcotic agents.

A. I am shaking my head because that's the first I heard of it.

Q. Circular letters have gone out to agents instructing them to install wire-tapping agencies and I heard you had instructed them.

A. If I did, there was a leak on the wire-tapping, I know nothing about it.

Q. How is your espionage system?

A. Meaning?

Q. The credit unions.
A. Well, also, that is the first I've heard of that.

Q. Coming back to that wire-tapping matter, Mr. Secretary, have you any opinion on the ethics or what-not of that?

A. We will use any method we can to get dope peddlers, smugglers or bootleggers.

Q. What surety do you have that that method won't be extended over into other fields, such as income tax?

A. Well, I'll limit it to those three things.

Q. Mr. Secretary, will you confirm or deny the report that a circular has been sent to narcotic agents?

A. As I said, I don't know a thing about it and that's the truth. But you can't get dope peddlers and those kind of people if you are going to go about it in a sissy manner. You've got to go after them.

Q. Is the dope-pedder situation increasing, Mr. Secretary? Is it worse?

A. They tell me on the Pacific coast that during the last month the price of opium has more than doubled so that I would say the situation is better.

Q. There is no legitimate way to import opium, is there?

A. Oh, yes. I think there are three or four drug houses who get permits from us to import it.

Q. Mr. Secretary, you were referring to the illegitimate price?

A. Yes.

Q. Did you see Prof. Warren when he was down here the other day?

A. I did.

Q. What did you discuss with him?
A. General financial and Treasury matters.
Q. Did you talk about the devaluation?
A. I'll leave that to Senator bulkley. That's off the record.
Q. Anything on the bank credit survey yet?
A. No, I haven't anything.
Q. Anything on any of these reports?
A. Nothing has come through—not a thing.
Q. Is Mr. Oliphant sitting on them?
A. (Holds up clipping from Star) Well, I'll say this for Mr. Oliphant: The first he knew about it was when he read it in the Star on Sat.
Q. Wasn't that story about a fundamental difference of opinion in the Treasury between certain people?
A. I'm not going to answer that any more than my going to Paris.
Q. Mr. Secretary, to get back to the wire-tapping—is anything being done at the present time that you know of in connection with smuggling and dope-peddlers?
A. Well, we've got this committee set up in the Treasury and they are coordinating on these matters; all of our five agencies meet every week. They have been doing that for some time. Secret Service, Customs, Narcotics, Alcohol Tax and Coast Guard. Those five agencies meet every week and they exchange information and they act as a coordinating committee and I know that it is very helpful and it is getting results.
Q. Mr. Secretary, have you reached any conclusions as to whether the present liquor tax is satisfactory or should be reduced?
A. No.
Q. Anything going on that we haven't thought to ask about?
A. Not a thing.

Q. Mr. Secretary, is anything being considered toward relaxation of foreign exchange regulations?
A. I would rather not answer that, if you don't mind.
Q. It has been quite awhile since we had a good story. We have hopes this morning.
A. I am afraid I will have to disappoint you. It is always a temptation to try to concate one.

Q. This talk about taxes - how much shall we have to have of increased taxes?
A. That goes right back to the question on the budget.

Q. You must have some figures or estimates.
A. As far as the Treasury goes, until the President's message the first week in January we won't talk about budget or taxes.

Q. Do we have to have an increase in taxes?
A. I will have to stick by my answer that I cannot tell you anything about it now.

Q. Can you tell us when you have talked budget over at the White House? You said before you expected it to come up sometime this month.
A. We are working on the Treasury's own budget and submitting that and there are constant discussions going on and we are working. That is all I can say.

Q. When will Dr. Viner's report be ready?
A. I don't know. He tells me each week he hopes to have it ready.

Q. Are you referring to the Chicago report?
A. All of his reports. I am embarrassed because ---
Q. He expects to present a report on the Chicago investigation before any of the others?
A. I would say so.
Q. There are all kinds of rumors leaking out about that report. It would be a good idea to put it out.
A. I haven't seen it.
Q. How many reports is he making?
A. I really don't know. I haven't got a single report from him on any of the work done this summer.
Q. Is the Treasury conducting a drive on corporations that are piling up surpluses?
A. You know the answer Herbert.

Mr. Gaston said:
A. They are making a definite effort to collect from the family corporations "incorporated pockethooks" - which appear to be creating surpluses for the purpose of evading taxes. There is a definite statute of a special penalty where a surplus is created for the purpose of evading income taxes. They have been examining some and were told to you some months ago and they have sent out a lot of letters notifying them of proposed assessments and I think quite a number of actual assessments have been made and I think some petitions are already on file for hearing with the Board of Tax appeals as a result of those letters. How many of these there are you could find out by looking at the records of the Board of Tax Appeals.
Q. Can you tell those cases from others?
A. The petition would show - yes.
Q. That is under the 1928 law?
A. Yes.
Q. This does not relate to the new tax against these people?
A. No. Against the special holding companies.
Q. That is something else, isn't it?
A. You were speaking about the amendment to that same provision strengthening it in the 1928 Act?
Q. What did Mr. Smyrnaak do over here this morning?
A. I will just say I can't say.
Q. Can you say whether it was of Chicago interest or general?
A. General.
Q. About this banking convention, are you going to make a speech there?
A. Off the record I had expected to make a speech but as long as the President is going to talk, anything I would have to say would fall flat. So Thursday I will get up and say "how do you do gentlemen, I am delighted to see you". The President is going to speak, but as long as he is going to speak I don't think I shall.
Q. Is the President going to make a formal address of some length?
A. If you mean as against impromptu I would say it would be formal, but I doubt if I do more than get up and say "how do".
Q. What will that mean, Mr. Secretary, inflation?
A. No answer.
Q. We are still on speaking terms.
A. I would say that would mean we will start the printing presses the next day.
Q. Are you going to ask them if they are going to loan any money?
A. I doubt if I will say anything.
Q. Mr. Jones told us Monday that he had noted a disposition to loan money and that some are going to advertise for borrowers, but he did not go into detail.
A. Here is something that I think is one of the most constructive pieces of work that has happened. They sent me this from the bank in Los Angeles. I will read it to you, and, off the record, it might be an advertising campaign for the papers. As an ex-publisher I have not lost my touch. (The advertisement was then read) He continued and said "I personally think that is very constructive on the part of the bank. They went out and bought and paid for advertising in the newspapers to show what they have been doing and I think this is a fine thing".
Q. What is the name of that bank?
A. It is the Security First National Bank of Los Angeles. I have never seen a bank go in for advertising what they did for the month.
Q. The American Bankers Association put out an advertisement something along that line, but not quite.
A. But this is an actual record of the bank for September, and this is a swell record.
Q. Mr. Jones said he did not want people to repay loans to the RFC too fast and he would be glad to extend them for five years if they were good.
A. In the President's budget estimate for the current year he figured repayments of about $450,000,000 or $500,000,000 to RFC have been coming in as estimated.

Q. If those loans were not repaid that would upset his figures a little wouldn't it?

A. That is, he is figuring on repayments of $500,000,000. Well, if they want to repay them I guess they will repay them.

Q. Why aren't other banks lending money like this?

A. I am not a banker.

Q. Do you know the reason why they aren't?

A. I am not a banker.

Q. But don't you see any reason?

A. I think the record of that bank for September is a swell record and they are telling the world.

Q. If that keeps up we won't have to have a central bank?

A. Have you been away on a vacation? I missed you.

Q. How about the central bank? What do you think of that idea?

A. As I have told the boys before I haven't got around to studying it.

Q. The Federal Reserve has a committee that is doing that.

A. They are studying their own problems. I understand they have a group studying the Federal Reserve system.

Q. Do you think there is another devaluation war going on in the Orient between England, China and Japan?

A. I really don't know.

Q. How is the banking situation on a whole taking that as an indication?
Are they loosening up?
A. Just as soon as I get these figures - they examined 3000
loans in Chicago -- as soon as we get that we will have the facts
and then I will answer your question.
Q. You speak of that advertisement with approval.
A. It is more than a mere ad.
Q. You favor the policy of the bank in making these loans. I
suppose you favor that policy for all banks?
A. I think that is a fine accomplishment and they have every
right to be proud, and if that was going on all over the country -
if that were going on all over the world what effect would it have.
Stimulate business? Yes.
Q. And the failure to do that is one of the drags on business
recovery?
A. No answer.
Q. That is the inference to what you say.
A. You fellows are too good this morning. I will just stick by
whatever I said that what they are doing is fine and I would be
delighted if other banks would do as well.
Q. When do you expect the Federal Reserve Governor to be named.
A. I don't know. That is a White House appointment.
Q. Secretary Koper was planning yesterday that there was no standard
set of statistics by which you could gauge anything. He said he would
talk to you about Federal Reserve doing something along these lines.
Has he talked to you about them?
A. No.
Q. He sent a copy of Ray Moley's magazine and he was asked to check
some figures in it and he could not because he didn't have anything so
he suggested the Federal Reserve and the National City Bank and others get together on a common basis on which to base their statistics, and he was going to ask you to suggest it to the Federal Reserve.

No answer.

Q. May I ask if that drive on the corporations is limited to corporation pocketbooks, so-called, or does it include industrial or other corporations?

A. By Mr. Gaston:

I have talked it over with Bob Jackson and Helvering, Mr. Morgenthau.

A. Well, why don't you talk to the boys Herbert, or if the boys want to see Bob Jackson or Helvering let them see them.
Mr. Morgenthau: We've got the two regular releases, one on alcohol tax and the other on receipts of silver -- nothing very sensational in either one. Anything on your mind?

Q. Plenty. Can you tell us, Mr. Secretary, why the new Home Owners’ Loan Corporation bond issue is being distributed through a syndicate which is being paid a commission?

A. Surely. We are selling these bonds in that manner in order to get better distribution, advertise them to the individual investor -- about $200,000,000 of these a month coming out -- the government guaranteed bond is something new and we feel that by using a syndicate like this with thousands of salesmen that it is a very economical way of getting distribution directly to the investor.

Q. This isn't the first time you've done this, is it, Mr. Secretary?

A. It is as far as I know.

Q. I mean you had that private advertising agency proposition.

A. As a matter of fact, HOLC started this thing three or four months ago, and I think it operated for one day and then stopped. That is the thing that started some months ago.

Q. How was this particular syndicate selected?

A. That I don't know. Mr. Eccles has been working on this thing for me; maybe he can tell you.

Mr. Eccles: Last fall, before the bonds were guaranteed by the government, the old 4% bonds were guaranteed as to interest only. The Home Owners', in order to get distribution and educate the public as to the
bonds, negotiated with the same group or syndicate but never carried out its operation, because at that time announcement came out contemplating the government guarantee, and it was felt that at this time, in fairness to that syndicate who had done considerable work and had not made a distribution of the bonds, that they be brought in at this time -- I think there are about twenty of the leading houses in this syndicate, investment banking houses.

Mr. Morgenthau: I might say that in times gone by the old Farm Loan bonds were handled just in this manner.

Q. But those weren't guaranteed as to principal and interest.
A. Correct. But they were handled in a similar manner and they paid a higher commission.

Q. Federal Land Bank Bonds?
A. Federal Land Bank Bonds were handled by that house over in Baltimore.

Miss Chauncey: Alexander Brown's.

Q. Is there any particular reason why there is no public bidding?

Mr. Morgenthau: There isn't public bidding; this is a syndicate operation pure and simple. They got together a group of reputable bond houses -- I take it for granted that they interviewed all of them, I don't know -- and out of them they selected this group, just as in the old days they handled the land bank bonds. The same as Alexander Brown's had a syndicate and they handled them.

Q. Was this approved by you before the HOLC let it go through?
A. Absolutely. I think it is a very interesting experiment and they are turning out around $200,000,000 a month and the public is not educated to them; this offering is surrounded with every possible precaution. No dealer can buy for his own account -- he has to buy for
a customer and has to indicate who the customer is. Before he
gets his commission he has to show that the customer has held this
bond for sixty days and is surrounded with every possible precaution
that they are going to do a selling and distributing job. The old
method whereby some of these groups could buy a block of these for
their own use is out.

Q. Suppose another group of houses should get together and decide
that they want to do this -- could they bid on the next block of bonds
to take them over?

A. Well, I haven't handled the details, but if there is another
block and another group they could get together; instead of 20 houses
there might next time be 50.

Q. Is there any understanding with this present syndicate that they
will get future issues?

Mr. Eccles: There is no committal beyond this $50,000,000.

Q. Mr. Secretary, is this any indication of a new policy for the
Treasury. I remember some time ago you were going to have the Treasury
act as fiscal agent for all government agencies. Is this a departure
from that plan?

Mr. Morgenthau: Not that I know of.

Q. Isn't it a fact, Mr. Secretary, that you are trying to sell these
on the best possible terms to the government and the HOLC?

A. We have no other object. I personally have never talked to any
of these bond houses and I don't know.

Q. Well, you are not selling out to the bond houses -- I mean it is
so absurd.
A. I agree with you; I think it is absurd. As you see, here you have a new kind of security, and the other alternative would be for the Treasury to go out and hire a lot of salesmen and peddle these bonds to the fellow who wanted a $25, $50 and $100 bond, and it is a matter of interest that in the sales so far they haven't sold a bond to a single New York or Chicago bank — not one — and the sales are going to entirely new groups. For instance, there are two concerns in Chicago who have bought these bonds today for the trust funds of their employees. Herbert, do you think there would be any harm in mentioning the names?

Mr. Gaston: No.

Q. Mr. Secretary, that might reflect on New York or Chicago banks — not selling to those people.

Mr. Morgenthau: They are refusing to sell them to the banks only. You hear all this talk of the banks subscribing to the governments and all that and some people think that the banks have too many governments. We are not asking the New York or Chicago banks to take any of these. We want them to go to the people to buy them and hold them; we are paying 5/8 of 1% to do this and there never has been a job sold as low as this. And, frankly, while some bond houses may be sore at not being in on this thing, somebody has to take the responsibility and gamble to do this job and we are surrounded with every possible precaution to make sure it is a distributing job and not a speculative underwriting. Isn't that about right, Marriner?

Mr. Eccles: Yes.
Mr. Morgenthau: Have you anything to add to that?

Mr. Eccles: The Treasury is protected in that they have the cancellation right within a five-day period. You see, this isn't an underwriting; these bond houses are acting on a commission basis. They are simply getting paid a commission for acting as a selling agency so that the HOLC have control at all times of the sale.

Q. What was the selling figure?

Mr. Eccles: Well, the contract provided for a minimum price below which the syndicate could not go, but they provided also that the price would have to be approved or agreed upon each day while it operates. In other words, the thought is that the bonds will be sold each day at the market as of that date.

Q. What is that minimum price today?

Mr. Eccles: 97 was the minimum price; in other words, if the market went below 97 the Home Owners' would not authorize them to sell any bonds, they would have no right to sell; that was the minimum, the protection.

Q. Does that change each day or is 97 the minimum.

A. 97 is the minimum.

Q. Doesn't that mean, in effect, that the principal as well as the interest is guaranteed for bonds being sold at less than par?

Mr. Morgenthau: Surely.

Mr. Eccles: The feature here that seems to be important is that the public are educated, are investing in government bonds; the war did that. Home Owners' bonds, except on the part of banks and institutions that do a lot of investing, are not generally understood as being the equivalent of government bonds, and it was felt that through this method of distribution it would tend, in the most effective way, to
educate the public as to the value of these bonds and their equivalents to government bonds.

Mr. Morgenthau: I just want to point out that it wasn't that the New York and Chicago banks didn't want to buy-- just that they didn't want to sell them to them.

Q. They can't buy them in the syndicate?
A. No.

Q. Could a Pittsburgh or Philadelphia bank buy them?
A. Yes.

Mr. Eccles: The thought was this -- that an institution could come in and say, "I want $5,000,000 or $10,000,000 of the bonds"; that doesn't give a wide distribution which was the purpose of this syndicate offering. Why pay a commission of 5/8% to put $10,000,000 of these bonds in one place, when the purpose was to get a wide distribution?

Q. Not to argue, but what difference does it make? You are selling the bonds to get the money?
A. The job isn't so much to sell them as to educate the investing public to buy $100 or $500.

Q. What difference does it make if you sell them?
A. We want to get a growing investing public in these bonds.

Q. You want to get them off the speculative market in New York and Chicago.
A. We want to get them off the speculative market in New York and Chicago. Thank you.
Q. Mr. Secretary, you said a moment ago that there had been some mention that banks held a lot of bonds and you wanted new investors. You think then that the banks have been doing their duty in buying government bonds?
A. Don't ask me that.

Q. Mr. Secretary, is it not true that if you can distribute those bonds of Home Owners' Loan and Farm Credit to sources other than banks, you will have other ideas for orthodox Government Financing?
A. Yes.

Q. Does this distribution entail a syndicate operation?

Mr. Eccles: There is no syndicate operation supporting -- that is why they don't fix a price. In other words, you might fix a price of 98 to run during the entire life of the issue.

Mr. Morgenthau: It stands to reason that we are not going to do something that the government itself would frown on. I mean, the more searchlight publicity that can be turned on this operation the better I like it because it will stand it.

Q. I wanted to ask Mr. Eccles another question: Private bond issues have been put out at the market even when the syndicate was in operation, not necessarily at a specified price?

Mr. Eccles: That is right.

Q. Mr. Secretary, it has been some weeks since we have any any information on the status of these 1,800 persons transferred from Justice to the Treasury; can you give us anything on that?
A. That is the first time I have been asked that question.
Q. December the 1st is not far off.
A. Isn’t that a decision for the Civil Service Commission?
Q. They are waiting for orders elsewhere.
A. But not from here.
Q. But it is in your Department.
A. Oh, yes, and don’t think I’m not keenly interested. Don’t think I’m not fighting too, but I think that answer should come from the Civil Service Commission.
Q. Anything on the Viner reports?
A. No, I’ll tell Viner if he doesn’t give me a report I’ll shoot him.
Q. I have a specific request from New York -- they want to know if there is a Viner report on central banks and if there is, where is it?
A. I can answer this: I have not, to date, received any completed reports from Dr. Viner.
Q. Mr. Secretary, I didn’t understand your last remark about the 1,800 employees.
A. Why, I said ‘Don’t think I’m not fighting for them’.
Q. Was that question concerning the former prohibition agents -- employees of the Alcohol Tax Unit? Yes?
A. Can you give us the result of your questionnaire to Chief Clerks recently on payment of salaries by check instead of cash?
A. I don’t know yet. See Mr. Gaston; he will find out for you.
Q. Mr. Secretary, to turn just a moment to the HOLC bonds -- if this issue goes over and the experiment is successful, can we assume that it will probably be repeated?
Mr. Eccles: I think so. They have an authorization of three billions in bonds and they are exchanging bonds for mortgages; they do require considerable cash, however, in the payment of taxes and other expenses in connection with their operation. Also, many of these bonds go to receivers of closed banks, building and loan associations, and naturally must come back on the market again. In other words, it is necessary for the education of the public on these bonds for ready distribution.

Q. Any chance of extending that to government bonds?
A. I don’t know.

Mr. Eccles: It would be a mistake to give the impression that that 97 is the price of these bonds — the contract specifies that the price will not be below that.

Q. The government will not sustain the market.
A. No, there is no guarantee to sustain the market. The market price will be fixed and the bonds will be sold at that price.

Mr. Eccles: We didn’t want to be in a position if the market was below 97 to obligate the government to deliver these. They will likely be oversold at 98.

Q. Is there any thought of extending this type of operation to the Farm Credit bonds?

Mr. Morgenthau: I don’t know; we are just going to watch this one operation. But I am chiefly interested in how many buy them and what kind of people they are. That’s what I mean.

Q. Anything new on bank examination report?
A. No.
TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE,
October 23, 1934.

ACTIVITIES OF INVESTIGATORS,
ALCOHOL TAX UNIT, FOR WEEK ENDING OCTOBER 13, 1934.

(Corrected statement based on complete weekly reports of investigators)

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<th>Gals. of Mash Seized</th>
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Q. Have you anything to say about Mr. Bingham's remarks in Edinborough on the subject of the dollar-pound stabilization?

A. (No answer)

Q. How are the Home Owners' Loan bonds going?

A. It was a complete success.

Q. Are they all distributed now?

A. They closed them last night—the offering. I don't know exactly, you'd better check up with Home Owners', but I think they sold something like $73,000,000, roughly.

Q. That wasn't announced in New York by the syndicate, was it?

A. I really don't know; I worked at home this morning.

Q. Have you a formal statement on it, Mr. Secretary?

A. It should come from the Home Owners' Loan; I'm naturally interested, but when I left here last night they said they had something like $73,000,000.

Q. Will they sell all the $73,000,000 or will they confine it to the $50,000,000?

A. I think they'll take the extra number.

Q. Will there be another lot this week?

A. No, we will take it and see how many people bought it; I want to keep an analysis of this thing. I want to see who bought this thing and the type of investors.

Q. Mr. Fahney, in his statement at the time the issue was offered, said that the total cash need was something like $400,000,000 and they sold something
like half that, leaving $200,000,000, roughly, and he mentioned the fact that
these bonds they were accepting for mortgages were coming back on the market.
Does that mean the syndicate will possibly be employed to keep up the market
on these bonds that are coming back?
A. Their job will be to place these bonds with investors who will put them
   in a box to keep.

Q. Mr. Secretary, the report persists that these HOLQ bonds held in the
   Treasury trust fund account will be redistributed in this way, too. Is there
   anything you can say about that? The story comes from New York.
A. No, I really can’t say anything about that. It will take a week before
   we can find out who bought them, what type of investors, etc.

Q. Mr. Secretary, we have a New York report to the effect that Mr. Goldenwise
   was being considered as Governor of the Federal Reserve Board.
A. It isn’t up to me to consider it.

Q. Well, after all, it is reported that your say in this matter is considerat
A. Well, you don’t want to listen to all the gossip.

Q. Is Mr. O’Connor going to San Francisco?
A. Well, I’m afraid that any plans that Mr. O’Connor has for travelling he
   will have to disclose himself, if he has any.

Q. Mr. Secretary, have any plans been discussed which would combine the
   office of the Comptroller of the Currency with the FDIC for reasons other than
   just the unification of examination?
A. I would rather not answer that.

Q. If you did appoint Mr. O’Connor as Federal Reserve Agent, San Francisco--
A. If I appointed him?
Q. If the government then, would he get transportation or would the Federal Reserve Banks have to pay it?
A. I tell you, I'll call a staff meeting about that and give it careful consideration.
Q. What did you think of the President's speech, Mr. Secretary?
A. I can answer that: I thought it was a great speech. I think it is like his radio speech; I think the next three or four days, after the people read and digest it each day, they will appreciate it a little bit more—it will grow on the country.
Q. Do you think the truce is arranged now?
A. You don't want me to answer that.
Q. Have you been seeing any of these bankers?
A. Just a few—a couple of them.
Mr. Morgenthan: Anything on your mind?

Q. Have you?

A. No.

Q. You have probably had a lot of conversation today with the President on budget, taxes, and what-have-you.

A. Budget.

Q. Can you tell us anything about that?

A. Sorry but we're in the midst of it—Bell and I; we're working on it.

Q. Has Mr. Bell completed the work on the departmental hearings?

A. I really don't know.

Q. In regard to the emergency end of it?

A. Well, we're just in the midst of it; that is not satisfactory but I'm afraid it will have to be that way until the first week in January. And what else is there I can not answer?

Q. Did you say, Mr. Secretary, that this budget discussion also included discussion of taxes?

A. Just budget.

Q. Anything about Mr. Kemmerer's statement, Mr. Secretary?

A. Very much off the record, the President said, 'I see Kemmerer is going in as a stock tipster'.

Q. That would be a good quote for the morning papers.

A. That is very much off the record. I think he's a little bit jealous of Major Angres.
Q. Has he written a book too?
A. I believe so.

Q. Anything on that credit survey in Chicago yet?
A. I am still waiting. I'm sorry; I wish I had some exciting news.

Q. There are more reports about Mr. Coolidge's resignation today.
   Mr. Secretary. Can you say anything about that?
A. I haven't heard anything about it.

Q. Anything to it?
A. There's absolutely nothing to it. He has just moved his wife
   and children down here.

Q. Sort of making a permanent arrangement then?
A. I guess so; I hope so.

Q. Have you ever gotten a general survey from the Alcohol Tax Unit
   estimating the proportion of legal and illegal liquor being
   sold?
A. No. You haven't got anything like that, have you, Mr. Mellott?

Mr. Mellott: No we've never gone into that other than to furnish
   the statistics.

Mr. Morgenthau: I asked Mr. Mellott to come over to clear up the
   New Jersey matter; he'll tell you about it.

Mr. Mellott: There were two agents prosecuted on a charge of ex-
   torsion or bribery occurring in January of 1934. The judge sustained
   the demurrer to the proof or held that the indictment was not suffi-
   cient proof to show that these men had been assigned or detailed to
   this particular assignment. That's the sole basis, as I view it, for
the story, and it seems to me that the rest of the story is imaginary insofar as its having any effect upon the personnel of the service whatsoever is concerned.

Mr. Morgenthau: Does that clear that up? Where's the reporter that always asks about that Civil Service ruling—I'm terribly disappointed.

Q. I'll ask it; what's the situation on all those men who are going to lose their jobs the first of December?

A. Thank you. Well, Mr. Bones, it's like this, we have received an opinion from the Attorney General and have forwarded it to Comptroller General McCarl and asking, under that opinion, if he'll pay if we keep these men on under that ruling.

Q. What's the Attorney General's ruling?

A. If you will ask him, I think he will give it to you.

Q. He, generally speaking, will not give it out. He'll say it's given to a certain Department and you will have to go to that Department.

A. If he does, I will give it out, but I think he will.

Q. Mr. Secretary, on Friday the President told us that he understood Mr. O'Connor had been offered a position as Federal Reserve agent in San Francisco and had understood that Mr. O'Connor hadn't made up his mind on it. Can you answer that?

A. I can't answer that.

Q. Could you say, Mr. Secretary, who's going to make up Mr. O'Connor's mind for him?
A. I think that will do for the present.

Q. Mr. Secretary, could you tell us how many men are affected by this ruling of the Attorney General?

A. About 1,600, isn't it?

Mr. Mellott: Not quite that many, Mr. Secretary. This particular ruling will affect between eight and nine hundred.

Q. Mr. Secretary, are you buying silver from the Mexican Government?

There is a story in the Wall Street Journal this morning to the effect that the Treasury is supposed to be buying silver from the Mexican Government.

A. The answer is "Yes".

Q. That's an inter-governmental transaction?

A. Intergovernmental.

Q. Is that anything new, Mr. Secretary?

A. The reason I hesitated— I was surprised that there was any news in it.

Q. Are you buying it from any other government?

A. Not direct. That's the only government that we deal with direct.

Q. But you are buying from other countries, Mr. Secretary.

A. We are buying from all over the world.

Q. You are participating in transactions where you know the silver is coming from the governments even though it isn't direct.

A. Well, I mean, if you get silver that looks like that (picks up desk piece) it kind of looks suspicious as to where it comes from.
Q. Could you say how much you have bought from Mexico or how long you have been buying.

A. At irregular intervals. They offer us silver and we just bid them.

Q. Mr. Secretary, how does all this purchasing, especially direct from the Mexican Government, fit into the structure of the London silver agreement? Would we, in effect, be buying silver from the Mexican Government which they had agreed to take off the market?

A. No, but as far as I know, it falls within the spirit of the London agreement or we wouldn't do it.

Q. Didn't they, in common with other producing countries, agree to hold back from production a certain amount? This is the surplus over that amount.

A. This is the surplus over that amount.

Q. This is newly mined silver?

A. I believe so. I naturally would ask the question before I bought it, does it come within the spirit of the London Agreement and our experts told us it did.

Q. Can you tell us how to acquire the silver? Do they have any agreement to buy from the producers the same as we do?

A. As long as it's pure silver--comes up to the test--that's all I can say. I am not particularly interested.

Q. I thought you might know how the government acquired the silver.

A. I don't know.
Q. You said you were going to analyze the results of the distribution of the HDLC bonds.
A. That has not been done yet.
Q. Are they working on it.
A. Yes, Coolidge and Eccles are working on it with HDLC.
Q. Do you expect it this week, Mr. Secretary?
A. Surely. I might have it by Thursday.
Q. Are there going to be some sales of Farm Credit Administration obligations?
A. Off the record, yes, there will be, but that's off the record. I would very much like to keep it off the record. They will need some money, this is all off the record, the boys are working on it now to figure out the method of raising the cash that they need. It won't be very much.
PRESS CONFERENCE
OCTOBER 31, 1934

Mr. Morgenthau: At your service.

Q. Mr. Secretary, could you volunteer a story?
A. Volunteer one?

Q. Yes, sir.
A. A funny one?

Q. No, I mean something we could write.
A. Sorry.

Q. Is Mr. Crowley expected to succeed Mr. O'Connor, or, rather in case there should be a vacancy, would there be a combination or unification of the two offices so that one man could fill them both, or would legislation be sought to that end?
A. I don't know.

Q. In other words, Mr. Secretary, is there any thought that Federal Deposit might be the banking administration of the government?
A. Frankly, I mean, I am not going to try--I can't answer--there is no trying to dodge it.

Q. Have you completed your analysis of the Home Loan financing?
A. No, I haven't gotten a report yet, but from the advance that I had here we were a little bit disappointed that the unit of sale was as large as it was.

Q. How large was the unit?
A. You'll have to check this, but I understand that it was $20,000
Q. Does the fact that it was so large mean that you will possibly not extend this method of financing further?
A. If it is as large as that I question whether we will do that again. I think the figure is $20,000, but I want you to check it.

Q. This is a little bit off the track, but Henry Ford says the depression is over today. What do you think about that?
A. I would say "whoopsi!".

Q. Excuse me for going back to that, I asked whether it would be extended—you mean it will not be continued or not continued in the case of the HOLC?
A. That particular piece of financing is over. Now the question is whether we will repeat it that way. If, as I heard, the unit of sale is $20,000. I would want to think very carefully before repeating that operation, because what we were after was to get it down. If the fellow has $20,000 let him go out in the open market and buy some. No use going through all this reignarole for that.

Q. Mr. Secretary, what do you consider the unit should be for this operation?
A. I would say $5,000.

Q. Mr. Secretary, it has been stated that the Treasury has asked the customers of certain bond houses if a 20-year 3 1/4% offering would be acceptable in exchange for 4 1/4 Libertys, December 15th.
A. That is not true.

Q. Not true?
A. No, we haven't asked anybody yet. You understand me. That is not so.
Q. You haven't considered the exchange offer yet at all?
A. No.

Q. There would be nothing until December 16th—you will work on a quarterly basis?
A. You mean we will take it up on the 15th of December?
Q. Yes.
A. I don't want to be quoted on this, but I greatly question whether we will do anything on the call 4th's on the 15th. There is nothing contemplated before that. We might start a couple weeks early or something like that and not wait until the last minute.
Q. You certainly wouldn't wait until April 15th, would you?
A. On the called 4th's?
Q. Yes.
A. Possibly.

Q. Mr. Secretary, have you anything to say about Senator Owen's plans?
A. Those of you who were there at the White House last night know that Steve Early handled that and he handled it so much better than I could, I think I will let it rest at that. He did a very neat job, and I am afraid anything I might say would spoil it. That's off the record.

Q. Anything on the Chicago credit survey yet?
A. No—nothing.

...
Mr. Morgenthau: We've worked out here in the Treasury a new form of reporting criminal cases—Mr. Oliphant, myself and Mr. Horak under Mr. Oliphant, and I am very much interested in this because it enables me to give a picture of what we are doing and I would like to call it the Treasury Revenue Police. We have had here now for some time the six police agencies of the Treasury meeting once a week under Harold Graves, and the only agency which doesn't show here is Internal Revenue and that will the next time.

Q. You mention six; only four are here.

A. The arrests made by Coast Guard appear through Customs, but the only other one is Internal Revenue. The thought we have had—we will get this out every four weeks. This here looks rather discouraging, that the total number of cases has increased over twenty-two hundred, but the courts didn't meet during the summer. The more recent figures we have show that they are beginning to eat in on the number of cases and the thing that is particularly pleasing is the cooperation we are getting from the courts. If you will notice the average sentence on alcohol is for 469 days. If the courts cooperate with us that way, that's the answer to the bootlegging question rather than taxes. The percentage of convictions in alcohol tax is 87%. We think the courts are giving us wonderful cooperation and we are beginning to feel a little more cheerful about it. I will get this myself every week; I will give it
out every four weeks, but I think that that's quite a
record and also the money collected isn't to be sneezed
at.

Q. Mr. Secretary, is there anything besides counterfeiting
under Secret Service?

A. That's all; but I don't believe that has ever been given out
before; I think that's quite good.

Q. How does this compare with a year ago, Mr. Secretary?

A. I haven't got the figures; you can't compare alcohol tax;
we didn't have it until the 10th of May.

Q. Did you say that the Secret Service worked only on counterfeiting cases?

A. That's the principal thing. Of course, they're responsible
for the President's family; in their police activities they
are responsible for the counterfeiting of money and revenue
stamps.

Q. This seems an awful low percentage for narcotics, Mr. Secretary.
Usually they're over 90%.

A. I can't answer; they say statistics lie, but I think these
are accurate.

Q. Mr. Secretary, does your statement that this is the answer to
the bootlegging problem mean that you don't contemplate any
reduction in liquor taxes?

A. I don't say that, but I think that just to sit back and say that
the bootlegging question can be answered by reducing the taxes,
I think, is ridiculous, and I think the most important question
is the cooperation of the courts. Do you think I am overstating
it, Herman?

Mr. Oliphant: No, I think that's right. Under any set of values you have the problem of law enforcement which will finally boil down to the cooperation of the courts.

Mr. Morgenthau: Don't you feel that we are getting splendid cooperation?

Mr. Oliphant: Yes, I do.

Q. How is the public cooperation, Mr. Secretary?

A. I think it is good.

Q. There is a tremendous lot of bootlegging going on, isn't there, Mr. Secretary?

A. Well, there's less than there was.

Q. Less than a year ago?

A. Less than four months ago.

Q. On what do you base that, Mr. Secretary?

A. Our own Treasury revenue increase each month, retail sales in state liquor stores increasing, and each month the price of bootleg alcohol is going up. I mean, we have pretty accurate figures on bootleg alcohol.

Q. You wouldn't attribute it to an increase in drinking—cold weather?

A. No, because the increase through August and September, I would say, was nonseasonal.

Q. Are you an authority on that, Mr. Secretary.

A. Purely a statistical one.

Q. Mr. Secretary, can you give an average figure on the possible
cost or probable cost of bootleg alcohol by the gallon?

A. I haven't got it offhand. They have it by districts pretty accurately.

Q. Did you cover the cost of bootleg alcohol?

A. They have it, but I just don't remember it. They have given me the figure.

Q. Mr. Secretary, on this general question of Treasury's police activities, I guess you know one of the agents of Mr. Iry was caught out in Chicago tapping telephone wires. That's contrary to what you said about the use of wire-tapping, and I wondered what is being done about that——meaning the situation in Chicago.

A. I can't comment on that.

Q. Are you doing anything about that man?

A. I can't comment on it.

Q. Hasn't it even come to you?

A. Yes, it has.

Q. Will there be an announcement about it?

A. Not necessarily.

Q. The Secret Service taps wires all the time, doesn't it?

A. You ask Chief Moran that.

Q. He will tell us where to go.

A. That's why I told you to ask him.

Q. As I remember, Mr. Secretary, you said you had no objection to wire-tapping the last time we discussed that here, didn't you?

A. I think I made a pretty good statement at that time; I'll let it stand there.
Q. You restricted it specifically to bootlegging, narcotics and smuggling.
A. Didn’t I include gangsters?
Q. This man is a ward politician of the Democratic party.
A. I think that we will keep within the previous categories.
Q. What have you got to say about politics, Mr. Secretary?
A. I think the results speak for themselves. It’s off the front page today, isn’t it?
Q. Gradually getting off.
A. Well, naturally, they’re all very happy around here.
Q. Do you expect any reaction on the Treasury’s bonds?
A. I’ll let the quotations answer that.
Q. What would the generally conclusive endorsement of the Administration have to do with the possible spending program, Mr. Secretary?
A. I don’t think anything.
Q. Well, I thought possibly that endorsement might— you could enforce your policies more strongly.
A. I don’t think it has anything to do with it.
Q. Can you say anything about when you hope to begin balancing the budget?
A. You’ll all have to wait for the President’s message the first week of January.
Q. Mr. Secretary, have you got the final report on the HOLC bond issue?
A. Well, yes; I feel just the way I did a week ago.

Mr. Gaston: The HOLC gave out some statistical figures on that operation, yesterday, I think it was.

Q. Mr. Secretary, there are two jobs still to be filled out in Detroit:

Abbotts successor and Collector of Customs. Will you say whether or not a recommendation has been made to the President for filling those places?

A. We have recommendations in here; there are recommendations.

Q. Is there anything expected on that?

A. I couldn't say.

Q. You couldn't say anything about the men recommended for the place?

A. No, I would say nothing right immediate.

Q. The report is that Martin Bradley, Speaker of the House, and Giles Cavanaugh, have been recommended—Bradley as Collector of Internal Revenue.

A. I would rather wait until they make up their minds.

Q. Did you see the envelope in the window of this express office over here, Mr. Secretary? It has one of your dollar bills in it saying "unsafe".

A. Really, what does it mean?

Q. They have one of their own money order offices next door.

A. Well, I'll have to go over and take a look at it.

Q. Anything from Mr. Viner out in Chicago yet?

A. No, I'm sorry.
Q. I'm going to stop asking that question?
A. All right.
REPORT ON SECRETARY MORGENTHAU'S
PRESS CONFERENCE, NOVEMBER 12, 1934:

Mr. Morgenthau: I've got one piece of news anyway: Dr. Viner has promised me his Chicago report this month.

Q. This month?
A. Yes.

Q. Did he say which one?
A. The one on industrial use of credit.

Q. Is that a new throne you have there, Mr. Secretary?
A. Yes, do you like it?

Q. Was the other one sent to ex-Secretary Mellon, Mr. Secretary?
A. Well, it is a very nice chair.

Q. It wasn't a gift, was it?
A. No, it was cash.

Q. Mr. Secretary, have you any plans for the disposition of the National Banks now in receivership?
A. No.

Q. No special programs?
A. No.

Q. Mr. Secretary, any thought of successors for Mr. Magill or Mr. Eccles?
A. Well, on Magill —

Mr. Gaston: We explained in the release that the tax work that Magill did will be under the direction of Oliphant and Jackson.

Q. Won't there be an expert brought in somewhere?
Mr. Morgenthau: Not now.

Q. You will use the present staff?
A. Yes.
Q. Mr. Secretary, as I remember, the last time Dr. Magill was mentioned he was to do this in connection with his university work and wasn't expected to report until a good deal later on.
A. Well, it didn't work out the way he hoped and I hoped.
Q. There have been no differences of opinion over the tax program?
A. Nothing. As a matter of fact, in his letter to me, Mr. Magill said in case of any special problem he always would jump on the train and come down and I expect to call him and ask him occasionally to come down. There is the closest friendship—a mutual admiration. I expect to use him from time to time—any time something special comes up he will come down.
Q. Can you give us anything on his report, Mr. Secretary?
A. No.
Q. Is it in?
A. It just came in.
Q. That's his report —
A. On his trip abroad.
Q. Mr. Secretary, would you be in a position to tell us anything about your conference this morning with various officials like Mr. Crowley and Mr. Eccles.
A. We have those all day long.
Q. Well, in this particular case, with Mr. Eccles going in as Governor of the Board?
A. Well, Eccles has been in half a dozen times today on the question of how to turn over his work and he comes to see me as chairman of the Federal Reserve Board.
Q. Are you planning to revise the policy over there? I mean, looking over the list you would kind of think it was a little more liberal than it was under W.P.G. Harding.
A. I hope so. I think we can expect something new.
Q. That is the liberalization of credit?
A. They haven't gotten a program yet; when Eccles has a program, I am sure he will give it out.
Q. Can you say whether you discussed coordination of bank examination this morning?
A. This morning?
Q. Yes.
A. No. Nor this afternoon.
Q. How about yesterday?
A. Yesterday was Sunday.
Q. How about tomorrow?
Q. I understand you met also Mr. Moffett, the Housing Administrator; can you tell us anything about that?
A. As I said, there are people in and out of here all day long, and there is nothing particular thought about people coming in and out. After all, the Treasury is interested—it furnishes the money and likes to see what happens to it.
Q. Isn't he (Moffett) away on a honeymoon? He was married last week.
A. So I saw in the paper. I take it, business before pleasure.
Q. He was broadcasting on the radio the night afterwards.

   He's liable to be up for a Housing Loan.
A. Modernization.
Q. Mr. Secretary, isn't there anything new on the O'Connor situation?
A. He just got back.

Q. I know; it has been reported he might resign.
A. He came to our staff conference this morning. I was very glad to see him back.

Q. Did he take that position out in California? Mr. Secretary, did he have anything to say about the Federal Reserve offer in San Francisco?
A. Nothing.

Q. Are you moving anymore gold to Denver other than from San Francisco--any from the East?
A. I have nothing to say about that. I got myself in bad enough in San Francisco.

Q. Could I repeat the question I asked a week or two ago and you didn't want to comment at that time--whether anything more than mere unification of bank examination is contemplated--whether any organic union between the FDIC and Comptroller's office is being considered?
A. I would rather not answer that.

Q. Mr. Secretary, to get back to Mr. Eccles. I don't think you answered whether a successor will be appointed or not.
A. I will have to get some help around here.

Q. You think there will be a successor?
A. Yes.

Q. Have you anybody under consideration now?
A. Nobody definitely.

Q. Isn't anybody under consideration for that post Mr. Hewes vacated?
A. I don't know.

Q. Well, I mean it would naturally be filled, wouldn't it?
A. Not necessarily, because there has been such a realignment of duties here that there may not ever be a fiscal secretary. Mr. Coolidge has taken on a lot of those duties.

Q. Mr. Secretary, we get reports from Sea Island that Mr. Farley is going to be down at Sea Island next week, that you are not going down together, but that you will meet after you are down there.
A. Well, I'm sorry. If you men will handle this story the way you were kind enough to handle the one when I went to Montana, I will be delighted. Mrs. Morgenthau and I are going away for a week, and that's all. If Mr. Farley is there, I don't know anything about it. That's all there is to that. If Farley is down there, I don't know.

Q. When do you leave, Mr. Secretary?
A. I'll tell you fellows--I'm leaving Friday night, but I would just as leave it wasn't known. I will tell you a little joke. I told the President at lunch today I was going down to Sea Island, Georgia. He said, "Well, I hope you have a good time with Mayor Curley." He is the only person I know is down there and I didn't know until the President told me, when I made up my mind this morning.

Q. Anything new on the December 15th financing? Nothing on whether there will be any new money borrowed?
A. No. We will hold that until the very last.
A. I don't know.

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He is the only person I know is down there and I didn't know until the President told me, when I made up my mind this morning.

Q. Anything new on the December 15th financing? Nothing on whether there will be any new money borrowed?

A. No. We will hold that until the very last.
Q. Has anything been decided about raising the Treasury bills above 75 millions when they get all of them up there?
A. I can't discuss that.
Q. That will be in a couple of weeks, won't it?
A. Well, we have three blank weeks coming.
Q. Mr. Secretary, is this all the silver you expect to get under the Nationalization—the deadline was last week.
A. The deadline was November 7th. I guess that about cleans it up, unless there are some people that are conscience-stricken.
Q. Mr. Secretary, anything been done about filling that other Federal Reserve Board vacancy since Mr. Eccles has been appointed?
A. There is no other vacancy, is there?
Q. I thought there was.
A. I don't think so.
Q. Mr. Secretary, will we get on Thursday the bonds that were purchased in October?
A. Yes.
Q. Mr. Secretary, now that the election is over, can you tell us anything about business—any statement to make on the outlook, the future?
A. No. The fellow that coined "prosperity is just around the corner" cured me.
Secretary Morgenthau today announced the resignation of Dr. Roswell McCull of Columbia University as Special Assistant to the Secretary of the Treasury in taxation matters. It was announced that the work of cooperation with Congress in tax legislation will continue to be carried on by the staffs of the Treasury and the Bureau of Internal Revenue under the direction of Robert H. Jackson, Assistant General Counsel for the Bureau of Internal Revenue, and under the general supervision of Horace Oliphant, General Counsel of the Treasury Department.

The Secretary made public the following exchange of correspondence with Dr. McCull:
COLUMBIA UNIVERSITY
in the City of New York
School of Law

23rd October 1934

Dear Mr. Morgenthau:

Since I have now substantially completed my work on our report on the administration of the British Income Tax, I desire to tender my resignation from my position as Special Assistant to you.

I had hoped to be able to continue my work for you this winter upon the Treasury’s legislative program. Unfortunately the pressure of my work here will not permit me to be in Washington for the necessary conferences and hearings throughout the fall and winter. I shall, of course, be glad to respond to any calls you may wish to make upon me for advice or for further research.

In conclusion, may I express my pleasure and satisfaction in the opportunity I have had to work with you during the past year, and my warm interest in the successful completion of the revenue program.

Faithfully yours,

(Signed) Roswell Macill

Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.
October 25, 1934.

Dr. Roswell Magill,
School of Law, Columbia University,
New York, N. Y.

My dear Dr. Magill:

I have received your letter of October 23rd, in which you say that since you have substantially completed work on your report on the administration of the British income tax you desire to tender your resignation from your position as Special Assistant to the Secretary of the Treasury.

I know of your situation through our frequent conversations and therefore I accept your resignation. I do it, as you know, with the utmost reluctance. It is impossible for me to tell you in a letter how greatly I value your advice and how deeply I appreciate the magnificent service you have rendered to the Treasury and the nation in the past year through your brilliant work on tax legislation and the other tasks that I have put up to you.

I am happy that I may feel warranted in calling on you from time to time for special tasks which will not too greatly interfere with the other work that you are obliged to do.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.,
Secretary.
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, NOVEMBER 14, 1934:

Q. Any comment on the sales of securities, Mr. Secretary?
A. No, we will just let them stand on their own.

Q. Can you tell us how long it has been since that sale—over a month?
A. This is the first for October.

Mr. Gorton: We haven't been giving them on a monthly basis.

Mr. Morgenthau: Now on the 15th of December we will tell you what we did in November.

Q. No chance of getting the high or low value of purchase, Mr. Secretary?
A. Not a chance in the world.

Q. You sell for investment accounts, for profit? Naturally you don't sell for a loss.
A. No.

Q. I mean, you are not taking a loss for income tax purposes?
A. I never thought of that. I will use that some time.

Q. Mr. Secretary, can you elaborate for us upon the plans and functions of this loan committee which you head?
A. No. We have been meeting here sort of informally off and on and discussing mutual problems, and the President has simply made it a formal thing. We have had a number of meetings here and as different problems come up—for example, before the RFC raised any money we did sit around and the Farm Credit, the same thing. I found it was useful to the other agencies to sit in because many times the other ones didn't know what the others were doing—and we got together—and act as a sort of a clearing house. These informal meetings have been very useful because
it gives people a chance to find out what other lending agencies are doing.

Q. Do you think this might lead to legislation to eliminate overlapping, if there is any?
A. If there is any it certainly should be done away with. I am not conscious of any just now.

Q. Do you try to formulate broad general policies?
A. It has been more specific problems. I mean, somebody has got some particular thing that they are interested in. Take the sales of the bonds for public works; now they make them through the RFC and before any bonds are sold they get approval through the Treasury and so there are 3 agencies involved in that, and naturally we would have to have a discussion; I mean the ones Jones sold yesterday. There isn't a day passes that something doesn't come up.

Q. Mr. Secretary, have you come to any conclusion as to how the rest of the HOLC bonds shall be floated?
A. No, because they don't need any money right now—it isn't up just now.

Q. I thought that when that first issue went out that you were considering 40 million a week.
A. I wasn't; I don't know about anybody else.

Q. Does this interdepartmental committee not only to coordinate the operations of the various lending agencies but designed also to make studies of the activities of each to provide for possible recommendations?
A. It might.

Q. Will you have an expert on the committee like Dr. Viner?
A. Unfortunately for us, Dr. Viner is only here until the end of December. But I won't say there won't be an expert on the committee, but we will use the staff of these different agencies. On examinations there were four agencies involved. That kind of thing has been going on very informally.

Q. Those will be studies relating to fiscal operations?
A. Fiscal? Yes.

Q. Will the agencies in these discussions be made acquainted with the particular problems of the Treasury?
A. Not only the Treasury but for all problems. Mr. Moffett has problems; he has been over here and he has sat down and discussed his problems. That sort of thing; there are so many things.

Q. Your own problems relating to financing and all that sort of thing?
More or less harmonizing their —
A. We wouldn't, for instance, want some one of these agencies to go out and borrow money the week that the government was going to sell a new bond issue. It is just to make the thing run a little bit smoother, and I think the President's idea was constructive and I think we can help each other and help him.

Q. Has that credit survey come up for air yet—that Viner report?
A. No, but he is on record now; this month. We will make him come through.

Q. Can you elaborate on the foreign exchange regulations as to what the interpretations are—possible liberalizing, possible meaning stabilization or a step towards stabilization or just the reverse.
A. I don't see how anybody can draw any conclusions from those regulations. I mean as to stabilization. I don't see how they can draw any such conclusion. The facts were that anybody who wanted a permit to send money
abroad, we gave it to them. We simply were running around the block and coming back and meeting ourselves. Now he can do it but he has to give us very detailed information. As a matter of fact, we are going to get much more information now than we did before—much more information.

Q. The regulations conflict with this George H. Peek plan of control of foreign exchange.

A. Well, that's his hard luck.

Q. We can quote that, of course.

A. What? Off the record, we are operating every day here, you see, and we are not writing any treatises. If you don't write that down, I would feel better.

Q. Mr. Secretary, under these present regulations, the foreign exchange can be exported before it is reported?

A. That's right, but I think we will get a report the end of each week and a very detailed report. We will have much more information than before.

Q. Mr. Secretary, we have another rumor from Shanghai this morning—the newly-mined domestic price of silver is going to be raised.

A. In which country?

Q. Here.

A. Shanghai says we are going to raise it. Well, they just have a beat on it, that's all.

Q. Mr. Secretary, do you have any idea how much silver there is in this country, exclusive of that taken over by nationalization?

A. No, but I am sure that the people in that section have it very accurately.
Q. Would there be any objection to our getting the figures?

A. I have no objection. If they have it, you can have it.

I just want to say this—I will be here a year tomorrow. Now this is just between us and I want to really very sincerely thank you men for the support you gave me and help to make my job easier, and I can say this, that I don't know of a single instance where you men have written an unfair story during the time I have been here. And I appreciate the confidence and support you have given me.

Q. We appreciate the way you have treated us, Mr. Secretary.
MR. MORGENTHAU: I have nothing.

Q. How about this big plot, Mr. Secretary? (Refers to Internal Revenue case.)

A. Which one?

Q. Are there more than one?

A. Oh, surely. Well, I understand some of you men have talked to Herbert Gaston, and, besides that, the case is pending before the grand jury and I would rather not discuss it pending action by the grand jury.

Q. You wouldn't be in a position to say who the New York tax firm is?

A. No, I would rather not get into a discussion pending the action, one way or another, of the grand jury.

Q. Would you say how many men are involved in this, Mr. Secretary?

A. I don't mind saying that we did suspend two men in the Department. It's true, isn't it?

MR. GASTON: Yes. They were first suspended, then dismissed.

MR. MORGENTHAU: Two men have been dismissed; they were dismissed the same day.

Q. When was that, Mr. Secretary?

A. Oh, it must be a month or six weeks.

Q. Can we have their names?

MR. GASTON: I shouldn't think so.

Q. Any other pending suspensions in the same case, Mr. Secretary?

A. No, there were just the two men involved.

Q. What were the facts that prompted the suspension?
A. The taxpayer was approached by a stranger who said, "Now I understand that you have a case pending before the Bureau, and if you will give me 20% on what I save I can get this case squashed." This man, being a very high-class business man,--

Q. There are such?

A. Well, I think a lot of such people. -- got in touch with us and said, "Here are the facts. What do you want us to do?" and he went to great length and said, "I am not trying to do this in order to get your sympathy, but I am just a good enough citizen and willing and ready to cooperate". Naturally, I was terrifically shocked at the thought that anybody would make such an offer and asked his cooperation and asked him to go through with it, which he did, and as a result of his cooperation we were able to find out who the men were in the Bureau who were selling us out, and I would like to say that any other business man in this country who is approached by any representative of the Treasury on any similar proposition, that we will be delighted to get his cooperation.

Q. What would be the charge in such a case?

A. Well, I'm not a lawyer but I wish it were life. I don't think there is anything worse than a government employee who is willing to sell out his own government, and, fortunately, I think there are very few of them, but when we do find them, as far as I am concerned, I think nothing is too severe for those kind of people.
Q. You say that the case is pending before the grand jury?
A. In Washington.

Q. Evidently, the purely governmental end has been fairly established or you wouldn't take this decisive action.
A. That part of it is.

Q. Mr. Gaston suggested that it might go before the grand jury in New York. That would be against those so-called tax consultants, I assume, wouldn't it?
A. I am fairly sure that these two former employees of the Internal Revenue Bureau will be tried here in Washington.

Q. And the tax attorneys would be barred from practice by the Treasury immediately, wouldn't they?
A. Oh, yes.

Q. Are these Washington men under arrest?
A. No. As I understand it, conditions are such that we can't arrest them.

Q. Mr. Secretary, will you tell us the name of the business man -- the good citizen?
A. Oh, I don't think he would want that kind of publicity.

Q. Or even where he is from?
A. Well, I wouldn't want to give that out without his permission.

Q. Could he fail to be a witness in a case like this?
A. I feel that he might consider it a breach of confidence if I gave it out. But he certainly was, from my standpoint, a good citizen.
Q. Would this be a widespread plot, Mr. Secretary, involving a number of cities?
A. This is headed up in New York.

Q. Mr. Secretary, was this tax case one that the Department had already made up its mind on the settlement, or did these men influence the settlement itself?
A. No, it hadn't reached the settlement stage.

Q. I understood you to say that with the cooperation of the taxpayer you were letting the case go through. Would that interfere in any way with the settlement of the case?
A. No, it didn't get that far. Somebody tipped them off. It didn't get to the actual passing of the money.

Q. Well, they knew it was going to be settled as it was eventually settled before they went to the taxpayer.
A. No.

Q. Is it a case of defrauding the government or chiseling the taxpayers?
A. My interpretation would be that it is a question of defrauding the government. But I mean we never could have made the case if the taxpayer hadn't cooperated and he hadn't come in and said, "Mr. Morgenthau, I don't think you are the kind of man who would stand for this and I will tell you the whole story". Every case that the accountants have had in New York will be checked and every client is being checked.
Q. This consultant was an accountant, was he?
A. Yes.

Q. Have you any idea how far back those cases might run?
A. No. We will go back to the Statute of Limitations.

Q. Have you any idea how many cases these accountants have handled?
A. No.

Q. You spoke, sir, of a lot of money being involved. Do you mean a lot of money involved in this specific case or in these cases?
A. No, in this specific case the tax involved was several hundred thousand dollars; that's a lot of money.

Q. Those men are supposed to have been in that particular type of practice for quite a long time -- the two Internal Revenue men?
A. I mean they were right at the point where these cases are settled one way or another.

Q. I mean, they had been involved in other cases too?
A. Surely.

Q. Mr. Secretary, do you anticipate any confusion Saturday in taking over the new employees from the Alcohol Tax Unit?
A. We can't help but have confusion — endless organization.

Q. No developments?
A. The case came up today — I don't know.

Q. The case was thrown out — dismissed.
A. The organization, to use the vernacular, is completely shot.

Q. Can you tell us what your Interdepartmental Committee took up today?
A. No. I mean, for your information, we agreed that there would be no publicity on the meetings of the committee.

Q. Mr. Secretary, there have been some stories printed in the last few days that Dutch Schultz, a New York gangster and racketeer leader, has had his attorneys approach you on a proposition of settlement of his income tax case. He is still in hiding. Can you tell us anything about that?

A. His attorneys haven't approached me personally, but they have approached other people connected with me and they offered to produce him if they could get a settlement, but we don't want a settlement; we want Dutch Schultz without any promises.

Q. And that's the answer you gave them?

A. Yes.

Q. Have they offered to produce him for settlement?

A. Surely.

Q. Why not charge them with impeding justice?

A. Well, maybe I'm not using the exact language. Remember, I'm not a lawyer. Also, haven't lawyers got certain immunity for their clients?

Q. They shouldn't have in that case.

A. I know, but they have a pretty strong union.

Q. Can you tell us who those lawyers are?

A. I don't know. I just don't happen to know their names. We've gotten out a lot of circulars. He is the last -- I mean, since I came in here there were five or six of these important gangsters
throughout the United States who were mixed up with the beer racket, and he is the last one out of the five or six who is still at large.

Q. Do you know, offhand, Mr. Secretary, how much this income tax deficiency is?

A. No, but it's plenty. He is the last of the five or six. The boys of the Internal Revenue did a grand job -- Irey's outfit.

Q. I don't quite understand what they would have requested. They would have asked a settlement on this thing and not be required to produce him; that's what they're after?

A. As I understand it, if, let us say, they could settle for $X hundred thousand dollars and feel that he could pay his tax and not go to prison they would produce the money and he would be free on that charge.

Q. He is under indictment in New York for income tax fraud, I assume.

A. Yes. If I am not mistaken, Mayor LaGuardia put sixty permanent men on him a month ago.

Q. He gave them two deadlines and said to bring him in.

A. Yes.

Q. The last few days, Mr. Secretary, there have been some reports in the press that there is a plan whereby corporations who use their funds for depreciation reserves would get some benefits from tax exemptions. Anything from you on this?
A. That will have to come under the tax program. We will have to wait on that until after the President's message.

Q. Does that mean that there is such a plan?

A. No. We've got dozens of tax plans here and they will all be put up to committees of Congress and the President, but we will wait until after his message.

Q. Mr. Secretary, how large an intelligence service have you now?

A. I would be glad to give you the figures but I don't know them now. You can get them.

Q. Can you give us anything on the activities of the two Internal Revenue men who have been active in the Lindberg case?

A. No.

Q. There has been a lot of publicity on Internal Revenue agents of late and it prompted the question.

A. Maybe they were overlooked.

Q. Mr. Secretary, can you tell us whether the proposition that Schultz's lawyer made is for full payment of the amount of the assessment?

A. I can't tell you. I don't know. All I know is that they approached us as supposedly his representative tried to get a settlement.

Q. Anything on the December 15th financing?

A. Oh, yes. I am glad you brought that up. There are two things: One, we are not going to call the HDLC 4th's at this time, and, two, we are not going to make any offer on the call 4th Liberty's at this time.
Q. Which ones?
A. The call 4th's which come due on April 15th.
Q. What is the amount of the HOLC's?
A. $300,000,000.
Q. What was the date of the 4th Liberties?
A. We call them and they come due on the 15th of April, but we could make an offer of exchange at any time prior; there has been a lot of cooperation about it and there is no need of having that uncertainty and I just want to eliminate it. One, we are not going to make an offer on the call 4th's, or, two, an offer on the HOLC.
Q. That means taking them in on March 15th -- as many as you can get?
A. No. We can wait until April 15th.
Q. But it is not likely, is it?
A. Well, we are not thinking beyond the 15th of December; that's a long way.
Q. Mr. Secretary, I am directed to ask you what you see to be thankful for on Thursday.
   A week's vacation, Mr. Secretary.
   Anything else?
A. Nothing is the answer. Off the record, these Thanksgiving and Christmas holidays I've got plenty to be thankful for; I'll leave it to somebody else.
Q. Mr. Secretary, I was speaking to a former Secretary of the Treasury the other day and asked him for old time's sake about
Q. Which ones?
A. The call 4th's which come due on April 15th.
Q. What is the amount of the HOLOC's?
A. $300,000,000.
Q. What was the date of the 4th Liberty?
A. We call them and they come due on the 15th of April, but we could make an offer of exchange at any time prior; there has been a lot of cooperation about it and there is no need of having that uncertainty and I just want to eliminate it. One, we are not going to make an offer on the call 4th's, or, two, an offer on the HOLOC.
Q. That means taking them in on March 15th -- as many as you can get?
A. No. We can wait until April 15th.
Q. But it is not likely, is it?
A. Well, we are not thinking beyond the 15th of December; that's a long way.
Q. Mr. Secretary, I am directed to ask you what you see to be thankful for on Thursday.
   A week's vacation, Mr. Secretary.
   Anything else?
A. Nothing is the answer. Off the record, these Thanksgiving and Christmas holidays I've got plenty to be thankful for; I'll leave it to somebody else.
Q. Mr. Secretary, I was speaking to a former Secretary of the Treasury the other day and asked him for old time's sake about
the business situation, He said there wasn’t any — that was off the record.

A. I’ll have to look up his income tax.

Q. Is that off the record, Mr. Secretary?

A. Very much.

Q. Mr. Secretary, from the fact that you are holding on on December 15th to the maturities and not taking up these separate items could we assume that there is going to be considerable borrowing in connection with that?

A. Better not assume; the guesses have been pretty wrong the last year. We will leave that to the New York financial writers’ guesses.

Q. You didn’t say you were going to confine it to the maturity.

A. I just said two things — what I wouldn’t do — a double negative.

Q. Anything on the vacancies out there in Detroit, Mr. Secretary — Customs and Internal Revenue?

A. No.

Q. When is that likely to break?

A. I don’t know.

Q. Anything on Dr. Viner’s report?

A. I said to Viner, “You’ve got to tell me something”, and he said to tell them right after the 1st of December now.
Mr. Morgenthau: I want to say that the Treasury Department is delighted at the decree of President Carlos Mendieta of the Cuban Republic who issued a Presidential decree prohibiting the shipment of any Cuban alcohol to any port which is known as a base for smuggling alcohol to the United States. As a result of that decree, there are a number of ships held up; in some cases 80,000 actual cases have been taken off or held up and it affects 480,000 gallons which were en route to ports which were used as transshipping bases for alcohol and I consider that this cooperation from the Cuban Government is one of the most helpful things that has happened to stop the overseas shipment of alcohol.

Q. What are the ports?
A. Foreign ports; not American ports. The game was they take the alcohol to foreign ports and then the run-runners pick it up. In other words, this is the source of a large part of overseas smuggled alcohol. Off the record. Let's give President Mendieta a big hand. It is fine. It is the best break we have had on overseas shipments.

Q. They don't ship to American ports?
A. No. They ship to foreign ports and then transship.

Q. Was this alcohol and liquor?

Mr. Gaston: Most of the smuggled liquor is alcohol.
Q. What is the date of the decree. Did it go into effect immediately?
Mr. Morgenthau: It went into effect immediately. This must have been December 4th.
Q. What were some of those foreign ports?
Mr. Gaston: He did not name any of the ports.
Q. Roughly, how many ships were there that had been stopped?
Mr. Morgenthau: There were two vessels. I don't mind giving the names of the boats. They were the S.S. Belize and the other was the S.S. Norse Prince.
Q. Under what flag?
A. I don't know what flags these boats fly.
Q. Is your attitude still one of seeing no particular use in having the tariff on liquor out?
A. I think I have said enough on that.
Q. You have not changed?
A. I haven't changed.
Q. What more can you tell us about this dope drive?
A. Nothing more than Narcotics seems to have done a swell job and I am very much pleased.
Q. There was a widely published story on consolidation of banking interests in Sunday's papers. Is that official or suggested as a possibility of being official?
A. Maybe I wasn't on the spot today. All I will say is the story did not come out of the Treasury.
Q. Do you know anything about that proposal?
A. No.
Q. The chances are you know something about it if there is anything like that afoot; that is, in Administration circles?
A. I have nothing to say about this banking consolidation.
Q. When is Mr. O'Connor going to accept his invitation to go to the Coast?
A. I don't know officially that he has been offered one.
Q. Has the offer been withdrawn?
A. I don't know that there has been an announcement that he was offered such a position. I don't think the Federal Reserve ever gave out a statement that they were offering him a job.
Q. It is pretty generally understood that they did.
A. But I don't think the Federal Reserve ever announced that Mr. O'Connor was offered a position.
Q. It was said over there off the record.
A. And I want to say, off the record, it is very embarrassing for me. You people know he was offered this thing. He hasn't made up his mind and a story like that makes it terribly difficult for me - it does not help matters. That's off the record. I never deny a story if it is true and I am not going to deny this. Off the record. It makes it terribly difficult for me. I don't blame you for getting the story, but it doesn't help me.
Q. Apparently the story came from the Hill?
A. I don't know but it has been hard for me.
Q. Aside from the O'Connor matter, what progress is being made on uniform examinations?
A. We are studying this thing. It is the logical thing and any recommendations along those lines will be incorporated in the banking bill.
Q. There will be nothing until that time?
A. No.

Q. What degree of autonomy does O'Connor have? I think there was some little question about that.
A. I am quite sure that Mr. O'Connor considers himself a part of the Treasury and I certainly do, and as far as I am concerned there has never been any question as to authority. I have had no difficulty with Mr. O'Connor and any request that I have made of him, he has always carried out.

Q. Did you discuss banking with Steagall?
A. Yes - banking legislation, and I told him this - that there isn't anything on paper.

Q. Did Senator Fletcher come into that discussion?
A. Senator Fletcher did me the courtesy of calling on me and I told him the same thing - that Treasury discussions are not even on paper.

Q. Can you tell of anything else you have been studying?
A. We are getting ready for Congress when they ask us for suggestions and we are trying to get everything together so it is boiled down and as far as I am concerned, we are working to make a minimum of recommendations - the less the better.

Q. Anything come from Professor Viner?
A. Yes. It is being studied because it affects a number of agencies.

Q. Can you tell us, as a general thing, whether the banks in that district seem to be making loans substantially and liberally?
A. I would rather wait and give it all at one time.
Q. Going back to that Cuban decree, have you any estimate as to how much alcohol has been coming in from Cuba?
A. There has been quite a lot. With this decree, these bases that they have been using will be pretty well dry of alcohol. It pretty well dries up the supply. It is a wonderful thing from our standpoint.

Q. Is Mr. Roswell Washill coming to town tonight or tomorrow?
A. I understand he is coming tonight. He has been invited down here, I understand, by the joint committee and he is going on the Hill tomorrow at their invitation.

Q. Will he confer with you?
A. If he were in town and did not come to see me, I would be mad. So he is coming to see me.

Q. When will Mr. Viner's report be ready?
A. We have it. It is 175 pages and I will be perfectly honest, I haven't read it yet.

Q. When you make it public, will you have someone analyze it?
A. That's what they are doing for me. It is 175 pages and it is just what they are doing.

Q. Is there anything new on the Detroit appointments that are vacant?
A. No.

Q. That month's deadline has gone by - any sign of any appointments?
A. Not even a glimmer — but we are collecting taxes and maybe we don't need a collector and could save those salaries. Don't say that.
Mr. Morgenthau: All right, gentlemen, what's on your mind?

Q. There was a story in one of the morning papers to the effect that the Treasury had no objection to the sale of certain cotton to Germany.

A. The Treasury was asked for a legal opinion as to whether or not it was dumping and we have given that opinion -- that's our part.

Q. The dumping by the United States in Germany or vice versa?

A. Vice versa.

Q. Could you say what that legal opinion was, Mr. Secretary?

A. I think that will have to be given out by the State Department -- it's perfectly agreeable to me -- but that's only our part. We were asked by the State Department whether or not it was dumping.

Q. It was sent to the State Department?

A. Yes.

Q. That related to the price, Mr. Secretary?

A. I am, personally, not familiar with the details at all; the General Counsel's Office handled the legal matter; he wrote the opinion and sent it over to the State Department; that's all I know about it.

Q. Mr. Secretary, I saw you quoted the other day as saying there wouldn't be much banking legislation this session; is that correct?

A. I was very talkative that day.

Q. Well, there will be some legislation, won't there, or recommendations?

A. I think I said a minimum.
Q. Could you give us an idea of what that involved?
A. This is one of my cautious days.
Q. I know Mr. Crowley of the FDIC made some recommendations before
the bankers' convention about the changes there.
A. Well, we are working all together and trying to shape this thing
up.
Q. Will some of that be ready about the time Congress meets, Mr. Secre-
tary?
A. I hope so.
Q. Is the President going to handle that in his message or are you
going to send us some recommendations to the Banking Committee?
A. We haven't thought that through yet.
Q. Anything new on taxes?
A. No.
Q. Can you comment on the speech of Mr. Douglas in New York?
A. No.
Q. Will you spend the holidays here, Mr. Secretary, or go to New York?
A. We expect to be on the farm for Christmas.
Q. Is the Department to be closed all day Monday?
A. I don't know what is customary; do you know?
Q. Closed up; there will only be a half day on Monday.
Mr. Oeston: I think we were waiting to see whether the White House
would make a statement about all government departments before an-
nouncing what we would do.
Mr. Morgenthau: I think we will have to call up Mr. Richberg. We will
do whatever the others do -- we have one more week yet.
Q. Is the report on the Chicago district going to be ready by Christmas?
A. We've sent it to the printers.
Q. How about those other reports?
A. That's the only one I have actually got.
Q. You mean that other stuff hasn't come in yet?
A. I don't know whether I've got anything or whether I haven't; but this Chicago report has gone to the printers and will be ready by Monday.
Q. Is that other stuff you have going to be published?
A. I don't know; we will see how hot it is.
Q. Mr. Secretary, we couldn't have an advance, could we, a summary of that Chicago report. I thought there was a summary being prepared.
A. When would you want it; you mean 24 hours before we give it out?
Q. I meant I wondered if we could have the summary now.
A. I don't think so, but we will give you plenty of time. I think if you would like it we will let Viner sit down with you fellows and go over it with you.
Q. Will we have the summary as well as the report?
A. Yes, and if you like it you can go over into Viner's office and sit with him.

Mr. Gaston: The report itself contains a summary.

Q. Will you have that summary, say, next Monday?

Mr. Morgenthau: I would say you will have it by next Monday. I will put myself on the spot.

Q. Mr. Secretary, I understand the President is asking about this com-
parative tax survey with other cities in order to compare with the District of Columbia.

A. Well, I can't let my boss down, but that thing has never come over here -- off the record -- there is something some place between us but I've never seen it. Herbert, have you asked someone over there?

Mr. Gaston: I've been searching over here and I can't find it.

Q. When it does arrive, Mr. Secretary, who will do the job in your organization?

A. We will give it to the Statistical and Economics Organization.

Q. Dr. Hans?

A. Yes, but don't quote me as saying it hasn't come over.

Q. That's just a matter of administrative detail and I suppose it will be given to you.

A. Yes, I understand he said it and I suppose it will be done. Now that you have raised it we will go after it.

Q. Is Professor Viner still leaving the first of the year?

A. Unfortunately, yes. But he will come down on call when we need him.

Q. Is that tax report that went up to the Joint Committee the complete report?

A. I think so.

Mr. Gaston: You mean the one on the British system?

Q. Yes.

A. That was the whole report.

Mr. Morgenthau: That wasn't censored.

Q. Mr. Secretary, are you dealing with any phases of these reciprocal treaties being negotiated with a number of countries?
A. No, thank God!

Q. I thought probably there were some financial angles of it being studied by the Treasury.

A. Well, off the record, the only one they put through cost us $25,000,000 -- the Cuban one.

Q. Ambassador Caffrey is reporting we are doing great business down there now.

A. So I understand; I hope it equals the 25 million. Now we are not in it; we are going to keep out of it.
Mr. Morgenthau: I will read this first one: (Reads press release No. 3-92 re Dr. Viner's report)

Q. Can we get copies of the report?

A. Yes, I think the Treasury men have had it, haven't you?

Q. Yes.

A. Those who didn't have it, if they want to stay afterwards, Mr. Gaston and Dr. Viner will be glad to answer any questions—pretty complicated. But I do want to make the point that it is a release of all four agencies. The other things, you will notice, are the middle-of-the-month announcements—we sold, roughly, 230,000,000 worth of securities during the month of November.

Q. Does that include guaranteed securities, Mr. Secretary?

A. Any securities we sell here are for our account; I don't know exactly what Home Owners' Loan may have done, but, as far as we are concerned, acting for the various accounts we have, this is a month's sales for us. The Home Owners' Loan combines buying and selling on their own account.

Q. Do you do most of your buying and selling in New York City?

A. We do it all through our fiscal agent which is the Federal Reserve at New York.

Q. Mr. Secretary, would it be correct to add together the amount you sold for November to the amount you reported sold for October and say that in two months the Treasury had sold that amount?

A. Yes.
Q. Then there is no duplication in the figures?
A. How will you get me right? I don’t have to do this, and I
am giving you an honest figure, because if I wanted to fake it
I wouldn’t do it at all. I am giving you an honest figure of
everything that we do so that the investing public can know
whether the Treasury is a buyer or a seller.
Q. I didn’t want to intimate--
A. That’s all right, but I just wanted to let you know how
honest we are, also voluntarily honest without an investigation.
Q. Have you any personal comment, Mr. Secretary, upon this
Chicago report?
A. No, except that I think it is a very useful report and I
think it will be very helpful to all of the four agencies to guide
us in our future lending policies.
Q. How about legislation?
A. Also on legislation.
Q. Would you mind telling us what the conclusion of the report
was?
A. (No answer)
Q. It’s a hundred thousand words.
A. If I started I’d keep you here all day.
Mr. Gaston: This is the conclusion of the report today.
Q. Federal direct lending activities, summary and recommendations?
Mr. Viner: That’s just a summary of one part of the report not of
the summary as a whole—a summary of that section. You get a
summary of findings and recommendations at the beginning of the report.
Q. I will put the question this way: Did you come to the conclusion that the banks were loaning sufficiently liberally out there or not?

Mr. Morgenthau: I am going to ask you to read the report. Thank God I've got the Treasury gang with me. I am not going to let you off as easily as that. You've got to read this thing.

Q. I just wanted to ask you if you cared to make any comment.

A. I'd rather not. The whole thing is very carefully done.

Q. What's the government going to do to get this credit out to solvent borrower?

A. Herbert (Mr. Gaston) says read on.

Mr. Gaston: There are some recommendations.

Q. I wanted to know if the Secretary is going to adopt these recommendations for Congress.

Mr. Morgenthau: I think if you will go through it it will answer most of the questions. If I answered one it might over-emphasize one point.

Q. Does the report say what amount of credit is available from all sources?

Mr. Viner: I'd say it would be technically an almost impossible thing to figure because there is a lot of duplicating credit—you lend to Jones because Jones is lending to Smith. That's almost like saying what's the indebtedness of a particular area and it's almost impossible to answer. And I don't see what the significance of the figure is, but, Mr. Secretary, if I may say it, after all, we submitted this report to you only a few days ago, and I should hope that you hadn't made up your mind about it yet.
Mr. Morgenthau: I accept the suggestion.

Q. Apparently a valuable assistant you've got.
A. What else, gentlemen?

Q. How about these appointments down in Detroit? Have you found anybody yet—haven't an honest man to succeed Mr. Abbott?
A. There seems to be a shortage in Detroit. You don't think there is a shortage?

Mr. Gaston: Tell him there are so many honest men in Detroit we are having a terrible time picking the right one.

Q. Will you make any statement regarding the budget or taxes, Mr. Secretary?
A. No. I think that can wait—about another 15 days.

Q. Will you be here Thursday, Mr. Secretary?
A. Thursday morning? Yes. I am going Friday to the farm for Christmas—I will be there from Friday until about Tuesday night.
TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Monday, December 17, 1934.

The report on the availability of bank credit in the Seventh Federal Reserve District by Charles O. Hardy and Jacob Viner which is released for publication in morning newspapers of Tuesday, December 18, represents the result of a study made under the authority of four cooperating agencies of the United States Government. The study was authorized by Secretary Morgenthau, on behalf of the Treasury, by Chairman Jones on behalf of the Reconstruction Finance Corporation, by former Governor Black on behalf of the Federal Reserve Board, and by Chairman Crowley on behalf of the Federal Deposit Insurance Corporation.
Transactions in market purchases and sales of Government securities for Treasury investment accounts for the calendar month of November, 1934, resulted in net sales of $29,805,750, Secretary Morgenthau announced today.
Mr. Morgenthau: I've just got two things that might interest you.
The reception of the Viner-Hardy report was so good that I am going
to ask them to do another one right after the first of the year, and
this time we are going to pick the Cleveland Federal Reserve district.
Q. After Christmas?
A. After the first of the year.
Q. Exactly the same thing, Mr. Secretary?
A. Yes, except that I think they are going to add the mortgage
situation as far as it affects mortgages or real estate. They've got
their technique now so that they can go much faster.
Q. That's the Cleveland district?
A. The whole Cleveland district.
Q. What's the number of that district.
A. I don't know.
Q. Four.
Q. And that means you might go through the whole 12 districts?
A. I wouldn't want to say that far, but what we will do will be at
intervals. Enough time has passed now to give us a chance to tell
how things are in January and February compared to last October.
Q. But there's that possibility?
A. There is.
Q. May I ask why that section was chosen at this time?
A. We talked it over and we discussed three or four districts and decided that was the most likely one.
Q. What are the particular problems in that district, Mr. Secretary?
A. Well, I don't know. We are simply applying the same consideration to see how borrowers are faring and the banks are faring.
Q. That district was pretty hard hit by bank failures -- more than any other district.
A. Yes. This thing will be a joint survey by the RFC, FDIC, Federal Reserve and ourselves -- there will be the four agencies.
Q. Dr. Viner and Dr. Hardy will also conduct it?
A. Yes, they will be responsible. And the other thing the President has asked us to do -- we are going to start a study on taxes, Federal, state and municipal, looking forward to the possibility of having zones for taxes -- a zone for Federal taxes, a zone for state taxes and a zone for municipal taxes.
Q. Will that be for the purpose of getting rid of overlapping and duplication?
A. Overlapping.
Q. Who is going to do that one?
A. We haven't picked the person yet.
Q. When do you expect to get that under way?
A. That will be a long thing and possibly looking forward to the conference next summer of the various governmental agencies.
Q. Probably looking forward to permanent reforms in the next session of Congress after this one?
A. Possibly. The President might call a conference next summer of these agencies.

Q. You were supposed to have a conference last summer but it never came through.

A. But this is one of those banana conferences.

Q. In setting up zones you would zone taxes, wouldn't you? In other words, take for example the gasoline tax.

A. Yes. The question is who can collect it the most economically.

Should the Federal Government collect all gasoline taxes and redistribute it or should the city or state collect it?

Q. You are also interested in what governments the revenues should go to?

A. Yes.

Q. That would bring up the question of liquor taxes.

A. It would bring up the question wherever there is a conflict, whether it is gasoline or liquor, and the question of tax exemption.

Q. I know when it was first proposed that the Federal Government should collect all the liquor taxes and should apportion them to the states.

A. I don't happen to be familiar with that, but that would come up after the question of tax exempt securities.

Q. It has frequently been recommended that there be a Constitutional Amendment to eliminate overlapping and duplication.

A. With a group of tax experts like this we don't know what would come out of it. It is certainly a very needed thing.
Q. That might involve the question of abolition of income taxes in the states as it might be a Federal function.
A. It might.
Q. The same way with the sales tax?
A. I knew you would bring that up.
Q. Will you speak to the mayors about that at the conference today, Mr. Secretary.
A. I am not going any further. We've got to select the persons to make this study for us. The states have organizations -- I think Mark Graves is the head of it. You see, back in New York, we made this study and then Governor Roosevelt would talk about the seven layers of taxes for anybody living in a community. We made a study up there at that time of state and county and municipal taxes, and, of course, the chairman of the Tax Commission, Mr. Graves, is one of the most active people in this thing from a state standpoint. But we are just going to begin to work and hope that possibly next summer it will be ready so the President can call such a conference.
Q. You will get right down to school taxes.
A. Any property tax.
Q. Who would be called to that conferences, mayors and governors?
A. I don't know whether the mayors would come or the tax commissioner; I should think it would be for the tax experts. We haven't thought the thing through other than that the problem exists and is very acute.
Q. Do you consider tying the tax matter in with relief problems — raising money for relief.
A. Anything that has to do with federal, state and municipal taxes comes under that. It's a tough proposition.
Q. Mr. Secretary, in that connection is there any thought of study of a permanent tax structure, getting back to the Federal Government. Everybody claims that the present structure is pretty much of a patchwork with taxes here and there involving the whole thing from top to bottom.
A. We had better wait to see what we find out.
Q. Have you set a date for Dr. Viner’s report to be handed out this time?
A. We just gave you one.
Q. I mean this new one.
A. No, I’ve just announced it.
Q. Mr. Secretary, there have been reports of differences among the Administration officials as to whether there should be a decrease in liquor taxes; have you made up your mind as to whether Congress should be asked to cut the present liquor tax?
A. I am not going to add to what I have said; whatever I did say I am going to let rest there.
Q. You and Mr. Choate are still at odds then?
A. Well, the Treasury has to do the taxing.
Q. Mr. Secretary, on your credit survey in the Cleveland district, what will Dr. Viner’s official title be? Will he be connected with the University?
A. He is good enough -- he doesn’t need any title. He will be connected with the University.
Q. You told us he had to go out there to do some teaching.
A. Yes, but he will rely on Hardy to do the fieldwork.
Q. Mr. Secretary, what are you going to tell the mayors this morning?
A. I'm going to listen.
Q. Have you thought about that borrowing proposition yet?
A. I'll just listen.
Q. They've discussed that before, haven't they -- the idea of getting money practically for nothing.
A. As far as I am concerned, I won't have anything to say.
Q. I think about eight months ago, Mr. Secretary, they were here and you said you thought there was a serious problem and something should be done?
A. Well, as far as the taxes go, I'll go after it now.
Q. In what taxes do you see the worst form of duplication?
A. Wouldn't it be lovely to say the income tax?
Q. Sales tax?
A. I don't know; we will wait until next summer.
Q. The gasoline tax is one present example of that -- collected by both the federal and state governments.
A. Yes, and I think some cities collect it. That's a good example.
Q. Do you have today, Mr. Secretary?
A. Tomorrow.
Mr. Morgenthau: I've nothing this morning; got anything on your minds?

Q. Any interest in the Eccles-Glass argument, Mr. Secretary?

A. Well, I'm glad I'm on the sidelines -- it's too fast and furious for me.

Q. Mr. Secretary, will you tell me something about the study of comparative tax rates that the Treasury is making under direction of Mr. Hahn?

A. You mean for Washington?

Q. Yes.

A. No, I can't. It will be some time before we have anything on that; we are just getting started.

Q. Have you decided what cities are going to be looked into?

A. No, we will take ten cities as near the same population as Washington--ten cities as near the same size as Washington -- and compare them, but it will be some time before we have anything -- it's quite a job.

Q. Has the credit study started out in the Cleveland Federal Reserve district yet?

A. No. It will be after the first of the year. Off the record, I didn't realize it but I think Dr. Hardy is taking some other commitment and we will have to work it out some other way, but the study will be made and we may have to get one of his assistants to do it.

Q. Mr. Secretary, do you have anything to say about Senator Glass's statement on the Viner report -- in defense I mean?

A. No.
Q. It's a good way into a first class controversy, Mr. Secretary -- one of those continuing ones.
A. Well, the short time I've been here I feel as though I were in a hothouse -- I mean forced feeding. I have learned rapidly and I don't want to get in a controversy with any Senator.
Q. Mr. Secretary, you might tell us today (you don't have any news) how big the budget is going to be.
A. That would be news.
Q. It would help us a lot.
A. It would help me too. No, we are just in the midst of that.
Q. You mean you haven't decided it yet?
A. No, I'm not going to try to parry you -- I mean I can't discuss the thing.
Q. Well, I hardly expected it.
A. I mean I can't parry it.
Q. Do you know, Mr. Secretary, when it will be ready?
A. The third of January.
Q. Will it go in about the 5th?
A. I suppose about the 4th or 5th.
Q. That's Saturday, isn't it?
Mr. Gaston: The 5th is Saturday; I should guess it might go over until Monday.
Q. In times past it followed the President's message to Congress, but with this Constitutional amendment, that will probably be Saturday. You think it might go over until Monday.
Mr. Morgenthau: I don't know; anybody's guess is good. I hope everybody had a nice Christmas; I know I did.

Q. Are you going to be here over the New Year's?
A. Oh, yes.
Mr. Morgentau: Well, I've nothing for you gentlemen; have you got anything for me?

Q. Can you give us a swift but accurate interpretation of your report?

A. Well, I feel this way: As I understand, it has always been the custom to give out the Secretary's report, but I think that you men will have to wait until the President holds school on Saturday morning, because he is going into the whole thing at that time when he goes into his explanation. Any questions you have will be taken care of. If they are not, I will be glad to talk to you.

Q. This point came up last year -- the figures in the budget were slightly different from the Secretary's report.

A. The budget will be final. If there is any question about my report which the President doesn't cover, I would be very glad to meet with you fellows and clear up anything, but I would like to wait until he has had his press conference on Saturday morning.

Q. Mr. Secretary, you won't be there at that press conference?

A. I will be there -- that's just for your information. If there is anything in there that isn't clear when he gets through, Gaston, Bell and I will be available to clear up anything.

Q. Outside of the budget figures, what would you say was the outstanding feature of your report?

A. I think the outstanding feature is that they claim it's the dryest report that any Secretary has ever gotten out. There is one little juicy bit and somebody stepped on that. They tell me it's absolutely the dryest
report that any Secretary has ever gotten out. I think that's the outstanding feature.

Q. Can we make that our lead?

A. Surely. I think we had a statement in there that if business doesn't get worse next year maybe it will get better and somebody thought that was a little extravagant.

Q. You haven't made any recommendations in it for legislation or anything of that kind, have you?

A. No.

Q. Mr. Secretary, turning from the dry to the wet for the moment, the distillers out in Peoria are complaining that they can't get enough storekeeper-gaugers to get the storage they want to and claim that the government is losing about a million dollars a month in revenue then if they had larger staffs on those jobs.

A. Take Hiram Walker -- they produce a thousand barrels a day there and they want to produce double that and we've got 25 storekeeper-gaugers there now out of a total of 1,300 and I think there are 137 distilleries -- I don't know. As a matter of fact, we are not losing a dollar of revenue because they are putting that into storage -- they don't pay us any revenue until they use it.

Q. There is a lot of revenue being paid out there.

A. I mean this new whiskey goes into bond. Let us say they doubled the production and made 2,000 barrels a day; there would be just that much more going into bond -- I suppose 4 or 5 years from now, let us say -- they are rushing their production for some reason which I don't know. It was just brought to my attention.
report that any Secretary has ever gotten out. I think that's the outstanding feature.

Q. Can we make that our lead?

A. Surely. I think we had a statement in there that if business doesn't get worse next year maybe it will get better and somebody thought that was a little extravagant.

Q. You haven't made any recommendations in it for legislation or anything of that kind, have you?

A. No.

Q. Mr. Secretary, turning from the dry to the wet for the moment, the distillers out in Peoria are complaining that they can't get enough storekeeper-gaugers to get the storage they want to and claim that the government is losing about a million dollars a month in revenue than if they had larger staffs on those jobs.

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Q. Can you hire more storekeeper-gaugers?
A. I don't know, but we've 1,300 storekeeper-gaugers and we have to distribute them to 137 distilleries and they have 25 of the 1,300.

Q. Is there any possibility of increasing that number?
A. It has just been put up to me today.
Q. They say they will put their rectifiers on a forty-hour-a-week basis.
A. Who put them on that? I am not familiar with that.
Q. I think it is an Internal Revenue Regulation.
A. It couldn't be.
Q. Wouldn't that be under the code?
A. That I don't know. But isn't it nice that they want to increase -- I mean the flow of bootleg liquor can't be as bad as some people think it is.
Q. What is happening -- they are taking out a lot of liquor that has been in the warehouse about three months and putting it on the market and that increases their reserves.
A. I haven't got the answer. I don't know. They've got 25 storekeeper-gaugers right in that one plant so they have their share.
Q. Are you still opposed to the reduction of the $5.00 tax?
A. I will have to stick to what I said a couple of months ago. My position hasn't changed.
Q. We understand that there is not going to be any more silver bought.

Mr. Morgenthau: Who says so?

Q. The Chinese.

A. Well, I charge up that story as another one of those Timbuctoo-China rumors.

Q. Nothing to it, in other words, Mr. Secretary?

A. That's just another one of those rumors.

Q. Did you have conversations with the State Department and the Chinese about this thing recently?

A. Well, you know my policy—any conversation with the State Department and any foreign news, they can talk about it.

Q. Didn't you even sit it out?

A. I don't care to answer that.

Q. Well, one thing in that connection which has puzzled me a little bit is the small amount of seigniorage which appears in the budget for 1936 as outlined in your annual report—a reduction of 1/10th in the seigniorage for this year.

A. Well all estimates of the budget we make at the minimum and that's probably why our estimates this year for revenue are running so high.

Q. It really falls from 62 million this year to 6 million which makes it look, on the face of it, as though silver purchases would fall off.

A. There is no significance in that.
Q. Mr. Secretary, I have two questions from the office to ask you—one is in regard to the decision on the "Rhythm" and the other with respect to "Ecstasy". On this report of Moyle as Commissioner of Customs that hands down a decision, it quotes the law but there is no opinion in it. Is there any elaboration as to the opinion; as to the reasons why the decisions were reached?
A. I really don't know.

Q. Is an opinion available or is there any additional information?
A. Will you find out, Herbert?

Mr. Gaston: Yes, I can find out. I don't think there is any formal opinion; the law is pretty plain on that; it doesn't require any exhaustive requirements.

Q. Is there any possibility of an appeal from the decision?
Mr. Gaston: I will check with Oliphant on that, but my understanding is that there is a proceeding in the Federal court in which they can present their views.

Q. That has already started?
A. I don't know—the procedure is to certify to the prosecuting attorney.

Q. No decision has been made with regard to the motion picture "Ecstasy"?
Mr. Morgenthau: Yes.

Q. It has been made?
A. Yes. Not to let it come in.

Q. Has a telegram been received from Al Smith on behalf of the League for Decency?
A. If it has, I haven't seen it.
Q. When was that decision reached?
A. Today.
Q. May I ask who filed that decision—who was the person who decided on it?
A. Customs and the General Counsel of the Treasury.
Q. Wasn't it passed up to you too?
A. Only their recommendations; I accepted their recommendations.
Q. Is it possible to have their opinion of the practice—
A. Again—I mean, you don't know me very well; when I say I don't know, I don't know. The boys who come here every week know that. But, if you care to, Mr. Gaston will take you around to see Mr. Oliphant.

Mr. Gaston: I don't think there is even a memorandum opinion on it.
If you care to, I'll take you around.

Q. Did you ever see the picture yourself?
Mr. Morgenthau: No. The next time, I think we'll have a little showing.

Q. If the film hasn't gone back, I think it might still be arranged.
A. I want to answer your question further on the silver. I am carrying out my end of the bargain of the Silver Purchase law as laid down by Congress. That's my statement.

Q. That's, in effect, a denial of the report from Shanghai?
A. I'll stick to what I said. I say that the story is like a lot of these other rumors and that I am carrying out my bargain.
Q. Mr. Secretary, there was a decision in the Supreme Court today involving the United Mortgage Corporation and Edwin F. Gregory tax case; I wonder if you could tell us what is the significance of it.

A. I'm sorry; I've been out of the office all day and haven't had a chance to post myself.

Q. The government has a chance.--

A. It's beyond me; I'm sorry. You'll have to see some of the tax boys on that.

Q. Mr. Secretary, a protest has been made by some organizations with respect to an expression of Mr. Anslinger's. Has any recognition been taken of that protest.

A. I wrote a letter on that myself and the man over in the Attorney General's Office made that as an individual and not officially. I wrote a letter and I can't remember the exact contents, but, of course, I frowned on any such expression and nothing like that will ever happen again as far as the Treasury is concerned—it was most unfortunate.

Q. Is there any possibility of Mr. Anslinger's resignation?

A. As a matter of fact, Mr. Anslinger didn't have anything to do with it. As a good sportsman he has been protecting one of his subordinates. He didn't have any more to do with that letter than I did. Mr. Anslinger's work is entirely satisfactory.

Q. Mr. Secretary, will anything be done to his subordinate?

A. Oh, I think the instance is closed.
The statement on the International Settlements Progress, I

2. Thought the President not praise that to its protection. I don't

have the data on that.

Well, have you heard about that, Mr. President? Anything else

related with the press reports about that the President said the

matter. Have you heard of some reports regarding President

suchness, and whether or not they were just brought to you. But

we have not.

It seems to me better that I will by now explain

the facts; my name may be misleading.

Mr. President as I have been to your Lakota.

Therefore, these are not a few but a large group of

people, are not to be brought to you. If the President

said anything about the law.

But I do not think a solution. Yet the decision will soon make you

lot. Does that sound a good story?

It's better not certain, if a matter like

be a matter of that.
Q. Any statement on the International Stabilization Congress, Mr. Secretary?
A. I thought the President did pretty well on it yesterday; I don't think I'll enlarge on it.
Q. What have you heard about that, Mr. Secretary? Anything more detailed than the press reports except that the President said the State Department had received some reports confirming the press reports over there; I wondered whether they went more into detail as to just what was planned.
A. I think he told it better than I could; I have nothing.
Q. He didn't say there wasn't anything contemplated.
A. No, I think as long as he covered it, I'll rest on his laurels.
Q. Mr. Secretary, there is some talk of Al Smith taking a hand in the Kostasy motion picture case last week. Is that true? Did he send you a letter?
A. You mean he gave it a hand? Well, the decision was made before I received his telegram.
Q. Was it a telegram instead of a letter? The reason I asked that point—there was quite a large story printed this morning that he had written to the White House.
A. What I saw was a telegram, but the decision had been made before I got it. Does that spoil a good story?
Q. It's better yet because it's a little late.
A. As a matter of fact, the telegram came afterwards.
Q. Where do they appeal, Mr. Secretary? At the District or the Supreme Court or the Customs Court?

Mr. Gaston: Customs delivers it to the District Attorney; the District Attorney starts the prosecution against the document or film in the District Court.

Q. There is another little story this morning that the Treasury, that part which comes under Miss Roche, is considering a plan to provide free medical service for this 3,500,000 projected employees on the new Public Works Administration program.

A. Where did that come from?

Q. That came out of the Baltimore Sun.

A. Well, I imagine she is making studies all the time on what they can do for unemployed families, but until the President allocates the 4 billion dollars, nobody knows.

Q. Mr. Secretary, there is an item in the budget under Public Health of some thousand dollars -- I think it is sixty maybe -- for the care of the blind. What sort of function does the Treasury have in that regard?

A. That must be some Federal hospital.

Q. The budget says some sort of an institution for the care of the blind.

A. Six million dollars?

Q. No, 60 thousand dollars -- a comparatively small amount.

A. It has come across my desk -- something in connection with some hospital -- or we subsidize some hospital.

Q. Mr. Secretary, have you anything to say regarding the new assistant, Mr. Johnston?
A. As part of the lending committee, of which I am chairman, the groups of government agencies which lend government money on commodities are represented on that, and as part of that lending committee we wanted to study the money loaned on commodities, and Mr. Johnston is very competent and I figure if we could borrow him for three months he could come here and make a study of the various activities of the government in lending money on commodities and he is going to do that as part of the lending committee.

Q. Mr. Secretary, there isn't any money provided in the budget for those agencies you speak of in the coming fiscal year. Does that mean he is going to make a study of what has been done or is he going to study the liquidation of those agencies.

A. He is going to study what has been done and what may be done in the future. I discussed that with Mr. Wallace and he is delighted that we are going to do this thing. Mr. Wallace's program (I don't want to be quoted on this) hasn't crystallized yet as to what he is going to do in 1935.

Q. One of the things I can't understand this year is why the agencies aren't down for any money; they are not down for excess credits which means they are expected to turn money into the Treasury.

A. I think it's a good time to stop and check up on ourselves and I feel that all the agencies are delighted to have this check and we are very glad to have him do it for this group.

Q. The exchange question has come quite prominently into the discussion, in connection with the Brazilian reciprocity treaty; does that exchange matter come to you?
A. Not yet, no.

Q. Mr. Secretary, have you consulted your lawyers or anybody concerning this budget sum of 4 billion dollars; will it have to be outlined in more specific ways than originally intended?

A. There will be a bill prepared on the Hill (this is for background); there will be a bill, naturally, introduced to accompany this message and that bill will be so written, as the gentlemen on the Hill will do it, that it will take cognizance of the Supreme Court regulations.

Q. Is that for quotation, Mr. Secretary?

A. No, that's just for background. I mean, when that bill is introduced, they will, of course, take the Supreme Court decision, and, fortunately, it hasn't yet been introduced, so the bill can be made so that it will be foolproof in the light of that decision. But that's for background.

Q. You mean by that, there will be definite allocation of funds for specific purposes?

A. Not necessarily. That's for background. That's something that will be entered in the bill on the Hill.

Q. It will mean that you will have to change your plans somewhat, or you haven't gotten that far?

A. That's the answer, fortunately. You understand, I mean that bill will have to be introduced on the Hill and I never want to interfere with their place in the line.

Q. Have you made any progress on your overlapping-taxation study, Mr. Secretary?
A. Well, we are just getting under way but we won't have anything on that before next summer.

Q. I mean, have you appointed anyone?

A. No, but everybody that's interested is writing to us and we are getting together a group.

Q. Have you got any names.

A. I can't give that to you yet.

Q. Have you got an assistant for Dr. Viner on his Cleveland survey?

Mr. Gaston: Hardy is organizing the thing under Haas and Hardy has selected a man named Moore who will be the field agent in charge of the Cleveland area — I can get his initials for you.

Mr. Morgenthau: But that's going right ahead; I signed about 50 letters of organization last night.

Q. I understand your comparative tax study has been completed.

Mr. Secretary: have you any indication on what will happen to the Washington rates?

A. Frankly, they haven't been able to get it to me yet.

Q. It hasn't been received by you yet?

A. No, and it isn't in my office yet. I imagine it isn't finished because George hasn't sent it in here.

Q. There was some thought about bringing those called Libertys out by March 15; I understood you once to say you weren't going to do that.

A. That's so far ahead. You're not going to ask me that every week?

Q. Probably. But the thought was that they might bring some of them in right away.

A. You know, four times a year, unless there is something out of the ordinary, and I don't see any reason to change it now.
Q. Will they be brought in March 15 or April 15 or both or between?
A. When the bond market looks so good, everybody thinks we have to jump in and do something; when it looks sort of sour, they think we have to do something, but I haven't thought of it; you're about a month ahead.

Q. Do you think the requirements for new borrowings for 1935 and 1936 fiscal years will fit in with the quarterly borrowing schedule?
A. I think the best answer to the message is what the bond market has done the last two days.

Q. There is some thought that the Treasury is buying bonds to help the market along.
A. We wouldn't he that cheap.

Q. Anything new on this Chinese silver question?
A. Whatever Mr. Hull said last --
Q. He said whatever you said last.
A. Well, we work very well together.

Q. Mr. Secretary, yesterday the President, at his conference, said something about government loans to municipalities at cost; do you know whether he meant average cost or current cost?
A. I don't know. I'll have to ask him myself. I suppose he had in mind whatever the average interest rate was to the government.

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Mr. Morgenthau: What's on your mind, gentlemen?

Q. Mr. Secretary, could you say anything about this export-import story that's making the rounds?

A. What story is it?

Q. Why, that there's some sum going to be appropriated so that the export-import banks can take over these foreign commodities.

A. You mean this story about this survey that Peek's making? All I learned about it is the story in this morning's papers.

Q. I didn't know but what that came up to you.

A. We don't give any announcements out, but all I know of it is what I read in the papers.

Q. Mr. Secretary, do you know anything about newspaper reports that the Treasury has received a report on the insurance company investments which tends to give the Federal Government control over such activities?

A. I question that.

Q. Do you favor such a move?

A. I never heard of it before.

Q. No study has been made and given to you?

A. I never heard of it until just now.

Q. Are some preparations being made to meet the situation in event of an adverse ruling on the gold case?

A. Well, I don't know what they call it, but I don't think I'm permitted to speculate as to what the Supreme Court is going to do. I can do it after the lights are turned off.
Q. You might have to keep conscious of what is going on though.
A. Well, I'll have to stay conscious until a decision is handed down--I may become unconscious after.
Q. Some senators have said that the Administration is taking steps to jump into the breach quickly in case there is an adverse decision--I was wondering if there were any particular steps being taken.
A. I suppose from now until the time the court hands down a decision everybody is going to speculate, and we always try to do our homework.
Q. Mr. Secretary, has your Interdepartmental Committee come to any decisions as to whether to ask for any more funds for the HOLC and, if so, how much?
A. I think we are going to have the final meeting tomorrow.
Q. On that matter?
A. Evidently. As I understand it, we will have our final meeting tomorrow.
Q. Does that mean it will pass out of existence.
A. It may pass out--I don't know.
Q. What do you mean by final meeting?
A. I mean on the question of legislation.
Q. Does that mean the bank bill is finished, Mr. Secretary?
A. As I understand it, I may be wrong, but I believe that tomorrow is--the 16th, isn't it?--I think they are all supposed to have the stuff ready tomorrow and they clear it tomorrow afternoon. Of course, somebody may not have the stuff ready.
Q. Who is going to take Louis Ruppel's place, Mr. Secretary?
A. Can anybody take his place?
Q. Mr. Secretary, in New York there is some discussion by Mr. LaGuardia as to the power plant situation, which apparently involves the Treasury—as to whether you are going to build a power plant there to take care of the Federal buildings; I think that's a PWA project.
A. I made an application to the PWA asking for somewhere around three and one-half million dollars for a power plant to be built south of 42nd Street to serve the Federal buildings.
Q. Would that be dropped in case Mr. LaGuardia would be able to bring about the 20% reduction of power rates of the private corporations up there?
A. I don't think it has anything to do with it. At least, as far as I am concerned, we are applying under the Procurement Division (they have charge of those contracts for electricity up there) and it's purely a Treasury matter to get cheaper electricity.
Q. That takes care of Customs and everything else.
A. I think we have over a hundred contracts.
Mr. Gaston: We have 160 contracts.
Mr. Morgenthau: The Post Office, hospitals, the island, the navy yard—I think the navy yard has its own power plant.
Q. Have you any idea how much the Federal Government has been paying for power in New York City annually?
A. No, but they get exactly the same rate as anybody else gets.
Q. Do you know the total cost?
A. I don't; I'm sorry. If those figures are available we will be glad to give them to you.

Q. If they are willing to reduce the rates to the Federal Government very substantially, that might have a bearing on your plans?

A. Well, they had that chance to reduce their rates to us, but they didn't.

Q. They can't reduce their rates to you unless they reduce them to everybody, under the New York law.

A. Well, I don't believe that the man who had charge of the negotiations would have asked for a contract with the expectation of getting a lower rate if he thought by asking that he would be breaking the law—I have enough confidence in the man not to believe that. He asked for one contract to do business as one unit instead of 160 units; knowing the man who is conducting those investigations, I don't think he has been breaking the law when asking for the rate.

Q. I didn't mean it that way. You couldn't do it, could you? If one company gave a special rate to the government, they must necessarily give it to all consumers.

A. I don't know whether the Consolidated Gas has a wholesale rate or whether they haven't—I didn't conduct the negotiation. All I know is that we did take it up with them, as I understand it, and they figured out that we could build our own plant and pay for it in 14 years.
Q. Mr. Secretary, did Admiral Bakenhus conduct those negotiations for you?

A. All of those things come under Admiral Peoples. This admiral you mention, I think, made the survey as to building a plant, but made it for Peoples, who is doing it as Chief of Procurement.

Q. Have you heard anything from PWA?

A. No.

Q. Mr. Secretary, to get back to this gold thing, isn’t it true that there are other legislative courses open through which you might achieve the same end, which you might invoke if the decision is adverse?

A. I am not going to try to harry you on the thing. I think from now until they hand down their decision I’ll just keep quiet about it, if you don’t mind; it’s too delicate.

Q. What about silver? Has there been any thought given to asking for modification or repeal of the Silver Purchase Act?

A. No.

Q. No thought about it?

A. No.

Q. I understand your tax rate studies are about ready for your consideration, Mr. Secretary.

A. Fine; I haven’t got it yet.

Q. Mr. Secretary, when did you make this application for the PWA loan?
A. It must be two or three weeks ago. Usually we don't announce those, but another agency announced it and another reporter asked me about it after the press conference and I was surprised to see that another agency—it wasn't the PWA—announced the application. We sent it over and it's up to the PWA to announce it—most unusual.

Q. Last Thursday you denied that you were making open market transactions; do you want to say anything about that now?

A. Well, that kind of got under my skin, last Thursday. Tomorrow we will tell you what we did in December. I think we will let it go at that.

Q. On the announcement of that credit availability survey in the Cleveland district, you spoke of that as probably being ready and released some time in March and then as to its having a bearing also on Federal legislation.

A. Excuse me; I don't think I said March.

Mr. Gaston: We got out a release today announcing the organization of the forces starting out in Cleveland.

Mr. Morgenthau: Did you say March?

Mr. Gaston: I'm afraid I did.

Mr. Morgenthau: All right, I can't let Herbert down. We'll make Herbert go out there and get it if we don't come through by March.

Q. I don't see how you could get it earlier than that anyway.

A. If we get it by then we're awfully good.

Q. You don't expect that the ultimate in banking legislation is going to be jammed through sooner.

A. I wouldn't take up the two things together. There isn't any relationship.
Q. I thought it might have a bearing on your recommendations.
A. I mean, we are constantly studying banking as part of our job. I want to say this—that at 4:30 there is a delegation coming to see me from the Division of Architects of 40 or 50 men who are being laid off. I read the story this morning. We had this money from Congress and we felt it was up to us to get the buildings through and contracts let as fast as possible and 78% of the contracts are let. They tell me that over there in the last six months they have let as many contracts as in the previous six years. The work is done and there is no possible excuse for keeping the men here. They were told when they came here that these were emergency jobs. I don't want to lay off anybody—it's regrettable—but the work is done. We let 220 contracts in December, and as I understand it, 78% of the money given us for letting. This month winds it up; so that's all there is to that.

Q. No chance of transferring the men into the new Public Works?
A. I'm afraid there is too much drag between the two. If they can get jobs, or if Congress gives us more money, all right; but they were distinctly hired with the understanding that they were temporary jobs.

Q. Mr. Secretary, there is a story in the morning papers, a little bit out of your line, but it stated that someone was building a fire under Mr. Eccles up in the Senate to prevent this confirmation. Of course, you know he came from here, and I am just wondering if there is anything to such a statement; it implied that maybe somebody didn't want him confirmed.
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A. How should I answer that?

Q. I wouldn't answer it if I were you.

A. I won't--on advice of counsel.

Q. I had to ask the question.

A. All right, that's wonderful. I'll answer some more like that the same way.

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The Secretary of the Treasury announced today that the organization of a field force to conduct a survey of credit availability in the Cleveland Federal Reserve District has been completed and that the investigators are now at work in that area.

The investigation is being conducted in cooperation with the Federal Reserve Board, the Reconstruction Finance Corporation and the Federal Deposit Insurance Corporation. The study is under the direction of Mr. George C. Hans, Director of Research and Statistics of the Treasury Department and the field work is being administered by Mr. W.H. Moore of the University of Chicago. Mr. Charles C. Hardy of the Brookings Institution is acting as special adviser to the staff of the survey.

This survey is along lines similar to those followed in the investigation of credit conditions in the Chicago Federal Reserve District which was carried out by Professor Jacob Viner and Mr. Hardy in September. The staff of field investigators, which consists of about forty university economists, will be asked to get from the files of banks in cities and small towns of the Cleveland Federal Reserve area 2,000 cases of small business men who have recently been refused credit by the banks or who are being pressed to liquidate the capital indebtedness to banks which they have incurred in the past. The staff will also be asked to procure from the business men themselves another 1,000 cases in which banks have rejected credit applications or brought pressure for the liquidation of the existing indebtedness. Special attention will be given to the attitude of banks toward real estate mortgage loans.

The inquiry is purely a fact finding enterprise intended to supplement the information obtained in the previous survey and furnish a better basis for planning Federal banking policies. Among the questions to which answers will be sought are:
Are persons who are rated as good credit risks unusually reluctant to borrow, and if so, why?

What changes have there been in recent years in banks' lending practices and policies?

What is the attitude of the banks to renewal of old slow working capital loans?

Have bank losses in recent years on real estate loans been proportionally greater than on other types of loans?

How far is the lending policy of banks determined by the attitude of banking examiners toward certain types of loans?

It is expected that the results of the investigation, in the form of statistical summaries and percentages, together with the conclusions drawn by the committee in charge of the study will be released some time in March.

The Fourth Federal Reserve District, which includes Ohio, western Pennsylvania, northern West Virginia, and eastern Kentucky, was selected for study because it provides an excellent sample of business and industrial conditions throughout the nation.
Mr. Morgenthau: This story here about murals and sculptures; the proposal calls for an expenditure of $95,128.58 and will be executed by ten sculptors and 14 painters. This is the first national project to be developed by the Section of Painting and Sculpture of the Procurement Division of the Treasury Department. (Goes on to read Press Release on the plan to embellish the main Post Office in Washington, D. C.) I think it is going to be very interesting and a worthwhile project, and I want to call it to your attention. The other bit of news I've got is about relief work on Treasury projects. I've no formal release, I'll just read it. (Reads informal release on Relief Workers on Treasury Projects, copy of which is in files.)

Q. How many do you expect to have ultimately, Mr. Secretary, in this kind of work?
A. Oh, it may go up to a thousand men.
Q. Just how do they operate?
A. You mean, how do we select them?
Q. No, just what work they do.
A. There are two groups: The one group which has been going, I guess, about three months now; they have been working on the miscellaneous tax things like radio, sporting goods, etc.—all these miscellaneous taxes which are very difficult to collect, and we just didn't have enough men to do it.

Q. Do they look at the books?
A. Look at the books and everything else. In New York there are six
of the regular men assigned to this job and they have charge of the
one hundred, and it worked so successfully that we extended it to
all cities of 500,000 or over. These men are examined by Internal
Revenue Intelligence and if their records are good we accept them,
but we only take people off of the relief rolls.

Q. What do they pay them?
A. $24 a week.

Q. The same in all cities?
A. That's what it has been.

Q. Not necessarily Civil Service workers.
A. Not Civil Service; they are men who are on the relief rolls, but
whose training when they did have employment fitted them for this work.

Q. They have all the powers of Internal Revenue Agents?
A. I imagine so.

Q. Will this salary continue after July 1st under the new Public
Works program?
A. That's so far off. This is a 100% project: by that I mean every
dollar paid goes for unemployment; every dollar spent is for labor; it's
what I call a 100% project; whether it will go on after the 1st of July,
I don't know.

Q. That rate seems rather high.
A. Well, of course, we started this three months ago, but, as I
remember it, they are collecting certainly about $15 to $1, I think.

Q. Do you have the figures broken down for Chicago?
A. We are just getting started in Chicago. We are starting this block
survey of wholesale and retail survey of liquor in Chicago with 50
unemployed.
Q. What do you mean by block?
A. We are visiting every place in the block that sells liquor. We are making a block-to-block survey in Chicago.

Q. They are collecting $15 of revenue for each dollar you pay them?
A. It works out about like that on the miscellaneous taxes; I don't know about the liquor yet. I am personally very enthusiastic about it and we have explained what we are doing to the Appropriations Committee on the Hill.

Q. That's three groups of 100 in New York?
A. In New York there are three Collectors of Internal Revenue -- New York is divided into three districts -- so we've got 300 men in New York on the miscellaneous taxes; Chicago, having one Internal Revenue district, is a little more practicable.

Q. Mr. Secretary, there's a story in the morning papers about ex-Mayor Walker's income tax, to the effect that it is possible that the case will be dropped. Is there anything you can say about that?
A. Well, George, you've been around the shops longer than I have; you know we don't talk about pending cases.

Q. This is apparently not pending any more, according to the story.
A. Well, I imagine -- it looks as though they dug that story up in New York; they didn't get it down here. You know we can't talk about it.

Q. I do know that.

Q. Are you handling that case or is it in the Justice Department?
A. Well, the investigation of these taxes will be by the Internal Revenue.

Q. Mr. Secretary, can you tell us about the tax conference which is being held here?

A. I just know it’s here, and Mr. Haas is my contact man.

Q. It’s an independent affair and not a government affair?

A. Yes. We haven’t gotten started yet.

Q. Has anything developed on that study of the taxes of the local states and governments?

A. No, not yet. As a matter of fact, the man we hoped to get for it has been ill in bed and that’s what held us up.

Q. Mr. Secretary, we would like a detailed account of what you discuss with the Attorney General.

A. I’ve written it all out for you.

Q. Did you include in this a written statement of what you are going to do about the Stabilization Fund?

A. That’s Chapter 2.

Q. Has the comparative tax study come to you yet, Mr. Secretary?

A. I’ve got to clear George (Haas) on that — it’s on my desk.

Q. Have you looked it over?

A. Do you want me to be honest — No?

Q. When do you expect to forward it to the White House?
A. I have had one or two little things here and this is sufficiently important that I will most likely do it over the week end.

Q. Mr. Secretary, the President told us yesterday that we could ask you about stabilization.

A. Yes, I took that as a compliment. I told him last night that I thought he'd been checking up on me.

Q. There isn’t anything you can tell us?

A. No.

Q. Any indication of how soon there may be something said on that -- a couple of weeks or a month?

A. I don’t like to time myself.

Q. Just a wild guess?

A. I wouldn't be too wild; I don't want to put any time on it.

Q. Can't you even tell us if you have any definite plans to see the Attorney General?

A. No.

Q. That was regarding the gold case; would you say that much?

A. No.

Q. How about the banking legislation -- is it finished?

A. Well, this is off the record, because you know I never announce things, but I suppose you know the fact that we are all going over to see the President this afternoon. That will come from there. About fifteen of us are going over -- the President is receiving his Lending Committee this afternoon.
Q. That means that you will have something ready to give the President?

A. I hope so.

Q. I mean his committee is ready to report about it.
FOR IMMEDIATE RELEASE:
Thursday, January 17, 1936.

Secretary Morgenthau announced today that a plan to embellish the main Post Office in Washington, D.C. with murals and sculpture has been approved by President Roosevelt. The proposal calls for an expenditure of $95,128.52 and will be executed by ten sculptors and fourteen painters. This is the first national project to be developed by the Section of Painting and Sculpture of the Procurement Division of the Treasury Department.

The twenty-four artists to be employed will be selected by means of an invited competition. An advisory committee to the Section of Painting and Sculpture has been formed to assist in choosing the artists who will create the murals and the sculpture for the Post Office building. It will also advise upon the subject matter and designs of the murals and upon the material and subjects of the sculpture.

Each member of the committee will be asked, without communicating with any other member of the committee, to submit a list of the twenty men and women whom he considers to be the leading American artists. These submitted lists will be compared with the lists already filed by the Section of Painting and Sculpture. From the combined lists the artists to do the work will be chosen.

If there is any general unanimity among the committee as to the best artists to be appointed the artists will be appointed without competition. Those painters and sculptors about whom there is no general unanimity of opinion among the committee will probably be asked to enter a limited competition. The designs that will result from this competition will be decided upon by an Executive Committee made up from the main committee, in collaboration with the Section of Painting and Sculpture.

In turn this decision will be submitted to Mr. Louis A. Simon, Supervising Architect, to Rear Admiral C.J. Peoples, Director of the Procurement Division,
and to Henry Morgenthau, Jr., Secretary of the Treasury. Three months after their approval the appointed artists will be expected to send in their sketches, done on a quarter scale, to the office of the Section of Painting and Sculpture. These designs will be examined by the Advisory Committee and the Fine Arts Commission in joint session.

The Advisory Committee is composed of the architects of the Post Office, Messrs. Delano and Aldrich, Post master General James A. Farley (ex-officio) and a group of directors of various museums, foundations, commissions and societies whose professional work brings them into close familiarity with the artists and the art of the country as a whole. The names of the individual members of the committee, other than the architects and the Post Master General, are withheld until after the invited competition has been completed.

All competing artists will be requested to submit unsigned designs accompanied by letters giving the name of the artist and the identification of his design. The letters will not be opened until after the designs have been voted upon.

The Advisory Committee has been so planned geographically that it includes members familiar with the work of the leading artists of all regions of the country. After acting upon the decorations of the Post Office Building and upon those for the Department of Justice Building in Washington, this particular advisory committee will be dissolved. Newly formed advisory committees will be invited to assist the Section of Painting and Sculpture in carrying out other national and local painting and sculpture projects. By forming new committees to advise on the requirements of each undertaking it is believed that the specific problems of each project can best be solved.

For the Post Office Building the general subject matter to be treated by the painters and sculptors is the History of the Post beginning in the days when
the Colonists first received their mail from England "in a reputable tavern" and coming down to the days of express trains, steamships and airplanes.

Eminent men who have played an important part in the dramatic history of the development of the postal service in America include: Andrew Hamilton, William Penn, Benjamin Franklin, Abraham Lincoln - "who carried the Post Office in his hat" - and Samuel Osgood, first Postmaster General of the United States Post Office.
Mr. Morgenthau: I have nothing to offer, have you?

Q. Did you witness the shooting at Atlantic City, Mr. Secretary?
A. The first I heard of it was when Herbert told me about it a few minutes ago.

Q. Mr. Secretary, can you enlighten me a little on this Doughton bill? As I understand it, according to his summary here, there are only 25 billions of old securities outstanding, although we know the public debt is 28 billions; is there something outside of this authorization?
A. I just came in this second from the White House and I thought any question on the bond feature I would let Mr. Coolidge answer and any questions on the discount bonds I would answer.

Q. Are there some First Liberty bonds or some other obligations left out of this?
A. Mr. Coolidge: Yes, I think the first Liberty bonds are outstanding, and, of course, the Old Consols and the Fannams are all outside and I am pretty sure the First Liberty are, although there are 2 billions of those. I would like you to check that with Mr. Broughton before making a definite statement.

Q. That accounts for the discrepancy?
A. Yes.

Q. The refunded bonds would come under this authority?
A. Yes.

Q. Mr. Secretary, how is the total amount authorized there reconciled
with the limit set by the President in the budget message?

A. Well, we divide it into two different batches. One is, we authorize 20 billions of short-time securities and 25 billions of long-time securities; that gives us leeway to sell mostly long-time securities or a good many short and a few long—one or the other. Of course, we won’t need to sell any more than is required under the budget.

Q. You could sell 11 billion more than is in the budget?

A. We could, but we need the leeway; so we sell either one we want to. We don’t need to sell both.

Q. Your division between the short and long is on the five-year basis?

A. Yes.

Q. What about the discount bill?

A. Mr. Morgenthau: Well, the idea is that — that we feel that a great many people who would like to have a place to put their savings in parts of the United States where there are no savings banks and that through offering this kind of security through the postoffice we give those people that opportunity, and we think that we will be able to raise for the government a large sum of money, at the same time giving people an opportunity to put their savings with the Government.

Q. Do you anticipate a very large issue of these, or not?

A. Well, we will issue as many as the demand requires; whatever the demand is we will issue. As a matter of fact, the post office today can and has sold a 30-year security on which we’ve got around 50 million dollars outstanding.
Q. Will it be necessary to obtain a change in the law to issue a discount bond?
A. Yes.
Q. You can only issue them at par?
A. That's right.
Q. What's the smallest denomination you will issue?
A. $25 and up to $10,000. The advantage of it for the investor is that the Government will act as the custodian for this. He doesn't have to have a safe-deposit box. Furthermore, the bond cannot be dealt with — can not be sold. The man or woman or child can cash it in at any six-months' period. The first of every month we will issue a new series.
Q. What will be the interest rate?
A. It can be anywhere between 2 and 3 per cent.
Q. The coupon rate?
A. There is no coupon. You see, what we are proposing at the start would be to sell one of you men a hundred dollar savings bond at $78. Now if you keep this for ten years, at the end of ten years you get $100. At the end of six months you can go to your post office and cash it in at $78 plus six months' or a year's interest, which, the way we are figuring on issuing it, would be about 2½%.
Q. Compounded semi-annually?
A. Yes. You don't have to bother with a safe-deposit box; you can just leave it registered with you. It will make it very convenient through the Mid-West and Far West and we believe we will sell a great many of them.
Q. Is it because the banks won't take any more loans?
A. No; just another string to our bow. We can't be very much afraid when the last issue -- the people got only 10% of what they subscribed for.
Q. You only took 10%?
A. That's right, isn't it? If a man subscribed for $1000 he got $120.

Mr. Gaston: I think it was 16%.
Mr. Coolidge: Yes.

Q. Do you think the banks might kick a little bit at this or have they got so much money they've got to get rid of it.
A. I don't know; I haven't asked them.
Q. You say that one person could only take one $10,000 bond a year?
A. Yes.
Q. The banks wouldn't subscribe them.
A. I don't think the banks can subscribe can they?

Mr. Coolidge: I don't think a bank would subscribe; I don't know that the law would prevent them. There would be no interest return to them for their earnings. If they held it ten years there would be no market for it.

Mr. Morgenthau: It's designed for the person who wants to save or accumulate each year a couple of hundred dollars to put away or who can save two or three hundred dollars a year and who wants to put it with the Government.
Q. Will these bonds mature at the end of ten years?
A. Yes. We are asking for authority to pay between 2 and 3 percent; we are figuring at the start, if Congress gives us the authority, we will sell them for $78, which is about 2½ percent.

Q. What sort of evidence of indebtedness would they have?
A. They would get a receipt like the post office money order.

Q. It isn't necessary? It's only for the convenience of the person?
A. That's right. He can take the bond, or, if he wants to leave it, he can take a receipt.

Q. Would Federal Reserve banks be allowed to sell these to the people?
A. As I remember it, we said post office and other institutions have the right to dispose of them. As a matter of fact, we discussed it with the Farm Credit and Land banks and they want the right to sell them. They said their customers would like to have them.

Q. There was some objection laid down on the Banking Committee to the provision that the RFC would be put under the supervision of the Director of the Budget.
A. I haven't got the President's Budget Message but there is a sentence in the President's Budget Message which, as I remember, clearly indicated that as these independent agencies expired their authority would be extended with the same supervision by the Director of the Budget that the regular departments have. Now that's all that it does. It simply extends to the independent agencies the same authority to the Director of the Budget that he has over the regular departments. It does no more or no less; that's all. It's something that -- I can say for
background — that the President would like to have, and I am quite sure that there is something in his message which indicates that that was coming. Now that paragraph was shown to all of the independent agencies and I don't know that any of them objected to it; they have all seen it.

Q. Some of the Republican Congressman say that the reason for it in the case of the RFC is that the Board is non-partisan but that the Budget Director is a Democrat.

A. If you can tell me what Mr. Bell’s politics are, I don't know. This goes into the language of every independent agency as their authority expires. We discussed this thing and the thought was that it was better to do it that way than to get a special Act passed. As a matter of fact, when we organized the Farm Credit we voluntarily asked that we be put under the Director of the Budget and it’s the only agency that is, and we were delighted that we were; it just gave me, as the head of the Farm Credit, additional assurance that it was being well run, and I don't see how any agency can object. The Director of the Budget is the personal agent of the President; all it does is to give the President the same authority over the independent agencies as he has over the regular Departments. Personally, I think it's a move in the direction of good government.

Q. Has your loan committee decided on how much Home Owners' Loan ought to have?

A. No, it hasn't. They had a meeting Saturday afternoon and they haven't talked to me; I don't know what they did Saturday afternoon, but as far as I know, my answer is correct. They might have and I don't
know about it.

Q. Have you been asked anything about the bill introduced by Chairman Doughton of the Ways and Means Committee today on the matter of bond issues?

A. We have gone over it. If you will stop and talk to Mr. Coolidge, he will be glad to go over it with you.
Mr. Morgenthau: I have no words, have you? All quiet on the Potomac?

Q. Mr. Secretary, did you ever check up on that order to quit either departmental or party job—your order. I don't know just definitely, but the last I heard Mrs. Bernice Pike in Cleveland was still serving as Collector of Internal Revenue in Customs and was National Committee-woman.

A. No, she's still with the Treasury and I would be very much surprised if she was National Committee-woman; we did have a check-up made and, as far as I know, I think we got 100 percent cooperation, but I would be glad to check up on Mrs. Pike. We had a committee on it and they reported that we got a hundred per cent, but somebody might have slipped up.

Mr. Gaston: They are rechecking the whole thing.

Mr. Morgenthau: They are; as a matter of fact, I thought we got away with murder—that's not for quotation.

Q. I don't believe we ever had final figures on just how many people left when this check-up was completed; will it be all right for us to have them?

Mr. Gaston: Yes, we can get them.

Mr. Morgenthau: We took it very seriously and I think it has improved the whole service.

Q. Mr. Secretary, have you had any luck in your search for a successor for Louis Rupple yet?

A. That's a hard thing to fulfill. I think we brought in one of the men from the field and made him acting.

Q. That was Mr. Wood.
A. Yes, pending their recommending somebody. Mr. Gibbons hasn't
recommended anybody to me yet.

Q. I understand two or three newspaper men are out for the job and
Mr. Connolly, of New York.

A. I'll just stick to what I said—Gibbons hasn't recommended any-
body.

Q. Is it up to Gibbons?

A. Yes, it's narcotics, or something.

Gaston tells me there's a little misunderstanding about what I said
on the white-collar workers on these miscellaneous taxes. We've
had some applications; those people are given to us by the relief
in the city where they are working. We have nothing to do with their
selection. I mean the TERA in New York gives us their list and that's
how the men are furnished to us.

Q. Are they any expense to you or does that money come from relief?

A. It's paid entirely by relief.

Q. No cost to you people except for supervision?

A. That's all.

Q. Mr. Secretary, it might interest you to know that a number of
Congressmen have called up the press room and asked how they might
get some of their constituents on the roll of relief workers.

A. Really!

Q. Yes, there was one from Indiana—

A. If that's where the Congressmen go, thanks for the tip; that helps
a lot.

Q. I referred them to Mr. Gaston.

Those would be civil service jobs, wouldn't they?
A. I don't know just how they worked it out, but I know the relief organization recommends them to us; we examine the qualifications. It isn't civil service.

Q. I was thinking of these additional men you were asking for the Internal Revenue.

A. That 750? Those are civil service. I thought you meant these people that Bob was putting on.

Mr. Gaston: The man who called me up called about these white-collar workers.

Q. Mr. Secretary, you mentioned that that work was to be done in cities over 500,000. Would that include Washington? It's approximately 500,000 now.

A. I think it would. I think there are 15 or 18 cities.

Q. Is there anything you could say, Mr. Secretary, in regard to the financing for March?

A. No.

Q. Is there any prospect of any of the 4th Liberty's being taken in before March 15th?

A. I wouldn't want to commit myself.

Q. When is it expected the first of the baby bonds will be issued? The first of February or March?

A. Congress hasn't passed the bill yet, but I would say that if they do pass it we will be able to offer them within three weeks or a month of the time the bill passes.

Q. Have you planned a campaign to sell these things, Mr. Secretary? Are you going to advertise them?

A. I think we will put on a moderate campaign of publicity. Get the
post offices to put up posters and things like that; we will put
on sufficient to bring it to the attention of the public—no Liberty
Loan drive or anything—a moderate publicity campaign.
Q. Red, white and blue posters, Mr. Secretary?
A. Something like that.
Q. Mr. Secretary, I wasn't here Monday (perhaps you discussed this
thing) but if you drive to sell these things, even in a moderate campaign,
at 3\%, isn't that going to appeal to those who have savings accounts
in banks? It will appeal to them. That rate is higher than the rates
in most large cities, whether it's higher than the Federal Reserve or
not. Have you gone into the possibility of drawing bank deposits out of
the banks? Have the banks said anything about it?
A. No, the only reaction I've got so far has been very favorable. The
only question they asked me in particular on the Hill was, "Could this
be interpreted in anyway as a drive against the Post Office and Postal
Savings?" and my answer to that was, "No". As a matter of fact, I think
that 3\%, the rate we use if this thing passes, is lower than the rate
on a government bond and the President might say, how can you expect to
sell a 10-year bond that pays 3\%; isn't there something which might
compete with your own securities.
Q. I think the survey of the FDIC shows that the average bank savings
account is a pretty small account and it wouldn't fit into a government
bonds that sells in denominations of $5,000 and up. But here's the thing
that appeals to the small investor, the sort of people that might have
the bulk of their savings in banks. You offer him a rate of 3\%, whereas
the Washington savings offers 2. It was the intention of the Liberty Loan
to pull the money out of savings.
A. We'll have to feel our way on it.
Q. Isn't it true, Mr. Secretary, that there will be a transfer from savings accounts into demand deposits.

A. The people that we've talked to about it—everybody seems to think it's a fine idea. People who have children say, we will buy $25 or $50 and I haven't heard anybody say, I'll take that money out of my savings bank and put it into these government savings certificates. The thing I keep saying to myself—I know that the percentage of the savings banks is very much concentrated in the Northeast and when you get in other sections, they haven't a bank within 50 to 75 miles. It may possibly lead to competition, but I don't know. There haven't been any communications that I know of raising that point.
in Augenblick. Well, I haven't got anything to those arguing matters.

5. Anything new on the study of posting legislation, Mr. Secretary?

6. Well, yes.

7. Any of them.

8. Yes, I don't hear that you want.

9. Well, have those been any proposals thrown to the alimentation's board? 

10. Yes, they are clearing up what after another. Do you, Sir,

11. understand the new Order? lose this morning.

12. The last all that was announced was yesterday?

13. That's all. The books being to making above, but it hadn't be above

14. any satisfaction since.

15. It's hard to say! I can't think.

16. From a. Harry's standpoint. Mr. Secretary, do you consider the following

17. and the other how the Board voting will?

18. Yes, how should I know that?

19. We haven't.

20. And you are.

21. Mr. Secretary, would you like to a little bit about the plans of

22. the Old Men still be what.

23. I think they're afraid that. Why isn't he?

24. I don't know. I don't.[ of the question.

25. I think he decided that and I suppose he will get his will be amended

26. and want to go to the FBI. Maybe he decided [and I don't think he
Mr. Morgenthau: Well, I haven't got anything; is there anything worry- you?

Q. Anything new on the study of banking legislation, Mr. Secretary?
A. Which one?
Q. Any of them.
A. Why, I don't know what you mean.
Q. Well, has there been any progress toward the Administration's banking bill?
A. Well, they are clearing one thing after another. You see, they cleared the Home Owners' Loan this morning.
Q. Was that all that was discussed this morning?
A. That's all. The banking thing is coming along, but it isn't in shape yet.
Q. Any indication when?
A. It's hard to say; I don't know.
Q. From a finance standpoint, Mr. Secretary, do you consider the Vincent bonus bill any better than the Patman bonus bill?
A. Bob, how should I answer that?
Q. 'No answer.'
Fine guy you are.
Q. Mr. Secretary, could you tell us a little bit about the plans of the HOLC—how much will be asked?
A. I think Fuhay dodged that, didn't he?
Q. I don't know; I wasn't at the meeting.
A. I think he dodged that and I suppose he will get his bill in shape and shoot it up to the Hill. I think he dodged that; I don't think he
mentioned any figure.
Q. Will it be just an expansion of borrowing power or additional authority?
A. I would rather let that come from him. I very carefully let him talk to the White House correspondents and kept out of it.
Q. Mr. Secretary, these things are going to Congress piece-meal rather than in one bill?
A. No, we can't do that; we don't want to do that—at least before they go up there's an agreement at this end. I think it's an improvement over last year.
Q. Is FDIC all fixed up practically?
A. It still needs a little sandpaper. But we are getting along; we are getting them out about as fast as we did last year.
Q. Will there be any recommendations from the Federal Reserve Board, Mr. Secretary?
A. I think, as Eccles said the other day when he came out—I think he said there will be; yes.
Q. Are you at liberty to indicate at all the general direction in which you hope to work in banking legislation, generally; that is, with respect to Federal Reserve?
A. I am sorry; they've got to wait until they clear it. The courteous thing to do is to let the head of each of these organizations explain his own legislation; that is what I am trying to do. I am just acting as a clearing house, and once it is cleared, I think it's up to the heads of these organizations to explain. It's only right that they should; even a clearing house isn't all that it's cracked up to be.
Q. Have there been any kicks on your "baby bonds"?
A. No, I haven't received any as far as I know—not a single kick. As a matter of fact, I thought we got a very good reception; everybody seems to think it's a very good idea.

Q. Mr. Secretary, how soon could we expect an issue of those "baby bonds"?
A. I would say within a month of the time that it passes Congress. It will take us about a month.

Q. Mr. Secretary, can you tell us about any further developments on the purchase of power from the Consolidated Gas. I understand there's another offer.
A. Well, this is all I know about it, off the record, but I learned about it after my press conference (this is no reflection on Herbert) last time; I was kind of caught off base and answered right. The Consolidated Gas has made an offer; Admiral Peoples has so advised me. They are analyzing the offer. No conclusion has yet been reached.

Q. There hasn't been a second offer?
A. I heard from Peoples Friday or Saturday that Bakenhouse, who is in New York, had another offer from Consolidated Gas and they were analyzing it.

Mr. Gaston: That's the second offer; the other offer was on the condition that they wouldn't build the power plant.

Mr. Morgenthau: This is the second offer.

Q. There's no string on it?
A. It hasn't come down; I've just been told that they made an offer and Peoples said he will let me know as soon as they have decided it.
Q. You haven't definitely decided to accept it.
A. I haven't decided anything.
Q. You won't close the door to it?
A. I can't decide on an offer until I see what the offer is.
Q. Did you turn the first offer down because they put that condition in their offer?
A. I just did say that the offer was unacceptable, considering it as an offer.
Q. There's no restriction on the fact that you've received a second offer from them and it's being considered?
A. No.
Q. Has there been any progress made on the appointment of a Collector for Detroit?
A. I've been disappointed that you haven't asked me that in a long time; I saw one of your Detroiters down here today.
Q. Which one?
A. The judge; I didn't see him but he's in town so maybe there'll be something doing.
Q. In view of the silence, Mr. Secretary, I think you will have to volunteer something if we're to get a story.

Mr. Morgenthau: Well, I don't know. The only thing (for background)—there seems to be a little misunderstanding about that silver for Cuba and I just want to say that it has all been bought; there seem to be two announcements because we simply acted as agents, but the order has been completed and the silver purchased; I will give you that for background; about 7½ million ounces. I don't want somebody to think he can sell us a big lot of silver.

Q. Mr. Secretary, your bond program apparently has passed and has gone to the President; would you issue those small bonds in exchange for 4th Libertys possibly or are they simply for cash.

A. Yes, we hope to be ready, if everything clicks nicely, by the first of March.

Q. What maturity, Mr. Secretary?

A. It will be ten years.

Q. Have you determined the price yet?

A. No, but we hope to have them on sale on the first of March.

Q. In an indefinite amount?

A. It's open-end. We will sell all we can and that amount is included in the 25 billion limitation of bonds that Congress has just given us.

Q. Will that bond limitation include only bonds?
A. Only bonds; the other we combine notes, certificates and bills, but we have ten on each; we combine them at 20 billion.

Q. Will you continue to sell Postal Savings?
A. In this law that 88 millions of Postal Savings bonds outstanding and after the first of July we stop selling those and we will offer the people who hold those cash for them if they don't want to turn them in on the new ones. We will offer them cash or they can hold them so if they want to turn them in and buy the new ones they can.

Q. What will be the official name of these bonds?
A. United States Savings Bonds. I am personally very enthusiastic about them and I think they are going to go quite well; there's a lot of interest in them.

Q. Mr. Secretary, how many hundreds of millions do you expect to sell the first year?
A. I don't know.

Q. What will the system be?
A. Each month we will have a new series--the first of each month there will be a new series.

Q. The people can apply in advance of the first, can't they?
A. Oh, yes. You can go to any post office on the first of March or after the first of March and buy them. If we can get this thing and get them printed--there'll be rules, regulations, pamphlets and all that--it's a big job, and we hope to be able to get them through by the first of March.

Q. What I was thinking of--they can buy them on any day of the month or on the first of the month?
A. They can buy them on the first day of March, Series A; you buy a bond and pay $75 for that bond or $78 for a hundred dollar bond and the interest will be computed from the 1st of March and it will mature. On the first of April we will put out Series B which will be sold all through April.

Q. You can buy all through the month?
A. Yes, you can buy any business day in the month.

Q. It won't be a different price daily?
A. It will be the same price all month.

Q. Then the purchasers would be wise if they waited until the last day of the month.
A. They would, but I don't think the class of investors who are going to buy these on the ten-year plan will figure that they will lose the 29 days of interest.

Q. The price will go up on the first of each month?
A. Yes, but these things are not saleable or transferable, but in order to assist a man you buy a hundred dollar bond, we will keep it for him and give him a receipt and he won't have to bother with a safe-deposit box.

Q. At the end of six months they can turn them in any day of the month.
A. The thought is that you can turn them in six months later.

Q. They will have the whole month to turn them in?
A. I suppose so. We make these things as liberal as possible and lessen sales resistance.
Q. Will the bond, on its face, Mr. Secretary, look just like an ordinary government bond?

A. No, because on the front of it is printed a table: what it is worth each six months, so each six months you know exactly what it is worth. As to whether it will be during the whole month you can cash it in, why I'm giving you just what I think will happen, but they will have a pretty clear report for me by Monday on the technical things. Tom Smith was in here yesterday, vice-president of the American Bankers Association now, formerly with the Treasury, and he says that everything he hears is very good; he thinks there is great interest reported in them in banking circles.

Q. Not particularly for quotation, Mr. Secretary, but have you any idea how much they are going to be able to raise on this type of security?

A. I think, not for quotation, after this is going it will run into hundreds of millions; I would be disappointed if it did not; but there are other people in the Treasury who think I am away over-enthusiastic.

Q. There are about a billion of war savings out.

A. Of this kind of security over in England they have over 2 billion outstanding. The only other thing is that Herbert tells me about this poison alcohol; up around Cloversville it seems as though some bootleggers up there shipped in some rubbing alcohol and we think we've found the plant where they have been doing it. The moral of the story is that these men who bought it from the bootleggers knew they were buying untaxed liquor; it's a pretty expensive lesson for them.

Q. They located the plant, Mr. Secretary?
A. We are pretty sure we have located the plant where this rubbing alcohol was reclaimed—washed I think they call it. But in the community where they sold it these men were known as bootleggers, so it's a pretty expensive lesson to buy untaxed liquor, and we think we also know where this rubbing alcohol comes from.

Q. Do you think, Mr. Secretary, that this indicates any increased difficulty on the part of retail bootleggers in getting supplies?

A. I don't know.

Q. I wonder if the agents reported anything on that?

A. The price of bootleg alcohol is constantly going up. I think so, yes.

Q. In that connection, Mr. Secretary, we had an inquiry yesterday from Rochester as to whether you were having increasing difficulties in enforcement because of the fact that some of the industrial alcohol people were not being paid under that McKellar amendment.

A. It's more embarrassing for them (Congress) than for me that we've got these eleven hundred men working for us since the first of December without pay, and my hands are tied and have been tied by Congress.

Q. Does it appear that Congress is going to act on that repeal?

A. Well, there is considerable sympathy on the Hill to do something and I sincerely hope that they will. All we can do is to bring the facts to their attention and hope that they do do something. Mr. Mellott has been up on the Hill two or three times within the last week trying to work out some kind of an understanding.

Q. Has a recommendation from the Treasury actually gone forth, Mr. Secretary, carrying a certain amount to pay these men?
A. Well, we just compute their monthly salary and all we can do is to bring it to the attention of Congress that these men have not been paid since the first of December and that has been done by Mr. Mellott. Just how it is going to be worked out I don't know, but I do hope it will be worked out.

Q. That's to put them on a permanent basis, not only retroactive pay, but to keep them on?

A. Yes, to keep them on. I mean, it's a fine body of men and I think they ought to be kept; as far as I know, in the whole history of Civil Service no civil service men has ever been subjected twice to an examination. I don't think it has ever happened before.

A. No, it hasn't.

Mr. Gaston: They have been making a good record since their pay stopped.

Mr. Morgenthau: They have been perfectly grand; I don't think, if I had been in their position I would have done as good.

Q. Is there any disposition on the Hill not to do anything about it but to starve them out?

A. I think it's too early to tell; so far we have been encouraged.

Q. McKellar will be back in February—I just suggested that.

A. I had the same idea. I don't know whether they are going to hold it up until he comes back or not. There is some talk about it—very much off the record—which is very unfortunate, but we have been trying to rush it through.

Q. Isn't there another deficiency bill pending now?
A. The suggestion has been made (this is for background) that this thing be attached to the first deficiency bill which comes up that we will cite the pay lapse and ask for a new appropriation in the first deficiency bill because, otherwise, on a joint resolution, any one person could raise a point of order and kill the thing, so the suggestion has been made that this pay be attached to the first deficiency bill, and that's what I think will happen.

Q. Is there any thought that anybody will make a radio speech about baby bonds, Mr. Secretary, to revert to that subject?

A. I think that the first fellow who is going to buy will help the thing out a lot; I think the President is going to buy the first one.

Q. Who's in the campaign?

A. Mr. Coolidge, Mr. Gaston and Bell are working on it.

Q. Can't we print that, Mr. Secretary, that the President will buy the first bond?

A. No, no; if you can get a clearance from Steve on it, it's Okay.

Mr. Gaston: I think we had better save it until we start our fire.

Q. Might as well start it this morning.

Mr. Gaston: I'll ask Steve.

Mr. Morgenthau: You ask Steve, but I'll have to get a clearance on it. Why you've got me babbling.

Q. I reckon you can talk here; if you say "don't print", we don't.

A. Everything is fine. I'm going up on the Hill, as you know, at 12 before Senator Smith up there.
Q. Are you going to have a statement, Mr. Secretary?
A. I hope so. We've had about three but I haven't had one that looks right yet. It's awfully hard to go up there and call on Wallace, Hull and Roper and have something on cotton.

Q. Does the 5% restoration of pay affect you particularly?
A. Not except that it wasn't provided in the budget. But I would rather not get in on it myself; it was in the budget for the first of July.
I am acquainted with all the colored, I thought you had better
like to know that I sent to the United States Department of
the interior to talk to the representatives of the New York anger.

I will give the facts first [paragraph]

I thought you might like to know

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Mr. Morgenthau: Very much off the record, I thought you men might like to know that I sent Mr. Gaston up to New York this afternoon with Harold Graves to call on the publishers of the New York papers. I'll tell you this for background -- I thought you might like to know what we are trying to do in New York. We started this checkup on liquor with men assigned by Mayor LaGuardia; we are making a check in every precinct and we haven't given out any statement; we aren't going to; we want to see what we are getting at first -- I don't know if we will get anywhere. The United States District Attorney is very much in sympathy and Mayor LaGuardia has notified the City Magistrate and Commissioner Malrooney and it's going to be a real showdown to see whether we can take the worst spot in the United States and do anything about tax on liquor.

Q. This is all off the record?

A. Yes, I simply feel that you who contact the New York papers -- that the publishers will try to awaken a little civic pride. They have agreed temporarily to sort of lay off although I didn't ask them. The way I put it -- I wasn't calling them up and trying to get publicity but if, after they have heard the story, they think it is worth printing, I would like them to do that. It's surprising that they haven't thought of it in years past -- that it's no longer a question of bootlegging but of tax evasion; but when you talk to them they all get very much interested and say, "Frankly, we haven't thought about it in that way before." It's a question now of tax evasion.
Q. If you put it up to them that way you'll get some publicity up there.

A. I said I wasn't asking for publicity and I just explained to them that -- I don't know, they had some case there -- a counterfeit strip tax; the court gave the violator ten days; if the courts give only ten days we won't get any results. We have taken these policemen and put them to work. Mayor LaGuardia is interested and so is Gov. Lehman, but they know me well enough to know that no one is going to call us off on this thing. We were told that, in advance of this thing, the police in the various districts were going to clear up their districts; I don't know, but we have been told that they knew this was coming and they have been tipped off, but I thought you men would be interested so I wanted to let you know. That's the story. I don't know how it will work out but that's the whole thing. There's really been very little publicity. The New York police talked but nobody paid any attention to them. Each of our men is paired off with a New York cop picked by Valentine and they have all gone to school under Irey and his men; I don't know what will happen, but we have picked the toughest place in the United States.

Q. Mr. Secretary, how long will it take for this drive -- is it a one or two day affair?

A. Oh, no.

Q. I mean the present drive.

A. I suppose if we cover greater New York in a month we will be lucky and then we will turn around and repeat it.
Q. This will be very well known in a day or two by the dealers in New York, if not by the general public. I mean, if you swoop down on 50 shops, they'll know about it.

A. I never anticipated a thing like this before. I don't know.

It isn't the old kind of prohibition drive; we are interested to see if they are paying the tax on liquor; if they are, well and good; if they are using the same bottles and refilling them, which we think they are, we want to bring it to the attention of the public, and we think that enough people are now interested that it's about time we go somewhere. The big trouble is that two or three Federal judges will not give us -- take a narcotics case, they will give us a stiff sentence -- but they still think in terms of prohibition days and let the liquor violators go. The Federal judges will give a narcotics case a serious sentence, but if a fellow is selling untaxed liquor, they will give him ten days. That isn't true in other parts of the United States -- they are getting very stiff sentences; take Chicago: the judges there are very strict. In New York they still think in terms of the old prohibition days; we think we can jar them loose; I don't know. We are going to keep close records all during the drive. If anything breaks, I'll make the statement to you fellows.

Q. I was just wondering if we couldn't write something about this -- the determination of the Treasury to stop tax evasion.

A. Without mentioning New York?

Q. Yes, we could do it that way.

A. I would rather you didn't mention New York.

Q. People are bound to know what's going on; I don't see how it can
be bottled up for any length of time.

A. I have no objection to your writing it. Mulrooney sent word, would we please not give out anything. We had something written for Monday release but Mulrooney asked that it be not given out, so I would rather wait. If I have anything to say I will say it to the Washington correspondents.

Q. You are putting that up to the New York papers who have been in touch with Mr. Gaston and other representatives of the Government?

A. Mr. Gaston went up on the 1 o'clock train, and he and Graves went up to explain it to the publishers of the papers, just as I have done to you. Not for quotation or anything, but just simply that when this thing breaks we are really going to try to get somewhere.

Q. Will Mulrooney announce it about Monday, Mr. Secretary?

A. I don't think there will be any announcement from Mulrooney. There are so many people involved. LaGuardia has been fine -- he hasn't announced it -- Lehman hasn't announced it.

Q. I was just wondering when it will be announced.

A. If there's anything to say, I'll say it to you fellows.

Q. You would prefer not to have anything printed?

A. I would rather not; if a story breaks, I'll get in touch with Bob and ask you fellows to come in and give you the story.

Q. Those men in Chicago; the 50 of them started today?

A. They started today.

Q. That's the same story?

A. No, we are doing it ourselves; we haven't asked for any cooperation -- we are just doing it alone. But this state-city-federal drive is something new; how it will work, I don't know.
Q. How are you doing it in Chicago? There hasn't been any publicity there?
A. No, we were going to send someone out there when we got started; I don't know.
Q. I'm afraid you may run into a lot of confusion about the publicity, but we will go along with you in any way.
A. If your offices wire you, "What does this mean?" I'll see you right away and make a statement and I won't make any statement except to you men. So if they ask you, you can say you know all about it.
Q. We may hear at midnight tonight.
A. Then get Mrs. Klots.
Q. There isn't a doubt in the world that they are going to ask, unless you get an agreement with the New York papers up there to lay off it. If you get such an agreement -- I don't know whether or not you can ask -- you might stall it for a while; otherwise, it's bound to come up.
A. All I can tell you is that no one will get a statement out of me except you men. It did break in the New York Times and Mulrooney got a full column on it; it said the men could speak ten languages, etc. and Herbert brought it in and said, "There's your story." I didn't read it; nobody paid any attention to it. Maybe after tonight, if it breaks, I'll see you the first thing in the morning. Notice, I haven't asked you in to write it, but I've just told you what I've done.
Q. I wish you would ask us in to write it.
A. The whole business is off the record. If you fellows get 
wise and the New York papers say get a story out in the morning, 
I'll see you right away, but don't write it now.
Q. 'Please send me the following telegraph. Ask Morgenthau 
about it.'
A. You've all been fine and I've nothing to kick about, but 
I'd rather it was off record.
Q. The angle of the Chicago story was that they had started today. 
I checked it the middle of last week.
A. Yes? I haven't heard from Chicago, but I've been personally 
directing and watching this thing in New York. If we can do it 
there we can do it anywhere.
Q. The other Treasury people are aware of your desires?
A. Oh, yes. Gaston knows that absolutely. But to you and to these 
men it's purely background.
Q. On the social security plan, do you know what percentage of 
interest is figured on that to give the annuities?
A. Don't start me on that. You'll have my statement tomorrow; 
I'm supposed to have it tomorrow morning at 10 o'clock when I go up on 
the Hill with Miss Perkins. We will go into the whole thing very 
carefully. If you get me started, and I don't think Mr. Doughton 
would particularly care if I talked now about it, but it will be 
mimeographed tonight.
Q. That's the point; it has never been brought up.
A. That's a very important point, and I don't wish to say it, but 
I think what I will say tomorrow as far as that bill is concerned is 
pretty much.
Q. Do you know anything about the fact that Mr. Hopkins said last week he only had $50,000,000 and the Treasury Statement showed $200,000,000 carried for relief?

A. I would be glad to have you go up and see Mr. Bell and try to get a statement, but I don't know. As I understand it, the allotment of money -- he has allotted it all and it will be used between the 10th and the 15th of February. I know the way the thing has been running; I get a statement every day; Hopkins will be out of the allocation of funds between the 10th and 15th of February. I don't know why it's carried otherwise on the statement.

Q. Have you any idea when you are going to get clear of this gold case?

A. Very much off the record, I am glad that the Supreme Court is conscious of the fact that there's a market; and, again very much off the record, if they gave a decision one time on Saturday, they might do it again on Saturday; if anyone quotes me I'll shoot him. It's just a case that they might do it again on Saturday.

Q. You mean postpone it?

A. No, I mean hand it out.

Q. Everything is closed next Tuesday; isn't that an indication that they might give it Monday?

A. It was either silver or gold that we had on Saturday afternoon,
one or the other. If they do give the statement in the afternoon, it gives Europe an advantage over us, but the fairest thing is to do it Saturday afternoon which gives nobody an advantage.

Q. Isn't the London market closed before ours opens?
A. Well, they open 4 A.M. our time. If they wanted to operate in the London market Monday morning, they would be ready. If they asked me what to do, I would say Saturday afternoon.

Q. They also have the advantage of assuming that the Administration has some sort of a program, as I hope to God it has, that would give us a chance to do something before the market opens up. Have you a program?
A. Oh, just go on in a haphazard way.

Q. Do you know yet how that Brazilian treaty will affect your revenue?
A. No.

Q. It hasn't been figured out at all?
A. Again very much off the record, I think we got it Thursday and they said they'd have to have it back by Friday at 12 o'clock, but we haven't had any chance to figure it yet.

Q. One of the government reports two or three days ago showed a rather large increase in silver importation for a week or two -- is there any particular reason?
A. It might be just the way the boats happened to run.
Mr. Morgenthau: I have here today Mr. Mellott and Mr. Harold Graves who, I thought, would talk to you a little bit about what we are doing in New York and Chicago and tell you what I can’t answer as they’ve been there. I’ve got a list of statistics about the figures in Chicago. In two weeks 50 men have inspected a little over 4,000 places and found 423 violations; the taxes and penalties due and certified for collection were $6,300. In Chicago this group of men reports the violations and another group collects them. It’s a little different in New York. It works out that about 10% of the places inspected, we find violations. In New York the experiment is very interesting in law enforcement. As far as I know, I don’t believe the Federal, State and municipal governments have ever gotten together in a law enforcement program of this kind. As far as I know, it’s the first time. We’ve gotten the cooperation of Governor Lehman and Commissioner Mulrooney.
Mayor LaGuardia and Commissioner Valentine, and we took 100 men, who were certified and investigated, off the unemployed list and 100 detectives and plainclothesmen and they all went to school about 2 weeks and last week they started in and naturally it takes time. The first week they made inspection of about 1700 places and found 335 violations, or about 20%. Bearing out the preliminary investigation which I made in New York City, it sells more illicit liquor than any other place in the United States. We have the police make a record and we make a record of the man's name, place of business and the violation and the judge before whom it goes and we are keeping very close contact. I don't know yet whether the effort is going to be a success, but, so far, we've got 100 per cent cooperation from the State and the city. Naturally, a big cleanup like this gets noise around, but, unfortunately, we are finding a great many violations and we will continue until, as I understand, there are something like 30,000 places in
greater New York that sell liquor and beer and we are going
to cover them all. The only chance of success that we have
is the fact that we are getting the cooperation of the State
and the city. The New York cleanup is different than Chicago
in that in Chicago we have just been going along on our own.
In New York it seems to be much better, and if we find that
it's a success, why then we will try to repeat it in every large
city in the Union. If there are any particular questions on
that, Mr. Mellott and Mr. Graves have been up there and they
will answer them.

Q. Mr. Secretary, could you give us the amount of taxes and penalties
that might have been assessed in New York?

A. In one week we actually collected $8,104 and the 100 men that we
have from the unemployed are getting $24 for 5 days so, you see,
the money out of pocket, plus supervision, is roughly about
$3,000 so we are collecting about $8,400 for an expenditure of
around $3,000, but that's just the first week and it took us a
day or two to get started.

Q. How much liquor did you seize in the 335 violations?

Mr. Graves: The violations consisted of many other things than illicit liquor; there was some illicit liquor seized, but the most common violation found was the failure of the dealer to pay the Federal tax or occupational tax or possession of untaxed bottles or failure to cancel stamps.

Mr. Morgenthau: We are doing this block by block, and it's all divided up into precincts and nobody is going to be overlooked.

Q. Will you call on them the second time?

A. We are going to keep it up.

Mr. Graves: One important fact is that all of these cases are being referred to the State Liquor Authority looking to revocation of the license of the party guilty of the infraction. In the first 4 days of the week 95 such cases were referred to the Liquor Control Board.

Q. Was that just in New York?
New York City.

Q. What about Chicago?

A. As the Secretary said, no arrangement has yet been perfected for the cooperation with the State there.

Q. Did you say this would be extended to all the large cities?

Mr. Morgenthau: Yes. For the moment, it's just New York and Chicago.

In Chicago we are just going along on our own and we haven't asked for State or municipal cooperation. I mean, we got that idea after we started in Chicago and one is the Chicago plan where we go ahead on our own and the New York plan where we get cooperation. The reason we are going ahead so intensively in New York was because the reports from there were so bad.

Q. Where do these men come from?

A. Ask the press room. You know that story, don't you?

Q. No.
Some Congressman called up Bob and asked how he could get a man, a constituent, on the roll.

Q. How soon do you plan to extend it, Mr. Secretary?

A. Well, I think that we want a little more experience in New York, don't you think so (Mr. Graves)?

Mr. Graves: Yes. We want a couple more weeks in New York.

Q. Do you plan to get around the other large cities?

A. We'll be around in Detroit pretty soon.

Q. Are you going to do it yourself or are you going to get some boys out there?

A. I think we'll want to run along another week or two and see how this plan looks and then go to these other cities, if it works.

Q. What do these fellows say about reducing the taxes on liquor?

A. It hasn't come up.

Q. Well they must have some thoughts about it; any suggestions made?

A. I haven't heard of any.

Mr. Graves: I heard no discussions about it in New York.
Q. You have no plans about it yourself?

Mr. Morgenthau: Nothing new.

Q. You are satisfied with the taxes as they are?

A. As far as the taxes go, we will say nothing until Congress sends for us and asks the Treasury.

Q. Mr. Secretary, would there be any difference where they had State control systems in your investigations?

A. I can't tell. As I say, we took about a month to work this thing out in New York and it looks as though it's going to work. In Philadelphia where they have State sales it might be different and then again it might not. But I would say, after one week, I think we've done pretty well in New York.

Q. Mr. Secretary, may I change the subject. Have you been asked yet by the Agriculture Committee to bring your advisors up there to testify as to what can be done to make silver help increase exports?
A. I was there and Senator Thomas asked me to present a statement and it's being prepared and will go up there this week on this specific subject. I think it will be a very simple statement. The question he asked was, "Would it increase the cost of cotton in other countries outside of the United States?" and the answer is being worked on and I'll go over tomorrow or the next day and then send it over.

Q. Mr. Secretary, what's doing in the stabilization fund?

A. I've got a little statement I'm going to make.

"Since January 14th (I'll read this very slowly) banks and dealers in foreign exchange and gold have practically stopped buying and selling gold within the gold import and export points, which means that the international gold standard, as between foreign countries and the United States, has ceased its automatic operation."

There are just three paragraphs. Shall I read it again?
Q. Please. (Reads above again.)

A. "2. Thanks to the foresight of the 73rd Congress, we now have a stabilization fund. When we saw that the external value of the dollar was rapidly going out of control, we put the stabilization fund to work on a moment's notice with the result that for the past four weeks we have successfully managed the value of the dollar in terms of foreign currency." I'll repeat that.

Last Paragraph: "The country can go about its business with assurance that we are prepared to manage the external value of the dollar as long as it may be necessary."

Now, what I mean when we talk about the gold points there is $35 an ounce; this is the price of gold the way we figure it in terms of sterling. When it goes below this line, the normal thing would be that they would bring gold into this country because at that line (points to chart) gold is worth $34.78 and it is profitable to bring gold into this country. Then
it goes above that line, $35, gold leaves this country.

That has happened, as you can see, since the 12th of January
the value of gold (this is in terms of sterling) has been
below the gold export point figured at $34.78. When it drops
below that they can buy gold and pay the freight and insurance
and turn it into the mint at $35.

Q. That would be $35.22 in the other country?

A. No, it's $34.78 here and by the time they add the charges they
can deliver it in New York for $35.

Q. Cost of 22¢ for shipping?

A. That's right; and for insurance and we have a handling charge.
Since it crossed that line, the automatic feature of staying
in there has stopped to work and the stabilization fund went
into operation and brought the price of gold or the dollar back
up to here—that's up to Saturday—this point is Saturday.

Q. What is it?
A. It's about—wait a minute and I can tell you exactly. The London gold price and the low point was $34.7056. That's the London gold price converted into dollars plus interest, shipping and charges to New York. In other words, from that you would have to deduct expense. That date there is the 25th of January. And on the 16th of January it was $34.6163. There are two low points, as you can see here. Up to today, the 11th, gold in terms of dollars is $34.9665.

Q. How much gold did you avoid taking by this operation?

A. Well, it's the other way around. We took gold.

Q. I mean, if you hadn't done this, you would have had to take a lot more wouldn't you?

A. Nobody can figure that at all; we never had a situation like that before.

Q. Is it the first time that the stabilization has been brought into operation on a large scale?
A. In foreign countries.

Q. What was the reason that they didn't ship their gold here?

A. Well, I haven't used the word "court", but on the 14th—you can use your judgment.

Q. Presumably, you have been taking all the gold on the London market during the last week.

A. I'm not going to tell how much money was used in this because we never will tell that, but we felt that it was important at this time to explain that the fund was operated, what we did and what the purpose was. As to how much money was used, you will have to excuse me; I just can't tip my hand to the rest of the world; it would be an advantage which I don't want to give up. We did feel that it was important at this time that the fund had been operating for weeks and that we had been able to stabilize the dollar in terms of foreign currency. I want to say, as another point, that, as a matter of courtesy, we informed the central bank abroad that we were going to do
this, but we did not consult them.

Q. Has the fund been withdrawn from that operation or are you still engaged in it?

A. I'll read the next sentence here: "The country can go about its business with assurance that we are prepared to manage the external value of the dollar as long as it may be necessary."

Q. Will that statement be available?

Mr. Morgenthau: (Handing statement to Mr. Gaston) I didn't want to make it so official.

Q. Did I understand you to say that this was the first time the fund operated on foreign funds or the first time on a large scale?

A. Well, I withdraw my answer; I would rather not. If I answer that I'll have to answer something else.

Q. That comes off the record?

A. Yes.
Q. Do you mean that the international gold standard had broken down and the fund was necessary?

A. Normally it operates between two gold points—the import and export gold points which mean the 14th it ceased to operate within that and slipped off.

Q. Wouldn't it eventually cease to operate after all the gold was offered?

A. No gold was offered. The bankers and dealers in international exchange who normally buy and sell this and ship it back and forth ceased to operate.

Q. Why was that?

A. You'll have to answer that.

Q. Can you give us any background on it?

A. The thing was, with this decision pending—please don't quote me any way on the court—but various lawyers told them they shouldn't take this risk, and, therefore, they just drew back and on Monday afternoon, there for a while, the bottom
just dropped out in the middle of the day. But I would appreciate it if you don't quote me one way or another.

If you fellows want to write about it then it's all right.

The reason was that the people who ship gold back and forth for exchange just stopped and if we hadn't had this fund I don't know what would have happened; maybe some other country would have stepped in but I'd hate to depend on some other country for help for the dollar.

Q. Most countries aren't interested?

A. I haven't seen any signs. That's off the record. Have I made myself clear? I would appreciate it, if in writing this, you can draw your deductions, but I don't want to be quoted as saying anything about the court.

Q. Are you going to maintain the external value of the dollar?

A. The fact that there have been so many inquiries and none of you fellows being financial writers—they guessed what we were doing and most of their guesses have been wrong, and I thought
it was time we should explain it. One particular writer was
guessing wrong and was being fed stuff from abroad which he was
writing. He was being used as a tool; so I thought we would
give an explanation.

Q. In effect, you were supporting foreign currency.

A. No, we were protecting our own dollar.

Q. You were keeping it from appreciating rather than depreciating?

A. True, but I was interested in our own dollar rather than other
currency. But I was able to—take this line here, it represents
the price of gold, if you can see it—and convert it into
dollars. The way it was jumping up and down and now evened out,
and if you were an exporter and wanted to sell some cotton or
steel abroad in the exchange with the dollar jumping that way
you wouldn't have a very good idea how to handle it and wouldn't
want to make commitments, and, therefore, it was important, we
felt, to study this thing out so that the American businessmen
would be able to sell abroad and would know approximately
within a reasonable percentage what he would get for his
dollar when he covered it abroad.

Q. You are going to keep this dollar within its normal range?

A. I go back to that last sentence. I worked on that hard. I
spent all day on that last sentence.

Q. Mr. Secretary, does this banking act of 1935 represent your
views 100%? Would you give it your full blanket endorsement?

A. Let us put it this way: The banking act of 1935 was prepared
by this lending committee of which I am chairman—including
all the financial agencies; we had a subcommittee on bank legislation and every man of the subcommittee on banking legislation approved that bill, including myself; that included Eccles, Jones, Crowley, O'Connor, Coolidge and myself, and we all approved that bill before it went up. I don't say that they may not subsequently find a word or sentence or something, but in principle I approve that bill and it was worked out by that group.

Q. Is the same thing true about the Housing bill. I notice the draft of the bill on the Hill had apparently been changed and apparently raised by the Senate committee.

A. Have a heart. When it left here, it was a billion and a quarter.

Q. When it left here did it limit the loans to applications heretofore filed. I remember at the White House Conference one day the President said that people who had been prevented from filing would be permitted and the bill as it came out said applications heretofore filed.

A. All I have to say is that, in principle, the bills having financial aspects that went up on the Hill have all been very carefully drawn up by this group and I don't know of any bill when it left here, that doesn't mean this group, which had the unanimous endorsement of every member of the committee, I don't know of any man who disagreed on any bill.

Q. What I am trying to get at is, are you favorable to taking more applications?

A. (No answer.)
Q. Mr. Secretary, would you be willing to tell us what profit has been made on your stabilization fund?

A. What profit? Surely.

Q. Somebody downstairs figured out $100,000 on imports following the activities of last January.

A. Well, I'll tell you; we are getting a statement ready for Joe Kennedy and we will send it over to the Securities Commission shortly.

Q. That won't do us any good.

Some of the commentators seem a little disappointed that you didn't come out and say you were going to maintain the $35 price.

A. I am sorry I couldn't satisfy everyone.

Q. Well that was implied?

A. Well, I'd rather let what happened speak for itself; after all, it's back again within the gold points so I think I'll let it go at that.

Q. Anything new on the liquor situation?

A. Nothing particular. Monday I'll have another report from New York and Chicago. I had Commander Pennington just down here from New Jersey going over the seizure he made up there.

Q. Mr. Secretary, last week, in your absence, Under Secretary Coolidge was under the impression that there wouldn't be any newspaper advertising on the baby bonds; is it understood now that there will be?

A. No paid advertising, but we hope for a bit of free space.
Q. Couldn't we get a little paid advertising?
A. Well, I don't know. As long as the newspapers are so good about it, so patriotic --

Q. By the way, are you going to make a radio speech, Mr. Secretary?
A. I don't know. I don't know how we will work it out.

Q. When will the campaign actually start--in about a week?
A. It will start when the President buys the first bond--I think that's when it will start. I don't know just how far he will let us go. Whether he'll do the talking, etc. I don't know.

Q. Maybe he'll make the first radio speech.
A. I don't know; he has consented to buy the first bond.

Q. Will there be any more extra people, beyond the 250, in the Bureau of Engraving and Printing?
A. I don't know; Ray Tucker is the staff; I don't know.

Q. Mr. Secretary, have you been able to give these marble producing Congressmen any satisfaction on the marble production for post offices?
A. I was told that we were getting together; that isn't a very good answer; Peoples is so busy. This is off the record. The fact that I haven't heard any more makes me think we must be getting together. I'm glad you asked me; I'll find out.

Q. The fact that you say you are getting together is off the record?
A. Yes, I am talking off the record. I called up early this week and asked and I was told they were getting together, and just what that means, I don't know, but what will happen, I mean, the only way we can get together is for the marble people to drop their price, but I don't see how else we can get together.

Q. Mr. Secretary, is there anything new on that Cleveland Credit Survey?

A. No. I just take it they are doing their work -- that's all.

Q. Do you still plan, Mr. Secretary, to go all over the country on those credit surveys; you intimated that once.

A. I don't know, Bob; we'll see how this one goes.

Q. Was there any real benefit from the Chicago survey?

A. I think so; I think the publicity, knowing it was coming, and everything else-- I think it had a good effect.
Q. Did you hear about the gold decision?
Mr. Morgenthau: (Holds up Washington Star)
Q. That's the wrong paper though, that's the late edition. Mr. Secretary, a friend of mine in the room asked me if you would just speak in words of one syllable at this conference.
A. Easily; I thought I usually did. Just talking between ourselves, off the record, I know what you want and I can't give you a big statement; all I can say on the record is that I am very much pleased with the decision of the Supreme Court.

Now, that's all I can say; you who have been here before know that. I know that you want to ask me a lot of questions, and I simply can't--

Q. Mr. Secretary, off the record, are you also pleased with the Liberty Bond decision?
A. I haven't read it. I've got the sketches--a few pieces here and there--but I haven't had the chance to sit down and it will be several days before we will have a chance to study the thing.

Q. Did you talk to the Attorney General about it, Mr. Secretary?
A. If you don't mind, I'm not going to answer that.

Q. Mr. Secretary, could you have your legal staff give us an interpretation of any questionable points in the decision?
A. I think that ought to come from the Attorney General.

Q. Mr. Secretary, now that it's all over, can you tell us what alternative you had in mind? just for our information?
A. Well, there were many. The Supreme Court kindly saved us from using our initiative. I know that you fellows who come here weekly—I mean, I'm not going to parry questions or give you evasive answers; that's all I can say.

Q. The gold standard is working. Has the stabilization been busy today?

A. I'm not going to answer that.

Q. Can you say anything about the effect of this on any future financing?

A. We will go right ahead with our program—it doesn't make any difference. We will go right ahead with our program—we will be getting ready for March 15th.

Q. Speaking of March 15th, Mr. Secretary, you have been having a number of officials in from an organization called the Sentinels of the Republic, calling on you to do something about this publicity on income tax; do you contemplate doing anything?

A. They seem to get the executive and legislative branches mixed up. As far as we are concerned, we have no choice in the matter; this is a law and we will carry it out.

Q. Do you contemplate sending any recommendations to Congress—there's a bill up in the House?

A. We will not send recommendations up unless we are asked for them.

Q. In favor of the bill?

A. On any bill; if the general committee asks us where we stand on the bill, we will answer them.
Q. What is your personal point of view on the matter?
A. They tell me I am on record—last year; I think I’ll look it up.
Q. Which way do you remember?
Mr. Secretary, any information reach you from other than government sources that other governments which have been paying on the gold basis to holders and creditors of the United States might make good on this new basis?
A. No.
Q. Mr. Secretary, to return to publicity for a moment, don’t you have some discretion there as to how these returns shall be made up.
Mr. Gaston: Just as to the manner; we have discretion to fix a date and the manner, but it isn’t, as the old law was, the President was given the power to prescribe the extend; there is no question of extend here; it’s just the manner and the date.
Q. By manner do you mean you could say they would be available in Washington but not in Chicago and New York?
Mr. Gaston: Certainly not; it’s in every district.
Q. In the district in which they are filed?
A. That’s the way the law is.
Q. What is your personal point of view on the matter?
A. They tell me I am on record—last year; I think I'll look it up.

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Mr. Gaston: Certainly not; it's in every district.

Q. In the district in which they are filed?
A. That's the way the law is.
In preparation, I've just got a few little things here, about
which yes. I want to say again re our manufacture.
Finally that on these goods with the total, requiring to
have been getting for $90,000,000 a month. Just note they sell
reasonably. I mean the $70,000,000 stockors and we sold
$70,000,000 now, this means we are giving to someone actually
that we are going to ask for $90,000,000 at present end.
Instead of $70,000,000 per six months, not $90,000,000 you
were talking. So far as I know, I think it's the fact that the
Tennessee has made work-crews like this in advance, and if the
Florida must be assembled in 5 weeks, after 2/2 in order, if you
sell in delay.

There are things that follow:

1. Property taxes, for next month. It's the first time we have ever
paid for these taxes to the police for these months in advance. And I
think that he, as promised, will be paid in April. These months,
May and June.

2. Bill that is $60,000,000 next.

3. $60,000,000 now. We are getting $60,000,000 now. And in the
next month we will give up $60,000,000 and $30,000,000.

4. Guess that that.

During the next three months we will give up $60,000,000 now, because
there are $70,000,000 worth of bills.
Mr. Morgenthau: I've just got a few little things here, before Bob asks me. I want to say this: we are announcing tonight formally that on these weekly bids for notes, heretofore we have been asking for $75,000,000 a week, just what they call turnover; I mean the $75,000,000 comes due and we ask for $75,000,000 now, this evening we are going to announce formally that we are going to ask for $50,000,000 of six-month notes, instead of $75,000,000 for six months, and $50,000,000 for nine months. As far as I know, I think it's the first time the Treasury has ever sold nine-month bills on discount, and if you fellows want to be educated on bills, etc., I'll be glad if you talk to Kilby.

Q. These are Treasury bills?
A. Treasury bills, for nine months. It's the first time we have ever offered bills to the public for nine months at discount. When I first came in, we offered bills for three months, then six months, now nine months.

Q. Will that be $50,000,000 each?
A. $50,000,000 each; we are getting $35,000,000 new money and by that method we will pick up $325,000,000 new money.

Q. Within that time?
A. During the next three months we will pick up $325,000,000 new because there are $75,000,000 worth of bills.
Q. Weekly turnover?
A. Yes, weekly, so by offering $100,000,000 in this method, if we keep on that way for the next three months we will pick up $225,000,000 new money.

The other conclusion that you can draw is that we will not ask for any new money on the 15th of March.

Q. Will not?
A. Yes. We will not ask for any new money on the 15th of March.

Q. Mr. Secretary, what's the object in extending the maturity of the bills?
A. Well, we are getting the six months' money and it's very cheap money; we feel that we can extend this from six to nine and in that way it comes along that much less often.

Q. Isn't the average rate about 3.9?
Mr. Gaston: The average rate lately has been about .11 or .12 of 1%.

Q. I mean on the whole public debt.

Mr. Morgenthau: Just under three -- 2.9.

Q. How much will this reduce it?
A. I don't know.

Q. It might make it go down to 2.9.
A. The tendency will be to reduce it further.

Q. Mr. Secretary, can you explain to us why you prefer to offer this way rather than a long-term offering which would postpone --
A. Well, it's very cheap money. We go to the market once a week and they get used to it. Instead of doing it the way we used to -- once a month or once in two months. If you will notice on the refunding,
we have gone into the bonds — I mean long-term, and I think last year it was about even; about 50% of the money we borrowed was long-term and 50% was short, which I think is a very good balance.

Q. I understand then that you have enough money left over from the last financing to carry you through in addition to the new money?

A. In addition to this $25,000,000 that we pick up, we think we can run until June 15th without asking for any new money.

Q. The expenditures have been running considerably less than you first anticipated?

A. You fellows can draw your conclusions; I'll tell you the facts (this is off the record). Coolidge is talking to the fellows in New York getting them ready, and I don't want and he doesn't want these fellows to know anything, to tell them anything, that the fellow a thousand miles from New York wouldn't know. That's absolutely background. We both agreed that he would talk to these fellows but I don't want them to know anything that the fellow who is sitting in Chicago or San Francisco doesn't know.

Q. In the same connection, are you going to have an issue March 15th for the called Liberty?

A. We haven't decided yet.

Q. It's probable, isn't it?

A. I'd rather not say, Bob; these things change so fast it's hard to tell. Coolidge is in New York talking to these fellows — what we tell them we want to tell everyone.

Q. How much money is outstanding in bills now, Mr. Secretary?

Mr. Gaston: It's around $2,000,000,000 — 26 times $75,000,000 or $77,000,000.
Q. Mr. Secretary, you will have only six-month and nine-month bills after the present ones are retired?

Mr. Morgenthau: We haven't decided yet; we don't know how the market will like the nine months; we will try it out, but we don't know how they will like them.

Q. You are not very scared about it.

A. I don't look very scared!

Q. When are you going to start asking for the nine-month bills - the next offering? Next week?

A. Yes. They bid on them next week. Off the record, the reason I'm giving you this now instead of tonight is because Coolidge is up there. We don't want to say one thing to a group giving them certain knowledge. As a matter of fact, he and I got mixed up on our days - we thought the announcement was going out last night. Since Monday I don't know what day of the week it is!

Q. Mr. Secretary --

A. Good morning, Ken. When did you get here; how long have you been here?

You've been so quiet.

Q. I wanted to ask you if, now that Mr. Hoover has spoken, you are going ahead and stabilize.

A. Well, I'll continue to take my suggestions from Mr. Hoover as I have in the past.

Q. I hope so.

Q. Mr. Secretary, to follow the suggestion of Mr. Clark, what do you think about the gold standard?

A. Are you fellows writing this down -- what I said about Mr. Hoover?
Q. Seriously, could you comment on his statement?
A. I just have.
Q. We didn't quite understand what you meant.
A. Well, I didn't either; you'd better forget that. U.P., you seem to like it too well.
Q. That's a marvelous quote.
   Well, he goes half-way with you in proposing the President devalue the dollar, doesn't he?
A. Well, I'll say this: I'm perfectly satisfied with the way our monetary policy has worked out during the past year. I don't see any reason to change it. Does that suit you, Kenneth?
Q. Fine.
   Mr. Secretary, is there any comment you can make on the fight being made against the pink slip?
A. No.
Q. Do you want to say anything about income tax publicity at all?
A. I'm here to carry out the orders of Congress.
Q. Without liking to?
A. Whatever the orders of Congress are, I carry them out.
Q. Do you have any ideas, off the record, or any other way, about what will happen?
A. No.
Q. It's definitely stated that the Treasury bonds will be paid in the new dollars; has that been officially stated anywhere? That's the conclusion everybody draws, but has it been officially stated?
A. I didn't know it was a new dollar.
Q. The devalued dollar?
A. Well, it's the same dollar, isn't it, that we've got.

Q. That's what the difference was -- the Supreme Court declared that part unconstitutional, but said they could not sue.

A. I don't want to get in on that; I think any comment on that will have to come either from the Attorney General or the White House; you haven't any objection?

Q. That's perfectly all right; I didn't know whether you wanted to put it on the record definitely.

A. No, I don't want to.

Q. Back to the pink slip -- is there anything you can say about the charges being made?

A. No. Congress passed the law, we will carry it out. If they change it, we will change our program, but as long as the law is there, we will go right ahead and carry out its provisions. I saw my pink slip yesterday.

Q. Mr. Secretary, what you said about the six months bills, does that mean that there will be no new issues of long-term stuff this year -- this calendar year?

A. No, no.

Q. Certainly not until June, except the refunding.

A. We've got our $200,000,000 coming due on March 15th. As to that and the called 4th Liberty, we haven't crystallized our program yet. The only thing we've gone into is what I have told you; frankly, I want to explain it; we will pick up this new money and the result is that we won't ask for any new money on March 15; we think we can squeeze through until June 15th.
Q. Would it be fair to draw the conclusion that refunding on March 15 and raising new money at the same time would be too difficult?
A. No.
Q. That's not a factor in your decision?
A. No, because the facts are quite different. Certainly, since I've been here, the government bond market has never been in as good a shape as it is now.
Q. It would probably be difficult to float three billion in long-term --
A. I mean, there's no sense, no object -- you know what our daily balance is; it's ample, and, looking three months ahead, we feel we can get by.
Q. Is it still planned to reduce it about half a billion before the end of the year?
A. Half a billion?
Q. Isn't that what the President said?
A. He didn't discuss it, did he?
Q. Wasn't it in the budget message?
A. I don't think so.
Q. 880 million will come out of the balance?
A. It might; it comes out of our general fund; it's this money which we pick up each week which regulates our daily balance.
Q. The 880 million less 385 million would make about half a billion.
A. I don't think you can figure that way.
Mr. Gustin: We'll have heavy income tax collections in the next few weeks.
Mr. Morganthau: I want to say this for the people writing for New York: we've made a sort of checkup on the wholesale liquor dealers and we find that since we've had our program in New York, the wholesale liquor dealers say that in the last two weeks their sales have increased over 14%. The interesting thing is this -- these men who are on the relief rolls are very anxious to make as good a showing as possible -- to collect as much money as possible. Recently they didn't collect much and the reason was this: two weeks prior to the time the drive started the collectors of internal revenue for the second and third districts sold 54 occupational taxes for liquor and beer and during the last two weeks this drive was on they sold 366 licenses; in other words, the fellows who were selling liquor got busy and went out and got the licenses, so it's fair to credit these men with the additional sale of 366 licenses. We took in during that week $7,000, roughly, more than we did the previous two weeks for the sale of licenses.

Q. That's Manhattan and uptown? and Brooklyn?

Mr. Gaston: The second and third districts, I think, are both in Manhattan.

Mr. Morganthau: You're right.

Q. Have you had any reports from your drive in other cities, like Buffalo?

A. No; I've been particularly watching this thing in New York. It's the biggest thing we have ever undertaken and I've been interested to see what the effects were, and I bring your attention to the increased sale of liquor and occupational taxes. In other words, these fellows got busy and went out and got their licenses.
Q. How many cities are involved?
A. This program, at present, is on in New York only. We are working with the police and each of our men has a plainclothes man with him. At present the only city where that program is on is New York, but it's going so well that we are going to extend it.

Q. Any reports from Chicago?
A. We are studying that now. Just absolutely off the record, Harold Graves is out there now. The papers have been swell and they haven't in a single case announced it. We are going to put the same system in effect in Chicago as we have in New York starting the middle of next week. There the licenses are issued by the mayor, not by the Governor; but he has seen the Governor and the mayor and the chief of police -- this is all off the record -- and they are all enthusiastic, but the licenses in Chicago can be revoked by the mayor, not by the Governor, but we will have the same thing going.

Q. That's off the record?
A. Yes. The Governor couldn't believe that we were coming to do it. He thought it was so wonderful, I had to repeat it three times over the phone. He said, "Do you mean to say you are doing a thing like that?" He said, "That's grand."

Q. Do you have any former prohibition agents?
A. I don't know. These men are given to us by the relief organizations. Every man is carefully checked by Elmer Irey's office both as to his character and previous occupation; all I know is that no one gets a job unless he has a good reputation.
Q. Any reports on the multiple tax study you were going to make?
A. No.

Q. On this liquor drive, have you formulated any plans for the District of Columbia yet?
A. No. Should we?

Q. Should we do something here?
A. I haven't had many complaints about the District. We are taking the worse spots first; that's what we are doing. We took New York and Chicago because we knew they were the worst, but if you tell me I should go after the District --

Q. I'll get some data for you.
A. Seriously, I haven't had many complaints about the District, but if it's bad --

Q. Can you say anything about the possibilities of additional Libertys being called aside from those called for April?
A. I've told you all the plans we have.

I'm thinking it over -- I'd like to have you forget that facetious remark about Hoover, after all, he was President and I have respect for the office, so forget that.

Q. The other statement you made about the monetary policy, that's on the record?
A. Yes. But not the facetious remark about Mr. Hoover.

Q. When you say that you are satisfied with the monetary policy of last year, can we take it that you are also satisfied with the 59 cent dollar -- no plan to change it immediately?
A. Well, we've got to go back to my old statement, that we are on a 24-hour basis.
Q. I reckon we'll have to ask you about the stabilization fund.
A. I won't go back to that — it's a lucky thing we've been on the 24-hour basis though.
Q. Seriously, is there anything you can say about the stabilization fund?
A. We took a little peek when the lid was off.
Q. How much have you made on it?
A. Enough to throw a good party.
Q. I'll bet you made more than Farley's stamps did.
A. Well, I won't answer that one.
Q. Mr. Secretary, did your general satisfaction with the monetary policy extend all-inclusively to the silver purchase program, if that's a fair question?
A. Well, I think that's up to somebody else to say; all I can say is that we've carried out the mandate of Congress. I was told that if we wanted to get good publicity on the baby bonds, if I would distribute some un perforated, unguessed bonds, the publicity would go over very well.
Q. The President's won't be that say, will it?
A. No, I don't think so.
STATEMENT BY SECRETARY MORGENTHAU

The Secretary of the Treasury gives notice that tenders are invited for two series of Treasury bills to the aggregate amount of $100,000,000, or thereabouts. One series will be 182-day bills and the other series will be 273-day bills. Both series will be sold on a discount basis to the highest bidders.

Tenders will be received at the Federal Reserve Banks, or the branches thereof, up to two o'clock p.m., Eastern Standard time, on Monday, February 25, 1935.

Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will, as stated, be issued in two series, $50,000,000, or thereabouts, maturing on August 28, 1935, and $50,000,000, or thereabouts, maturing on November 27, 1935; both series to be dated February 27, 1935. Bidders will be required to specify the particular series for which each tender is made. The face amount of the bills of each series will be payable without interest on their respective maturity dates. The bills will be issued in bearer form only, in amounts or denominations of $1,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by the Federal Reserve Banks or branches upon application therefor.

No tender for an amount less than $1,000 will be considered. Each tender must be in multiples of $1,000. The price offered must be expressed on the basis of 100, with not more than three decimal places, e.g., 99.125. Fractions must not be used.

Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by a deposit of 10 per cent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an
express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour for receipt of tenders on February 25, 1935, all tenders received at the Federal Reserve Banks or branches thereof up to the closing hour will be opened and public announcement of the acceptable prices for each series will follow as soon as possible thereafter, probably on the following morning. The Secretary of the Treasury expressly reserves the right to reject any or all tenders or parts of tenders, and to allot less than the amount applied for, and his action in any such respect shall be final. Any tender which does not specifically refer to a particular series will be subject to rejection. Those submitting tenders will be advised of the acceptance or rejection thereof. Payment at the price offered for Treasury bills allotted must be made at the Federal Reserve Banks in cash or other immediately available funds on February 27, 1935.

The Treasury bills will be exempt, as to principal and interest, and any gain from the sale or other disposition thereof will also be exempt, from all taxation, except estate and inheritance taxes. No loss from the sale or other disposition of the Treasury bills shall be allowed as a deduction, or otherwise recognized, for the purposes of any tax now or hereafter imposed by the United States or any of its possessions.

Treasury Department Circular No. 418, as amended, and this notice prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or branch thereof.
February 20, 1865.

...
SECRETARY MORGENTHAU'S PRESS CONFERENCE.

February 28, 1935.

Mr. Morgenthau: I haven't got much. Most likely you want to know about the offer of the Consolidated Gas in New York. We are studying it and have not come to any conclusion. Haven't had the time. The only other thing that I am particularly interested in is this step that Newfoundland has taken which we gave out last night, making it practically impossible for rum runners to use that as a base. This is another step. We have Cuba, Canada and now Newfoundland so it looks as if we were making real progress.

Q. Are the French now bound to do the same for their islands? I thought the understanding was that if Newfoundland would do this they would come in?

A. That has not been accomplished. I would say the next move is up to them.

Q. There is still a possibility that you may accept the Consolidated Gas Co. offer and give up your plans for building a power plant?

A. I wouldn't jump to that conclusion because I haven't had a chance to study it.

Q. But I say there is still a possibility?

A. I would rather if you leave it that I just haven't made up my mind. That might mean what you say and yet it might not. But if you write that, off the record, Mayor LaGuardia will lose ten pounds.
Q. He seems more worried about it than you.
A. This is a big country.
Q. Have the terms of the offer been made public?
A. I don't think so. It is a terribly thick report, pages and pages. I have to get out a slide rule and work at it.
Q. The Consolidated Gas has given out something in New York.
A. It is too early for us.
Q. How about your liquor tax drive in Chicago?
A. Off the record, there is some sort of a strike in Chicago and they are holding it up pending that strike, but I think we were to start the middle of this week. Now I think we will start Monday. And the other thing, off the record, which is new and I don't want to announce yet, is that the State Liquor Commission in Illinois made us an offer that they would like to go down state. They are going to supply 12 state men and we will supply 12 of our men, but it is too early to talk about it yet. I would like not to have any publicity. What I hope to do in Chicago is what we did in New York — call up each of the publishers in Chicago and talk to them and tell them what we are doing, just what we did in New York and ask them to hold it. If you think it is a good thing we would like to get editorial support, and if you don't, give us hell! I most likely will call up each of the publishers in Chicago and explain to them personally what we are doing, because the thing in New York is going
beautifully. It all depends upon the kind of policemen they give us. If they give us in Chicago what they did in New York it will be a remarkable group. If they do that in Chicago it will be success. It all depends upon what kind of a copy they give us.

Q. Will you increase your squad of 50 out there?
A. I will start with them. Graves was out there and he thinks that is about all they could start with. If they need more we will double up. New York has 30,000 places that sell liquor and Chicago has around 15,000. They have many less places that sell liquor in Chicago and things in Chicago are not nearly as bad as they were in New York. This is background, or, rather, off the record.

Q. If that strike continues past Monday is there a possibility that you will put this off?
A. This is up to them, they told us definitely they would start Monday.

Q. I didn't quite understand your remark last week that the Mayor had authority to revoke liquor licenses.
A. As I understand it, it is the City of Chicago's function to issue licenses. Somehow or other the State Liquor Board does not go into the City. Mayor Kelly has the right to issue and revoke licenses and the State Liquor Commission seems to stop when it comes to Chicago. I don't understand but that seems to be the way it works, so therefore this
next move, which has just developed, of the State Liquor Commission wanting to work with us outside of Chicago leaves Chicago up to the Mayor. Does that sound right to you?

Q. ( ) Yes.

Q. Have you been able to give the marble people any satisfaction yet?

A. It is a fact that I have not heard from them. The program has gone out of its way in all of the more important bids to give them a chance to make marble an alternative. I take it that the thing is quiet. I heard a grand story last week. I won't mention any names. I met a Congressman at a dinner and he said, "you know all of us stone people have got together"? I said "what?" He said "we have all combined against the unnatural". I said "remarkable—the marble and the granite and limestone, 'don't use this please', got together against terracotta and the cement people? When you get marble and the granite lying down in the same bed, it is some combination but I love it—the natural and the unnatural". If you get it on the Hill, it is alright with me, but don't let it come out of this office.

Q. Have you any idea what has been done to put into effect the Viner report, especially the examination of banks and category of loans?

A. I know they put in a lot of that as the report was in progress but I think that would have to come from the
Comptroller. I am not sufficiently familiar. As the thing went along this question of slow loans was taken care of, but you had better ask him. That was the important thing.
The field work in the Cleveland District is finished. Now it is a question of collecting it.

Q. Has the Treasury been successful yet in collecting any of these thousands in fines in the dry states?
A. Oh yes, we have collected on them. I don't know the figures, but they give me the figures each week and it runs up in the thousands, but the figures are available if you would like to have them. Mr. Gaston will get them for you. That is under Section 701.

Mr. Gaston. The last figure I saw was $573,000.

Mr. Morgenthau. There has been a bill introduced in Congress to repeal it but pending that repeal we are going right ahead.

Q. Will the baby bonds be available in all post offices tomorrow?
A. I think so.

Q. There will be no delay?
A. No, they have done a nice job on them.

Q. When are you going to sell the first one?
A. I take it the President will buy the first one but as to the time I don't know.

Q. You haven't a definite appointment?
A. No.
Q. Tomorrow you mean?
A. Yes. I am guessing that he will either do it just before or after his press conference or at his press conference.
Q. You will be the salesman?
A. I don't know. It will either be Farley or I.
Q. Will they be sold by the post offices before the President buys the first one?
A. Oh yes. I don't know how strongly he feels—whether it will be a $25 bond or a $1000 bond, but whatever he decides at will be number one of that denomination, but the things go on sale as soon as the post offices open. I think it is 14,000 post offices.
Q. You want to be sure Jim Farley does not give him an ungummed bond.
A. We'll give him one that will stick. The Bureau of Engraving has done a swell job and the Post Office Department has been most enthusiastic about it and we have gotten wonderful cooperation and I will be very disappointed if they are not on sale in every post office tomorrow.
Q. How about your financing plans? Can you tell us anything about March 15th?
A. No, we are working on them. That is all I can tell you. Poor old Bob, I miss him that he did not ask that question.
As I mentioned, I have nothing more.

Q. How are the men doing across the country?

A. They seem to be pretty well gone, but some are working.

Q. Are you anticipating closing the business sooner or staying open longer at the next sitting?

A. The court requested to have another week, they hope we can help and we can hear any time setting a future session.

Q. Are you anticipating the $10,000,000 total for a day and a half of the court?

A. I think not very good. The court meeting was not to allowing the press and just $10,000 appellant and the others who appeared to carry on the discussion.

Q. When are the other parties going to the court?

A. They arecn't sure of the time yet, but the court has been extended.

Q. Are you the department who has been quoted or do you think the money in the country has been involved in something?

A. No, we are not aware of any such thing. Do you think the court money in the country has been involved in something?
Mr. Morgenthau: I have nothing special.

Q. How are the new bonds going, Mr. Secretary?
A. They seem to be getting a very good reception.

Q. Do you contemplate closing the books very shortly or keeping them open longer on the refinancing?
A. The market reacted to them extremely well; they tell me those new notes are selling a point premium.

Q. Are you satisfied with the $6,000,000 total for a day and a half of the savings bonds sales?
A. I think it's very good. The interesting thing was that in allocating the bonds the Post Office Department sent the thousand dollar denominations to the cities and the twenty-five dollar denominations out in the country and the demand has been just the reverse. The thousand dollar bonds are being sold in the small post offices and the twenty-five dollar bonds are going in the cities; that's one of the reasons why we have run out, because the demand was just the opposite of what we expected.

Q. Have you any theories of why that is? Do you think the money in the country has been hoarded or something?
A. It's too early to tell. It's one of the reasons we have run out at the post offices—because the demand is just the opposite of what we expected.

Q. Did you make any recommendation to Congress on the pink slip provision?
A. We crossed all that a week ago. I don't think I want to enlarge on what I said, if you don't mind.

Q. I'll tell you why I asked--a newspaper carried the report that you would make a recommendation--that was the Kansas City Star.

A. I can just repeat what I said before--that we will carry out the wishes of Congress; I guess I had better let it go at that.

Q. I think Mr. Doughton asked you for an opinion on it.

A. And then he gave out a statement right after that. We are going right ahead with our preparations, and if Congress wishes to change the law, we will stop our preparations. In the meantime we are going right ahead.

Q. Mr. Secretary, can you give us any enlightenment on the foreign exchange situation?

A. Nothing, except that the business of this country seemed today to go ahead as usual.

Q. How does this government regard the sharp decline in the value of the pound?

A. We don't.

Q. How about the decline in the dollar?

A. Well, it depends on which currency you measure it up against.

Q. In terms of gold.

A. Within the gold points, the automatic international gold bullion standard is working.
Q. Would you permit free shipment of gold rather than the use
of the fund to a large extent, provided it goes below the gold
export point?
A. I mean the international gold bullion standard is in effect,
and whichever way it works is agreeable to me. If people get
excited on the other side, they rush gold here and rush it there.
We have no reason to have any worries here. Certainly our fi-
nancial markets didn’t register any worry. I don’t think I
look worried, do I?
Q. There has been some discussion in the papers, Mr. Secretary,
about the Treasury expanding its purchases of silver recently;
can you comment on that?
A. No.
A. I have no comment.

Mr. Gaston handed me this slip: After four weeks in New
York, our checkup on retail liquor dealers, we have inspected
over 6,600 places and found Federal violations in 1,196 cases.
Q. How much tax has been collected?
A. Taxes and penalties collected are approximately $17,000.
Q. Do you expect to get any more from that?
A. We are going to continue right along.
Q. I mean is that $17,000 all you expect to get from these
1200 places or is some of that in the works? Is it a voluntary
payment, in other words?
A. I don’t know; this says, amount collected in taxes and
penalties, $17,000; offers in compromise, $15,170.
Q. You said two or three weeks ago you expected these boys to get out in Chicago; anything on that?
A. I told you, off the record, that we are starting in Chicago this week, but I am not ready to announce it yet. But I think we are going to take the cities in the order of their size; I think that's what we are going to do.
Q. Detroit would be fourth?
A. Well, let's see: New York, Chicago, Philadelphia, then Detroit.
Q. Any Washington violations been called to your attention, Mr. Secretary?
A. I haven't had any.
Q. There was some talk about a bootleg ring being broken up around here last week.
A. I don't happen to be familiar with it.

I don't think I have ever made a statement regarding this before. This is off the record. It was most helpful -- the publicity I got on Sunday on the 1,300 men -- and I appreciate it very much. I have never said that before and didn't ask for it, but I think there's another meeting today. I gave another statement to Senator Glass and I understood he would make it available on the Hill. On the record, I think it's tremendously interested; I am not leaving a stone unturned to get pay for these men; the publicity was very helpful. Whoever here represents the Washington Evening News, I wish he would thank his editor and cartoonist; that was a swell cartoon.
Q. Any figures on Chicago, Mr. Secretary?
A. In five weeks in Chicago we have made 9,300 inspections and found 1,180 violations. I might also say I am quite encouraged on that fight we are making for the 1,300 men.
Q. Didn't you say, off the record, you are going to Chicago this week?
A. This is the checkup we have been making ourselves without the cooperation of the police, and now we are going to pair our men with the police, starting Tuesday or Wednesday. I don't want to announce that as yet. Our men are going to pair with the police and make the same kind of check-up as in New York.
Q. Can you give us any idea of when you are going to Philadelphia and how much longer it will be?
A. No.
Q. Do you have those preliminary figures for all cities?
A. No. The only one we are announcing is New York where we have 100 men working with 100 plainclothesmen, which has been going on for a week. We think it has been very successful.
Q. How do you feel about the progress you have made in Chicago, Mr. Secretary?
A. It's pretty good, but our system isn't as good as in New York, and I think that when we get that other system started it will work better; but the violations in Chicago are not nearly as great as in New York. There are less violations in Chicago. New York was the worst spot in the United States— I don't know why, I am sure; we have overlooked your reputation out there, but it's the second worst spot so far. I hate to have you take the second place.
Q. What makes you so confident about these 1,300 men, Mr. Secretary?
A. On account of Senator Glass' attitude; also because we've got a good case. I think that when they realise that, they will do the right thing. The publicity has helped tremendously.

Q. About this liquor checkup; there are no strings about that part of it relating to New York?
A. That's right.

Q. The general nature of those violations was most commonly the sale of non-tax-paid liquor?
A. Well, now, in New York, where we have the most violations, there were 665 failures to pay special tax, 117 failures to deposit special tax; I'll have these figures mimeographed and run off, if you want them; do you want them mimeographed?
Q. Yes.
A. We will send them down to the press room. The outstanding one was failure to pay special tax, 665, failure to post special tax stamp, 117, bottles with no strip tax, 144, failure to destroy attached beer stamp, 106 -- the rest just miscellaneous.

Q. Mr. Secretary, any comment on this new financing? Do you care to say anything about the outlook for lower interest rates over a period of a year or so?
A. No.

Q. Are you sure interest rates are low just because business is stagnant?
A. Do you want me to make a stump speech? I believe, as I just said on the air, I believe it's due to confidence in the administration; -- you won't run that in your papers, but I believe it and that's what I told them on the Hill. It just so happens, just a year ago, on the notes that came due today, we had to pay 2½% interest for a two-year note coming due the 15th and that same note is refunding a five-year note, at 1 5/8%. Last year at this time we sold 13-month notes for 2¾% and we are taking that note today and extending it for 5 years at a cost of 1 5/8% -- I think that's confidence. The whole question of interest rates is a question of confidence in the Administration -- I seriously believe it, because, after all, the conditions that we sold under a year ago aren't very much different than this year; business conditions are a little better, but, again, you have to sell something -- you have to sell bonds, or shoes or a suit of clothes and it's a question of having confidence in whom you buy from and what you buy. You asked for it and that's really what I think.

Q. Government rates have dropped in other countries at the same time, haven't they?

A. Not simultaneously, I don't think; if you are referring to England, I think that they got theirs before and maybe it's the same situation (don't quote me); certainly, they haven't in France. This last issue (this is very much off the record) the things that they sold are constantly rising and you can turn in your money and after three to five years they'll give you a big
bonus; they give you practically the kitchen stove, but, for heaven's sake, don't quote me. That's the conditions — they even had to sell a French issue in Holland. England, it is true, but I don't know anywhere else, and after all, there's no reason why it shouldn't be in England. This is in comparison with other countries, but please don't quote me.

Q. It's also true that there has been a very large increase in the amount of funds in the banks and excess reserves have practically doubled in the past year.

A. That's true; things are favorable, but they also had tremendous excess reserves in bank deposits a year ago; all of those things I don't believe would work if the fellow didn't think that the thing he was buying was worth buying. After all, we have never used any high pressure salesmanship on selling these bonds; I have always carefully kept out of the market a couple of weeks before we made an issue. We have always had a natural market; we have never rigged the market; I have never asked anyone to buy the bonds and the reason they were sold was because they were priced right and because they thought they were getting something they wanted. You can't force the thing. In the year I have been here, the best example is our 15-month 2 1/2% and now 5-year for 1 5/8%; all these things helped, but you have to get back to the fact of renewed confidence.

Q. Do you think that the general reception of the baby bonds made a good impression on the banks?
A. I think it helped. Of course, you fellows can come back at me if the bond market goes to pieces in another month and say, "What happened to the confidence in your government?" and you would have me on the spot, but I'm willing to take that chance.

Q. Mr. Secretary, can you make any estimate on the possible sales of baby bonds in the next year?

A. I'll still stick to my own private figure; I'll not change that.
MEMORANDUM FOR THE PRESS

March 4, 1935.

RETAIL LIQUOR DEALER INSPECTIONS, CHICAGO.

Five Weeks Period Ended March 2.

Total number of inspections ........................................ 9,315
Federal violations found ............................................. 1,150
Amount collected in taxes, penalties, and offers in compromise for Federal violations ........................................ $5,215.00

Classification of Federal violations:
   Failure to pay special tax ........................................ 582
   Failure to post special tax stamp ................................ 87
   Unstamped bottles .................................................. 356
   Undestroyed beer stamps ........................................... 165
   Unattached strip stamps ........................................... 101
   Failure to destroy empty liquor bottles ....................... 51
   Un-tax paid liquor found .......................................... 4
   Refilled bottles ..................................................... 4

1/ This is the amount actually collected. Approximately $12,000 additional has been certified for collection to the Collector of Internal Revenue.
MEMORANDUM FOR THE PRESS

March 4, 1935.

RETAIL LIQUOR DEALER INSPECTIONS, NEW YORK CITY.

Four Weeks Period Ended March 2.

Total number of inspections: 6,607
Federal violations found: 1,195

<table>
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<th>Amount collected:</th>
<th></th>
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<tbody>
<tr>
<td>Taxes and penalty</td>
<td>$16,917.61</td>
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<td>Offers in compromise</td>
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Classification of Federal violations:

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<tr>
<th>Violation</th>
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<td>Failure to pay special tax</td>
<td>665</td>
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<tr>
<td>Failure to post special tax stamp</td>
<td>117</td>
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<tr>
<td>Refilled bottles</td>
<td>44</td>
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<tr>
<td>Bottles with no strip stamps attached</td>
<td>124</td>
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<tr>
<td>Unattached strip stamps</td>
<td>92</td>
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<tr>
<td>Unattached beer stamps</td>
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<tr>
<td>Failure to destroy attached beer stamps</td>
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<tr>
<td>Untaxed alcohol</td>
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<tr>
<td>Failure to destroy empty liquor bottles</td>
<td>4</td>
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<tr>
<td>Beer barrel with no stamp attached</td>
<td>1</td>
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Action taken by police department:

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<tr>
<th>Action</th>
<th>Figures</th>
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</thead>
<tbody>
<tr>
<td>Number of arrests (through Thursday, February 28, only)</td>
<td>80</td>
</tr>
<tr>
<td>Number of cases referred to New York State Liquor Authority (through Thursday, February 28, only)</td>
<td>363</td>
</tr>
<tr>
<td>Violations corrected by inspection unit (through Thursday, February 28, only)</td>
<td>1,461</td>
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Dr. Secretary, I'm nothing particular for you, gentlemen, talking on your behalf.

2. Did you feel on anything about the appendices or any issue, Mr. Secretary?

3. Only that it's going well enough, but we still anticipate the closing tonight.

4. And figures?

5. I don't have any that are quite close to the Secretary, but I don't require to have any, but they were going well enough that Mr. Secretary mentioned both right that we closed the books tonight. So here to see the old Martin's key being securely well.

6. The entire clerical figure matter?

7. The other that Friday night. An answer of still does not be involved in the new 2-1-6 number. Still a figure, but the figure 1 was last night are very reasonable.

8. Mr. Secretary, do you think that the decisions that you have gone will also fitly not that the provision at union identity will get these figures.

9. And I wish to help that assembly three by 200,000,000 to come coming due at the 20th of June and the 25th of August that those five-year pieces almost. They happen to the other will not.

10. Then will any figures be available.
Mr. Morgenthau: I've nothing particular for you, gentlemen; anything on your mind?

Q. Can you tell us anything about the subscription on the new loans, Mr. Secretary?

A. Only that it's going well enough, that we will announce the closing Friday.

Q. Any figures?

A. I don't have any; they may have them in the Treasury, but I don't happen to have any, but they were going well enough that Mr. Coolidge recommended last night that we close the books Friday night. The turn-in on the call Fourths has been going extremely well.

Q. The notes close Friday night?

A. The notes close Friday night. The number of call 4ths to be turned in for the new 2 7/8% bonds—that's open, but the figures I saw last night are very encouraging.

Q. Mr. Secretary, do you mean that the conversion into 5-year notes will close Friday but that the conversion of called Liberties will not close Friday?

A. Yes, I wish to make that clear; there are $525,000,000 of notes coming due on the 15th of March and the offer to convert them into the five-year notes closes Friday night, but the other will not.

Q. When will the figures be available?
A. You mean as to number?
Q. Yes.

A. Do you think they will have those available Friday night?
(Asks Mr. Upham)

Mr. Upham: Probably, but it may be pretty late.

Mr. Morgenthau: If they are available we will give them to you.

Q. It's likely that there will still be enough of these
Fourths left to make another exchange offering in April?

A. You mean for these particular ones? No, this is the one
and only offering that they get--this is the one and only. As
a matter of fact, if they turn them in after the 15th of March,
they've got to begin to pay the difference in the interest; in
other words, the coupon is due March 15th, and if they wait until
the 20th they don't get the accumulated interest; they will have
to take the bond and pay the interest on the coupons, for the
longer they wait after the 15th, they will lose that interest.

It will be dated the 15th of March and interest begins to accumulate
on the new coupons on the 15th, but if they turn them in late, on
the called Fourths, they will have to pay the accumulated interest
on the coupon of the new one.

Q. Any late figures on the baby bond sales?
A. No, I haven't; if Ray Tucker has any, I will tell him to go
down and see you fellows; I haven't got any.

Q. Mr. Secretary, I'm very new up here, just temporary, and I
don't know much about this bond thing--those Libertys are called
for April 15th; now suppose the holders of those Libertys keep
then until April 15, then they can get their interest up until April 15th?

A. Yes, they get interest.

Q. And on April 15th they cannot convert?

A. If on the 15th of April you and I each had a called Fourth, they turn it in and get their cash plus their coupon, but what they are offering now is to take this called Fourth and convert it and the coupon on the new bond begins to draw interest from the 15th, and if they convert after the 15th, they would have to take the bond and pay us the difference in the interest it has earned for the 4, 5, 6 and 7 days; I mean, off the record, the reason for that is to hurry them up; ordinarily, they would have from now until the 15th of April and there wouldn't be any pressure but the fact that they begin to lose interest if they convert after the 15th of March, the idea was to try to hurry the conversion.

Q. What I was trying to get at was if they kept it until the 15th of April and then could convert, they would still make money, even paying that additional interest?

A. No.

Q. If you convert on the 15th of March, do you get your full interest on the 4½s up to April 15th?

A. Just the actual interest; you get your five months' interest on your 4½.

Q. If they turn it in before the 15th, they get interest on both bonds?
A. Let's make it easier; say you turn it in on the 15th of March; I take it that those coupons are semi-annual; you get 5/8ths of your coupon on the 15th of March on your call Fourth, 5/8 of 43%, and then you get the new bond which begins to bear interest on the 15th, dated the 15th, at 2 7/8.
Q. Mr. Secretary, how long do you usually keep the books open on the exchange offering?
A. It varies, I think; some times you fellows have been around here when they were kept open for six months.
Q. Do you usually keep them open longer?
A. It's usual, but on account of doing this business on the coupons, we might close them on the 15th of March; sometimes, when we didn't have as good a bond market as now, they have even taken them on the 15th, letting the new bond begin to bear interest on the 15th, and paying the full extra month, but the bond market was strong enough and we thought we could do this, and I read in the financial column of the Herald-Tribune this morning—it said we were skimping on this particular phase; the headline said the Treasury was skimping because we cut it short.
There are different ways of doing it but this is the way it's being done; does that explain it?
Q. Yes, sir.
A. I don't blame you; I just happen to be here 12 months ahead of you. This is all new to me; we never had anything like this on the farm.
Q. Would you say anything now on these fluctuations—the pound and the dollar?
A. I have also read the President's discussion and I think that that was fairly well cleared up yesterday. I think anything I might add would only detract.
Q. On the face of it, that drop in the pound has been stopped, but I don't know for how long.
A. Let me say, it's too important a subject for me to talk extemporaneously about; I think I'd rather not.
Q. Is there anything you can say in line with Mr. Richberg's statement the other night about there being no inflation as long as Mr. Roosevelt is President or for the next six years, if he is re-elected?
A. I'd love to answer it, but I'm a member of the football team.
Q. Isn't Mr. Richberg? (Laughter)
Could we ask you if Mr. Richberg is a member of the financial wing of the football team?
A. Well, how many men are there on a football team?
Q. I don't think the rules have been changed.
A. I see; well I'm playing by the old rules.
Q. When is the Cleveland credit survey going to be ready?
A. I don't know.
Mr. Desmond: What's in your mind today?

Mr. Somebody: You just told me something about this combination at the White House.

4. What did the Attorney General say?

5. In that case, if it might be nothing to do with money, which is a big topic for just those to any kind of interest.

6. Well, we had supposed that we didn't have to do the people do.

7. I haven't given anything up to showing it.

8. I shall certainly here whom that was.

9. It is likely to take a statement this evening.

10. That is don't know, but I right very thing they have in writing the money to do, what alone.

11. In any event, it will be immediately to get the very people if it can give us our position. To realize make the majority of writing about it and do not all, indicate we which be able to win the Attorney General.

12. I appreciate that. But, all the record, it is such difficult for we to see the President and told about it that's now how. Fortunately to have a holiday well I think. It because we today to take, I think it things will from the Attorney General. Finally, I don't feel until I feel with.

13. Here you will see the President's XB's get the today.
Mr. Morgenthaus: What's on your mind today?

Q. Mr. Secretary, can you tell us something about this conference at the White House?

A. What did the Attorney General say?

Q. He indicated that it might have something to do with money, which is a big topic and lends itself to many kinds of stories.

A. Well, it had legal aspects, so I think I'll have to let him settle it.

Q. It doesn't presage anything new on monetary --

A. I think anything should come from him.

Q. Is he likely to issue a statement this evening?

A. I really don't know. But I will say this, that there is nothing for anybody to get jumpy about.

Q. Mr. Secretary, it would be exceedingly helpful for any phase of it you could give us any guidance on. We are all under the necessity of writing about it and it isn't at all certain we will be able to see the Attorney General.

A. I appreciate that, but, off the record, it is also difficult for me to see the President and tell about it when I come out; it's distinctly a legal matter, and I think, if anyone is going to talk, I think it should come from the Attorney General; frankly, I don't feel that I can talk.

Q. Have you taken up the Robert Taft gesture today?

A. Just before you men came in, Gaston told me something about it,
just a second ago; it's the first I heard about it and I don't know a thing about it.

Q. How about Panama, Mr. Secretary, and their gold?
A. I don't know what the last thing on that is. I'm not very good today; I'd much rather talk about liquor in New York, which probably won't interest you.

Q. Do you happen to know if Mr. Taft came personally here and asked for gold on this bond?
A. Do you know, Herbert?

Mr. Gaston: No, I don't; I know there was one person, who asked for gold on bonds, but I don't know if it was Taft.

Mr. Morgenthau: If you can, find out and let them know.

Mr. Gaston: Yes, I will.

Q. Did you have any reaction to the financial operation announced over the week-end?
A. All the people that called seemed very pleased.

Q. Any squawks from the national banks?
A. No, all the messages I got today were of a congratulatory nature. Everybody seems to be pleased.

You got the word this morning that they had sold, the first eight days, $15,000,000 worth of savings bonds and $3,000,000 of orders unfilled on hand?

Q. Yes. Mr. Secretary, will the First Liberty Loan outstanding be called for June 15th?
A. I can't answer that. I thought that you handled that story awfully well over the week-end; it was a complicated story; it got
a good play this morning.

Q. There is a difference between the amount of bonds and the gold profit. Where will that difference be made up?

A. As a matter of fact, it's a very nice arithmetic problem. You first subtract the amount earmarked for the Federal Reserve—did Mr. Coolidge go over that?

Q. I wasn't there.

A. And we already own about 26 million of those Treasury notes so it works out that we are short about 6 million.

Q. It's very possible that those 6 million dollars worth of bonds might be lost.

A. As you say, we might get a break, but as it works out, we are actually short about 6 million dollars.

Q. Mr. Secretary, what's the total of bonds that have matured or have been called, on which you pay interest, outstanding? Is it a very large sum?

A. I'll have to get that sum; it's quite large.

Q. I was thinking you might reduce the deficit by giving a final call—

A. That's a happy thought.

Mr. Gaston: You'll find it on the March 1st daily statement.

Mr. Morgenthau: It's perfectly possible that, out of this $700,000,000, there might be a couple of million dollars, but not likely.

Q. Mr. Secretary, in the issuance of that $640,000,000 of gold certificates, as I understand it, I don't know much about the Treasury,
that would provide for the issuance of an additional billion
three of Federal Reserve notes if you cared to do that.
A. If you multiplied by 2½.
Q. Do you contemplate doing that?
A. Not just this minute. I have to get a new spring suit. It
might come in useful.
Q. That doesn’t depend on you?
Q. Doesn’t that depend on the banks rather than you?
A. Yes, the banks.
Q. Is there anything doing for the moment on the question of
plugging up the Court of Claims loop-holes, as a result of the
gold decision, withdrawing the right of suit?
A. I’ll have to go behind the barrier that that’s a legal ques-
tion and I’ll refer you to the Attorney General -- sorry.
March 18, 1866.

South Carolina. Mr. Sumner!

Secretary Douglas. Yes, I thought I would write you this letter before I returned to Washington. As you will see, I will have no opportunity to know of your return. I am going on with all of the Freedmen's. They are undergoing the same fate. It will be not in a century. The cost is $4,000,000. But the first 50,000,000 could not be estimated 100,000 and the first 10,000,000 could. It is 42 of the Freedmen's. Last week 12 were killed and the others will be punished and 12 others to be punished in $2,000,000.00.

a. It is being an idea for your child.

b. A day since 10th. The call from the 19th. 1866.

c. In the 2. 3. etc. in the 7th.

d. Being very nicely.

e. You haven't any worse children.

f. I sent you another copy, but I believe it is as well.

Can you send me your reply? I work only three days.

2. There were more than 15,000.

3. I know, I send a little piece very surely.

4. My best wish to your health. I think the weather is fairly unusual.
March 14, 1935.

PRESS CONFERENCE -- MR. MORGENTHAU

Secretary Morgenthau: Bob, I thought I would wait until you came back before I announced any financing. Now that you are back I will make an announcement in honor of your return. We are going to call all of the First Liberties. They are mimeographing the stuff and it will be out in a minute. The total is $1,933,000,000. That is the First 3-1/2's, First converted 4's, First converted 4-1/4's and the First-Second converted 4-1/4's. It is all of the First Liberty Loan that is being called and the stuff will be ready soon and it amounts to $1,933,000,000.

Q. Is it being called for June?
A. Yes, June 15th. The call date is March 15th.

Q. Can you tell us about the reception on the called Fourths?
A. Going very nicely.

Q. You haven't any figure recently?
A. I get figures every day, but I think it is customary to give them out only once a week.

Q. There have been rumors of $900,000,000.
A. I know. I would say it is going very nicely.

Q. My paper asked me certain questions. I think the answers are fairly obvious.

Secretary Morgenthau: What is your paper?
A. St. Louis Post-Dispatch. They want to know why the Panamas and Consols were called when greater annual interest charge could have been saved if bonds carrying a higher interest rate had been retired.

Secretary Morgenthau: The answer is they have circulation privilege.

Q. Why could not Congress withdraw the circulation privilege?
A. You are getting too technical. I don't know. If you want an answer you can get somebody to answer them for you.

Q. Mr. Oliphant?

A. Mr. Coolidge. You are getting beyond my depth.

Q. If they retired the 3-3/8 per cent bonds there would have been a very decided drop in the Consols and Panamas?
A. Frankly I don't know what your paper is getting at, but, if you want, you can go in and sit down with Coolidge and let him explain it.

Q. The Treasury has made a direct effort in sustaining the bond market on behalf of the banks?
A. That conclusion is about one thousand percent wrong.

Q. You heard Senator Glass say that a 10 per cent drop in the bond market would react 90 per cent to the banks?
A. Yes. Off the record, I never answer any statement like that made on the Hill. I never answer it. Never have and never will. We will answer every question your papers wants to know, but I am not a technical bond man and Mr. Coolidge is and he can answer the
questions and he will answer them. I am not trying to evade it. He is an experienced bond man and I am not, but I can tell you that if that is their conclusion they are one thousand per cent wrong.

Q. I take it the Fourth Liberty exchange is going well enough to warrant calling the First one?
A. Right.

Q. Has the exchange speeded up some in the last few days?
A. It is going along very nicely. We have sufficient confidence to call approximately another two billions.

Q. There seems to have been some holding back because of the idea they would not close the books?
A. One day the bond market goes up and everything is swell; the next day it is 3/10ths of a point off and the Government is going to the dogs. They get a quarter or a half a point loss and their whole perspective changes. I think I can see enough ahead that I have the confidence to call them.

Q. Have you any idea when you will close the books on the Fourth Liberties?
A. No.

Q. Anything on your liquor drive?
A. I slipped on that.

Mr. Gaston: Have we announced the Chicago drive? Can we say officially we have started that?
Mr. Morgenthau: Oh yes! We have started officially in cooperation with the Mayor of Chicago. He has given us 50 policemen and we have 50 white collar workers and together they are making inspections of all liquor stores.

Q. How about the State Liquor Board?

A. As I understand it, they supplied 12 of their men and we 12 of our regular men and they are doing similar work -- what do you call it "down state", but that is being done with the men of the Liquor Board in cooperation with the request of Governor Horning. He asked us if we would do it "down state", so they have taken 12 of our regular men and 12 of the State men.

Mr. Gaston: I am not sure that that is started; they were delaying it for a while.

Mr. Morgenthau: But we will do it; that is the program for Chicago and it started I think Monday.

Mr. Gaston: The Chicago program started last week.

Mr. Morgenthau: It is Mayor Kelly in Chicago and Governor Horning. We are working with them just as we are in New York and getting their hearty cooperation. I will tell you a joke off the record -- the Chicago cops are not quite as abstemious as New York and every place they go in most of them had to have a drink and we had to call their attention to the fact that since we were checking up, we have to do it externally as well as internally.

Q. These 50 cops represent the finest they have?
A. I think so. We are making it that way and it is going a little better, but that is just in the family.

Q. New York cops lose their jobs if they drink?

A. They have been very strict. Off the record, I think they took a little more interest in it; that is, Commissioner Mulrooney, but we got off -- this is all off the record -- we got off to a poor start in Chicago and I think the cops will do their drinking somewhere else.
SECRETARY OF THE TREASURY MORGENTHAU today announced that all outstanding First Liberty Loan bonds, including those of the original issue and those subsequently issued on conversion, are called for redemption on June 15, 1935.

The First Liberty Loan, in the form of 3-1/4 percent bonds, was originally issued June 15, 1917, in the total amount of $1,989,485,550. Subsequently three conversion privileges arose and the 3-1/4 percent bonds were in part converted into other First Liberty Loan bonds bearing interest at 4 or 4-1/4 percent, and the 4 percent bonds issued on conversion were largely converted into 4-1/4 percent bonds. First Liberty Loan bonds now outstanding, are divided among the four issues as follows:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>First 3-1/2's</td>
<td>$1,282,485,650</td>
</tr>
<tr>
<td>First Converted 4's</td>
<td>$5,022,450</td>
</tr>
<tr>
<td>First Converted 4-1/4's</td>
<td>$337,483,100</td>
</tr>
<tr>
<td>First-Second Converted 4-1/4's</td>
<td>$3,492,150</td>
</tr>
<tr>
<td>Total</td>
<td>$1,935,109,950</td>
</tr>
</tbody>
</table>

The text of the formal notice of call follows:
FIRST LIBERTY LOAN BONDS

NOTICE OF CALL FOR REDEMPTION BEFORE MATURITY

To Holders of First Liberty Loan Bonds of 1932-47, and Others Concerned:

Public notice is hereby given:

1. All outstanding First Liberty Loan bonds of 1932-47 are hereby called for redemption on June 15, 1935. The various issues of First Liberty Loan bonds (all of which are included in this call) are as follows:

   First Liberty Loan 3-1/2 percent bonds of 1932-47 (First 3-1/2's), dated June 15, 1917;

   First Liberty Loan Converted 4 percent bonds of 1932-47 (First 4's), dated November 15, 1917;

   First Liberty Loan Converted 4-1/4 percent bonds of 1932-47 (First 4-1/4's), dated May 9, 1918; and

   First Liberty Loan Second Converted 4-1/4 percent bonds of 1932-47 (First-Second 4-1/4's), dated October 24, 1918.

2. Interest on all such outstanding First Liberty Loan bonds will cease on said redemption date, June 15, 1935.

3. Full information regarding the presentation and surrender of First Liberty Loan bonds for redemption under this call will be given in a Treasury Department circular to be issued later.

4. Holders of First Liberty Loan bonds now called for redemption on June 15, 1935, may, in advance of that date, be offered the privilege of exchanging all or any part of their called bonds for other interest-bearing obligations of the United States, in which event public notice will hereafter be given.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

Treasury Department,
### First Liberty Loan of 1932-47  
(February 28, 1935)

First 3 1/2%'s - Original issue June 15, 1917
- Amount offered for subscription: $2,000,000,000
- Amount subscribed: $3,035,226,850
- Amount allotted - final (amount issued): $1,989,455,550
- Amount retired on conversion to:
  - First 4's: $568,318,450
  - First 4 1/2's: 7,570,550
  - First-2nd Conv. 4 1/2's: $3,432,150
- Amount redeemed: $597,229,300
- Amount outstanding: $1,392,226,250

First 4's - Converted issue Nov. 15, 1917
- Amount issued on conversion from First 3 1/2%'s: 568,318,450
- Amount retired on conversion to First 4's: 547,641,750
- Amount redeemed: 15,674,250
- Amount outstanding: 5,002,450

First 4 1/2's - Converted issue May 9, 1918
- Amount issued on conversion from:
  - First 3 1/2%'s: 7,570,550
  - First 4's: 547,641,750
- Total issued on conversion: 555,212,300
- Amount redeemed: 22,723,300
- Amount outstanding: $532,489,100

First - Second 4 1/2's - Converted issue Oct. 24, 1919
- Amount issued on conversion from First 3%'s - all outstanding: 3,492,150
- Total amount First Liberty Loan bonds outstanding: $1,933,209,950
Is God a lower being, just a little above the angels of the Augustinian school?  

If so, how can we justify ourselves to God?  

If we can never be justified by our actions, how can we justify our actions to God?  

If he requires nothing from us, why are we not already justified?  

If he requires more of us than we are able to give, how can we be justified?  

If we are unable to do anything to merit his grace, how can we receive his grace?  

If we cannot love God because of his justice, how can we love him?  

If we cannot love him because of his goodness, how can we love him?  

If we cannot love him because of his wisdom, how can we love him?  

If we cannot love him because of his power, how can we love him?  

If we cannot love him because of his goodness, how can we love him?
REPORT ON SECRETARY MORGENTHAU’S PRESS CONFERENCE, MARCH 18, 1936:

Q. Is that a new high hat, Mr. Secretary? (Indicates box back of Mr. Morgenthau.)
A. If you must know, they brought me three colors so I can take my choice; I haven’t paid my money yet. (Exhibits three hats)
All right, what else have you got?
Q. Any significance, Mr. Secretary, to this purchase of government securities, or just the usual thing?
A. I think it’s very modest.
Q. Do you want to punch some holes in what some other people have been saying about it?
A. No; I think I’ll let you do that; you can do it better than I can. They have no mimeographed sheet on New York and Chicago; Gaston said he would get one out if anybody is interested. In New York, after six weeks, they have completed 10,000 inspections and found 1,649 violations; Chicago, after seven weeks, they’ve got 14,921 and 1,896 violations.
Q. When are you going to get some other cities?
A. Graves is here and he tells me that he is ready now to go into more cities provided he can get the cooperation of the city police.
Q. What cities, for instance?
A. Well, your city (Detroit); we’d like to get all set before we announce it. We like to get all set and go in before we announce it.
Q. Do you just exact civil penalties against these violations?
A. What do you do, Harold?

Mr. Graves: It's a tax and the delinquency penalty--25% of the unpaid tax and compromise of the specific liability for fine where there is no evidence of willful violation or intentional violation on the part of the proprietor.

Mr. Gaston: But you do make arrests.

Mr. Graves: Oh, yes, where there is a willful violation we turn the case over to the police.

Q. Mr. Graves, have you had the cooperation of the Washington police in your check-up here in Washington?

Captain Sayles: Well, not entirely.

Q. Do you anticipate trying a similar drive as in New York?

Captain Sayles: We have nothing in mind of that kind.

Q. How many establishments are there in Washington?

Mr. Graves: The figures I have show 1600.

Q. You've gotten through about a third of them; are you going through the rest?

A. Not particularly, no; we will try to keep it under surveillance with a limited force.

Q. How large a staff of Federal men will you send to Detroit, Mr. Secretary?

Mr. Morgenthau: Will there be fifty?

Mr. Graves: No. If we get to Detroit, it will not be more than 25.
Q. What has been the result locally; have there been many applications for licenses—a desire on the part of the dealer to apply?
Mr. Morgenthau: Do you know, Harold?
Mr. Graves: I don't get the point.
Mr. Morgenthau: In the first two weeks in New York people wrote in and bought their licenses; do you know whether that happened in Chicago?
Mr. Graves: That has happened in Chicago and it is happening more with reference to the city and state licenses.
Mr. Morgenthau: Could you wire out there or phone out there and find out that since we started how many licenses were issued compared to the previous two weeks?
Mr. Graves: Yes.
Q. How many arrests were made?
Mr. Graves: In Chicago they are not making arrests for failure to secure city or state licenses and they are giving them 24 hours to secure the licenses.
Q. And if they don't secure them?
A. I believe they close them up or prosecute them, but, as far as I know, they have not got to that extremity.
Mr. Morgenthau: I want to say this, that in this fiasco we had in Virginia, I am writing the governor thanking him for the help we got from the Virginia State Troopers—they were grand; and I also notice that Congressman Howard W. Smith introduced a bill to compensate Mrs. McClary $10,000, Mrs. McClary being the wife of the
policeman who volunteered to serve from Alexandria and went up there, and I'll certainly help all I can from this end to get her the $10,000; she has four children and the man in Alexandria decided she can't get insurance she would ordinarily get as he was outside of Alexandria and she is high and dry and absolutely penniless, and it would come in nice for her. He volunteered his services and went out with Captain Sayles and risked his life and paid the penalty; his wife has four children and she has nothing.

Q. Do you intend to see any other Congressman and ask them—
A. Well, this bill has been introduced and I am going to write Congressman Smith a letter telling him I am delighted and telling him if there is anything I can do, he can call on me.

Q. Mr. Secretary, how are you going to follow up this drive?
A. We will continue with our regular work; they will go on after today the way they have before. We will follow this up every day.

Q. Mr. Secretary, can you give us any new figures on income tax collections?
A. Gaston will get them for you from Helvering.

Q. I understand you have been holding these appointments out in Detroit; how are they coming along?
A. I'll be honest with you; the office is running well so I haven't worried about it; off the record, no one has been pushing me, and as long as the office is being well-administered, I'm not worrying about it.

Q. Do you still feel the same about Mr. Abbott's recommendations?
A. I haven't been thinking about it; no one has talked to me about it and I don't know how things are running out in Michigan, and the office is being well run.

Q. Do you know anything about this attempt to appoint a committee of Customs men to make appointments Louis Howe mentioned?

A. I haven't done a thing about it; so unless they told me the office isn't being run well --

Q. I think it's probably better than if you appoint somebody.

A. I know the office is being run well and so, as long as we are collecting money and things are going on --

Q. Has Senator Lewis recommended anyone yet for Collector of Customs in Chicago?

A. Oh, yes. Collector of Customs?

Q. Yes.

A. I don't know; I was thinking of the Board of Tax Appeals; It's a White House appointment so I think I'll lay off. If I told you I didn't recommend one for the Board of Tax Appeals, he'd say me in the most refined manner.

Q. Mr. Secretary, any comment on the Belgian monetary crisis? Can anything be said about it?

A. The business of this country is going ahead as usual.
Note:
The pages 360-375 are missing,
due to mistakes by numbering machine.
March 21, 1936

PRESS CONFERENCE

Mr. Morgenthau: No handouts, no nothing?

Q. No news?

A. No news.

Q. One of the morning papers said your action in selling gold to Mexico paved the way for selling to China. Is that contemplated?

A. No, but if China wanted some gold we would sell.

Q. We wondered what they wanted with it?

A. I want to be very careful of what I say. I am telling you, off the record, if China wanted some gold we would be glad to sell it.

Q. Having done it with two countries already, it would be very reasonable to suppose.

A. Put it that way, but I would rather not say China.

Q. Have you any other agreements under way?

A. No.

Q. You would have to see a real necessity for it?

A. I mean take Canada. I don't want to be quoted on any countries. If Canada wanted some gold we would let them have it.

Q. China did protest the sales last Fall and inquired what our position would be on the exchange of gold? Mr. Hull replied that we would be willing to consider that at any time.

A. I am not questioning that, but there has been so much of it I am a little hazy.
Q. Are there any conditions attached to these purchases or exchange of metal?
A. No. Mexico came in a month or two ago and asked if the occasion arose would we let them have any gold and we said we would be glad to.
Q. Do you know if they contemplate stabilizing their currency with that gold?
A. They thought the time would come when they would need some and they asked us if they could have some and we told them yes. I believe that all the silver that leaves Mexico, as far as I know, comes to us. It is quite a large quantity and as far as I know all the silver that leaves Mexico, we get it.
Q. You did say in answer to someone’s question that there were no other negotiations pending?
A. That is correct. There are no negotiations pending but I want to be careful not to be quoted in connection with China or Mexico.
Q. Mexico automatically would get cash simply by selling its newly mined silver to us?
A. Yes, but they very definitely wanted gold. Our relations were very friendly.
Q. What would Canada pay for gold?
A. They might pay for it in silver.
Q. How about commodities?
A. Possibly, I am not so familiar with their reserve situation as I am with Mexico's.
Q. But the Mexicans indicate that they might like to repeat this process?
A. No, it is a single application. But as they sell silver I imagine they might want to build up their gold reserves. We are very glad to let them have it. Generally speaking, our policy is not to drain the world of gold. Put it another way. I think it has been said by different officials many times that we would like to see the rest of the world have considerable gold. It is better for trade. I will put it still a little differently. We have all the gold we could possibly use.

Q. Is there anything else we could take in exchange for gold except silver? You wouldn't accept foreign balances?
A. I am a business man. I am always open to a proposition.

Q. This is not necessarily restricted to silver producing countries?
A. No.

Q. You could hardly say that you are planning a new distribution of gold if foreign countries can offer satisfactory commodities in exchange?
A. That is going a little bit too far. We sit here and accredited representatives of a country come in and I am always glad to listen to a proposition. We will consider each one on its merits. The Mexican one was attractive and we accepted it and we have no other things pending.

Q. Have there been others turned down?
A. I would rather not answer that.

Q. We still wouldn't know what they were if you did?
A. No, I would rather not answer that. You might read some more of Hull's cables.

Q. What is the latest on the pink slip situation?
A. Nothing as far as I am concerned, except Mr. Pitcairn gets some of his facts mixed up. If you fellows could say something for me, Congressman Smith introduced the bill for the relief of the family in Alexandria whose husband was killed in the capture of the still. If you fellows could do a piece I would appreciate it. I have never asked that before and I am not asking for myself. They are in a terrible shape and if you fellows could see some way of doing that for Mrs. McClary and her 4 children, I certainly would appreciate it.

Q. How far have you gone with your efforts?
A. Frankly I have asked Upham to follow that up on the Hill.

Q. Do you simply make a recommendation to the Congressman?
A. I think it is in the process. I will do it. I will go the limit. Will you go as far?
A. Sure.

A. O.K. We got a very good response to that telegram we sent out. We sent out a telegram to 14,000 banks asking their cooperation and we got about 9500 answers to it.

Q. On the Liberty Bonds?
A. Yes.

Q. We got some good advertisement as a result of it.
A. I didn't want to be so mercenary. I noticed the Wall St. Journal got its share. For some reason or other the banks in Washington didn't advertise this year but out of the 9500 answers we only got one snoopy one.

Q. Could we have the text of that?

A. Sure, if you print the text of the 9500 good ones I will give you the text of the snoopy one.
A. I didn't want to be so mercenary. I noticed the Wall St. Journal got its share. For some reason or other the banks in Washington didn't advertise this year but out of the 9500 answers we only got one snooty one.

Q. Could we have the text of that?

A. Sure, if you print the text of the 9500 good ones I will give you the text of the snooty one!
Mr. Morgenthau: I've nothing very startling, have you?

Q. Anything on Consolidated Gas, Mr. Secretary?
A. No, I can't say anything.

Q. May be a few days?
A. I think so.

Q. Can you tell us anything about the Latvian rye situation, Mr. Secretary?
A. No.

Mr. Gaston: It's being investigated, Mr. Huff.

Q. When will that be completed?

Mr. Gaston: I don't know.

Mr. Morgenthau: I thought I left rye when I left Farm Credit.

Q. Do you know anything about the background of the Polish rye situation?

Mr. Gaston: Just a year ago, we investigated it and found no dumping and they are investigating it again—Polish rye grain, Polish rye flour and Latvian rye grain.

Q. That's a new investigation?
A. Yes.

Mr. Morgenthau: Mr. Gaston is my investigator on rye. That's all on rye?

Q. How about scotch?
A. We've got something on gold licenses—39,500 ounces to Mexico; we've got a new customer, the Banco de Venezuela of Caracas, 86,000 ounces; altogether about $3,000,000.
Q. 86,000?
A. 86,000 ounces, roughly about $3,000,000.

Q. Can you tell us what Venezuela paid, what the exchange involved? Was it in due balances, silver or what?
A. They've got funds here; they've got drafts on New York that they pay us.

Q. Were those funds built up in the ordinary course of business or was it a silver transaction?
A. No, there was no silver, as far as I know; it's just that they came in and wanted some gold. They may ask us to mint it but they haven't decided. They might mint it into bolivars.

Q. Did you negotiate with these people, or did they come to you?
A. I'd rather leave that.

Q. Have you a rough estimate of the value of it?
A. This last thing, it's $55; it comes to around $3,000,000.

Q. And the amount is 39,900 ounces?
A. The amount is 39,900 ounces.

Q. In that instance, didn't silver imports from Mexico precede the taking of the gold?
A. It don't happen just the same. Except for a couple of weeks, as far as I know, I think we are the only purchaser of silver, as far as I know, from Mexico and they are a big producer and we have been buying from them for months now, but they are not always swaps.

Q. Are there indications of more of this—a small distribution of gold?
A. Yes.
Q. How much has Mexico bought?
A. The first two times, the two previous purchases--128,200 ounces.
Q. That's including the last?
A. Including the last, making three shipments.
Q. Have you any other requests for gold, Mr. Secretary?
A. Not pending; we clear them every day.
Q. Mr. Secretary, has China made any suggestion about the payment of
gold in place of silver?
A. We haven't any.
Q. You remember that last fall the Chinese Government in a note made
a proposition of that kind?
A. Since then all Chinese negotiations are being conducted by the
State Department; for a while we were handling them as monetary
matters, but now the State Department is as a diplomatic matter.
Q. They asked for gold and Mr. Hull replied that there was a free
gold market in the world.
A. As long as they are handling it, I think we will keep out of it;
I mean, for a while we were in direct contact with them, but we haven't
been for months.
Q. For our information, there isn't anything immediate in sight
effecting China, is there?
A. Well, I couldn't answer that.
Q. Mr. Secretary, do you see any long-range improvement in our budget
as a result of the very fine showing for March; of course, we don't ex-
pect surpluses for the next few months, but do you think that the gap
will narrow between expenditures and receipts as we go along.
A. Well, after all, as to our receipts, we are running very close to what our estimates were. I mean, we are a small percentage over the total, as I remember it, I think that's right, so that's running very close to what we estimated; last year, as I remember, we were about 3% under—something like that—and this year it's about 3% over. As to the expenditures, I mean, I wouldn't say.

Q. But we are running under the estimates on expenditures?

A. Yes, that's in the public statement every day, but I wouldn't want to make any forecast.

Q. You lost a Collector of Customs while you were away, Mr. Secretary, have you filled that position—man or woman?

A. Where?

Q. Chicago; Zanescke.

A. Pete?

Q. Have you got a Pete to fill it?

A. That's the way they usually run, don't they?

Q. Has that recommendation gone to the White House, yet?

A. No, I haven't got anything; I'm trying to think. His term was up.
Mr. Morgenthau: Before you start, I just want to say one thing for Bob's sake: There will be no announcement on refunding before Easter. Is that plain?

Q. I don't know when Easter is.

A. The 21st.

Q. You mean there will be no call on the Fourths?

A. No, there will be no announcement on any refunding before Easter.

Q. Does that refunding cover called for redemption?

A. No.

Q. Well, that doesn't preclude the calling of the rest of those Fourths does it, either one way or the other?

A. Simply, what is meant is there will be no announcement of any refunding on those already called.

Q. Then, if the Fourths are called, it will be Saturday afternoon for Monday morning release; I suppose that's safe to say--"If", I put it "If"; I mean Monday is the last day, so if you do--

A. If we decide to call the Fourths there will be no refunding offer in connection with that, or with the bonds already called.

Q. Mr. Secretary, I think you are the only one so far that hasn't called them--

A. And I don't count, how's that? All right?

    Now, silver threads amongst the gold.

Q. Just for information, Mr. Secretary, why do you fix an arbitrary price instead of buying at the market price? I mean, what's the psychology back of that?
A. Well, I think the psychology of that is that we feel that the
American silver mining interests are entitled to that price.

Q. Why, Mr. Secretary?

A. 'Cause.

Q. Well, will this continue to boost the world price?

A. I don't know.

Q. Isn't it true, Mr. Secretary, that if you pay the world price
you would have to issue a proclamation every day?

A. If you want to get into that, on account of the 50% tax, we ran
into that difficulty, and if you want a technical, legal explanation
on that Mr. Oliphant is here; but we would need a proclamation every
day and I can't do it because of the press of business, and so the
simplest and the most efficient way was to do it the way we did last
night. Sleeping over it, I think that the President (don't quote me
on this) was all right—this was all right.

Q. Of what economic significance is this, Mr. Secretary?

A. I'll leave that to you fellows.

Q. Can you tell us, Mr. Secretary, when the price rise was decided
upon yesterday?

A. I think the President decided about 7:30 last night. As I said,
if there are any legalistic questions on tax or anything like that,
Mr. Oliphant is here.

Q. Will this have any effect to speak of on your value of the silver
in the Treasury?

A. No. (Mr. Oliphant nods assent.)

The monetary value of it is $1.29; is that right Herman?
Mr. Oliphant: That's right.

Q. Will it stimulate more production?

Mr. Morgenthau: I can't answer that.

Q. How near completed is the silver purchase program?

A. Well, we give out the figures in our regular statement, don't we? We give you fellows every week the amount of silver we purchase; the Department of Commerce gives out the figures on how much we buy.

Q. Those are imports.

A. I think you have them fairly accurate. I think they get them out regularly, don't they? The Department of Commerce and ourselves.

Q. The Department of Commerce figures are imports for the nation.

A. Well, as the silver holdings increase—I think it's pretty accurate.

Q. Would it be possible, Mr. Secretary, to get the figure on the number of ounces of silver now owned by the Treasury?

A. As of the first of April?

Q. Yes.

A. There's no reason why.

Q. You have been keeping it a secret up to now.

A. Have we?

Q. The exact figure has not been made available.

Mr. Gaston: We have a figure as of the 29th of March.

Mr. Morgenthau: All right, the 29th of March?

Mr. Gaston: No, it isn't on the daily statement.

Mr. Morgenthau: Mr. Gaston has it as of the 29th of March.
Q. Mr. Secretary, have you heard anything on your investigation of Polish rye?
A. My expert, Mr. Gaston; what have you to report?
Mr. Gaston: No, I haven’t anything new on it.
Q. How about the Con Gas situation?
Mr. Morgenthau: I think we will have something; the mayor is coming in this afternoon and I am going to have a talk with him—Mayor LaGuardia.
Q. Do you expect to have an announcement?
A. I think, maybe, I’ll see; another couple of days. The mayor is coming in and I’ll have a talk with him.
Q. Can you tell us anything about the occasion for the radio speech?
A. You gave it a very fancy title.
Mr. Gaston: We are going to talk on the public finances.
Q. Is there any special reason for it?
A. Well, I don’t know; I think I’m going to get loquacious—it’s about time—maybe begin to write a few books.
Q. That’s part of the program, such as your last address?
A. No, I mean just a children’s hour. I think that’s Amos and Andy’s hour, except on Sunday; I’ll pinchhit for them.
Q. When will that speech be available?
A. At the progress we are making, I’d say about one minute of seven; we are not going very fast. What about it? Sunday noon?
Mr. Gaston: I should think so.
Mr. Morgenthau: Seriously, we are getting in lots of troubles.

Q. Mr. Secretary, this may be one you won't want to answer, but are there any more sales of gold to countries not on the gold standard contemplated—any negotiations?

A. The answer is no. We clear them every day and we have nothing today. They are cleared every day—I can answer that clearly.
SECRETARY'S PRESS CONFERENCE  
Monday, April 16, 1935.

Q. You bought a lot of bonds last month?
A. (Secretary Morgenthau) Yes; $41,049,000 worth. I have nothing else but this unless you men have some questions.

Q. Any reason for the purchases, Mr. Secretary?
A. None.

Q. Anything new on the Consolidated Gas; with Mayor LaGuardia?
A. No, I still have to say "a couple of days."

Q. What was the price of silver today?

Mr. Gaston: Call up Dow Jones.

Q. Thanks! It is approaching your 71 1/2 price?
A. I stand by advice of counsel. If you don't have a Dow Jones ticker in your office, you can use ours. We take the long distance point of view; we don't watch it from hour to hour.

Q. In your very splendid speech last night--

Secretary Morgenthau: Thanks.

Q. You cited the improvement in the capital issues market and then said the country was on the eve of some very substantial benefits from this fundamental change. Could you elaborate on the fundamental change?

A. I will just stand on my speech.

Q. Mr. Secretary, did your department some time make a study of the advisability of merging the Housing Administration with the Home Owners' Loan?
A. I will answer it this way. We are studying all the time the independent loaning agencies, all of them.

Q. Do you look for some changes in their set-up?

A. We don't look only at them but at our own set-up. We are constantly studying the different agencies in the Treasury and have people studying them all the time to see if we can improve them. This is constantly going on. I, as Chairman, and the Lending Committee discuss changes and improvements. I do it in that capacity.

Q. But not with a view to consolidating the two agencies?

A. I don't want to answer your question, that is obvious, but don't write that, if you don't mind. After all it is not my job—I am talking off the record—they are not responsible to me, they are responsible to the President.

Q. Anything on gold sales?

A. You mean on the swapping? No, none, everything is very quiet, very peaceful and the double cherry blossoms are out.

Q. Are you going to the ball game tomorrow?

A. I don't think so. As a matter of fact, between us girls, I wondered if the President remembered it, because he kept talking about the Executive Council meeting tomorrow. Maybe he is going to take the Executive Council. If he did, it would be the best meeting we have had yet.
It was your birthday.

As required, we took photographs and took preliminary measurements yesterday, nineteen years. I will see that the necessary steps are taken to prevent any damage to the photographs. They will be placed in a safe place for later use.

Some of the people present last night should be contacted to verify the information we received in Washington. The information provided, at this time, is not sufficient to make a conclusion about the safety plan. We will continue to monitor the situation.

I don't see why they have any worries about the photos. I didn't see any significance in the photos either.

Tell them that you will send them a summary of what we discussed earlier.
April 18, 1935

PRESS CONFERENCE -- MR. MORGENTHAU

Q. Is this your birthday?
A. It happened to be Mrs. Morgenthau's and my wedding anniversary yesterday, nineteen years. I wish somebody would tell the Evening Star that after taking Timmie's picture, they don't publish it and there's going to be trouble. Joan, every night, wants to see Timmie's picture. They had two photographers up there and it is up to them to make good.

Q. Some of the people around town don't seem to be well satisfied with your study on comparative tax rates in Washington. Your investigation points out, at the end, that another investigation should be held, something more comprehensive, and they are wondering why you did not make a comprehensive survey in the first place. Any other plans on hand?
A. I didn't expect them to be satisfied, but I think it showed fairly conclusively that compared with ten other cities about the size of Washington--in other words, you can't say the "citizens" or "inhabitants" of the District of Columbia are over-taxed.

Q. They should not be dissatisfied?
A. I don't see where they have any great kick. I really don't.

Q. You say kick?
A. Kick-complaint.

Q. Could you amplify your statement that you would not have a financing announcement before Monday, or would you care to place any particular significance on the fact that you picked April 21?
A. I refer you to my expert, Mr. Thornburgh, on that. I can't say anything more than that.

Q. You can't tell us whether you are going to have an announcement over the week-end, just off the record?
A. No, I would rather not announce that.

Q. Any answers to Consolidated Gas?
A. I am glad you asked that. The City of New York had to advertise and it takes ten days to get their bids and we are waiting in order to give the City of New York a chance to get together with the Consolidated Gas. In other words, we are cooperating with them by waiting to see if they get as good an offer as the Consolidated Gas made to the Federal Government. Their bids ought to be in in about ten days. Consolidated Gas has made us an offer and we are going to wait to see if they make as good an offer to the City of New York.

Q. If they do make a satisfactory offer to the City, will you accept their offer?
A. Yes.

Q. Was theirs a 30% cut or 36%?
A. If they make as good an offer to the City as they made to us, we will accept their offer.

Q. Does that mean that you would definitely postpone or abandon plans for building a power plant?
A. The two things have absolutely no relation. The job of the Treasury's Procurement Division is to buy electricity for the U.S.
Government. That's our job. The question of whether a plant
will be built or not, that's not the point. The only reason
we would build a plant would be if we felt we could not buy
electricity at a reasonable price.

Q. If, however, you signed a contract for several years, it
would mean postponement?

A. I think it will simply mean that we will continue to study
the price of producing electricity, but signing the contract does
not in any way obligate us that we will not build a plant.

Q. Wasn't one of their proposals not to build a plant, if they
gave you a certain amount?

A. Herbert is most likely going to scold me afterwards. I
think I have talked enough.

Q. Can you tell us how long a period the contract covers?

A. I think it's a year with the right of renewal.

Q. Is the cut under the existing rate, or under their original
offer?

A. This offer that they have made is way under what we were
paying. It's only through these very drastic methods of the
Federal Government, I have been able to get as good a rate as
some of the commercial concerns in New York City and I think it
is very short-sighted on the part of a company not to give the
U.S. as good a rate as they give commercial concerns. It is
not only short-sighted, but poor business.

Q. Do you consume as much as these commercial concerns?

A. Comparatively, yes.
Q. Don't you have about 140 contracts?
A. We have close to 160 contracts.

Q. At different rates?
A. All based on the rate an individual consumer would be charged for that amount and no advantage for capacity rates.

Q. The new contract will be one contract?
A. Yes, one contract. Instead of dealing with 160 different, separate units of Government, they are dealing with the Procurement Division as the central purchasing agent for the Government.

Q. What is the widest spread between what the Government pays and that which most preferred customers pay?
A. I think we will wait until we sign up.

Mr. Gaston: The essential thing was that they used each separate meter of the Government as an independent customer and on that basis it was comparable with the commercial rate but they did not give the Government the advantage of dealing as a unit and getting the benefit of the rate as a commercial concern.

Mr. Morgenthau: I would want my Government to get as good a rate and as fair treatment as I was giving to any other commercial concern. Instead of that, we have had to go through all these negotiations to bring this about and I think it is very short-sighted. After all, the Government belongs to the people and if we pay that much less for current, we have to raise that much less taxes.
The page contains a block of text that is not easily legible due to the quality of the image. It appears to be a continuation of a paragraph, possibly discussing a historical or legal context. The text is continuous and seems to be part of a larger document.
Mr. Morgenthau: The only thing I've got that's of any particular interest is that the Republic of France has issued regulations which will make it impossible to use the Island of St. Pierre et Miquelon as the chief smuggling base from now on. That has been the chief base for smuggling, and we think and the Coast Guard thinks that it is the most far-reaching step that has been taken in regard to over-seas smuggling since prohibition went out.

Q. Where is this island?
A. It's off Newfoundland - off St. Johns - a couple of hundred miles northeast of St. Johns.

Q. Is that one island or two, Mr. Secretary?
A. Two islands.

Q. Right together?
A. Yes. A nice summer resort.

Q. Will it continue to be?
A. I don't know. They will have to cater to the tourist trade from now on. There has been an awful lot of liquor smuggled from there. Up to recently, they have used it as a trans-shipping base, but France has been very cooperative and through rules and regulations they have established will make it practically impossible to use it for a smuggling base.

Q. What will they do? Refuse to give them clearance?
A. What they call landing certificates - they'll have to put up a bond.

Mr. Gaston: It's about $5 a gallon bond.
Q. How does that operate, Mr. Secretary?

Mr. Morgenthau: Well, through landing certificates they have to put up a bond. It's what I call the Bermuda system; they have had it in effect there for a long time.

Q. Have you any figures to show how much liquor has been smuggled since the first of January.

A. We never had a consul up there until about two months ago. They tried to put a consul in there about four years ago and he lasted about one day.

Q. Why?

A. I don't know; he couldn't find a place to live.

Q. Like Washington?

A. For a different reason, I believe; they don't have any NRA up there. But we've got a consul and we've only got figures since the first of January. Gaston can get for you the number of cases landed there and reshipped. Tremendous!

Q. Have you any indication where this liquor was shipped? Upper St. Lawrence and into the Great Lakes?

A. No, we can't make a Detroit story out of this. Mostly off New England and New York. It's practically all Belgian alcohol and they can identify the cases. It was off New England and New York, Long Island.

Q. Speaking of Detroit, you have been conducting your liquor drive in Buffalo, Philadelphia and a lot of other little towns? How about Detroit?

A. Well, we'll get them, they've got 18 cities picked.
Q. Are they in there yet?
Mr. Gaston: No, they're not in Detroit yet.
Q. When are they going in?
Mr. Gaston: We have to have a new allocation out of this $4,800,000,000.
Mr. Morgenthau: I guess that's it. I knew there was a good reason.
Q. Mr. Secretary, can you tell us anything about the reception of your new offering or is it too early?
A. No, I think, the best indication is the called 5½s closed last Saturday at 101 9/32 and closed tonight at 101 14/32, so they were up 6/32, which shows that there are more people want to buy them than want to sell them, and those are the ones that are going to convert; so I would say the offer was well received.
Q. Probably go over just as well as those on the 4th of March. Is that the expectation?
A. I don't know, but the first day, I would say, shows that the reception was certainly good; there was sufficient demand for the called 5½s -- they were up 6/32.
Q. Mr. Secretary, will you give us your explanation of the reason the Treasury put in the provision that the issue prices might be changed after a week?
A. Can I be a little facetious off the record?
Q. Surely.
A. Well, we wanted to make it a sporting proposition.
Q. But on the record?
A. Well, I think it's fairly obvious that it will hurry up the conversion. I'd rather not say that—I'll just have to let it go on the written word; do you mind?

Q. No.

A. You'll have to do your own guessing.

Q. Mr. Secretary, was the 3½ section of that bond issue mainly taken up by insurance companies and great big holders?

A. Well, they've got some figures, Bob—I think they'd be right interesting if Herbert could get them for you. I think the average holding is $20,000, held largely by estates and by big people, and I think the average holding—but Gaston can check it—I think it's $20,000.

Q. But then when you went to the 4½ stuff—

A. I don't mind saying on the record that we consider these 3½s—how shall I put it—on account of their tax exempt feature the most difficult conversion we've got.

Q. Is it true that the Bureau of Internal Revenue is investigating Senator Long's income tax?

A. Where have you been in the last two years?

Q. Well, you are the only Cabinet officer that hasn't taken a sheck at him in the last three or four days.

A. Well, again off the record, Sen. Long cross-examined me for two hours when I was up for confirmation and he thought I had broken the law because I had talked about income tax and he had cut a law book and went through it very carefully; that's all off the record—I can't talk about it.
Q. Has Fisher's trial been completed at New Orleans yet?
A. I don't think so. The Abe Shushane case starts on May 6th.
Q. Can you get them to look up the jury in the Shushane case?
A. I don't know. The present jury isn't looked up.
April 25, 1935

PRESS CONFERENCE -- MR. MORGENTHAU

Q. We are looking for Mr. Gaston and he isn't here?
A. I will say for Mr. Gaston he arranged a week ago to go away last night.
Q. It is a good thing he did. You remember in the early days of the Administration we used to come in and squawk? Well, we have a squawk this morning.
A. Go ahead.
Q. Several of us were told, last evening, between five and six, that there would be absolutely nothing on silver and a lot of people went home and some sent messages to their New York Offices that they were informed reliably that there would be nothing and then, about eight, here it came. It was embarrassing, to say the least.

Tell them where you were, Bob.
A. I was in the middle of a steak out in Rockville.
A. Was it good?
Q. Excellent!
The first half was swell.
A. This is all off the record. When I go on the record, I will say so. It was a chain of circumstances and I think that you fellows have to take part of the responsibility for the news that went out over the ticker between five and six. Let's be -- I mean, I don't think this is all a one-sided thing. I wasn't here
and I only heard about it, to be perfectly frank, about seven o'clock, last night, but the stories that went out, as I understand it, gave a wrong impression of what Gaston told you fellows.

Q. What was on the ticker was based on the fact that we didn't know what was happening; that there was apparently some misinformation given out. Here it is. We are ready to play ball with the Treasury, of course, and have done the best we can, but sometimes we would like to know what's coming, don't you know? A. I am being perfectly frank. I either can't answer or I do, but I have never given you a bum steer and it was after that stuff came out -- let's call a spade a spade -- on the U.P. ticker that ... Q. It was entirely unjustified. A. ... I can't say where they got the information, but as a result there were four stories in an hour that came out and when those were read to me at seven o'clock I went through the ceiling, because whether that is a correct interpretation of what you were told or were not, it was incorrect as far as my position was concerned. So when I heard that, there was only one thing for me to do and that was to call up the President and recommend he raise the price of silver and on the strength of that, he did. That's the whole story. As things were read to me, I called him up and made the recommendation and he said all right and at seven-thirty it was over there and he signed it and at a quarter of eight, Hull signed it.
Q. I was told that everybody who brought silver in would be treated as an individual private deal and so on, which certainly indicated that they would pay the world price.
A. Look, Gridley! I don't know what conversation took place. Let's say there was a misunderstanding on both sides and call it "washed up".
A. Swell!
Q. There was no intention to mislead you. I am telling you what time I came in the picture, what time I heard about the stories and what happened after seven o'clock. Let's say both of you misunderstood.
Mr. Gridley: Anyway, you raised the price.
A. You can take the credit for raising the price. That's the whole story. I am giving you the exact time. And Gridley takes credit for raising the price. It's true it's his story.
Q. Find out what Gridley's position is.

It may have been premeditated. Gridley, do we have to divide?
Mr. Morgenthau: I think so. Everybody still all satisfied?
Q. I think it would help, off the record or on, if you would tell us what is your attitude on this.
A. Now I will go on the record.
Q. One more, off the record. I just want to be sure there would not have been an advance in silver price except for that story.
A. I think that's correct. Let's put it this way. If that story had not come out on the ticker, I would not have raised the price of silver last night. I think there were four different stories between five-thirty and six-thirty. About four different stories. Every one a little bit different. The answer is that if it had not, no one would have called me up and...

Q. Do you always raise the price of silver when you get mad?
A. If they knew that they would know how to raise the price of silver. As a matter of fact, I don't get angry often.

Q. The price was up four cents this morning in London and if we had not raised it last night, would the price have gone up four cents today?
A. Do you want me to go on the record?

Q. I just wanted to know what your attitude was on this thing.
A. I am operating under direct mandate from Congress.

Q. But not as to that bonus you pay.
A. We are operating here that we should buy silver until it either reaches $1.29 or equals one-third of the monetary stocks. We are operating under that and we are carrying out that mandate.

Q. Is there any limit within which you can build up your one-third? Any time limit?
A. No. We are operating under that mandate from Congress and further, verbal agreement with the people on the Hill, between myself and them, that I would carry this out.
Q. Has either you or the President authority by Executive Order to raise the price of silver above $1.29?  
A. You have got me on that. If you want the answer, I will try to get it.  
Q. I have a suspicion that you can raise it to 16-to-1 to gold.  
You can devalue to the same extent as gold?  
A. I think you can by the Gold Reserve Act of 1934.  
Q. The fact that you had not raised the price -- which was off the record -- but the knowledge that we had that you were not going to raise the price indicated your policy that you would always follow the world price is not correct.  
A. That's not correct. The price yesterday was 71.41 in London and our price was 71.11. It was so close to the thing ... 
Q. An international situation resulted with the newspaper stories?  
A. I can't say anything more than I have. I am repeating that I am operating under a mandate from Congress and I am carrying that mandate out to the best of my ability. I can't enlarge upon it. I am operating under that mandate and I am doing the best I know how.  
Q. That mandate does not go to the premium price paid for domestic silver? There is nothing in the Silver Purchase Act where it says anything about the policy of giving to domestic producers a premium over the prevailing world price?  
A. No.
Q. That is a matter of your own option and one of the questions we are most interested in is whether that premium will be continued or whether there will come a time when domestic producers will have to take the world price and do nothing about it?
A. That question never came up until yesterday and I think the best way to answer it is our actions will have to speak for themselves.

Q. Past actions?
A. Actions up to and including last night.

Q. Last night there came a question of whether you were going to give them that premium?
A. I think that question was answered last night at 7:30 when the President signed the Proclamation. I think actions speak better than words.

Q. Is there any disposition to declare your silver price increase in the morning rather than in the evening so the London people don't have a big jump on you.
A. Why don't you say so, the morning papers can get a break.

Q. The gold price used to be set in the morning after things were open.
A. These things happen so fast I can't lay down a rule that we are going to do it in the morning or afternoon. The only thing you can say is you would rather have it after all the markets are closed. If you can do it on Saturday afternoon that would be the ideal time to do it, but naturally what we are trying to do here is that everybody gets an even break.
Q. Because they are open they get a preliminary break.
A. Of course our people are operating in London just as well as anybody else.

There is no disadvantage. Foreign exchange men go on the job at 4 in the morning. We try to do it at a time when everybody will be given an advantage.

Q. This is a purely speculative market now?
A. I had rather not answer that. Everybody happy now?
Q. I was before.
A. Oh, yes, what organization are you connected with. Look at the U.S. give him a dirty look.

Q. Anything on the Consolidated Gas situation yet?
A. No, when Mayor LaGuardia returns from his boyhood haunts he....

Q. He is back?
A. We are just waiting to give the city as good a break as we got.

Q. On that bonus testimony. Did they ask you to present a tax plan?
A. They did.

Q. You are working on that now?
A. That went up to Senator Harrison and Mr. Doughton.

Q. Can you tell us about it?
A. Senator Harrison said they would receive this in executive session.
Q. You said up there the other day that inheritance taxes would soon be on a graduated scale like the income taxes. You will have to raise the gift taxes?
A. The thought was we would treat inheritance taxes just like income taxes.
Q. Can you explain this? You said on the same basis as income taxes. Do you mean that if this plan were adopted inheritances would be taxed at the same rate as income?
A. Yes.
Q. So that rates that now apply to income would apply to inheritance?
A. That is the way we based our figures.
Q. A man would be paying a higher surtax on the inheritance than he would on income in view of the extremely large total, would he not?
A. Yes. They both go in together. I asked somebody in New York how he liked it. He said those who have no grandpas or grandmas and have gotten theirs think it is a swell idea but those who think they are going to get something they don't think it's so hot.
Q. If you had really wanted to kill the bonus it would have been better to hit everybody, each taxpayer.
(No answer)

If you fellows want advice on the technical side of it we could have someone in Internal Revenue sit down with you and you can ask him any technical questions. We will bring somebody over who can answer.
Q. Senator Harrison said you were not referring to his bill and Patman said that they were just going to bring this money.
A. Well, what do you expect me to say?
Q. Do you distinguish between the primary objectives on this silver program? Do you think there is any preference in getting silver up to $1.29 or to 1 to 3 ratio of the monetary stocks? It really makes a difference. You can put up the price if that was your primary objective. Timmie is looking out the window.
A. Me too. I refer you all to Will Rogers who certainly hit the bulls eye today. No, I cannot answer. I just have to go back to that mandate of Congress.
Q. Did the dog come home?
Mr. Morgenthau: Oh, yes. At your service.
Q. What can you tell us about the silver policy?
A. Nothing new.
Q. Can you tell us about your meeting with the Mexican representative?
A. Mr. Lopez, representative of the Mexican Treasury, and I have met and we have had a mutually satisfactory conversation -- period -- end quote.
Q. Was that today?
A. Today. We actually met several times and he is on his way back.
Q. Mr. Secretary, you seem to have forgotten to tell us what you talked about.
A. Oh, yes—I'm so glad you reminded me. That's all I've got on that.
Q. Couldn't you say, Mr. Secretary, whether the Mexicans felt that your policy wasn't satisfactory or conducive to the promotion of their interests?
A. Bob, I'll just have to stick by that statement.
Q. Mr. Secretary, is there any possibility that you will raise the price of silver tomorrow?
A. I can't answer that. You boys know we got in last week over $900 million and just watch that on the day-to-day basis from now on.
Q. That was quite a large return for the first week.
A. They tell me, I believe this is correct, if I'm not right, correct it later -- I believe it's the biggest turn-in that has ever taken place.
Mr. Gaston: They told me that.
Q. Can you tell us why?
A. No.
Q. Anything new on baby bonds? Do you have reports for the end of the month?
A. There will be figures, yes. I haven't seen Ray Tucker since he has been out on the Chautauqua in Binghamton -- he has an interesting story; I'll see him tomorrow.
Q. Mr. Secretary, would it be fair to ask whether there's a possibility that you'd have something on silver tonight?
A. You can go out, have a good steak, go to bed and sleep nicely.
Q. You do not expect anything today?
A. No. There will be no announcement on silver tonight.
Q. Will you say that on the record?
A. There'll be no announcement tonight, on the record.
Q. Is there a settlement in prospect for the Schultz case if he pays his income tax?
A. I haven't heard of any. As a matter of fact, I don't think that that decision rests with me after it once goes over to the Department of Justice; I think I'm right on that. Once we recommend criminal prosecution, the decision now rests with them.
Mr. Gaston: I saw in one of the papers - a very strong statement by the Assistant Attorney General who prosecuted the case that they would go ahead with the prosecution; one of the papers quoted him in that respect.

Mr. Morgenthau: If the decision were mine, I know what I'd do; I wouldn't settle! But I'm quite sure that once it leaves us and goes to the Department of Justice, the decision rests with them.

Q. Could you give us some idea of the reaction of the Senators whom you talked to on Saturday or over the week-end as to the present silver policy?

A. No. Sorry.

Q. There's a question as to whether you are going to need any more money before June 15th for the Public Works program.

A. We never talk about that, do we, around here, do we, Bob?

Q. Well, you can set a new precedent. I think what you preferred not to talk about was when you were going to borrow such and such an amount.

A. I think we can say this: As far as we can tell, we won't need any new money before the first of July, with the exception of the weekly bills. We might increase the weekly bills, but with the exception of the weekly bills --

Q. That means that there will be a refunding issue on June 15th and you will need --
A. I'd cut that out, if you don't mind; you see, it's getting involved -- do you mind? Just forget that; it gets too complicated. I mean, they say, well, you said you didn't need any new money and you have an issue coming due on the 15th of June, you increase your bills -- just let it go. Just better forget it.

Q. I talked out of turn, was all.

A. That's all right. Better wipe that off. Thank you.

Q. Mr. Secretary, there's no doubt, is there, that the Secretary can sell silver through the stabilization fund as it wants to.

A. Give me that again.

Can we buy and sell silver with the stabilization fund?

Q. Yes.

A. Yes.

Q. You can't sell Treasury silver, though, can you, Mr. Secretary?

A. I don't think so.

May I say this to you people before you leave -- this is off the record -- those of you who helped with the publicity on Timmy, we all appreciate it very much; it was very nice of you and thank you.

Q. We hope he doesn't get away again.

A. We hope so, too.

Q. You are making that dog too famous.

A. I agree with you.