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PRESS CONFERENCE -- MR. MORGENTHAU

Q. Did you enjoy the Chamber of Commerce dinner last night?
A. The singer was wonderful! I told the gentleman on my left, "She is worth every dollar you paid her." She's the wife of one of the directors.

Q. Is there any harm -- you told us the other day about plans for raising new money and sewed us up -- but is there any harm, not to quote you, to say that it is not likely you will ask for any new money before July 1?
A. Let's say we will raise the bill issues from fifty to seventy-five million.

Q. When are you going to do that?
A. I don't know.

Q. But you might?
A. I might. I don't mind you fellows writing background such as "looking at the Treasury balance sheet, it looks as though they would not need any more money before July 1".

Q. Just as a matter of background, if you needed money around July 1, you would normally borrow June 15th, so wouldn't it be better to say that you will not need any more new money before June 15?
A. You are right, but I am not guaranteeing it.

Q. You would not be likely to borrow money on July 1?
A. No. On June 15.
Q. You have borrowed on August 1?
A. We are trying to get it on four quarterly dates. That would be pretty safe but no quotes. Just say the chances are there will be no new money before June 15.

Q. How much do you plan to reduce the cash balance this fiscal year?
A. I can't answer that.
Q. Didn't the President say something about that - a half billion or so?
A. I don't think he ever mentioned that.
Q. It's in the budget. The estimates will tell that?
A. I don't think so.
Q. Of course, you are cutting down now?
A. Yes. It's awfully hard to know because some of these estimates they give us are so far off - some of the agencies' estimates - and then they don't come within 90% of what they are going to spend; therefore, we have had this big balance because each month they say they are going to spend it and then they don't. That's not a quote, I am talking off the record.

Q. In the works program, does the Director of the Budget award the money or allocate it?
A. Listen, don't get me started. I read the newspapers carefully every day and I don't find out much, so we will just let that one pass by. If I wanted to be mean, I would say "go see Danny Bell".

Q. He wouldn't tell.
The price of silver dropped quite substantially today. There has been some talk that the Treasury is withholding even what might be called its normal purchases of silver in the world markets in the past few days. Can you enlarge upon that at all?

A. Sorry. No.

Q. Do you have anything to say on the Chamber of Commerce meeting?

A. No, except on the lady's singing.

Q. Anything on Consolidated Gas? I understand Mayor LaGuardia is supposed to be down here?

A. This is strictly off the record; absolutely. I spoke to the Mayor and he tells me he is going to be ready Wednesday and he is coming down here. The signing of the contracts with Consolidated Gas is going to be done here.

Q. That means he is going to be ready to announce his decision?

A. He will be down here and you fellows will get it from us.

It is going to be given out from the Treasury. But this is absolutely off the record. He said "I missed you" and I said "You never called me up". The Mayor said "No, that's right", so I said "Don't say you missed me". He's in fine shape. We are not ready and don't know just how we will do it, but we will announce it from the Treasury a week from yesterday. I would appreciate it if you would keep that in the family.

Q. You can't tell us anything about Mr. Lopez' conference?

A. No. I don't know whether he left or not. Some say he left last night and some say he hasn't - I don't know.
Q. There is a matter of a Collector of Customs case out in Cleveland. Has that been finally settled? Has the lady delved in politics?
A. I just got it yesterday and now I am going to take it home over the week-end and read it. We will make up our minds next week.

Q. Anything to say on the Mellon case, Mr. Secretary?
A. Plenty!

Q. Mr. Hogan issued a statement from Mr. Mellon.
A. Yes. I sent the telegram to Bob Jackson and Mr. Mellon answered. I will say this: Contrary to what Mr. Mellon says, we have made absolutely no effort to fight this out in the press and won't. You don't like that Herbert?

Mr. Gaston: (Indicated disapproval)

Mr. Morgenthau: On advise of counsel, you will have to wipe that off.

Q. Mr. Secretary, I haven't got a single quote for the paper yet.
A. No. I am sorry.

Q. You have a Mr. Joe Fischer down in New Orleans?
A. I admit it. I am sorry. The good old days of Farm Credit when I could talk and nobody would pay any attention were grand.
Mr. Morgenthau: All right, gentlemen.

Q. Can you tell us anything for publication, Mr. Morgenthau, on Mr. LaGuardia's visit tomorrow?
A. When?
Q. Isn't he coming tonight or tomorrow?
A. Who announced it?
Q. From New York yesterday—they said he was leaving at midnight tonight.
A. I guess he is coming down on other business than Treasury business; I told you fellows off the record that he is coming here on Wednesday morning and I haven't heard anything to the contrary. But I can't announce that today. He's got an appointment Wednesday morning at 11:30, but I can't say anything else.
Q. Are you going to announce it Wednesday or Thursday?
A. We'll announce it just as soon as he signs the contract.
Q. That's off the record, isn't it?
A. Yes, it's all off the record.
Q. They said he was coming tonight.
A. It must be on the unemployment—he'll most likely come down tonight. They tell me our mail-order baby bonds have come in. You know we are distributing these circulars through Postmasters and general delivery and the first ones, about twenty-seven thousand, have come in. We're trying out that method of reaching the citizens.
Q. Aren't they putting them in the boxes?
A. In the boxes and the first ones have come in. We don't know yet how good it's going to be, but it's just another method we're trying out. We did get orders, $28,000?
Mr. Gaston: $25,625.
Q. Is that the amount of the bonds, you mean?
Mr. Morgenthau: Face value.
Mr. Gaston: The amount of mail-order sales.
Q. Mr. Secretary, isn't a widespread sale of bonds more desirable from your standpoint than a large volume? You never expected a great volume, did you?
A. What we're trying to do--up to now the bonds are selling themselves; we've no great need for any money and we're trying out different methods of bringing these bonds to the attention of the people--this is a new device, and so far, as I say, they have more or less sold themselves; and what we're anxious--not anxious but desirous--is that as many people buy them as I think it's a good investment, but we have no particular need now for new money, and so there's no particular need for pushing them.
Q. I have often argued with you--not argued but asked you--why it's desirable to have a wide distribution of government securities.
A. I'd have to make you a speech on that; I don't think you would want to listen today.
Q. Are you satisfied with the results generally, Mr. Secretary?
A. Yes.
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Q. Are you satisfied with the results generally, Mr. Secretary?
A. Yes.
Q. What were your expectations?
A. About what I expected.

Q. What is the total now?
Mr. Gaston: I'd have to look that up for you.

Q. It was $38,000,000 on the daily statement of May 3rd.
Mr. Gaston: That's the issue price.

Mr. Morgenthau: They're going along fairly well; it's a question of something new and a question of finding out what's the best way of reaching the people.

Q. Mr. Secretary, are you looking upon this as a way of supplying the people with a good investment or of tapping a new source of funds for the Government?
A. Well, it's both, plus the fact that we'd like to get as many people as possible who have an interest in their Government—a financial interest.

Q. Mr. Secretary, about silver; under the legislation of Congress you have two goals, either $1.29 or a one-to-three ratio. What is the possibility of reaching the goal by releasing some of our gold instead of increasing silver purchases to reach the gold? Have you given any consideration to that method?
A. Not particularly.

Q. What would be the results of doing it that way instead of by silver purchases, and how could it be done?
A. I don't know; who are you going to share the gold with?
Q. Well, the gold will have to go abroad, naturally.
A. What are you going to get in exchange?
Q. Tariff policy is one way, merchandise and goods. That's being talked of in some quarters; I wondered if it was being talked about seriously here.
A. I would say it isn't.
Q. No?
A. No.
Q. We have about 150% backing for our currency now, haven't we--eight and one-half billion gold and five billion currency?
A. It's a very comfortable feeling.
Q. Borah wants to adopt the Patman bill and we would still have 100% backing for our currency and that's not inflation.
A. Well, you're a little fast today.
Q. No comment on the Patman bill.
A. No; sorry. I made my one and only speech on the bonus when I went up there and talked heritance tax.
Q. Is there any clarification at all of the silver policy, Mr. Morgenthau?
A. Sorry. It will have to speak for itself.
Q. Have you had any reports that it's really seriously affecting Chinese trade?
A. You're a tough hombre today, aren't you?
Q. No, tell me--
A. We get all kinds of mixed reports.
Q. Have you anybody making a study on the situation in China?
A. No.
Q. How about the Rogers report? Is that report available?
A. No.
Q. What was the gist of it?
A. I can't give the gist from memory.
Q. He mustn't have painted a very dark picture, because you wouldn't have gone ahead with silver purchases against Chinese protests.
A. We think what we are doing is in the interest of the American public.
Q. Of course.
A. No, I speak no Chinese.
Q. There has been so much confusion, I wondered if it wouldn't help to clear it up. Seriously!
A. Maybe it isn't so confusing as people want you to think.
Q. Is there any reason why the Rogers report isn't being given out? I don't want to press you.
A. No, I don't think so; it's here in a trunkful of documents; things change so fast, from week to week the situation changes, and as far as I know our trade with China hasn't suffered.
Q. Mr. Secretary, just from looking out the press room window today, it appears that Dr. Viner and Mr. Coolidge must have had lunch, probably at the Washington or the Willard, and I wondered if that wasn't significant.
A. Listen, I'll move you fellows back where you were if you don't stop looking out the window.
Q. You moved us up there so we could see the parades.
A. Dr. Viner comes in and drops in and out; he was in yesterday and today and left at 4:30 and may be back next week.

Q. On any special mission?

A. He comes quite often. If you don’t happen to see Dr. Warren, he comes in once in a while; I’ll tell him not to go on 16th Street. Warren was here for three weeks and you fellows didn’t know it.

Q. Is the Cleveland credit survey coming along?

A. No.

Q. Is Warren still on your staff?

A. He comes in and advises me—I’m glad to get his advice, the same as Dr. Viner; they’re both teaching now, one at Chicago and one at Columbia.

Q. In line with Mr. Clark’s first question, the President in his monetary statements has always looked forward to the eventual stabilization on some sort of a metallic basis. How can we promote that sort of an objective by acquiring most of the gold and silver in the world? How can the other nations stabilize in either gold or silver when we keep increasing, without distribution, those two metals?

A. Now, listen, I’m going on the air a week from tonight and I’m going to talk on The American Dollar; maybe I’ll try to answer some of those questions.

Q. Is the speech going to be something new or just a review. I don’t mean it that way. I mean are you announcing something in that speech or reviewing?
A. We're going to dig up all the old press releases and give you a rehash.
Q. Is it going to be like your government financing or are you going to announce a new policy?
A. I guess it will be mostly review, but I'll try to answer some of yours and some of Mr. Clark's questions.
Q. You will discuss stabilization?
A. I didn't say that; I said The American Dollar; you asked me about gold; the movement of gold.
Q. Hasn't silver something to do with the American dollar?
A. I'm going to try to cover the whole thing that we have been doing since I've been here.
Q. Will you mention the bonus?
A. No, it's a monetary speech.
Q. I mean the effect of the Patman bill on the dollar.
A. No. It will not be an appealing speech; just explanatory.
Q. Mr. Secretary, I missed your liquor statistics today; does that mean you have stopped your drive in Chicago?
Mr. Gaston: They will be in the press room.
Mr. Morgenthau: We did stop in Chicago when they stopped relief.
Q. Will you continue when you get a new appropriation?
A. Yes. We had to stop, we had no money to pay our men.
Q. On next Monday's speech you practically said that there's going to be a pronouncement of monetary policy. Should we interpret you that way?
A. No, it's going to be more or less a review of what we have been doing in connection with monetary policies.
Q. Yes, but there must be something as to the future in it.
A. I don't know; I haven't gotten that far. It isn't written; it just deals with the past; I want to answer the kind of questions that Mr. Clark asked.
Q. What time, Mr. Secretary?
A. 10 o'clock, Eastern Standard Time.
Q. Which system?
A. Both. I'll do this just the way I did before.
Q. I understand you were at the White House with Mr. Stamp; is there any significance in that?
A. None.
Q. May I ask if in your review you will say we have had a de facto stabilization for many months?
A. You can write what you think I'm going to say; it's a long speech, this one, and I'm going to try to review what we have been doing.
Q. I'm like Bob Thornburg—I'd like to know about the future.
A. It's just going to be a review.
Q. What Ken means, Mr. Secretary, is what are you going to tell?
A. He knows I'm not going to tell him and if I did, he'd be disappointed.
Q. Your speeches have not been disappointing.
A. Thank you. You write what you want, but it's just a review, that's all.
Mr. Morgenthau: Sorry for this delay but the Mayor and I — it's the first time we've had a chance to get together and talk the thing over and after talking the thing over, we prepared these two statements — the statement of the Mayor and my statement; you can read them and any questions you have to ask, why we're here to dispose of them.

Q. There's one question I'd like to ask — your statement says the contract with Consolidated Gas will be for the fiscal years 1935 and 1936 and the Mayor's statement says the contract will be retroactive to January 1, 1935.

A. That's the federal contract.

Mr. LaGuardia: We're retroactive — we have the option; we're on the calendar year.

Q. Your contract is just for the calendar year 1935; the government contract is for two years?

Mr. LaGuardia: That's right.

Mr. Morgenthau: It goes back to July 1, 1934, and runs to July 1, 1936.

Q. Mr. Secretary, some time ago you told us, that was off the record, that contracts were subject to renewal; did that mean renewal for a definite period or just for one or two years?

A. I think we have the right to a one-year renewal.

Q. What's the effect of this on the proposed bill for the federal and city plant?

A. Talking for the federal government, it has no effect, one way
or the other.

Q. Mr. Mayor, were the bids submitted on December 17th on the same basis as the contracts under which you were then operating?

Mr. LaGuardia: Yes, the same basis.

Q. No reduction at that time?

A. No -- an increase to meet my tax.

Q. How much was that increase?

A. The difference between $1,725,000 and $2,000,000.

Q. Mr. Mayor, I notice in your statement that it says arrangements not to preclude the city taking such action as may be advisable to protect the consumers. Do you contemplate anything?

A. A subtraction may be necessary to give the consumer a break.

Q. Do you have any plans in mind?

A. We always have plans in mind.

Q. Such as a city-owned plant to sell to the consumers?

A. That's one of the methods of approach.

Q. Do you have such a yard-stick plan?

A. I'll have a statement on that after I consult my colleagues on the Board of Estimates.

Q. I haven't had a chance to read this thing, but it simply applies to the service given to the city government and not the consumers.

A. That's right; you see, that's under the jurisdiction of the Public Service Commission.
Q. You are not leaving your application for a loan or grant for a plant on this visit?
A. The channels are through New York. Through the State Engineer in New York; it would have to come from New York.
Q. Have you done anything about that up there?
A. Oh, a lot of it.
Q. I know you've done a lot of planning, but you haven't submitted anything definite —
A. No.
Q. The Treasury will take its allotment for a Federal plant, Mr. Secretary?
Mr. Morgenthau: I don't know. We've been concentrating on this contract; now that this is over, why we can think about it.
Q. How much was that allotment, Mr. Secretary?
A. I think it was around three and one-half — just over $3,000,000.
Q. Can you retain a PWA allotment for a project which will not be started immediately?
A. All PWA projects have to be started by the 16th of June or the decision will have to be made by that time.
Q. You are not going to start a plant by that time?
A. I'd say the chances are that we will return the money.
Q. That would be just giving it back to yourself, wouldn't it?
A. Well, it's lots of fun.
Q. Turnover.
A. 100% profit.

Q. Have you any large cities lined up for a similar contract, Chicago for instance?
A. This is the only one.

Q. Mr. Mayor, do you think that steps are definitely possible to give the consumer a break?
Mr. LaGuardia: It's a very good idea.

Q. What do you think of the offer the Consolidated made to Public Service this morning?
A. They made quite a few offers since the city got the help and cooperation of the Federal Government.

Q. Didn't they make a new one this morning?
A. It wouldn't surprise me a bit; now we're past the office stage -- we want to see something definite and concrete on the consumer's discount bill.

Q. Can you give us the estimated cost of your electricity in one year?
A. In the neighborhood of $10,000,000.

Q. Are you satisfied with the consumer rates now, Mr. Mayor, or do you contemplate just to protect them so that the rates won't be any higher?
A. No, no -- they're too high.

Q. They have just given you a reduction in consumer rates.
A. When, last night?
Q. No. I read in the paper not long ago about the Public Service Commission --
A. That's the application; they have submitted some plan to the Public Service Commission.
Q. Con Gas?
A. Yes.
Q. Is that plan satisfactory to you?
A. Not quite.
Q. Mostly based on the idea of the Washington plan?
A. Yes, the idea; but again we need something more than an idea.
Q. What are the plans for the rest of the day?
A. Four o'clock plans.
Q. Are you going to see anybody else?
A. I'm going to do some telephoning; I was at the Housing Authority all morning until I came down here.
Q. How's that getting along?
A. We're getting beyond the housing stage.
Q. The PWA housing?
A. That's right.
Q. When are you going to open your projects up, Mr. Mayor?
A. What do you mean by projects?
Q. The story in the papers --
A. I'll be here every Thursday and Monday until further notice.
Q. Mr. Secretary, will he take Dr. Viner's place?
Mr. Morgenthau: Well, we could do worse -- lots worse.
FOR IMMEDIATE RELEASE,
Wednesday, May 8, 1935.

Press Service
No. 4-91

Secretary Morgenthau announced today that he had given his approval to the signing of new contracts for supplying electric current to Government offices and establishments in New York City which will result in annual savings of approximately $200,000, or more than 35%, to the Government. The contracts are for the fiscal years 1935 and 1936 with the four city companies controlled by the Consolidated Gas Company and for the fiscal year 1936 with the two Westchester County companies.

Each of the contracts is based on an outline of a rate plan submitted by Floyd J. Carlisle, Chairman of the Board of the Consolidated Gas Company to Admiral C. J. Peoples, Director of Procurement of the Treasury Department through Admiral R. E. Bakenhus of the Navy Department, who has carried on negotiations with the power companies on behalf of the Treasury Department.

The contracts for 1935 are retroactive and will apply to all current consumed during the present fiscal year. It has been estimated by the Procurement Division that, on the basis of the contracts in force up to June 30th of last year, the cost to the Federal Government for electric current in New York City this fiscal year would amount to $572,439. The estimated cost under the new contracts is $568,475, representing a saving of $3,964, or about 35–2/3 per cent, for the fiscal year 1935.

The Treasury Department has incorporated into the contracts, with the agreement of the electric companies, four new conditions not contained in the outline proposal made by Chairman Carlisle in January. These conditions in substance are:

(1) The Government is not obligated to purchase its entire require-
ments of power from the companies, but, if it should not do so, the contract rates shall be subject to an equitable adjustment.

(2) The Government reserves full liberty at any time to build and operate an electric power plant of its own in New York City if it should decide to do so.

(3) The companies concede that the rates under the new contracts are reasonable and adequate to cover the cost of the service plus a reasonable profit.

(4) The books of the companies will be open at all times to representatives of the Federal Government and of the State and City of New York to permit determination of the relation of the rates charged to the Government to those to other consumers.

In entering into the new contracts, each of the companies concerned will accept the principle of a single consolidated contract for all service to Government establishments for which the Treasury Procurement Division acts as buying agent. The advantage to the Government of the consolidated form of contract covering all Government establishments served by a single operating company is that it permits the application of quantity rates, based on a large volume of current, which are similar to the rates in effect for large industrial users of electricity. The Treasury Department since early in 1934 has been negotiating with Consolidated Gas and its subsidiaries in an effort to obtain these quantity rates, based on the principle that the Government is a single user of electric energy. Consolidated Gas and its companies had consistently refused to grant this concession until after it had become publicly known that the construction of a Government power plant in New York City was under serious consideration.
None of the Government establishments in New York City has had any contract for electric current since June 30, 1934, when 176 separate contracts for that many different Federal buildings and establishments expired. In each of these 176 contracts the same rates had been applied as if each contract represented a separate user of electric current. Substantially those same rates had been in effect to Federal establishments for more than twenty years.

In response to calls for bids, after months of negotiation by the Procurement Division with Consolidated Gas and its subsidiaries, the operating companies on July 20, 1934, submitted bids on the old basis virtually identical with the contracts previously in effect, refusing to recognize the Government as a single buyer for all its establishments. The Procurement Division rejected these bids, and, since July 1, 1934, service has been furnished without contract and without payment, pending further negotiations.

Late last year Consolidated Gas and its various subsidiaries made known their definite refusal to execute the blanket contracts which the Government sought. On January 21st of this year, however, Chairman Carlisle of Consolidated Gas submitted an outline of a plan conceding the Government's contention and offering the rates incorporated into the present contracts.
May 8, 1935.

The following statement was made by Mayor LaGuardia:

After conferring with Secretary Morgenthau I have decided to accept the new bids of the Consolidated Gas Company and have instructed Commissioner Davidson to execute contracts for service for the year 1935.

Like the Federal contracts the rates are retroactive to January 1, 1935. The bids submitted by the Consolidated Gas Company on December 17, 1934 for the 1935 service were rejected. The rates obtained by the City for public building lighting and power are comparable to the bids submitted to the Federal Government and our saving will amount to $1,092,965.20, or about 36.06%. The saving in our street lighting system is about $692,554.00. There is a corresponding reduction of cost of current.

The companies assume the entire servicing of street lighting and the greater portion of the charges is for personnel and material. We have succeeded in obtaining for the first time a break-down of the street lighting costs and are now in a position to study them very carefully.

The City specifications embodied what have become known as the Federal clauses stated by Mr. Morgenthau today.

The situation as to the servicing for public buildings and public purposes is concerned is settled for the year 1935. The City has an additional responsibility and that is the rates to the consumers. The arrangements do not preclude the City taking such action as may be advisable to protect the consumers at this time.

Our total saving is a little over two million four hundred thousand less than their bids on December 17.
I want to take this opportunity to express the appreciation and thanks of the people and tax-payers of the City of New York for the cooperation and help which we received from the Federal Government, particularly from President Roosevelt and Secretary Morgenthau. I believe this is the first time that a Municipality has received such encouragement and the results speak for themselves.
Mr. Morgenthau: I just had an interview with Mrs. Pike, of Cleveland, and, after very carefully going over the whole question, I find that she did not break any of the Treasury rules and regulations, but I did tell her that I thought she had been slightly indiscreet, which she admits, and I urged that from now on she devote herself exclusively to the Treasury business which she assured me she will.

Q. She's Collector of Customs, isn't she?
A. Yes, Cleveland.

Q. What's her first name, Mr. Secretary?
A. Mrs. Arthur Howard Pike.

Mr. Gaston: Ordinarily known as Mrs. Bernice Pike.

Q. Was she chairman --

Mr. Morgenthau: She was National Committeewoman, I think.

Q. Isn't she now, Mr. Secretary?
A. She is not.

Q. After today?
She resigned last August, didn't she?

A. Oh, no. She resigned months ago; I don't know when it was; she resigned at the time they all resigned whenever it was -- when did we do that?

Q. August 31, last Summer?
A. Yes.

Q. Whatever activity she had been in, you say --
A. I mean, she didn't cut off her political activities quite as quickly as she should.

Q. When was she in, Mr. Secretary?

A. Just about ten minutes ago; that's why I postponed my press conference from yesterday.

Q. Mr. Secretary, can you tell us anything about your attitude on the Patman bill?

A. I cannot

Q. How about copies of your speech?

Mr. Gaston: We ought to have copies on Monday fairly early in the day.

Mr. Morgenthau: Say 2 o'clock Monday; is that early enough?

Q. I suppose so.

A. Let's say 2 o'clock, Monday.

Q. Mr. Secretary, these two vacancies in the Board of Tax Appeals — are they going to be filled?

A. Surely, by Presidential appointment.

Q. He has the nominations, hasn't he?

A. I don't think so.

Q. Will the vacancies be filled?

A. Don't make me answer that; I'll talk off the record, but those are White House appointments, see.

Q. The reason I asked was that there was a rumor that they may abolish the Board of Tax Appeals and establish a court.

A. Is the Mellon case going that badly?
Q. Mr. Secretary, in the weekly gold and silver statement that Commerce put out just today, Mexico took more silver than she sent in.

A. Mexico took more? I haven't seen it; it's nothing that the U. S. Government has sold.

Q. This is based on customs figures.

A. I don't know where they bought it, but they didn't buy it from the United States Government.
TREASURY DEPARTMENT

May 13, 1935.
Washington

Press Service
No. 4-93

Following is the text of a radio address by Henry Morgenthau, Jr., Secretary of the Treasury, to be delivered over a joint hook-up of the National Broadcasting Company and Columbia Broadcasting System, at 10:00 P.M., Eastern Standard Time, Monday, May 13, 1935. It is for release after delivery has actually begun and no portion or synopsis of its contents may be given out in advance.

THE AMERICAN DOLLAR.

It is my purpose, tonight, to state a few simple facts which, I hope, will contribute to a clearer understanding of the monetary policy of the United States. I shall not enter into complicated discussion of the theory of money. I shall merely tell you what was done...why...and the effect.

In order to examine the record in logical sequence, it is necessary to review, briefly, the background of our present problems. Foreign trade has, from the beginning, been an important factor in the business of the American people. During the eighteen years immediately preceding the outbreak of the World War, we exported thirty-one billion dollars worth of merchandise, almost all of which was paid for with goods and services that we received. The net gold movement to us was relatively small, amounting to $174,000,000. Foreigners invested in the United States, during those eighteen years, two billion dollars; Americans invested abroad, one billion dollars. At the outbreak of the World War, the American people owed the world three billion dollars more than foreigners owed us. That was what the ledger showed on July 1, 1914.

With the beginning of the World War, a tremendous change took place. From July of 1914 to the end of 1922, we exported forty-seven billion dollars worth of merchandise. Much of this was paid for with goods, services and gold, but there remained due us a balance of 19 billion dollars, for which we took mostly promises to pay.
Now note the contrast. In the previous 18-year period, with our country one of the world’s attractive fields for capital investment, we drew in about one billion dollars net from abroad, but when we became a creditor nation, the net outflow of capital reached nineteen billion dollars in the eight years between the beginning of the World War and the end of 1922.

Nor did we stop there. We continued to export more than we imported, thus accumulating an additional two and a half billions of dollars of net foreign investment by the end of 1929.

If we deduct from the grand total of our loans and investments abroad all of the loans and credits that foreigners have here and then examine the status of our net foreign investment, we find that an amount equal to two-thirds of it is today in partial or complete default.

There you have the background, from an American point of view, when in 1931 things headed toward a crisis all over the world. Credit and currency difficulties which had been spreading throughout Europe came to a head in the Spring of that year. On September 21, 1931, Great Britain suspended gold payments. Norway, Sweden, and Denmark followed within a week. Japan acted in December. Other nations either went off gold or took equivalent action to control their foreign exchange.

As the nations went off gold, the value of their currencies in international exchange dropped sharply, and our customers found it difficult to get dollars with which to pay for American products. They could trade with each other to some extent, but they bought from us only what they could not do without. The physical volume of world export trade dropped about one-fourth from 1929 to 1932, but our exports dropped almost one-half in the same period.
During 1932, England increased her share of the world trade by 16 percent over the previous year; and Japan by 29 percent. To say that we merely shared in world-wide misfortune is not entirely accurate, because our share included an additional penalty for remaining on the old gold standard.

While total world export trade declined, those countries which promptly went off gold increased their share of what remained.

Some of the countries became alarmed because they could see the bottom of their gold bins. They and others exerted pressure to have foreign credits called home. Sometimes these credits responded by going in the other direction just as fast as they could travel. Gold was stampeding from country to country, always leaving the place where it was needed, and rarely doing its new hosts any good.

In January of 1932, gold began to leave the United States in alarming amounts. This was fair notice to all concerned that our turn was next. The panic was knocking at our door, but nothing effective was done to avert it.

Europeans knew that we could not maintain our currency at the old gold level without a further ruinous deflation of our prices, trade, and industrial activity. Facing that crisis, the previous Administration stubbornly refused to take action, evidently under the impression that that was a proud achievement, when it was obviously economic suicide.

Foreigners had left here more than a billion dollars to enjoy our high interest rates and prospects of quick profits. Seeing what was happening, they judged that it was high time to take this money home. They did so, and the panic was on. We could not offer them their defaulted paper when they called for their money. We could not even offer them their paper that was not in default. We had let them have the money on long-term loans; and
they had short-term loans here. Our long-term paper was not due; while their short-term loans could be collected and their stocks sold. They could demand gold for every dollar due, and that is what they did. Thus it happened that, in the first six months of 1932, we witnessed the incredible spectacle of gold going out of the world's greatest creditor nation on every ship...nearly all of it to nations that were in our debt. Still nothing effective was done to avert the disaster.

Stupendous as the gold movement was, we could not ship fast enough to meet the demand, and speculators took advantage of the situation to sell the dollar. They were not all foreigners, either. However, the citizenship of these snipers is not important since their dominant trait is an utter lack of patriotism or loyalty to any nation. They would sell civilization itself short if they could, and for all they knew at that time, they might have been doing so.

Our loss of gold, added to the calamity of declining trade, falling commodity prices, and widespread unemployment, caused bewilderment and then panic. The disaster swept over our country with the fury of a hurricane. Within a few months our financial structure was in a state of collapse.

In the month of February, 1933, and up to the time President Roosevelt took office, about half a billion dollars in gold and nearly two billion dollars in currency were withdrawn from our banks. They were closing, not individually, but by whole states at a time. That was the situation when this Administration came into office. On taking his oath, Mr. Roosevelt assumed both the duties of President and receiver for a concern...the richest on earth...but on that tragic day face to face with insolvency.

We were headed for disaster unless the run on the banks could be stopped,
In 1934 we shipped one-third less cotton than in 1932; but...we got seven percent more money for it.

We also got a higher price for our wheat, but the drought can account for most of the increase.

Our wheat exports have also been affected by quotas and embargoes. Some of our former customers prefer, for reasons of national policy, to grow their own wheat, regardless of price.

Because of these unusual factors, I cannot trace with accuracy and fairness the full effect of our monetary policy upon agricultural exports.

A better test is offered by manufactured goods.

The physical volume of all our finished manufactures exported in 1934 increased 37 percent compared with 1932; semi-manufactures increased 47 percent in the same period.

To be concrete, let us take a specific article, such as the automobile. In 1930 we exported 238,000 cars. In 1932, with our country one of the very few remaining on the old gold standard, we exported 65,000 cars. In 1933 under the Roosevelt monetary program our exports shot up to 107,000 cars.

Last year they more than doubled; they came right back to where they had been in 1930.

During the disastrous period of declining sales, the world still wanted American automobiles but it could not get the dollars to pay for them. Nothing startling developed in the way of foreign competition; our dollar prices had not gone up; and quality remained just as good, or improved.

We simply had an interim during which we could not sell because the dollar was too high in relation to other world currencies; this Administration lowered the gold content of the dollar and the foreign market is
being restored to our automobile manufacturers with such rapidity that
the benefits are already nation-wide.

Some people have been telling you that there simply could not be any
benefit in restoring trade by bringing our money into reasonable relation
with the other moneys of the world. I decided to get the answer to that
question from the manufacturers themselves. They ought to know best. I
asked the executive heads of twenty-nine large representative firms whose
products are a cross-section of our industry to tell me:

First: Whether they are getting any more foreign trade.

Second: Whether employment in their plants has increased.

Then, I examined their published reports to find out whether they were
making any profits. Here are the combined answers.

To the first question...whether they are getting any more foreign trade
....they answer "yes". In 1934, which was the first full year under the
Roosevelt monetary program, their export sales were 59 percent greater than
in 1932.

To the second question...whether the number of their employees has
increased...they also answer "yes". Two hundred and four thousand more men
and women were working in their plants during 1934 than in 1932, an increase
of 34 percent.

To the third question...whether they are making any money...the
answer is again "yes". Their combined loss in 1933 was one hundred and
twenty-one million dollars; their combined profits for 1934 were in excess
of one hundred and twenty-eight million dollars. These figures include
their losses and earnings on domestic sales also. Domestic sales followed
substantially the same course as their foreign sales. When foreign sales
hit rock bottom so did domestic sales; and when foreign sales recovered
under the Roosevelt monetary program, domestic sales recovered with them. So there you have the testimony of the best qualified witnesses.

Under the monetary policy of this Administration, they lifted themselves out of a deficit in excess of one hundred million dollars to earnings in excess of one hundred million dollars; and employment increased by more than 200,000.

There are many indications that world trade will continue to increase. Our monetary policy in relation to foreign trade is not intended to capture business, but merely to protect our normal share. So far from engaging in a competitive devaluation race with the other nations, we hold out to them a currency of such steadiness that the normal tendency may very well be for the rest of the world to move gradually toward practical exchange stabilization. If that can be achieved, the final step should come easily and almost of its own accord. Unless somebody rocks the boat that would be the natural course.

In estimating the future of our foreign trade in relation to our monetary policy, we may as well face the question whether we wish to sell abroad vast quantities of goods that the buyers can not pay for, unless we lend them the money. Of course, if we want more paper there are plenty of international bankers to arrange the details. We felt rich on that paper during the roaring twenties. Now we know better.

In place of paper, under the operation of our new monetary policy, we have been receiving large shipments of gold and silver. Some of it came to settle trade balances, and some represents capital seeking refuge in our sound currency. Various economists will tell you that this policy is likely to end our foreign trade; that first we strip the world of gold and then our foreign trade dies. But we are not stripping the world of gold. We
have more gold than ever before, but the world supply of monetary gold is also increasing rapidly. Production now proceeds at the rate of about one billion dollars annually, and will continue to increase. The great nations are restoring their reserves. Meanwhile, percentages of the total held by the various nations show no alarming changes. We had 41.7 percent of all the monetary gold in 1922 and now we have 38.8 percent. France had 8.4 percent in 1922 and now she has 24.8. Great Britain lost gold heavily before she suspended gold payments in 1931, but since then has increased her share from 5.2 percent to 7.2 percent.

With increasing gold production, and hundreds of millions of dollars worth of the yellow metal being brought out of hiding, surely some of it can be used to pay balances. We are also endeavoring to restore silver to greater usefulness as a monetary metal. It is the money of a large part of the world's population.

Objection to our course is sometimes based upon the assertion that we would bring vast quantities of the world's gold and silver here, only to be locked up in the United States Treasury...the phrase commonly used is that the gold and silver thus become sterile. At least, however, it goes to swell our monetary reserves. Loans in default are not very good backing for currency; indeed they might, without undue asperity, be described as also sterile. If we must choose between the two, this Administration elects payment of international balances in monetary metals.

You have heard the argument that we should stabilize by declaring that we will not change the present gold content of the dollar. Some even go so far as to say that the other nations would certainly follow, if we took the lead. If we launched out alone on such a course, it would put us right back where we were in 1932, and offer a tempting invitation for the
others not to follow, but again to take advantage of our disadvantage.

We realize the importance of world prosperity, and will evade no opportunity to assist in that direction...except the ever-present opportunity to donate prosperity at our own expense.

In conclusion, I should like to summarize this statement by saying:
First: You have an absolutely sound dollar.
Second: The monetary policy of this Administration rescued us from chaos; held the fort through the most trying period of our recovery program; and is now the spearhead as we advance steadily toward our goal.
Third: Of the great trading nations that revalued their currencies, we were the last, until quite recently, when Belgium joined us.

The world should know that when it is ready to seek foreign exchange stabilization, Washington will not be an obstacle. Our position was that of an innocent bystander who suffered untold loss in a fight that he did not start, and from which he could not escape. Why should we be singled out and admonished that the moral duty to restore order is primarily ours? Before we make any commitments, we must be sure that we will not lose what we have just regained. We are not unwilling to stabilize. However, if the great trading nations elect to continue under the present absence of rules we are no longer at a disadvantage. We revalued our currency no more than was necessary and we can go either way. Our hands are untied.
The following data, to which reference is made in Secretary Morgenthau's radio address of May 13, are for release simultaneously with the address.

Domestic Sales, Export Sales, Profits and Employment, 1931-1934
Summary of Reports From Twenty-nine Companies

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Sales (mill.$)</th>
<th>Export Sales (mill.$)</th>
<th>Total Sales (mill.$)</th>
<th>Export as % of Total Sales</th>
<th>Number of Employees (thous.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1931</td>
<td>3,475</td>
<td>1,000</td>
<td>4,475</td>
<td>22.7%</td>
<td>121</td>
</tr>
<tr>
<td>1932</td>
<td>2,380</td>
<td>920</td>
<td>3,300</td>
<td>28.0%</td>
<td>97</td>
</tr>
<tr>
<td>1933</td>
<td>2,571</td>
<td>940</td>
<td>3,511</td>
<td>27.4%</td>
<td>85</td>
</tr>
<tr>
<td>1934</td>
<td>3,220</td>
<td>920</td>
<td>4,140</td>
<td>22.4%</td>
<td>117</td>
</tr>
</tbody>
</table>

* Profits before dividends

Reports from the following companies are included in this tabulation:

Allied Chemical and Dye Corp.
Allis-Chalmers Mfg. Co.
American Rolling Mill Co.
Anaconda Copper Mining Co.
Armour and Co.
Bethlehem Steel Corp.
Burroughs Adding Machine Co.
Cannon Mills Co.
Chrysler Corp.
General Electric Co.
Ingersoll-Rand Co.
International Business Machines Corp.
International Harvester Co.
Johns-Manville Corp.
National Cash Register Co.
National Supply Co. of Delaware
Pepperell Manufacturing Co.
Remington Rand, Inc.
Sherwin-Williams Co.
Socony-Vacuum Oil Co.
Standard Oil Co. of California
Sterling Products, Inc.
Swift and Co.
Texas Gulf Sulphur Co.
Underwood Elliott Fisher Corp.
United States Rubber Co.
United States Steel Corp.
Westinghouse Electric & Mfg. Co.
Youngstown Sheet & Tube Co.
Q. I'm a little late arriving.

Mr. Morgenthau: We were just discussing why a policeman in front of the door stopped the newspaperman and somebody said somebody's leg was broken — otherwise, nothing happened.

Q. Any significance, sir, as to the time that you made that speech last night, instead of tonight or night before last or last week?

A. Nothing, except the 13th is my lucky day.

Q. If you make another one tonight, after all —

A. Finish. What kind of an interview is that when you stop in the middle of a sentence?

Q. That was off the record.

Have you, sir, any response to the speech or do you expect any right away?

A. I had a little response and what I had was friendly.

Q. Any from overseas?

A. Only what I have read in the paper.

Q. Mr. Secretary, has the country's attitude towards stabilization been officially told to the other countries as expressed by you in your speech?

A. No.

Q. Mr. Secretary, there were some inquiries this morning from Paris as to whether your speech was what was described as an "olive branch" that would drag England into some sort of a compact with Paris, London and the United States.
A. We only grow apples on the farm, we don't --

Don't take this too seriously. If you make a speech, I mean, a speech like that is naturally very carefully prepared and I can't add or detract from it. The speech is made and wasn't done in a day and I did the best I could, and, under the circumstances, it will have to stand on its own.

Q. It's presumed, Mr. Secretary, that you went over it with the President before you gave it?

A. You know that I know that that's forbidden.

Q. Mr. Secretary, can you tell us anything about the coining of Mexican coins at Philadelphia and Denver?

A. Yes; we have a contract with Mexico and I think its 40,000,000 50-centavo pieces, but I want Herbert Gaston to check it for you.

Q. When did this start?

A. We haven't got the silver yet.

Q. Do they ship it up here?

A. I think we might loan them some of ours, but they furnish the silver.

Q. You might loan it to them for the time being?

A. Yes.

Q. At Denver and Philadelphia?

A. I think it's all at Philadelphia; I think it's 40,000,000 50-centavo pieces.
Q. What is that word?
A. Centavo.
Mr. Gaston: Half a peso.
Mr. Morgenthau: About the size of a quarter.
Q. Was that the principal point of your talk with Mr. Lopez, Mr. Morgenthau?
A. Sure. No, I don't care to answer that question.
Q. Mr. Secretary, you made an announcement about the closing of the books on the 2/7-8's. Is there any particular significance in that or is it a routine matter?
A. No, the reason is the registered bondholders -- we considered those outstanding and we felt that every one of them ought to get a letter which takes about ten days; so we are giving them ten days from yesterday. There are quite a large number of registered bondholders.
Q. Would you say anything now about the June 15th financing and how much more you'd need than the maturity?
A. We think that this particular issue went very satisfactorily; we got in 80%.
Q. Of course, you'd have $500,000,000 over to pay the bonds.
A. We've still got ten days more and I think my figures are somewhere around 140 or 150 million registered bondholders which are outstanding.
Q. Is it expected that the new Public Works program will start -- I mean, you'll start financing it June 15th?
Q. What is that word?
A. Centavo.

Mr. Gaston: Half a peso.

Mr. Morgenthau: About the size of a quarter.

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Q. Is it expected that the new Public Works program will start -- I mean, you'll start financing it June 15th?
A. I can't answer that.

Q. Mr. Secretary, the Tariff Commission today said they thought you could increase your revenue, help liquor prices, consumption and everything, if you would lower the tariff; do you agree with that?

A. My position on taxes hasn't changed.

Q. Mr. Secretary, I understand Dr. Viner is in town. Will he return to the Treasury staff? Are there any plans for special work?

A. No. He was here for a few days; I think he's here for the balance of the week -- I don't know.

Q. I thought probably you might be digging up some new job for him.

A. I don't know.

Q. Any chance he'll spend the summer down here?

A. I haven't thought about it; he's always welcome.

Q. Is he doing some work for you now, Mr. Secretary?

A. No.

Q. How is this Cleveland survey, Mr. Secretary?

A. Well, it's still in the box -- I mean, they're still working on it.

Q. That will be made?

A. Yes.
Q. Mr. Secretary, I'd like to get a headline.
A. Just roughly.

Q. Are you going to testify before Mr. Glass on the banking bill?
A. Tomorrow morning.

Q. Does he expect general testimony on the banking bill or anything in particular?
A. Yes, I think he has a couple of particular things to ask.

Q. Are you preparing a statement?
A. No.

Q. Mr. Secretary, naturally there has been a lot of comment on your speech. I wondered if you could tell us any reaction you have had in the way of letters or telegrams from either here or abroad?
A. The telegrams that I have had, on the whole, have been complimentary. What the newspapers have said editorially and the columns are open to you as well as to me.

Q. I didn't mean so much that, but what do they say?
A. Well, I mean, it's just that most of them came from friends of mine who maybe are a little biased in my favor.

Q. It wasn't that so much, but I mean, for instance, what -- we liked the speech -- I admit it was good.
A. Thank you.

Q. But I mean what did, for instance, from foreign sources, what was the reaction, I mean, as to prices or future developments?
A. The most interesting comment, so far, was the statement this morning by Leon Fraser — that was the most interesting I have seen.

Q. Of course, in some schools it was interpreted as sort of a challenge to England to get on the band-wagon in an international stabilization movement, and I wondered —

A. It is impossible for me to make any comments. I'll just have to let it ride and depend upon the President.

Q. Can you tell us, Mr. Secretary, whether you have heard officially from any country?

A. No.

Q. You have not?

A. No.

Q. Mr. Secretary, have you read about Sen. Thomas' movement?

A. Only in the briefest.

Q. Any statement?

A. I'd rather not comment.

Q. I saw Mr. Hull came to your assistance.

A. Fine, I appreciate it.

Q. Is there any indication France might go off the gold standard? Is that the way for a particular stabilization conference with France and Switzerland?

A. I don't know. We'll just see what happens.
Q. I guess the United States wouldn't be sorry if they did, particularly?
A. I never heard Bob talk so much in my life; you're having a grand time, aren't you?
Q. I'm all wound up for questions and answers.
Have you any expectations, Mr. Secretary, that definite negotiations might be undertaken?
A. I really don't know; it's the first time I have ever launched a statement like that.
Q. Have there, in the past year, been any discussions with foreign nations about the possibilities?
A. I think that since the President sent his message on July 2, 1933, this is the first official statement that has been made since that time. I don't think anything official, has every taken place since that time.
Q. Not even any informal discussions?
A. Nothing official between that statement and this.
Q. Mr. Secretary, could you tell us whether you think the fact that Italy put an embargo on silver has any relation to our policy, or is it purely local to that country?
A. I don't know enough about it.
Q. Could you, on or off the record, give us your opinion of bonus legislation?
A. I've got to stick by that statement I made before the Finance Committee.
Q. You said we'd have to have more taxes.

A. I'll just stick by that. Incidentally, I might take a copy of that with me tomorrow morning.

Q. They may ask for that.

A. Yes.

Q. Some of us need it awfully bad.

A. Need what -- that statement?

Q. The bonus.

You stated that open-market operations had been very cooperative with the banks up to date.

A. I'll wait to see what they ask me tomorrow morning, if you don't mind.

Q. How about this Public Works? How much did you have to pay out of your cash balance on the redemption of bonds between now and then? It's going to be down pretty low. The question in my mind is where is the new borrowing going to come from and when?

A. We naturally have continuously studied that, and I don't know whether they announced it or not. Have they announced increasing the bills from $50,000,000 to $100,000,000?

Mr. Gaston: No. That announcement will be out this afternoon.

Mr. Morgenthau: That announcement will be out this afternoon.

Q. Is there any disposition to wait until the banking bill is passed before starting?

A. No. I can say this honestly (I hope my statements are honest).
Since I have been here, all was done at the time when we needed it; when it was time to refund, we refunded. When it was time to borrow, we borrowed; we never waited for outside help.

Q. That's true in relation to the banking bill?

A. In relation to anything. When we need the money, we will borrow and I have never let outside pending legislation influence us. We are not waiting for anything. We have always figured that at different times our money was cheap and we will borrow, sometimes six times ahead, but that wasn't our fault -- the agencies over-estimated what they would spend.

Mr. Gaston: I think that announcement about the bill of issue ought to wait until formal announcement for tomorrow morning papers.

Mr. Morgenthau: All right, if you will wait on that announcement. There is continuous study and we are watching the daily balance every day and when we need the money, we will borrow it.

Q. Of course, within the last four or five months it has gone down around $400 million and I should think --

A. We didn't need it, but the estimate here has been correct, based on the information given us each month by the independent agencies, but some of them have over-estimated spending capacity by sometimes as high as 90%. For that reason we are running 14% below the President's estimate on the spending, and I think I've made that statement here before. It has been very difficult. Some of these agencies have come in estimating what they would need for the
month and they have been way, way off, but I'd rather have them that way than over.

Q. How much do you lose on your cash balance in the way of interest? Suppose you borrow for 3 3/4%; how much do you get for it at the banks?

A. I don't know. I doubt if they give us anything.

Mr. Gaston: It would be more logical to figure it on a short-time basis.

Q. Probably don't lose anything.

Mr. Gaston: It's about 1/8th of 1%.

Q. What has happened to the Cleveland Credit Survey?

A. It's in the mill.
Mr. Morgenthau: I'm at your service.

Q. Mr. Secretary, would you care to enlarge on your statement before banking committee as to whether the time is now desirable for the government to assume ownership of the Federal Reserve banks?

A. I'm sorry.

Q. That wasn't a new idea -- you were plagiarizing on Father Coughlin who proposed that two years ago.

A. I guess there is nothing new under the sun.

Q. Did you hear his speech yesterday?

A. No.

Q. Anything new on stabilization?

A. No.

Q. Is it your idea that we can stabilize without France going off gold?

A. (No answer)

Q. Tell us something about Mr. White.

A. Well, the newspapers absolutely misquoted him -- that's all. It wasn't a question of misunderstanding -- it was a direct misquote. I've got several fellows travelling around.

Q. Will you tell us who they are?

A. I don't object. I've got Henry L. Shepherd abroad.

Q. From Texas, isn't he?

Mr. Gaston: Yes, he is.

Q. What's his background, Mr. Secretary?
Mr. Morgenthau: Economist, statistician.

Q. Is he looking into the monetary question, too?
A. Just studying European economics. We've got a big responsibility here and we'd like to get an accurate impression. That's why White went over.

Q. Where is Shepherd?
A. He happens to be in Belgium. I would much rather tell you about it than have it pop up as a mystery. Professor Buck is in China.

Q. Do you remember his initials, sir?
Mr. Gaston: I can't think of them; I'll get it for you.

Mr. Morgenthau: They're all economists.

Q. Is he studying silver?
A. He's studying Chinese statistics for the President. We don't want to make any mystery about these fellows, but they're all collecting statistical information and that's all.

Q. Not authorized to make any negotiations?
A. No.

Q. As a prelude to what?
A. Being well informed.

Q. Mr. Secretary, would it be accurate for us to refer to the so-called Omnibus Banking Bill as an administration bill?
A. Cynical?

Q. Cynical or omnibus, either one, take your choice.
A. I'd say yes.

Q. Mr. Glass doesn't think so; he says it's only an Eccles bill. You have never read it and the Federal Reserve Board has never read it.
A. If I say so myself, off the record, I thought I got away with murder up there.

Q. So did I.

A. I mean, if I had studied a month the questions and answers, I wouldn't have done 1/5th as well.

Q. Mr. Secretary, do you think that the currency expansion called for in the Patman bill would endanger the government's credit?

A. Who let this fellow in here, anyway?

Q. Jones and Eccles mentioned it.

A. I know; they're students of money. I'll just have to stand by what I said and wait until the President's message comes out.

Q. What about the silver price, Mr. Secretary; the world price, I think, is above your price today.

A. No, I think they dropped the price a cent and it's back to 76 cents.

Q. It was over Saturday, wasn't it?

A. It was just one of these border-line cases.

Q. Is the mere fact that the world price reaches your price a signal for raising it? Apparently not, as the Treasury takes no action.

A. You begin to do what I do? (Scratches head).

Q. Mr. Secretary, when you fix a new price it applies to the silver that's produced after the date you fix the price. It wouldn't apply to silver that a producer would store up for a month and then bring in to you?

A. No. As a matter of fact, there's a lapse of some sixty days on the average between the date they produce it and the time they bring it
into the mint. If you want a technical explanation, you can get it from Miss O'Reilly. As I understand it, it takes sixty days from the time it's mined until it gets to the mint.

Q. In other words, if the world price went above your price and stayed there, you wouldn't have to raise your price for sixty days?

A. There's nothing mandatory about it.

Q. I realize that, but you would, as a matter of policy, give the domestic producer more than the world price or at least the world price, but you would not have to raise the price until the silver was delivered, sixty days after?

A. I think both statements are correct.

Q. Have you had any foreign reaction to your speech?

A. Just what I saw in your papers plus the usual comment of the State Department.

Q. Do they send over the comment of the foreign press?

A. Yes. Nobody came around and wanted to do business, and Kenneth Clarke brings out the worst in me or the best, which is it, Ken?

Q. I was thinking of another question.

A. The trouble is, he's too good; what's your next question.

Q. You haven't answered the questions about France and stabilization.

A. I know. Let's put it this way. If I had heard, I wouldn't tell you. It so happens I haven't, so in the future I won't answer.

To date I haven't heard from anybody, but from now on, I won't answer that question.

Q. Have you picked a successor for Czarnecki?
A. No.

Q. Will you soon?

A. I hope so. You know my choice?

Q. No, I don't know.

A. Off the record, Mr. Sullivaninski. You know who I mean, don't you.

Q. Yes.
REPORT ON SECRETARY MORGENTHAU'S
PRESS CONFERENCE, MAY 23, 1936:

Q. Have you inspected the fire yet, Mr. Secretary?
A. No. Is it bad?

Q. I don't know. A little paint will fix it up.
A. It was a bad time to break for you fellows, wasn't it? How did you like the circus?
Q. I thought it was swell.
A. I've got nothing hot for you.
Q. You told the Senate committee, Mr. Morgenthau, that you might be willing to say something about the bonus after the President had vetoed it. Do you care to say anything today?
A. I don't think the President has left anything for us to say. I don't see how anybody can add anything to an address of that kind.

Q. Have you sent Mr. Sullivaninski's appointment to the White House yet?
A. No. I don't know what's the matter with those fellows—I'll have to find out about that.

Herbert gave me some notes here. The New York power contracts have actually been signed and the companies will get their first pay for the fiscal year on May 31st.

Q. The companies will get their pay on May 31st for the entire 11 months' period?
A. Yes.
The Coast Guard advises me that the decree on the Island of St. Pierre Miquelon became effective on the 15th of May. They have been trying to rush a lot of that liquor down here and I think the decree is going to help a lot. I don't know what our next move will be.

Q. Mr. Morgenthau, I understand you are going to check up on the little income tax payers with some relief money—the Internal Revenue wants to hire a thousand additional checkers or something.

A. That may be, but the idea hasn't reached here yet.

Q. As I understood, they wanted to go into those smaller income tax rates that are usually uninvestigated.

A. Perfectly possible. It isn't among the projects we've asked for; we've asked for enough men to check up on the retail liquor stores and miscellaneous taxes, but I don't know anything about the other; it may be something they want, but if it is, it hasn't come in yet.

Q. Do you have anything about the small income tax payers?

A. Oh, six months ago we took automobile owners' license plates and checked them in different cities, small towns and counties against the rates. We think that the automobile owners was a pretty good check and the percentage was so small that we figured it just wouldn't pay us. I was satisfied they were doing a good job; we checked the actual returns; I think we took every tenth automobile owner out of a big list and went
straight through; it took six months to do it, and when we got through, Mr. Helvering thought it showed very well for the men in the field and wasn’t worth while. We took every tenth automobile owner in a number of sections, and after that it showed up so well that he didn’t feel it was necessary.

Q. This idea wasn’t a checkup to see whether they were filing tax returns, but to check on the losses, reductions and that sort of thing.

A. I wanted to find out whether any large people just weren’t paying, and I thought automobile owners would be a good way and it showed up surprisingly well.

Q. Have you been watching the salary figures of the SEC registrations; those people get $100,000 a year; I suppose you check the list.

A. I read the papers. You mean as to the income?

Q. Yes.

A. I haven’t been watching them particularly. I don’t know—they may be checking them.

Q. Mr. Secretary, what disposition is made of the funds paid by these people who were fined for failure to submit a pink slip before the pink slip was repealed and how much was collected in fines?

A. There has been a decision, but I don’t know. There has been a lot back and forth. This is what I think happened—this is off the record: I think, now I don’t know (this is off the
record, but we asked for, I believe, a joint session of the committees on taxation of the House, and I think, to date, they've refused to hear us; they say it's purely an administrative matter and we should decide and that goes for the disposition of the pink slips, too. I wish you'd find out, Herbert. Now, it was kicked back and forth: Here's something we don't like to do and we wanted a joint session of the two committees, but up to date they haven't been willing to receive us.

Q. How much was collected?

A. I don't know, but we've got all of these pink slips and we think they should destroy them; we want to ask Congress-- they passed the law--we think the money should be refunded, but we'd like to put it up to them--I don't want some fellow to say--they haven't any right to do that. I'm talking in absolute confidence on it, but so far, they want us to handle it. They passed the law and I think they should advise us; I think it's a perfectly reasonable request to go up there and say, "Gentlemen, here are the facts and you advise us."

Q. Are you going to press for a conference at this session?

A. Yes, we are pressing for it. We have had no help so far. It's a nice little game that's going on and I don't know what's going to come out of it, and I think they should
handle it and should receive us. Just keep that absolutely in the Treasury family. You are all Treasury fellows here this morning.

Q. If it's just to stimulate action, why don't you have a test case and send $5 back to somebody?

A. I think they ought to decide it. We are pressing for it because we'd like to have a decision.

Q. How big a room would the pink slips fill, Mr. Secretary?

A. I imagine a building.

Q. They didn't burn up.

Mr. Gaston: They're all in the Collectors' offices—65 or some Collectors all over the country.

Q. Will you advise us of any action?

A. Absolutely. I will let you know.
Secretary’s Press Conference.  May 27, 1935.

Q. Could you tell us anything about your White House conference today? My office is all excited.

A. I can tell you just as much as I always have told you, no more, no less. Do you want to know what I had for lunch?

Q. No.

A. On anything out of the White House there is the usual silence.

Q. That is what I told my office.

A. You tell your office that if anybody gets it, the Treasury gang would.

Q. Can you tell us why Mr. Oliphant broke up the Mellon hearing by the telephone call?

A. Did he.

Q. It seems they had to adjourn so Mr. Jackson could talk to him over the phone.

A. Isn’t that exciting.

Q. Anything to do with the case?

A. I don’t know.
Q. Can you tell us anything about informal representations from the Government for a conference internationally on tariff trade barriers?

A. Is that what is known in this office as the Hull - New York Times story?

Q. Yes.

A. I will have to refer you to Hull.

Mr. Gaston. You might tell your joke off the record.

Mr. Morgenthau. Strictly off the record? Well, it is made out of "Hull" (whole) cloth. If anybody gives that out I will never go off the record again. That is my last try. If you let me down, no more off the record. I will take your advice, Bob. We will see how good the regular press is.

Q. One question is that the Federal Government is preparing to retaliate against foreign liquor dealers who smuggle liquor into this country. This is the Herald Tribune story. Can you
tell us anything about that?

Mr. Gaston. That is based on the FACA release on Friday. There will be a hearing on June 5th.

Mr. Morgenthau. Mr. Choate is coming over here on Tuesday.

Q. How about this story in this morning's Herald Tribune? (Handing the Secretary a clipping).

Mr. Morgenthau to Mr. Gaston. You talked to Ted Wallen about that, didn't you? Do you want to say anything about it?

Mr. Gaston. I told him I had never heard of it.

Mr. Morgenthau. About this $500,000 deposit by Senator Long in a St. Louis bank, we don't know anything about that. As a matter of fact I read the headlines and then I read the story three times and tried to find substantiation and I could not. It is in the headline and no place else in the story. I was interested and I thought it was something new. I read the story through three times and there is nothing in this story to justify the head.
Mr. Gaston. The story says months of digging have produced an
official report purporting to show Long put $500,000 in the
St. Louis bank. We have no such report.

Mr. Morgenthau. In the first place it is against the law to discuss
a tax case that is pending. I was very much surprised and read
the thing through three times wondering where he got it and could
not find out. I was frankly surprised.

Mr. Kintner. He is my boss and I have nothing to say.

Q. Were you pleased or disappointed?

Mr. Morgenthau. A story like that should have a source and it
certainly did not originate in the Treasury and I don't know
where his source is, but it is not in the Treasury.

Q. Trustworthy newspapers never have to quote their source.

Mr. Morgenthau. I have known Ted Wallen for a great many years and
I don't know where he got that story, and he called you up,
didn't he, Gaston?
Mr. Gaston. He called me up and I told him I had never heard of it.

He certainly would not write it unless he had it from some source.

Q. Let Ted Wallen hold a press conference.

Are you in a position to say anything about your June 15th financing?

A. Now I can talk on that. This is on the record. On or before June 15th we will refund 3% notes amounting to $416,000,000 coming due and $353,000,000 coming due on August 1st—the 1-5/8's, or a total of about $770,000,000.

Q. You will refund them both on June 15th?

A. On or before June 15th we expect to offer a note issue in exchange for that money coming due at that time.

Q. Could you tell us how long an issue?

A. The new money that we need from now until the first of July we will raise through selling bills and possibly additional bonds.

Q. On discount basis?
A. Same as this.

Q. In addition to the $100,000,000?

A. Yes.

Q. You will sell bonds on the tender basis such as you offered today?

A. Right.

Q. Any reception on the issue you offered today?

A. It is too early, we can't tell.

Q. That means, Mr. Secretary, that there will not be a large issue for new funds on June 15th?

A. That takes care of another story in the Herald Tribune. I am sorry, old man. They have run two wild stories and I have to hit them.

Mr. Gaston. I think that was Frank Waltman's story in the Washington Post.

Q. You are no longer observing your dictum that you would finance on a quarterly basis.
A. No, but I have always said I never committed myself on that.

Somebody wrote a story about $1,000,000,000 new money.

That is the Waltman story. I thought it was $1,000,000,000 new money and it had people upset a little bit and that is why I am talking as much as I am.

Q. I think you have about $300,000,000 due on the first's.

A. That is right, $330,000,000.

Q. You will just pay them off in cash?

A. Yes.

Q. This would seem to indicate that the Works Relief program will not be under way to any large extent until July 1st? That is to say, you will not need a huge amount of money before July 1st to take care of the Work Relief.

A. We are going to raise enough to take care of the Government's financial needs to the first of July and after that we will take stock again.

Q. How much do you think "enough" will be?
A. I don't know.

Q. You won't wait until the next quarter, September 1st?

A. I can't answer that. What I am trying to say is that we are trying to correct the impression that went out that we are going to ask for $1,000,000,000.

I see some new people here and I talk fairly freely here and everything I say is in the family. My own crowd understands and we got along swell but the story did seem to upset the people here today and I am human—I make mistakes every day and newspapers have the same privilege.

Q. One other question about the financing. This auction bond issue was open only for two days. Would it be proper to interpret that as meaning that you will offer such a bond issue every week if you want to?

A. We might. This is an experiment to see how it goes. We keep trying things which we think will give us the most economic method of raising money and we want to try this. If we are
wrong, we will drop it. I think it is going to be alright.

It is not quite as profitable for some dealers but we think it is more profitable for the Government and this is who I am working for.

Q. Did the amount selected have any relation to your actual needs?

A. That had definite relations to our needs and if we do that, the thought at present, that is today, is that if we did do it we would only do it every other week.

Q. It is restricted to a fairly small amount.

A. It might go to $200,000,000 but if we do it it will be every other week.

Q. In offering these by auction is there not a possible objective of determining what the trend of interest rates might be.

A. That is the method. It hits the market "right on the nose". I think that is what the brokers call it. Whatever the market is we will get the benefit.

We may be wrong but we think we are going to come closer to
hitting the market this way than any other way we know. We have tried $100,000,000. If we are wrong there is no great harm done, and we will go back to the other method.

Q. But this is the method to be employed between now and July 1.

A. That is right and $100,000,000 in bills each week.

Q. For every dollar over par bid, what would that reduce the yield.

A. Now you're getting too technical for me. I have only been here for a year and a half. Go see one of the bond men.

Seriously, go see Coolidge.
Q. Mr. Secretary, the question came up as to government public building contracts as affected by the NRA code decision; what is that situation?
A. Mr. Oliphant is making a study of that for me right now with Admiral Peoples.
Q. Well, temporarily then, they are held up?
A. I'd say, temporarily they were held up.
Q. What is the volume of the projects held up, Mr. Secretary?
A. I couldn't tell you, but we will find out for you. We are making that study and, needless to say, we won't waste any time on it.
Q. Will existing contracts be called back?
A. I don't think that would be legal. If we signed a contract, we can't change it. But Mr. Oliphant and Admiral Peoples have it and I know they're burning the midnight oil on it.
Q. Have you got anything else here that's affected by the decision?
A. All I know of is the Federal Alcohol Control.
Q. Any chance of the Treasury taking over that?
A. They're also working on that now; off the record, I think Mr. Choate is in Mr. Oliphant's room right now. I think any publicity on that should come from him, but the boys are working on it hard and have worked through Saturday and Sunday.
Q. You are already supervising that outfit?
A. No, no—I'm talking off the record; we think that gets into the social side, and I don't want to get anything into the Treasury that does not have to do with fiscal things. We want to collect the taxes
and protect the taxes and raise the money and we're not anxious to get in anything new. If we could some day, I'd like for the Treasury to be purely a fiscal organization, but this gets into the social side of liquor and Choate has done a swell job and if he wants to continue, I hope he will.

Q. There isn't any reason that you shouldn't say that there's some plan being worked on for FACA?
A. I'd rather have you put it, if you wish, that the Treasury is cooperating with the FACA.

Q. It might involve some legislation, wouldn't it Mr. Secretary?
A. You can draw that conclusion yourself, if you want to.

Q. Mr. Secretary, can you tell us about the possible refunding of the obligations of the Federal Land Banks?
A. I think Bill Myers will have to give that—he always does announce it.

Q. I thought you might give us some indication.
A. Not for two reasons: In the first place, it's his job, and, in the second place, I'm not up to the minute on it—both good reasons.

Q. Mr. Dies proposed some reasons this morning for buying silver from countries who buy our commodities; do you know anything about that?
A. I don't know anything about it. I never make any comment on what they say—it's one reason why I have been lucky.

Q. But he's going to bring it up to you?
A. Yes, if he does that will be something else, but he has not been here.

Q. Would you care to comment on the weakly bids? I think the opened subscription was slightly below the previous week.
A. I think we borrowed money for next October for .10 or 1/10 of 1%.
Q. Wasn't the subscription slightly below?
A. It wasn't much different in the rate.
Q. You see no significance in connection with the offering of bonds every other week?
A. No.
Q. Do you consider that offering successful enough to offer it again?
A. I may.
Q. There was some talk in New York that the price of that issue had been forced down so far and so much that it might not be called successful.
A. I call it successful; the fact that we had a few disturbances that week had nothing to do with the bond market; all the other things that happened in the world—the MLA and France—all had nothing to do with it. When I first started, I sold six-months bills and we went through the same thing; when I sold 9-months bills, we went through the same thing—I didn't expect them to like them, but that does not say it is not a good way to raise money. I think it's a very good way, and when we need some more money, we will give serious consideration to raising it that way again.
Q. Didn't you say you might sell it that way every other week?
A. Yes, but we might sell $200,000,000 twice a month; we want to adjust ourselves more closely to our financial needs, but we won't pick out one that has the gold clause in it, off the record.
Q. Is there anything you can tell us, Mr. Secretary, about stabilization studies being made—anything from abroad?
A. The boys are studying it. I think it was about a week ago, I
made the statement at that time that there was nothing going on, and
from then on I wouldn't talk about it. I think it was Monday a week
ago that I made that statement--there wasn't anything at that time and
from then on, I wouldn't say.

Q. Can you tell us, Mr. Secretary, if you saw Governor Harrison when
he was here?

A. Last week, a number of times.

Q. Could you tell us anything about your conversations?

A. I talked about a lot of things.

Q. The French situation?

A. Yes. After all, he is governor of the Federal Reserve in New York,
our fiscal agents, and we are his best customers, and we always have
a lot of things to talk about.

Q. Mr. Secretary, what did you say about the French situation?

A. Do you talk French?

Q. Are you still talking?

A. We talk all the time. We have conversations with him and his
staff, naturally--they are our fiscal agents. As a matter of fact he came
down here because they had a two-day meeting of the twelve governors, and
when he got bored, he came around to see me.

Q. There was a report that France had asked for some cooperation from
this government to prevent the outflow of gold; can you tell us anything?

A. I have no comment.

Q. Have you anything about relief funds?

A. The only thing, there was a statement about this money to collect
taxes but we haven't been allocated any money with the exception of $100,000 Danny Bell set up for his bookkeeping organization—they allotted us $100,000 for that purpose, and I want to point out, Congress knows this, that we have not had enough money and the Chairman of the joint committees on taxation on the Hill know we have been unable to examine returns of $25,000 or less in the field—what they technically call field examinations. Congress has not given us enough money to make field examinations of returns for $25,000 or under, and one of the things we want to do with this money is to examine that class of returns.

Q. All the way down?
A. Well, starting at $25,000 and working down.

Q. Just business men or business and individuals?
A. Any returns with $25,000. We would start at that level and work down, using the same kind of men that we used for miscellaneous taxes and checking up on the retail dealers.

Q. Do you hold out the hope to Congress that it may not be necessary to raise taxes further soon?
A. I haven't talked to Congress about tax legislation.

Q. How much is it you are trying to get now?
A. Do you know, Herbert?

Mr. Gaston: For that one project, it's about two and three-quarter millions, about $2,783,513.

Mr. Morgenstern: That's the purpose of that money—the principal purpose.

Q. Doesn't that come under the heading of enlarging your existing
organization? I thought there was a ban on that sort of thing.

A. What we've done is every single time we've got any money for the Internal Revenue we would hire white-collar workers off the relief rolls whether to check up on miscellaneous taxes or not. We have explained to Congress and gotten their tacit approval and in every case they have always been enthusiastic and we have gone to the committees and asked them whether they think this is a worth-while project and they have said yes.

Q. You haven't asked them about this?

A. I'll be honest--I haven't handled it. But I did handle those white-collar workers from the retail liquor stores and they were very much interested; we went up to see Mr. Buchanan and Mr. Harrison and explained it to them and they okayed it, and I take it that the same procedure has been followed in this case, but I can't swear to it. Knowing how they feel about it, anything having to do with the personnel of the Treasury has been explained to them.

Q. What are the other purposes, incidentally?

A. I don't know where the story got out, but it shouldn't have gotten out: As I understand it, those things should come out from Mr. Walker's information bureau. I did read it in the papers and I thought I should explain. We are asking for a lot of projects and they may all be disallowed. We've got twenty or thirty projects that we think fit in and they can decide whether they are the kind of projects which are reasonable to take people off the work relief and put them on these projects—that's up to them.

Q. Could you give us any idea of how much is involved altogether?
A. I don't say I couldn't, but I'd rather not. I think all that stuff should come out of Mr. Walker's office.

Q. Does this mean that everybody who files returns of $25,000 are going to be called on and asked to show receipts for admission tax and that sort of thing?

A. I hardly think so. It will be the same sort of checkup; I think they have a regular record for every dollar gathered. There's a regular ratio that every dollar spent produces three--don't take my word, but there's a regular ratio.

Q. Do you expect to get as much back?

A. I don't know, but the statisticians have regular figures; if you take returns of about $25,000 and say, you give us so much, we will collect so much. Last year we asked for a million and told them we wanted to check everything down to $25,000 and we said if you give us so much money we can collect so much. They gave us enough money and we made good on what we said we would collect. We pretty well forecast if we spend a million dollars on checking incomes of $25,000, we will get back a certain sum; Herbert will check up on that.

Q. The question was brought up on whether you wouldn't check up on receipts for admission taxes.

A. We did that in New York. Our miscellaneous tax people checked all the people up there.

Q. Suppose I made a deduction of $25 or $30 for admission taxes—you'd check the individual?

A. I don't think so; I think you're safe. You fellows have been
over here long enough to know it's a pretty big department, and if you want to find out more, we'll get somebody over here right away, somebody from the Internal Revenue will tell you just how they set up this project; I don't know. He can sit down in Herbert's office and you can fire all the questions you want to.

Q. The plan will be limited to selected areas?

A. No, I think they'll cover -- . This whole fight has been made to get money to make field examinations and they've allowed us to go down to the $25,000 returns, and what we are asking now is additional money to investigate returns from $25,000 down.

Mr. Gaston: I presume there will be many thousands of returns that they wouldn't think worthwhile to investigate.

Mr. Morgenthau: We can bring somebody over from the income tax bureau and let them sit down and talk it over with the boys; we have absolutely nothing we wouldn't tell you.

Q. I was thinking of the scope.

A. Somebody will come over and sit down with you and tell you how much money has been set up, how much they expect to get and so forth, and he will be glad to do it.
MR. MORGENTHAU: All right, at your service.

Q. Can you tell us about the redistribution of wealth, Mr. Secretary?

A. Yes. (Holds out Mexican coins) That's only good in Mexico.

Q. Are they the new ones?

A. Yes. I'll donate that to the press room and you fellows can auction it—the high man will have it.

Q. I'm afraid that this afternoon if we get any news you're going to have to volunteer it. We'd appreciate that—I mean, appreciate same.

A. I really haven't got any news. I went up to see my boy graduate and I had a very nice time.

Q. What is the silver content of that? (Mexican coin).

A. I can't tell you that, but I can tell you what it's figured on—$1.29.

Q. Will you make any comment on the report that the Administration is about to propose additional inheritance taxes?

A. I can't. I've read the stuff, a copyright story of Dow-Jones; interesting, but I can't say.
Q. Mr. Secretary, there's something came up on this Mellon case this morning that Mr. Jackson had asked the Attorney General to proceed over in Pittsburgh to force the Union Trust Co. to produce certain records in that Board of Tax Appeals case and the Attorney General told us this morning that he didn't know anything about it.

A. I don't either; I mean I really don't know anything about it.

Mr. Gaston: They declined this morning to produce certain records on subpoenas of the Board of Tax Appeals and Bob Jackson said they would have to take it into the Federal courts and force them.

Mr. Morgenthau: Can he be quoted on that?

Mr. Gaston: He gave out the story on that.

Mr. Morgenthau: Will you confirm with Jackson and let them know.

Mr. Gaston: That is one of the two courses he is pursuing.

I don't suppose it has gotten to the Attorney General yet because it would be going through Oliphant, no doubt.

Q. It looks like a tug of war.

Mr. Morgenthau: Between?

Q. The Government and Mr. Mellon, because apparently the bank records go into the doings of other people besides A. W.

Q. Anything on the inheritance taxes?

A. I've been out of town—I don't know. It's pitiful, if it's a tug of war, it is a tug of war.
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Q. Can you tell us whether they might impose inheritance taxes without the bonus you suggested in line with the bonus at first?

A. Well, I think, if I am right, taxes start in the House with Mr. Doughton’s committee.

Q. That’s just theory.

A. Well, when they get ready to send for us, we will go up on the Hill and I also think that there’s something in the law that no member of the Executive Government can suggest taxes—so being a law-abiding citizen—-

Q. You didn’t take that into consideration when you made your statement before the Finance Committee.

A. On request of Senator La Follette; if you will notice, it wasn’t a prepared statement. In other words, we’re just sitting tight until Congress is ready, that’s all, and we will be ready if they want suggestions.

Q. You will be prepared, Mr. Secretary?

A. Yes.

Q. With a plan?

A. Well, we know how much money we need to stay within the estimates of the President’s budget.

Q. Aren’t you within the estimates now?

A. Well, there are all these miscellaneous taxes which have or will expire; the check tax has expired (it brought in $40,000,000) and lots of others expire on June 30th.

Q. Can you legally take any move to ask them to renew those?

A. I’d say that the only method, this is just background, would
be for the President/send a message; that would be the only way.

Q. Mr. Secretary, won't the deficit be much less than was estimated—that is, for the two years?
A. Oh, yes; no question.

Q. How much? It was estimated, I think, at $9,930,000,000 and it will be about seven.
A. That's right. I'm carrying that from a month ago when it looked as though it was going to be about two billion less.

Q. Then what will it be for this year?
A. I don't know; I'm carrying it from the time going back to January 1934.

Q. About four for last year and three for this?
A. That's it. When he spoke in January of last year it looked like about nine billion and that makes it about two billion less.

Q. Why is it so much less than was estimated? Just because you told us some months ago that you couldn't spend the money as fast as they thought they could; that's the story, isn't it?
A. I talked for background. The biggest item which was less than the estimates is the RFC which, I think, runs somewhere (I'm kind of sketchy) is somewhere between one billion and one and one-half billion less than they estimated; that makes up the bulk of it. There were times here when we were running—in a month, I mean—the estimates they would give us would be $500,000,000 off in just one month; but you know the figures;
I think they run roughly that we are 14½ this year under estimated expenditures and about 3½ over on our revenue.

Q. That RFC you mentioned wasn't on the record, was it?
A. None of this; this is background, but that's where the most of it is; three-fourths of it could be accounted for by the RFC.

Q. Is that because they haven't loaned or because of repayments.
A. Both. Mainly repayments.

Q. We can write it, but not attribute it to you?
A. Right.

Q. The RFC repayments are running ahead of disbursements; what do they do with the excess?
A. It comes back to us.

Q. Can you use it for disbursements?
A. No.

Q. Can you set it aside for the debt?
A. I don't think so; I'm not sure.

Q. Mr. Secretary, do your studies indicate that on the basis of the way spending is going on, it will be all right if the excise taxes are discontinued?
A. I don't want to say so. We've got our stuff; we've done our homework. We are ready and have been ready since the middle of January, and it's just a question of being called on. I get those reports regularly once a week, but we've been ready since the 15th of January.
Q. In general, do you look for very much larger expenditures in this coming fiscal year than in the present year.

A. (No answer).

Q. Do you look that far ahead?

A. What I did here—the first Fall I was in here (and that's the reason we've hit it closer than in the last couple of years) I told the boys, all you statisticians should figure all your estimates on expenditures in the highest and income at the minimum, and that's why, I think, we came closer to hitting it than we have before. Take the low figure on receipts and then, say, we'll spend so much and take the top figure and those are the figures we used, and, therefore, came a little bit closer than before; I sat in on it in December, 1933.

Q. When you say "come closer", you come out better than you estimate?

A. It was brought home to me—the editorial in the New York Times, which compared our estimates to those of England in the last five years and showed us how much we were off—you fellows don't read the editorials—and I was interested and I was rather pleased that the first year I was here we came so close.

Q. I wouldn't figure you were coming so close, but you are making a remarkably good showing when you came out a couple of billion better.

A. You look at that editorial and you'll find we are closer than two or three years ago when it was about 50% off.
Q. Can you give us anything on the June 15th financing, and how much more you'd ask than the maturities; we wouldn't quote you.
A. No. This is for background, if you want to use it. The dealers didn't like this $100,000,000 auction—all kinds of grumbling; now that they went up, particularly today, they went up 8-32's, they don't feel so sour about it.

Q. Would it be safe just to say that on June 15th you'd ask $200,000,000 more than the maturities; without quoting you?
A. You mean on notes?
Q. I mean beyond the maturity; I think the maturity is 416 and 200 and some on this Liberty.
A. It runs about 750 million, the two together.
Q. What I was asking—over your 750 maturities, about 200 in cash?
A. That wouldn't be safe.
Q. $100,000,000?
A. The only thing that you can be sure of is that we will refund those notes.
Q. You did say once that you didn't plan any large cash borrowing.
A. I did and I stick by that. What Bob is trying to find out is whether I'm going to ask 100 million or 200 million over.
Q. You wouldn't do that on the notes?
A. No. But I keep myself open, if later on I want to sell some additional notes by that particular financing, and I still stick to what I said, that we confine it to refunding.
Q. In other words, you haven't decided?
A. Yes.
Mr. Morgenthau: At your service; I have nothing for you.

Q. Although you told Senator McCarran that it was your policy and purpose to carry out the Silver Purchase Act, you didn't answer directly his questions about its constitutionality or the rumors about its constitutionality.

A. I don't think he raised the question of its constitutionality.

Q. Didn't he say that there were a number of reports going around that it was unconstitutional and that British were using that to drive down the price of silver, and he asked someone in the Administration to make a statement?

A. I don't think he raised the question of its constitutionality.

Q. No, he didn't.

A. I mean, there were a lot of rumors.

Q. And he asked that a statement be made to stop the rumors.

A. We felt here that the letter we sent up was a complete answer.

Q. On the constitutionality point?

A. No, a complete answer to his letter.

Q. He seemed rather dissatisfied.

A. Does he?

Q. He'd like a little more.

A. But you boys check me; I don't think in his letter he raised the question whether there was any --

Q. He raised the question, didn't he, of the fact that there were rumors in China that you had stopped your policy?
A. Yes, but nobody thought the stabilization fund was unconstitutional; that's the point you make, isn't it?

Q. No, that the Silver Purchase Act was unconstitutional.

A. I don't think he used the word; I read it very carefully, but does anybody know? I feel, as far as I am concerned, I took time and trouble to write an answer and I simply feel that we have given them a very definite answer to his letter as to what we can or cannot tell them.

Q. Mr. Secretary, do you plan any conference with that Committee of five he has in the silver bloc?

A. Well, I read on various news tickers that they are all coming down, etc. and so on, and the telephone is still working.

Q. No appointment has been made?

A. None has been asked for; I'm here.

Q. Mr. Secretary, did you estimate the average price you paid for this silver you bought in the last ten months?

A. No.

Q. May I ask you another question, Mr. Secretary? From the figures it looks as though the Treasury decreased its purchases about half during April and May; was that directly due to the speculative interest which you talked about?

A. No. I mean, the amount that we will buy can't help but vary from month to month after all, it's a question of supply and demand; there will be months when we will buy a great deal more and there may be months when we will buy very little,
I mean, it's a question of how much silver is offered?

Q. Can we say, Mr. Secretary, that it was tapered off in April after the price had gone to 80 cents, or were there other circumstances which decreased the amount which you bought?

A. I'd rather you'd say it was supply and demand.

Q. Rather obvious, though, if you thought the price of 81 cents was going to prevail that you wouldn't buy a lot of silver then. If the price should continue to fall, you wouldn't drop your price for newly-mined?

A. I've never thought of that.

Q. In other words, you see that it won't drop?

A. No, I just hadn't thought about it; I don't know. The chances are we wouldn't -- you mean the domestic -- we wouldn't touch it - leave it alone.

Q. Mr. Secretary, at a press conference about ten days ago I thought you indicated that perhaps this week you would have another issue of auction bonds; can you say anything about that?

A. No, we are set for this week; the thing closes tonight and if it isn't too late for all your newspapers I wish you would put something on the wire that this offer of exchange closes tonight, if it isn't too late for the afternoon.

Yesterday there was a comfortable profit of 5/8 of a point in converting; as far as I know it hasn't changed. But
if it isn't too late -- it was only those four days --
you might still get it in the evening papers that the
thing closes at midnight tonight, and I might say I am
satisfied the way it's going.

Q. Did I understand you to say that you are all right for
the rest week on the 3 per cent bonds?

A. Well, put it this way; this week there won't be anything
new coming out of the Treasury, this week anyway, of
financing.

Q. Have you made your plans past July first yet?

A. No, we haven't off the record, after all, what we've done
is we are giving the Farm Credit the right of way for the
next week, you see, letting them get theirs out of the way;
we are trying to give them -- it's going on the market I
think Monday -- give them the right of way.

Q. You won't have anything next week down here?

A. I don't know; all I can say definitely is that we won't
have anything this week.

Q. That means Saturday afternoon?

A. You can all go to the baseball game.

Q. In the New York papers there is criticism of the transfer
of 500 millions RFC funds to the Treasury bringing the
working balance from $700,000,000 up to a billion; can
you explain it?
A. The story I read was rather complimentary.

Q. I read Paul Mallon.

A. He said it was smart. You can use it for background; Bell came down and it wasn't just RFC. There were a lot of funds which were not being used and Bell called my attention to it and said, here's three hundred or three hundred and fifty million which you might as well throw into your working balance. No sense keeping it idle. He and Mr. Coolidge talked it over and saw no reason for not doing it; and we threw these funds into the working balance. No great mystery.

Q. You didn't take into consideration for June 15?

A. No, just over the week-end. They argued back and forth; here were three or three hundred and fifty million dollars which wasn't being used; why not use it; so they figured it the first of June. Very often we get credit for being very stupid and some times we are not so stupid and some times we get credit for being smart and we are not so smart; there were $50 million not being used and Danny Bell, who is smart, said, Mr. Secretary, you might just as well put it in your working balance. That's the whole story.

Q. Were any of these funds called in by Bell in the organizations that were killed as result of the Supreme Court decision?
A. If they had any idle funds, I don't know it; there was no mystery; Danny worked this out; there were 300, 350 million. He happened to bring it to me just at that time and I said, the first time it's convenient put it into the working balance. So I don't know whether it was smart or stupid; I think it was just practical.
Q. How much money did you make on that stabilization deal?
A. Well, we didn’t lose anything.

Q. Mr. Secretary, when you finally terminate your operations, will you have to make a report to Congress, I mean, on the stabilization fund?
A. Well, there’s a time—I don’t know just when that is. There’s a period.

Q. We were just speculating out here as to when you did that if you made a profit of several hundred millions what France and England would say.
A. You’ll be interested in knowing that immediately after this took place, I called on Senator Key Pittman as Chairman of the Foreign Relations and on McNary, minority leader, and acquainted them in confidence with what I had done and they gave me their hearty approval of what the Treasury had done.

Q. What did the Treasury do? Mr. Secretary.
A. Well, I sort of feel like between a lawyer and a client—if the client sees fit to say something nice about his attorney—and I’ll just have to rest by what the President of the Bank of France has said. The only other thing that I might add was that the offer that we did make them was made in the name of the President of the United States and the Secretary of the Treasury.

Q. Could you tell us whether it was decided upon about the time Governor Harrison was down here?
A. The time it was done was on Decoration Day; that’s the day it was done.
Q. That's a little bit confusing, I mean, as to what was done on Decoration Day.

A. I mean the decision to supply the dollars they needed was made on the afternoon of Decoration Day.

Q. Does that mean buying francs to support the franc?

A. He worded it very nicely—he said we furnished the necessary dollars. Just to get the thing straight the two other people—in the first place the Guaranty Trust Co. of Paris did a perfectly grand job and Mr. Cochran, second secretary of the American Embassy in Paris, was most helpful.

Q. I should think that you could, for some of us who are not really financial experts, you could sort of give us a little background.

A. All right, background.

Q. We can use it, but not attribute it to you?

A. Right. Well, what the operation consisted of was this: In order to maintain the price of the dollar in terms of francs, of francs in terms of dollars, the French had to keep buying francs and paying for them with gold; that's the simplest way to put it, in order to keep the franc from falling.

Q. And gold at that point would move out of France?

A. Gold would move out of France. Then it got down to the gold export point and the Guaranty Trust could only do so much—25% of their capital and surplus, and that was one of the limiting factors; the other limiting factor was the amount of gold that you could put on the boats and the amount of insurance the insurance companies would write. Well, then it got to a point where it looked as though they were going to get to the saturation point—there weren't enough boats, enough in-
urance, and the Guaranty Trust was reaching the point where it couldn’t do any more business.

Q. Was it your fiscal agent in Paris?

A. No, they were operating for themselves; they were operating privately for profit for themselves; I mean, two countries being on the international gold bullion standard, and they were operating in a perfectly honorable manner, operating in a way they were supposed to operate. Well, when it got to the point where they had reached the saturation point—the boats, insurance and all that—it looked as though there might be a collapse and that’s where we stepped in.

Q. Could it be stated with what amount you stepped in?

A. I’d rather not say.

Q. Was that May 31st?

A. It was on Decoration Day, May 30th; I happened to be on the farm and did it all from the farm.

Q. Could you say you made gold available here for the Bank of France?

A. It’s their gold; they had to buy francs to keep the franc from falling and they paid for it with their gold; they had to pay for it with something and needed gold, the rush was on—not enough boats. The Guaranty Trust Company was the only one operating and the insurance companies will only write so much and they said who will buy our gold and give us dollars and that’s where we stepped in.

Q. In other words, you bought gold, making dollars available to them so they could continue their operations?

A. Yes, so they could continue their operations, and that was where the President and I stepped in and we simply figured that between two civilized nations (this is all background) the word of the Bank of
France was good, of course, and they had five billion dollars worth of gold to back it up—this is all off the record; when I go on the record, I'll say so.

Q. Of what advantage is it for the United States to keep France on the gold standard and protect the franc and then to emphasize it further, when they refuse to pay their debt to us?

A. Again background. The debt doesn't enter into this thing at all and I'll tell you why; we are at present on an international gold bullion standard; let's just say, for example, that France wasn't able to do this thing and her franc went to pieces and she might have devalued, and they talked of 20 to 25 per cent devaluation, and we would have had a devaluation war on.

Q. Devaluation by France wouldn't necessarily mean that we would have to enter a devaluation war.

A. No, but we are sitting pretty and all you have to do is read the English press to see how pretty we are sitting in this international situation and my speech clarifies that. If France devalued 25 per cent and England went under that and Germany under that, the first thing we would find, we would be at a disadvantage in world trade. All you have to do is read the English papers—they realize it a good deal more than some of our people do; the English press, English people, members of Parliament, and economists know it; it would have started devaluation war and it's surely a matter of good hard business sense; I couldn't see anything in it for us and I think we are sitting pretty. In other words, why let them start? If we want to start this thing we want to time it and not have a pistol to our heads and have things forced on us. We think
we are sitting pretty, getting a good share of the world's export business; when the time comes, if we want to do anything, then we want to call the turns, but not to do it at a time when there's no necessity for it.

Q. How long, Mr. Secretary, do you judge this thing can be stopped up? Will it re-occur?

A. I'm talking very frankly to you people and absolutely putting myself in your hands. I look for a quiet summer in terms of international exchange and I'll go to next September or October—that's as far as I can look ahead. In terms of international exchange, I look for a quiet summer. I'm still off the record. There was no particular risk, they had the gold and if the word of the Bank of France isn't any good, civilization isn't worth much.

Q. When you say you look for a quiet summer, does that mean you expect to do it again in case of an emergency?

A. I hope for my health's sake I won't have to; there has been no gold movement for a week—it seems wonderful and that seems like a lifetime. We are going to have a quiet summer and I again say, I think this is good business for American businessmen—that we were able to stop this thing at this time when it was not necessary for it to happen; that's the way we feel; time will tell whether we are right or not.

Q. When you make a loan to the Bank of France and when you make dollars available in that way, you eventually have it repaid by shipments of gold? You didn't actually ship the gold?

A. Immediately.

Q. You didn't ship it because the ships were all filled up?
A. As a matter of fact there was a drag for about a week.

Q. I'm talking about gold which was coming here directly as a result of your operations, not as a result of private operations.

A. Actually, there was the Guaranty Trust operating as a bank and then there was the United States Treasury operating through its fiscal agents.

Q. No other banks operating?

A. No.

Q. The British didn't go into it at all?

A. Well, I don't know what the British did.

Q. How does it happen that Guaranty was the only one that operated?

A. Well, give them credit for being courageous and good businessmen.

Q. Everybody else seemed afraid that France would devalue or embargo gold--why weren't they?

A. I think they were just a little smarter.

Q. Did you call this operation, cooperation among the remaining gold bloc countries?

A. I call it common decency, after all, between nations; we happened to be riding here very pretty; we can borrow money as low as it has been for many years. I was very glad when I first came in to borrow for thirteen months at 2 1/4 per cent; I'm a burnt child and I don't forget it; I came in when things were bad. The time may come when we may need some nation to help us.

Q. Do you think France or England will give it?

A. I don't know, but we've certainly made a lifelong friend out of France in this thing; they'll never forget it.

Q. At the economic conference in 1933, France and the United States
were not in agreement; France was more on the side of England.

A. I, myself, and anybody that had anything to do with the London Economic Conference is no longer connected with the United States Treasury; so that's a closed book. I never read the minutes and I don't want to know what happened; there's nobody here that had anything to do with that conference. We have closed that book.

Mr. Gaston: You're still talking background.

Q. Could we use that direct quote on common decency?

Mr. Gaston: I should think so.

Mr. Morgenthau: Common decency between nations will be O.K.

Q. You mentioned the Guaranty Trust operated on a basis of 25 per cent of its capital and surplus; just what does that mean—they could handle gold on that basis?

A. They could handle so many million dollars worth of gold.

Q. Is that under the Banking Act?

A. It must be. As a matter of fact, they got all balled up and mixed up; they didn’t know how much was on the water and how much was there, but there was great excitement; it was 25 per cent—did it mean in France, in the water or here?

Q. Wasn’t the United States the greater beneficiary than the French were in this operation?

A. Let’s say it was mutually advantageous; I’ll say, in all sincerity, it was done unselfishly.

Q. Is that twenty five per cent of the Paris or the New York bank?

A. Perfectly frankly, we told the Guaranty Trust not to worry if they had overstepped the bounds legally and we told them we would take the gold off their hands. There was terrible excitement—people
up night after night; there was terrific tension and it made them do a good job and we told them not to worry.

Q. One of the things impresses you—if a situation should come up all of a sudden again, as long as things exist this way, it can happen all over again.

A. Just pray the Lord—it has happened twice—to be good to us. Already once before when the Supreme Court was out and again now; luck seems to hang with us.

Q. Was there any other precaution outside of the word of the Bank of France?

A. Plus the fact they had the five billions of gold to back it up, but it was the mechanical difficulties of getting it out. There wasn’t much risk; they said over long-distance telephone; we will do so and so, will you do that? In my small way on the farm I have done business by word of mouth and my word is good and the President and myself were satisfied to take the word of the Governor of the Bank of France and when we said we would buy so many million dollars worth of gold, we took his word and delivered and the whole thing is that way.

Q. Except word on the war debts.

A. Well, the State Department is handling the war debts.

Q. That had all the elements of a dirty crack.

A. Well, I was only here one month when the State Department announced they were going to handle the war debts and they thought they had taken something away from the Treasury and we had a whooppee party here.

Q. Some people seem to think that only the devaluation of the franc would
make possible stabilization. Do you subscribe to that view that devaluation of the remaining gold currencies is requisite to stabilization?

A. I am Secretary of the Treasury of the United States and that's enough finance; I'll let the other countries solve their problems.

Q. I asked you that because you seemed to take a tremendous step to keep them on.

A. Well, they wanted to stay on and that's a policy matter; they say to us, 'we are on gold, you are on gold, and will you work with us, and the answer is yes; we need so much--okay, it's enough.

Q. If they had gone off, would it have started a devaluation war?

A. Yes, I think so. I am still talking background. When I go on the record, I'll announce it and shout it.

Q. Was similar aid given to Belgium?

A. No. The Federal Reserve gave them twenty five million dollars credits.

Q. Can this be taken to indicate that the United States and France, the two remaining gold countries, are still leading the way back to stabilization on the old gold basis?

A. Some people will think that, but I wouldn't write it that way. Now the Treasury is still on the 24-hour basis and I will put that on the record; as far as it's monetary policy is concerned.

Q. What means gold standard and our whole monetary policy?

A. As far as our monetary policy is concerned, we still operate on a 24-hour basis.

Q. Holidays included?

A. Holidays included.
Q. You wouldn't want us to say that we might go back on the gold standard shortly?
A. We don't know; we're here; we don't know.

Mr. Gaston: You're referring to Treasury policies only because there are certain things that are matters of statute.

Mr. Morgenthau: I'll talk on the record--as far as the Treasury matters are concerned now, we try to meet the situation as best as we know how every day.

Q. But you said that when anything is done you wanted to call the turn; does that mean you want to call the turn for an international discussion of these things?
A. Now we go again for background. I simply feel that the United States, with all modesty, has the strongest financial position, and that when there's any change that affects our dollar, we should make it and we should not let anybody else push us into the situation, and when the situation comes that we feel we should make a change in our monetary policy we will make it; we are in the strongest position and we feel our hand shouldn't be forced to disadvantage, and we have been able to do that now for a little over a year.

Q. Is that usable?
A. No, that's all background.

Q. That was pretty much your speech though; you told the world that we were running the financial show.
A. I don't like to be bragging--abroad they always accuse us of being braggarts, and I don't want to; it was a very graceful statement that Tannery made.

Q. With nine billions in gold, we would be able to have a lot of advantage.
A. They're very well and kindly disposed; they're about the only
country in the world that does feel kindly disposed—let's keep
them that way for a week or two.
Q. Do I understand that the remarks you made as background can be used
if not attributed to you?
A. Is that right, Herbert?
Mr. Gaston: The background can be used for information in developing
your story.
Q. This is a good place for me to catch up; I think I know everything
about it, except what it is we did.
A. I'll refer you to Professor Thornburg.
Q. I wish we could quote you about that one country is friendly to
us and we hope to remain friendly for a week.
A. No, I have been very frank and you can write the story as you think
it happened.
Q. They might ask us to prove it.
A. Isn't that the way to do it, Herbert?
Mr. Gaston: Yes.
Q. I want a liquor story.
A. Who's buying our liquor today?
Q. This is a better story that Mr. Cummings is posting—that there are
more liquor convictions than ever; are you having your greatest
difficulty with the bootlegger or revenue people or what?
A. Let's say all kinds. If you want a good liquor story, we are
breaking that all down into classifications; Mr. Oliphant has
all that. We have broken this all down into cases, etc.
Q. Mr. Secretary, can you tell us anything about the legislation which
will take the place of the FACA?

A. Only, I'd be glad to be quoted on this—that I am very anxious to see Mr. Choate's organization continue; he has done a grand job and I hope Congress will see fit to continue it.

Q. Will you take his advice about taxes?

A. Not taxes; I'll take his advice on liquor regulations, if he will leave the taxes to me.

Q. If we are sitting pretty in the present situation and we are going to call the turns, why don't we call the turns then to freeze the present situation—I mean, to stabilise at the present ratio?

A. For background, for a very good reason. Great Britain doesn't want us to; she's the fly in the ointment.

Q. You are sure she doesn't want you to?

A. Very sure.

Q. What's the trouble, Mr. Secretary? Do they think their currency is too high in relation to the dollar still?

A. The best explanation which has been given to me was by an Englishman who came over here; he said, "You know, we have elections coming off; there's no votes in stabilization."

Q. It's political rather than economic?

A. That's the best answer I've gotten so far. No votes in stabilization and I've checked that and it's true; there's nobody interested in it. They whoop it up here, but there's no interest over there.

Q. Are the French interested in it, Mr. Secretary?

A. I'd say so. Are you satisfied? Have you got what you wanted? I haven't talked so much in a long time.
Q. Did you see Mr. Long's share-the-wealth plan?
A. Yes, they voted it down.
Q. Was it submitted to you in advance?
A. Yes, put that in your stories.
Q. Was that last remark about France interested and England not off the record?
A. It's all off the record--background.
Q. We can use it?
A. You had better keep that off the record. The first talk I made was for background and I made one or two little remarks about background and the rest was off the record.
Q. On that Wall Street survey, what has happened to that? Has that been killed?
A. Oh, that was a good one-day story.
Q. I don't understand what this matter means--we might have been hamstrung; we can admit the fact that you checked up on it or that you--

Mr. Gaston: Why don't you say that one visiting statesman made that remark in this country, that there's no votes in stabilization. That's admitted in foreign dispatches.

Q. Say a visiting statesman from France.
A. Or a statesman coming from England.
Q. We'd say they told Mr. Gaston.
A. All right.
Mr. Morgenthau: Nice morning. How's everybody?

Q. On behalf of the whole group, Mr. Secretary, we want to express a personal loss — Miss Chauncey's going out of the press room.

A. Oh, I see. Well, your loss is my gain.

Q. We don't like it.

A. This isn't a strike, is it?

Q. No, no strike; it's congratulations and expressions of loss.

A. I see. Well, you see she's still here.

Q. We're going to continue to pester her though.

Mr. Secretary, is there any estimate other than the President's message as to possible revenue which might be raised if the entire program were put into effect? Any rough estimate of revenue?

A. I really think that we had better keep out of an interpretation of that message today. I think if I once let myself go, we might be here all morning; I think the estimates better come from the Hill or else requests from the Hill. I remember when I went up and testified they asked me how I would raise the money and if we had an estimate and subsequently we furnished it to them in writing, and if the Hill wants an estimate, we will give it to them.

Q. Could we get figures here on how much revenue in the increased percentage in the larger incomes might come in?
A. I think we had better wait until Mr. Doughton asks.
Q. As I understood your position, you did not favor the imposition of any taxes at this time except in connection with the bonus.
A. Did I, I don't know.
Q. I thought you said you didn't want additional taxes at this time.
A. The only statement I have made on taxes this year, I think I'm right and you boys check me, was when they asked me how to pay the bonus; I said this is how to pay it, and I don't think, outside of that, I said a word.
Q. The President's budget message said there wouldn't be any new taxes this year, unless there were new expenses.
A. I'm not very clear on that, but he specifically asked that these five hundred millions worth of taxes be renewed and that was in our estimate; I don't think there were any other estimates in his message other than that.
Q. You agree with the recommendations?
A. Yes, I do.
Q. Mr. Secretary, under the new plan —
A. I think maybe I should go home.
Q. —provided you get those new taxes, when would the budget come into balance? Would that be next year?
A. Oh, Bob, I don't want to fence with you.
Q. Well, I'm just asking.
A. It gets back to the same questions you asked; it gets back to how much revenue it will produce and I think we said wait until one of the committees, when they take up this thing, asks the Treasury how much revenue will this produce and we will give it to them; as I remember it, LaFollette insisted on that and we sent it up to the hearing and I think that's proper. I mean, if they ask for it, if you fellows, for instance, go up there and say, are you going to take this and can you get the Treasury to give us an estimate, they write down, please let us have an estimate, we will send it up.

Q. Mr. Secretary, you must have in mind some scale of rates such as that you proposed to the Senate Committee? I think there's a little confusion as to whether the Administration wants a certain scale of rates or whether they are leaving that to the House.

A. I think the whole thing gets back to—the President of the United States sends a message to Congress, it's in their lap, now if they want any message they will have to ask me and until the Hill asks the Treasury, I'll keep my mouth shut. If you want any technical information based on that message, we will be glad to furnish it.

Q. Is the President's position that he wants this thing at this session or for passage in the next session?

A. I couldn't answer that, for him, I mean.

Q. I mean, does he want that?
A. He's sending this thing up to Congress for handling, and Congress is in session, so I infer he wants them to do something about it.

Q. The nuisance taxes expire June 30th.

C. Mr. Secretary, can you tell us anything about the Jackson gold cases?

A. I'm sorry, I can't. If you fellows want to know about it, I'd be glad to arrange for you to see Mr. Oliphant—I'm not up on that.

Q. Mr. Secretary, can you tell us whether a 3 per cent bond issue is in the offing for the near future?

A. Yes—I get so mixed up on this tax thing; we will have an announcement Saturday for Monday and I'll tell you now that we are going to ask for bids on a hundred million dollars worth of bonds on Monday.

Q. That's for publication?

A. That's for publication.

Q. For publication now?

A. No, it's for you; we will have a formal announcement Saturday, but I'm telling you people in confidence that we will have an announcement Saturday morning and we will again offer bids for one hundred million.

Q. Then you are going to have your same one hundred million a week bill issues so that would mean about 150 million more increase in the debt this year is all, doesn't it? Which is much less than estimated?

A. Yes. Would you let them put it on the wire that we are going to do this?
Mr. Gaston: We never have in advance of an offering.

Q. I don't see what difference it would make, Mr. Secretary; it couldn't affect the market particularly and it's a fairly interesting story.

A. We never have, have we?

Mr. Gaston: No, we have only spoken in a general way.

Mr. Morgenthau: This is what you can put on—you can announce we will have an offering on Monday.

Mr. Gaston: I think it might be better to tell just what it is going to be than that they might guess $500,000,000 or a billion.

Mr. Morgenthau: Then tell them we are offering $100,000,000 on the same plan, same issue, '46, '48, 5%.

Q. Have you considered the possibility of doing anything on tax-exempt bonds? Is there any way of replacing the tax-exempt bonds with non-tax-exempt bonds?

A. That's in there; he asked for a constitutional amendment; he said, as my predecessor has asked, I ask for a constitutional amendment; he asked for that.

Q. Do you know what predecessors he is referring to; is there a long list of them?

A. I know that both Mellon and Mills asked for that.

Q. They're not his predecessors.

A. No, but I'm thinking of whom they served under. It must be Hoover, but whether it goes back to Hoover, I don't know.

Q. I don't suppose a person could make a bond now that's tax-exempt, taxable, but is there any way you could replace them, make them taxable?
A. Only one way.

Q. You mean a constitutional amendment to levy a direct inheritance tax?
A. I never heard of it.

Q. It was necessary in the income tax.
A. Was it?

Q. Yes, there was a constitutional amendment.
A. This message the President sent up, not for quotation, our people think is constitutional.

Q. Mr. Secretary, is it safe to say that the Administration's fiscal policy is now to begin to pay off the debt from the implication of that message?
A. That's for you to write.

Q. I wondered whether that was your official—
A. Well, we will use the proceeds to retire the public debt, and, incidentally, balance the budget.

Q. That would be a permanent policy all along then?
A. Oh, I don't like the word 'permanent', but I mean, after all, he mentions that and he said it in general; he said it, in fact, previously, so I would say that this is the reiteration of that.

Q. Did you notice what Huey Long said?
A. No.

Q. Amen.

Mr. Secretary, how do you balance the budget by reducing the debt?
A. I don't want to start on that.
Q. Mr. Secretary, any change in your policy on your program of customs zones out at sea for rum smuggling?
A. You mean as to proposed legislation?
Q. Yes.
A. No. We are very anxious to get that bill through; it passed the House.
Q. Are you going up to the Senate to talk on that?
A. You mean I, personally? The Treasury considers it very important.
Q. Are you going up and testify on the Federal Alcohol Control Administration bill?
A. I haven't been invited.
Q. That's considered an administration measure, isn't it, or coming out of Congress?
A. Were you up there last night?
Q. No.
A. Well, the boys stated very flatly their position, and I'll state our position again—that we feel the Federal Alcohol Control and Mr. Choate have done a splendid job; that the Federal Alcohol Control gets into the social aspects of liquor and our job is to collect and protect the revenue and I don't think the two things mix, and we'd like to see the Federal Alcohol Control continue as an independent agency. We said so last night and we have said so repeatedly. It's an aspect of the liquor industry that we feel can be better administered by an outside agency. I could go up and testify for an hour and that's the way we feel and that's
the way the boys testified last night. That's the Treasury's position; that's what the boys said last night.

Q. Mr. Secretary, does the Treasury feel strongly enough about the difference between selling liquor in barrels instead of glass to recommend the veto of this bill if the barrels are left in?

A. The Treasury is strongly opposed to the sale of liquor in barrels.

Q. Why?

A. Why? Because we have set up rules and regulations on bottles and strip stamps and we have made real headway in controlling the retail sales of liquor, and if they are going to sell it out of a barrel, we feel that our control will be greatly handicapped.

Q. It will mean more bootlegging, won't it?

A. Why, sure. If you've got a barrel of whisky, you're going to get 25 per cent whisky and 75 per cent bootleg alcohol; we've made real progress with this thing and if you go back to the measuring of a couple of barrels in the cellar, you'll have bootleg liquor --- there's no control; the government loses its revenue; you simply go back to the old days. Take New York City; We have made wonder-ful progress there on the control of legitimate sales of liquor through the retail stores; if we go back to the barrels, then I won't be able to enforce the law---I'd need an army to do it; it would be the most perfect outlet for bootleg liquor. I'll say something which I have practically never said before---the President feels just as strongly as I do; very seldom can we quote the President, but he is absolutely opposed to the sale of bulk liquor.
I very seldom quote him. I happened to be talking to him yesterday when Mr. Choate was sitting right next to him and I asked that question. And he said most emphatically, "I am opposed to bulk sales of liquor." And I will say, off the record, very much off the record, I cannot understand this sudden desire on the part of Congress to sell bulk liquor; it's almost unbelievable that in order to have to sell a few more oak staves they've got a drive on to sell barrels; they're willing to upset our whole plan just to sell a few oak staves; they're willing to overthrow what I say is a fairly successful program on the control of liquor. I think we've been fairly successful.

Q. Why don't you buy the oak staves?
A. Well, we may use the stabilization fund.
Q. You could buy oak staves using the stabilization fund legally.
A. Surely.
Q. Mr. Secretary, what would be your attitude if Governor Harrison of the Federal Reserve Bank was appointed a director of the Bank of International Settlement?
A. Do you mind—not just at this stage—asking me; I'll answer it some day. It would make it easier if you would withdraw your question—mind?
Q. Surely.
A. I'll answer some time, but just now everybody is fidgety abroad. If it's important?
Q. No, it isn't that important.
A. Thanks very much.

Q. How do you like your title of "Savior of the Franc?"
A. Incidentally, as long as you asked me that, what everybody seems to overlook was that it was the dollar that we are saving and not the franc.

Q. The silver people think it was gold you were seizing and don't like it.
A. After all, it's the dollar we were thinking of and the dollar comes first.

Q. Could we use that business about a sort of a jest of buying the oak staves with the stabilization fund—that would make an awfully good story?
A. I'm afraid not.

oo0oo
Secretary of the Treasury Morgenthau is today offering to the people of the United States an additional issue of 3 percent Treasury Bonds of 1946-48, in the amount of $100,000,000, or thereabouts, and is inviting tenders therefor at not less than par and accrued interest. The bonds will be sold to the highest bidders. Tenders will be received at the Federal Reserve banks and branches thereof up to 12 o'clock noon, Eastern standard time, on Wednesday, June 26, 1935. Tenders will not be received at the Treasury Department, Washington.

The bonds for which tenders are now invited will be an addition to and will form a part of the series of 3 percent Treasury bonds of 1946-48, issued pursuant to Department Circulars No. 512, dated June 4, 1934, and No. 541, dated May 27, 1935; they will carry the same tax exemptions, and otherwise will be identical in all respects therewith except that interest on the additional bonds issued will accrue only from June 15, 1935. The bonds will mature June 15, 1948, but may be redeemed at the option of the United States on and after June 15, 1946. Interest will be payable semiannually on June 15 and December 15.

Each tender must state the face amount of bonds bid for, which must be $1,000 or any even multiple thereof, and the price offered, which must be stated exclusive of accrued interest and must be expressed on the basis of 100, with fractions expressed as 32ths of 1 percent in accordance with the usual practice — for example, 103-16/32. Tenders at less than par will not be considered, and tenders not received at a Federal Reserve bank or branch before 12 o'clock noon, Eastern standard time, Wednesday, June 26, 1935, will be disregarded. Tenders will be accepted without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others
must be accompanied in every case by a deposit of 5 percent of the amount of bonds bid for, except where the tender is accompanied by an express guaranty of payment by an incorporated bank or trust company. If the tender is accepted, in whole or in part, the deposit will be applied toward payment for the bonds, and if the tender is rejected the deposit will be returned to the bidder.

Tenders should be made on the printed forms and forwarded in special envelopes, which will be supplied by the Federal Reserve banks. Incorporated banks and trust companies not located in a city where a Federal Reserve bank or branch is located, may, in their discretion, submit tenders by telegram.

Immediately after the closing hour for the receipt of tenders on Wednesday, June 26, 1935, all tenders received at the Federal Reserve banks and branches up to the closing hour will be opened, and public announcement of the acceptable prices will follow as soon as possible thereafter. In considering the acceptance of tenders, the highest prices offered will be accepted in full down to the amount required, and if the same price appears in two or more tenders, and it is necessary to accept only a part of the amount offered at such price, tenders for smaller amounts may be accorded preference and tenders for larger amounts prorated to the extent necessary in accordance with the respective amounts bid for. The Secretary of the Treasury expressly reserves the right, however, to reject any or all tenders or parts of tenders and to award less than the amount bid for, and any action he may take in any such respect or respects shall be final.

Payment for any bonds allotted on accepted tenders must be made or completed in cash or other immediately available funds on or before July 1, 1935, and must include the face amount, and the premium which the bidder has agreed to pay, together with accrued interest on the face amount from June 15 to July 1, 1935.

The text of the official circular follows:
UNITED STATES OF AMERICA

3 PERCENT TREASURY BONDS OF 1946-48

Dated June 15, 1934, with interest from June 15, 1935

Due June 15, 1948

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER JUNE 15, 1946

Interest payable June 15 and December 15

ADDITIONAL ISSUE

1935

Department Circular No. 544

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, June 24, 1935.

Public Debt Service

The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, offers to the people of the United States $100,000,000, or thereabouts, 3 percent Treasury Bonds of 1946-48, and invites tenders therefor at not less than par and accrued interest from June 15, 1935, to July 1, 1935.

Description of Bonds

The bonds now offered will be an addition to and will form a part of the series of 3 percent Treasury Bonds of 1946-48 issued pursuant to Department Circulars No. 512, dated June 4, 1934, and No. 541, dated May 27, 1935; will be freely interchangeable therewith; and (with the exception that interest on the bonds issued under this circular will accrue from June 15, 1935) are identical in all respects therewith and are described in the following quotation from Department Circular No. 512:

The bonds will be dated June 15, 1934, and will bear interest from that date at the rate of three percent per annum, payable semiannually, on December 15, 1934, and thereafter on June 15 and December 15 in each year until the principal amount becomes payable. They will mature June 15, 1948, but may be redeemed at the option of the United States on and after June 15, 1943, 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.

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

Similarly, the exception does not apply to the gift tax, see Treasury Decision 4550.
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 the Second Liberty Bond 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.

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

As interest on the bonds issued under this circular will accrue from June 15, 1935, coupon bonds will be delivered hereunder with coupons Nos. 1 and 2, dated December 15, 1934, and June 15, 1935, respectively, detached.

Tenders and Allocations

Tenders will be received at the Federal Reserve banks and branches thereof up to 12 o'clock noon, Eastern Standard time, Wednesday, June 26, 1935, and unless received by that time will be disregarded. Tenders will not be received at the Treasury Department, Washington. Each tender must state the face amount of bonds bid for, which must be $1,000 or any even multiple thereof, and the price offered. The price offered must be stated exclusive of accrued interest from June 15, 1935, to July 1, 1935; and must be expressed on the basis of 100, with fractions expressed as 32nds of 1 percent, in accordance with usual practice, e.g., 103-16/32. Tenders at less than par will not be considered.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied in every case by a deposit of 5 percent of the face amount of bonds bid for, except where the tender is accompanied by an express guaranty of payment by an incorporated bank or trust company. If the tender is accepted, in whole or in part, the deposit will be applied toward payment for the bonds, the balance to be paid as hereinafter provided. If the tender is rejected, the deposit will be returned to the bidder.

Tenders must be enclosed in envelopes, securely sealed, addressed to the Federal Reserve bank, or branch, of the District, and plainly marked "Tender for 3 percent Treasury Bonds of 1946-46". The Federal Reserve banks will supply printed forms and special envelopes for submitting tenders. Incorporated banks and trust
companies not located in a city where a Federal Reserve bank or branch is located may, in their discretion, submit tenders by telegram, but such telegrams must be received at the Federal Reserve bank or branch before the time fixed for closing.

Immediately after the closing hour for the receipt of tenders on June 26, 1935, all tenders received in writing or by telegraph at the Federal Reserve banks or branches thereof up to the closing hour (12 o'clock noon, Eastern Standard time) will be opened. The Secretary of the Treasury will determine the acceptable prices offered and will make public announcement thereof as soon as possible after the opening of tenders. Those submitting tenders will be advised by the Federal Reserve banks of the acceptance or rejection thereof, and payment on accepted tenders must be made as hereinafter provided. In considering the acceptance of tenders, the highest price offered will be accepted in full down to the amount required; and if the same price appears in two or more tenders and it is necessary to accept only a part of the amount offered at such price, tenders for smaller amounts may be accorded preference and tenders for larger amounts prorated to the extent necessary in accordance with the respective amounts bid for. The Secretary of the Treasury expressly reserves the right, however, to reject any or all tenders or parts of tenders, and to award less than the amount bid for, and any action he may take in any such respect or respects shall be final.

Payment

Payment for any bonds allotted on accepted tenders must be made or completed on or before July 1, 1935, in cash or other immediately available funds, and must include the face amount, and the premium which the bidder has agreed to pay, together with accrued interest on the face amount from June 15, 1935, to July 1, 1935. In every case where payment is not so completed, the 5 percent deposit with application shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States.

General Provisions

Federal Reserve banks, as fiscal agents of the United States, are authorized and requested to receive tenders, to make allotments as indicated by the Secretary of the Treasury to the Federal Reserve banks of the respective districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds in full-paid allotments, and to perform such other acts as may be necessary to carry out the provisions of this circular. Pending delivery of the definitive bonds, Federal Reserve banks may issue interim receipts.

The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or mandatory rules and regulations governing the receipt of tenders and the sale of bonds under this circular, which will be communicated promptly to the Federal Reserve banks.

HENRY KORENTHAU, JR.,
Secretary of the Treasury.

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1 Accrued interest from June 15, 1935, to July 1, 1935, on $1,000 face amount is $1,614.75.
Mr. Morgenthaler: All right, lady and gentlemen. What has happened to you?
Q. I dove.
A. Into what?
Q. There wasn't enough water.
He missed the ocean, Mr. Secretary, in diving.
I dove in the ocean once; I didn't know which side the sky was on; I hit bottom.
A. All right, what have you got today?
Q. Did you tell the President that you would have the taxes enacted at once?
A. Did I? Surely.
Q. Are you able yet to tell, Mr. Secretary, how much you expect to get by the taxes?
A. (No answer).
Q. Has anyone on the Hill asked for figures on the taxes yet?
A. Oh, we have had some conversations, but we haven't got anything official.
Q. Are you studying the question of scales?
A. Well, we've done our homework some time ago so it's all there.
Q. You must have known about this in advance.
A. I think it isn't any secret that tax messages originate in the Treasury, at least, the groundwork.
Q. Will the gold profit be employed over the next two months to retire the $675,000,000 Panamas and consols?
A. Surely.

Q. Will that operation be concluded over the next two months?
A. As they come due.

Q. Well, as I recall, that will be July 1st and August 1st.
A. Yes.

Q. And will gold certificates be turned over to the Federal Reserve banks on those dates?
A. If you want that technical operation explained -- it's terribly technical -- if any of you people want to sit down with Danny Bell, he's the man to sit down and explain it, but it's a highly technical thing; he's the person to explain that; he's available.

Q. Do you know, Mr. Secretary, whether that gold will be paid out to redeem these bonds as the currency comes in for retirement?
A. I wouldn't attempt to explain it.

Q. Either method could be used, couldn't it?
A. I'm not trying to avoid -- it's a very technical explanation and you know I'm not a banker and I'd rather let you sit down with Danny Bell and he'd explain the whole thing to you and go into as much detail as you want. All I know is that they are going to be retired and paid for out of the gold profit.
Q. Will you let the cash balance go down by that amount,
Mr. Secretary, or will you build it up by further borrowing?
A. Well, we are getting $100,000,000 in the next two days.
Q. That would cut off your balance $600,000,000.
A. Well, we won't have any further announcement until we definitely do something; in other words, I'm not going to do any forecasting today as to how we are going to finance it.
Q. Mr. Secretary, can you give us just a little light on taxes today?
A. No, it's a dark, overcast day; I'm sorry, I'll just have to be a bump on a log until the sun shine breaks; I'm afraid it will have to break somewhere else.
Q. There was one thing which was in my mind -- there has been some talk that it was intended to apply present taxes on inheritances only in excess of 10 million dollars.
A. I'm not going to try to be smart or anything else; at the right time, somebody is going to ask for the information who is entitled to it and we will give it to them; until that time we are just going to sit tight. You know there are times I can talk and there are times I can't, and this is one of the times I'm going to sit tight, until we're called up on the Hill.
Q. I was going to ask you whether you had been asked how much money these taxes would bring into the Treasury?
A. I haven't been officially asked yet on the Hill.
Q. But you are prepared to answer any questions?

A. Yes. We've been at this thing for months and months and months, and when we get ready and we are asked in the right way by people who are authorized, the information is there.

Q. Do you recall the date on which your tax problems were subjected to the first formal study?

A. No. Anything else? Not very much news today — no news—blank.
Mr. Morgenthau: I am quite pleased on the sale made yesterday on that $100,000,000.

Q. Better than the last one?
A. Much better, much closer; at about noon, yesterday, those bonds were selling at 103 20-32 and you can see the bulk of them went around 17 or 18-32ds.

Q. What was the price of those before you announced the outcome, Mr. Secretary? Did they go down very much?
A. They went down some.

Mr. Gaston: It seems to me the range was about 19, 20 to 21 when we announced the offering.

Mr. Morgenthau: I think, as I remember it, they went off that day 6-32ds and up to now I think they went off 6-32ds, and they sold a little while ago at 25-32ds, but if I remember it, last time they dropped from around--

Q. Dropped almost a point.
A. No, half a point; they got them around 103 3-32ds; this time they are buying them around 103 and 17 or 18-32ds. In other words, they are buying them within two or three thirty-seconds of the market.

Q. Are banks the chief buyers?
A. I don't know; we get these through our fiscal agents, the various Federal Reserve banks.

Q. The banks probably do the bidding.
A. I don't think so—I don't know. You can find out; there's no secret about it.

Q. Have you heard anything about the fact that in this issue the insurance companies came in for the first time?

A. I frankly don't know; the various Federal Reserve banks either telephone here or wire this stuff, and they open the bids; any information that's there we are glad to turn over to you.

Q. These bonds weren't exempt from surtax?

A. No.

Q. Can you tell us anything about the White House conference yesterday?

A. Which one? I was there twice. About Miss Roche's share-the-wealth, I mean, health movement?

Q. No, the other one.

A. I get so mixed up about my health and wealth; I'll talk all about the youth movement; somebody was so unkind as to say I was getting in on my second youth. No, I can't talk about the other one. I told the boys when I came out last night there was no use. It was just one of those things; somebody else will have to talk about it.

Q. I have a good rumor for you this morning.

A. Good.

Q. It seems the latest story about these taxes is that the President is going to experiment by raising prices by fooling
around with gold and silver and wants to give the Treasury the profits that result from this speculation. Can you comment on that?

A. The hot weather isn't here, but if it was, I'd say it was one of those hot-weather stories.

Q. You could say it anyway.

A. Let's put it down as a poor hot-weather story.

Q. It came from Canada.

A. Let's put it down as one of those July or August stories.

Q. Can you say when it is intended under this plan, possibly for background, for the corporation taxes to go into effect?

A. All I can say is that Mr. Doughton has asked the Treasury to come up and cooperate with his committee and we are ready; we will go up there and give them any technical information he asks for.

Q. Are you personally going up?

A. I'll go up—not as an expert—I'm going to go up.

Q. Can you tell us when?

A. That will have to come from Mr. Doughton.

Q. It won't be this week?

A. He'll have to tell you. It will have to come from the Hill; after all, it's his invitation. Our position is just the same as it has always been; we are ready to furnish any technical information that either Senator Harrison or Mr. Doughton wants from us. Now if I got a call from Mr. Doughton this morning and when he tells us he's ready,
why we're ready.

Q. Do you think that with this tax program it would be principally economic or social reform?

A. Were you at the President's press conference yesterday?

Q. Yes.

A. Well, I wasn't. I think I'll have to let that one slide by.

Q. Are you going to do anything about this silver petition that's going down to the White House today signed by 25 Senators?

A. Is there a silver petition?

Q. Yes.

A. I don't know; I mean, I saw it on the ticker.

Q. McCarran is going to bring it down.

A. I didn't know he had one; I saw a couple of days ago he talked about getting 40 people to sign one, and, off the record; I thought maybe like that appointment—a committee of five was coming down to see me—I'm still waiting to see them; I think I'll have to wait to see what the petition says.

Q. Any comment on the report that you have started buying silver?

A. (No answer.)

Q. Why has silver been so weak, any cause?

A. I would say just a question of supply and demand and it happens to be true.

Q. What happened to the demand? The chief demand seems to come from the Treasury.

A. I would say the supply had suddenly increased; that's not for
quotes; I just stick on the supply and demand--that seems to be safe.

Q. The President's tax message was in line with what you said you had been working on since last January?

A. I don't want to analyze it. Off the record, this hurricane passed over me in the last two days; so far I am still alive and I don't want to get caught in it if I can help it. I mean, there was a hurricane and I haven't been caught in it yet and I think I am going to try to stay out of it. Bob, you didn't ask so I'll tell you: We won't try to sell anything; no government securities will be sold next week--offered for sale.

Q. No bills?

A. Well, bills--outside of that, there won't be any offering.

Q. Next week includes the first of July.

A. I'll just say we won't offer anything for sale--no securities will be offered for sale next week outside of our bills.

Q. Well, do you expect to have anything before July 15th?

A. I said next week.
Mr. Morgenthau: I will announce beforehand, this is going to be a

bus press conference. All right, I'm at your service. What's

on your mind?

Q. You might tell us about that book on the top of your desk.

A. They tell me it's very interesting; I'll lend it to you. I

haven't read it yet; take it home and tell me what's in it.

They tell me they think we are all right.

Mr. Gaston: Mr. Duffield could bring us back a report on who Mr.

is.

Mr. Morgenthau: Nice color—what else? All very bashful today.

Q. The date hasn't been set for you to go up and testify on the
tax bill yet, has it?

A. No.

Q. Mr. Secretary, the sub-committee has reported to the full
committee on the banking bill which omits you and the Comptroller
from the Reserve Board. Is that all right?

A. If that's what they want, it's all right with me.

Q. Have you anything to say, Mr. Secretary, about the Fort Knox,
Ky., plan?

A. No. Some reporter was smart enough to get it and, not seeming
to be sarcastic, I refer him to the same source where he got
the story. Very much off the record, the last time when they
found out we were moving the thing to Denver and they asked why,
I had to think up a quick answer and I had to say earthquakes.
I understand I never can go back to San Francisco again. We moved it and, of course, everybody knows why we moved it. I can’t say New York and Philadelphia are in danger of having earthquakes—this is all off the record—this is a question of national defense policy. I am sorry the story broke; I congratulate the reporter who got it—good reporting! But I can’t discuss it. It’s perfectly obvious: We’ve got a lot of this gold and it’s a question of national defense; we are moving it to a place which is as safe as we can get.

Q: Why don’t you let us use that crack on San Francisco?

A: The earthquake?

Q: Yes.

A: They did use it.

Q: I mean your crack about it this time—they won’t let you go back out there.

Mr. Gaston: The point is that that indicates, still of the record, it indicates that the real reason at that time was fear of Japan and raising the thing at this time will give it pointed significance.

Q: It might have been tidal waves instead of Japan.

Mr. Morgenthau: I think you had better leave it off the record.

I’ll say, on the record, that Fort Knox was selected as a place to store gold because we considered it a safe place. If there is any news in that why you are welcome to it. It was selected after a careful survey as the safest place
from the standpoint of, I don't want to use the word nation, it was considered a safe place, perfectly obvious. I don't know why anybody gets excited about it it's so obvious to look for a safe place.

Q. Will the expense be much?

A. I think it's around a half a million dollars, roughly.

Q. Has that money been appropriated, Mr. Secretary?

A. We'll get that from the old PWA funds.

Q. Putting silver out there, Mr. Secretary?

A. It's purely for gold; that's why the cost of the building is comparatively low.

Q. There was some talk about using these vaults here, just built in this building, for that sort of thing: they're drying vaults, aren't they?

A. I don't know why you call them drying--for what?

Q. I thought they put the paper money in there for drying or aging or whatever you call it.

A. I don't know.

Q. There was a lot of talk about storing metallic reserves there.

A. I imagine they will put silver there as we send gold to Fort Knox out of New York; I imagine they'll use Washington capital vaults for silver and the vaults in New York for silver, but our gold will be principally stored at Fort Knox and Denver.

Q. This will be a silver vault.

A. Largely, yes.
Q. How much silver, Mr. Secretary? You say here and in New York—half in New York and half here?

A. I haven't thought of it.

Q. There isn't much silver here now, is there?

A. No answer.) It's a good story but that's that.

Q. Any more radio speeches in contemplation?

A. Will Rogers and I go off the air in the summer-time. Sorry I have nothing good.
Mr. Morgentau: All right gentlemen.

Q. Have you those tax schedules, Mr. Secretary?

A. They released them on the Hill.

Q. It's just a matter of expediting.

Mr. Gaston: I can call up and check.

Mr. Morgentau: You can get Mr. Doughton's permission; it's all right if you do.

Q. Mr. Doughton said these were not his rates or your rates; could you tell us who made up the rates, I mean, what individual was the man who devised them?

A. He doesn't disown the schedules, does he?

Q. Mr. Hill made the statement.

A. Well, there isn't going to be any mystery about this business. Those things came down from them and I've got a letter in writing accompanying them; those schedules were sent down to us by the Committee on Ways and Means; they were sent down to us by the Committee on Ways and Means.

Q. I don't want to misinform you; he didn't say that you made them up; he said neither you did nor the committee did; I just want to figure it out.

A. Let's just talk a minute off the record. There's no mystery. This is what I understand happened. These things came down and these schedules were worked up by Parker in order to have on account of all the misunderstanding last
week, I wasn't going to take any chances, and I got a letter accompanying these things, as I stated; I can't afford to fall out with Mr. Doughton and I don't want to and he often has said he doesn't want to fall out with me. I'll tell you the story; Parker wrote this letter and Doughton signed it, but I guess he didn't read it, but I certainly have a letter from Mr. Doughton sending this stuff down and that's that; and I sent it to our boys in Research and Economics, headed by George C. Haas; he took their stuff, analyzed it, gave it to me and I sent it to the Hill and that's the whole story. In bringing down the letter actually dictated by Parker, I take it Mr. Doughton signed it; there's a little family squabble up there. That's off the record and I don't think you have to use it; that's actually what happened.

Mr. Gaston: We gave out mimeographed copies of that letter for this morning's papers.

Mr. Morgenthau: Let's call it off the record. Here's the letter, July 5th, signed by Doughton on Monday July 8th: (Reads letter inviting him to appear before Committee). Now the thing that happened, I gather, this was written, dictated by Mr. Parker and signed by Mr. Doughton, and, very much in the family, I feel Doughton feels Mr. Hill got a little bit too much publicity. That's the whole story, but that's all in the Treasury family, but there's no mystery, they were sent down to us, etc. Will you keep that off the record.

Q. Surely.
A. Oklah, that's that. Believe me, I've got everything documented.

Q. That's the same letter you made public Saturday?

A. Surely. There's no question about it. The stuff was sent down to us by the Committee on Ways and Means; there's a little friction between Hill and Doughton, and I don't want to get caught between it.

Q. The Works Allotment Board just recommended that you be given some $5,000,000 for certain tax investigation; any idea of what will be done by it?

A. I can't give you it in detail, but I'll put you in touch with somebody who can through Mr. Gaston.

Q. It probably includes that survey of small income taxes.

A. I don't know, but anybody that wants to know, fix them up, Herbert.

Mr. Gaston: There's three different projects.

Q. We are just wondering whether this liquor tax investigation meant a little drive against bootleggers.

Mr. Morgenthau: The retail store check is included. There are other projects which I'm not right up to snuff on; if you stay with Gaston, he'll put you in touch with somebody who is.

Q. Can you give us a little information about the silver developments, Mr. Secretary?
A. There's our silver book, I think they want to read it?

Anybody want to read it; you can take it home (hands book to newspaperman); I'm starting a circulating library.

Q. There seems to be a great deal of concern, especially in London, on the part of speculators if the American Government should not continue to support the market indefinitely and meet its objective.

A. All I can say is what I said the last time—it's a question of supply and demand.

Q. There's a large supply, but not much demand.

A. There's enough demand that somebody's taking it.

Q. I was wondering whether there's any actual buying of silver aside from Treasury support.

A. I wouldn't know that. But I think I'd better not say anything; I'm giving you that book.

Q. Have you read that book, Mr. Secretary?

A. No, but I've read a very excellent view of it.

Q. Will you give me a copy of that for my letter?

A. Right here.

Q. Have you any offerings of long-term bonds on an auction basis?

A. Well, first, before we get to that, I don't know whether they are going to have an offering; Mr. Coolidge was in a few minutes ago and he has closed the books on today's offering.
Mr. Gaston: Hadn't that better be for the morning papers only?

Mr. Morgenthau: Yes, but haven't the evening papers gone to bed?

It's a morning release then. I understand it was a big success -- oversubscribed three or four times the offering, and we will kind of catch our breath and maybe by Thursday we will know what to do. I'm not quite ready to talk; we've just taken in $500,000,000 today -- it's very nice, a nice day's business. I may have something to say -- I'll answer you this way: I think that we demonstrated that selling at auction of bonds is a success and I think, from time to time, we will repeat it.

Q. Are you going to resume your retail liquor drive in Chicago, Mr. Secretary?

A. I think, if we get the money, we will. If we get the money we will continue. I know we didn't get over the city once and I think we should. It was going extremely well and everybody was very much pleased.
Secretary Morgenthau announced today that, in response to the following letter of invitation from Chairman Doughton of the Ways and Means Committee of the House of Representatives, he would appear before that Committee at 10:00 A.M., Monday, July 8:

COMMITTEE ON WAYS AND MEANS
House of Representatives
Washington, D.C.

July 5, 1935.

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

My dear Mr. Secretary:

On Monday, July 8th, at 10 A.M., the Committee on Ways and Means will commence public hearings on the revenue proposals contained in the Message of the President of the United States to the Congress dated June 19, 1935.

It has long been the custom for the Secretary of the Treasury to appear as the first witness at hearings on such important revenue legislation as is outlined in the President's Message. I, therefore, invite you to appear at the above hearings in the New House Office Building at 10 A.M. on Monday and respectfully urge you to accept in order that the Committee may have the advantage of the experience of yourself and your Department in revenue matters.

Certain possible rate schedules which might be considered by the Committee have been submitted to your Department for estimates by direction of Mr. Hill, Chairman of the Subcommittee on Internal Revenue Taxes. It would be appreciated if you will present these estimates when you appear before the Committee.

Yours very respectfully,

(Signed) R. L. Doughton,
Chairman.
TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,

Tuesday, July 9, 1935.

7-8-35.

Secretary of the Treasury Morgenthau today announced that the subscription books for the current offering of 1-3/8 percent Treasury Notes of Series B-1939 closed at the close of business Monday, July 8, 1935. Subscriptions placed in the mail before 12 o'clock midnight, Monday, July 8, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will probably be made on Thursday, July 11.
Mr. Morgenthau: How's everything today?

Q. Will you say anything about Jean Tannery's statement?

A. Tunney?

Q. Tannery. We won't bring that into it yet -- Jean Tannery's statement that the United States and England will write to get stabilization.

A. No; sorry.

Q. Haven't a statement?

A. Sorry.

Q. How about the alleged 40,000,000-ounce purchase of silver in England over the past few days?

A. I'll just have to let the London press cover that.

Q. Mr. Secretary, can you tell us anything more about financing possible issues?

A. Yes. We most likely will auction off another $100,000,000 worth of bonds Monday.

Q. Most likely, you say?

A. Yes.

Q. What issue, or don't you know?

A. Again most likely, the 2/7-8, '55 - '60--due in 1955 and 1960; the last time it was the 3s, '46 - '48.

Q. Does the amount of the issue, Mr. Secretary, have much significance in regard to your total borrowing for the new relief program?
A. I'd put it this way: That the amount of borrowing has a
direct relation to the total amount of money that we need.

Q. I meant, whether you planned to raise it by small issues or
large ones, whether this is an indication that you have
decided on $100,000,000 issues instead of larger ones.

A. No. I am talking off the record now. I think I explained
before that we were going to try and come closer to borrowing
the amount of money for our needs and that we were going to
try this method to see if we could not adjust our balances
more closely to the government's spending program. Now we
have just finished the year and we have spent just 15% less
than the budget estimates, so, as I remember rightly, the
revenue was up 2.4%; so we simply think that doing it this
way enables us to come a little bit closer than we have before.
You can use that for background.

Q. When will the new issue be dated?

A. I don't know, technically, how they do that, but the offering
will be Monday -- they'll close it on Tuesday or Wednesday.

Q. I mean what date?

A. It will be offered on whatever date it is; Monday in the 15th.

Q. Payable on the 1st?

A. I don't know how they do that. I suppose it will be payable,
possibly on the first -- I don't really know.

Q. Where is the money going? I notice you have been spending
quite rapidly over the past few weeks; can you give us any
background as to where the money has been going?
A. I think this is correct — that Hopkins' money went out quicker for the month than previously; I think it got out his checks quicker. The amount is recorded: he was given $115,000,000 on relief and $25,000,000 for work program, or $140,000,000 which totals the same as the month before, and I just think he shot his money out to the States earlier than previously; I think that that's the correct explanation.

Q. This is a longer issue than you have been selling on the average lately, isn't it?

A. We have been selling on the average, '46 - '48; I'll tell you. I think I'm right, that we now have about a billion dollars outstanding of the '46 - '48, and I think that's about enough, and, therefore, we will switch. We really have reasons, you know, some times; it isn't just a horsemance, or whatever it may seem.

Q. How does the interest rate compare on the '55 - '60 with the '45, '46?

Mr. Garton: One is three and one is two and seven-eighths.

Mr. Morgenthau: The yields, I think, are very close; one is a three the other is a two and seven-eighths; can we take the word of the New York Times? The three's yield 2.59 and the two and seven-eighth is a yield of 2.72; so on a year-basis, there isn't much difference.

Q. I have been asked to try to get a descriptive phrase for the tax program, something which won't have any propaganda angle, of course.
A. I think I'll refer you to Charlie Michelson; I think he's better at that than I am.

Q. Mr. Secretary, you may be interested to know that no witness appeared at the hearings on the tax bill this morning.

A. They ran out of witnesses?

Q. There have been more cracks on that.

A. So they are beginning with the first witness down. All right, Al; I'll call you "Al" from now on.

Q. Mr. Secretary, are you in favor of a free gold market?

A. I don't know. I'm going up to the farm tonight — I'm interested right now in a free raspberry market.

Q. Does that mean you are going to help the French again, if you are going up to the farm, Mr. Secretary?

A. I hope not. Right now I'm interested in a free raspberry market. They're going to have a statement for you, I guess it will be mimeographed, on the allotment on this $500,000,000 issue; they are allotting on the basis of 17%; you might better wait for the prepared statement — it's rather technical, but it gives us $521,000,000. They will have it ready for you. I mean, everybody who subscribed to $5,000 or under gets a full allotment and over $5,000, gets 17%, total of $521,000,000, and they will have a technical explanation for you.

Q. Wasn't the chief reason for that issue to retire the Panamas and Consoles rather than for current expenditures?
A. Yes. It would have drawn down our balance for these times rather low, and we sold the $500,000,000 at this time to bring it up to about what was needed; but, frankly, we most likely will carry a balance of somewhere between $750,000,000 and a billion dollars; that's about what we want.

Q. Kind of hard to work out the working balance now when you have the gold mixed in with it.

A. I don't think so.

Mr. Gaston: They just balance the currency redemptions ever so often.

Mr. Morgenthau: If it isn't plain, Bell will sit down with you at any time and go over it with you -- sometime tonight. I think that with today's receipts baby bonds will pass $100,000,000 sales and I want a good story.

Mr. Gaston: They're coming up.

Mr. Morgenthau: The sales are increasing quite rapidly and tonight we pass the $100,000,000 mark.

Q. Does that meet your expectations?

A. I never said what they were.

Q. I thought there was an estimate of $300,000,000 a year.

A. The sales are coming along very nicely and we passed the $100,000,000 mark today.

If I was here, the baby bonds and I would put on a party, but I'm sorry I will not be here.
Q. Mr. Secretary, my paper spent a lot of money to interview Henry Ford who says, with respect to the tax program, that it’s all a conspiracy to drive the Ford plant into the hands of the Wall Street money lenders because he will have to hock the plant so Idel will have enough to pay the tax; of course, that’s his phobia, but it brings up the question of liquidation. They asked me to ask you about liquidation and the possibility that control over the industrial machinery might be concentrated in the hands of people who loaned money on it in order to meet the taxes.

A. I wouldn’t attempt to answer that.

Q. That’s what the outcome would be.

A. I wouldn’t attempt to answer that.

Q. What disposition has been made in the matter of the appointment of Mr. Grimm which the House requested be held up temporarily?

A. Well, I’m going to tell you fellows—there are strange faces here but I guess I’m in the hands of friends—I’m going to tell you strictly off the record what the situation is, and I hope you will be satisfied. Mr. Grimm came down to start work today and I didn’t know—I suppose I should have known—that there was a committee in the House investigating the mortgage situation in New York. I didn’t know it. They sent this telegram over to the White House—I got it today. They’ve got some questions they want to ask Mr. Grimm—he doesn’t have to be confirmed. I’ve
satisfied myself and I think I'm very fortunate in getting Mr. Grimm. In order not to fly in the face of the House members, I've put Mr. Grimm on at $25.00 a day and his expenses. I'm assured that within two or three days, they will be perfectly satisfied. I'm not trying to rush them. Mr. Grimm doesn't want to be appointed or take the oath until they are satisfied. That's the whole story; he's here, he's working at $25.00 a day and subsistence. If I say anything on the record, it starts the whole business. If you fellows can let it go at that and give me a couple of days, I think it will be all right.

Q. This is off the record?
A. This is all off the record, but that's the whole story. It's difficult enough to get high-class business men to come down here without—you know they're not used to this Washington life; I don't want to get them scared so early; that's the whole story. If anything happens I'll let you know—there's no mystery; that's all there is to it.

Q. Mr. Secretary, will you go up to the Banking and Currency Committee tomorrow?
A. Not tomorrow, but Senator Fletcher just called me on the phone this minute and asked me if I'd come up Wednesday morning, and I said I would.

Q. Could you say anything, Mr. Secretary, about the point that the Senators brought up in the course of the hearings about the possibility that we might issue $10,000,000,000 in currency to pay off the bonds?
A. I think you'll have to wait now until I go up and testify.
Q. I read your letter and the fact that you see no danger that there were no claims?
A. If you don't mind, I think you'll have to wait until Wednesday morning.
Q. Anything new you can say on silver, Mr. Secretary?
A. No.
Q. That's why I kept the book.
A. I'm waiting for that book review; I think you must work for Ladies Home Journal.
Q. You still say no change in policy, Mr. Secretary, on silver?
A. If you want me to, I'll say so--"No change in policy." No one asked me how my raspberries were coming along--I'm disappointed.
Q. How long do you figure it would take you to buy sufficient silver to meet the law, Mr. Secretary? About 11 years?
A. I don't know. You know the story about the pessimist, don't you? The fellow who wears both belt and suspenders?
Q. Are you a pessimist?
A. I got an extra day's holiday and I'm feeling pretty good today. What else can I do for you?
Q. How about the financing; any reports on that?
A. No, except that the bankers seem a little bit more, shall I say acceptable frame of mind, towards the auction method.
Mr. Morgenthau: Well, we got our friend, Peter Grimm, all straightened out. I appreciate your cooperation in handling it. It worked out very nicely.

Q. Has he been formally appointed?

A. I don't think we'll do that until next week.

Q. They withdrew the opposition up on the Hill?

A. Yes. They wrote a formal letter; Congressman Sabath did. I understand Sabath gave out a statement.

Q. Is he going to give out any special statement or letter after?

A. His work is in connection with the independent agencies. He will do the same sort of thing that Eccles did when he was here.

Q. Can you tell us anything about the Internal Revenue Bureau's drive on New York banks to collect taxes on stock transactions carried out in the name of nominees.

A. To be perfectly frank, the first I knew of it was when I read it in the papers this morning. We really had quite a success yesterday on
our week sale. We have a formal release here. I got twenty million
at practically the market. The market yesterday around noon was
101 30/32 and we sold twenty million at the market and eighteen
million at 100 19/32 or 1/32 under and one hundred million at
101 18/32. We sold a total of around five hundred million. It was
a very satisfactory sale.

Q. Did the market decline after the announcement of this particular
issue; that is, from the day you first announced you were going to have it?

A. The whole market went off about 2/32.

Q. You got it just on the nose.

A. As far as the bids went, yes. The bidding was either on the nose
or at 1/32 under and that is about as close as you can make it.

Q. The House Ways and Means are reporting out the new liquor bill.
It still contains the bulk sales provisions. Is there any expansion of
your views on that?

A. I think if I have anything to say, I'll have to say it on the
Hill if they ask me. I've been all over that and I think I'll have
to wait until they either do or don't call me on the hill.

Q. Are these vacancies on the Board of Tax Appeals any closer to being filled?

A. It's getting a little hotter.

Q. Due to the weather or other sources?

A. You know the game the children play who leave the room and try to find an object and if you get closer to the object, you get hotter?

That's what I mean.

Q. Are any Treasury experts helping the House Ways and Means to determine tax rates?

A. I think they are working with them.

Q. Do you know which ones they are?

A. No, I don't. The last I heard they were—I don't know whether they were there today or yesterday. They sent around the schedule and our statistician did the work but what has happened in the last couple of days I don't know.
Q. What I was trying to get at is whether the Treasury has any rates which it favors.

A. We have not expressed any views to the committee as to which rates we favor.

Q. What do you think of the silver bill that was reported cutting out certain sections?

A. I have only seen it in the papers. I have not had a chance to study it.
Q. Mr. Secretary, have you given any thought to a vacation yet?
A. Lots of thought.
Q. Will you wait until Congress is out?
A. I'm waiting to see when Vice-President Garner buys his ticket; he'll know when Congress is going to adjourn.
Q. Anything on your trip to the White House, Mr. Secretary?
A. Just another good lunch; that's about all.
Q. Anything about the fiscal year 1937?
A. No. You and I both can't be on the front page so I give way to you.
Q. Is there anything further doing on these smaller coins?
A. I brought that to the attention of the President today and he has approved the idea and I think we have to ask Congress for the authority.
Q. What coin is that, Mr. Secretary?
A. To take care of these sales taxes.
Q. One-cent coins?
A. Mill and half cent.
Q. One-tenth of a cent?
A. Yes. We will ask Congress to give us the authority; they tell me it's very profitable.
Q. A new coin of a mill?
Q. Will that be very much more expensive than the penny?
A. I don't know—if you men want to see Miss O'Reilly about it—I understand they started in Colorado to make these; the Treasury took the position that it was illegal.

Q. Is it illegal?
A. I believe so. Is that so, Herbert?

Mr. Gaston: The last I heard they hadn't decided as yet.

Q. Will the President ask Congress to do this, or the Treasury?

Mr. Morgenthau: I'll ask them.

Q. When, Mr. Secretary?
A. It will go up in a day or two.

Q. To what committee?
A. I suppose Weights and Coinage in the House—Summers? No, the other fellow, a New Yorker.

Q. Did you say that the copper penny is a profitable thing from the Treasury's standpoint?
A. No, if we make these things for the various States, New York has one, Colorado has one; they tell me when we make these things for other people it's very profitable.

Q. This is a coin of the United States though that you will be making?
A. I think it will be just to be used within that State.
I'm not quite up in this thing, but I'm guessing.

Mr. Gaston: I think it would be a United States coin.

Mr. Morgenthau: You'd better get the boys a story on this, Herbert.

Q. Rather interesting.

A. Let Herbert get you a story.

Q. I don't think we have ever had a mill coin.

A. Give me and Herbert a chance.

Q. One question: Did some of these states request you to make these?

A. As I understand it, it was brought to my attention first by the State of Colorado and there has been a lot of discussion around as to just what we should do; it was brought to a head today as to whether the United States Government wanted this authority. As for the details I'm a little hazy; if you will give Gaston a chance---

Q. It doesn't forecast a national sales tax?

A. Not a bit.

Q. The New York tax is a city tax.

A. I don't know.

Q. How many do you expect to mint?

A. I really don't know.

Q. It will make a lot of silver.

A. I suggested that, but they said it was too light and too small.
Q. By the way, how's the McCarran amendment, so far as you are concerned? Someone has been saying that you might favor the amendments offered.
A. I think I'll wait until I'm asked for an opinion and send it up on the Hill.
Q. When do you expect to write to Senator Thomas, Mr. Secretary, on silver?
A. I don't know whether we have.
Q. I think he claims you assured him you'd give him a memorandum this week.
A. Well, very much off the record, Senator Thomas came down here on a kind of an I-don't-know-what-you'd-call-it exploration visit the other day and started from one office to the other and each person said don't you want to see the Secretary, and he didn't seem to want to and finally they sort of herded him into Oliphant's office, very informally, on his part. He kept away from this office and visited from office to office, and I understand he asked some questions and I think he hardly got up on the Hill before he wanted to know why we hadn't answered his letter. That was very sporting of the Senator. He'll get an answer; that was all off the record. It was rather interesting to see him wandering from door to door, but keeping away from the Secretary's door. On the record, he'll get an answer.
Q. Have the Departments been called upon to submit their
preliminary figures for the budgets for the next fiscal year?

A. We haven't asked them yet.

Q. Have you discussed the relief budget with the President for the next fiscal year?

A. I'd rather not answer that.
The Treasury Department has been studying the problem with reference to small coins which has been raised by the recent enactment of sales taxes in a number of States. Where such taxes are on a straight percentage basis, as many of them are, there is the problem of providing some means to enable purchasers to pay the exact amount of the tax on small purchases or for making change in such cases.

A number of States are considering the coinage of pieces to meet this need and it is the belief of the Treasury Department that, if this thing is to be done, the Federal Government should do it. Representatives of the Department have been discussing with the appropriate committees of the Congress the possibility of legislation authorizing the coinage of 5 mill and 1 mill coins.
Mr. Morgenthau: We will most likely start off with a $100,000,000 issue of bonds next Monday—2 7/8.

Q. $100,000,000?
A. $100,000,000.

Q. 20-25 years, Mr. Secretary?
A. Yes, '50-'55; I get my dates mixed up—I ought to know; '55-'60. The only other announcement I have which isn't very important, but some people seemed to worry where I was last Saturday; I'm going to my farm this afternoon, if anybody is interested.

Q. Somebody got excited about it; they thought you were flying to New York.
A. Well, I did.

Q. For something exciting?
A. Yes, I was going to see my family.

Q. When are you leaving, Mr. Secretary?
A. This afternoon; I'll be back Sunday night.

Q. You'll return Monday?
A. Yes. You see, it's of no importance, except that last week the fact that I didn't say where I was going got somebody aroused.

Q. Has your letter gone up on the small change bill?
A. Has it?
Mr. Gaston: I'm sorry, I don't know.

Mr. Morgenthau: Neither do I.

Q. Have you heard any complaints on that from business?
A. Just what I've read in the press—that's all.

Q. Are you doing anything about that?
A. No, I think these States have these sales taxes and they've got a problem how to handle them, and we take the position they can't coin their own coins; if we take that position, I think it's up to us to furnish them with a coin.

Q. I mean, will you ask Congress to pass a law to provide that these coins may be used for taxes only?
A. I don't know; the boys asked me about it last time I talked as much about this, as I said, and I don't know who they saw last time.

Mr. Gaston: They saw me.

Mr. Morgenthau: All right, well, I'll let them see you again. I'm not up on this coin business.

Q. Mr. Gaston, has the Department ruled definitely against the issuance of these coins by the States?

Mr. Gaston: I think this will make it unnecessary to rule.

Q. Mr. Secretary, are you going up before the Senate committee on this Alcohol Control Bill?
A. Only if I'm asked.

Q. Are you going to continue your fight for the separate agency?
A. I've said everything I have to say on that thing, and my position is just the same as it was—I haven't changed a bit. I've had my
say and I still think that from the standpoint of the Treasury, it would be wise if Federal Alcohol would be continued as an independent agency—I still feel that way. If Congress wants it otherwise, why you can't argue with them; they make the laws; I'm just a hired man.

Q. Do you plan to give out a letter to Senator Thomas about repealing the fifty per cent profit tax on silver? Mr. Oliphant sent a letter up through you.

A. Yes, we sent it to Thomas. Then he ought to give it out.

Q. He thought since it's your letter he should have permission down here.

A. I think it's all right, but I think it's up to Thomas to give it out.

Mr. Gaston: All we can do is to say we don't object—to tell Thomas we have no objection.

Mr. Morgenthau: It's up to Thomas.

Q. Do you care to say anything about the policy on that question apart from the letter?

A. I'd rather let it speak for itself.
July 29, 1935.

Mr. Morgenthau: Well I have nothing but this hand-out.

Q. What's the Secret Service situation in Cleveland and Detroit, Mr. Secretary?

A. Oh, gosh! Well, I'm going to talk off the record, and I hope you will be satisfied. I went into this thing very thoroughly last week, (this is off the record) with the Secret Service men in Detroit and the Collector of Internal Revenue at Cleveland and the Cleveland Deputy Collector of Customs and, frankly, I haven't been able to make up my mind. It is pretty difficult to know what I'll do, but I'll make up my mind in a day or two and as soon as I do, if you boys will be satisfied, I'll let you know and tell you directly. I do wish I could have another day or two, because this way, it's neither fish nor fowl. If you could hold off another day or two, it would help me. Certainly by Wednesday, I'll have it for you. The whole thing is very unpleasant. I hate to think that Treasury people such as Secret Service have been as foolish as these men seem to have been.

Q. Mr. Secretary, what's the situation on your smuggling zone bills?

A. That's before the President and just as soon as he signs it, we will take advantage of it.

Q. The Senate has already passed it?
A. Oh, yes. It's in the White House, awaiting his signature.

Q. That means that you can --

A. Declare zones to 50 miles off the coast. When that's ready, I think I'll have either Mr. Oliphant or Dr. Idelman explain it to you. It is pretty complicated and we think it's pretty important. A very favorable measure, and maybe by Thursday, if it is signed, I can have Mr. Oliphant or Dr. Idelman tell you about it. We won't be over-stepping the bounds, but it is very important and I think it's going to be tremendously helpful, not only for liquor, but smuggling aliens or dope.

Q. How about foreign governments? What is their attitude?

A. I don't think it's going to bother them a bit. The way I understand it, there's no reason why it should. After all, I can't see why any foreign government should want to refuse to cooperate with another friendly nation to keep smuggling down. As a matter of fact, the various governments have been very cooperative since it was brought to their attention.

Q. When you have this law, can you go aboard ships outside the thirteen mile limit?

A. I wouldn't risk explaining it to you. I would like either Mr. Oliphant or Dr. Idelman to explain it to you on Thursday.

Q. Will it result in the increase in the Coast Guard?

A. No, because we'll make it much more effective and the boats they have will go farther because just as soon as these boats are out of the 12 mile zone, Coast Guard has to stop. I should
say it would be pretty effective also for aliens and opium.
The thing goes back to 1812 and the whole question of
pirateering and anybody who is interested in American History
can give you the whole case of High Seas, and search, etc.

Q. If the Alcohol Bill goes through as drawn now, who would be
your Administrator?
A. I don't know.

Q. Choate?
A. I honestly haven't thought about it.

Q. Mr. Secretary, last week, the Department of Justice announced
that about 150 aliens, residents of the Federal prisons, would
be returned to the land of their birth and about half of them
were counterfeitters. I just wonder if the Treasury was in on
that.
A. As far as I know, we weren't consulted.

Q. Isn't that your job?
A. No, I don't see why. Our job is to protect U. S. currency and
when we make the arrest, we turn them over to the Courts and the
Courts try them and I would say, our responsibility ceases there.
If they want to ship 75 counterfeitters out of the country and
think that's a good thing to do, it's all right with me. If
they want me to pick the country that they are going to go on,
I could do that, but they don't ask me that. We just arrest
them and turn them over to the Courts which try the case and
send them to Federal prisons and it's out of our hands.

Q. Haven't been any cases of counterfeiting in foreign countries
of American money?
A. There have been cases of counterfeiting American money abroad.

Q. Can you prosecute them through treaties?

A. I don't know, but I know that recently there was a bill made in a foreign country that gave the boys a lot of trouble.

Q. I just wondered if they went abroad and into the business -- If they went back and returned to the United States, would that actually worry you?

A. Surely.

Q. That's what I'm trying to get at. We don't know if they are first-time offenders or 17th offenders. Do you worry about that?

A. The only thing I worry about is the question of parole. As a matter of fact, we are working now on the whole question of parole of counterfeiters and dope smugglers.

Q. Could you tell us anything about the ones on this list? Whether they were first offenders or 17th offenders?

A. I would be very much surprised if anybody in the Treasury knew anything about that.

Q. Could you find out?

A. Yes. But I don't think it's my job.

Q. They won't tell us over there.

A. I don't want to pass the book, but Federal prisons are under the Department of Justice and parole bonds are under the Department of Justice. It has a new member recently, I believe,

Q. Well, they passed this story out the 19th assistant to the 32nd Secretary over there.
A. Well I think my backyard is pretty big and I think I will stick in that.

Q. You said that there was a study going on about this parole of Treasury offenders?

A. Of Treasury offenders? We watch the trend more or less, the length of sentence, fines, etc.

Q. Is that committee asked anything about this particular move?

A. I don't think the Treasury knew anything about it.

Q. Would not?

A. I don't see why they should.

Q. It says here, you are interested in the sentences.

A. That's up to the Court. I'd say that ends it as far as we are concerned.

Q. What started the study in the first place?

A. Our whole interest in the question.

Q. Repeaters?

A. These people are arresting the same people over and over again, and I think if I am not mistaken we got out a bulletin recently in this connection — offenders in connection with Treasury crime, if you wish to call it that, or against the Treasury.

Q. In other words, against the revenue of the Government.

A. Yes. This is the study to see if we can't improve it.

Q. Wouldn't there be some way of finding out through Secret Service whether they were first offenders?

A. I don't think Chief Moran is very loquacious anyway.

Q. I understand that, but I thought you would have some dry statistics
A. I don't know what the story is over there. They've got public relations, people over there, haven't they in the Department of Justice?
Q. The 17th assistant to the 32nd Secretary?
A. I don't know.
Q. Has anything happened on coinage of fractional currency?
Mr. Gaston: Cochran introduced a bill in Congress. He's a member of the Coinage, Weights and Measures Committee.
Q. Does the bill meet your approval?
Mr. Morgenthau: Yes.
Q. Mr. Secretary, has anything happened on that Cleveland Credit survey?
A. It's still in the ice box.
Q. Have you read it yet, Mr. Secretary?
A. Well, ever since I admitted I didn't read the Banking Bill, I am not going to admit it, but I haven't read the Cleveland survey. Mr. Glass has had so much fun about that.
Q. Mr. Secretary, there seems to be some coolness among House Committee members on your sales tax Coinage Bill.
A. I didn't know there was.
Q. It seems there are only four states that are actually in need of these coins.
A. I thought it was going along nicely, but maybe it isn't.
Q. Do you plan to go up there?
A. If they ask me to.
Q. Have you worked out a tentative design for the coins, Mr. Secretary? There is a story they are going to be doughnut
in appearance. They want to put them on a string as
Chinese money.
A. As a matter of fact, the President designed them himself.
Q. He did design them?
A. Yes. He told me just how he wanted it.
Q. Can you tell us?
A. Well, his thought was we would have one square coin and one
half cent coin with a hole in it.
Q. What size Mr. Secretary?
A. I don't know.
Q. Has anybody told him there was a complaint about the square
coins wearing holes in the pockets?
A. Well, they would help recovery.
Q. The President is rather enthusiastic about this?
A. Well I'd say he is interested in coins, he collects. That's
the reason I took it up with him. He just took a pencil
and paper and said, "We'll do one like this and one like that".
Q. Is that final?
A. Yes. It is as far as I am concerned.
Q. There is some discussion whether the coins will be aluminum or
zinc?
A. I've seen something on that. I can't imagine the Roosevelt
Administration making them out of aluminum, though.
Q. Even though the Government had an aluminum plant?
A. I prefer zinc.
Q. The fact that one former Secretary —
Q. Wasn't your original recommendation aluminum though?
A. Copper.

Q. For both coins?
A. I think so. Ask Mr. Gaston, he's my expert on that.

Mr. Gaston: Mint service did figure at one time on aluminum. At any rate, they figured on getting a distinctly different color of metal.

Mr. Morgenthau: Did someone say aluminum in the Treasury?
Mr. Gaston: Yes.

Mr. Morgenthau: We will have to have it investigated.

Q. Would they be square or octagon shaped?
A. Square, with rounded corners - sandpapered corners. I just made the square like that. (Draws a sketch on paper).

Q. When do you expect to get these into production, Mr. Secretary?
A. Well, if Congress passes the Bill, I suppose it will take a month or two.

Q. What will the people that live in the States where they are not required to pay sales tax use these coins for?
A. They haven't any use for them.

Q. We were given to understand that there would be a limit — 20 of them on the half cent piece and 30 on the one mill piece.

Mr. Gaston: There would be a limit.

Mr. Morgenthau: I don't know what newspaper you could get for a half cent?

Q. Well you might have more than one coin. I am still confused about the metal to be used. Were you kidding about the aluminum?
Is that definitely out as far as the mill is concerned?
A. No, I didn't say that. I was having a good time. I don't know whether you were.
Q. What are the metals under consideration?
A. Herbert.
Mr. Gaston: Well they are considering various alloys.
Q. Including nickel?
Mr. Gaston: I don't know whether they have considered nickel or not.
Q. I assume that all the way through, they will have to be made so that the metal will not be more expensive than the sales value of the coin.
Mr. Gaston: It would certainly be very much less expensive.
Q. You couldn't use copper then?
Mr. Gaston: We could use copper then.
Q. Would the volume of new currency amount to a very considerable tonnage matter?
Mr. Gaston: It would depend on what the banks would order.
Q. You haven't received any orders yet?
Mr. Gaston: No. No orders.
Q. Have you requested the State of Illinois and the State of Washington to cease and desist on the manufacture of their coins?
Mr. Gaston: The State of Illinois was asked to withdraw their coins they had circulated. It was considered they were too much like a dime.
Q. How about Washington?
Mr. Gaston: I don't think any request was made of them.

Q. Was anything done in Colorado? They had a call out for bids and they stopped action on that. Have they indicated they would go ahead with that?

Mr. Gaston: I don't know, but I assume they are waiting to see what happens to this bill.

Q. Has there been any move to call in the Illinois coins?

Mr. Gaston: I understand they are calling them in; yes.

Q. By your request?

Mr. Gaston: Yes.

Q. How many of them are there, do you know?

Mr. Gaston: I don't know.

Q. How will you know when they are called in?

Mr. Gaston: By their report.
Q. I see your Tax Bill passed.
A. Thanks for the compliment.
Q. I shouldn't have called it yours.
A. It's all right.
Q. Mr. Secretary, anything to volunteer today?
A. I don't think so.
Q. How about your midget money?
A. Well, I got a memorandum from the General Counsel's Office as follows. Shall I read it slowly? I'll read it first and give you one of the copies. "The Treasury experts have now concluded their investigation of the question of fractional coinage presented by four of the twenty-three states confronted by the problem and have arrived at the conclusion that it will be unlawful for any agency other than the Federal Government to issue pieces or tokens to make change, in connection with the Sales Tax. The mints are prepared to supply the need of fractional coins quickly if the necessary legislation is enacted." (Hands paper to Mr. Shaeffer). After you are through with it, Shaeffer, will you send it back to Miss Chauncey?
Q. How about the action of the Committee in tabling the resolution, because it gives too much power to the President?
A. I don't know.

Q. Why was it that the Treasury asked for power to coin coins in any denomination below a cent, instead of asking for these specific types?
A. I suppose they felt that that would cover anything that might arise.

A. That seems to be what they objected to.
A. They studied it and thought that's what they needed and now that the General Counsel's office takes the position that it's unlawful for any State to coin, I hope that Congress won't embarrass the States by not passing the legislation.

Q. Mr. Secretary, how are these tokens used for Sales Taxes - as receipts? How do they differ from trolley car tokens?
A. I suppose one would be the coin of the realm and the other would be the coin of the trolley car company.
A. If they are only used for one specific purpose such as a Sales Tax --
A. I never caught up on you fellows on these things.

Q. These would not be used for one purpose?
A. I am sorry if I seem to pass the buck on this thing, but I never sat down long enough to catch up on it, but if you want anything additional, I suggest, most likely Miss O'Reilly could help you.
Q. Are you going up before the Committee?

A. No. They've asked somebody from the Treasury and somebody from the Treasury will go and I understand it is agreeable to them that somebody who has done his home-work will go up there.

Q. Miss O'Reilly, maybe?

A. I don't know. I haven't heard.

Q. Would you agree that a bill that provided for just these particular coins will be all right?

A. I don't know. I would have to talk to the people who drafted the bill.

Q. Do you know if General Counsel's office has actually informed States like Illinois that they've got to get rid of these tokens?

As I understand the situation up to this time, Illinois has not been told the situation officially.

A. You find out, Mr. Russell, and let them know.

Q. Would this decision be final with those four States?

A. Well, it is final as far as our opinion is concerned, but I don't know how good it is. At least that is the careful opinion in General Counsel's office and I suppose, having arrived at that opinion, he will take the necessary steps to see that it is enforced.

Q. What are those four States?


Q. Mr. Secretary, have you stopped investigating Senator Long?

A. Who ever said we started?
Q. I think you told us some time that you had.
A. Did I?
Q. The income tax reports of his associates, perhaps — not he as an individual.
A. As a matter of fact, this much I do know. It is absolutely illegal to discuss income tax investigations — that much I do know. When I was up for confirmation, Senator Long cross-examined me for two hours, trying to prove that I had broken that law, but I learned that early in the game, and I was able to satisfy the Committee that I had not broken the law.
Q. If this so-called midget coin resolution is tabled, the Treasury can do nothing about fractional coins?
A. That's correct.
Q. Then what will these four States do?
A. They will have to whistle.
Q. Is Ohio script illegal?
A. I don't know. Mr. Fussell can get that information for you.
Will you let the young lady know as soon as possible, Mr. Fussell?
Q. Mr. Secretary, now that this new mint at San Francisco is being completed, do you expect to move back there any of the gold you moved to Denver?
A. The thing is designed to take care of a three months' supply of gold. It is not designed for storage capacity; just for the needs of the banks on the coast.

Q. Three months' supply for what?
A. For the coast. The needs of the banks. Whatever the normal three months' needs are on the coast, to take care of that.

Q. Is it your policy now to keep three months' supply where they need it?
A. In designing the mint at San Francisco, the architects were given those instructions so that they would design it to take care of about three months' supply of gold.

Q. After you have built the Fort Knox storage, how much gold are you going to keep in New York?
A. I'd say about the same. New York has a little bit more because the flow in and out from Europe is quite large at times, while at San Francisco, export of gold is at a minimum, so I suppose in New York it could be three to six months' supply.

Q. Where else will you keep three months' supply of gold. New Orleans?
A. I really don't know.

Q. Just those two principal ports?
A. I suppose just the two principal ports where the gold comes in
and out, which I understand are New York and San Francisco.

Q. What is the normal supply? Why do they want it in San Francisco
when you can't get gold?

A. Well, some country might want some.

Q. You mean purely for export?

A. Yes, there might be some South American country call on us for
gold.

Q. Well, the normal three months' supply would be zero, wouldn't it?

A. Not necessarily. Mexico and some South American country might
want some gold.

Q. Mr. Secretary, do you care to answer the Republican attack in
the House on the day following your appearance before the Harrison
Committee?

A. No. That's just a bit of fun.

Q. Have you got anything else new? Any more legislation this
session that the Treasury is going to propose? Are you all washed up
after this tax and midget money?

A. I don't know if that's the expression, but if it is, we are.

No. I don't know of anything. I hope not, anyway.

Q. How about the refinancing, this Bill. Haven't you a lot of
refinancing to do?

A. Well, we have got the last of the Liberty's and we will have to
raise some new money. It is too early, we don't know. We are con-
stantly studying it.
Q. Have you made any study of the Budget for next year? Usually the Departments start getting their Budgets in.
A. I think Bell is beginning to get his figures. He's working on his forms and that sort of thing. I mean he is getting ready for his work.
Q. Is he going to stay in that position?
A. I don't know.
Q. Why haven't they made a definite decision on whether he is going to be acting ---
A. Very much off the record, because it is a distinctly Presidential appointment. You will have to get that from across the street.
Q. Was there anything special in your conference with the President or was it the usual Monday conference.
A. About the usual.
Q. What about the anti-smuggling bill? He's had it over there about ten days now.
A. I don't know.
Q. He signed a dozen today, but that wasn't on the list.
A. The time must almost be up. I mean, there is no question but what he'll sign it, but I don't know when. Everything seems very quiet.
Mr. Morgenthau: Next Monday, we will most likely offer another $100,000,000 of 2-7/8s 55-60 bonds at auction and our present program, as far as we can see it, is that that will be the last offering of any long-term bonds for the balance of this month.

Q. Your last offering of long-term —

A. Bonds. Yes. We will continue our sale of weekly bills. And there is a possibility that Farm Credit may offer, not to exceed $100,000,000 of five year or less, securities. And as far as we can see it, that will be all of the offerings by the Federal Government.

Q. Farm Credit securities?

A. Yes, their own securities.

Q. They will be cash offering or refunding?

A. Cash offering. They went on a cash basis on the 5th of August, instead of offering bonds for mortgages, they were on
a strictly cash basis, so we don't know just when and we don't
know what, but some time, most likely the end of this month,
they will offer some of their own securities. But they will be
securities which will not exceed five years.

Q. That means that they will be making their loans in cash from
now on?

A. They announced that on the 5th of August they were on cash
basis. Heretofore they offered part cash and part bonds. What
I am trying to outline is what the financing program is for the
balance of the month, as far as we can see.

Q. Mr. Secretary, can you tell us anything about the Laylin
resignation?

A. Just that Mr. Laylin handed in his resignation to me. I
saw reference to a letter to the President. I think they must
be misinformed as far as I know.

Q. There wasn't any bitter letter then?

A. It was just a form of letter of resignation. We didn't attach
much importance to it at the time. Mr. Laylin came here originally for two years. He stayed in excess of the time he intended to stay. When we discussed it, he had an offer from three different law firms. We wanted him and we discussed the thing on a very friendly basis and I always feel that when a man or a woman has an offer, whether it's outside of the Government, and he or she thinks they can better themselves, I never try to stand in their way.

Q. Didn't he refer to the gold clause situation in his letter?

A. If he wants to give out the letter he can. It is his letter. I mean, at the time I didn't attach any great importance to it. After he gave the letter in, he and I had several conversations and he reconsidered it for two or three days and he made up his mind that the offer was so attractive that he better take it, but I know he had these offers from three different law firms and he had them under consideration for some time. As a matter of fact, I think he went with the Dean Atchison firm. You might
say that I am very much pleased at the decision handed down by the Board of Tax Appeals on the Mitchell case, especially coming on top of the Dutch Schultz decision.

Q. Mr. Secretary, how about that Cleveland-Detroit affair?

A. The Cleveland-Detroit affair is still being investigated and still being studied. It has more ramifications than we thought it had.

Q. Can you tell us, off the record, what the new ramifications are?

A. Well, off the record, we ran into a new situation on the sale of beer. Ohio seems to have many methods of selling its light wines and beer and we ran into a situation there. I don't know yet whether Governmental people are or are not involved. What was the name of that beer nor? There was a brewery and the question of the sales agency on that brewery in Ohio and the charge was made that Treasury people were involved and just as soon as we get the story, I think you men have been around here
long enough to know I like to clean up those things as soon
as I can. I like to get them out of the way.

Q. Can you tell us how many Treasury people are involved in it
at the present time.

A. I'd say somewhere around half a dozen.

Q. Have you had any replies from States on fractional coins?

A. Professor Oppen will please give us the returns.

Oppen: I don't think the Treasury has had any direct replies
from the States. Of course, the statements in the newspapers
that the States weren't going to pay any attention to the
Treasury ruling and the answer to that I suppose is that the
Treasury ruling was in answer to the question of the States as
to what the Treasury's position was.

Morgenthau: I wasn't going to get caught off base this time,
at least as to information.

Q. What is the Treasury going to do?

Oppen: As far as the enforcement of Federal laws, of course,
that's a matter for the Department of Justice, and the further question as to whether, even if anything could be done, there would be the slightest intention of doing anything. This is the situation where the States, at least some of the States, ask the Treasury for an opinion as to whether it would be lawful for them to mint this token coinage, and the Treasury fulfilled its function, I take it, when it gave them the answer.

Morgenthau: It's true that we have had memoranda from the mints that they would have to completely retool, or whatever they do in the mint, to put the hole in the coin.

Oppen: Anything other than a round coin would offer a technical obstacle which is what one of the States is particularly interested in. Missouri has a statute which has their State Treasury and courts worried but makes it mandatory for them to get something out by the 27th.

Morgenthau: Miss O'Reilly said it would take months.

Oppen: That's her estimate.
Morgenthau: Months to re-equip the mints to handle square coins or coins with holes in them.

Q. Has the practice of selling stamps in payments of fractions of a cent been very widely used?

Oppen: I think they used it in Ohio and as I remember the figures, the Ohio experience was such that the other States don't want to do it if they can avoid it on account of the expense. When they issued the stamps, they were used only once and destroyed, whereas these tokens are used over and over again.

Q. We were told last night that telegrams had gone to the four States calling attention to the decision which you announced on Monday, but that was not to be construed as notice to these States that they had to quit. Is that right?

Oppen: The telegrams merely stated the opinion of the Treasury. They contained no statement that they had to stop coining. I presume that that was a matter of their own judgment.

Q. Has the Department of Justice concurred in this rule?
Oppen: The Department of Justice has been consulted and has concurred in the statement issued by the Treasury.

Morgenthau: Thank God for that.

Oppen: I would say, however, that the criminal aspects of the situation were not discussed in the Secretary's statements. And that's a phase in which the Department of Justice would be particularly concerned.

Q. Do you intend to ask the Department of Justice to enforce it?

Oppen: Mr. Secretary, I'd say no.

Morgenthau: All right, I say no. Some day, I'm going to take this coin stuff seriously, if you fellows keep asking much longer and I'll ask you to come out to the house and spend a couple of nights with us.

Q. Mr. Gaston said this was something to be considered from a constitutional angle. Wouldn't that be under Secret Service?

Morgenthau: I think so.

Oppen: I think it should be made clear that the question of
coinage and the question of counterfeiting are two different questions. The coins made so nearly resemble United States coins that they would automatically come under counterfeiting statute and of course the Secret Service would automatically have charge.

Q. Mr. Secretary, why not the American Liberty League, so that the Constitution would be preserved?

Morgenthau: Thanks for the suggestion.

Q. Have you decided on the doughnut shape?

Morgenthau: I'd say that if Congress should pass this act and there is a question of getting these out in a hurry, we'd have to give up the idea because we'd have to turn out something the mind could manufacture over-night. And as long as we are not equipped to manufacture doughnuts, we would have to manufacture something they could turn out in a hurry.

Q. Is that a --

Morgenthau: Miss O'Reilly brought it in yesterday and gave it
to me from the mint. I think these are the ones that go on sale
or whatever they do with them. The mint have kindly made that
for my office. I think it is very lovely, don't you? (points
to large bronze plaque of President Roosevelt's profile painted
on wall).

Q. What will they be placed on sale for?

A. I don't know, but the mints make these of every President
and they are sold.

Q. They make them for every Secretary?

A. For every Secretary and they are having a tough time getting
me. Just when these go on sale, I don't know. Would you find
out, Fussell?

Q. Is that gold?

A. Gold washed. I think it's very nice. She came in with them
yesterday.

Q. Has the price been set at all?

A. I'm sorry, I don't know. But Fussell, will you find out and
let them know right away? Just so that no more mystery trips —

I am again leaving tonight and if it interests anybody, I'll be

back Monday morning.

Q. Farm?

A. I'm going up on Cape Cod. I'd much rather you didn't write

it, but just so there are no mystery trips.
6:00 P.M.

Mr. Morgenthau: There have been so many inquiries about this silver business that I thought I had better break my rule and say something. What I want to say is, we bought more silver today than the total annual domestic production in 1934, which is estimated at 25½ million ounces.

Q. Today you bought all this?

A. Yes. I repeat it. Today we bought more than the total annual production of silver in 1934 which is estimated at 25½ million ounces.

Q. Apparently this is a denial of rumors in the silver market that Congress is planning to drop its silver program.

A. I will let you fellows do your own writing but there have been so many inquiries and so many rumors that I thought I had better break my rule.

Q. Can you tell us whether you have stopped buying silver?

A. No, my God!

Q. Have you bought this much in the last two days?

A. No, other days have been in proportion.

Q. Do you know the price of silver?

A. Sixty-five cents in London and sixty-six cents in New York.

Q. To what do you attribute this selling that has been going on? Speculators have been taking this story to heart.

A. I don't know. I can just repeat what I said that I thought I had better tell you.

Q. For background or any other way, where is it coming from?
A. India and China.

Q. Any comment on Senator Thomas?

A. No. You seem to have hit the point where they are willing to sell.

Q. Where did you say purchases were made?

A. New York and London.

Q. This would be the heaviest day of buying since the silver program was in?

A. It is.

Q. Some of the financial stories say that this heavy silver buying might have a bearing on stabilization problems inasmuch as it tends to drive up selling.

A. I don't want to go into that if you don't mind.

Q. Would this be a fair question? Are you going to continue your purchases?

A. Yes.

Q. Is this a fair inference that your purchases, since this is the heaviest day, that your purchases have tended to increase as the market has declined?

A. Yes. I will say that it is proving to be good business.

Q. Could you tell us approximately how much has been bought? The last figure was 500,000 ounces that came out last month.

A. I would rather not say.

Q. Do you recall the last public figure?

A. I do not.

Q. Can we get that?

A. God, I don't know. Miss Chauncey and I are all that are left around here.
Q. This is an answer then to McCarran's statement in the Senate today that you have waited until prices went down before you bought, and this is not according to Hoyle. Have you said that is good business?

A. The boys know me around here and they know I never get into an argument with Senators. You draw any conclusions you want but I never answer a Senator or Congressman through the press. If you don't mind I would rather you would not quote me. Somebody asked me if we were buying on a dropped market and I answered yes. I also said that that seemed to be good business. I am under contract, so to speak, to carry out legislation and as the market drops I get more silver and become that much nearer our goal.

Q. How much nearer are you?

A. I really don't know but at that rate it would not take very long.

Q. Did you buy silver yesterday?

A. Yes.

Q. Stories from London yesterday said that you did not buy any.

A. Well, the London stories were not very correct.

Q. An academic question, Mr. Secretary.

A. My Gawd! We'll all go out and get a drink after this.

Q. Have you any idea how much monetary silver is kicking around?

A. No, but there is a great deal less than there was. There is an academic answer.

Q. How about this alleged Indian hoard that came out when the prices go up?

A. No, I am sorry to have to keep you so late in the evening.
PRESS CONFERENCE, AUGUST 15, 1935.
10:30 A.M.

(Mr. Morgenthau exhibited some samples of new currency using the Great Seal.)

Mr. Morgenthau: There is a carefully prepared release on it and if you want to, Mr. Hall can go down with you to the press room or anywhere else and discuss it with you.

Q. Why this?
A. Oh! just to use the Great Seal.

Q. That is the way Jack Garner lost his hat passing it around.
A. Do you think I am going to lose the two $1 bills. Does anybody want pictures of the seal?

Q. Yes. What is the reason for this seal?
A. Mr. Hall: The big reason is that we are changing the method of printing the signature on the notes —- that is the signature of the Secretary and Mr. Julian, the Treasurer. The release will explain that to you and while we are making some changes we will change the design.

Q. Will you retire outstanding currency?
A. Not until they are worn out.

Q. In other words, we have two kinds of silver certificates.
A. There is very little change on the front but quite a bit on the back.

Mr. Morgenthau: Hall, do you have your eye on the money?
A. Yes, sir!

Q. Are you satisfied with the result of the $100,000,000 issue?
A. Yes, it sold at the market.

Q. Below the market.
A. It sold at the market price. In other words a couple of 32nds under.

Q. Subscriptions were rather small.
A. Yes.

Q. What is the reason for that?
A. I don't know what a very good reason is. I can't give any very good reason myself but I think when you have an auction sale you conduct it in a bonafide manner and keep out of the market for at least a week or ten days in advance so that you have a perfectly natural market. I use the word at the market. In other words, the price the market fixes and I am perfectly satisfied. As a matter of fact, as business gets better we can look for a tightening of interest rates. That has to come along.

Q. Mr. Secretary, what is the status of the Cleveland liquor investigation?
A. I am still waiting for a complete report which has not yet come to me.

Q. To get back to the new design, is there any thought of putting them on any other bills?
A. No, just the $1 bill.

Q. Is this the first time the Great Seal has been used?
A. Yes.

Q. Frank P. Keelson, a bullion broker in New York, does not think much of the Administration's silver policy. Have you any comment?
A. Is he unique?
Q. No. Are you going to see Senator Thomas today?
A. Yes.
Q. Is he coming down here?
A. He is coming down here about 11.
Q. On silver?
A. I assume so.
Q. Is he coming with any other Senators?
A. I don't think so.
Q. Will you have any announcement after the meeting?
A. No, I will not. He may have, but I won't. At least I don't think so. You never know, but I won't wait until 6 to give it to you.

May I say, off the record, that I think the men who handled the silver story handled it extremely fairly. I was very much pleased. I am not going to say anything about the editorials. I will be out of town when they come out, but as far as the news stories are concerned, it was handled extremely well.

Q. When are you going?
A. I am going this evening.
Q. Are you going up to the farm?
A. No, I am going to Cape Cod with the family.
Q. Do you expect to confer with Montague Foster while he is in the country?
A. He is up in Maine. I will have to get out a map. It is a long way from Cape Cod to Bar Harbor. I have no plans in mind but I take it he is here on a vacation and I don't want to spoil it
for him.

Q. Do you have any reports from London on the silver market?
A. Yes, things quieted down, quite a lot.

Q. Are you buying any more?
A. Yes, we are buying but it is a very much more quiet market.

Q. Did the prices go down very much?
A. No, the price in London today was 65c.

Q. That is the close of yesterday?
A. Yes, but things quieted down.

Q. New York asked last night if it was true that speculators had just got tired of waiting for the Treasury to bring about another price raise and started selling silver.
A. Off the record, the stories from abroad on what we have bought and what we have done are a thousand percent wrong. They are a thousand percent wrong, and again, off the record, I don't think there are many speculators left. There was one story cabled from Bombay to the effect that Bombay sells 5,000,000 rupees and two speculators commit suicide. At that rate I don't think much of the stories.

Q. Will you buy today anything approaching yesterday?
A. I would just like to leave it this way -- that the silver market has quieted down a great deal. I would say it is almost a normal market.

Q. Any indication of short selling or outright liquidation?
A. I don't know.
Secretary Morgenthau today announced that production of a new $1 Silver certificate is under way at the Bureau of Engraving and Printing.

The new certificate is of the same size as currency now in circulation, but represents changes both in the method of printing signatures and in design.

The new certificate is not yet ready for issue and ample notice will be given before it is put into circulation.

The important change in the face of the new certificate deals with the method of printing signatures on the notes. The signatures of the Secretary of the Treasury and of the Treasurer of the United States, instead of being printed with the rest of the design, will be typographically over-printed later, from steel dies, when the bills are numbered and sealed. There are a number of minor changes in the design of the face.

The design of the back of the note presents for the first time, on any money issued by the United States, a representation of both the obverse and reverse of the Great Seal of the United States, first adopted in 1782, prior to the adoption of the Constitution.

The obverse of the Great Seal is the familiar American eagle with a shield, grasping an olive branch in one talon and arrows in the other talon, surmounted by thirteen stars and the Latin motto "E Pluribus Unum."

The reverse of the Great Seal, used for the first time on money, shows an unfinished pyramid, surmounted by an eye in a triangular glory. The pyramid bears in Roman numerals the year of the Declaration of Independence, 1776.
Above the eye is the Latin motto, "Annum Caeptis", rendered as "Ho (God) favored our undertakings." The motto at the bottom is "Novus Ordo Seclorum" and is translated as "A new order of the ages." The eye and triangular glory symbolize an all-seeing Deity. The pyramid is the symbol of strength and its unfinished condition denotes the belief of the designers of the Great Seal that there was still work to be done. Both the mottoes, on the reverse of the seal are condensations of excerpts from Virgil's Aeneid.

The first committee on the Great Seal was formed on the afternoon of July 4, 1776, and consisted of Benjamin Franklin, Thomas Jefferson and John Adams. The Great Seal as finally adopted was largely the work of Charles Thomson, Secretary of Congress, and William Barton, a private citizen of Philadelphia. The design was officially adopted on June 20, 1782, by Fundamental Law. The Great Seal was again ratified after the Constitution was adopted in 1789.

The only previous use of the reverse of the Great Seal, according to Treasury records, was in 1882, when a centennial medal was issued by the United States mint to celebrate the 100th anniversary of the Great Seal's adoption.

The Fundamental Law which established the Great Seal includes the following description of the reverse:

"A Pyramid unfinished. In the zenith an Eye in a Triangle, surrounded with a Glory, and over the Eye these words, 'Annum Caeptis'.

"On the base of the Pyramid the numerical letters, MDCCCLXVI, and underneath, the following Motto, 'Novus Ordo Seclorum.'"

The explanation of the reverse design written at the time by Mr. Barton, one of the designers, is:
"The pyramid on the reverse signifies strength and duration. The eye over it, with the motto 'Annuit Coeptis' (Prosper our Endeavors), alludes to the many signal interpositions of Providence in favor of the American Cause. The date underneath is that of the Declaration of Independence and the words under it signify the beginning of the new American Era, which commenced from that date."

Following is a more detailed description of the face and back designs:

FACE - The face of the series 1935, $1 Silver Certificate, printed in black, is similar to the present series 1934 design now in circulation with the following changes:

The large ruled face "ONE" has been removed from the note and is replaced with the words "One Dollar" in Roman lettering having a graduated ruled face with a ruled shadow approximately 1" below the top edge of the note. Below this, in black Roman lettering, is the wording "Washington, D. C.". On the left of the portrait, across the Gothic lettering, a shaded figure "1" is engraved, taking the place of the blue surface-printed figure "1" on the present issue. Space is provided below on either side of the portrait to permit of the printing of the signatures of both the Secretary of the Treasury and the Treasurer of the United States from steel engraved dies at the time the notes are being numbered and sealed. The Treasury Seal is reduced to 1/8" in diameter, and printed in blue across the words "Washington, D. C.", on the right side of the note. The serial numbers have been reduced in size and are printed in blue in the same positions as on the series 1934 note. The words "Series of 1935" appear farther to the left in the upper left-hand corner, and farther to the right in the lower right portion of the note.
BACK - The back is printed in green. The design comprises the obverse and reverse sides of the Great Seal of the United States as adopted by the Congress in 1782. The reverse of the Great Seal is on the left center and carries the Latin words "ANNUIT COEPTIS" and "NOVUS ORDO SECLORUM." The obverse of the Great Seal is on the right center. The impressions of the obverse and reverse of the Great Seal are enclosed by a circular cycloid line pattern and ornamental acanthus leaf scroll work. Below the reverse side are the words "The Great Seal", and below the obverse are the words "of the United States". The outer portion of the note consists of the usual conventional geometrical lattice design, with the title "The United States of America" in white-faced Roman letters across the top of the note in the lattice work. The words "One Dollar" in similar lettering appear in the lower panel of lattice work, having a ruled tint on their face. In each corner is a large white-faced numeral "1", and extending across this figure is the word "One" in white Roman lettering. Between the reverse and obverse of the Great Seal is the word "One" in a ruled face Roman letter having a ruled shadow. This word is approximately 1 7/8" long and 11/16" in height. A small cycloid pattern is used to furnish a lacelike edging in the inner edges of the lattice work.
MR. MORGENTHAU: At your service.

Q. Any special reason for the heavy purchases from funds on hand?

A. I would say, sure. Money keeps coming back pretty regularly, banks turn back this money and postal savings — you might get that figure — it is quite interesting the way deposits of postal savings have dropped in the banks.

Q. It was in the Reserve Bulletin last month.

A. Was it?

Q. What were the purchases last month?

A. $8,765,000 purchased for June.

Q. Is the banking bill satisfactory to you?

A. It hasn't passed yet.

Q. Oh, yes it has.

A. When did it pass?

Q. About half an hour ago.

A. Why didn't somebody tell me? I will say — "now I will read it" don't you put that down! I will say this — no I guess I better not say anything.

Q. Widget money is definitely out?

A. My understanding is that the House Committee has announced that it would report unfavorably on the bill.

Q. They are going to report it?

A. What I am telling you now I only read in the newspapers because I am almost certain the official report has not come out yet.
Q. What will be done if you don't get the legislation?

MR. OPPER: That is a question for the Department of Justice as far as enforcement is concerned.

Q. You would not object, would you, if states continue to make fractional coins?

MR. OPPER: Again it is a question that only the Department of Justice can determine. First, it is a question whether there is a violation of criminal laws and second, that would not alter the raising of the question as to whether it was constitutional for a state to take that action.

Q. What is the difference between printing on paper and printing on metal?

MR. OPPER: The Constitution refers to metal.

Q. If they printed on a paper would it be O.K.?

MR. OPPER: It would be a question whether it is a coin.

Q. Does the prohibition limit it only as far as they resemble currency?

MR. OPPER: The statute is that no state shall coin money. Again it is a question whether it is a coin or money.

Q. Do you favor the amendment proposed by Senator Borah and passed by the Senate on tax exemption on government bonds?

A. No.

Q. If the state of Washington or Ohio printed their coins on paper instead of metal what would you do?
Mr. Oppen: The situation as far as the Treasury's action is concerned is not different. There is no action the Treasury is supposed to take.

Q. Have you cited any to the Justice Department?
Mr. Oppen: As far as I know, no.

Q. Would that be necessary? Would the Treasury have to cite the case to Justice?
Mr. Oppen: No.

Q. The Attorney General said last week nothing had come to his attention.

Mr. Oppen: I think the point of the question is whether the Attorney General can act on his own initiative.

Q. Have you done anything to hinder the use of the metal in these 1/10th and 1/5th United States coins. The United Cigar Stores and Schultes have been using these things for 20 years and nobody has done anything about it.

Mr. Oppen: I think that is right. Nothing has been done.

Mr. Morgenthau: I was asked about the Borah amendment.

Q. Do you favor a constitutional amendment doing away with all tax exemptions? If it should be enacted would it seriously hamper your borrowing program?

A. I would not go that far. It would make our borrowing more costly.

Q. Would that apply to short-term?
A. More on long-term.

Q. But it wouldn't be a very serious obstacle?
A. I wouldn't say serious, but it is putting an unnecessary disadvantage on the Federal Government.

Q. Borah's main point was that states would never act on it and the best way to do is to begin now.

A. That is very nice but I happen to be working for the Federal Government and as such I want to borrow my money as cheap as possible. As long as states can have tax exemption features I think the Federal Government should have it.

Q. If the tax exemption features of bonds were withdrawn, the Treasury would undoubtedly benefit by the increased revenue, wouldn't it? The increased revenue would probably compensate for the increased interest rate. That is a hypothetical question.

A. We worked it out that if you did away with all tax exemption features — I don't remember exactly, but we felt that the Government would be ahead. As to how it would be now, if states and municipalities still could have full tax exemption and the Federal Government could not, we do not have a chance, but I think it will fall particularly hard on Farm Credit.

Q. Have you any idea as to what extensions have been granted in processing matters?

A. I am sorry I don't, but will be glad to arrange for you to see the proper person in Internal Revenue.
Q. Do you care to make any comment on the investigation of the operations of the Silver Purchase Act?
A. No, but it is like all those things. When the Committee is ready I will be delighted to cooperate fully with them.
Q. You will turn over to them the amount of your purchases daily if you are asked for them?
A. I stick by "fully cooperate", whatever that means.
Q. Are you considering any plan that the Government might adopt in case of an unfavorable decision on processing taxes?
A. I know Agriculture and the Three A's and our own legal staff, are constantly studying that, and we watch it, including the Bureau of the Budget. It is being constantly watched.
Q. Chester Davis said at a recent press conference that if in December these taxes were caught unconstitutional, the Government would still have applications of some 9,000,000 farmers who have signed contracts.
A. He ought to know what he is talking about. I, frankly, do not have the details. I know we are in touch with Justice and I know the thing is being watched from the Treasury angle as well as from the Three A's angle, but if you want to talk to someone you will have to go over to Internal Revenue.
Q. Do you feel, as Davis does, that if they are Government
contracts they have to be paid?
A. I have not personally studied it.
Q. One other question on silver. Is there any change in the Treasury's attitude on the McCarran silver tax feature?
A. No. We are still opposing.
Q. There were some rumors around last week, in New York I believe, that the Treasury had somewhat changed its position on that.
A. No.
Q. What about nationalization? Do you still want that?
A. We still have it.
Q. He was going to repeal nationalization.
A. That is not in his measure, is it?
Q. Yes, Section 678.
A. No, I am for leaving the thing as it is as far as things go.
Q. The question was brought up in the Senate this afternoon about social security for railroad employees — whether it would have a separate fund for the tax to go in or a general fund. They thought they might ask you.
A. I would have to study it. I don't know.
Q. They vetoed the Railroad Pension Act. Will that have a marked effect on your fiscal program. It involves about $80,000,000 a year.
A. It is coming too fast.
Q. How is the new dollar coming along?
A. All right.
PRESS CONFERENCE — AUGUST 22, 1935.

10:30 A. M.

MR. MORGENTHAU: How is the betting? Is Congress going to get away Saturday?

Q. I think they will be here all next week. If you settle FACA for them they might get away.

A. It would be a good idea to take some of them over a barrel—it would be easier. Just gets down to whether it will be barrels or glass. I have nothing very important, if anything.

Q. Is Robert resigning or has he signified his intention of retiring at an early date?

A. Since I commented on it a week or ten days ago nothing new has transpired. Does that suit you? As far as his resignation is concerned I have nothing.

Q. I heard the date of October 1st mentioned.

A. I have nothing on my desk. Nothing new. If Robert has that in his mind I have nothing from him.

Q. Everybody is asking whether the McIntyre thing means anything to you as far as the Treasury is concerned.

A. No. That is easy.

Q. I understand a couple of customs agents in Cleveland have been suspended as a result of a collateral issue resulting from the liquor investigations.
A. Technical charges have been filed against Clifford W. Pollock, Assistant Collector of Customs in Cleveland and Edward W. Harbou, Customs Agent in Charge, but that is a separate case. It is not the case that the Collector of Internal Revenue was involved in.

Q. It involves failure to comply with Treasury regulations in not reporting the action of customs brokers.

A. That was right.

Q. They have actually been suspended.

A. No, as I understand it when they file charges they don't suspend because that is the technical way. You can suspend or file charges. In this case we filed charges.

Q. What is the actual verbage in the charge?

A. We could not give you that because they haven't had a chance to answer.

Q. How long do they have to answer?

A. September 1st.

Q. And in the meantime they will continue as formerly?

A. I suppose so.

Q. What is the actual status of the liquor situation?

A. The report has not come to me.

Q. I thought it was waiting for this.

A. We did not know whether the two were related. They were not.
Q. Can you expect that other thing pretty soon.

A. I think you will have it next week. The report has not even been written. I will say "shortly." But the Collector of Internal Revenue is not involved in this case with Pollock and Barbour, as far as I know.

Q. For those of us who do not know about the Cleveland Case, can you give us anything for background?

A. I will give it to you and off the record.

A broker got certain money — drawback money and under the law it is supposed to be turned in right away. Instead of that he used it to help finance himself in connection with a state agency for a beer company. The total amount involved was sixteen thousand dollars and he admitted he diverted some nine thousand dollars to his own use, $2,500 of which he invested in a beer store which subsequently failed. Pollock and Barbour knew about it and did not report it. He left the brokerage concern and the concern assumed full responsibility making full payment to the three concerns involved, but Pollock and Barbour have to do some tall explaining. It would be easier for them if we suspended them. From their standpoint, it is more serious to bring charges. This way I think we can take criminal action.

Q. Can you tell us anything about refunding plans on the rest of the liberties?

A. No, but we ought to have something for you about this time next week.

-oo0oo-
MR. MORGENTHAU: Some of you fellows will have to help me out on this. I am glad it is such an exclusive gathering. There will be a statement at the White House in a minute on this cotton. I understand they are waiting on the Hill for it. Anyway, I just came out of the conference. I have been at it for four hours. I have just come up for air. If there is not a statement there will be one in a minute.

Q. Are the conferences all over?
A. Yes.

Q. What does it look like? Will they adjourn?
A. I don't know, I guess it is even money.

Q. How much did you lose?
A. I haven't lost anything yet.

Q. What can you tell us about the decline in Governments?
A. God! I don't know.

Q. It was very weak again today and Governments have been declining for some time.
A. I haven't anything.

Q. Would you say it is possible for Government bonds to be too high and the Treasury will let them reach a level in view of increased yields?
A. That is inferring that we are controlling the bond market.

Q. That is only inferring that you can influence it; not that you have attempted to do so.
A. I will say this, and I have said it before, that always in
advance of a financing we let the bond market seek its normal level and we will do the same thing now. Whatever the normal level is we will let it seek it. For instance, if we have any buying to do for, say, Postal Savings, we would not be buying just in advance of a new offering.

Q. In a sense then you would be holding off in a normal buying sense?

A. The answer to your question is yes, but I don't want to say that. I simply want to say that in advance of a large refinancing offer, the Treasury policy is to let the bond market seek its own level.

Q. What do you think of the Order setting September 12th as the deadline for filing applications? Will it result in spending less than the 4 billion S?

A. I guess I am not going to discuss that Order.

Q. Can you tell us anything by way of background on this cotton loan business?

A. I am afraid that after it comes out you will have to get it from the White House or AAA.

Q. What would be the difference in dollars between the .09¢ and .12¢ loan on this year's crop?

A. If I begin answering — I will have to beg off. As to an explanation I imagine AAA can explain it. I am all tuckered out. As to an explanation I imagine Chester Davis will have to do that. He had Porter with him.

Q. Has anything been said as to where the money would come from to make up the .09¢ to .12¢?
A. It is a perfectly legible, understandable statement that is coming out. I think everything is covered, on where the money is coming from, etc. After it comes out I imagine Chester Davis will explain it to you.

Q. Of course in this statement about the bond market you include Federal Farm Mortgage Corporation?

A. The $100,000,000 offered today?

Q. Yes.

A. I did not have that in mind.

Q. You are not particularly distressed by the fact that bonds are going down?

A. No. This thing, frankly, does not worry me a bit. We have had an almost steady rise in the bond market. Since January 1954 the market has gone up practically steadily and if we should have a slight recession at this time I would not consider it out of the ordinary. I might say when a similar reaction happened 12 months ago the basic conditions were entirely out and I have not talked to anybody who has anything to do with the bond market who really is worried and I, frankly, am not worried. If the investing public think 99 1/2 is a good price for 2-7/8ths, alright, we’ll go along with them. After all we have to depend on the investing public and put the price at purchase and sales, and after all what we do when we buy — we buy as an investment and we have investment accounts which we buy for when they have cash. The only difference, in order to play perfectly fair, we don’t buy for investment accounts just ahead of a financing. At other
times we buy as the money comes in. There is no mystery about it, but the only thing is we want to play absolutely fair so our Federal financing will not in any way cause an artificial market.

Q. Was the bill for embargo on gold suits adopted in a manner satisfactory to the Treasury?
A. Yes.

Q. Has anything been done as to when the Social Security Tax will begin?
A. That depends on what happens to the Third Deficiency Bill.

Q. That tax is levied anyway and that depends upon you.
A. The administrative expenses are in the Third Deficiency Bill.

I think they start collecting taxes January 1. I will tell you this, off the record, this plan which is cut now I like better than the other one. I think it is better from the Treasury standpoint.
REPORT OF SECRETARY MORGENTHAU'S PRESS
CONFERENCE, AUGUST 29th, 1935.

Secretary: What have you on your mind today?

Q. This bond offering.

A. Which one?

Q. The one that was announced this morning.

A. Well, it wasn't so good. That's all I've got to say.

Q. Aren't you going to buy in the other 15 million for the Treasury? Haven't you got some money to invest?

A. No. The Farm Credit Administration will get 35 million.

Q. What reasons do you blame for its not being so good?

A. I don't know.

Q. Do you think the auction system had anything to do with it, Mr. Morgenthau?

A. You mean in this case? No.

Q. This is the first public offering of farm mortgage bonds in some time, isn't it?
A. There has been one but you see the reason for it and that was they decided to go on a cash basis.

Q. Was this the first cash offering or have there been previous ones?

A. I think so. I'm not sure. Of course, they've got the intermediate credit offerings which come along right along. I'm not sure.

Q. Can you tell us anything about the future plans of the Treasury on the Liberty Bonds or any other financing?

A. No, I'm sorry I can't.

Q. How was the Government market this morning, Mr. Secretary?

A. Just about where it closed last night. In fact, it went up and is just exactly where it was last night.

Q. Mr. Secretary, George Creel of Collier's has a story that the Administration is planning to balance the budget by 1939.

A. Well, I'll have to withhold comment until I see the story.

Q. Until you read the article?
A. Until I read the article.

Q. That's as good a date as any.

A. I'd say so but I can't comment on something that isn't on the streets yet.

Q. Well, he said in this article that the Administration had worked out a plan to do this. Do you know if such a plan is in existence?

A. Well, I think I've got to wait until I read the story.

Q. Well, is there such a plan in existence?

A. Well, I'm just going to stick by that. I'll wait until I read the story.

Q. Mr. Secretary, have you reached a decision yet in that Ohio liquor investigation?

A. No, still waiting for the final report.

Q. Will the auction system be abandoned in the near future?

A. No.

Q. It will not?
Q. If you don't mind, what is the significance of this underbid?

A. I don't know.

Q. Mr. Secretary, last week you said you weren't worried about the falling bond market. Does that still hold?

A. I won't make any comment.

Q. Mr. Secretary, you have the right to sell the rest of these bonds without public sale? If a bid comes in, will you take it?

A. I don't know. I'd have to find out what Myers wants. As I understand it, I think that it is up to Myers. If he needs another $15,000,000, and if he wants us to sell it, that's all right. I think that's up to him. I don't know what his wishes are. We are acting as his agent, not very successfully this time. It depends upon whether he wants that other $15,000,000.
FOR IMMEDIATE RELEASE,
Thursday, August 29, 1935.

Press Service
No. 5-66

Secretary of the Treasury Morgenthau today announced the result of the offering by the Treasury on Monday of $100,000,000, or thereabouts, of 1-1/2 percent bonds of 1939 of the Federal Farm Mortgage Corporation, tenders for which were received at the Federal Reserve banks up to 12 o'clock noon, on Wednesday, August 28.

Tenders for $85,592,000 face amount of bonds were received, of which $85,262,000 was accepted at prices ranging from 100 down to 98. The average price of the bonds to be issued is approximately 99. Based on the average price at which the bonds are to be issued on September 3, 1935, the yield is about 1.762 to maturity, September 1, 1939.
Mr. Morgenthau: Mr. Coolidge and I are here to answer any questions you ask but we will answer them for background rather than for direct quote. Very briefly, what this is, we are offering, (I am talking for background; not for direct quote, please,) the last of the conversion of the called Fourths and we are giving the holders of the called Fourths an option on taking a 3\(\frac{1}{2}\) year note at 1\(\frac{1}{2}\)% interest or a 10-12 year bond at 2-3/4%. Then, in addition to that we are going to ask for $500,000,000 cash out of the note. That boils the whole thing down. This is for Tuesday release and I will again say that what I am saying is background.

Mr. Coolidge: It is the last of the War loans. It is almost the same as we did a year ago and at that time we offered a 4 year note for 2-1/2% and a 10-12 year bond at 3-1/4%.

Mr. Morgenthau: This will clean up in two years time a little over 8 billion that we have called and refunded in two years.

Q. How much interest has been saved in that operation?

A. Up to 3 months ago it was 100 million. Kilby, would you be able to guess?

Mr. Kilby: We haven't made a recent figure. I guess 120 or 125 million.

Q. The Libertys' are redeemed on October 15 and the new bonds begin as of September 15? Is that correct?

A. Yes. We pay interest on the called up to the day of the maturity and you get interest on your new security as well.
I might say, Mr. Coolidge and I feel quite confident that this is going to go well. Mind you, this is all background, not a single direct quote. Is that right, Jeff?

Mr. Coolidge: I agree.

Mr. Morgenthau: Jeff, do you want to add something?

Mr. Coolidge: No, I don't think so.

Q. Can you tell us at all why you plan to reduce the interest rate on long term bonds or make them so much shorter than the last issue?

A. We simply feel that this is the best bond to offer at this time in view of what the market is. In other words we are "Cutting our cloth" to suit the conditions. We think this is what will go well at this time. This is the lowest interest rate on a bond that we have offered, 2-3/4% interest, in I don't know when. Do you, Kilby?

Mr. Kilby: Not since the Panama 2's, which, of course, were not this type of bond, in 1911.

Mr. Coolidge: Those were circulation bonds so they were special. This is the lowest straight bond that we have ever issued.

Mr. Morgenthau: If this goes well I am sure we will get as much publicity on the front page as we did in the last two days. I am sure this is a front page story if this is a success.

Q. This lower interest rate will probably be an answer to those questions?

A. How do you mean?

Q. Well, it is the lowest interest rate ever offered and it completes a little over 8 billion.
Mr. Morgenthau: After you have read this thing what do you usually do? If you want to ask any questions Mr. Coolidge will be here. Let me take this as our full text from the American Banker. "IF THIS BE FAILURE" Disappointed optimists and pleased pessimists who call Secretary Morgenthau's experience in getting only $85,000,000 in bids on a $100,000,000 FFMIC U.S. guaranteed mortgage bond issue a "failure" and let it go at that, are ignoring something. It is pretty hard to see wherein borrowing $85,000,000 for four years at 1-1/2% from the most astute bankers of this country can be called anything but an amazing success. When an issue of 90-day paper at 4% or 5% fails, it will be time enough to lament the collapse of the "credit" of the United States Treasury. If being able to buy $85,000,000 for four years for $5,100,000 is failure, there are a good many U.S. business men and borrowers who would like to share it. At the usual 6% they have to pay at the rate of $5,100,000 for $85,000,000 for one year. I offer you that and I might say that the American Banker has not always been so favorably inclined.

Mr. Ruff: You should give that to the Herald Tribune; not to me.

Mr. Morgenthau: I don't see Kitner. I am not personal. I just happened to see it and I thought it was rather nice. As I say, if there is anything you would like to ask on the thing we are here to answer your questions. I might say I have never had a more comfortable feeling before a big refunding that I have on this, and, again I would appreciate it that what I have said is for background and not direct quote.
Q. This is the first time you have raised new cash since July?
A. Since July, we did have a few auction sales they tell me.
Q. How much was raised in July?
Mr. Coolidge: 500 million.
Secretary of the Treasury Morgenthau today announced an offering of 10-12 year 2-3/4 percent Treasury bonds of 1945-47 and of 3-1/2 year 1-1/2 percent Treasury notes of Series C-1939, both in exchange for Fourth Liberty Loan 4-1/4 percent bonds of 1933-38 called for redemption on October 15, 1935 (Fourth-called Fourth 4-1/4's), and at the same time invited cash subscriptions at par for $500,000,000, or thereabouts, of the Treasury notes. About $1,250,000,000 of the Fourth Liberty Loan bonds are included in the fourth and final call for redemption on October 15, 1935.

The Treasury bonds now offered in exchange for Fourth-called Fourth 4-1/4's will be dated September 16, 1935, and will bear interest from that date at the rate of 2-3/4 percent per annum payable semiannually. They will mature September 15, 1947, but may be redeemed at the option of the United States on and after September 15, 1945.

The Treasury notes of Series C-1939 now offered for cash subscription and in exchange for Fourth-called Fourth 4-1/4's, will be dated September 16, 1935 and will bear interest from that date at the rate of 1-1/2 percent per annum payable semiannually. They will mature March 15, 1939 and will not be subject to call for redemption before that date.

The Treasury bonds will be issued in two forms, bearer bonds with interest coupons attached, and bonds registered both as to principal and interest; both forms will be issued in denominations of $50, $100, $500, $1,000, $5,000, $10,000 and $100,000. The Treasury notes will be issued in the same denominations but only in bearer form with coupons attached.
The Treasury bonds and the Treasury notes will be accorded the same exemptions from taxation as are accorded other issues of Treasury bonds and Treasury notes, respectively, now outstanding, these provisions being specifically set forth in the official circulars issued today.

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 Federal Reserve banks and the Treasury Department are authorized to act as official agencies.

With respect to cash subscriptions for Treasury notes, applications from incorporated banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Applications from all others must be accompanied, if for more than $5,000 by payment of $5,000 or 5 percent of the amount of notes applied for, whichever is the greater; and if for $5,000 or less by payment in full.

With respect to exchange subscriptions for either bonds or notes, applications should be accompanied by a like face amount of Fourth-called Fourth 4-1/4's tendered in payment. Such bonds will be received on exchange at par and interest thereon will be paid in full to October 15, 1935, the date all Fourth-called Fourth 4-1/4's cease to bear interest. Both the 2-3/4 percent Treasury bonds of 1945-47 and the 1-1/2 percent Treasury notes of Series C-1935 will be issued at par, with the right reserved to the Secretary of the Treasury to increase the issue price of the bonds by public announcement effective as to subscriptions tendered after the time fixed by the Secretary, which time will be after the date of the announcement and in no event earlier than September 10, 1935.
The right is reserved to close the books as to any or all subscriptions or classes of subscriptions at any time without notice, either with respect to the cash offering of Treasury notes or with respect to the exchange offerings of either Treasury bonds or Treasury notes, or both.

No further exchange offering will be made to the holders of the Fourth-called Fourth 4-1/4's, and if such bonds are not now exchanged, they should be presented for redemption on October 15, 1935, in accordance with the provisions of Treasury Department Circular No. 539, dated May 13, 1935.

The texts of the official circulars follow:
UNITED STATES OF AMERICA

2-3/4 PERCENT TREASURY BONDS OF 1945-47

Dated and bearing interest from September 16, 1935. Due September 15, 1947

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER SEPTEMBER 15, 1945

Interest payable March 15 and September 15

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

1935
Department Circular No. 560

Public Debt Service.

I. EXCHANGE OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, for refunding purposes, invited subscriptions from the people of the United States for 2-3/4 percent bonds of the United States, designated Treasury bonds of 1945-47, in payment of which only Fourth Liberty Loan 4-1/4 percent Bonds of 1933-38 included in the fourth and final call for redemption on October 15, 1935 (hereinafter referred to as Fourth-called Fourth 4-1/4's) may be tendered. The amount of the offering will be limited to the amount of Fourth-called Fourth 4-1/4's tendered and accepted. Fourth Liberty Loan Bonds not included in the fourth and final call for redemption on October 15, 1935, all of which have previously been called for redemption and on which interest has ceased, will not be accepted for exchange under this circular.

2. Fourth-called Fourth 4-1/4's will be received in exchange at par, and 2-3/4 percent Treasury Bonds of 1945-47 will be issued at par, with the right reserved by the Secretary of the Treasury to increase the issue price by public announcement.
effective as to subscriptions tendered after the time, not earlier than September 10, 1935, fixed in the announcement.

3. In addition to the exchange offering under this circular, holders of Fourth-called Fourth 4-1/4's are offered the privilege of exchanging all or any part of such called bonds for 3-1/2 year 1-1/2 percent Treasury Notes of Series C-1939, which offering is set forth in Department Circular No. 551, issued simultaneously with this circular.

II. DESCRIPTION OF BONDS

1. The bonds will be dated September 16, 1935, and will bear interest from that date at the rate of 2-3/4 percent per annum, payable on a semiannual basis on March 15 and September 15 in each year until the principal amount becomes payable. They will mature September 15, 1947, but may be redeemed at the option of the United States on and after September 15, 1945, 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.

2. 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, or gift taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profit and war-profit 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 the Second Liberty Bond Act, approved September 24, 1917, as amended, the principal of which does not exceed in the aggregate $5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above.
3. The bonds will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege and will not be entitled to any privilege of conversion.

4.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.

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

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions 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.

2. 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. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. TERMS OF PAYMENT AND ISSUE

1. Treasury bonds offered under this circular will be issued at par, or at such increased issue price as may be fixed by public announcement in the case of bonds issued upon subscriptions tendered to a Federal Reserve bank or branch or to the Treasury Department after the time stated in the announcement. The effective time for any increase which may be made in the issue price will be after the date of the announcement and in no event earlier than September 10, 1935. Any such announcement fixing an increase in the issue price and the time when such increase becomes effective will be communicated promptly to the Federal Reserve banks.
Payment for any bonds allotted under this circular may be made only in Fourth-4\(\frac{1}{4}\)'s, which will be accepted at par, provided that payment of the premium by reason of any increase in the issue price shall be made in cash or other immediately available funds. The bonds tendered in payment, and the premium, if any, should accompany the subscription.

2. On all exchanges, interest on Fourth-called Fourth 4\(\frac{1}{4}\)'s will be paid in full to October 15, 1935, on which date interest on all Fourth-called Fourth 4\(\frac{1}{4}\)'s will cease. Such payments will be made, in the case of coupon bonds, through payment of coupons dated October 15, 1935, when due, which coupons should be detached by holders before presentation of the bonds for exchange, and, in the case of registered bonds, through the issue of interest checks for final interest due October 15, 1935, in accordance with the provisions on the bonds surrendered.

V. SURRENDER OF FOURTH-CALLED FOURTH 4\(\frac{1}{4}\)'S ON EXCHANGE

1. Coupon Bonds. Fourth-called Fourth 4\(\frac{1}{4}\)'s in coupon form tendered in exchange for Treasury bonds offered hereunder, should be presented and surrendered with the subscription to a Federal Reserve Bank or to the Treasurer of the United States. Coupons dated April 15, 1935, and all coupons bearing dates subsequent to April 15, 1936, should be attached to such coupon bonds when surrendered, and if any such coupons are missing, the subscription must be accompanied by 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 in 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.

2. The final coupon attached to temporary coupon bonds become due on October 15, 1940. The holders of any such temporary bonds which are included in the Fourth called for redemption on October 15, 1935, will receive the last one interest from October 15, 1929, if such bonds are tendered for exchange under this circular.
2. Registered bonds. — Fourth-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 the 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 subscription 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 Fourth-called Fourth 4-1/4's surrendered, the assignment should be to "The Secretary of the Treasury for exchange for Treasury Bonds of 1945-47"; 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 1945-47 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 1945-47 in coupon form to be delivered to _____________."

VI. GENERAL PROVISIONS

1. 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 bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. 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.
I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions from the people of the United States, for 1-1/2 percent notes of the United States, designated Treasury Notes of Series C-1939.

2. Cash subscriptions are invited at par and accrued interest. The amount of the issue for cash will be $500,000,000, or thereabouts.

3. Exchange subscriptions, in payment of which only Fourth Liberty Loan 4-1/4 percent Bonds of 1933-38 included in the fourth and final call for redemption on October 15, 1935 (hereinafter referred to as Fourth-called Fourth 4-1/4’s) may be tendered, are invited at par. The amount of the issue upon exchange subscriptions will be limited to the amount of Fourth-called Fourth 4-1/4’s tendered and accepted, Fourth Liberty Loan Bonds not included in the fourth and final call for redemption on October 15, 1935, all of which have previously been called for redemption and on which interest has ceased, will not be accepted for exchange under this circular.

4. In addition to the exchange offering under this circular, holders of Fourth-called Fourth 4-1/4’s are offered the privilege of exchanging all or any part of such

Pursuant to the fourth and final call for redemption (see Department Circular No. 509, dated May 13, 1935) all outstanding Fourth Liberty Loan 4-1/4 percent Bonds of 1933-38 bearing serial numbers ending in 3 or 4 (in the case of permanent coupon bonds preceded by the distinguishing letter C or D, respectively) have been called for redemption on October 15, 1935, on which date interest on such bonds will cease.
called bonds for 10-12 year 2-3/4 percent Treasury Bonds of 1945-47, which offering is set forth in Department Circular No. 560, issued simultaneously with this circular.

II. DESCRIPTION OF NOTES

1. The notes will be dated September 16, 1935, and will bear interest from that date at the rate of 1-1/2 percent per annum, payable on a semiannual basis on March 15 and September 15 in each year. They will mature March 15, 1939, and will not be subject to call for redemption prior to maturity.

2. The notes shall be exempt, both as to principal and interest, from all taxation (except estate or inheritance taxes, or gift 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.

3. 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.

4. The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

5. Bearor 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.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions 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. Cash subscriptions from incorporated banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company.
Cash subscriptions from all others must be accompanied, if for more than $5,000, by payment of $5,000 or 5 percent of the amount of notes applied for, whichever is the greater; and, if for $5,000 or less, by payment in full. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, to make allotments in full upon applications for smaller amounts and to make reduced allotments upon, or to reject, applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest; and his action in any or all of those respects shall be final. Subject to these reservations, cash subscriptions for amounts up to and including $5,000 will be given preferred allotment, and cash subscriptions for amounts over $5,000 will be allotted on an equal percentage basis, but not less than the maximum preferred allotment; and exchange subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

IV. TERMS OF PAYMENT AND ISSUE

1. Cash subscriptions. - Payment at par and accrued interest, if any, for notes allotted on cash subscriptions must be made or completed on or before September 15, 1935, or on later allotment. In every case where payment is not so completed, the payment with application up to 5 percent of the amount of notes applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depositary will be permitted to make payment by credit for notes allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve bank of its district.
2. Exchange subscriptions. - Payment for notes allotted on exchange subscriptions may be made only in Fourth-called Fourth 4-1/4's, which will be accepted at par, and should accompany the subscription. On all exchanges, interest on Fourth-called Fourth 4-1/4's will be paid in full to October 15, 1935, on which date interest on all Fourth-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, 1935, when due, which coupons should be detached by holders before presentation of the bonds for exchange, and, in the case of registered bonds, through the issue of interest checks for final interest due October 15, 1935, in accordance with the assignments on the bonds surrendered.

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

1. Coupon bonds. - Fourth-called Fourth 4-1/4's in coupon form tendered in exchange for Treasury notes offered hereunder, should be presented and surrendered with the subscription to a Federal Reserve bank or to the Treasurer of the United States. Coupons dated April 15, 1936, and all coupons bearing dates subsequent to April 15, 1936, should be attached to such coupon bonds when surrendered, and if any such coupons are missing, the subscription must be accompanied by 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 when available, utilizing such incorporated banks and trust companies as their agents. Incorporated banks and trust companies are agents of the United States under this circular.

2. Registered bonds. - Fourth-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 the assignee thereof to "The Secretary of the Treasury for exchange for Treasury Notes of Series C-1939", 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 subscription to a Federal Reserve bank or to the Treasury Department, Division of Loans and Currency, Washington. If the Treasury notes are to be delivered for the account of other than the registered payee or the assignee thereof, the assignment should be to "The Secretary of the Treasury for exchange for Treasury Notes of Series C-1939 to be delivered to ________________________". The bonds must be delivered at the expense and risk of the holder.

VI. GENERAL PROVISIONS

1. 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.

2. 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.
Secretary: Now that Mr. Gaston is back, maybe I can go away. You see from this announcement that we are closing the books on the notes for the offering -- on the cash offering. Just say the early indications are that they are well oversubscribed.

Q. Any approximate amount?
A. No. We won't have that until about tomorrow night at this time or a little earlier.

Q. You say here, Friday night.
A. They close now and anything that's put in the mail tonight with a stamp on it before 12 o'clock will be accepted. We never know what the mail orders will be.

Q. You say that this is the final figure?
A. We are giving you a preliminary figure tomorrow night somewhere around four or five o'clock.

Q. What do you think this means, Mr. Morgenthau?
A. I don't know. I can give you a stump speech.

Q. That's what I had in mind.
A. It would be the first one you have ever heard me make. wouldn't it?

Q. No, but there was a lot of talk last week and has this proved the confidence of the market in the recovery?
A. Well, I expect, if I can be a little facetious, to pick up a New York Herald Tribune tomorrow, where the three column head last Thursday said, "Treasury Failure" they will say "Treasury Success".

Q. And that equalizes it?

A. That equalizes it and if you would send a little wire to your editor, I would appreciate it. I'm serious on that. This is not on you but on the fellow who makes up the head. I want just as big a headline tomorrow morning in the New York Tribune as last week when they had "Treasury Failure".

Q. Righto.

A. I'm serious. Will you do that?

Q. You could probably get further if you wire the editor.

A. C.K. If you can stay, I'll call them up while you're here. I would simply say that this offering was a success. As I said the other night off the record and I still say, I think that some people unduly magnified the the fact that we borrowed $85,000,000 at 1 ½ four years (this is off the record) and all the alibis wouldn't satisfy anybody but I think we are not guessing. We know a matter of fact that a lot of people went short at that time and I did not want to say anything but we know just how much they sold. We get
the records every night, and it wasn't one day but from Saturday to Wednesday last week the dealers sold more bonds and they had less bonds on their shelves than they had any time since we have been getting the records and they subscribed less. Normally they subscribe fifty or sixty millions and they subscribed 16 million. Now it's over and this is a success. I'm talking off the record. I'm willing to say this but I wasn't going to say unless we had a success.

Q. Can we use this without quoting you?
A. You can use it for background.

Q. Did you stay out of the market before this offering and today?
A. The statement that I made before was truthful.

Q. It still holds for this one?
A. And from now on (this is off the record). No more Pollyanna stuff. They didn't believe me. No one did believe me the day. We announced it that morning at 10:30 that we had eighty-five million. The market steadily went up. With the exception of the financial papers, there wasn't a single paper, with the exception of the Wall Street Journal and the Journal of Commerce, who wrote a story about the market going up. Wall Street financial writers said it was an artificial market.

Q. The statement was true?
A. It was, but from now on, no more statements. I am not going to make any more statements. I made the statement and
told the truth and the Wall Street Journal and the Journal of Commerce gave us a straight story. The others did not. I'm talking only about the New York papers. Nobody else would believe I was telling the truth. Everybody thought I was putting the market up. I got no credit for my Pollyanna story. Now, I keep my mouth shut. I mean, I'm damned if I do and I'm damned if I don't, so from now on I'm keeping my mouth shut. This is off the record.

Q. Your statement about your activities in the bond market -- what about it? Does it still hold or doesn't it?

A. I'm not going to make any comment.

Q. Can we say that --

A. From now on I won't discuss this. I can afford to be -- how shall I say it -- that the little spleen I have accumulated now that I have had a successful week -- I can get it off but when things didn't look good, I grinned. I made up my mind I would keep quiet until things went well. But all this stuff I just said -- now let us go back again -- the only thing you can use for background in what I said is the fact that the bond dealers did sell heavy for four days prior to
our last offering and subscribed far less than ever before.
You fellows can use that but as to what I said about the
newspapers and the bond market, I'll ask you to consider that
off the record.
Q. Can we use those figures you mentioned?
A. No, don't use any figures, simply that the Government ---
I had better go back over it again. Let's go back over it
again if you don't mind. I think, if you don't mind, you
can simply say that I said that this issue for cash offerings
was well oversubscribed. You can say that from now on I'll
not discuss whether I'm in or out of the market. I won't talk
any more from now on about the Treasury activities than I do
about the Stabilization Fund but we will once a month, the
way we always have, continue to publish what we did the
previous month and the rest of the stuff you'll just have to
consider off the record.
Q. How about the short sales.
A. Better not use it.
Q. How about selling?
A. Leave it off the record.
Q. But it can be used for background without attributing it
to you?
A. No. Just better leave it all off. This information was
given to us voluntarily and in confidence. Just leave it out.
All this recrimination doesn't do any good. They were sour
for four days and they are all right now. I will let by-gones
be by-gones.
Q. The one quotation still stands -- you simply find your
offering was a success?
A. Yes, that's all right but I wasn't going to say anything
until we did have a success, but I did want you fellows to
know, who are close to the Street, what did happen -- that's
what happened.
Q. Was it sabotage, Mr. Secretary?
A. I don't like to think that. I think those fellows are
too good citizens.
Q. They didn't like your method?
A. I think the best thing to say was that they all got a hunch
to sell at the same time. I would hesitate a long time before
I would say anybody would deliberately sabotage the market.
Q. Not sabotaging the market so much but your method of
offering securities?
A. Well, even that. As a matter of fact these particular
bond houses they all lost a lot of money and that also added
to their peevishness. Not rubbing it in, there is no reason
why I should rub it in, they were good boys today and we'll let by-gones be by-gones.

Q. Have you made up your mind as to what you are going to do with the other fourteen or fifteen million farm credit.
A. No. We've had offers today and Saturday and up to today we have continued to refuse all of them.

Q. Sufficient offers to take up the fifteen million?
A. Yes. One New York bank on Saturday offered to take up the entire amount.

Q. What price did they offer?
A. Above 99.

Q. Have you wired Mayor Rossi of San Francisco any dope on that income tax charge?
A. We gave out that wire on Friday, didn't we?
A. I mean anything further. You said you were trying to get something on it.
A. Do you know anything about it, Herbert?
Mr. Gaston: No.

Mr. Morgenthau: Captial Covell, Acting Commandant of the Coast Guard, is here and I thought you might like to ask him some questions.

Q. I would like first to ask another question about financing. Is there any prospect of raising the bond price today? Have
you decided?
A. No. All we decided is that we will close the books tonight.
Q. I want to get this straight. The information you gave on short-selling, we can use it all?
A. It isn't for use at all. It's just to tell you people what I know. We are all two hundred and fifty miles from Wall Street and unless you are there, I imagine the financial writers, the only ones who did know it.
Q. Would you object if someone wrote it?
A. If I'm going to give it to anybody, I would give it to you fellows.
Q. Did you read Paul Hali en last night? Well, what you are telling us now to some extent is what he wrote last night.
A. You fellows know I don't go into this recrimination stuff.
Q. If it is a fact, why can't we use it and not put it on you?
Mr. Gaston: Well, it may be a fact but the New York reporters can dig up on their own accounts. It's not a fact to be announced by the Treasury or be written from Washington or written on the information given out from Washington. What the New York financial reports find out about the state of
the market they are free to write but not on the basis of the Treasury or any attribution to the Treasury.

Mr. Morgenthau: Does that satisfy you?

Q. If we can use it this way --

A. Let us put it this way. I have no objection to your repeating it to your New York papers or press associations and if they can confirm it in New York all right but not say "a prominent official of the Treasury says ------".

Q. Not to be used from Washington?

A. Not to be used from Washington, but if you can confirm it from New York, o.k.

Q. That won't help us any.

A. Herbert is here and his advice is usually good and take it.

Q. Anything on this Cleveland situation?

A. Perfectly honestly, I was pretty busy on the financing and if we have anything, let it go until tomorrow, will you? I'm not up on it.

Q. The Detroit papers are carrying a story about this man, Brown, being fired. They are carrying that story today out in Detroit?

Mr. Gaston: Brown has been relieved from duty. His assistant
is in charge of the office. There has been no final action taken on this case. That has been known for some time.

Q. Is Brown under suspension now?

Mr. Gaston: I think he is.

Q. In connection with that case?

Mr. Gaston: Yes.

Q. Mr. Secretary, have you read the Creel article?

Mr. Morgenthau: For God's sake, take him out, won't you! You would try to spoil my evening!

Q. You don't have to answer.

A. Well, if you don't mind, I'm not going to answer it.

Q. Mr. Secretary, is it true that in the Administration's Councils, you are the one advocating a decrease in expenditures?

A. I think you will have to ask that of the President.

Q. I'm asking that because of the stories to that effect.

A. I know but I would rather not comment on that.

Q. Getting back to Famous Brands, may I ask whether there has been any action against any of the others involved in this case?

Mr. Gaston: I don't know of any action. There have been investigations and reports.

Q. But no other suspensions?

Mr. Gaston: I think not.
Mr. Morgenthau: I haven't done a thing on that.

Q. You haven't heard anything further from the collector in San Francisco on that matter?

A. Well, I haven't but whether the office has or not I don't know. I haven't called up. I have been getting a little money today and I haven't caught up on the other thing. If there is anything on that stuff, we'll get it cleared up by tomorrow morning. Herbert will call you in. Do you want to hear from Captain Covell?

Capt. Covell: The latest information that we have from the two cutters, the CARRABASSETTE and the SAUKEE — the CARRABASSETTE left Miami at six o'clock this morning headed south and the SAUKEE left Key West at 12:30 today, both within fifty miles of the DIXIE in a bold-fast gale. Then we have a patrol boat coming down from near Jacksonville. That's the latest report. They are making practically no headway.

Q. What reports do you have on the condition of the DIXIE?

A. Well, we have no direct reports from that other than from the press. The last report is that she is pounding but that she is still intact. I phoned to Jacksonville about half past four and they had nothing further on that. Of course, no one knows what will happen. She is on that Coral reef. She's a good strong ship and may weather it. The latest weather report states that the storm has gone northwest, headed towards
Tampa.

Q. At mid-afternoon on the ticker, there was a report to the effect that you would try to put a plane over.
A. A plane couldn’t go out in this storm. We had early reports that a plane went out from Tampa but no official notice.

Mr. Morgenthau: Is the storm getting worse?
Mr. Covell: No, when a storm like that goes in it does not recur. That’s my judgment.

Q. Where are these cutters now with reference to the position of the DIXIE?
A. About fifty miles away, one headed south, one north but they have moved to practically.

Q. Mr. Secretary, have you had any opportunity to give thought to the new Alcohol Control set-up?
A. No, but that is something that I’ll have to work out with the President because after all, it is an independent agency under the President. As to the method and time we take over, as to when we are to take it over and who will head it, I’ll have to work that out with the President.

Q. Are you going to take it up soon?
A. I hope this coming week up at Hyde Park.
Mr. Morgenthau: In the first place I was very much interested that all of the passengers are safe off the Dixie and I sent word to the Coast Guard men, who had anything to do with it, complimenting them on it because I think they did a very swell job. Of course, our Coast Guard didn't do it all, but those men who did help did a wonderful job.

Q. Mr. Secretary, could you tell us who directed the work down there?

A. Well, I have been in touch with the Coast Guard Headquarters. I don't know the names of the officers.

Q. They didn't seem to know, I thought maybe you would.

A. Well they ought to; we could get it for you. It shouldn't be difficult.

The other thing I would like to talk about is the two months' deficit ending the first of the fiscal year, and the increase for the first two months of this year over last year, which was $186,000,000. I am sort of interested and I have been studying it here. Just looking into the items of money loaned, Commodity Credit loaned 188 million more this year than last year; and RFC loaned 188 million dollars more this year than last year. That makes $276,000,000. PWA received more money back than they loaned last year and in the case of loans and grants to states, they received an excess back of $76,000,000 this year;
and they received back from the railroads $55,000,000 more than they loaned, so that's $151,000,000. So if you subtract 151 million from 376 million you get $225,000,000. In other words, in the recoverable loans - money loaned by the RFC, Commodity Credit and FWA - 245 million is accounted for out of a total deficit of $676,000,000. And just take these five items alone, it would show that our deficit for the first two months - well, I will just leave it that way - that accounts for 245 million. You can do your own arithmetic.

Q. What you said regarding Commodity Credit Corporation and RFC is net, isn't it?

A. Yes, they loaned net 276 million more the first two months than they received. The difference between 376 and 101 is 245. In other words, out of a total deficit of 672 million, 245 million is accounted for through what I call recoverable loans.

Mr. Bertelt: Mr. Secretary, that 245 is out of the increase of the 236 within the two periods.

Mr. Morgenthau: I don't want to show (this is off the record). It shows that our increase this year is 49 million less than last year.

Q. What causes that increase in the ordinary budget which is supposed to be the first objective of economy?

Mr. Morgenthau: Well, in the first place, the more you go into the first two months the more interesting you will find it and the better it looks, and certainly, the first two months were well
within the President's budget.

Q. On the ordinary budget.

A. So I understand. I just spoke to Mr. Edie and I asked him

the flat statement; Were we living within the President's

budget for the first two months and is my authority for

answering yes? The more you look into it the better it looks

and I just pointed out those two items because, off the record,

if I give you all the figures it looks too good.

Q. Doesn't the sinking fund account for some?

A. It accounts for 68 million. All I say to you is there are a

lot of things there - and I just thought I'd stick to the

question of money loaned - the balance between those things,

if we go into it a great deal further, it looks so good that

you wouldn't believe me. So I will just stick on that talk

and it is in the family, but I do make the statement, we are

within the President's budget.

Q. On those two items, Commodity Credit Corporation and RFC, a

year ago there were large repayments; these repayments are

falling off. Isn't that the story.

A. They are loaning more money and repayments are falling off.

There are no tricks in what I am telling you.

Q. Repayments are taken into consideration in that figure.

A. Yes, this is the net figure. I have been over it three times

as a bookkeeper to show I am right. The RFC loaned 376 million
more this year than last year. PWA took in 158 million more
this year than last year - 245 million more loaned this year
than last year. Out of the 676 million deficit of this year,
245 of it is accounted for by the excess loans over last year,
and all I can say is that if anybody is interested the more
he goes into it the better it looks.

Q. Mr. Secretary, doesn't it follow your statement that you are
keeping within the President's estimate that a 4 billion deficit
will be a bad guess?
A. I hate to go back to the old thing, but I still don't want to
go into that.

Q. You don't want to say anything at all about the possibilities?
Q. I'd rather not.
A. Has there been an increase in personnel which accounts for a
$9,000,000 increase?
A. Don't let him look over your shoulder. (To Mr. Eadie).

Mr. Bartelt: I don't think there has been an increase in the
personnel of the regular establishments included in that item,
but there is always going to be a little fluctuation in the
cash figures which wouldn't reflect any increase in the cost
of operating the government departments.

Secretary: Mr. Bartelt will be upstairs and available to answer
any questions. If what I say looks too good, I recommend that
you study the thing fully and you will find that the further
you go the better it looks.
Q. Could you tell us the significance of placing emergency agencies under the Budget?

A. I think the President covered it pretty fully.

Q. Do you agree with the interpretation that it will mean a reduction in the cost of those agencies?

A. Well, if it didn't, I think they had better fire the Budget Bureau. To me, as a fiscal officer, it is one of the most encouraging things that has happened since I have been here and now the independent agencies will be subject to the same supervision as far as administrative expenses go as the regular departments.

Q. It won't affect your system of bookkeeping.

Mr. Bartelt: It won't, no sir.

Q. You can force them to drop personnel.

A. Get this straight. The Bureau of the Budget is directly under the President and it simply assists him in his direction over the independent agencies who are responsible to him. It unquestionably will be of great assistance to him and as he said yesterday, in the case of some of these agencies, the peak of the emergency is over and there is no reason why some of these agencies shouldn't be rapidly liquidated.

Q. Do you know yet whether Mr. Bell will tackle the next budget?

A. I haven't any reason to believe he won't.

Q. Mr. Secretary, are your revenues ahead of budget estimates for the first two months?
A. I don't know, do you know Bartelt?

Mr. Bartelt: I think they are coming up to the budget estimates.

Q. Approximately the budget estimate?

Secretary: I will get that answer. Ask George Haas. We will have it down in five minutes. I don't know; my guess is "better", but I don't want to guess.

Mr. Gaston: Mr. Bartelt says they don't break them down by months but run it on a yearly basis.

Bartelt: George (Haas) breaks them down.

Secretary: We will give an answer - above or below.

Q. Can you tell us whether you have received a questionnaire from Senator Pittman on the silver?

A. Not a questionnaire. I have had a letter from Senator Pittman and he sent Mr. White down, the Secretary of this Committee, and we are preparing the statistics and figures he asked for and they should be ready very soon; and I told Senator Pittman we would be very glad to cooperate with his committee and give him all the information he is entitled to.

Q. Mr. Secretary, why did he ask you for exports and imports in other commodities, not silver?

A. Import and export?

Q. Yes.

A. Why do you think so?

Q. I wondered what you thought. Would it affect the silver policy?

A. I'd rather not go into that.
Q. But he did ask you a question similar to that?
A. Off the record, all that he has asked us for is, under the 1934 Silver Purchase Act, how much silver have we bought and that we are preparing. The thing you are talking about, I believe, he asked Murchison for those figures. Off the record, I don't like to talk about it, but I am under the impression he asked Mr. Murchison of the Department of Commerce, but he hasn't asked me.

Q. Have you had an opportunity to examine that reply from Customs Commissioner Pollock of Ohio?
A. It isn't on my desk.

Q. Anything on that other phase of the liquor matter?
A. No, the last couple of days I have been refunding.

Q. Mr. Secretary, San Francisco is anxious to know when, or if, you are going to release certain information about police graft.
A. I sent Mayor Rossi a telegram ten minutes ago telling him what we could or couldn't do to assist him in getting that information about the income tax. If you want to know what it was, see Mr. Gaston, but I told him over the telephone I would do everything the law would permit me to do, and anything we can do and the law provides we can do, I will do cheerfully.

Q. Mr. Morgenthau, your statement that you thought possibly some of these agencies might be liquidated following the
President's statement - do you have any information as to the number of people who might be absorbed by private industry by the end of this fiscal year?

A. No, nothing in the Department.

Q. Any news on the refunding, Mr. Secretary?

A. It is going very nicely. I think they will have the figures for you around 3:00 or 4:00 o'clock this afternoon.

Q. Are they taking mostly notes?

A. I'd rather not comment. I would just like to say it's going very nicely.

Q. Did you say the allotment figures, cash issued -

A. Would be available this afternoon.

ooOoo
SECRETARY MORGENTHAU'S
PRESS CONFERENCE

September 12, 1935.

Secretary Morgenthau: The only thing I have today which is of importance to me, but not to anyone else, is that Mrs. Morgenthau and I are going to sail Saturday for Portugal and Spain. We expect to be in Portugal for about a week and in Spain about a week, and we will come back somewhere about the 15th or 20th of October.

Q. What ship are you going on?
A. Conte Grande.

Q. Is it entirely a pleasure trip?
A. It is entirely a pleasure trip. I am going to see no officials; don't want to see any officials. I have no negotiations of any kind pending or in prospect, and I have asked the State Departments to notify their representatives abroad that this is a pleasure trip, and that I would appreciate it if I would be left alone and to those of you who have been around here two years, this is off the record, know when I tell you that I am telling you 100% truth.

Q. Are you especially interested in Portugal and Spain? Where else could you go?
A. Well, we might go to Iceland, but there doesn't happen to be a boat, and the President has talked so much about the Azores that he has sold the Azores to me. The boat stops there. We
have been there once before and it is a very pleasant place this time of the year, and it is (leaving everything else out) I would say, it is a nice place to go. They don't owe us any money.

Q. A lot of interesting sights in Moscow, Mr. Secretary.

A. But not for this kind of a trip. I might say this, that I wouldn't be going unless I was financially mind-easy. The refunding looks like an assured success, and I look for fairly quiet times ahead.

Q. Mr. Secretary, now that Senator Long is dead, can you say how far you have progressed in the investigation of his finances?

A. Will you please kick him out. You people know that Senator Long educated me very early when I was here as to why I can't discuss legally, as Secretary of the Treasury, such matters, but I might say there are no changes in our plans so far as our indictments which are pending against certain citizens of the State of Louisiana. The first trial was announced weeks ago for October 7th and I think there is one October 21st. There is no change in the plans.

Q. The general investigation will continue and perhaps other indictments?

A. There is no change. After all, we have six or seven people under indictment and we are going ahead with the people who are indicted or anybody else in any other State who may not have paid his income tax.
Q. Mr. Morgenthau, is it correct to infer that during your absence there will be no fiscal operations outside of the regular weekly bills?

A. I don't want to comment — I would rather not answer that. I mean that does not infer there will or will not be. We don't commit ourselves, you know. For your information, the reason I can't answer that question is that you know the Farm Credit can call 185,000,000 on or before November 1st, (I am talking off the record) and if they have a good market they may avail themselves and refund. That is about all. Mr. Coolidge will be acting while I am gone.

Q. You can't finish up this Cleveland thing before you go?

A. This is absolutely off the record, see. We have cleaned it up, but I can't announce it. I am going to tell you about it in confidence what we have done. I did want to clean up those things with several others, but there won't be any announcement and you will understand why. I only had a chance to look at the report yesterday. I am telling you absolutely in confidence and after a long pow wow with everybody involved—we came to the conclusion that in connection with the Collectors of Internal Revenue and the one Secret Service man, that we would give them the opportunity of refunding the money they received from this liquor agency to the United States Treasury or resign. Now that letter is just being written and the decent thing is to give the fellow the letter first and give
him two or three days to decide, and I would say sometime early next week you would have the answer, but I don't want it to come out in the papers first. I want to give them a chance, either they can refund the money they got out of the agency to the Treasury or they can resign, and being a presidential appointment, I have the approval and backing of the President on this.

Q. We can look for a statement on this?

A. Tuesday or Wednesday. But that is the lowdown and we have gone into it very, very carefully and weighed the thing back and forth what way we could punish them. You see, the men didn't cheat the Government out of any money so you can't really discharge—I mean the United States Government hasn't been cheated out of any money. It isn't like this case, very much off the record, we have in Buffalo—the Collector of Customs in Buffalo just doesn't seem to be able to know just what is straight and what isn't. You know the Bradley case, there seems to be something in the air up there that makes the Customs Collectors go phoney, but in that case, all he did was let his own car be filled with gas from the Government's pump and he didn't see anything wrong with that. But there is a case where a man took Government property and cheated, and it is an open and shut case and he will be fired. But this other thing, the easiest thing is to fire a fellow, but the nice thing is to be human. This fellow didn't actually
cheat the Government out of anything.

Q. Is he going to resign then?

A. Well, he received the money.

Q. If you had left him alone, would he have cheated you then?

A. No, but under the rules and regulations, a fellow shouldn't be in that kind of business.

Q. It is a question of whether he read those regulations?

A. He said he didn't and we can't prove it, and there are certain extenuating circumstances. I can't say that he did read those regulations, but after all, this is the first time it has happened out of 55,000 employees that we did have anybody who would take a liquor agency—and to make him pay back $10,000 or $12,000 is a pretty good percentage.

Q. Is Moore one of these men?

A. Yes.

Q. That is all profit to you?

A. Yes.

Q. The first time it has ever been done?

A. The first time it has ever been done. You have been on this thing—I don’t know whether you agree with me or not. Anything further than that would make him useless as collector so it is either this or fire him, and I don’t think we should fire him. He may resign, but it is being settled and they have their choice.

Q. If he resigns there is no way you can compel him to return this money.
A. No, Brown, the Secret Service man in Cleveland, did resign and I can't collect the money.

Mr. Gaston: Detroit?

Secretary: Detroit. He resigned with prejudice. He's out. It's unpleasant, but I am going to make a public statement and tell just exactly what happened and give you the whole case. It is all written, a statement for the press over my name. We are not going to hide anything but tell exactly what happened.

Q. Regardless of what decision he makes?

A. Regardless of what decision he makes. The Press will get a full statement and I am not going to cover up a thing. You'll get a full statement. It is unpleasant, but after all, when you consider the number of employees, we don't have so many.

Q. You can give us an idea, Mr. Secretary, of the percentages of refunds now.

A. No, they will have a statement I imagine Monday.

Q. Mr. Secretary, in regard to this money, should it be repaid? Is that in connection with Famous Brands or is that in connection with the withdrawals?

A. This is the case of Famous Brands—where four of our men formed an agency and each of them got around $8,900. Now we are putting it up to these men, they can pay the money back to the United States Treasury or resign. It is the
so-called Famous Brands case.

Q. Have you heard anything new about Mr. Eccles not being appointed to the Federal Reserve Board. There have been some press reports.

A. Talking personally, if the decision were mine, which it isn't, but if it were, I sincerely hope that Mr. Eccles will be reappointed, and that he will be confirmed. I sincerely hope so.