PRESS CONFERENCES

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"Financial nerve center"

H. Dworry explains events as he sees them, when, after 10/8/36, the rest of the world markets are closed and reports begin to pour over his desk

a) Internally and externally - all reports are to the advantage of America

Financing (arranged chronologically)

September 15, 1936: Announcement will be made

- September 8 - 8/24/36
- a) $514 million to mature than
- b) $400 million in cash to be
- c) Net borrowing for rest of fiscal year will not exceed $750 million
- d) Two recent factors
- 1. So called Windfall taxes postponed for 90 days
- 2. HOLC current needs to be included ($5 - 10 million monthly)
- e) Actual release 9/8/36
- f) H. Dworry again calls attention to constantly growing confidence in Government's credit.
- g) Oversubscribed (preliminary)
- h) No notes offered
- i) H. Dworry explains principle of distributing maturity dates on public debt
- j) Actual oversubscription is 13 times 9/10/36

November 30, 1936:

- a) 273 day bills sold below an average of .008
- b) 104 day bills sold at an average of .040
- c) Extra issue explained: large tax receipts coming in on March 15 and with no maturities, it's a good policy to create a Government debt coming due on that date
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REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, AUGUST 6, 1936.

H.M.Jr: I just want to read you a letter. I've got some copies here. I have written the Attorney General as follows: (Reads letter).

Q. How many are you going to fire, Mr. Secretary?
A. I am not firing anybody, but I am demoting two men.

Q. Could we have their names?
A. I've demoted Murphy, who is Assistant Chief.

Q. To what title?
A. He was Assistant Chief, and now he has been put down one grade, and will be put in charge of some city which I haven't had a chance to pick yet; and Boatwright, who is in charge of St. Paul, was demoted and put in the field.

Q. Who was that, Mr. Secretary?
A. Grady Boatwright.

Q. How about Callahan?
A. Nothing.

Q. What was Boatwright demoted to, Mr. Secretary?
A. He goes out in the field. He was in charge of St. Paul. Nothing has happened which I regret more, and these men are responsible. They started it and there is no argument about it.
Q. Is it your opinion that Callahan was following orders?
A. He wasn't involved in this thing.
Q. He was called down here?
A. Yes. Examined, questioned, etc., but in no way involved.
Q. Did you find out how it originated?
A. While I was away the reports in the newspaper were forwarded to me, and I immediately ordered an investigation.
Q. The investigation of the Department of Justice agents - how did that originate?
A. It originated with these two men who are being disciplined.
Q. What was their purpose?
A. It's a long story. I mean this is the best explanation I can give, and this is off the record, and you men who come here regularly - it's a matter of jealousy between these two organizations. There is nothing vicious about this thing. Murphy thought that he was going to have something and in case of a consolidation of the two bureaus, he wanted to have something to be able to fight next year at the proposed consolidation of the two bureaus, and he wanted to keep Secret Service
a separate organisation; there is nothing
vicious. I suppose between the Army and Navy,
there is tremendous jealousy and one is trying
to do something against the other all the time,
and Murphy thought he would have something, so
when it came up he could say, we don't want to
go under the Department of Justice for such and
such a reason. That's his explanation, and he
has been in the service for thirty-five years
with no blemish on his record. He is a fine
fellow and I believe him. He exceeded his
authority. I am absolutely satisfied and he
swears upon the Bible that this is thoroughly
his own idea, and he took it upon himself to
do this thing. He had no business to do it.
He's got to be a soldier and take his medicine.

Q. Have you named a successor to these two men?
A. No, I haven't had a chance yet. I got in
yesterday, but what I'm telling you as the
reason, I would appreciate it if you would
keep it. That's the reason; I don't believe
there is anything more back of it.

Q. May we use that without quoting you?
A. No, I don't see why.
Mr. Gaston: I think perhaps that it should be explained that Boatwright's offense was that he exceeded the instructions Murphy gave him.

H.M. Jr.: Not only exceeded his instructions, but didn't tell the truth about it.

Q. Mr. Secretary, is Boatwright a veteran of the service too, how long has he been in service?

A. I don't know. Many, many years.

Q. What were the instructions given by Murphy specifically?

A. I don't want to say.

Q. Was anyone else involved in this?

A. No, just these two.

Q. Did you discuss this personally with the Attorney General this morning, Mr. Secretary?

A. Yes.

Q. Is this satisfactory to him?

A. When you people get over there he'll tell you, but I think you will find it entirely satisfactory. Don't quote me on that, but I am telling you that I know he is satisfied because it was up to me to satisfy him. I think he had it coming to him.

Q. You went to him?
A. Absolutely. I think he had it coming to him. I know if the thing was reversed, I wouldn't like it. I mean it's just the kind of thing I've never stood for and won't stand for.

Q. You say you went to him - did he come over here?

A. I called him up yesterday and asked him to have lunch with me and we had a couple of hours on that.

Q. That clears it up, but I thought he was pretty mad about it.

A. This wasn't the start. I called him long distance and we had lunch yesterday and we spent two hours on it and he paid me a courtesy call this morning. I initiated this thing and I wanted to settle it promptly and to his satisfaction because I think he had it coming to him.

Q. Have you issued any orders to the Secret Service as a result of this?

A. I issued the orders verbally to Chief Moran early this morning just before you men came in.

Q. You've decided where you are going to send Murphy?

A. I haven't had time. Does that answer everything?
Q. Mr. Secretary, what about the consolidation of the law enforcement agencies?
A. They've got how many committees studying these re-organizations now? There are about three committees; I suppose they are going to study them and make recommendations to Congress.
Q. You are still in favor of consolidating?
A. I think in the Treasury it would have given us a more efficient and more economical organization. I understand twenty years ago the Post Office Department had five agencies and they consolidated them into the present Post Office inspectors and that's worked out very well. They had five different branches in the Post Office and they consolidated them into the Post Office inspectors, and we propose to do just what the Post Office did twenty years ago.
Q. Is it true that Mr. Clavis would have been selected for that post if this bill had gotten through Congress?
A. What is that song, "Is It True What They Say About Dixie?"
Q. No.
A. The President says he doesn't like "if stories," but I don't like "is it true stories."
Q. Did I understand you to say Mr. Murphy is to go to Richmond?
A. No. It hasn't been decided yet. I will wait until I get a recommendation from the Chief.
Q. Mr. Secretary, is it too early to talk about the September financing?
A. Oh, yes, but you'll be among the first to know it, Bob.
Q. What about your midyear budget summary like you had last year. When is that coming out?
A. I don't know. Guess you'll have to be a little more patient.
Q. Are you planning to make any campaign speeches?
A. I can't answer that.
Q. I mean in the immediate future?
A. Nothing in the next day or two.
Q. Well, in the next week or two?
A. I don't know what my plans are.
Q. Anything on the Under Secretary?
A. No.
Q. Anything new on the German situation?
A. No, but, very much off the record, I think the stories that are being written now - you are all off on the wrong foot and I think there will be something in the next day or two which will give the thing a much more favorable picture from the standpoint of United States business, and I think the present lead they are taking - they are off on the wrong foot. I think when this thing does break in the next day or two, you will find American business gets the break, but I want you to wait as I understand there are a series of decrees coming through, so far only one, and when they do I think they will show American business will get a distinct break, but that's very much in the room.

Q. Mr. Secretary, do you think the increase in the reserve requirements of member banks will affect your financing problems?

A. It won't have any effect one way or the other.

Q. Were you apprized of the Board's intention before they acted?

A. Mr. Eccles and I work on a very friendly basis.
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Q. Any changes in the high command under you in this department contemplated or hoped for?
A. With the exception of this one thing, everybody in the Treasury, as far as I know, is very happy. I know I am. I had a good vacation and am ready for work. With this one exception - I wanted to get that out of the way - I don't know of any troubles.

Q. Have you made the decision on Senator Glass's coins yet?
A. Gee, that's a tough one - no, but the Senator is waiting, and believe me - Do you people know the story?

Q. I am familiar with some of the background.
A. Don't write it yet.

Q. I think it's been written.
A. The Senate passed a bill ordering a medal; the House passed a bill ordering a coin, and the Engrossing Office then engrossed the bill for a medal and the President signed that bill. The medal doesn't do them any good; what they want is a coin. I'm talking now - I'm always arbitrary - I said to the Senator, "Why, don't you be arbitrary?" I told him I was perfectly willing to go to jail for Miss O'Reilly and for the rest, and he said, "You don't have to,
I will go to jail for you." So I'm waiting for a legal opinion. I want to do anything I can because I'm devoted to him, but I don't know, it looks as though it is almost impossible.

I don't know if there has ever been a precedent for it - where two Houses passed a different bill - the medal doesn't do them any good because they can't sell them and make any profit. They want to sell the coin for the Fair.

Q. Would that be legal, signing a bill which wasn't passed by the two Houses?

A. You're asking me, a farmer?

Q. What's the harm in that story--the fact they passed two bills?

A. We'll have a decision here in an hour. If you'll wait an hour I'll give you the whole story. I promised the Senator the story between now and noon, so Herbert will send it down between now and 12 o'clock.

Q. Anything new on stabilization?

A. No.

Q. Will you be here all during August, Mr. Secretary?

A. Except for week-ends.
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, AUGUST 10, 1936.

A.M. Jr.: I wish we had a nice fat story for you today, but I haven't. Maybe you've got one for me.

Q. Everything quiet?

A. On the Potomac.

Q. As Mr. Dickson says, "Is there anything to volunteer?"

A. Not today. No.

Q. Nothing on September financing yet?

A. Not yet. No.

Q. You intimated the other day, Mr. Secretary, there might be something on the German situation.

A. What I said, very much off the record, I think is true; it will happen, but it hasn't happened for publication yet.

Q. Handled through here or through the State Department?

A. It will come to us through the State Department; I don't know how they do those things—whether they give it out or whether we give it out, but I am quite sure it will come through.
Q. Mr. Secretary, have you decided where to put Murphy yet?
A. The answer on that is no. There isn't anything yet to announce.
Q. Mr. Secretary, New York seems to be worried about the fact that the bankers with stand-still credits will be hard hit by this action of the Germans in not letting in registered marks—they can't dispose of them in this country.
A. Let me explain something for you and I don't want you to use it.
Q. Well, don't tell me, Mr. Secretary, because I have to get the story.
A. Of course, that is perfectly fair.
Q. Yes, I have to get it.
A. That is perfectly fair. We've always respected each others' confidences.
Q. I hate to, but I don't want to be tied up.
A. You get it wherever you go. I was going to explain it, but I'll let it ride.
Q. I will excuse myself and go on out, if you want to tell it to the rest of them, but I don't want to do something that won't be just right.
A. What do you boys want to do?
Q. Let him go out. We'd like to have it.
   Let it go then. I suppose we should
   appoint a committee to throw links out.
A. That is all right. We've worked together
   for three years and he's got a story and
   wants to write it or I'd give him an
   explanation.
Q. I have a telegram from my office for the
   story.
A. That is all right.
Q. I've already written about the note coming
   over here.
A. You have?
Q. Yes, sir. Mr. Secretary, any developments on
   the midyear budget summary?
A. You'll just have to be patient.
Q. You'll have one though?
A. I cannot say that. I just say, you'll have
   to be patient.
Mr. Gaston: It is a White House matter, isn't it?
Q. Yes, the President gave it out the last time.
H.M. Jr.: Just have to be patient. I cannot say he
   will or won't.
Q. You visited the President for your regular weekly luncheon today, but you had Mr. Bell there twice.

A. The first time I saw on the news ticker it was flood control, and the second time general Treasury business.

Q. Mr. Secretary, during July, the expenditures for relief were decidedly down, and the question arose whether much of this relief money had been made available during the month out of the $1,425,000,000.

A. Well, we know how much has been spent—roughly. I don't know whether we can segregate this or not. You mean as to how much is out of the new money and how much out of the old?

Q. Yes.

A. All I can say is this—that they are keeping definitely within the allocations the President made to them from both funds. He made a definite allocation to them and they are staying within those funds.

Q. Expecting the appointment of an Under Secretary soon?

A. No, I think you'll have to wait until November and then I'll make an announcement.
Q. Maybe. That is not what he's thinking.
A. I'm not going to pull a Girard.
Q. Is there any special significance in the fact that the Under Secretary hasn't been selected?
A. I'll talk perfectly frank to you fellows, unless you're going to tell me you're going to write a story. Do you want me to talk frankly, off the record, or on?
Q. Sure.
A. Off the record?
Q. Yes.
A. It is perfectly obvious--I mean the kind of fellow I want I can't get until after election; and I am not going to get a stop-gap, I am going to carry on as I am. I'd like to get a first class fellow and the kind I want is going to wait and I am not going to get turned down by asking. I think after election I'll get the kind I want.
Q. Why wasn't Mr. Taylor appointed?
A. He's doing the job for which he was selected--doing it extremely well--he's doing it very well, for the job for which he was selected.
The month while I was away, he carried on
fine—entirely satisfied. Going outside,
I think it's the same thing as the Assistant
Secretary in the Navy. They'll just carry
on until after election and get somebody.
This is all between us. Isn't that fairly
obvious?

Q.

Don't they all share your confidence in
the outcome?

A.

Don't kid me. Isn't that right, Bob?

Bob Thornburgh: Right.

Q.

Are you going to make any public speeches
this month?

A.

Not this week.

Bob Thornburgh: If you do, we hope you'll have a small party.
They're very entertaining.

A.

If I do, we'll have a party, Bob.

Bob Thornburgh: Thank you.

Q.

Mr. Secretary, do you have anything to say
about the repayments to the R. F. C. and
Commodity Credit? They have been rather large.

A.

All I've got to say, on the record, is
financially we feel very comfortable, talking
for the Treasury.

ccCcc
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, AUGUST 13, 1936

Q. Anything to add to your statement at the White House, Mr. Secretary?

H.M. JR.: I don't think so; I think it has been fully covered.

Q. Any idea whether you are going to ask additional powers from Congress?

A. The tax experts on the Hill are hired on a yearly basis and they might just as well work twelve months a year as three, and the same goes for our own people in the Treasury, and it's much better to let them work now Congress isn't in session; they have plenty of work when they are; they're all here.

Q. Mr. Secretary, what's the expectation for continuance of these large repayments to three or four agencies; are there any estimates on that?

A. We get estimates, surely. We get estimates every month--Mr. Bell does--of what they expect to operate on, and that's one of the important factors that goes into our estimates for financing.
Q. Is that one of the important factors that led to this announcement today?
A. It's part of the whole picture.
Q. Mr. Secretary, when do you think they will begin to get down to work on this study?
A. I gather, from what Senator Harrison and Mr. Doughton said, they would give immediate instructions to those people.
Q. Consider reductions and revisions?
A. What that letter says.
Q. Next year then?
A. I mean, to get to work now and get the facts together and prepare for legislation when Congress meets in January.
Q. The Treasury statement shows, of course, only a net figure on these agencies receiving repayments, one way or the other; would it be possible for us to get a picture of total expenditures and total repayments?
A. I think that comes out the 15th of each month.
Q. Yes.
A. That's published the 15th of each month in the greatest detail; if what you want isn't there, we will get it for you, but I think you will find that the statement that comes out on the 15th shows it in the minutest detail.

Q. It's a month behind though.

A. It can't help but be because there isn't any business in the world that gets out a statement of daily receipts the way we do - Government or private.

Q. Taking the last available mid-month statement on that--we would be about two months off on it.

A. Well, you will get a statement in two days showing what the situation was in July; I think that's pretty close; it's only comparatively recently that we've been getting out these mid-month statements; I think you'll find everything in the mid-month statements.

Q. In this legislation to Congress, Mr. Secretary, are you going to ask for greater discretionary powers?
A. Those men who follow the Treasury here know that I follow a policy right or wrong that I don't make any recommendations to Congress as to tax legislation—that has been my policy.

Q. Mr. Secretary, I notice this letter calls the Act of 1936 a major improvement in our tax system; I presume you don't expect any extensive revision of that law?

A. It depends upon what the experts find.

Q. I wasn't thinking of increases or decreases so much as the way the law operates.

A. I wouldn't want to say; our people in here—this thing means what it says—if there are any inequities, why they'll say so.

Q. Has anybody told you whether there are any inequities?

A. I can still read.
Q. Mr. Secretary, at the White House you spoke of miscellaneous taxes as being on the list; just what did you refer to as "miscellaneous taxes?"

A. Well, there are a lot of miscellaneous taxes which cost us almost as much to collect as we actually get; if I name one you would want the whole list.

Q. I consulted the monthly statement—the photostat comes down to us each month—there's one item specifically listed under the heading "Miscellaneous Taxes"—is that what your letter refers to?

A. You can have the breakdown of what kind of articles go into that—a great, great many—there will be a couple of hundred.

GASTON: You are not speaking of the Internal Revenue statement? That lists them all.

Q. Under the heading "Miscellaneous Taxes."
H.M.JR.: You can get the breakdown of what goes into "Miscellaneous Taxes."
That's available.

Q. Is there any anticipation, Mr. Secretary, that the so-called "nuisance taxes" will be dropped from the list?

A. I wouldn't say they would be dropped, but they will be very closely studied. After all, they've got this joint committee up there of the entire Congress; they've got a whole corps of experts.

Q. Your research staff going to work with them?

A. Yes.

Q. How many people have you got on your research staff?

A. I couldn't tell you.

Q. A pretty big staff, isn't it?

A. I would call it an adequate staff.

Q. How much, roughly, do these "nuisance taxes" bring in a year—$500,000,000?
A. Do you know, Herbert?

GASTON: No, I don't know.

H.W. JR.: Whatever it is, I don't know.

Q. Is there any objection to giving us a couple of items you have in mind that cost so much?

A. Yes.

Q. Couldn't you tell us what the objection is?

A. If I mention one then I must go right down the whole line.

Q. In other words, you've got in mind some very particular taxes?

A. Yes, but we have no choice in the matter because the law says to collect them and we go out and collect them; but there are a number of these things that are difficult to collect, and almost, in some cases, how shall I say? I'll put it this way: There's a lot of bootlegging—we might just as well recognize the fact and admit that it's difficult to collect these things—and expensive and a nuisance.
Q. Any liquor taxes?
A. I don't think so.
Q. You say the 1936 law will be studied in this connection?
A. Yes, sir.
Q. May we ask, Mr. Secretary, if it's anticipated that the liquor taxes will be reduced?
A. I'd rather not comment on that; I mean, I don't—if you are through with this I'd like to say just a word about this—the reason for this committee to work on taxes.
Q. I'd like to ask you; your income, according to the Daily Statement, is thirty-eight million more the first 31 days of this fiscal year over last year.
A. It's more than that.
Q. Thirty-eight million for the fiscal year to date.
GASTON: Thirty-eight million receipts.
Q. Total receipts.
H.W.JR.: Increase, you mean?
Q. Increase, yes; that will run roughly about $300,000,000 a year increase.
A. Not necessarily; you can't always take any particular period, say for 30 days, and multiply by twelve.

Q. What I was driving at—the September income tax collections, which ought to be about the same as June and then December; I was trying to find a justification for the statement in the letter this morning about the increase in collection of taxes.

A. Don't you call thirty million in forty days an increase?

Q. They run about $300,000,000 a year.

A. What's the whole increase? It's much more than that. Herbert, what's the whole revenue picture?

GASTON: The fiscal year 1937, July as against August, is $472 as against $433 the previous year.

H.W.JR.: Fiscal year, this year is $472 against $433 last year—that's forty-odd million, isn't it—thirty-nine?

Q. Just about thirty-eight.
A. Thirty-eight plus, yes; the 1936 law, we don't begin to get the benefit of that until after the first of January--don't forget that. Did you get that?

Q. Yes, sir. The increased dividends and earnings--is that the basis of this statement? Corporations, income of individuals--a survey you've made, not on the actual figures today but what you've studied--financial reports?

A. I can't improve any on what I said in the statement, but I just can't improve on it--what I said in that statement here. (Reads statement--letter to the President).

Q. The President estimated the income tax in this year would be a billion, nine hundred million--now they're going to go over that?

A. That's what it says; the whole picture is just as it says here and the men that have been around here know that every time we have said anything about revenue, our estimates have always been conservative.
They have all been low and our estimates of expenditures have always been high. No reason to change our method of estimating. We have always estimated receipts low and our estimates of expenditures have been high.

Q. Will your mid-year budget summation reflect more in your statement than what the Treasury Statement shows?

A. It goes into greater detail. What we do here, every single month I get estimates as to income and expenditures. That's my job to work it very, very closely. Based on the information which I have got here, I am fully justified in writing that letter.

Q. There is a question in everybody's mind. Where are the figures to substantiate it?

A. The figures are the ones I receive each month from Treasury experts.

Q. When will the budget summary be made available?
A. You will have to get that answer from across the street.

Q. Did you receive any protests against the tax on undistributed income?

A. Personally, I haven't.

Q. The Bureau has.

A. I don't know. They are not serious enough to be brought to my attention.

Q. About a year ago the President issued a revised budget statement in some detail.

A. That's what these men are asking about and they have asked me each week; and I would not answer that because that's a White House release.

Q. That should show more as to what you are referring to here? That's based on your estimates from your research division so that will reflect it more.

A. Sure.

Q. You wanted to explain to us this letter (Press Release #6-12 attached).

A. This thing here is part of a move on overseas smuggling. Since I have been here I personally have spent a
lot of time on overseas smuggling on liquor and that has entirely ceased. We don't have any more "run row," and these men were given their different posts based on prohibition and overseas liquor smuggling. Now the problem we have is overseas smuggling of narcotics and we are going to try to hit that as hard as we hit liquor in order to meet that situation. We have to have considerable reshuffling of men and this is the first move in a determined effort to fight this overseas smuggling of narcotics, and we are going to use the same methods as we did on liquor and we hope we will be just as successful.

Q. Where does the Narcotics Division figure in this?

A. They don't. The responsibility is with Customs.

Q. Doesn't Narcotics watch smuggling as soon as it is brought ashore?
A. Oh, yes, but in the overseas smuggling of any commodity, the responsibility is Customs.

Q. Where is most of it?

A. Most of it is from the Pacific Coast.

Q. Any from Belgium?

A. Not particularly. The big problem right now is the Pacific Ocean.

Q. This will not affect the Narcotics Division?

A. This will supplement Narcotics. The responsibility for smuggling under the law is Customs. This will be an assistance to Narcotics. We are short in certain places of men and in some places we have too many men.

Q. About how many men will be affected?

A. About six hundred. I think five hundred and seventy to be exact. This ought to be a big help to Narcotics. That's the whole purpose of it.

Q. Anything to say on financing at this time?

A. No.
Q. - Any curtailment of personnel in the Procurement Division recently?

A. Not that I know of. I am not personally familiar with it.

GASTON: We heard a story that there was going to be a great curtailment and laying off a lot of men and Admiral Peoples said there was nothing to it.

Q. There was a story some time ago about a possible investigation by some Treasury unit, probably Procurement, of PWA and WPA expenditures. Do you know anything about that?

A. I have no comment.

Q. You said there was a lot of bootlegging of taxes and we might as well recognize it. What do you expect to do to try to curb it?

A. We are trying to do as much as we can on miscellaneous taxes. We have a large group of men and have had from the unemployment list. I don't know how many men we have had on that for over a year. Rents into hundreds of men, trained accountants
off the unemployment rolls, who work just on that thing and it has been very helpful and very productive. Mr. Hopkins says it is one of the most profitable projects that he has; and these fellows have been able to produce, on the money spent, a handsome return to the Government through the collection of various miscellaneous taxes, and industries have been able to show that they were not paying their taxes, but we have not left a stone unturned to go after them.

Q. Would it be wrong to say that you think there might be a reduction in liquor taxes?

A. In this thing here liquor did not enter in my mind at all. I feel that the liquor situation is going along extremely well. We are collecting over five million dollars a year in liquor taxes. Bootlegging liquor is at a minimum and that situation I think is entirely satisfactory.
Q. Would you say that as a general policy in overhauling these taxes, it would be desirable to get rid of as many of the sales taxes as possible?

A. I don't want to indicate what we have in mind because I want the Joint Committee to do that.

Q. When are they going to start working?

A. Senator Harrison said immediately. I suppose he gave orders this morning.

Q. He can't conduct a campaign and investigate taxes too.

GASTON: Parker and Beaman are not taking part in the campaign.

Q. Harrison is and I wondered if anything was said about Harrison's status.

A. (No answer).

Q. When are you going to appoint a Budget Director? Are you going to wait until all the primaries are over?

A. As a matter of fact he didn't mean a Budget Director!

Q. No, I meant the Comptroller General.

A. I didn't want to show you up! We have a swell Budget Director.

Q. Well, let me change it to Comptroller.
A. Too late!
Q. Is that in the category of those we were discussing Monday?
A. I don't fill that job.
Q. The Acting Secretary of Commerce in his speech yesterday said that there is no doubt whatever but that there will be a balanced budget very shortly. How soon will that be and what did he have to base his statement on?

STOKES: Facts.

Q. Could it be by any chance that the Commerce Department's statement that an unbalanced budget was an obstacle to recovery had anything to do with this statement?

A. Would you believe me if I answered you?

Q. Not a bit.
Secretary Morgenthau today made public the following order:

"The Commissioner of Customs, Treasury Department, Washington, D.C.

Sir:

"Effective September 1, 1936, the customs border patrols now under the jurisdiction of various collectors of customs will be transferred to the Customs Agency Service. The land and water boundaries of the United States will be divided into four districts and an officer will be designated to be in charge of the customs patrol in each of the four districts. The four officers in charge will be under the immediate supervision of the Deputy Commissioner in Charge of the Customs Agency Service, in Washington, D.C.

"The four customs patrol districts and their respective headquarters will be as follows:

"Northeast Patrol District, with headquarters at Buffalo, New York, will consist of the customs collection districts of Nos. 38 (Michigan), 41 (Ohio), 9 (Buffalo), 8 Rochester), 7 (St. Lawrence), 2 (Vermont), 1 (Maine and New Hampshire), 4 (Massachusetts), 5 (Rhode Island), 6 (Connecticut), 10 (New York), 11 (Philadelphia), 13 (Maryland), and 14 (Virginia).

"Southeast Patrol District, with headquarters at Jacksonville, Florida, will consist of the customs collection districts of Nos. 15 (North Carolina), 16 (South Carolina), 17 (Georgia), 18 (Florida), 19 (Mobile), and 20 (New Orleans).

"Southwest Patrol District, with headquarters at El Paso, Texas, will consist of the customs collection districts of Nos. 21 (Sabine), 22 (Galveston), 23 (San Antonio), 24 (El Paso), 26 (Arizona), 25 (San Diego), 27 (Los Angeles), and 28 (San Francisco).

"Northwest Patrol District, with headquarters at Havre, Montana, will consist of the customs collection districts of Nos. 29 (Oregon), 30 (Washington), 33 (Montana and Idaho), 34 (Dakota), 36 (Duluth and Superior), and 37 (Wisconsin).

"It is requested that you take the necessary steps to place this order in effect.

Very truly yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury"
Well, for Bob Thornburgh's peace of mind, the announcement of our next financing will be the morning of September 8th, but I don't imagine that we will be able to give it to you men until the Friday or Saturday before Labor Day. I like my Labor Day week-end as well as you do.

Q. Will you ask for any new money?

A. This is just the time-table announcement.

Q. Could you say that you will not ask for any new money?

A. I would rather not say anything on that.

I just want to announce today through the press that on the morning of September 8th, we will announce whatever the financing will be.

Q. How much do you figure you have maturing on September 15th?

A. We know! It's about $510,000,000; $514,000,000 is the figure.

Q. Are you still following the policy of keeping $1,000,000,000 in reserve because of the European situation?

A. If you don't mind, I would rather not answer that.
Q. But you are still operating on a day-to-day policy, aren't you, Mr. Secretary?
A. Yes.
Q. Is Labor Day on the 8th of September?
A. Labor Day is the 7th.
Q. Does that announcement mean that there has been a story published that you do keep $1,000,000,000 in reserve? Is that true?
A. Is it true?
Q. What they say about Dixie? It's a pretty good story if it is true.
A. No.
Q. Is that for publication?
A. I gave you a perfectly good story that on the morning of September 8, we will announce through the press the terms of our next financing.
Q. But with $1,000,000,000 in reserve....
A. I didn't say anything about $1,000,000,000 in reserve. I am trying not to say anything or give you any idea except to just tell you the date of the announcement.
Q. You could still keep your $1,000,000,000 in reserve. You would have sufficient to keep your $1,000,000,000 in reserve—if there is such a reserve.
Again all I can say is I would like today to announce through the press that we will tell your readers the terms of our next financing on September 8th.

Q. We would like to have you announce a little more. Do you consider the money market as easy now as it has been the last few months previous?

A. I would rather not comment on that.

Q. The Wall Street Journal, in a story says that your tax letter leaves open the possibility of a revenue bill similar to the Act of 1936. Since that was a reform bill and claim was made, it would raise no more taxes, therefore, under this letter there will be another tax bill next session?

A. Oh, no. We went out definitely to raise revenue in the 1936 revenue bill.

Q. But in the message to Congress the President said, this is not a system of new taxation but raising revenue by closing loop-holes.

A. In the President's budget message he said, no new taxes unless so-and-so --- unless Congress passes additional legislation to raise revenue. It was clear cut. If you read the message and not some editor's you would get it right.
Q. Then the question is, does this letter include another revenue bill next year similar to the 1936 law?

A. Let's get the 1936 law straight. It went out to get revenue to take care of new legislation and to finance over nine years the bonus. We went out to get that money and we did.

Q. Wouldn't it also have another purpose, and that is to remove inequalities?

A. True, yes. But it also had that definite revenue in mind. But the President very distinctly in his message said we would have no new taxes to raise additional revenue unless Congress passed legislation which would require it, and so we raised the exact amount necessary in order to make up the revenue which we had lost and no more and no less.

Q. Mr. Secretary, would that remove the possibility if your survey found it proper to go the complete limit of using undistributed profits tax as a substitute for income tax? Wouldn't your letter leave it open for the whole way of reform that they only went part on in the 1936 law? Your original suggestion to Congress or the President's suggestion was to enact the undistributed earnings tax plus the tax levy on dividends received from
stockholders.

A. We are all talking from memory. There were three phases in the letter.

Q. But the President did not repeal the income tax on corporations but left it in modified form added to surtax.

A. All I can do is repeat his message to Congress—You say "What he did—" he could not do anything.

Q. He made certain suggestions to Congress. Does the letter leave it open to renew suggestions to Congress?

A. As I said the last time the letter does not say any more or less than what it said. It made a suggestion to the President that you wouldn't need any more new taxes.

Q. That doesn't mean you can't shift.

A. It would suggest that the Joint Committee on the Hill should make the study now, what Mr. Parker and his group do is up to them keeping always in mind that I, as Secretary, have never made any suggestions to Congress as to the methods of raising new revenue.

Q. Your chief counsel and adviser is supporting legislation.

A. On request.
Then it is possible for full undistributed profits income tax to be put forward as a system of equality in taxation under this letter instead of the partial one we have now?

A. I am talking off the record. If they wanted to themselves, off the record, if Congress wanted to they could pass a sales tax or they could do away with taxes. Why just pick on one thing. They may say after they made this study that they decided all miscellaneous taxes are nuisance taxes and we will wipe them all off the books and we will put on a sales tax. They might do that as well. Through me you can't interpret what those people on the Hill will do.

Q. I am not trying to do that but the impression was given out from this letter and the statement from the Administration that there will be no new taxes in the next Congress....

A. We meant just what we said.

Q. Does that mean that the revenue bill such as undistributed profits tax which they claim by plugging loop-holes is not new taxes---does that make it a possibility that the Wall Street Journal editorial says it does?

A. I haven't read the Wall Street Journal and I
can't say what is in the mind of every editor but the letter did not have anything but what was on the surface. There is nothing underneath. Nothing hidden and no innuendo.

In other words you are trying to get me to say that we have some new form of tax as a substitute for the present.

Q. I wondered if you would deny that there would be no new tax bill such as the 1936 bill.

A. No, I am not going to affirm or deny my announcement, for I have nothing in mind.

Q. I think what Mr. Kintner has in mind and I have too.

A. Is the New York Times coming to the Herald Tribune's rescue?

Q. It is possible to have a very wide sweeping revenue measure without having new or increased taxes.

A. It could be possible.

Q. I think what Mr. Kintner is getting at and certainly what I would like to know, would the spirit behind that letter preclude such a possibility as that?

A. If you don't mind, preclude, isn't the word. There wasn't any such idea behind the letter when the letter was written.
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A. If you don't mind, preclude, isn't the word. There wasn't any such idea behind the letter when the letter was written.
Q. The whole idea was, there would be no new tax legislation next session so far as the recommendation of this Administration is concerned?

A. Right. When the letter was written there were no such ideas.

Q. In other words you will not make any recommendations to Congress.

A. In the first place, I never make suggestions, and, in the second place, it was not mine. The way the New York Times put it is the best way to answer it.

Q. It is not the custom of Congress to initiate legislation they did not originate, the profits tax for instance.

A. What the President has done has been to write to Congress—I need so much money.

Q. But he went a little further than that last time.

A. He indicated in his message.

Q. In the letter you said the Revenue Act of 1936 included great improvement in the tax structure, etc., indicating that that had built up the tax structure to such an extent. Would you build from the 1936 Revenue Act or would you start before that in making your final analysis?
A. I think if they are going to do this thing intelligently they will go right back to the beginning, from the time the income tax law was written and review the whole question.

Q. You pointed with such pride to the 1936 Act. That was a completed proposition and you were going from there.

A. I have gone far enough. I will meet myself coming back.

Q. The U. P. ticker carried that you are going into the matter of tax on profits from investments.

A. I don't think I can go any further. If I keep answering them you can take up every form of tax and I don't know how many there are. I have carefully avoided referring to any form of tax.

Q. Is the Administration perfectly satisfied with the 1936 tax bill?

A. Yes. I said so in the letter. I can't remember it word for word but I stick by whatever I said in the letter. Don't take what I say here but refer to the letter, please.

Q. Any significance in the conference between yourself, Mr. Gaston, and Mr. Haas?

A. We had a lot of Treasury business that we had
Q. Including taxation?
A. We went over a lot of Treasury business.
Q. Was the financing taken up?
A. It was mentioned.
Q. What about the budget summary, will there be one?

Mr. Gaston: That's the President's release.

Q. Does the fact that you are just announcing the financing about seven days before it will come out indicate that there will be no bonds?

A. No. It doesn't indicate anything. It just gives you time because Labor Day comes a week later this year. I will announce it now because some people might think it was coming next Monday.

Q. When you issue bonds you usually announce it about ten days ahead of time.

A. I can't help you out, I am sorry.

Q. Are you going to make any speeches in the campaign?

A. Not this week.

Q. Have you reassigned those two secret service men?

A. We have on Murphy. Murphy has been made District Superintendent of the Pacific Coast,
including El Paso.

Q. Where are his headquarters?
A. Los Angeles. And I don't know what Boatwright's assignment is. If Gaston can find out he will let you know.

Q. Are you going to appoint an Assistant Chief?
A. It is under consideration.

Q. Mr. Secretary, is your department cooperating with the Democratic National Committee or any of their organizations in working up answers to high taxes and extravagant financing?
A. I didn't know that there were any charges.

Q. You haven't heard of them?
A. No.

Q. You haven't been around Chicago?
A. No.

Q. Anything you can give us a story about, Mr. Secretary?
A. No.

Q. Can you give us your idea of the outcome of the election?
A. What's the matter with the Wall Street Journal editorially and otherwise?

Q. When are you going to start moving gold to Fort Knox?
A. Well it's not there yet.
Q. Murphy will come back in a certain length of time?
A. He has been given this assignment.
Q. He will stay out there permanently?
A. After all permanent is what?
Q. He's a nice man.
A. He's all right. No, it was given to him and this is all on the up and up, and he likes Los Angeles.
Q. Was there ever any idea of putting that gold in the vaults of the Federal Reserve instead of building a place down there to store it?
A. No.
Q. How much are you going to move down there, Mr. Secretary?
A. We are not ready to say.
Q. Will the actual date of moving be kept secret as a matter of precaution?
A. I don't think you can keep it secret. I don't see why.
Q. The President said the budget summation would be out next week sometime. Is there any definite day that we can expect it?

A. No.

Q. It will be out next week though?

A. I can't comment on it. If he said that, that's that!

Q. I heard Mr. Landon made a speech last night on taxes and other things.

A. Is that right?

Q. Any comment to make? He said the Treasury Surplus Corporation Tax Bill was cock-eyed. The Governor of Kansas said that. He said that he would have it repealed when he was elected.

A. I wrote out in my own hand—sort of expecting that you fellows might ask me and I wrote this out—

"The policy being presumed for the United States Treasury has met with the approval of the country.

"The acid test is the Government Bond Market."

Q. Mr. Secretary, is it true that hidden taxes have increased 51% and people making $25.00 a week and under have been paying 25% more in taxes during the three years of this Administration?
A. That is the only comment I am going to have on this speech. If there is any technical information you want to check up on the figures in the speech to help you write your story—anything we have is available through Mr. Gaston.

Q. That is very fine.

A. Anything that you want to check up on the statements in the speech will be available for you, but that is the only comment from me.

Q. Any further announcements on financing?

A. No.

Q. Can't you tell us whether you are going to go for idle cash?

A. No.

Q. Can't you tell us whether those notes are going to be paid off in cash?

A. You will have to bear with me.

Q. Certainly, that is something the New York bankers know.

A. Why should they?

Q. Because the Federal Reserve confers with you.

A. But they haven't.

Q. They haven't yet?

A. The Open Market Committee, on my invitation, is going to meet with me informally next Wednesday.

Q. Meet here?

A. Here.
C. Will Mr. Eccles be with them?
A. I don't think he will be back. The Acting Chairman will come over.

C. With the price of the United States bonds climbing every day for the last few days - looks like a pretty good chance to float a pretty good sized bond issue.
A. I am going to take a chance and have a little fun just in the family - off the record - because I expect a complete collapse of the bond market. Clarence (Lin) can hear this and like it. I expect there will be a complete collapse in the bond market and ruin my finances.

C. You are not going to support it?
A. That would be strictly political.

C. Always buying bonds for investment, you know.
A. The bond market is taking mighty good care of itself.

C. There is nothing technical in his statement that the tax message was cock-eyed? Could you comment on that?
A. Perfectly serious, you fellows can see my peculiar handwriting. I wrote this out myself and I am not going beyond that and it is a long speech and if I once get started I will be here all day.
Q. How about the 6¢ tax on cigarettes?
A. You can look that up and see when that was put into effect.

Q. Without regard to the Governor, do you think the Administration will balance the budget by 1938 on the basis of your letter?
A. I have never made any such statement.

Q. By the inference and from the optimistic tone of your letter would indicate it. You said the time is drawing near.
A. I never talk about balancing the budget.

Q. No, but expenditures in paying off the public debt?
A. You just let the letter ride as is, and I am not going beyond that.

Q. Do you plan to make any speeches?
A. Not this week.

Q. Any successor to Murphy?
A. Not yet.

Q. Is Colonel Starling being considered for the post as assistant chief of Secret Service?
A. I would rather not go into that - better not guess on it. I took a quick look at the bond market before you fellows came in and it is still all right.
Are you going to be here straight through until after your financing?
A. I will go home over the week-end but I will be here all of next week.

Q. Labor Day? Will you be here Labor Day?
A. No. No reason for being here but I will be here bright and early Tuesday morning.

Q. They always write stories about where the Cabinet Officers spend their Holidays.
A. I will be home on the farm.
I just want to tell you fellows breakfast is on me this morning. Everybody is shaved— it's wonderful, had a bath and everything.

I just want to tell you that in addition to the refunding, we are going to ask for $400,000,000 in cash.

Q. This is your smallest cash offering since when?

Bell: I don't know. I will have to check it up. I guess it is the smallest for some time.

Q. It is almost the smallest since you came?

Bell: I think it is the smallest since I came here.

Q. Is that $514,000,000 of refinancing?

A. Yes. We refund $514,000,000 and then in addition ask for $400,000,000 in cash.

Q. Will this mean, Mr. Secretary, that according to the budget estimate the other day, you will only borrow about $350,000,000 between now and the end of the fiscal year?

A. The net borrowing will not exceed $750,000,000 for the rest of the fiscal year.

Q. That is for the whole fiscal year?
A. Yes. From now to June 30th.
C. Only notes?
A. Now?
C. Yes.
A. I did not say.
C. Mr. Secretary, you have idle funds, it said in that statement the other day of $1,600,000,000 or $1,700,000,000, all told.
A. Our working balance—well never give out the exact figures, but it is around $1,000,000,000 and I want to keep the working balance at approximately $1,000,000,000 because I feel that in these times with conditions as they are abroad it is a very desirable thing to do and furthermore if you figure out using our bills, because that is what we do use, this billion dollar balance costs us about $2,000,000 a year and I think that it is the safest and cheapest insurance fund that we could have for the American people against any unforeseen happening which may occur. It costs us about $2,000,000 a year to carry this.
C. That was not exactly what I had in mind.
A. No. But I wanted to put it over.

Q. Well, we will probably try to put it over but I am trying to reconcile this borrowing against utilization of idle funds in the Treasury in cutting down the deficit. Are you going to use $1,100,000,000 of idle funds in the Treasury against the so-called $2,000,000,000 or is it really a $1,500,000,000 deficit?

A. I don't quite get the question. I don't want to shut you off.

Bell: What you are trying to say is, when is this reduction...

Q. No. Why the reduction of a million dollars? Why get new money?

Bell: That is over the entire fiscal year and you can't relate that to any particular quarter. We have already reduced the working balance by $300,000,000 the first three months of this year.

H.W. Jr.: There are two factors which have come up recently. One we have postponed for ninety days the so-called wind-fall taxes and two we are taking care of the current needs of HOLC instead of their going into the market to borrow for their current needs. We
are going to take care of their current needs. 
and those are the factors calling on us for 
additional funds.

If we want to get this on the ticker before the market opens I think we had better go. Can you say anything about any other cash borrowing between now and December 15th?

A. I can't, but I want to say one thing—this offering will be on the same rules and regulations as three months ago. No change from three months ago. And if you want to see me at 10:30 I am available. Get in touch with Mr. Caston.
Secretary gave the newspapermen copy of press service 630, announcing the terms of September 15th financing.

Q. Will you explain this first paragraph "with the right reserved to the Secretary of the Treasury to increase the offering by an amount sufficient to accept all subscriptions for which 1½ Treasury notes of Series D, 1936, maturing September 15, 1936, are tendered in payment and accepted."?

A. Well, what we have done in the past has been the practice of the Treasury of long standing on over-subscriptions. In order to make them an even percentage we increase them up to but not to exceed 10%. The maximum we might take would be four million dollars extra but in order to give it an even amount it's understood that we may take up to 10% in excess of the amount.

Bell. I did not quite understand his question.

Gaston. I think he is talking about the exchange privilege.

Bell. That gives the Secretary the right to accept all exchange subscriptions up to
the 914 million dollars of maturing notes;
in other words, the issue is 914 million
dollars potentially.

Q.

That is the maximum?

Bell.

Yes; the 10½ comes in on the 400 million
dollars.

H.V. Jr.

I would like to point out to you gentlemen
this, that just a year ago we offered a
10-year bond, 2-3/4. Just a year ago this
September we offered a 2-3/4%--10-12-year
bond. Then we came along in March and
offered a 2-3/4% 12-15 and then in June
of this year we offered a 2-3/4% 15-19
and now in September, just twelve months
later we are offering a 2-3/4%--20-23 and
I don't know of any better way to measure
the constantly growing confidence in the
Government's credit than the successive
lengthening of the bond with the same
coupon. After all in one year we have
just doubled the length of the bond.

A year ago last September we got out a
10-12 and now we come along, a year later,
and get out another 2-3/4% and get out a
20-year bond of just twice as long in 12
months and I have every reason to think it will be successful.

Q. Your 2-3/4---12-15 is selling about 102 or 1024---selling at a premium.

A. Oh, yes.

Q. So on the basis of present bond market it just about fits into it.

A. That's what we figure; we figure it is reasonably priced, but I again want to repeat that we have gone from September, 1935 with a 10-year bond to September, 1936 with a 20-year bond with the same coupon. We have doubled the call-date of the bond in 12 months and I say I don't know of a better way to measure the confidence of the investing public in the Government's credit than that particular yardstick.

Q. You can call it increasing confidence?

A. Yes, I say this strongly proves it.

Q. As a matter of fact people either have confidence in Government bonds or they don't. Isn't that true?

A. True.
Q. So it isn’t a question of sound or greater confidence.

A. I say it’s increasing.

Q. Do you think the money market has anything to do with it at all?

A. I think there are a lot of things, but I think the answer is there is constantly increasing confidence in the Government’s credit. I say that this demonstrates it and proves it.

Q. I don’t agree but I guess it’s all right because I believe you either have confidence in a Government bond or you don’t and the money market is what reflects the confidence.

A. This is off the record. If they had confidence in September of last year why couldn’t we have sold a 20-year bond last year?

Q. Because they could lend their money at lower rates.

A. If you don’t mind, I prefer my interpretation.

Q. Is this an announced policy; is this the Treasury policy as carried out last year?

A. Yes, this is what we have done and if we have done it I suppose it’s policy.

Q. Everything you say today is for Tuesday morning’s release?
A. Strictly, please.

Q. What are the HOLC requirements?

A. I don't know, do you, Dan?

Bell. Probably between five and ten million dollars a month.

Q. Running over a year?

Bell. Yes, but running over a year there will be repayments which will largely take up those, so at the end of twelve months we will probably not have any holdings of HOLC bonds.

Q. Is the purpose of that to get a lower interest rate than they could sell their own bonds?

H.K. Jr. No, they have not been equipped themselves--for background, I don't want to be quoted--they are not equipped particularly to go into the money market and we can do it for them better and can get money for them cheaper and it is more economical for the taxpayer to have us do it in a wholesale way and take care of their needs than have them go into the market and get five million dollars a month. It saves them money; saves the taxpayer, and everybody else, and it is
a much more efficient way of handling it
than having them go in and try to get that
amount of money each month.

Q.
Have you anything to say for use before
Tuesday on the story that the Federal
Reserve banks are not earning enough
money to pay their dividends?

A.
That's the story. You know I am no
longer connected with the Federal
Reserve Board.

Q.
They more or less attribute it to low
interest rate on Government securities.

A.
No. You let somebody over there, whoever
is acting chairman, talk.

Gaston.
Father Coughlin will probably talk.

H.W. Jr.
Can we quote that, Mr. Gaston? Everybody
all right. I hope you have a good Labor
Day without any labor.

A.
You certainly did your best to spoil it!
Secretary of the Treasury Morgenthau is today offering for subscription, at par and accrued interest, through the Federal Reserve banks $400,000,000, or thereabouts, of 20-23 year 3-3/4 percent Treasury bonds of 1956-59, with the right reserved to the Secretary of the Treasury to increase the offering by an amount sufficient to accept all subscriptions for which 1-1/2 percent Treasury notes of Series D-1936, maturing September 15, 1936, are tendered in payment and accepted.

The Treasury bonds of 1956-59 now offered for cash, and in exchange for Treasury notes maturing September 15, 1936, will be dated September 15, 1936, and will bear interest from that date at the rate of 3-3/4 percent per annum payable semiannually. They will mature September 15, 1959, but may be redeemed at the option of the United States on and after September 15, 1956.

The Treasury bonds will be accorded the same exemptions from taxation as are accorded other issues of Treasury bonds now outstanding. These provisions are specifically set forth in the official circular issued today.

The bonds will be issued in two forms, bearer bonds with interest coupons attached, and bonds registered as to both principal and interest; both forms will be issued in the denominations of $50, $100, $500, $1,000, $5,000, $10,000 and $100,000.

Applications will be received at the Federal Reserve banks and branches, and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. With respect to cash subscriptions, applications from 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 $5,000 or less by payment in full; and, if for more than $5,000, by payment of 10 percent of the amount applied for, but not less than $5,000. With respect to exchange subscriptions, such subscriptions should be accompanied by a like face amount of 1-1/2 percent Treasury notes of Series D-1936 tendered in payment.

Subject to the reservations set forth in the official circular, cash subscriptions for amounts up to and including $5,000 will be given preferred allotment, 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. Payment for any bonds allotted must be made or completed on or before September 15, 1936. The right is reserved to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.

In order to provide an equitable allotment and distribution of the bonds among all classes of subscribers, all banking institutions and others concerned are again urged to cooperate in the manner outlined in Department letter of May 27, 1936, addressed to the President of each Federal Reserve bank and made public at that time.

Interest on the public debt to the amount of about $155,000,000 is payable on September 15, 1936. The amount of Treasury notes of Series D-1936 maturing on September 15, 1936, which may be exchanged for the Treasury bonds now offered, is $514,066,000.

The text of the official circular follows:
I. 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, invites subscriptions, at par and accrued interest, from the people of the United States for 2-3/4 percent bonds of the United States, designated Treasury Bonds of 1956-59. The amount of the offering is $400,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to increase the offering by an amount sufficient to accept all subscriptions for which Treasury Notes of Series D-1936, maturing September 15, 1936, are tendered in payment and accepted.

II. DESCRIPTION OF BONDS

1. The bonds will be dated September 15, 1936, and will bear interest from that date at the rate of 2-3/4 percent per annum, payable semiannually on March 15 and September 15 in each year until the principal amount becomes payable. They will mature September 15, 1959, but may be redeemed at the option of the United States on and after September 15, 1956, 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-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 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. Bearor 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 may
submits subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Other than banking institutions will not be permitted to enter subscriptions except for their own account. Cash subscriptions from 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 $5,000 or less by payment in full; and, if for more than $5,000, by payment of 10 percent of the amount of bonds applied for, but not less than $5,000. 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 bonds applied for, to take 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 these respects shall be final. Subject to these reservations, cash subscriptions for amounts up to and including $5,000 will be given preferred allotment; cash subscriptions for amounts over $5,000 will be allotted on an equal percentage basis, but not less than the maximum preferred allotment; and subscriptions in payment of which Treasury Notes of Series D-1936 are tendered 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. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted on cash subscriptions must be made or completed on or before September 15, 1936, or on later
allotment. In every case where payment is not so completed, the payment with
application up to 10 percent of the amount of bonds applied for shall, upon declara-
tion 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 bonds 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. Treasury Notes of Series D-1936,
naturing September 15, 1936, will be accepted at par in payment for any bonds
subscribed for and allotted, and such payment should be made when the subscription
is tendered.

V. 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 receipt pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, pre-
scribe 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.
Q. Mr. Secretary, I see Mr. Lochhead is here; maybe we can have a story about the Stabilization Fund.

H.M.Jr. Is Archie here?

Q. He's sneaking out now.

A. Don't you let an old-timer like that scare you.

Q. How many times over-subscribed?

A. This thing was a great success today and preliminary figures on the cash subscription are over nine times - those are preliminary.

Q. How does that compare with other issues?

A. You can't tell because we never - we can't give you comparisons until the final figures are in, which won't be until - we won't have final figures for you until Friday morning.

Q. Mr. Secretary, why didn't you offer any notes?

A. Come out from behind the garden there.

Q. I can't; you've got it build up there like a forest. I wonder why you didn't offer any notes. I didn't see anything in press conferences comment to explain that.

A. Well, we thought that the public had such great confidence that they wanted to buy long-
term securities and it would be a great dis-
appointment if they couldn't.

Q. I didn't get the end of it. Is it a policy
of putting in long-term securities -- govern-
ment refund?

A. This other was kidding. To answer your ques-
tion, I think that just as rapidly as we can
distribute our debt over a fairly long term,
I think that that's good business from the
standpoint of the Treasury and the investing
public has gotten to the place now where they
are anxious to buy a 20-year bond, so we felt
that it was a good time to sell them a 20-year
bond.

Q. Mr. Secretary, why is it better to issue a
long-term security -- this is just for our in-
formation -- at a slightly higher rate of in-
terest than having a short-term security at a
lower rate of interest?

A. I'll try to answer, but I can't give you a
categorical answer. If you look up 1941 you'll
find that we have over two billion dollars of
securities coming due in 1941; if we had sold
another note issue we would simply have added
to that debt in 1941 and I think the amount of securities maturing in 1941 are about as much as we wanted in any one year.

Q. Yes, but what difference does it make? You save interest on your short-term maturities.

A. I think this -- on that basis we could pile everything into 1941 and we would have ten billion dollars coming due in 1941 and I don't think that would be good business, but if we can distribute this thing; -- the thirty-three billion plus -- so that say two billion dollars came due every year and we could handle it as it came due, I'd say it was very good business.

Q. There's a better reason that that, Mr. Secretary, isn't there? Interest rates are going to jump and you wouldn't want to refund five years from now a large amount.

A. I'll let you say that.

Q. You don't assume they are going to jump though?

A. You never heard me make any prophecies and I'll stick to that.

Q. Did you take that into consideration in connection with fixing interest rates, Mr. Secretary?

A. We take in everything, but I also remember a certain gentleman said "prosperity was just
around the corner" and I haven't forgotten that.

**Q.**
Would increased interest rates indicate more prosperous times?

**A.**
Not necessarily. I think that this particular issue has demonstrated that it was well priced, fairly priced, and the decision to sell 20-23 year bonds at this time was in the best interests of everybody concerned, and the answer -- the preliminary nine times over-subscribed -- I think, bears out the judgment of the people who worked on that issue was about right.

**Q.**
Anything to the report that a lot of the banks which have been buying short-term securities at a low rate of interest wanted a longer term and higher rate in order to increase their earnings?

**A.**
The Comptroller's figures show -- didn't they show that they doubled in a year?

**Q.**
Double.

**A.**
I think that's the answer to your question. As I said here the other day, I don't know any better way to measure the growing confidence in the fiscal policies of the Administration -- that in one year we've gone from a 10-year 2 3/4
to a 20-year 2 3/4 — doubled the term in twelve months; I don't know any better way to measure it.

Q. Mr. Secretary, unless you do concede that interest rates are going up it's bad to have a long-term security.

A. It's best not to concede anything beyond tomorrow, then you'll be fairly safe and can sleep nights, and that's what I have done; and that's my policy. Therefore, I can sleep all right and not worry about my predictions coming true. Anybody who wants to predict has to be pretty good. You've never heard me predict anything.

Q. I didn't say you predicted; I just said on financial principles.

A. We'll let somebody else write the financial books.

Q. Mr. Secretary, did Mr. Wilson take over immediately as assistant chief?

A. I'm going to tell you fellows something and I'm going to ask you -- is Lins here? -- I'm going to put myself in your hands and I know I'm going to be all right. Chief Moran came in and he's not well; Saturday he came in and asked if if could go out -- he wants to take a vacation.
He doesn't know when he's going to come back. The old man hasn't slept and he is not well. And I said all right. He's not well. And at twelve o'clock Saturday I called Murphy back because, after all, I'm responsible for the President's life in the final analysis. I'm going to ask you boys for once not to write anything. So I called Murphy back and will keep him here until after election to contact the White House, and then he will go out to his assignment on the West Coast; that's the whole story and I would appreciate it if you would lay off it.

Q. Does Mr. Cummings agree to that?

A. I called Mr. Cummings up this morning and told him the whole story, and, as far as I know, he's satisfied.

Q. Mr. Secretary, that story will get out any way. Could we write it and not pin it on you? Nothing the matter with that story, Mr. Secretary. I think if we wrote it the way you told it it would make a good impression.

A. Herbert?

Mr. Gaston: I don't think it would do any harm; the story here is about Wilson.
Q. I understand Wilson is taking Moran's place.

H.M. Jr.: Moran is gone temporarily; he's sick; the only thing I could do was call back Murphy.

Q. I can't see the slightest harm in that; he's the only man for the job; you can't jeopardize the President's life.

A. I wouldn't bring that in. I would skip the part about the President's life.

Mr. Gaston: I think it's all right. Frank Wilson, a man from outside the service, is coming in here to be acting chief and in view of Mr. Murphy's experience he's been called back temporarily to work with Wilson.

H.M. Jr.: Due to the fact that Chief Moran is sick. But I'd leave out about the President's life. Have you gotten it the way Herbert said it. Say it again, Herbert, the same as before.

Mr. Gaston: Frank Wilson has been transferred from the Intelligence Unit to the Secret Service, and on account of the fact that Chief Moran finds it necessary to go away on account of his health, it's necessary to bring someone in who's thoroughly familiar with the routine to work with Mr. Wilson, and Joe Murphy has been brought back for that purpose.
Q. The fact is I was going to ask you about it; I got a tip on it.

H.M. Jr.: That's the whole story.

Q. Will Wilson be in charge or Murphy during the temporary period?

A. Chief Moran is in charge.

Q. You were going to bring Murphy back anyway, weren't you, Mr. Secretary, just as soon as things cleared up? I didn't mean this week.

A. Listen, it's getting awfully late and you fellows have a big financing story. Bell says the financing story is for tomorrow morning's papers.
Secretary of the Treasury Morgenthau announced last night that the subscription books for the current offering of 2-3/4 percent Treasury Bonds of 1958-59 closed at the close of business Tuesday, September 8, for the receipt of cash subscriptions.

The subscription books will close at the close of business Thursday, September 10, for the receipt of subscriptions in payment of which Treasury Notes of Series D-1936, maturing September 15, 1936, are tendered.

Cash subscriptions placed in the mail before 12 o'clock midnight, Tuesday, September 8, and exchange subscriptions placed in the mail before 12 o'clock midnight, Thursday, September 10, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of cash subscriptions and the basis of allotment will probably be made on Friday, September 11.
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, SEPTEMBER 10, 1936.

H.M. Jr. Well, the latest figures on the financing, and I think that we are approximately correct though there may be some change—now thirteen times over-subscribed.

Q. Isn't that a record?

A. I think so. Also my lucky number.

Q. Why your lucky number, Mr. Secretary?

A. I don't know. When I was up in the Conservation Department in Albany, I had license number thirteen on the automobile.

Q. Not born on the thirteenth are you?

A. No, but I like the thirteenth.

Gaston. Lithgow Osborne told me the other day when I was up there that he's still hanging on to 13 and that whereas before people didn't like it, now he has trouble holding on to it.
Q. Will final figures be in tomorrow?
A. I won't give the time; they will be in some time tomorrow. The boys are having quite a time because the over-subscription is so tremendous. Off the record, I congratulate the Wall Street Journal on their guess of an eight per cent allotment.

Q. Approximately correct?
A. Pretty close.

Q. Mr. Secretary, were any orders given to the dealers in New York that they couldn't have as large a subscription as usual, other than the letter of reiteration?
A. Not that I know of.

Q. The banks had no authority to tell the dealers.
A. Nothing from here. Nothing like that, and I'm sure Burgess up there wouldn't do anything like that without talking to me about it.

Q. I saw something in a New York paper to that effect.
A. I didn't see it, but there were no such orders given.

Q. Mr. Secretary, do you have any comment on the story on your desk there?

A. Story on what?

Q. Reorganization of Government departments, economy?

A. No, except I'd like to know where Turner (Catledge) got it.

Q. Pretty good story.

A. I don't know. What else?
H.M. Jr.: At your service. Have a nice vacation? (To Mr. Sulsberger)
Q. Any news today?
A. None to print.
Q. Nothing fit to print? What do you think of the condition of insurance companies, Mr. Secretary, and the banks?
A. I won't answer that one.
Q. You interested in that?
A. Sure. There isn't any problem there. I was interested in that when I was over in Farm Credit--those were the days to worry about it. The Farm Credit and the Home Owners' Loan--we did a job over there in those days; that was the time to worry. Nothing to worry about now--just three years behind the times.
Q. I was just quoting Colonel Knox.
A. I know, it's nothing personal--I was just answering him. You'll have me doing a "knock-knock" in a minute.
Q. I see you have a cold, Mr. Secretary; develop that over the week-end?
A. Yes, up on the farm.

Q. Do you know the names of any of these gentlemen who are going to be here tomorrow, Mr. Secretary?

(Conference of insurance executives with the President.)

A. No.

Q. Do you know the purpose of it, Mr. Secretary?

A. No, I honestly don't; I really don't know anything about it. Very quiet, very peaceful.

Q. The final figures on the financing?

A. I don't know. Do you know, Herbert?

Gaston: No, I haven't inquired about them; they just didn't show up.

H.M. Jr.: We'll look them up for you.

Q. There are reports around that next year's budget may carry a very large appropriation for national defense in view of the foreign situation. Anything you can say about that?

A. As far as I know, I don't think anybody could answer that question because we haven't started yet on it. I wish I had something I could give you.

Q. I see you have George Peek's book here; have you read that, Mr. Secretary?
No, I've got a lot of reading to do. I glanced through it; it's an interesting book. I think he sent it to me; I don't know, maybe I bought it, I don't know. No, it isn't autographed.

Gaston: Did you want to mention this Internal Revenue decision?

H.M. Jr.: You tell them about it.

Gaston: This is a Treasury Decision by the Commissioner of Internal Revenue; it's amending a previous Treasury Decision 4629; the amendment reads (read amendment on windfall tax). There was a previous Treasury Decision extending the time for filing the returns but they neglected to add the words "and paying the tax" and so this is an amendment to include the words "and paying the tax."

Q. This is September 15th.

A. It was originally September 15th; under the law the time for filing returns was extended to December 15th, but they neglected to include the words "and paying the tax."

Q. The 3-year hardship regulation is still in there.

A. It isn't amended in any other respect, except adding the words "and paying the tax."
H.M. Jr.: All right?

Q.: Thank you, Mr. Secretary.
REP OR ON SEC ETARY M O R G ENTHA U S
PRESS CONFERENCE, SEPTEMBER 17, 1936.

H.M. Jr. Well, I have nothing.

Q. Are there any figures available on the
estimates submitted by the various depart-
ments to the Budget Bureau?

A. That will have to come out of the Budget
Bureau.

Q. You couldn't give us any indication
whether they are less, in view of Mr.
Bell's letter?

A. I might as well go on record now, it's
a good time; what's today? the 17th--
from now until the time the President's
estimate goes up I will not discuss the
Budget Message; if you will spread that
good word it will save us a lot of
trouble.

Q. I thought possibly if there had been any
tremendous reduction you would have heard
about it. Mr. Secretary, has Mr. Cummings
asked the Treasury to check these retail
figures whether the amount of Federal
tax is correct or not?
A.
He may have, I don't know. Do you know?
Gaston.
Oh, I don't think so.
H.M. Jr.
As far as I know—you'd better let Herbert
find out.
Q.
That's the only way you could check it;
if he issued this general order, I don't
know how the Department of Justice could
check it.
A.
Let's find out. All late—where were
you fellows last night? Why don't you
take me out some time?
Q.
You had too big a Treasury statement this
morning.
A.
What's that?
Q.
Your 15th statement, showing the collec-
tions to date.
A.
Swell. Nothing has happened, I haven't
got anything. Bob, do you want to ask
me about the December 15th financing?
Q.
I don't mind asking—I don't think it
would do much good though. No prospect
of anything between now and December, is
there?

A. Don't kid me now.

Q. I wasn't kidding you; I was asking you.

A. I was kidding. We've just got one over and considered it very nice.

Q. I see your balance went up about five hundred million dollars today; why did the Treasury increase the cash allotment by more than ten per cent?

A. Purely working out the percentage as to whether it should be seven or six; we don't like to have it, six and one-half so the nearest thing was seven; if we had done it at six, it would have worked out just about four hundred so on account of there being so many of the five thousand allotments the nearest figure to make it fair all around was seven; that's the answer. I think if we had done six it would have brought it down to around four hundred (million).

Q. Have you got any report of any kind from the Committee that is doing the revenue
statute survey--by the joint Congressional
and Tax Committee experts?

A. No, but I get letters quite often asking for
information from the Treasury experts.

Q. Are they working with them now?

A. Oh, yes. They've had numerous meetings and
I have had numerous letters asking for ad-
ditional information and they're working
and we are working.

Q. Could you give us any indication of what
the particular study is?

A. No, I'd say they are working quite hard.
They shoot letters down quite frequently
asking for additional information—that's
about all.

Q. Mr. Secretary, will you make a campaign
speech on the Budget before November 3rd?

A. I have no plans this week.

Q. Do you have any speeches scheduled?

A. I'll just have to answer: I've got no
plans for any speeches this week.

Q. Are you working on a weekly basis now,
Mr. Secretary?

A. On speeches, yes.
H.M.JR.: At your service. No ladies present?

Q. Mr. Secretary, would you comment on the recent explanation of the sale of the pound sterling?

A. No comment.

Q. No apologies, are there, to Russia?

A. No comment.

Q. Are you going to make public any future big deals of that sort on your stabilization fund?

A. We'll have to let the future take care of itself.

Q. Mr. Secretary, was silver entered into these negotiations in any way, or war debts?

A. No.

Q. Some suggestion, Mr. Secretary, that the agreement might provide a very good basis on which to take up war debt negotiations; could you comment on that?

A. The Wall Street Journal asked me about that. What was his question, Miss Chauncey?

CHAUNCEY: He wanted to know if silver entered the negotiations or the war debts.

H.M.JR.: What did I say?

CHAUNCEY: No.

Q. Have you any further information regarding this Soviet transaction?
H.M.JR.: At your service. No ladies present?

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CHAUNCEY: He wanted to know if silver entered the negotiations or the war debts.

H.M.JR.: What did I say?

CHAUNCEY: No.

Q. Have you any further information regarding this Soviet transaction?
H.M.JR.: I have no comment.

Q. Is it unusual when you have a transaction of that size as a business transaction or routine business transaction or routine business?

A. I don't know how to answer that.

GASTON: Say this was an unusual situation.

H.M.JR.: I'd rather not answer that.

Q. There's some report in London, Mr. Secretary, that there has been a controversy between the United States and Great Britain over the pound-dollar ratio; is that true?

A. I think the answer to that is the fact that the three governments got out simultaneously an identical statement; I think that takes care of that.

Q. Was any other government informed as to the time of that announcement?

A. Not by us.

Q. Not by you, but were they informed?

A. Not as far as I know. As far as I know, I mean, I can't--I don't know what went on but to the best of my knowledge the answer is they were not. Wait a minute, I'm
sorry. We didn't, but keeping to my policy of only telling the truth, I do know that some others - but not by us. The answer by us is no, but I do happen to know that some other countries were informed.

Q. Do you know whether Russia was one of those who was informed?

A. To the best of my knowledge, no.

Q. Can you say, Mr. Secretary, when there may be some announcement about the ratio of the dollar and the pound under the agreement?

A. I doubt if there would be any announcement.

Q. There will be no announcement at all?

A. I doubt it.

Q. Mr. Secretary, is there an agreement on a definite ratio between the dollar and the pound, such as four dollars or something?

A. There's no definite agreement.

Q. Would you care to say where you'd like to see the ratio fixed?

A. No.

Q. You don't know whether you have made or lost on the transaction for Saturday then?
A. Well, I said we'd made a handsome profit. We bought it at a price, what will I say? — a "distress price" — and we could have sold it Saturday, I believe, or any time today at a profit. We haven't yet sold what we bought, but we bought it at a "distress price" and after we bought it sterling today has sold at a price well above what we paid for it.

Q. In other words, it's now a profit.

A. Yes.

Q. That has no relation when you said that you didn't have in mind a ratio? It might ultimately be realized?

A. No, if anybody got that idea, it was my fault, but, after all, if you buy anything at a price and a few minutes later it sells above that price, I think it's perfectly proper to say —.

Q. You didn't mean to say it would be permanently above?

A. I didn't mean anything.

Q. Would you elaborate on what you mean by a "distress price"?

A. No. I don't care to elaborate.
Q. Have you taken any further steps today to protect your gentlemen's agreement?

A. No. The exchange has taken care of itself as far as the United States is concerned.

Q. No further use of the stabilization fund?

A. Let's go kind of easy; those men who cover the Treasury regularly know that I have never discussed the stabilization fund before; the circumstances were most unusual. After all, I felt it was to the interest of the United States Government that I did disclose what I did. Unless circumstances arise like that again, I doubt whether I ever will.

Q. That's exactly what I was asking -- whether circumstances had arisen.

A. No other circumstances have arisen, and, as a matter of fact, in the United States the foreign exchange market was entirely a healthy one and took care of itself -- that's entirely clear, and unless unusual circumstances arise again, I'll not mention what we do with the stabilization fund because I don't believe it's to the best interests of the United States Government to disclose daily the use we make of the stabilization fund.
Q. I was just going to say the bond market was strong and wondered if the stabilization fund was used.

A. I'll simply say that today's market was a healthy, normal market by which I mean that the market went right along on its own.

Q. Mr. Secretary, can there be real stabilization until the British fix a specific gold content for the pound?

A. Time will answer that.

Q. Wasn't the implication in the statement by the three governments that there wouldn't be a marked change in the ratio of the pound and the dollar?

A. I wouldn't say there was and there wasn't. I wouldn't say there was and there wasn't.

Q. When you say that there's no definite agreement on the ratio, we are not to understand by that, I suppose, that the pound and the dollar will be allowed to fluctuate in ordinary international exchange dealings.

A. I'd say the proper interpretation from the joint, the simultaneous statements, is that at present there are two stabilization funds and that from now on the two stabilization funds will work in the same direction.
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Now both Great Britain and ourselves — we have interpreted it that the funds are to be used to even out sharp swings, and up to this time we have had no understanding and now the understanding is that the funds will work together so that if there's an evening-out process they will be both working in the same direction.

Q. That applies to all three, doesn't it, Mr. Secretary?

A. Well, at present the French have none. I read in the newspapers they are talking about having one and if they do, why all three will be working to even out sharp swings one way or the other. It can't help but be effective.

Q. Does that mean the British fund can be used in New York, too?

A. Well, yes, it could be if they wanted to.

Q. Does that mean any agreement approaching a hard and fast one on the administration of each of these three funds or even flexible?

A. I don't know any other way to describe it than a gentlemen's agreement; it's the best description
that I know of. That here are three people that have a purely verbal agreement based on the respect and honor of the three countries at stake and that the three countries are going to work together at all times for stability in foreign exchange. There's nothing in writing; it's purely a matter of honor and faith of the three countries in each other. As I say, I don't know any other way that describes it better than a gentlemen's agreement between the three countries.

It seems to me that that describes it as well as I know how to describe it.

Q. Mr. Secretary, in April I think you said that the British fund couldn't operate in this country except with gold they got from France.

A. No, I don't think I said that. Herbert, am I right or wrong?

GASTON: I don't remember you saying that.

H.M.JR.: I don't think it was ever discussed. You may be right, but I think you're wrong.

Q. In the natural course of events we would handle transactions developing in New York and London would handle
transactions happening in London?

A. That would be the natural course.

Q. Mr. Secretary, I understand the President's authority to devalue down to fifty per cent of the original dollar will expire January 30th; do you want to say now whether you will recommend the continuation of that slight margin?

A. I'd rather not answer that.

Q. Mr. Secretary, how can you even out swings if you have no fixed ratio you are trying to maintain? When it's a swing? I mean, why isn't $4.91, to which it went down Saturday, just an ordinary decline?

A. I didn't consider it so.

Q. Under the terms of the gentlemen's agreement, what's the definition of a stabilized currency? Doesn't it have to be in terms of one currency to another?

A. You've got the dollar-pound rate, the dollar-franc rate and then you've got the pound-franc rate; there are three different rates involved.

Q. Is each Treasury to use its own discretion as to when there is a fluctuation beyond normal?
Today I don't know how many times the various fiscal agents were in touch with each other by telephone -- they were in touch numerous times; today is the first day and, of course, the Paris market is closed and various others, I think -- Holland, and, I believe, Switzerland. But the Federal Reserve of New York, as our agent, I don't know how many times they have talked to London and Paris. This thing is like a child that's just beginning to walk and to learn to walk; it takes a couple of steps and it's all right, a couple more steps, and it's all right, and gradually this child is going to be able to learn to walk by itself, we hope, without anybody trying to push it over. Today they talked to each other back and forth and the child walked and didn't stumble.

Q.

In other words, you are still handling this on an international basis as relates to the three countries.

A.

We will and gradually this child is going to learn how to walk and take care of itself and,
we hope, grow up to be a strong man.

Q. Nobody should want to push a little child over.
A. "Then are my sentiments."

Q. Do you hope the child will have more playmates?
A. More playmates and, I might add, that it has three very healthy guardians.

Q. Do you want to say what action you will take if and when Switzerland and Holland go off? Will that be in your gentlemen's agreement?
A. Well, Belgium sent us a very nice note and I'd say she's in the family now, and as these other countries declare themselves — after all, in the memorandum, we asked people to join us.

Q. Wouldn't the prerequisite be a stabilization fund to co-operate with you?
A. It would be very helpful, but I wouldn't say it would be absolutely necessary, but it would be very helpful to them and to us because it would mean they could take care of their own, but we certainly wouldn't exclude any country because she didn't have any stabilization fund; this is a process, not a matter of years, but of days.
Today the thing went beautifully; more or less on its own, and as far as this country is concerned, it went entirely on its own, but it has to be done step by step; it can't just happen all overnight, and all the contracts and all the signatures in the world wouldn't help if the will wasn't back of it to make it good plus the monetary withall.

Q. This offer of Russian pounds -- that was an offering of pounds that the Russian State Bank owned; in other words, it's not a Russian short-sale is it?

A. I'm sorry, I said in the beginning I would make no comment and I am not going to make any comment.

Q. Under the agreement, is it possible that the outward flow of gold may start from this country now?

A. It might.

Q. It would be a normal thing, wouldn't it?

A. If you don't mind, that's a long technical question; I'm sure you read my letter to Senator Vandenberg answering that question in great detail; I went into
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eight solid pages there, and if you read that
letter, it will answer the whole question of
gold leaving this country and how I feel about
it.

Q. I just wanted to know.

A. I could not give a snap-answer to that; it's a
very long, technical question and it took me
eight pages to answer it and I think it's there,
and if there's any question you want answered in
regard to gold leaving this country, you'll find
it in my answer to Senator Vandenberg.

Q. Did you find the newspaper reports from Europe,
some of which predicted a currency devaluation
war, of any concern?

A. In reports which the State Department sent me,
everything we got today is hopeful and there isn't
any sign anywhere of a devaluation war. Everything
is constructive; all the news we have received is
constructive. And if I may say so, this is off the
record, I think the attitude of the American press
on this thing has been perfectly grand; I haven't
read a newspaper that I could point to that has not, in my interpretation, been constructive.

I haven't read anything that anybody, with one exception — there's only the one criticism — and that was that. There's really only been one criticism.

Q. Could you say anything about the dollar devaluation as entering into this statement, Mr. Secretary?

A. How do you mean?

Q. Well, the Wall Street Journal says there must be some understanding to the effect that there will not be further dollar devaluation.

A. No, you men know everything — no side agreements, no hidden agreements; as far as I know everything is in that statement; and I think I can't explain anything any way better than what I said today; this is something new and certainly the first day's experience we have had, from my standpoint, has been most satisfactory, and I want to say this again, to what I said on Saturday, that certainly the financial institutions, both private and national banks and
trust institutions have been — their whole at-titude — I mean anybody that has a commercial requirement exchange to fulfill has been able to fulfill it today. If he wants to buy or sell foreign exchange, he has had ample opportunity to do it today. I mean, every legitimate trans-action has been taken care of but there has been no speculative effort to push it one way or the other; all the banks and dealers in foreign ex-change played ball.

Q. There has been some question about the possibility of foreign repatriation selling American-owned securities to take advantage of exchange profit. Any understanding or steps taken to prevent any dumping?

A. No.

Q. Have you any assurances that there won't be any dumping?

A. There hasn't been any today and we'll see what tomorrow holds forth.

Q. Does that enter into the picture, Mr. Secretary?
A. If any European has invested his money and wants to sell his stocks we have kept our exchanges open; anybody can buy and sell.

Q. You are not very much worried about it.

A. And I'm not very much worried; in fact, I'm not worried at all; I think our exchange was the only one open Saturday and everybody was free to buy or sell and they were free to do so today; as far as I know, we will keep it that way and it's the best assurance that any investor has not to be afraid is the fact that our markets are open — we will keep them that way.

Q. Aside from the agreement, is there anything to the reports in Paris and London today that you have made overtures in connection with the war debts?

A. That's exclusive with your shop, see; nobody else is worried about that. I told the boys; I answered that earlier.

A. I thought their question was in connection with the agreement.
A. No, that question has been answered; I told the boys here everything we have done was right in the open; the only person that's worried about it is your shop.

Q. Will you send the usual notes on December 15th to the debtor nations?

A. I've got to celebrate Thanksgiving first.

Q. These reports that eighty million dollars worth of Chinese silver were being imported into this country tomorrow -- is that purchases by the Government?

A. I haven't got the exact facts on that; I know there was silver loaded on the President Grant a couple of days ago; I haven't got the exact facts; if you people want to know, I'll try to get it for you; if you'll give us until tomorrow, we'll get it. I don't know, Herbert, just what the facts are, but I know that the last United States ship that sailed -- the President Grant -- there was some silver on it.
Q. Can you say anything about the possible export of gold to Great Britain?
A. No.
Q. Any change in that regulation?
A. No. You know how you (Cecil Dickson) and I feel -- there's nothing personal between us -- I think we understand each other; but all day yesterday your outfit has been pounding away on that; when I answered that, there's nothing personal. As far as you and I are concerned, there's nothing personal, but that thing -- they have been at it all day yesterday and all day today and the fact that your shop is the only one that seems to be worrying about it -- I just don't think it's an accident.

DICKSON: We have to chase down the queries.
A. I understand.
Q. Could you tell us if the Soviet Union has given you an official explanation of that transaction or if you just learned about it from the newspapers?
A. The only thing I've seen is the newspaper reports.
H.M. Jr.: Gentlemen, at your service.

Q. Any currency news this morning?

A. Nothing particular.

Q. Could you tell us today, Mr. Secretary, whether the stabilization fund was used in connection with breaking the squeeze in the frano yesterday?

A. The stories that the papers carried this morning was the story the Dow-Jones ticker had yesterday--it was correct. The francs were supplied to American business men by French authorities--that is correct.

Q. Why should they do that, Mr. Secretary?

A. Their way of participating in the gentlemen's agreement.

Q. Any comment to make on the recent editorial in the Herald-Tribune, Mr. Secretary, regarding Saturday's action?

A. I'd love to do it; I'm so suppressed these days, it's terrible!

Q. I just wanted to stop Mr. Kintner for a minute, that's all!

A. Stop him! Huh! How's your sense of humor, Bob? All right? (Kintner)

Q. Fine. Yours?

A. Mine is swell. Off the record, in the family?

Q. Sure.
A. What I want to know is who wrote their editorial first--the Russian Pravda or the Herald-Tribune?

Because the language was the same.

Q. Truth will out, in both cases.

A. All right.

Q. Did you read Mr. Hearst’s editorial in the morning’s papers?

A. What I said about this other is strictly with us.

Q. Did you read Mr. Hearst’s editorial in the morning’s paper?

A. Yes, I did. The only thing I want to say is that he has his facts--his facts are incorrect when he says, “Moreover, what right have we to lend money to France?” We haven’t loaned any money to France. Period. We haven’t loaned any money to France. Period.

Q. Mr. Secretary, in this stabilization agreement, can people who are caught short always expect one of the three countries to come to their aid now?

A. No, the reason that these situations like yesterday and the day before—the lack of francs on the market—because after all the French market was closed and business men had open-commitments which they wished to close out, and due to the fact that the French markets were closed there was no way to get any francs to close out their legitimate business transactions. The same thing was true in London, and, therefore, pending the reopening of the French market the
Bank of France made available both in London and in New York all the francs which were necessary to business men in both countries to complete their legitimate business transactions.

How was that done? Could the mechanics of such an operation be explained?

Yes. I mean, the Bank of France simply calls up on the telephone the Federal Reserve Bank of New York and says that we will make available spot francs to any business man who has had dealings with the French and who needs francs to close out his transactions and they made available all the francs which were necessary through the Federal Reserve of New York. They did the same thing in London at the same price and they are doing the same thing today. To answer Bob Kintner's question, when the Bourse again opens the regular channels will take care of that and to keep business open it was a very sensible and practical thing to do, and it keeps people from being panicy.

I was going to ask--because, I don't know anything about this subject at all--I'm not normally down here--were they made available at the devalued rate?

No, at the nominal rate. The whole thing--that move--it just tends to keep people from getting worried. Here's an American business man who has transactions he needs francs to pay for--he can't get them. They give them to him
at a price; it keeps the sharp-shooters from making an unreasonable profit and the Government steps in and makes these francs available and levels out the thing; it takes care of the legitimate business dealings of the American business man and I consider it a very constructive move.

Q. Very much involved?
A. It wasn't a very large sum, when you consider that it took care of the needs of every business man who had an open-ended transaction.

Q. Just a few million dollars?
A. I wouldn't say. As business goes it wasn't a very large amount; in fact, I was surprised how small it was.

Mr. Gaston: It was just month-end settlements.

H.M. Jr.: But it was open-ended—a man had a contract and had to pay in francs and couldn't get francs; they gave him the francs at a reasonable price; the fact that there were no francs on the market gave these sharp-shooters a chance to make an unreasonable profit. This whole business of stability, as explained before, is to even out these big swings.

Q. In answering a question at the last conference, you said that under the tri-partite agreement there was no agreement for fixed ratio between the pound and the dollar. Does that mean there's no understanding as to the range within which the pound may go on the foreign exchange?
A. There's no definite understanding.

Q. General understanding?

A. There's no definite understanding.

Q. Mr. Secretary, can you say anything about the German's decision not to devalue at present? Does that affect the arrangement in any way?

A. The only thing I've seen is in the papers and until the Germans officially notify the State Department, why, I've no comment to make. I mean, through the regular diplomatic channels. The only notice that we've received officially is from the Belgian Government. The only one Mr. Hull has sent me is the official memorandum from the Belgian Government. Up to last night late there was no other memorandum.

Q. Without comment from the Treasury, but just for our guidance, could you say whether that would affect the arrangement very much or not?

A. I'd rather not, because, I mean, all these countries have statements every day and until we get official notice through the State Department I'd rather not comment, and as we get them here the State Department or ourselves will release them. The only comment I have to make on the whole situation is that I consider it's going along extremely well.
Mr. Secretary, the devaluation move seems to be a little snarled in the French Parliament now; is that in any way causing any trouble in functioning?

No, no.

Mr. Secretary, isn't it necessary for the Administration to keep the power to devalue the dollar and remain in the stabilization agreement—isn't that part of the agreement?

What agreement? With these countries?

Yes.

No.

Is it necessary, for stabilization, to retain that power?

I'd rather not get in on that, if you don't mind.

Mr. Secretary, as long as Germany is in the news this morning, can you say anything about these trade talks that have been going on here? Trade and currency? They have languished in recent weeks.

The currency ones are here; the trade ones are with the State Department.

Well, how about the currency ones?

There aren't any talks other than the one we concluded Friday night; nothing has happened officially other than the note we got from Belgium; that's the only official note we've had from any country.
Q. I'm speaking about the negotiations over the blocked marks. Is that all cleaned up?
A. You mean the countervailing duties?
Q. Well, I know countervailing duties have been removed.
A. There's no negotiation, as far as I know, pending.
Mr. Gaston: I don't know of any pending with Germany.
H.M. Jr.: Nor with any other country.
Mr. Gaston: Yes.
Q. Did Germany send the usual note that they could not pay their September payments?
H.M. Jr.: I don't know if we have it, it's official, and it's available to you.
Q. You said the British Equalization Fund could operate in New York if it wanted to when I asked the question the other day; I wondered if that meant it could buy gold to create gold balances in New York.
A. No, if you don't mind, I don't want to answer that. What I meant was they could do just what the Bank of France did; they could make available sterling to the business men in New York.
Q. They could create dollar balances here, too?
A. They could create dollar balances, too.
Q. But they can't function in gold?
A. Not yet.
Q. Not yet? You mean, they probably will?
A. Quoting me, please don't interpret what I say on it; I don't want it to be interpreted; you'll just have to say on that question of gold to be made available, "No comment." Take it that way please—"no comment."

Q. Anything on Fort Knox plans, Mr. Secretary?
A. The last I heard was that the road wasn't ready yet; there were some materials—the back door or the front door was missing; I don't know; the thing isn't finished or the road wasn't built; something is holding it up; it isn't ready; that's the only thing I can say.

Everybody happy?

Q. Yes, sir. Thank you.
H.M.Jr.: At your service.

Q. Mr. Secretary, have you any comment to make on the devaluation of the lira?

A. No.

Q. They also slashed import duties, Mr. Secretary.

A. Well, all I can say is that on this question of stabilization everything seems to be going along exceedingly well; I guess that's about all I can say.

Q. Was the percentage of devaluation acceptable to you?

A. I'd rather not say.

Q. Would you or the Administration recommend a slash in the American tariff duties?

A. Well, that's not in this office here.

Q. In the statement you gave out the other day you said you hoped other quotas would be reduced.

A. I don't remember the word 'tariff.'

Q. You said 'quotas.' We have some quotas, too.

A. Well, that question of quotas—all that's over in the State Department; that's up to them. We simply handle the monetary end here.

Q. Would you care to comment on the action of the French Government in cutting the quotas?

A. That first statement I made still holds—everything is going along exceedingly well.
Q. Mr. Secretary, there's a story around that you've written a letter to the Red Cross recommending the purchase of Government bonds rather than any other types of securities; could you clear up the story about that?

A. That's very easy. Shall I give them the letter?

Mr. Gaston: Yes, I think so, or just tell them what your position is.

H.M. Jr.: My position is simply this: As Secretary of the Treasury, I oughtn't to be connected with any organization; that's been my position—in the first place, that I oughtn't to be on any boards, but I do find myself connected with the Red Cross and with the RFC. But, when, as a member of their investment committee, the Red Cross asks my advice on how to invest their money, as Secretary of the Treasury, there's only one answer, and that's Government bonds. I can't be put in the position—here's a list of securities that the Red Cross owns (exhibits huge list); I can't be put in the position, as Secretary of the Treasury, of passing on any commercial securities. And if I was Henry Morgenthau, Jr., I would adopt the same policy that Mr. Henry P. Davison adopted when he was head of the Red Cross and that is that the principal thing for the Red Cross is to make sure that their principle is intact.
And that is the policy, as I understand it, that he pursued when he was head of the Red Cross and he certainly had a magnificent record, during the War as head of the Red Cross, and he was one of the outstanding financiers in this country. But certainly, as Secretary of the Treasury, I can't pass on commercial investments. That's the whole story. They are free to invest their money any way they want to, but I am not free to run an investment advisory council bureau here. Does that about clear that up?

Q. How much is involved?

A. Oh, I think that--I don't know exactly. Dan, do you know how much money they've got altogether?

Mr. Bell: They've got an investment portfolio of somewhere in the neighborhood of twelve million dollars--in this particular fund--the endowment; but I don't know that we should give that out.

Q. About fourteen million in the reserve fund?

Mr. Gaston: About twenty-six altogether.

Q. Could you paraphrase the letter or give us the sentence in the letter which is your recommendation?

H.M. Jr.: This is what I say: "I feel I can not indicate my approval for the purchase of any securities other than the direct obligations of the U. S. Government or obligations of governmental organizations guaranteed by the U. S. Government as to both principal
and interest."

Q. What's the date of that letter, Mr. Secretary?
A. It's dated here May 29th.

Q. Would you say to whom it is addressed, Mr. Secretary?
A. Mr. Howard J. Simons, Secretary of the Board of Trustees, Endowment Fund.

Q. Has that been the attitude of the other Secretaries of the Treasury who have been on the board? Do you know?
A. Do you know, Dan?
Mr. Ball: I don't know.

H. M. Jr.: All I know is that when I came in here first as Under Secretary—the Under Secretary has always been on this thing—and I was presented with a list of securities and I told them, "Gentlemen, I can't pass on these commercial securities as Under Secretary, and the only thing I can tell you is to buy one kind of security, and that's either securities of the Government or securities guaranteed by the Government." If I started to go through that list and tried to analyze each security, in the first place, I haven't got the time to do it, and in the second place, that's not my job. They can buy anything they want. But I may say this, that every dollar they have put into Governments shows them a
profit, and so do the other trust funds for which I am responsible here, which exceed two billion dollars. Isn't that about right, without Postal Savings?

Mr. Bell: Yes.

H. M. Jr.: I run trust funds with the help of Mr. Bell and the staff of the Treasury in the neighborhood of two billion dollars, and every single trust fund we manage here shows an increase over the purchase price, and somebody has taken the trouble to look up this thing. As a matter of fact, I am rather proud of the position that I've taken.

Q. It's correct then that the reason you wouldn't recommend others is not so much you believe Government bonds are a better investment but you don't have the time to analyze private securities?

A. No, I would consider it improper for me, as Secretary of the Treasury, to recommend.

Q. What I'm trying to get at, the implication shouldn't be drawn you believe Government securities are a better investment than private bonds?

A. There's no implication at all; I'll try to answer it the best I know how. I'll repeat. I simply say that, as Secretary of the Treasury, I can't recommend to any Governmental trust fund or quasi Governmental trust fund that they invest in any-
thing but Government securities or Government-
guaranteed securities. Now that doesn't say
that I'm drawing any comparison between the se-
curities of the United States Government and any
private company. That would be silly. Does that
answer you?

Q. Yes.
A. Bob. (Kintner)?

Mr. Kintner: Yes.
A. I'm not drawing any comparisons.

Q. Could you tell us, Mr. Secretary, whether they
have increased the number of Government bonds in
the past two years?

Mr. Bell: Materially.
A. From zero to thirty-four per cent; isn't that right,
Dan?

Mr. Bell: About thirty-eight per cent.

H. M. Jr.: From nothing. When I came here they had no Govern-
ment securities. They had no Government securities
and it has gradually increased—as our securities
matured or were called. The suggestion I made was
that as the various bonds, or whatever they had,
matured, they invest them so they started from
zero and now they have thirty-eight per cent in
Governments.

Q. Was that the endowment fund?
Mr. Bell: Just endowment.

H. M. Jr.: Just endowment.

Q. That would be thirty-eight per cent of the twelve million dollars is in Government bonds?

Mr. Bell: Yes.

Q. Is that since 1934?

H. M. Jr.: Since I came in here, and then I dropped out and Mr. Coolidge took my place for the two years he was here and he followed exactly the same policy, and, I might say, that the regular staff of the Red Cross are in complete accord with the position I take. I have had a conference with them and they are in complete accord with the position I take.

Q. Is it true that they have had a decrease in income in this endowment as a result of lower interest rates upon their investments?

A. So does everybody else—if they put their money in Governments, and the average interest rate in Governments has gone from about three and one-half to about two and one-half; naturally their income would decrease, but that isn't any news. Anybody who has been running a trust fund and has his money in Governments, as they mature why, the rates go down, but also, anybody who owns any Governments since 1932 or 1933 have seen an appreciation.

Mr. Gaston: That decrease is also true of commercial securities.
H. M. Jr.: Also commercial securities—pick up any newspaper and see news about refunding; why did they refund? Because they can call their five, six and seven per cent issues and finance them at three and four per cent.

Q. Mr. Secretary, will you comment about the story citing the British want a four-forty pound and you want a four-eighty-six pound—that that was discussed during negotiations?

A. I'm going to say off the record, against the advice of Herbert Gaston, off the record—this whole thing has just been started up and I hate to see it because what I've done I think is highly honorable and highly creditable; this whole thing has been started up by a certain member who is a very partisan Republican banker in New York; he's just been itching to break this story and he has; it's all right, but I think it's most unfortunate that one of the finest organizations in this country, the American Red Cross—that a thing like this should be interjected into this thing because there isn't a finer organization and it's done a fine piece of work; but certainly the position I've taken has been very honorable and has been to the
interest of the Red Cross and the Red Cross staff agrees that my position is right. That's what happened, and I know the gentleman and I know all about it. But that's in the family; that's the story. I'm terribly sorry to see this thing happen, but some people take their politics pretty seriously.

Q. How about this matter of the four-forty pound? I was asking about a published report in the newspapers?

A. I know, but I was trying to tell you people absolutely off the record all that's happened. Now I am at your service.

Q. There have been reports that during the negotiations between yourself and the British Ministry the British indicated they wanted a pound at four-forty to four-fifty while the U. S. attitude was a pre-war exchange pound of around four-eighty-six and that's supposed to be one of the reasons why no fixed ratio between the pound and the dollar was established.

A. I have no comment. What else have we got today?

Q. Mr. Secretary, what's your official capacity in the Red Cross Corporation?

A. Dan, what's my official capacity; how did I sign
this letter?

Mr. Bell: I think, Chairman of the Board of Trustees of the Endowment Fund.

Q. Is there any explanation as to why they didn't have Government securities in their portfolio before, Mr. Secretary?

A. I don't know.
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, OCTOBER 8, 1936

H.M.JR.: As long as you've got them in writing, let me have them.

Clarence Lins: Sure, I'll give them to you.

H.M.JR.: (reads Lins's questions.) Do you know why Morgenthau has given up support of the pound sterling? The rate is now far below what it was when the pound was raidied by Russia. What happened to the stabilization fund proper?

Q. The low rate yesterday was four eighty-three and a quarter; the low last Saturday, the 26th, was $4.91 -- still going down and my question would be -- the speed with which the Treasury went to the defense of the pound at that time seems to have lost a great deal of momentum; you might have a story on that.

A. Time will have to answer that.

Q. Does that mean that that's the policy which is being pursued in regard to the ratio between the dollar and the pound?

A. No.
Q. It's an experimental stage now and you will allow it to go ahead until time does answer it?

A. For background, anybody that's writing stories that there's any difference or competition as between Great Britain and ourselves are going out on the end of the limb. This is for background. These stories have been in the paper every day about different things. I haven't got the papers here this morning and I don't want to refer to any particular paper anyway. If you fellows could sit here from twelve o'clock on when the rest of the markets of the world are closed and have the thing coming in from every corner of the world the way I have the last ten days -- there's a new order -- the different countries have devalued very, very rapidly; we are having quotas dropped every single hour and the thing is moving so fast that the things that the Administration has worked for, for the last three years, are coming to a head every day. This is for background. And I sit here after twelve o'clock and the exchanges of the world come
across my desk, and what we have been able to do is to keep the thing on an even keel; that's all that we can attempt to do. But there has been nobody since the Russian incident who has attempted to move or alter the pound and the franc any way artificially. The transactions which have come across my desk have been legitimate business transactions and (this is all background stuff) the stories that ran a million pounds wasn't an abnor-
mal transaction were incorrect. The biggest trans-
action which has taken place since then, which was a combination of a number of transactions the bank had was seventy-five thousand pounds. That's the biggest transaction which has taken place since Saturday a week ago.

Q. In New York?

A. Anywhere in the United States.

Q. What was the amount?

A. Seventy-five thousand pounds; that was a number of transactions -- orders for five thousand pounds, ten thousand pounds -- everything has been for busi-
ness men who have transactions throughout the world.
Since Saturday a week ago the biggest order, which was a combination of two or three orders, was seventy-five thousand pounds.

Q. Mr. Secretary, couldn’t we have, on the record, a statement that nobody since September 26th has attempted to move the dollar or the pound or the franc? Take out the reference to Russia, if you want to.

A. No, I think we’d better let it go. What do you say, Herbert?

Gaston. I think so, yes.

H.M.JR.: Let what I said go. What I have told you are facts.

Q. My questions weren’t directed to that.

A. I know.

Q. With things moving so rapidly, the policy would be not to try at this time to fix the ratio between the dollar and the pound.

A. What I’ve told you are the facts. Just look at the forces which are moving here. This thing, for the first time, the Treasury from twelve o’clock on is the financial nerve center of the
world. And here, every single minute, you've
got different countries devaluing, dropping
quotas; it means American business men adjust
themselves. They can buy in different places,
they can sell in different places; it means
their rates of exchange are different. In ten
days we have had something happen here that
we've been working for for three years, and up
to now there's every indication that the Ameri-
can business man is getting the benefit of this,
and I think he'll get the benefit of it, and I
think the world will get the benefit of it.
Everything I've said is for background -- it's
all for background; but I'm just giving you the
picture. Nobody is trying, not only isn't trying
to hurt this thing, but everybody is trying to
help -- the governments, banks, business men --
here's a chance for world peace, world prosperity,
and everything that goes with it, and everybody
is putting their shoulders to the wheel; the
thing is going along beautifully and it's moving
so fast it's hard to keep track of it, but all
the reports I get, both internally and externally, to date, is that it has been to the advantage of America. When I say America, that takes in labor, industry, agriculture, everything. My personal opinion is I think it will continue; I think it's going to grow; it's hard to grasp this thing; it's moving so fast.

Q. It isn't so hot for the steel industry, according to my paper, although I haven't had a chance to read it today -- the steel people seem to think they won't be so happy in the world markets.

A. That doesn't check with the U. S. Steel.

Q. I haven't read the story.

A. Ask one of your reporters to go around and feel out U. S. Steel about it. They're selling steel where they've never sold it before; this is all off the record -- there's nobody who's looking at this thing from the standpoint of the welfare of the American people who has yet been able to point out but what this is a constructive move. Everything I've said is for background. Everybody has put his shoulder to the wheel and the
thing is moving forward just as rapidly as it can. This thing has got to be watched from minute to minute, which takes all the energy and all the intelligence I have and my staff has got to watch this thing minute by minute to protect the interests of the American people; to date we have been able to do it. Everything I’ve said is for background.

Q.

Thus far everything has tended toward increasing American prosperity.

A.

As far as I can tell, I haven’t seen a single indication anywhere. At nine o’clock in the morning my statistical staff walks in here and gives me the reports for the previous day, the previous week – everything we’ve got, and we’ve got as good information as anywhere in America.

Q.

We have reports from France that the Bank of France had again lowered its rediscount rate from three and one-half to three per cent; how do you interpret that?

A.

That’s all right; it’s an internal matter; for background, I would interpret it as a sign of
increasing confidence on their own part. Have I said anything on the record so far, Miss Chauncey?

Miss Chauncey: I don't think you have.

H.M.JR.: Good.

Q. Out of London came a story last night that the British are anxious that you press farther with the stabilization move through tariff reductions and reduced quotas and that sort of thing, and rather peculiarly suggested that the President might not want to bring this up before election so they would send Sir Montagu Norman over to take care of it.

A. I'm not going to comment on that. But that gives you a little bit of the picture that we have.

Q. Mr. Secretary, can you say anything on the record about this?

A. No, it's too important to do it without writing it out, and, therefore, I'd rather it were for background, and I'll place my reputation in your hands. I have had only the best of cooperation, and I'm perfectly willing to talk for background and leave it to you boys; you've done well by me.
It's too important for me to take a chance of talking on the record without carefully working it out.

Q. Did you see accounts of what the President said at his press conference the other day -- about the power to devalue; it isn't clear in my mind that he spoke of emergency powers in the sense of powers for this Administration or powers for future administrations.

A. You don't expect me to interpret what the President said.

Q. I thought you could throw some light on it.

A. No, I read the story very carefully in the morning papers. It was brought up here and I said I would certainly recommend the extension of the stabilization fund and I think we'll let it ride the way it appeared.

Q. Do you still have the million pounds you got on the 20th?

A. You've asked a question and you'd be most surprised if I answered it.

Q. I wouldn't; you might be frank.

A. I might also be foolish. No.
Q. Mr. Secretary, for background purposes, could you tell us what would be the ultimate -- these things have moved so rapidly -- what would be the ultimate results? Would they settle for stabilization purposes?

A. I think they're very rapidly settling -- but there are all these things -- and I think, when you consider and compare what happened in 1931 to what happened now, I think it's perfectly remarkable the way this tremendous move has taken place and with a minimum of disturbance, absolutely a minimum. We couldn't have done it this way if we hadn't had this agreement, and if you read the newspapers of 1931, September, and see what happened when England went off gold, see the disturbances here -- and here's this very, very important monetary move and we've had a minimum of disturbance, and I think these various currencies are finding their levels with great rapidity.

Q. While they are, there will obviously be no effort to fix any definite ratio. That would be a logical conclusion from that situation.
I think that I've explained that enough; I think you fellows are smart enough to get what I've said. I've talked for background and I have put my reputation in your hands. All right, gentlemen?

Thank you.
I think I'll read this out loud. This is for tomorrow morning newspapers and it's a statement being given out. I believe, at this moment in both London and Paris along the same lines, by the Treasury in London and the Treasury in Paris. Our statement reads as follows: "Supplementing the announcement..." And also for tomorrow morning's release: "The Secretary of the Treasury today named Great Britain..."

I don't know whether you'd like me to explain first or ask questions first.

Q. Would you explain first, please?

A. The way I see this picture is something like this: The level of foreign exchange, as between the United States, Great Britain and France, may be thought of as a triangular plane. Each corner rests on the foundation of a stabilization fund. Each country operates its own stabilization fund to equalize its own currency by buying and selling exchange in terms of other currencies. By that I mean, in this market we buy sterling
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or francs; in London they would be buying dollars or francs. No country wishes, through these operations, to accumulate too much paper currency of the other countries, and, therefore, we propose to permit each country to convert the other countries' paper money into gold, the price being fixed each day. This represents a divorcement of the control of the foreign exchange market from the few individual international speculators. The responsible governments of the people will now cooperate to assure a minimum exchange fluctuation. Business men with merchandise to sell abroad, or business men who are importing merchandise, will be free to operate through their respective banks in regular and normal exchange operations. The international speculator, responsible to no one, and recognizing no flag in the conduct of his business, will in the future not be able by rapidly shifting his funds from market to market, to reap private advantage through stimulating chaos in foreign exchanges. Now I'm at your service.
Q. You say that the rate will be fixed; why is it being fixed each day?
A. The price of gold will be fixed.
Q. The price of gold? Is that the same as the exchange? Who's going to fix the ratio between the pound and the dollar and the franc?
   How will that be arrived at?
A. It will be arrived at through the flow of goods and services and other stocks, etc., which flow back and forth between countries and those various mediums—the transactions that go into—the money transactions that go into business as between countries—the various activities—they will fix the rate of exchange. In other words, the demand—whether there's a strong demand for dollars or a strong demand for sterling or francs as business flows back and forth—those demands will necessarily fix the rate of the dollar and the franc and the pound.
Q. In other words, you will allow legitimate transactions to fix the rate?
A. The thing that we have accomplished here in the last two weeks is this: That France has realigned her currency—I think she used
that word rather than devalued—we call it
devaluation, she called it realignment.
As I said before it was November '31 or the
Fall of '31 when Great Britain devalued.

September.

A.

September, thank you. And you see the chaos
which existed in our own markets. Now here
an important country like France devalues and
a great many other countries—I don't know
how many, I can't keep track of the thing it
happens so fast; it's ten, I believe, coun-
tries that devalued and the business man that
has merchandise in transit—count them please.

Mrs. Klotz: Right.

H. K. Jr.: Including France?

Mrs. Klotz: Including France.

H. K. Jr.: Right. What have we been able to accomplish?
Instead of American business being complete-
ly upset through eight countries devaluing,
why we have been able, through this agreement,
to have an absolutely minimum of disturbance,
so that the man who is either buying goods or
selling goods can continue his business in a
perfectly normal way. In other words, we have
practically taken the risk of foreign exchange
out of his calculations, and if we hadn't had
this agreement, it would have resulted—no one could have told what the results would have been, if France had devalued and seven other countries had devalued, if we hadn’t had an understanding to keep the dollar from fluctuating too widely. It’s had a minimum of fluctuation and the importer and exporter has been able to go right ahead with his business and he hardly knows that these countries have devalued, if he interprets it by the amount of fluctuation. Now, after we have gone along for two weeks, the first step, I think it’s safe to say, has met with complete success. Now, in order to take the second step the three countries feel and we feel that it’s to our advantage that we permit, on a reciprocal basis, from day to day; the giving up of gold so that we or Great Britain or France do not accumulate too much of the paper currencies of each of the countries. Now does that give you a fairly good explanation?

Mr. Secretary, what would be the objection to the accumulation of too much paper?
I think that's self-evident; I don't think any country, without reflection on anybody, wants to pile up a large amount of paper currency of the other country without knowing it can convert into gold if it wishes to. It's just another assurance that if they wish to, they have deposits here with us—the central bank—or we have it over there. If we wish to, we can convert it into gold; it just eliminates another risk, because, after all, what Great Britain or France do with their money is beyond our control, and instead of having pound sterling paper or franc paper we can, if we wish, convert into gold; it eliminates that risk. And the same thing holds true of ourselves. I made the statement that France was supplying francs here in this market. Well, when they supplied francs to our merchants they had to buy dollars—they accumulated a dollar deposit. They may feel everything is going very nicely here and feel perfectly willing to have 11/2 millions of dollars here. But, on the other hand, they might feel, as an extra insurance poli-
cy, they may want to convert part of that dollar balance into gold and it's another logical step as between governments in working out this question of a medium for doing business, and heretofore there have been a few people who were willing to go short on any country and sell any country short. They had no legitimate business other than speculating in foreign exchange, and every government has suffered from it. If they thought a government was going to weaken they were perfectly willing to sell that government short and that has been the curse of doing business in the foreign exchange market. And the business man who sells cotton abroad, he does his business through his bank perfectly legitimately but his government is there to protect him and to see that the dollar that he buys or sells his merchandise with has a minimum of fluctuation. Now for the past two years no one has raised the question, "What's the dollar going to be worth?" That was the front-page story, a couple of years ago. We don't read it any more. We have eliminated that
through our stabilization fund and general confidence in the dollar, but with these devaluations of France and seven other countries, if we hadn't been able to take care of ourselves, you might have seen very sharp fluctuations of the dollar.

This is the lifting of the French embargo in that it permits interchange of currencies?

This is an entirely new method of doing business. The old method of the old gold standard that worked automatically as between gold points—when the currency reached a certain point,—when the franc reached a certain point, gold would flow out, and when it reached another point it would flow in. Those things were absolutely fixed. This is an entirely new conception of doing business in the world markets. It's entirely different from the old gold standard, and we reserve the right, as do the other countries, to stay on a 24-hour basis, so that our first thought is our own national prosperity, and if this arrangement is injurious to
our own national prosperity, we reserve the right to change it, as do the other countries. As these things go on there will be other steps which will seem logical to take. We have taken one. In two weeks it worked, and this is the next one, and we think it will work here. This whole new method of doing business between nations is moving so fast, so well, it's hard to keep track of it, but up to now it seems to us that it has been a success.

Q. Mr. Secretary, gold can only be bought in dollars though, can't it? Is that right? England can't use francs to get our gold under this.

A. It's all figured—the base is $35.00 and if England wishes to buy gold she will pay us with dollars.

Q. She can't pay us with francs?

A. Why should she use francs?

Q. I don't know—that's why I'm asking you. England would be supposed to go to France to get gold for her francs under the agreement?
A. That's right.

Q. Back of my question was whether we are going to load up on somebody else's paper; that's why I asked you.

A. If we take francs, if we have a large number of francs, we simply notify the Bank of France that day we'd like to convert them into gold. If we have sterling, we notify the Bank of England we want to convert into gold; if the Bank of England has dollars they notify us they want to convert into gold and if they have francs they notify the Bank of France. It's a three-cornered plane, each country trying to keep its particular corner level. You can use that picture again of the plane. The danger was the whole plane might have dropped, but that didn't happen and the thing stayed on this level.

Q. As the agreement now stands, the agreement involves three countries?

A. The three countries.

Q. In the statement you say that if other countries offer their support in connec-

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set up their own stabilization funds—
suppose Germany, for instance did that?
A. Any country that wants to come in and join
   us, the door is open.
Q. They could set up their fund?
A. If they will come in we will be more than
   pleased to talk to any country in the
   world.
Q. It will be kind of open door policy?
A. Yes, but I hope more effective.
Q. Does this free gold movement mean there's
   a fixed ratio between the currencies?
A. Must I go through that again?
Q. I want "yes" or "no."
A. I can't give you a yes or no answer.
Q. Have you agreed with Great Britain 4.20
   is the proper level for the pound?
A. I'll go all through this again.
Q. I understand, but—
A. I told you before that everything we agreed
   to was face-up—there were no other agree-
   ments.
Q. I'm talking about this one right here.
A. I said there were no side-agreements,
   and everything we agreed to was face-up
and I have told you everything there was
and I'm telling you everything there is
now.

Q.

In other words, there isn't an agreement
as to the pound-dollar ratio?

A.

I am not going to answer that. I'm going
to answer you this way—that I've told you
I'm not going to be in a position of deny-
ing that story. I've told you gentlemen
everything there is and how there are no
other agreements than what I've told you,
and I'm sorry, if you don't mind, Bob,
I'll have to answer it that way.

Q.

My first question was directed to that.

A.

And I answered you the same way—I told
you that it would have to find its own
level.

Q.

Will the day-to-day price on which these
gold settlements are made be on the basis
of arm's-length bargaining? How will you
determine the price?

A.

Our price is $35.00 and that's the anchor;
it's all figures $35.00 into the currency
interpretation. If you men want to get
into a more technical explanation and
want to go into the history of what we've
done on gold, Herbert will be glad to have anyone who desires go into his office and go through it, if you want to get a more technical explanation of this operation. The anchor is $35.00. We figure that, in terms of francs and pounds, and dollars— you've got insurance rates, etc., the price in London plus these expenses always going back to $35.00.

Q. We'd like to know how you figure how many pounds you are going to buy with $35.00.

A. It all goes back to the price of sterling for the day and the price of gold.

Q. Our price remains $35.00?

A. Our price remains $35.00, and you've got to work backwards, taking into account freight, insurance, the price of sterling that day, the price of gold in London; it's a very complicated thing, but it all works back to the $35.00 price.

Q. Our price tomorrow is $35.00?

A. Our price tomorrow is $35.00.

Q. Why would there be a daily announcement then?

A. The only daily announcement is that we
are doing business tomorrow with Great Britain and France and they make a similar statement that they are doing business with us for one day. In other words, either one of us could cancel—I'll put it another way—this is good until canceled.

Q. The $35.00 price doesn't change except as to the cost of carriage?

A. The $35.00 price won't change tomorrow.

Q. But it might change on Tuesday.

A. There's no saying. This thing is still on a 24-hour basis and our arrangement with Great Britain and France is 24-hour and their arrangement with us is 24-hour. In other words, until further notice, we hereby announce that we will do business with Great Britain and France and we will give up gold on a reciprocal basis at $35.00 an ounce. They make the same statement—Great Britain makes the same statement and France makes the same statement, but it's a day-to-day arrangement. It has to be; otherwise we will find ourselves slipping back into the old gold standard.

Q. Is this done to avoid slipping back into the old standard?
A. No; this is a new method.

Q. We may accurately term it a new type of gold standard?

A. It's a new type of gold standard, and our first thought is our internal national prosperity and that's the thing we look at morning, afternoon and evening, and we keep on looking each day and all through the day, and how does this affect our internal national prosperity? And if it works tomorrow, final! If it works Wednesday, we will do it Thursday, and every day, every hour we watch our internal national prospects. And Great Britain and France do the same thing as we do. And as I said before, time will tell. I am very hopeful. It's worked for two weeks and I have every reason to believe it's going to work. But it will take time. It takes confidence in each other.

Q. You mean you've done this for two weeks?

Mr. Secretary, I may be awfully dumb about this thing....

A. No.

Q. But that price—$35.00—is that subject to change?
Q.
Well, that affects the value of the dollar—the 59.06.

A.
I mean, we have the right—to answer your question—you know we have the right to devalue further.

Q.
As long as our currency is at present 59.06, we could change the value of gold without devaluing.

A.
We can change it but we can also devalue.

Q.
Unless you are going to devalue further, you must keep the $35.00 price.

A.
No, it isn’t right, but I’d much rather you didn’t ask me that—it isn’t right. I would much rather you didn’t write it; it gets everybody all upset; we can change the price of gold without devaluing; we have that right. That’s right, Herbert, isn’t it?

Q.
You can’t change the gold ratio.

Gaston: You can increase your handling charge or decrease it.

N. W. Jr.: We have the right, but I’d much rather you didn’t use it.

Q.
Will you describe for us the simple mechanics of how you can get gold for your American dollar held by France? Will you describe the
simple mechanics of it?

The simple mechanics, to get gold for francs? If we buy francs tomorrow, in other words, if we sell dollars in France and buy francs we accumulate "X" millions of francs. We would do this through the Federal Reserve of New York, as our fiscal agent, who would be acting with the Bank of France. At the end of the day they would find they had accumulated "X" million francs. They would notify the Bank of France to please convert that into francs to pay us "X" million in gold and we would earmark that gold in the Bank of France and bring it out in 48 hours or leave it there.

Mr. Secretary, do you think that this will result in a flow of gold in or out of the United States or into England?

I can't tell, and, frankly, I'm not worried; I explained that very carefully in my letter to Senator Vandenberg. Whichever way the trend is, if gold goes out of this country it's certainly nothing to worry about.

Mr. Secretary, on account of business conditions and other matters which might affect the rate of exchange, you should decide in three days or a week to change this rate
either a little bit up or down, to $35.50
or $34.50—does that mean the other country
will correspondingly make a ratio change or
would that affect our rate?

As I say, the chances of our changing the
price of gold are not very great. It's a
power that the President has to use, just
as he has the power to devalue further.

We would have to find ourselves at a dis-
advantage, and I would certainly feel that,
in an agreement like this, if we found our-
selves at a disadvantage I'd want to talk
it over with the other two countries. Af-
ter all, that's my understanding of a gentle-
man's agreement, and we would certainly want
to talk it over with them before we sprang
something on them.

Q.

That's what I meant; in case we made a
change one way or the other, you would
talk to them in case they want to change
too.

A.

And I say this is one of the most difficult
and intricate things a person has ever found
himself in and you have to watch it every
second.

Q.

Is there any arrangement whereby this coun-
try would have francs and France would have
dollars—could you just return the francs for the gold or would you keep the francs and the gold too?

A. If we have francs in France and want to convert, we can convert; if they have dollars here they can convert.

Q. There's no way there could be any increase or decrease in the flow, unless one country agreed to permit the out-flow because as soon as the transactions are completed, you wind up where you started.

A. The chances are there wouldn't be an even amount, but what we might do, if we have to answer your question, if we had ten million dollars worth of gold in France and they had ten million dollars worth of gold here, we could just exchange that.

Q. In other words, on the basis of balances.

A. Yes. But if we each had gold instead of transporting it back and forth we could swap it and call it a day.

Q. This is a substitute for the old gold standard?

A. Yes. Entirely new method and it leaves us free—our hands are still untied. And so
are Great Britain's and so are France's.

Q. The chief characteristic, to explain it to a non-technical reader, is that it takes power to trade in foreign exchange out of the hands of speculators and puts it in the hands of the governments?

A. Correct.

Q. How about last Friday you could at least control theoretically the flow of gold and now it is automatic. I don't see where the difference in the gold standard is there.

A. Last Friday neither France nor England could get gold from this country.

Q. But if you gave your permission they could.

A. But we didn't.

Q. But you can give export licenses.

A. But we didn't.

Q. You never have in the last two years?

A. Not in the last two weeks.

Q. That's what I'm trying to get at; what's the difference if you give them a license?

A. All the difference in the world; prior to September 25, gold moved between the United States, France, Holland and Switzerland on a question of gold points. Then France
devalued—she went off gold during those two weeks' period and so did Holland and so did Switzerland, and during that two weeks' period we didn't give anybody an export license; does that answer your question?

Q. Essentially this permits the movement of gold to Great Britain.
A. And France and any other country that wants to come in and see us and talk business.

Q. Mr. Secretary, if you accumulated sterling here and then wanted to sell it to the British fund for gold, how would you make a price on that?

A. That's a thing...it takes a technician to explain the thing, but there are three factors that go into it. You start with a $35.00 basis here and you work it backwards or forwards, any way you want, but you've got to take into consideration the price of gold bullion, and the cost of shipping it here and in that way you will arrive at a price for that day.

Q. Will you say that again?
A. The cost of gold bullion in London, the price of sterling, the cost of shipping it from here—don't forget the $2 handling.

Q. The price in the free London market would have a bearing on that?

A. Yes.

Q. That's the same as your gold transfer on the old gold basis—as to whether it's profitable to ship it or not.

A. We never had that, between England and ourselves.

Q. When gold starts to move, the gold point is passed. These figures would make it profitable.

A. But it would only be between governmental banks and heretofore anybody could do it.

Q. From now on it will only be between governmental banks—no more private transactions—no more export licenses, in other words.

A. That's the way it is tonight.

Q. No more export licenses for individuals?

A. We start with a clean slate and right now we have issued a reciprocal statement
as between the Government of Great Britain, 
the Government of France, and the Govern-
ment of the United States, and nobody else, 
as of tomorrow morning, can have that privi-
lege.

Q. Would you care to describe a little of the 
color of the negotiations—how you carried 
them on in the last few weeks through the 
State Department in its regular diplomatic 
channels or whether you did it similarly 
to the other?

A. If I tell you I did it the same as the 
other, is that all right?

Q. As long as we are sure about the loud-speaker. 
A. Where's my friend?

Gaston: He's here; he's disguised.

Q. Mr. Secretary, who developed the scheme?
A. It's awfully hard to describe it; I mean 
it's a thing that's just gradually de-
veloped; it seemed to be the logical step. 
I discussed it with the President in Hyde 
Park and he liked the idea. It's one of 
those things which developed and it's aw-
fully hard to say where it started and where
it finished. Of course, anything I do here with any foreign country the State Department is kept in touch all the time.

Q. Mr. Secretary, is there any movement between the United States and any countries that are not a party to this agreement?

A. Right now and for the past two weeks no gold has left this country and beginning with tomorrow, until further notice, I'll say again we have this reciprocal agreement between France and Great Britain and ourselves. As to the next step—what country is going to come and knock at the door, I can't tell.

Q. Until they knock there's no way they can get gold out of this country?

A. Unless they ask for it, we are not going to go out and drum up business.

Q. Unless they agree to this agreement.

A. For the time being, this is the pattern. What we will do three months from now, or three days from now....

Q. What effect does this have on the man in the street?
None. What we are talking about is the external dollar; the internal dollar is what we pay for our supper; it will have no effect; when it does have an effect, if it does, that's why we are staying on a 24-hour basis—so that the fellow in the street who buys his dinner and pays his dollar will not be hurt by this, and if he is hurt by it, we reserve the right to change from day to day as do the other two countries, because it has been proven that no man is smart enough to say what the answer is. But we think we are on the right track and after all we've got behind us—since the Fall of 1933 when we started to buy gold, this administration has met with entire success. And the old headline "What is the future price of the dollar," it's so long since you men have written it you probably have forgotten it. I didn't forget it. The man on the street—all those powers which affect the internal dollar are largely vested with the Federal Reserve Board—credit controls the internal dollar.
We here, through the stabilization fund, are largely charged with the powers that have to do with the external dollar, but the Federal Reserve Board and ourselves work very closely together, so that we are going in the same direction. We must work close together so that the external dollar and internal dollar move in the same direction, and, to go back, so the fellow on the street gets the benefit.

Mr. Secretary, this is a pretty big story that you've given us; what happens to the blocked exchanges, etc.? This hits those countries very hard.

A. This question of block exchanges has never been in the Treasury; that's private. We only deal with governmental funds. The question of blocked exchanges are credits due private individuals.

Q. Well, I mean where they won't permit the export of gold.

A. That's something which is not in the Treasury; I'm right, am I not? This whole question we talked about blocked funds.
Q. I didn't mean that, I meant, they have to agree to let us have gold if they want it.
A. As the pattern is written tonight, but I don't see this is the final pattern; somebody asked about Argentina—I don't believe you can get gold out of the country. They've got to decide what they want to do. Here are three countries that have decided that as far as we can see this is a good move, but, as I said before, time only will tell if we are right, but I repeat, since 1933, the policy we have followed with gold and the monetary policy has met with success.

Q. May I ask you another question? May the Chase Bank tomorrow export gold or any bank that's a member of the Federal Reserve system?
A. No, not as I understand it.
Q. And can the Salomon Brothers or any of the big banking houses exchange tomorrow?
A. The only exchange of the gold as it is written for tomorrow is between governments.
Q. The New York Federal Reserve Bank is your agent?
A. The New York Federal Reserve Bank acts as our agent.

Q. Has gold flowed since the gold order? Primarily it was through private banks before, such as the Chase Bank and representatives of private individuals.

A. I may be wrong, but, as far as I know, I may have to check up on myself, but I don't know that it has flowed.

Gaston: He means such as the flow of gold from France to the United States. Almost all private dealers, I think.

H. N. Jr.: I may be wrong on that (Herbert, you'd better check up some more), but as I understand it, if I'm wrong correct me quickly, the accumulation prior to the time France went off gold....

Gaston: Bob was speaking about the period before that—the big shipments of gold beginning January 1, 1934.

H. N. Jr.: That all went on between banks.

Q. Connected with governments?

A. Not connected with governments.
H. M. Jr.: There will be a few more. We just finished at ten minutes of. If you will bear with me what I'd like to do is to read it out loud to you. I'd like to read it through. I'll read it as rapidly as possible. I think if you don't let me read it—then after that we will do the best we can. (Press Release 8-70). I thank you. We are now at your service.

Q. It is true, is it not, Mr. Secretary, that the repayments of the four agencies which are shown are shown on the back of the Treasury statement and you can't see them unless you subtract them yourself?

A. Just a minute, Bob, before I answer, will you? I say this off the record and I don't think you people will mind. I am going to ask that these technical questions be answered by Mr. Bartelt and Mr. Bell. They are both Civil Service but I wish you would credit me with
the answers. Do you mind repeating your question?

The average individual who looks at the Treasury statement where you list the deficit cannot tell from the inside page the amount of expenditures unless he subtracts repayments and turns to the back to see how the revolving funds are working.

Bell: That's right, but we show on Page 2 in the analysis of receipts and expenditures, the net operations of revolving funds. In other words these are revolving funds—bear that in mind—and over on the next page we give an accounting of what is actually in these revolving funds, both gross expenditures and repayments and we come to net expenditures.

Q. When you look at your deficit and take total receipts and total expenditures there is no way of telling net expenditures.

Bell: Not if you want to include in total expenditures the gross expenditures from revolving funds. Bear in mind that putting these repayments on the receipt
side and putting your gross expenditures on the expenditures side would not change the deficit.

Q. But would change the receipts and expenditures.

Bell: Yes, but it changes your total but not the result of the deficit or the increase in the debt.

Q. But it would decrease the expenditure figure.

Bell: If you want to treat a fund in that manner; but bear in mind that it is a revolving fund, that Congress has authorized the use of the receipts over and over.

F. M. Jr.: Since 1920.

Gaston: The same thing was done with the revolving fund of A. A. A. and R. F. C.

H. K. Jr.: It is nothing new; it has been done since 1920.

Fartelt: Prior to that. Ever since we had revolving funds.

H. K. Jr.: How far back is that?

Bell: Pretty hard to tell.

Q. Mr. Secretary, there has been a report today from the White House that this was originally planned as your speech but it
is being issued as a statement instead. Is that true?

A. All right! I read it like a speech. I used you as the audience, and I had no applause.

Q. You'll get that tomorrow.

A. I hope so. We have been working on a lot of these things. Part of the stuff—if I hadn't done it now, I'd have done it Friday night; if I hadn't done that today I'd have done it Friday night. I didn't quite get your question first. It was either a question of doing it this way or Friday night. I decided to do it this way and use you as an audience knowing how enthusiastic you would be.

Q. How would this impair the credit confidence of the public and its financial officials.

A. Well, if a person would say that the Treasury and its methods are dishonest and practices deceit and the public believed it and thought that was the way the Treasury was conducting the Government's business and believed it, why I should think they'd want to consider whether it was worth while holding Government bonds.
Q. That's what I was wondering.
A. Yes, it is a barometer, but I might draw your attention to the fact the speech was made Friday night and take a look at Saturday's bond market.

Q. It went up, didn't it, Mr. Secretary?
A. I believe so and so did today's market.

Q. Where do you speak Friday night, Mr. Secretary?
A. Well, that announcement will have to come from New York. They are arranging it. I am their guest. I believe they are making the announcement tonight but that will have to come from them. I am their guest.

Q. What are you going to talk about?
A. Oh, there are plenty of things to talk about.

Q. Who are you speaking before, Mr. Secretary?
A. I think you will have to get that from New York.

Q. Are you speaking in New York or here?
A. In New York.

Q. Leaving Friday?
A. Some time Friday.
Q. What would be the objection, Mr. Secretary, to showing receipts and expenditures no matter who started it, but changing it to show what the R. F. C. really does spend instead of what their balances are?

A. I think we do. The R. F. C. makes a special report to Congress every month showing the greatest detail and if anybody is interested there is a monthly report that goes to the Secretary of the Senate and it goes into the greatest detail on what they spend. The thing we are trying to do here—you men who have been around the Treasury have seen the way this Treasury statement has grown. We are constantly adding more information to it. We are trying all the time to make it clearer. Our whole object is to give just as much information as we can to the public and we have been doing that as far as I know ever since Mr. Roosevelt has been here.
Q. What is the objection to showing it in the daily statement?
A. I don't know. It is a long practice; it has grown up here over a great many years and some of these people who are professionals at this might be able to answer that question. By long usage it has grown up over many, many years and I think the public at large has complete confidence when the Treasury gets out a daily statement that the figures are what they say they are.

Q. I am not speaking of confidence, I am speaking of the daily statement which would show by receipts and expenditures what the government has spent.
A. I know. Any of your men want to answer that?
Bell: I don't think there is any real objection to it. I think we are trying to show the net operations in a revolving fund.
Bartelt: I think that to include those receipts and gross operations in the expenditures would be misleading because it would pad
the expenditures and also the receipts by the amount of the roll. In other words, if you began with a million dollars and you rolled it over ten times your expenditures would show ten million dollars.

Q.

That would be a correct expenditure, wouldn't it?

Bartelt: 

No, it would be one million dollars, because the money came back to the fund and was re-used.

Q.

It would pad the receipts too.

Bartelt: 

It would pad the receipts and also the expenditures and comparative figures over a period of years would not be of any value.

Q.

The R. F. C. has sold you about $\frac{4}{3}$ billion in debentures and they still owe you about $3,000,000,000, and as long as you expend this money that is paid back, how are you going to give the R. F. C. credit for these debentures?

Bartelt: 

The matter of making funds available to the R. F. C. is more or less a bookkeeping entry in which the Secretary makes money available to the R. F. C. from the general
fund and as the R. F. C. deposits back in the Treasury enough money to repay those advances, the notes are canceled.

Q. There have only been about $\frac{1}{2}$ billion canceled since the R. F. C. was begun and there have been collections of over 3 billion since they originated.

Bell: Well, they have re-used a lot of their money. The R. F. C. has been rolling its money over and re-using it.

Q. They don't get credit for it.

A. They don't get credit until they turn the money over to the Treasury for cancelation of the notes. They get credit in their disbursing accounts the same as any other department.

Q. Why does Social Security differ from any other trust fund? They are not handled outside of the budget.

Bell: Are you speaking of the old age? The old age reserve account is an appropriation directly out of the general fund.

Q. Why is it handled that way? Why isn't it a trust fund just as any of these others and kept separate?
Bell: It is not a trust fund until after the
money has been expended out of the Trea-
sury into the trust fund. In other
words Congress appropriates for the fisc-
aland year 1937 265 million dollars out of
the general fund. That money is taken
out of the general fund as an expenditure
and put into the trust fund for the old
age reserve account and this old age re-
serve account, containing 265 millions,
is invested in Government securities.

Q. But the receipts item against that ex-
penditure is not the taxes collected.

Bell: There are general taxes collected under
the Social Security Act but they go in-
to the Treasury like other revenue.

Q. But that isn't true of any other trust
fund.

Bell: Not altogether. Some of them were that
way. The money that comes in from the
States to the Unemployment Trust Fund
does not go into the regular receipts
of the Government, but go into the trust
fund receipts.

Q. Can I ask a money question?
H. M. Jr.: Well, what were we talking about?

Q. Belgium is going to let some gold come into this country. Does that establish it as a gold standard country under the meaning of the regulations?

A. No, there is nothing new, nothing has been changed—nothing of any significance.

Q. Do they have to certify that Belgium is on the gold standard? There were certifications to that effect.

A. I don't know. I would have to look it up. All I can say is that the money coming in is of no specific significance.

Q. Can we get an out-and-out answer as to the status of Belgium?

A. I'm afraid you can't—you will have to be patient with us.

Q. That does not mean you will not permit gold to go to Belgium?

A. I cannot say; I'm sorry.

Q. Anything new on the situation?

A. Nothing I can talk about.
FOR IMMEDIATE RELEASE
Monday, October 19, 1936.

STATEMENT BY SECRETARY MORGENTHAU

The receipts and expenditures of the Government are frequently made an
important issue in Presidential campaigns. In the heat of these campaigns, it is
not uncommon for political speakers to criticize the expenditure programs of the
party in office and in many instances the facts are presented for political pur-
poses in a manner which confuses the public mind as to the real situation.

The Treasury does not ordinarily attempt to check the accuracy of such
statements nor to take official notice of partisan criticism directed at its
methods of bookkeeping and financial reporting. When, however, a former President
of the United States in a public address charges the Treasury of the United States
with "intellectual dishonesty" and "pernicious deceit" the public interest de-
mands that those charges be not ignored.

The citizens naturally impute to a former President intimate knowledge of
the financial operations of the Government, and when Mr. Hoover attacks the
integrity of the public accounts, his statements, if permitted to go unchallenged,
will tend to impair the confidence of the public in its financial officials,
with consequent detrimental effect on the Federal credit.

What are the facts?

The facts are that the Treasury accounts are kept strictly in accordance
with law, and are not based upon any partisan political considerations. The
Treasury submits to the Congress in accordance with the law an annual report on
the state of the finances, and a detailed report of receipts and expenditures
of the Government for each fiscal year. Furthermore, it publishes for every
business day a statement showing the condition of the public Treasury. These reports are from time to time supplemented by special reports. The Treasury is constantly studying the form of its reports, with a view to making them more informative to the public, and I believe it can truthfully be said that this Administration has furnished the public more detailed information on the financial operations of the Government than any preceding Administration.

Mr. Hoover set out in his address three "formulas" which he claims the present Administration has adopted for the purpose of making a distorted presentation of the expenditures of the Government.

"FORMULA NO. 1: The Roosevelt Administration has made some beautiful economies by just omitting certain items from its regular expenditures before it comes to the totals announced to the people. They appear only in an appendix."

In illustrating the application of this formula he cites "the expenditures for Government trust accounts and for the District of Columbia paid by the residents", and says these items "have been deleted from totals under President Roosevelt."

The public record shows that up to July 1, 1930, the Federal Government did "put down all of the money spent on one side of the ledger and every cent taken in on the other side of the ledger", including trust funds. But on May 1, 1930, President Hoover's Director of the Budget wrote the Secretary of the Treasury, stating:

"The President has asked me to see if appropriate arrangements can be made for exhibiting the receipts and expenditures of the Government in the Budget and in the daily Treasury statements, separately under the captions GENERAL FUND, SPECIAL FUNDS, and TRUST FUNDS."

Beginning July 1, 1930, the Daily Treasury Statement was changed in this respect to meet the wishes of President Hoover.
Here are President Hoover's own words on this subject as contained in his 1932 Budget Message to the Congress:

"In preparing the detailed statements of receipts and expenditures contained in this Budget, I have segregated trust funds from general funds and special funds. This has been done for the reason that trust funds do not belong to the Federal Government, but to the beneficiaries of the trust; and, in summarizing the financial condition of the Government, trust funds should therefore be excluded."

He went on to say that only general and special funds represent true Government transactions.

I am not in disagreement with the changes thus affected by direction of President Hoover. On the contrary the segregation of trust fund transactions from the financial transactions of the Government is in my opinion a distinct improvement in budgetary procedure and the reporting of financial data.

But when Mr. Hoover ascribes responsibility for this change to the present Administration he misstates facts.

"FORMULA NO. III: It has always been a rightful principle of Government accounting under the old commandments to pay all receipts or all final recoveries from revolving accounts into the Treasury. Then Congress appropriates them out and thus holds control of the expenditures."

It becomes pertinent to inquire what were the "old commandments."

Neither the use of revolving funds nor the Treasury's accounting procedure in connection with them is new in Government finance. In Secretary Glass' annual report for 1912, he called the attention of the Congress to the Treasury's objection to this method of appropriating funds. He said in part:
"By such appropriations the revenues of the Government affected never become unconditionally available to meet general expenditures, but are appropriated automatically for special purposes without further control by the Congress and without any new consideration of the merits of the additional expenditure. These appropriations by their very nature tend to produce expenditures, which, if considered anew, might not be authorized by the Congress and I believe that their discontinuance, to the utmost limit possible, is an essential condition of any program for rigid economy in Government expenditure."

Secretary Houston in his annual report for the fiscal year 1920, repeated the same objection.

There has been no change in the method of handling revolving funds in the Treasury Daily Statement and in the Budget since 1920. The procedure today is the same procedure that was followed throughout President Hoover's own administration. For instance, under authority of the Agricultural Marketing Act of June 15, 1929, Congress, on the recommendation of President Hoover, appropriated $500,000,000 as a revolving fund for use of the Federal Farm Board. The repayments received up to February 28, 1933, of more than $650,000,000 on account of loans made from this revolving fund were credited back to the fund and thereby operated to offset expenditures in the fiscal years 1930-33. It will be seen that "under the old commandments" repayments to revolving funds were not, as alleged, covered into the Treasury and subsequently appropriated by the Congress.

The operations of all revolving funds have been handled in a similar manner. For instance, the operations of the Reconstruction Finance Corporation during Mr. Hoover's administration reflected a net expenditure of $1,572,000,000; yet in arriving at this figure a credit of $268,000,000 was taken for repayments on loans previously made, as an offset to excess expenditures.

Had Mr. Hoover followed the principle underlying his so-called "old commandments", he would not have taken credit for the repayments of
$368,000,000 and would have reported the gross expenditures of $1,940,000,000 instead of a net of $1,572,000,000.

Thus, in criticizing the method of accounting for revolving funds used by the present administration Mr. Hoover is condemning his own practice.

One important change, but in the direction of a more complete reporting of these funds has been made by this administration. The Daily Statement of the Treasury has since December 1, 1934 shown separately the gross expenditures of those corporations and credit agencies of the Government which operate on revolving funds, as well as the repayments received on account of loans made from such funds.

FORMULA NO. 3: "And this is a much more potent formula for juggling scoreboards. In the days of the old-time arithmetic the President and the Director of the Budget yearly fought each of the Federal bureau over every item of expenditures. Congress fought at the items and finally made a detailed appropriation for each of them, down to the salary of every clerk."

In discussing formula No. 3, distinction must be made between the manner in which the Congress had made available for expenditure lump-sum appropriations for recovery and relief, on the one hand, and, on the other hand, the accounting and reporting procedure of the Treasury Department in connection with such expenditures.

As to the former, the Congress authorized President Roosevelt to utilize the established departments and agencies of the Government in meeting the unemployment problem. The primary object was to put people to work and projects were not rejected simply because they were of a type that had been carried on by established Federal agencies.

In accounting and reporting with respect to recovery expenditures the Treasury followed the same detailed system of accounting and reporting as has been followed in connection with the handling of
the annual appropriations of the various departments and establishments.

The Treasury considers it fundamental that expenditures from the lump-sum appropriations made available to the President for recovery and relief be accounted for separately from the funds granted by the Congress to the departments in the annual appropriation acts. It is to be noted, however, in this connection, that the Treasury Department in its annual reports and once each month in the Daily Treasury Statement (published as of the 15th of the month) reports the same information with respect to expenditures from recovery and relief funds as it does with respect to the expenditures from annual appropriations, ordinarily referred to as general expenditures.

From the statement made by Mr. Hoover, one would be led to believe that expenditures from the recovery funds are concealed through the use of small print in the Budget statements. This is not true.

The fact is that the detailed expenditures from recovery funds are printed in the Budget statements in italics of the same size type, immediately following the related item payable from regular funds.

For example, on page A-47 of the 1937 Budget in the estimated expenditures for the year 1937, there appears an item of $1,000,000 in Roman type under the caption "Gila Project Arizona" and immediately following this item is another item in the same size type, but in italics for the purpose of fund identification, under the caption "Gila Project Arizona-Emergency Expenditures (Emergency Relief Act of 1935) $1,400,000." This method of presentation conveys to the public the information that the estimated expenditure on account of the Gila Reclamation Project in 1937 is $2,400,000, of which $1,000,000 is
payable from an annual appropriation and $1,400,000 from the
appropriation provided in the Emergency Relief Appropriation Act
of 1935. I know of no clearer, simpler or more straight-forward way
of presenting figures.

Not only has President Roosevelt made available in the most
convenient form detailed information concerning the expenditure
of funds under the recovery and relief appropriations in the annual
budget, but the Treasury has made such information also available in
various administrative accounting reports, which give far greater
detail than was customary in earlier practice. In the annual state-
ment of receipts and expenditures submitted to the Congress pursuant
to Sec. 15 of the Act of July 31, 1934, the Treasury has reported
detailed information concerning expenditures under both annual and
recovery appropriations in the same manner as has been employed over
a long period of years. In addition, the Treasury has made available
as of June 30, 1935, a 500 page report showing the allotments and
expenditures made under the Emergency Relief Appropriation Act of 1935.
This statement shows not only the organizations to which the allotments
were made, but the type of work for which the allotments were made and
the States in which the work was done.

Mr. Hoover charges that the Treasury has resorted to "double
bookkeeping" and, in speaking of his Formula No. 1, states that one
of the easiest methods of reducing Government expenditures is "just
don't put them in before you announce the total."

There has been much loose talk about the use of a double budget
and double bookkeeping. There is no such thing in the United States
Government as a double budget; nor is there any system of double
bookkeeping. Probably no government in the world and no business enterprise, no matter what its size, is more meticulous than the United States Treasury Department in keeping and making public accounts of the money it receives and pays out.

In order that the public may be informed as to the uses made of the funds appropriated, the Treasury classifies its expenditures into two divisions, namely, "general" and "recovery and relief." These classifications do not indicate double bookkeeping or in any sense a double budget. They were adopted by the Treasury on July 1, 1933, so as to show the public the purpose for which the appropriations were used.

Probably the nearest approach that this Government has ever made to the system of double budget was under President Hoover in 1932 with the application of the policy of showing the net expenditures of the Reconstruction Finance Corporation over and above the amount of capital stock as "public debt" transactions. Such expenditures were not included in the analysis of receipts and expenditures of general and special accounts either in the daily Treasury statement or in the Annual Budget, and the deficit of the Hoover administration was thereby understated by this amount. This method of treating the net expenditures of the Reconstruction Finance Corporation was changed by the present administration on July 1, 1933, so as to include them along with other expenditures in the Budget statement.
No effort has been made here to reply to all of Mr. Hoover's charges. But the facts do not support any of his criticisms of Government accounting and reporting methods. On the contrary they reveal that every change made by the present administration has been in the direction of greater clarity and completeness in reporting the receipts and expenditures of public funds.
H. M. Jr.: All right, gentlemen, what can I do you for today?

Q. The bond market seems to be sensitive to reports going around that you are about through with all your borrowing.

A. Which way is it sensitized?

Q. Up, I guess.

A. I see; you don't think that's discounting Mr. Roosevelt's election?

Q. Can you say anything on the report that your cash borrowing the rest of this fiscal year won't be more than three hundred million dollars?

A. No, I always let Bob in on that first.

Q. Are you going to have a balanced budget next year?

A. I'll touch on that tomorrow night.

Q. When are you leaving, Mr. Secretary?

A. Why am I leaving? (Much laughter.)

Q. When are you leaving?

A. I'm going up at noon tomorrow.

Q. As a matter of fact, the budget summation only calls for about three hundred million more borrowing, doesn't it, this year?
A. I think it said net new money seven hundred fifty.

Q. And you have borrowed five hundred million, haven't you?

A. Four hundred fifty, I think. It said of net new, seven hundred fifty.

Q. Yes.

A. There's no reason to change those figures.

Q. Anything on the international gold situation?

A. Nothing that I can comment on.

Q. When are you going to have the third step ready for us?

A. I don't know.

Q. How about Belgium?

A. I can't comment on that.

Q. Any comment on the earmarking of nine million one hundred thirty thousand in gold?

A. I don't think so. I've had a big argument with myself; it's easy enough to answer, but the thing that bothers me is if I say this time, what will I say next time?

Q. Let next time take care of itself; we want a story.

A. Well, it doesn't do....

Q. Well, could you not announce that that's earmarked gold for China just as on other
occasions?

A. Those of you that talked to Herbert Gaston
    got your tip from him and you haven't bothered about it.

Q. Mr. Secretary, it's awfully dull today;
    can't you give us a story?

A. What do you mean—dull today?

Q. Outside of politics, I mean.

A. No, I think the Treasury has done pretty well by you people the last couple of weeks.
    One dull day suits me anyway.

Q. Mr. Secretary, it looks as though the Treasury's undistributed profits income tax is
going to be modified if the Administration is re-elected. The President said he was in favor of it.

Gaston: Oh, oh, oh!

Q. The President said if there were miscalculations in it, he was in favor of revising it.

Gaston: He didn't say all that the Herald-Tribune said he did.

Q. If you read the text.

Gaston: I read the text.

Q. Do you approve of that stand?

E. W. Jr.: It is between the President and Jesse Jones.
This is off the record, I think I'd rather follow what the President said.

Q. It seemed to me he said practically the same as Jesse, only in more roundabout terms.

A. Well, I have never yet commented on the President's speeches. I didn't get that out of what you said, and I read it very carefully, did you, Herbert?

Gaston: No.

Q. Have you a copy of the speech there? I'll read it to you.

H. M. Jr.: No, I wouldn't comment on it anyway. What I said about the President and Jesse—just in fun.

Q. I didn't take any notes. (Linz)

A. Good, wonderful.

Q. When there's a deficiency assessment by the Treasury growing out of an honest dispute; take the case of a corporation that distributes what it believes to be its entire net earnings in good faith; the Treasury comes along and insists, maybe rightfully, that deduction for various things like depreciation, depletion or property value are too high; there's an honest difference of opinion between the taxpayer and the Treasury.
They have to pay a penalty tax in the amount of the undistributed profits tax on that whole amount—the deficiency assessment, which manifestly would be unjust but under the law you have to go through with it. It isn't a ruling of the Treasury—you have to do it. They have to pay the undistributed profits tax plus the normal tax on that added amount. The corporation will naturally say, "Why can't we make this distribution now and clear ourselves of the penalty tax?" Would you do nothing to correct that?

A. If you had a specific corporation in mind....

Q. I haven't.

A. Well, there's nothing to say; if you had a particular corporation in mind, I'd say bring the president of the corporation down and I'd be glad to sit down and talk to him; but it's hard to pass upon a theoretical case.

Q. But you are going to have thousands of them.
A. I could not give an answer like that!
Q. But you will have to have legislation.
A. That's too important a question.
Q. You have that under study now.
A. I couldn't even answer that—there are so many things that they are studying, but if there were some specific corporation... 
Q. Frankly, there isn't.
A. I couldn't answer it just like that. I'd have to sit down and study it.
Q. Mr. Secretary, what about your undistributed tax in another period, like 1931-33-34? You would have those surplus profits.
A. If you don't mind, I'd rather not get into it. As far as I am concerned, the President handled that thing and I thought he handled it beautifully last night; it was a swell speech.
Q. You are for him?
A. I am for the President.
Q. Mr. Secretary, the capital gains and loss provision—how about that?
A. I'm not going to get into a discussion on the tax thing. If and when the time comes
and I have to disappoint you and go up
on the Hill, I'll say my piece there,
but I'm not going to get into a running
conversation; it's too serious and too
important, and I don't want to do it,
that's all. It's too important to say
this and that or try to interpret what
the President said; I can't do it, that's
all.

Q. In fairness, I haven't even read his
speech. (Linz)
A. The thing is too important and after all,
what he said last night he didn't say
impromptu; he took plenty of time to
go into it, and what he said is okay
by me.

Q. Do you still believe your August 14th
statement about no new taxes this year?
A. To that I can emphatically say yes.

Q. Are you going to bring it out in your
speech tomorrow?
A. I'm going to touch on that tomorrow.
Work up a little publicity for that
speech tomorrow, will you?

Q. Can you give us the subject of the
address?
A. No, I'm just going to talk.
Q. Is your speech going to be released here?
A. I don't know how they do that.
Gaston: I don't think they can; I think they will have to turn it loose up there.
H. M. Jr.: I don't know how they do those things.
Q. Are you welcoming Mr. Warburg and Mr. Acheson back in the fold?
A. Say, listen—just because this is a dull morning! What's the heaviest thing I can throw at him.
Q. Do you expect to give Mr. Acheson a job?
A. What's that?
Q. Any signs of Acheson coming back in the Treasury?
A. As far as Acheson and I am concerned, we always have had the most pleasant relationship.
Q. He got out before you came in this job.
A. It was about simultaneously. As far as Acheson and I are concerned, we have always gotten along beautifully and I think he's a swell fellow.
Q. Does that mean you'd give him a job?
A. Off the record?
Q. Sure.
A. I'd be delighted to have Acheson here any time; I think he's a swell fellow.

Q. You know what the President said when he kicked him out—he said he was a light-weight.

A. I don't know what he said. I've always thought Acheson was a swell fellow and I still think he is.
REPORT ON SECRETARY MORGENTHAU’S PRESS CONFERENCE, OCTOBER 26, 1936.

H.M. Jr.: They don’t treat me as well in New York as they do down here, so I think I’ll make my speeches down here.

Q. You have got a lot of opposition up there?
A. Competition.

Q. Got one for today, Mr. Secretary?
A. No.

Q. You mentioned the possibility of balancing the budget at an early date. Would you comment on any course that revenues in the next fiscal year will be between seven and one half billion and balance the budget?
A. I think you gentlemen will have to wait until the first week of January.

Q. No comment on the budget outlook at all?
A. No, we never have and I don’t know where that figure came from but I think we’ll have to wait until President Roosevelt’s message goes up in January.

Q. That figure was used in a new service being circulated on Government Bonds.
A. You give me heart failure. I thought you said it was used in a Baby Bond circular. No, I think
you'll have to wait.

Q. Mr. Secretary, in your speech, I didn't notice anything about economy. The future promises of economy are about increases in revenues. That's been omitted by a lot of speeches. Do you think the Administration will economize if re-elected?

A. Well, you have asked a question I don't have to answer, so we'll let it go at that.

Q. Planning any more speeches, Mr. Secretary?

A. I don't think so as far as I know.

Q. Anything on currency?

A. You mean the redemption of currency?

Q. I mean internationally.

A. No. Why are they bunched to one side? (Points to right side of desk). Maybe those are Republicans.

Mr. Gaston: This is the left wing over here. Radical Socialists in the middle and Communists over here.

H.M.Jr.: I see. All right, I would give anything to look at a Democrat.

Q. They are asking all the embarrassing questions though—more initiative on the Democratic side. Can you say anything about the monetary agreement
and its operation, Mr. Secretary—the gold agreement?

A. No, I think it's all going along very nicely.

Q. About the possibility of other nations coming in?

A. No, I haven't got much today. Were you going to say something?

Q. I was going to ask if any of the other countries had come in.

A. No, there's nothing I can comment on.

Q. Where will you spend election day, Mr. Secretary?

A. My home, Dutchess County.

Q. When are you going up, Mr. Secretary?

A. I haven't quite decided when, but I'll be there Tuesday in time. I haven't quite decided. Everything is very quiet today.

Q. Have you got a story you can give us?

A. Sorry, lots of stories around.

Q. Any predictions?

A. No.
REPORT ON SECRETARY MORGENTHAU’S PRESS CONFERENCE, OCTOBER 29, 1936, 10:30 a.m.

H.M.Jr: At your service, gentlemen.

Q. It’s up to you.

A. I have nothing to contribute except it’s the last press conference before Tuesday.

Q. Have you read the final Literary Digest poll?

A. No, have you? Should I worry?

Q. If the poll is right you should worry. Do you have an envelope somewhere?

A. No, I am willing to let the President do that. I think he’s better at it than I am.

Q. Mr. Secretary, there seems to be a little controversy about the Social Security Act and I just wondered when you would make payment into the reserve account.

A. That is of such a technical nature—the whole question—that if you don’t mind, if you really want the information, I’ll be very glad to put you in touch with some one who can sit down with you. If you want to sit down and get the technical angles to it, Herbert Gaston will put you in touch with some one.

Q. I see where the Russians have brought the ruble again into constancy with the French franc.
A. All I know is what I saw in the Journal of Commerce.

Q. Oh, you read our paper. Does that mean nothing in the......

A. I don't know, I saw it in your paper this morning and that's all I know about it. It came over the UP ticker last night and I saw it in your paper this morning and that's all I know about it.

Q. Mr. Secretary, nothing new in the currency situation?

A. Nothing, everything is moving along very nicely.

Q. Anybody trying to rock the boat?

A. No, everything is very comfortable.

Q. I notice the pound is down to around 4.80, which is considerably under what it was when the agreement was effected. Any significance in that?

A. None.

Q. It strengthened somewhat recently.

A. The last day or two it has been a little bit stronger. Quiet. As a matter of fact the foreign exchange situation has been particularly quiet this week.

Q. Nobody cares to go into the exchange market
at these rates, do they?

A. All I can say is that the exchange market is particularly quiet.

Q. Are you going to be here Monday?

A. No, if everything stays as it is I will go up tomorrow afternoon.

Q. Has the agreement been successful in eliminating speculators, Mr. Secretary?

A. I won't answer it that way, but considering it's a month old I think the agreement from the standpoint of the United States has been very successful. After all, France devalued and there have been absolutely no repercussions in this country, so I would say that it is successful.

Q. Can you say some more— it's a good story and we haven't anything else. It's the anniversary of one month.

A. It is approximately one month and if you go back five years when England went off gold and look at what happened to our country then and now you look when France devalues and I cannot see that there have been any unfavorable repercussions internally in the United States.
Q. There haven't been any elsewhere?
A. I could not answer that, but as far as I know there have not been. I wish I had some exciting story for you.
Q. Has the United States sold much gold?
A. I can't answer that.
Q. In the monthly statement would it be possible to show exports—I mean the Monday statement—would it be possible to show exports and earmarking of gold along with your imports and secondary and newly-mined?
A. When you have a breathing spell sit down with Herbert and talk it over.
Q. It's awfully confusing having three sets of gold figures and nothing coincides with the other.
A. Seriously, sit down with him. We are not trying to confuse you.
Q. I know, but it is just the different bases on which the thing is made up.
A. Sit down—and anybody else that's interested. Sit down with Herbert and if we can improve it we will be glad to get suggestions.
Q. You are leaving tomorrow?
A. Yes, sometime tomorrow afternoon.
Q. And will return
A. Be back Wednesday. That's all I've got.
H. M. Jr.: What have you got on your mind, Bob? Anything?

Bob Thornburgh: When are you leaving for England, Mr. Secretary?

A. How should I answer that? You tell them, Bob.

Bob Thornburgh: Well, I hope you don't leave.

A. Well, I don't know.

Q. Have you seen the Washington Post this morning?

A. No. What did they say?

Q. Well, they have a new Cabinet all picked.

A. I won't try to answer that sort of story.

Q. Mr. Secretary, have you heard anything from the tax group up on the Hill?

A. No. No, I am in too good a humor to let any—how shall I say——. I think I came through with the assistance of you men the last two or three months in good humor and good spirits. At times it was difficult,
you had difficult questions to ask of me, some of you did, and I had difficulty in answering or not answering and I think our relationship was fine. I appreciate the attitude of you men. The thing is over and I think that some of the things that we’ve done here will be looked at now more from the standpoint of the good of the country than whether it was good or bad politics.

Q.

No politics in my question.

A.

No, but I’m thinking of the first question and some other questions. I am in a very philosophical mood today and I think that it will be quieter and easier and, what I am trying to say, is that if I can get along with the press the last three months under the stress and strain of the campaign, I am sure we’ll continue to get along for the next four years, at least I hope so.

Q.

How about a good money story?
Q. Will you resume your conversations, Mr. Secretary, with regard to admission of other Governments into the monetary agreement.

A. You know how I work. If there's anything pending I've no comment, and if we do arrive at an agreement I'll tell you boys first.

Q. Have you heard anything on progress for the regulation of a Social Security Tax? Is that in shape yet?

A. No, I just don't know.

Q. Mr. Secretary, I think I saw a brief report in one of the papers yesterday that Switzerland had joined the monetary agreement. Has it been confirmed?

A. I can't comment on it. I'm going away this afternoon for about a week to get some rest and some fun and I'll be back again.

Q. Where are you going, Mr. Secretary?

A. I'm going down to Sea Island—Mrs. Morgenthau, my father and myself.
Q. Mr. Secretary, this may be a little premature but when you began accumulating that series of bills maturing on the 15th of December, you made some remark about the question of refunding or redeeming those bills. Did you mean they would have refunding rights, or did you mean to say positively they would have no refunding rights?

A. You mean those four hundred million?

Q. Yes.

A. They will be paid off in cash, definitely.

Q. I thought that was what you said.

A. They will be paid off in cash. No, I think that as far as the Treasury goes I think things will be much quieter and much easier for us. We have successfully weathered the storm and I think most of our worries are behind us.

Q. Do you plan to recommend a successor to Mr. Coolidge, Mr. Secretary?

A. Well, I'll fill the position just as soon as I can find a man.
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Well, I'll fill the position just as soon as I can find a man.
Q. Are there many prospects?
A. None. If you've got any good candidates send in the names.
Q. Who do you think will head the Secret Service after Mr. Moran retires?
A. The thing has been going along beautifully and that's one of the things I'll begin worrying about after I get back. I mean those of you who were with the President saw that he was well taken care of and there were no incidents of any kind. Oh, we'll find somebody. But off the record, as far as my going as ambassador to anywhere, the only place I'll ever go when I leave here is ambassador to Fishkill Farms and as far as I know I'm not making any plans.

Q. Will Mr. O'Connor stay in the new Administration? I heard he wanted to go back to California.
A. Haven't heard anything. After all, he was appointed to a five year term and as far as I am concerned, if he wants to stay here he is more than welcome.
No, everything is very peaceful, all right.

Q. We seem to hate to leave this morning.
A. I suppose we could all sit down and have a smoke.

Q. All overcome by this peace?
A. That's the way I feel.

Q. Like that where the spot is, we sep-...coCoo
Q. Be that the area where to do with it, so you've well right off and that we want are open.

U. I. Army The Coast Guard can one and such is over to go to stay still.

D. It looks like a Japanese product.
A. My Third Coast Guard.

Question U. I. Navy. Beach.
A. We want to have nothing there. Where is it.

Q. To you. All right, we've cleared up the rest, what else have you got?
Q. What are you going to announce the P-previous?
A. I don't know. Before yesterday like that taken still.

Q. Could you say if we still ask for any answer, Mr. Secretary?
Q. Is that to aid in the foreign exchange transaction? (Pointing to illuminated world globe and timepiece)
A. That follows the "hot money" around the world.

Q. Is that where the "hot money" is, Mr. Secretary? Does that have anything to do with it, so you can tell right off the bat what exchanges are open?

Gaston: Bob says the whole world is in the red.

H. M. Jr.: The Coast Guard had one and sent it over to me to play with.

Q. It looks like a Japanese product.
A. No, it's Coast Guard.


Q. He wants to know whether there's union labor on it.

H. M. Jr.: Surely. All right, now we've cleared up the world, what else have you got?

Q. When are you going to announce the financing?
A. I don't know—before December 15th—that's about all.

Q. Could you say if you will ask for new money, Mr. Secretary?
A. I don't want to say yet; it's a little bit early.

Q. I figured today we might get it on Thanksgiving.

A. Well, that's one of the things I'm thinking about—the fact that Thanksgiving is coming—I may move the offering back on account of that, delay it a week.

Q. Did the President's statement that he will need a little more relief money upset your seven hundred fifty million net borrowing of new money?

A. I think it's a little bit too early to tell yet.

Gaston: You know he said in the budget summation he'd need up to five hundred million and that was taken into consideration.

Q. He said he might need it.

H. W. Jr.: Was there some statement out today?

Q. Several days ago.

A. Oh. We are studying the thing; as I say, on account of Thanksgiving coming, we may possibly postpone it and make it a week later; I don't know yet. It makes it a little bit difficult. Last time we had it the week before, didn't we?
Q. Mr. Secretary, I think what they referred to is that the President said he would need money to make up the money taken for the drought—the added additional expenditure.

A. I, frankly, haven't begun to study the thing. I've seen preliminary figures, but I've been away for ten days and the open market committee will be here this week and we'll have lots of conferences.

Q. Mr. Secretary, will you make any comment on the President's statement Friday that he would ask you to make a study of foreign investments in order to control repercussions in domestic and foreign economy? That's the story that came out Saturday.

A. When I saw the President we did discuss it and we have in the Treasury now, since January 1st, 1935, had accurate figures here of international capital movements, and we are proposing to release those some time within a week.

Q. To the public, you mean?

A. To the public.

Q. Proposing what, did you say?

A. To release the figures we have showing inter-
national capital movements. We’ve had them
here since the first of January, 1935, and
we propose to release them for the calendar
year 1935 and the first 9 months of this
year.

Q. Why do you intend doing that?

A. Just as a guide so that people whose business
is affected by capital movements can know
what’s going on and be informed.

Q. Do you share the President’s concern over
the situation?

A. You know I’m not going to comment on a
White House statement or any statement that
the President makes; I never have and I’m
not going to now. If the President made
the statement—we discussed the thing in the
Treasury here; it’s part of my job to watch
this thing very, very closely. The President
has been informed what the situation has been
and we will continue to watch it closely.

Now we’ve had this information, as I say, for
a year and nine months, and we propose to re-
lease it.

Q. That step of releasing has been under con-
sideration for some time?
A. Oh, yes, because it's a tremendous—it's 150 pages or something like that. It's a tremendous document. Is that right?

Gaston: I don't know.

H. M. Jr.: I know they told me they've had thirty-five girls working on big machines in Internal Revenue for some time. I decided this some time ago. After you see it, you'll know it couldn't be gotten out overnight. But students of international capital will be interested, and I think it's going to be helpful.

Q. Will it be kept current?

A. Yes.

Q. How often?

A. I don't know whether we'll do it quarterly or monthly; it hasn't been decided yet.

Q. Can you give some idea as to when you decided to make this public? That's a little important in view of recent events.

A. I can't say, except that it was decided before I left.

Q. Did you have this problem up about a year ago or some months ago about putting this same statement out?
A. It was considered some months ago. Yes, it was.
Q. A year ago?
A. No, no. I don't think so.
Q. Don't knock my story down.
A. You had a good story. I can't say exactly. I know that it was considered some months ago and I'm going to say this for background: We were fearful that the people would attach too much importance to it. I mean, they'd get to watching it the way they do Federal Reserve statements, gold, etc., and that's why we hesitated to release it, but we feel that now it's a matter of sufficient general public interest that it should be released.

Q. Mr. Secretary, in your letter to Senator Vandenberg I believe you expressed the opinion then that you were not concerned over the movement of gold and investment in American securities. Have you altered your views on that?
A. If I answer that I get into this—how shall I say it?
Q. Well, what I was trying to do was let you have an easy way out.
A. I thank you very much. I'll put it this way:
I believe what I said in the letter at the
time the letter was written was very care-
fully gone over. Of course, since then a
great deal of money has come here; it par-
ticularly has been accelerated since Sep-
tember 26—the tripartite agreement. The
inflow of capital has been accelerated since
that time. The figures show the amount of
gold that has come over in the last month,
has been coming at a faster rate; the whole
question of the movement of capital is
something which has to be watched very,
very closely, and we have run this con-
tinuous study here. We have had a lot
of people studying it every day.

Q. Is there any reason to believe your existing
exchange controls will be insufficient to
protect the dollar against such a movement?

A. As far as control of the exchanges is con-
cerned, we have for the moment all the
tools necessary at our disposal.

Q. All of what?

A. I said "tools." Is that a good word?

Q. Surely, that's all right.
A. At our disposal, I mean, I've got all the authority necessary.

Q. Gold embargo?

A. I've got all the tools necessary to keep exchange stable.

Q. Mr. Secretary, would you mind telling us what the general field of this report will cover? I mean, breaking it....

A. It will cover short-term and long-term, the whole business. It will be the first time that there will be given to the public an accurate statement of the capital movements between the United States and other countries.

Q. By countries?

A. I don't think so, I say the totals. I haven't seen the breakdown myself.

Q. Anything as to stocks and bonds?

A. I don't think so. It's dollars.

Q. Is that by days? Is that why it takes 135 pages? I mean it seems so voluminous.

A. You wait until you see the thing, and then what I thought we would do is have a press conference; we will put men at your disposal who prepared it.
Q. I thought it would help if we went at it in a rough way.
A. No, I can’t; I haven’t seen the final, just the totals. But those of you who are interested will want to take a couple of hours and sit down and the man who prepared it and did the work will be at your disposal.

Q. Will that be for nine months?
A. A year and nine months.

Q. When will you release it?
A. I’d like to say within a week, but since it isn’t quite ready... As a matter of fact, I asked them to have it ready today, but with long typewriter carriages and all that kind of mechanical trouble which we didn’t look for, it’s too much of a job.

Q. Mr. Secretary, these regulations you have issued on the gold powers—will you want to have those adopted and enacted into law along with the stabilization extension? Won’t you have to do that for your own protection?

A. Did the President make a statement on that as to whether—does anybody know?

Q. As to what, Mr. Secretary?
A. On the question of the extension of the stabilization fund.
Q. I think he did in connection with the dollar.

Gaston: I think so, yes.

Q. He said it would be a mistake for the Chief Executive not to have that power.

Gaston: I think that's right.

H. M. Jr.: Well, as far as I am concerned, certainly, with the situation the world is in now, I think it's of tremendous importance that the emergency powers we have now be extended. I think it's demonstrated that they are most useful, not only haven't cost the country anything, but, as I indicated before, we are ahead of the game on it.

Q. Would that be made permanent?

A. You'll have to wait for what the President says.

Q. Mr. Secretary, thanks very much, but that isn't what I meant. The regulations are what I mean. Would you have that made into law?

A. Those regulations are based on the authority of the Gold Act.

Q. Yes.

A. The Gold Act doesn't expire—that goes on. It's just the stabilization fund which
expires in January. They're all based on the Gold Act of 1934; they're not based on the stabilization fund. I'm quite sure of that. That's a permanent matter. The President has authority to issue these regulations or licenses.

Q. The power to devalue expires?

A. There are two things, the stabilization fund and the power to devalue. Both of those expire, and I asked you whether he indicated, and I take it from you he has, and I say, for the good of the country, I consider it most important that those things be extended; I think we would be at a terrific disadvantage if they were not extended.

Q. Mr. Secretary, if the exchanges were adequately protected, and evidently the Banking Act of 1935 protects the credit structure, I don't see the danger of foreign funds coming in.

A. As the President indicated it's a matter of study. That study will be made. The only thing we have are these movements of funds and that we are going to make public.

Q. Is there any way you can discourage the foreigner from taking out more than he brought in?
A. You mean, in other words, making a profit?
Q. Yes.
A. I don't know whether you were at the President's conference, but I read the story and gathered he said he had asked the Federal Reserve, the Securities Exchange Commission and the Treasury to make the study. We will make it.
Q. You have been right along.
A. I consider it part of my job to watch that hourly, and we do.
Q. Have you any legislation in mind?
A. No.
Q. He said you might.
A. That would come under studies.
Q. He said he had been advised that legislation would be necessary.
Gaston: If he found it feasible.
H. M. Jr.: All right, I can't say today, and if any legislation is ready, I don't know it.
Q. This 135-page document.
A. I say 135. I don't know—it may be 120 or 130.
Q. Will it show the position of American banks abroad?
A. No.

Q. You have that information though?
A. I imagine the Comptroller's Office must have it.

Q. Have you any other legislation in mind on this extension? Rumors are that you wanted certain changes along that line to perfect some little technicalities in the law.
A. No, all that's necessary for Congress to do is simply to extend it for as long a time as they think wise. No perfection or addition necessary.

Q. Do you think there will be a change in the amount of devaluation power or just the same?
A. I can only repeat what I said. I did say both the stabilization fund and the power to devalue, just as they are in their present form, that I consider it most desirable that they be extended.

Q. Mr. Secretary, do you think the Federal Reserve Board should have a part of the control over gold movement because of their control of credit?
A. You said in your column on Monday they deny it. Why should I trip you up? I think your column was excellent.
Q. What do you think of the idea of it?
A. I think you wrote a very nice gold article; I read it with great interest.
Q. Mr. Secretary, there are rumors in Paris that you have agreed to grant France a credit up to twenty billion francs.
A. Well, in the first place, there's such a thing as this Johnson Act.
Q. Could we deny that story, even if you don't want to be quoted on it?
A. You can deny it just as flat as you wish, without quoting me. What do you write?
Q. I just write that it isn't so.
A. It "ain't" so. All right.
Q. Mr. Secretary, do you have any idea how those rumors might have started? Did they seek a loan?
A. Absolutely not. I saw it when it came over the ticker, that's all. Gaston denied it and then said, "Is it so?"
Gaston: After all, they have a stock exchange over there, too.
Q. It went up over there on that rumor.
A. After Herbert denied it he asked me about it.
Q. Have the British approached you regarding the President's announcement of the other day?
A. No.
Q. Any further step contemplated in this tripartite agreement?
A. I can't comment on that.
Q. When are you going to meet with the S. E. C. and Reserve Board on this study?
A. In a day or two, I guess.
Q. Do you feel that the first requirement of the currency agreement means that domestic prosperity should not be adversely affected?
A. I'll give you an answer: I think our domestic prosperity is coming along very nicely and very satisfactorily.
Q. One of the papers, Mr. Secretary, said you would take over the R. F. C. to liquidate it.
A. What paper was that?
Q. I don't recall.
A. You name the paper before I want to comment.
Q. I think I saw it in the Star; it was in a column and I wondered how soon you were going to do that.
A. Well, you can handle that the same way that Duffield is going to handle his flat denial on his own authority. As a matter of fact,
there's absolutely nothing done on that in the Treasury. We haven't touched it, we haven't looked at it, and it's one of these balloons somebody sent up for some reason—I don't know why. We haven't even thought of it.

Q. Mr. Secretary, there have been millions of dollars in dividends and extra dividends declared and payroll raises and bonuses, etc. A number of them are attributed to, not only prosperity, but corporate surplus taxation, and I'd like to hear you on that.

A. Is your sense of humor all right today?

Q. Pretty good.

A. Are you sure of that?

Q. All right.

A. Just carrying out the "Raw Deal"—that's all. All right?

Q. Do you really think it's in line with your program?

A. As far as I know, seriously, as far as our estimates are concerned, there hasn't been any particular change one way or the other on estimates of revenue due to these extra dividends and as far as we can tell, the
estimates we've given, I think, will be all right.

Q. Can you tell us anything about the open market committee being here?
A. I just know they are going to be here; I don't think it's up to me to announce it.

Q. They are at the Mayflower.
A. They get here Wednesday or Thursday.

Q. We might get a raise out of that corporate surplus tax yet.
A. You might get a raise?
Q. Yes.
A. Well, I'll be the first to congratulate you. All right, that would be fun, wouldn't it?

Q. I got a raise. Did you read Mr. Herbert Keyes' theory of what the Treasury should do on financing?
A. Should I?
Q. Well, he has a scheme by which the banks could get out of Government bonds.
A. No, I just read your column, Bob. (Kintner)

Q. That's right next door to it.
A. No, I didn't have a chance to read it.
REPORT ON SECRETARY MORGENTHAU'S
PRESS CONFERENCE, NOVEMBER 19, 1936: (f)

E.M., Jr.: At your service.

Q. I guess you've seen the rush of debt stories out of Paris, Mr. Secretary; do you want to comment on them?

A. Only that I've received absolutely no information on it, officially or otherwise.

Q. The AP story from Paris said one of the French Treasury officials had conferred with Mr. Roosevelt in New York before he departed and had returned to Paris.

A. I also read in one of the papers a UP story that the same gentleman denied it. I'll wait to see what the INS says.

Q. UP story said they had a conference at the Statue of Liberty or somewhere.

A. I know, but if you'll read one of the papers this morning, the UP story said the gentleman denied the story, but what I told you before we started kidding is correct.

Q. Nothing has come to your attention?

A. Neither officially or unofficially have I received any information.

Q. Are you meeting with the Open Market Committee?
A. Yes.

Q. Do you know what time?

A. I don't know whether it's for me to say or not.

Q. You are the host.

A. All right, at noon the executive committee—I mean, I was corrected this morning—it's the executive committee.

Q. Will you say how much new money you're going to borrow?

A. No, I can't.

Q. Will you say after the conference?

A. No, not ready yet.

Q. Mr. Secretary, are you looking at narcotic enforcement activities all over the country?

A. Yes.

Q. Do you contemplate any further revisions and shake-ups similar to the one that took place in New York?

A. No, I mean that one there was the result of months of investigation and also close cooperation with Lamar Hardy and I can't say there's anything else just like it but I have for months taken a personal interest in this whole narcotic problem and we are intensifying the drive all over the country.
Q. Does that follow your coordination of the investigating forces?
A. This is part of the whole picture.
Q. Have you any information there will be any further shake-ups?
A. I'm not thinking—if I should answer—I don't think there's anything like that; as far as I know, there's nothing like that.
Q. Mr. Secretary, I see you have Professor Kemmerer's statement there; would you care to comment?
A. I would love to comment; can I give it off the record? No.

Q. May I ask this question? Do you expect a stiffening of the interest rates any time soon in your financing?
A. You boys are good today. No, I don't think I'll say.
Q. Lengthen the maturities?
A. No, we are getting along very nicely and we'll see how things develop.
Q. Mr. Secretary, there has been a lot of reports that you and Jesse Jones don't see eye-to-eye on the continuation of the RFC.
A. So I have seen. If Congress asks my advice or opinion on the extension of the RFC, my answer would be that I think it's important that Congress extend the life of the RFC for another year.

Q. With all its present lending power?

A. I haven't gone into this thing, contrary to what the report has been; Jones has been away and I've been away; I haven't given it any thought. When the time comes, I'm sure, if Jones wants to consult me, we'll sit down and talk the thing over. I simply feel at this time, if I were asked, I certainly feel the RFC should be extended.

Q. As a lending agency?

A. As a lending agency.

Q. With lending powers?

A. Yes, but I don't know what Jones has in mind; it's his problem, his job. Just what he has in mind, just what he wants, I don't know, but certainly the RFC, as such, should be continued for another year.

Q. Could you elaborate on that? Any reason why that should be?
A. So I have seen. If Congress asks my advice or opinion on the extension of the RFC, my answer would be that I think it's important that Congress extend the life of the RFC for another year.

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Q. Could you elaborate on that? Any reason why that should be?
A. I don't feel that the time has come yet that we can dispense with RFC; its functions are too important.

Q. In other words, the powers will be there to the extent they will be used?

A. I didn't say. I think that's up to Mr. Jones. He knows what he needs. You men asked me the other day the question on the stabilization fund and I said how I felt about it and I think it's up to Mr. Jones to recommend what he needs. Jones and I haven't had a chance to discuss it; I'm sure that, before many days go by, we will. We have worked the last four years very closely together—both when I was in the Farm Credit and since I've come to the Treasury. I mean, I might say that there has never been the slightest difference—this is personal—between Jones and myself. I am making a personal remark.

Q. Have you had an opportunity to trace down where the source of these stories is?

A. I haven't had time. If I started to do that —.

Q. I thought possibly it might have come to you.

A. People write that sort of thing and where they get it, I don't know. You will have to ask
the people that write the stories where they get them.

Q. I think Jones said something about it was time for RFC to be liquidated; I think he said it a month ago.

A. I question that.

Q. I think he said it at a press conference.

A. You asked me how I feel; I'm giving you a straightforward answer; if my opinion or advice was asked, that would be my answer. I'm giving you a straight answer to a straight question, purely on a personal basis. For the past four years, there never has been a cross word or slightest difference between Jones and myself. We've worked on many important deals together and have gotten along extremely well; that's a personal remark; I've gotten a new word for "off the record," so I can get by you. (to Linz)

Linz: I haven't written any of these stories.

A. I know and I appreciate your frankness and sincerity so I'd rather call this thing a personal remark; it's off the record.

Q. Have you any progress to report on this international movement of capital?
A. Unfortunately, I said within a week, and I asked Haas yesterday and he says it's still a week. It's a tremendous job and he says since it has gotten so much publicity he can't afford to have any mistakes and he's checking everything all over again to make sure it's all right.

Q. It will be the middle of next week?
A. I think so.
Q. When do you plan to confer with the SEC and Eccles?
A. I've talked it over with them.
Q. You mentioned a conference on Monday, in a day or two.
A. It will be before Thanksgiving. How's that?
Q. It won't be this week?
A. I doubt it, because we are not, frankly, ready—I mean, I'm not ready. I haven't had a chance to—the staff is working and studying the thing but I'm not ready.
Q. Is that on gold?
A. No, he's talking about the movement to this country. I've talked to both Eccles and Landis on the telephone.
Q. You'll have a conference with them?
A. We'll have an informal meeting. I suppose, sometime Monday or Tuesday.

Q. Mr. Secretary, how would you feel if the Open Market Committee recommended a January open-market operation to reduce holdings?

A. That's a double if. If they recommend it, how would I feel?

Q. How do you feel? It is obvious that consideration is being given to an open market operation by the Reserve Board.

A. If they decide to have an open market operation, why let them say so; I can't answer that, Bob.

Q. They would certainly discuss it with you before they decided it.

A. But they haven't been here yet.

Q. But this matter of controlling excess reserves; what do you think of it?

A. That's a Federal Reserve job.

Q. It affects the financing of the Treasury very definitely.

A. It might not necessarily.

Q. If they did it before the 15th, it would.

A. I still say it might. A thing like that is up to them to say. They are doing me the courtesy of coming here and talking on the general pic-
ture. The only answer I could make is, like the RFC, I have been here now just a few days over three years, and up to this time the Federal Reserve Board and the Treasury have been able to move together and I have every reason to believe we will continue to move in the same direction.

Q. It wouldn't hurt the Treasury any if they let some of those reserves run off, would it?

A. I have answered you, as far as I can go. I hope you've got the significance of the last three years. Are you all right?

Q. You were on the board for the last three years.

A. What?

Q. You were on the board the last two years up to January.

A. Well, when I was on and since I'm off we really get along and are awfully good friends.

Q. You misunderstand. I'm not raising a question of getting along, but an economic question.

A. I still say the answer is that the action and the weapon belongs to the Federal Reserve.

Q. I agree with you, but it also affects the Treasury and most people raised the question of whether you would object -- .
A. I can't object before the thing is put to me by the board.

Q. You evidently didn't see any advisory committee.

A. No, their functions are purely advisory. Are you going to let me get away with the last word?

Q. Well, it's only because of your position (Kintner).

A. That isn't up to your standards, Bob, you're slipping.

Q. The election is over. May I take it up from there, Mr. Secretary? (Linz) Have you read Eugene Meyer's editorial in the Post this morning on excess reserves?

A. No, I haven't. I'll read it after you leave.

Q. Can you say anything we can use about the meeting at noon—about the matters you will take up?

A. No, whenever the executive committee of the open market is in session they do me the courtesy of coming over here and conferring. We talk about the weather.

Q. Financing?

A. Different things.
Q. Will you give us an advance peek at the financing plans next week? You have previously.

A. Yes, I doubt if I'll have anything for you before Monday afternoon, but I think I'll have at least a date for you by Monday; that will be the 1st; but Monday afternoon I'll have a date for you.

Q. Mr. Secretary, could you tell us if there are any other steps planned on this tri-partite gold agreement?

A. I can't comment on it.

Q. There's lots of discussion abroad about a possible international commission.

A. I'm not familiar with it.

Q. Are the plans for a British trade agreement involved with the tri-partite agreement, Mr. Secretary?

A. Anything on that you'll have to get from the State Department. That's out of my field.

Q. Are you appointing a member representing the Treasury on the committee for reciprocity information?

A. Say that again.

Q. Are you appointing a representative of the Treasury on the committee for reciprocity information?
A. Between whom?

Q. The State Department, Commerce; you fellows haven't been in it yet, that's all.

A. It hasn't gotten here yet.

Q. You'd better look into it.

A. All right, Miss Chauncey, will you look into it?

Q. Anything on the Under Secretary?

A. No, but you can still carry a notice—one wanted. I may have to run a paid ad but I would appreciate the help if you would run it--Under Secretary wanted.

Q. Are you still denying the Ambassadorship?

A. I commented on it once and that's finished. I made one comment on it this year and one last year. That story is finished.

Q. Not going to Wall Street, are you, Mr. Secretary?

A. If you wait a minute I'll answer that one. (Aside to Bob Kintner) If I do I won't go in the molasses business anyhow.
H.M. JR.: Which do you want to do first, the foreign or
the domestic? Bob, which do you want to do
first, the foreign or the domestic? You don't
care? If you don't mind, I'll read this first.
(Reads 8-93) Before I go on, any questions?
Do you want me to do the whole thing or go
right ahead?

Q.

A. Yes.

Q. All right. (Reads 8-94 and 8-95) Then comes
the statement from the Swiss and from the
Netherlands.

Q. Are these people all now full-pledged under the
October 13th agreement?

A. Oh, let's see -- how will I answer that one?
That would be the first question, wouldn't it?
Let me put it this way: The three countries
that formed a tripartite agreement -- the
members of that tripartite agreement are still
ourselves, England, and France. Now three more
countries come along and offer their cooperation
and we accept it and the three countries who are
members of the tripartite agreement simultaneously -- this same thing is going on in London and Paris at the same minute — simultaneously offer these other three countries to exchange gold on a reciprocal basis.

Q. I don't see that there's any distinction between the status of the new and old members of the agreement.

A. Well, there's a difference.

Q. You won't support their currencies?

A. We will work with them on the same basis. For background I can't — other countries may join and if each one of these countries were taken in as full partners the thing would get unwieldy. This is all for background, see. While they all have the same facilities and the same privileges, still the original three countries are the original three countries.

Q. They remain the senior partners -- all hereafter others are juniors.
A. I can't say that; it isn't exactly that, either.  It's simply -- I'll put it this way: Let's say a couple more countries want to come in. I'll consult my two partners but I don't have to consult anybody else. Does that explain it? This is all for background. Is that all right, Bob? Does that explain it?

Q. In other words, it's your show.

A. Yes.

Q. The three countries?

A. The three countries. We've got three members; let's say more countries come in; it gets so unwieldy that before you consult everybody you could not get around the world.

Q. In other words, admission of new members will be subject to approval of the three original countries.

A. Yes, we act together on this original gentlemen's agreement and while the three new countries will enjoy all the privileges --.

Q. The administration and policy will be with the three countries.
A. Yes, I think so. But the new countries enjoy all the privileges. It's like giving a man a season ticket for the country club and he has all the privileges but isn't a member.

Q. So far as participation if the working out of currency stabilization is concerned then they participate on the same basis?

A. Just the same. We don't support any currency. We support the dollar. We don't support any foreign country's currency—we support the dollar in terms of the franc, pound and Swiss currency, but we don't support anybody's but our own currency.

Q. I thought you would work, as far as the New York market was concerned, with London.

A. When somebody wants dollars and there's the sterling in our own country. We are not, in a sense, supporting any other currency; each country looks after its own, but if somebody wants to buy sterling in our country—if they sell sterling they want to buy dollars—if they sell dollars they want to buy sterling;
it's always the dollar we're interested in.

There's an awful lot of difference.

Q. You seem to have changed the terms of the agreement by permitting the transfer of gold between fiscal agents.

A. Right.

Q. Is that necessitated by the fact that one of these countries doesn't have a stabilization fund?

A. Right.

Q. Belgium?

A. Yes. I might say I saw the President the day before he left and worked this out with him; it received his approval on the 17th and then we went ahead and consummated the agreement with each of the countries since he left.

Q. So Belgium's position has not changed since September 26th; there's no necessity of setting up a stabilization fund in order to join with the others?

A. No. Let's take plenty of time on this thing. I've worked on it for a month and I'll take all the time that you want, but I'd like to get -- we don't attempt to tell any country how they should run their
fiscal affairs. Now Belgium has its own particular type of financial setup. They don't happen to have a stabilization fund; they did have one but they haven't. Now Holland has a stabilization fund; Switzerland has a stabilization fund, and all we can say is that if any of these three countries wishes to do business with us we can say how we will or will not do business with them outside of their own country and their relationship to the United States, but we would never attempt to tell a country how they should do business in their own country. This new agreement we've gotten out supplementing October 13th permits Belgium, Switzerland and Holland to come in and also we think it will permit other countries who have sounded us out to come in now without any further changes.

Q. How soon do you expect more?
A. I don't know. Three in a day, I think, is a pretty good job.

Q. What condition is Italy in in relation to this agreement?
A. We've had no communication from Italy of any kind.
Q.  Poland?
A.  No. You now have -- when you've received this, you've got everything that we've got.
Q.  Mr. Secretary, may I ask you can you tell me what's the statement of January 1, 1934?
GASTON:  I have a copy -- here it is. I've just a dozen copies.
Q.  This is the end of private gold exports?
H.Y. JR.:  Exports from the United States.
Q.  The only authority for that was that January statement.
A.  Well, that didn't permit that.
Q.  Didn't you say in that January statement of 1934 you would release gold for shipment to other gold standard countries. This clears up the status of Belgium since the agreement and there are no longer any possibilities for --.
A.  You mean a bank exporting gold out of this country.
Q.  Yes.
A.  I think you're right. I believe the answer to that is yes. We allow banks to take gold for exportation to other central banks and they weren't
allowed to take gold for private movement: it changes the channel but not the movement.

Q. It changes the movement in that private banks in this country can no longer initiate an outward movement of gold?

A. The answer to that is yes. You are right.

Q. We now have a currency system under which private institutions and individual banks can no longer get gold for any internal or external use?

A. That's right.

Q. Mr. Secretary, can you describe how this will operate now? What machinery you will have?

A. Well, we appoint as fiscal agent the Federal Reserve of New York and they will contact whoever these three governments designate as their fiscal agents and they will operate as between Holland -- Netherlanders, I've been told to say-- and the Swiss and the Belgians designate as their fiscal agents, and they will get in touch with our fiscal agents and the operation will be between them with the Federal Reserve of New York
acting on instructions from the Treasury here.

Q. Is reciprocal exchange still a necessary factor of membership?
A. Yes.

Q. Must be reciprocal?
A. Absolutely, and the important thing is that each of these countries is adhering to the September 25th declaration, and for background, I wish to point out that when they adhere to that, that means that no devaluation war on their part. That's for background, you see.

Q. Do you think that as a matter of permanent policy there should be no ability in the hands of private institutions to export gold?
A. I can't answer that. All I can say is that it has taken from September 26th to November 24th -- practically a month to work it out very carefully. This is another step. We think it's a step in the right direction. It has taken us a month to arrive at this. In fact, it has been very carefully considered and carefully studied and when we cancelled the January 30-34, that isn't just something that was done on the
spur of the moment, so this is distinctly another step and we think a step forward toward international stabilization.

Q. Mr. Secretary, the net result is that gold can only move through these specified channels except under special arrangements.

A. Special license. The way it stands now if anybody wants to take gold out of the United States -- the way the matter stands now we've got an agreement with five countries on a reciprocal basis as between governments that they can get gold from the United States Treasury, the channel being, in our case, we will use the Federal Reserve of New York; I imagine in each of their cases they will use their central banks, but the arrangements and the guarantees are between governments -- it's government to government.

Q. But in addition, above that, there can be gold shipments to other governments under special license and as a result of a special arrangement.

A. It could be arranged, but it isn't liable to be.
Q. That's not my understanding of the situation. I'd like to get clear on it, but I understood there is no government or no country to which gold could be shipped by private institutions.

A. There have been one or two cases by some countries in South America.

GASTON: Mexico, Guatemala and China, through special licenses.

H.M. JR.: By special license and special circumstances.

Q. That was done through the governments, wasn't it?

A. Yes.

Q. I wondered what private field, if any, was left.

A. There's none.

Q. My question related to a government operation.

A. Yes. Are we all right on that? There were, as I say China, Mexico and one other country, where there were special circumstances, but it was between governments.

Q. Can a private bank import gold?

A. Yes, there's no change in that.
Q. Has the peak of gold imports been reached substantially?
A. I don't know.

Q. There has been a lot of discussion in the British press in the last two months about setting up an international commission and if this step was taken to handle this --
A. That hasn't reached here yet. I haven't been advised of it.

Q. There are new rumors of a French loan, Mr. Secretary, and the latest rumor is it will be conditioned upon some payment on war debts.
A. Well, that hasn't gotten here yet either.

Q. Then this means, Mr. Secretary, that any gold that goes out must go through the government?
A. Right.

Q. Any place and that private bankers can not serve as a channel for export but can continue to be a mechanism for import.
A. Right.

Q. There isn't any reason to assume that that is meant to prevent the exodus of capital from this country.
A. That's not the purpose.

Q. There has been so much discussion.

A. No, that's not the factor or thought back of it.

Q. Can you tell us just what did prompt that change in the January statement? I mean, admitting that there was a situation in which only one country might qualify, but there was still that country.

A. Well, that country has been taken care of through today's statement.

Q. Isn't it possible that it could have been taken care of by announcing that private exports of capital to that country would be permitted.

A. We feel that the method which we devised is a more suitable one, and, having devised a new method, we don't feel that it is any longer necessary to keep the January 31st statement on our books.

Q. It seems to be basically important as to whether or not private transactions are ever again going to be a factor in setting the value of the dollar.
A. If you will notice, all of these things are on a 24-hour basis. All I can is — I'm trying to give you a straight answer — is that after a month's careful study we feel this is another step, and it is another step, you realize that; we feel we are moving in the right direction.

Q. I just would like to have a statement of the reasons that makes the Treasury feel this is a better statement.

A. For the moment you will just have to take my word for it — that we feel it is. I didn't just think this up today; I had lots of advice and lots of consultation and discussed it with the President, and we feel that, under the present world conditions, this is the best way to protect our external and internal prosperity— by this move.

Q. Is there anything in the move to indicate that gold would be less apt to flow to this country because of it?

A. No, there's nothing back of this that has to do with trying to accelerate or contract gold
movements. As a matter of fact, it ought to make the flow easier in and out of this country, rather than more difficult.

Q. Have you talked with Mr. Eccles and Landis today?
A. We had a meeting here for about two hours, not only with them, but also with their staffs, and for the time being we've got nothing to say about it other than we are studying it.

Q. Will you meet again, sir?
A. Yes.

Q. Do you know when yet?
A. No time set. I'd like to offer something, if I may, but I don't want to have anybody to feel that he hasn't gotten this. I'm not trying to shut anybody off. Are you all happy on this?

Q. We'd like to have a thousand-word statement on it. You could name the other countries that might come in.

A. No, and leave that rather vague. What I'd like to say for Bob Thornburgh is that the financing will be -- I mean the day it will appear in the papers --
will be December 7th. You will get it the
Saturday before and also I now want to say that
at that time we will refund the February 15th
notes.

Q.
How about new money?

A.
I can't say yet.

Q.
Can you give us the amount and interest of the
notes?

A.
February 15th, 439 million. I might say, for
your own information, that that leaves January
and February open, free, decks clear.

Q.
Bills.

A.
Possibly. With the exception of bills, it leaves
January and February open.

Q.
When you said possibly then maybe you didn't under-
stand my question; I meant would you run a series
of extra bills?

A.
I may -- there's that possibility, but it leaves
January and February free, to quote "for such ac-
tion and such time as appears necessary, Eccles."

That strikes you funny?
Q. Yes, because of the source of it.
A. Why?
Q. Does the Federal Reserve have an influence clear over here, even as to phraseology?
A. I was reading from the Wall Street Journal.
Q. I know, but that was a quotation.
A. Surely, I meant it to be. I'd say the significance is that we are cooperating.
Q. Mr. Secretary, that statement that you are going to pay off four hundred million dollars of bills on December 15th -- pay it off in cash?
A. Pay it off in cash, yes -- those four hundred million.
Q. That would bring your operation up to --.
A. One billion, one eighty-seven. The December 15th bills -- we will pay those off in cash -- four hundred million, and the refunding December 15th of three hundred eighty-eight million notes, and we are going to refund February 15th, notes of four twenty-nine million, making a total of 1 billion, one eighty seven. I'm not saying anything about new money; making no commitments.
Q. As to the bond issue?
A. Or anything.
Q. Are you going to continue your policy of keeping a billion dollars in the working balance?
A. If I said that then that would indicate too closely what I'm going to do, and, frankly, I don't know yet, but the point that I wanted to get over --

Q. I understand -- I didn't at first.
A. What I'm saying is this: I've cleared the decks for January and February, with the exception of possible bills, so that if the Federal Reserve wishes to take any action those months are available for them.

Q. When you first quoted it I thought you meant such action as the Treasury.
A. It's the other way around. I've cleared the decks for them and that I didn't want to try to paraphrase what they said, so I read from his statement.

Q. Yes. Will you go a little further and read that piece?
Q. It's the Journal of Commerce.
A. We looked for the Journal of Commerce first, but couldn't find it. What I was trying to convey is that: That I'm calling -- I mean I'm going to refund the February 15th notes on December 15th so with the exception of possible bills, January and February, there will be no Treasury financing.

Q. Bills issued against notes?
A. I didn't say that. I simply said, with the exception of bills, that there would be no -- we will not be in the money market, except for bills. And then I said I had cleared the decks for any action. I didn't want to try to paraphrase -- I wanted to use the exact language. I can read it from either paper; I can use the exact language because I didn't want to paraphrase his language, so carefully chosen.

Q. I didn't mean to infer from this question that you are not cooperating, but isn't it true that bills would be more sensitive to money conditions?
A. As a matter of fact, the fact the open market committee was over here twice last week shows closest cooperation and I don't suppose there's any time that the two organizations have ever cooperated so closely.

Q. I know that, but bills are particularly sensitive to money conditions.

A. They are, in the sense that if you are borrowing at .10 and suddenly you go back to .20 it looks as though you are paying twice as much for your money, but still if you have to pay .20 for nine months I don't think you are not paying too much. Instead of one-eighth we might pay one-fourth and you might say we are paying twice as much, but I still say if we get our money for .20 for nine months we would have cheap money.

Q. How about the report on capital movements?

A. I don't want you to print this, but George Haas has promised me we would have it Wednesday noon; I don't want you to print this. My thought was that we would give it to you Wednesday noon for Friday morning release rather than try to have
it for Thursday morning release. How would you like that?

Q. Swell.
A. You'll have time to turn around.
Q. Will you have some one explain it to us?
A. I'll have Mr. Gaston, Mr. Haas and all those who've worked will be available. I'll give it to you for Friday morning, giving you a chance to mail it to your offices.
Q. We are all off Thursday.
A. I pressed George terribly hard; the last word was Wednesday noon.
Q. Mr. Secretary, have you had any response to your advertisements for Under Secretary?
A. I want to thank you boys; we have had responses, but no candidates.
Q. Mr. Secretary, Senator Harrison at a recent press conference advises the modification of the corporate surplus tax; would you care to say anything?
A. No. After three and one-half years, I've learned not to comment on any Senator or Congressman's statement. That's not for publication, but it's just a fact.
Q. He said he hoped the budget would be balanced in 1938.

A. I know, but you've never heard me comment on any Senator or Congressman. All right?

Q. Thank you, Mr. Secretary.

A. If I don't see you again, I wish you all a nice Thanksgiving.
E.H.Jr.: Well, Bob, do you want to know something more about the financing?

Q. I don't know. It might be interesting to say something about the increase in the bill issue, Mr. Secretary.

A. In the bill issue?

Q. Yes.

A. Or what we sold them for today.

Q. I meant general background.

A. I can tell you what we sold them for.

Q. Go ahead, tell us.

A. There was an official release to be out a little bit later. The 273-day sold below an average of .008, less than it was — .004 — the cost of money has gone up.

Q. Is it one bidder again?

A. No. If there was one bidder, as far as I know, he didn't get it — $123,000,000 bid; the new ones — 104 days — gang away for Miss Chauncey. The 104-day bills sold at an average of .040.

Q. Is that a new low, Mr. Secretary?

A. I don't know whether we ever sold a 104-day bill before.
Mr. Bell: Oh, we never have; of course, we sold a 90-day bill back in the days when interest rates were higher.

Q. So there wouldn't be any real basis for comparison.

Mr. Bell: No, there wouldn't.

Q. Why the extra issues?

N.M.: We feel that, with the large tax receipts coming in on the 15th of March, and with no maturities, that it's good policy to have some maturities on the 15th of March. And that's the reason why we are selling the bills as of the 15th of March.

Q. You might raise the working balance, wouldn't you?

A. Well, we wouldn't do it for that reason alone. First, you have the 15th of March with, I guess, about an estimate of the biggest tax receipts we have had in many a year coming in and with no maturity date—no government obligations coming due, and not to upset the money market too greatly on account of the March receipts, we felt that it would be good fiscal policy to create a government debt coming due on that date. And we will most likely, although I don't want to commit myself—we are figuring on selling about three hundred million dollars worth of these bills to come due at approximately that date.

Q. Which would run up to January 4, wouldn't it?
A. Something like that.

Mr. Bell: 13th, I think.

H.H. Jr.: You can figure it out on your fingers—use your toes, too. This is the first one and it will take six weeks, but I don't know where it falls on the calendar.

Mr. Bell: It would be from the 5th to the 13th.

Q. What are the estimates for the March tax?

H.H. Jr.: I don't think we've given them out.

Q. That's why I asked.

A. And that's why I answered. In order that we can give you as much information in advance as possible on this financing, we can judge the market and we are going to ask for three hundred million dollars new money.

Q. That's exclusive of this bill maturity?

A. December 15th is three hundred fifty-eight million of 2 3/4 notes coming due; then there's February 15th three per cent, four hundred twenty-nine million; there is four hundred million bills; making a total of a billion, one eighty-seven and then on top of that three hundred million new money, or roughly a billion and a half. A billion, four eighty-seven.

Q. Isn't that a little bit over four hundred million dollars?
A. Three hundred million.

Q. Four hundred million bills; isn't it a little bit over four hundred million?

Mr. Bell: It might be four hundred and one or two million.

Q. I thought it was more than that.

H.M.Jr: In round figures, it's that.

Q. That would mean a bond or note issue.

A. I didn't say; you'll have to wait until 12:30 Saturday.

Q. I didn't know whether you could go so far as to say anything on that bond.

A. You'll have to wait; I'll make up my mind at 12:30 and tell you at 12:30.

Q. Does this mean you'll borrow no more money until the next fiscal year?

A. I wouldn't want to say that.

Q. It would exhaust the President's estimate.

A. True. But we have had a drought and it's quite obvious that the relief money will not last up until June 30th, and also in the last budget statement the President did mention a figure of five hundred million dollars.

Q. You've borrowed new money? How much?

A. Four hundred seventy, up to now; this makes it three more, so seven hundred seventy—l'm twenty million over, exclusive of the bills.

Q. What about the refunding or redemptions rights of the bills.
A. On the March 15th they'll be paid off in cash.
Q. That means they'll have no exchange rights?
A. No exchange.
Q. Will the March 15th receipts be the largest ever, Mr. Secretary, that is, according to your estimates?
A. Well, I can't go back and if I did go back and look it up—they are going to be very large and all indications are that they are going to be up to expectations of our original estimates.
Q. Your original estimates—were they not given to the Ways and Means Committee?
Mr. Bell: Not for March.
H.W.Jr.: Not for March. We never break them down: we've never done that because we felt that it has been a mistake to break them down.
Mr. Bell: That's right; the estimates for the year are in the budget summation which came out in September.
Q. How does this financing compare with previous financing as to whether it's large or small?
H.W.Jr.: The June was bigger; the June ran over two billion dollars.
Mr. Bell: September financing was one billion, seven.
Q. Is this the smallest new money since you've been here?
H.W.Jr.: You fellows are always looking for a story; always looking into the future; we'd be delighted to look it up.
Mr. Easton: Over a quarterly date I'd guess it was, but we can easily look it up and see.
H.K. Jr: We'll look it up. As you know by now, after three years, my mind doesn't work that way, but we would be delighted.

Q. Did you, Mr. Secretary, at one time say that you thought farm and domestic labor should be included in the social security program? I've been asked if you still felt that way.

A. Oh, golly, say that again.

Q. Well, agriculture and domestic laborers are not covered in the present social security setup and I was asked by our social security man to ask if you still favored including them, which inferred that you once did.

A. I know I said something one way or the other.

Q. You don't know how you feel?

A. No, because you've switched subjects on me.

Q. We will give you a minute.

A. You'll have to give me an hour.

Q. Governor Winant predicted Congress would extend the Act to include agricultural and domestic servants.

A. You've produced something entirely --

Q. Do you think it should?

A. I sat in on a few of those meetings and there was a hearing. I haven't thought about it since I signed the report.
Q. It would add materially to the expenses of the administration of the act, would it not?
A. I'm just completely—if you ask me did I favor lending the XYZ Ranch six hundred thousand dollars in September, 1933; I couldn't tell you. I was over in Farm Credit and I'd have to look it up. I couldn't remember; if it's important, why I'll look it up in some of the minutes.

Q. Weren't you on the President's Committee on Economic Security that drafted the original report on this legislation?
A. Was I? You've looked it up.

Q. I don't know.
A. I thought you were helping me out.

Q. The only reason I asked was because they didn't make any statement that would check on the question; I checked on it and they didn't make any objection.
A. I'm being very honest. It is something I thought about intensely at the time; I don't know how many tons of water have gone over the dam since then. I don't know.

Q. Mr. Secretary, I'd like to ask you a question about these gold import figures; the total for this week for all gold, secondary, imports, would seem to be not more than just a little over sixteen million dollars; the Treasury's gold fund as shown on the Daily Statement had almost that much for November 27th alone, which would make the two sets of figures
not seem to tally. I've brought this up once before and I'll confess I've been negligent and not seen Mr. Gaston to straighten it out.

A.

As I remember, at the time, I asked you to see Mr. Gaston and he was going to take it up with Bell, and I never heard any more about it, but if there's an answer and we can give it to you, I'm sure that they will but I don't think you can do it just out of the air.

Mr. Bell: I haven't been following the statement.

Mr. Jr.: He feels about that just as I feel about social security. I can tell you this—that I was in favor, up in Albany, when Miss Perkins was there—of exempting five or less men who worked on a saw-mill.

Q.

Did you have a saw-mill at Fishkill? Tell all—did you?

A.

I won't even dignify that to answer. If I wanted to make money out of my job, I don't think I'd stoop to a saw-mill.

Q.

Mr. Secretary, can you tell us anything about war debt negotiations—whether you've seen any persons representing France or Italy or any others?

A.

Thanks for bringing us back to the zone of safety.

Q.

I don't know whether that's safe or not.

A.

It's perfectly safe; the answer is no.

Q.

Do you know whether Mr. Bullitt was conferring with the French on the war debt?

A.

I don't know whether he did or not.
Q. In the form of reminders that payments are due, is there anything that will be sent to the countries different from other years?
A. No, just the same, isn't it?
Mr. Bell: That's right.
Q. Mr. Secretary, has anybody in the department been in touch with Mr. Doughton, chairman of the Ways and Means, on taxes?
A. Not that I know of; I didn't even know that he was in town.
Q. I think he's been in and out.
A. As far as I know, since election, I don't think so. I don't think he's been in touch—not with me, anyway; I didn't know he was here.
Q. Mr. Secretary, any comment on dividends?
A. Listen, Cy, will you do something about her (Doris Fleeson)? Come on, Cy; you're a bachelor.
Q. I'm just trying to get news for the paper.
A. Have you read your paper today? Give it to her.
Q. I know it by heart, I do, every day. Have you any comment to make on wage increases, increased payment of dividends? Do you think they will be beneficial results of the tax act?
A. I don't want to answer that.
Q. That's one of the many prominent features of the news at present—the way dividends are being paid out and the way corporations are paying out money after holding out for many months.
Well, we said our say to the Ways and Means and Senate Finance when the bill was pending, and I'd be glad to get you our testimony. Would you like to have it.

Q.

Yes, I'd love it.

A.

All right—Mr. Gaston.

Q.

Mr. Secretary, have you something to say on whether any changes should be made in the corporate tax bill? Do you think it should stand as it is?

A.

The statement has been made—this isn't any news—that we don't look for any change for this calendar year, and I think the President said and Senator Harrison said—-

Q.

Not retroactive?

A.

"Not retroactive." If there are imperfections, as we find them we'll be glad to recognize them.

Q.

Can you say whether any have been found?

A.

We're making a very careful study of all these dividends—the method of payment by industries by size of industry and the whole thing is being very, very carefully tabulated and studied daily, just to watch it and keep informed; I mean, very carefully studied daily.

Q.

This is also probably an old question, but have you decided yet what your recommendations will be or whether you'll make one on miscellaneous taxes?

A.

No, because they all expire—that's right, isn't it? I think they all do, if I'm not mistaken; those that do expire, any way, we haven't come that far yet.
Q. Have you given any thought to the capital gains and loss provision?

A. Yes. There are studies being made on that in the Treasury also.

Q. Have you begun to collect so-called "windfall" taxes yet?

A. As far as I know, I don't think any of it has come in as yet.

Mr. Bell: We've got a few dollars.

Q. What makes it so slow?

Mr. Bell: It isn't due until December. We've collected $5,696.

H.M.Jr.: How much is due?

Mr. Bell: About eighty million was the estimate.

Q. When should it be in, Mr. Bell?

Mr. Bell: I think it was due in September but was postponed by administrative action until December.

Q. For what reasons?

Mr. Bell: I can't tell you.

H.M.Jr.: It was a question of just being ready and getting the rules and regulations out and we made the announcement at the time that we were not ready.

Q. But it's expected during December?

A. No, we expect it to come in during December, January and February.

Q. Will you make any comment on the foreign capital figures which you made public without comment last week?

A. No, I think--those of you who were in that conference--we gave you everything we had; if I may say so, I think from my standpoint the press handled it very intelli-
ligently.
Q. But there was no expression as to what the figures meant from anybody.
A. No.
Q. Will there be any clarification of the quarterly reports to make it more intelligible to the public?
A. Yes, as we go along. But we gave you the best explanation we could and more people have studied it for their information; and I thought it was handled very well. When the next statement comes along we'll try, if possible, to make it clearer.
Q. What I was trying to find out was whether you thought that inflow was such as to be alarming—two billion dollars.
A. I'd rather not answer that. As I say, I was well pleased with the way it was handled and I'd just as leave let the people study it and let somebody else make the speeches.
Q. Do you have any comment on your double taxation report, Mr. Secretary? Here's a fairly easy one.
A. Thank you. No.
Q. Do you know why James Ramsey, district chief of the Secret Service in Buffalo, is being transferred to Newark tomorrow?
A. No, but if your paper is interested we'll find out.
Q. Here's another easy one.
A. I don't believe it.
Q. Did you receive an invitation to the Soviet Embassy to celebrate the new constitution?

A. You'll have to ask Mrs. Morgenthau. That was easy.

Q. Will you have a cigarette? Give her a light, too.

A. I like your hat, too.

Q. There will be a Farm Credit maturity pretty soon; do you know what's going to be done about that?

A. You'll have to ask Bill Myers that.

Q. Well, I've been going to ask the question myself and you'll have to ask the good ladies to the rear below. I've tried waiting to ask her.

A. I wish you would get down and ask them. You might ask them, Russell, will you? I don't know what the delay is.

Q. They said about the first of the year.

A. Next time after the first of the year.

Q. Would you mind eating? I'm just getting myself; you might let the boys know.

Q. Anything on the bond market, sir? Have you gotten the quotations since skiing?

A. Yes.

Q. Is there?, One to sit?

Q. On the outside.

Q. Do you attach any importance to the decline yesterday and the day before?
H.M.Jr.:  
At your service.

Q.  
Any news?

A.  
No.

Q.  
Mr. Secretary, a query we've had several times, when is the gold, if you want to say, going to Fort Knox?

A.  
Well, I've been going to ask the question myself and you'll have to ask the good ladies in the room below. I've been wanting to ask too. I wish you would go down and ask them. You might ask them, Fussell, will you? I don't know what the delay is.

Q.  
They said about the first of the year.

Mr. Fussell:  
Some time after the first of the year.

H.M.Jr.:  
Would you mind asking? I'm just curious myself; you might let the boys know.

Q.  
Anything on the bond market, sir? Have you gotten the quotations this morning?

A.  
Yes.

Q.  
We haven't. How is it?

A.  
On the upside.

Q.  
Do you attach any importance to the declines yesterday and the day before?
A. No, it's usually that way before a financing. It has no significance. I mean, that's usually the way it works.

Q. New York, sir, has been interested in the upward movement in sterling. Yesterday--it isn't true today, I guess.

A. Today it's off a little bit.

Q. And the reason they're interested, they can't see any particular reason for it. Granted there has been a slowing up in capital movements, they still don't believe that is enough to cause the rise and naturally the suspicion is that funds are active in the market. Can you give, for background, any explanation of what has happened?

A. No.

Q. Sterling has moved.

A. Well, it moved across the 4.90 line and all I can say is that nothing has happened which, in any way, should disturb anybody on this side. The fact that sterling is up a cent is nothing that in any way
Q. It's moved up from about--I think it was some weeks ago around 4.97. In other words, there has been a gradual trend upward. There was first a trend downward for several weeks and in the last few weeks there has been a gradual trend upward.

A. I wasn't worried when it went down and I'm not worried now that it's gone back up a little bit.

Q. Well, sir, has there been an accumulation of natural demand for sterling which would account for this, or is the rise due in any way to artificial factors?

A. The movement has been, as far as I know, a natural one.

Q. Mr. Secretary, there were some reports the early part of this week to indicate you've been buying gold for the stabilization fund because of the discrepancy between the receipts and Federal Reserve reports.

A. Well, I can't comment. Just do that to give you fellows something to write about.

Q. Mr. Secretary, the Department of Commerce in their import-export figures for October
and for the first ten months of this year show that there was an excess of exports over imports of general merchandise of some fifty million dollars or something like that. At the same time imports of gold were in excess of exports of gold, by some two hundred million dollars, a little less than that for October, and for the ten months I think the excess of imports over exports of gold was one billion two fifty million, or something like that. I have written, that is, on the advice of some people who claim to be informed on the situation, that that is an important source of purchasing power of foreign governments in domestic securities; do you agree with that theory?

A. Well, I couldn't give you a yes or no. I mean, we've given you the most complete study that we could make and I refrain from making any deductions.

Q. The theory advanced to me is that it dove-tails with your study?
A. Well, I'd like to help you. I'm sorry, I can't answer your question without going into a lengthy discussion of the whole thing, and, as I told the boys the first part of the week, we gave them that study; the men that prepared it explained it, and, for the time being, I'd just like to let it ride on its own weight without any comments.

I'd like to help you, but it's a matter of personal policy with me, on this report and on the December report we gave as good an explanation as we can of the men who did the work, then let the report ride on its own weight.

Q. In your opinion, the exports and imports of gold, especially because of the fact that the imports no doubt were caused by this $35 an ounce which is offered for gold, could this gold that's imported be classed, or rather, be quoted as a factor in an unfavorable balance of trade, in your opinion?
A. If you don't mind, I just don't want to get in on that at this stage.

Q. Mr. Secretary, can you make any comment on the expansion of the Social Security Act to include farmers and domestic help?

A. Are you pinch-hitting for Doris (Fleeson) today?

Q. I think it's very interesting since you used to be in the Farm Credit.

A. Well, I frankly, since she raised the point, I haven't gotten to it. I really haven't been thinking about it. I mean, that's up to the people who represent Agriculture to look after that particular phase of it.

Q. Bob just bought a farm, he said.

A. Good for him. Welcome to our guild.

Q. Has the war debt discussion reached this department, as yet?

A. Only that the State Department has kept me officially informed as a matter of courtesy.

Q. How's the quest for an Under Secretary?

A. Still a quest.
Q. Anybody in sight?
A. I'm not going to answer that.
Q. Who's going to be the new Secret Service Chief, Mr. Secretary?
A. I don't know. On account of the—this is just in the family—on account of the personal relationship, whoever is head of the Secret Service—with the White House, everybody has to be acceptable to the President, but that position doubly so.
Q. Would it likely be Starling?
A. I don't know. Frankly I just haven't discussed it with the President and I want to wait until he gets back. Everybody has to be, but that particular position would have to be doubly acceptable to him so when he gets back I imagine he'll have some suggestions.
Q. I was wondering as to whether you could give an opinion as to your attitude in case of a plan to reduce the size of the war debts.
A. I'm just an interested observer, that's all.
Q. The Treasury doesn't have any opinions.
A. Not at this stage. We read the newspapers very carefully; interested observer is about as good—.

Q. Mr. Secretary, have you received any indications that might give you hope that the war debt problem would be settled?

A. You'll have to get that from the State Department. I'm not in a position to make any comments.

Q. Going to tell us anything more about the financing?

A. No, but we will have a final word for you after twelve o'clock Saturday. I imagine when we get it mimeographed it will be nearer 12:30.

Q. There has been considerable discussion of a possible move to sterilize the gold holdings of the Treasury as a means of reducing excess reserves; could you say anything on that?

A. No.
Q. All notes are not for sale for cash?

H. M. Jr.: That’s right. The easiest way to put it is this.

We have two note issues coming due of seven hundred eighty-seven million. We’re going to offer them a choice of a $\frac{3}{2}$ per cent, maturing in 1949-53 or a 1 1/2 5-year note. And for the seven hundred million dollars cash that we wish to raise we offer the public the chance to subscribe to a bond only. Now, I don’t think it’s necessary to point out that with the exceptions of the Consols and the Panamas, this is the lowest coupon bond that has ever been offered—the $\frac{3}{2}$ per cent.

Q. And the lowest on a note.

A. The lowest on a five-year note.

Q. For five year obligation?

A. Yes.

Q. What was the Panama interest rate?

Mr. Bull: Two per cent, carrying the circulation privilege.

H. M. Jr.: That gave them an additional value.

Q. They were the sole bonds that would have the circulation privilege?

Mr. Caston: Except for the Emergency Banking Act.

Q. What was the date of issue of the Consols?

Mr. Kilby: The Panamas in 1907 and 1909 and the Consols, 1900.
H. N., Jr.: We brushed up on history for you today.

Q. Are you making any change in bidding?

A. One; no preference to anybody this time.

Q. No small-holder preference?

A. No, everybody gets the same treatment and to the individual who wishes to buy a government obligation he can buy a United States Savings Bond. I mean, when this thing was started a number of years ago, we didn't have the United States Savings Bond. The idea was to give the individual a chance to buy a government obligation. Now he has United States Savings Bonds and he can buy up to $10,000 in any one year so anybody wishing to invest in governments--I don't want this to go in, but I have the discretion if I wish to, but I don't want this to go out in the story--to allot a thousand dollars if I want to. If I wish to; it's left to my discretion. The trouble has been we've tried this thing--first ten thousand dollars, then five thousand dollars, and unfortunately there are still a number of people that like to beat themselves. When they are beating the government they are beating themselves.

Q. They try to split up their subscriptions.

A. Yes--they ring in their families; their grandfathers; their children and their grandchildren.
Q. Can't we use that?

A. I don't mind. The only thing I don't want you to use is that I have the right to allot what I want to. We've tried our best and if the people insist on trying to beat their own government, the thing to do is not to give them the opportunity. So this time we've done away with the five thousand dollars, but, as I say, if an individual does wish to subscribe he can buy up to ten thousand dollars of United States Savings Bonds.

Q. But by this move you do discriminate, or rather you take away the preferential treatment.

A. No. As a matter of fact he didn't make use of that. I look at this as more or less of a wholesale transaction, and the so-called small individual didn't make out of this opportunity but big institutions and others abused it. So we'll try it once this way; if it doesn't work out—but this idea, if a man wants to buy a thousand or five thousand dollar bond, if he wants to buy it, he can do so at any post office or by writing a letter to the Treasurer of the United States.

Q. But he can't get as good a discount as on the bond market as he gets no interest if he wants to cash within six months.
A. It's a different kind of obligation, but if he holds it for ten years, it's a better bargain.

Q. But if a person doesn't want to hold it, he's stuck, as, on the market, he could do better.

A. We've tried this thing now and unfortunately the buyers haven't played. A certain few people have used this opportunity to abuse it—we had one man who ran in twenty-one members of his family.

Q. Pretty big family.

A. Pretty big family. And we had another case of a bank that ran in all of its clerks notwithstanding that they were called up and made the statement that they were bona fide investors, but within two or three days the bonds were on the market.

Q. Was that a member bank of Federal Reserve?

A. Say "a bank."

Q. Where was it?

A. The story is true—just "a bank." The story was drawn to my attention. We don't seem to know how to stop it so we're going to have one issue remov-
ing that privilege and see how it works, and if it doesn't work why we can go back again.

Q. You say those bonds in a few days got into the market?

A. Came back, yes.

Q. Mr. Secretary, what's the objection whether twenty-one people buy these bonds? What's the objection to it?
Well, if you're playing the game according to rules and you don't pad your subscription and you keep it down to your legitimate requirements, but you know that somebody else does, why it gives that man an unfair advantage, that's all. Where the bond sells at a premium it gives Mr. Smith or Mr. Jones an unfair advantage. We might as well have no rules. But we're trying to do this thing with an "X" percentage allotment--treat everybody the same and everybody gets in who wants to. Am I right, Danny?

Mr. Bell: I think it's all right. You take two people who have ten thousand dollars to invest and one man puts in a ten-thousand dollar subscription, which meets his requirements, and the other man puts in a twenty-thousand dollar subscription, which is twice as much as he can pay for if the allotment goes that high, and on a percentage basis he gets twice as much as the other fellow.

Q. Mr. Secretary, you said the bond sold at a premium—that's the answer, I guess.

A. Well, heretofore, since I've been here, the bonds have sold at a premium, and investors have made money by buying Government bonds.

Q. They can sell them before they get the paper.

Mr. Bell: It has happened—they sell them before the issue date.
Q. I didn't know about the premium.

H. M. Jr.: If ten people in here and nine obey the rules
and the other fellow cheats, you're going to get
sore at him and me.

Q. Mr. Secretary, how do you know the bond came back
in the market?

A. They traced it through and watched that thing.

They watched the ultimate subscription of the bank.

Mr. Bell: That's right and they went through the Federal
Reserve Bank. They came back from the particular
bank to the Federal Reserve Bank to which they
were originally issued.

H. M. Jr.: That's the way.

Q. The Chamber of Commerce says today that there will
be a three billion dollar deficit at the end of
this fiscal year; I wondered if you have any comment
to make on that.

A. I don't have any; I don't know whether Dan does.

Q. That was a kind of an estimate.

A. No, I don't want to begin commenting on what an
outside organization thinks about our deficit.

Q. I just wondered if that seems accurate.

A. Well, I think the last time the President made an
estimate in late September--

Q. Two, nine naught six.

A. Well, all right, he'll make another one in January
and I guess you can wait until then.
Q: Mr. Secretary, are there any bonds of this date outstanding—49-53?
A: Not exactly.

Mr. Bell: Two—one 47-52, one 49-52. The 49-52 is only 470 million.

H. L. Jr.: But in picking this date we had in mind the social security law, the amount that they would absorb within a given time.

Q: Mr. Secretary, can you give us the yield today, or yesterday, on that 49-52 issue?
A: Surely.

Mr. Bell: I'll give you approximately 230 to 240—around in there.

H. L. Jr.: Around 240.

Q: Mr. Secretary, will this new form here which you offer permit the free riders to come in again?
A: That's the whole thing. We call it padding. We think that this is an improvement. We don't know but we think it's going to make it easier for us to control things and keep people from padding their subscriptions. Now we're going to try it this way once. We're not committed beyond this issue but we're going to try it.

Q: Isn't this somewhat of a reversal of the statement you issued some time ago?
A. No, no, to the contrary; this is going to make it even more difficult for people to pad. It's stiffening of the rules—is that how you interpret it?

Mr. Bell: This doesn't necessarily prevent padding, but it prevents padding in a certain class and puts them all on the same basis.

H. W. Jr.: We're hopeful, by this way, to control the thing better.

Q. Does this mean that lower interest rates are in prospect—even lower than we've had before? Apparently it does.

A. I think it speaks for itself, don't you? We've had four issues of 2 3/4 and for the first time we've dropped to 2 1/2 per cent.

Q. You've had several issues of notes at 1 3/8.

A. Yes. This is the lowest five-year note. We've four successive issues over a twelve-month period at 2 3/4. Now we've dropped to 2 1/2.

Q. Do you want to say anything on the effect of the Federal Reserve Board's action in connection with excess reserves?

A. No. We've worked very hard on this thing now for two weeks and we think we've priced it fairly and I expect it to go very well.
Q. As to the refunding, as to how that will follow, can you say anything on that—as to how much of the bonds may be issued in refunding?

A. It lengthens the whole picture; it lengthens out the total maturity. We're picking up these seven hundred eighty-seven million notes and four hundred million bills now; we're shoving all that short obligation into 15-17 year obligation.

Q. This is carrying out that policy of staggering the debt?

A. Yes, it works, even more evenly distributed.

Q. Anything on war debts?

A. No; just as I told you Thursday.

Q. Mr. Secretary, the one hundred million dollar bills you are issuing Monday, due March 15; unless there's an assurance they will be paid off in cash, it may mean an increase in the debt.

A. You can give that assurance.

Q. That they will be paid off?

A. Yes, in cash tax receipts.

Q. If a bill or an equivalent security of the three hundred million runs to June 15, the President's debt estimate is off.

A. You asked me the other day, was the figure seven hundred fifty million new money, net—did that still hold, and I said no.
Q. Did you say definitely no or maybe no?
A. I said definitely no. I’m trying to give you everything in my mind that will affect this financing.
Q. As I understood that, that was because of the five hundred million relief money.
A. Wait a minute. We’ve got to be awfully careful. Mr. Bell, you announced the other day that the three hundred million maturing in March was for the definite purpose—to help take up the tax slack.
Q. That’s what I wonder, are they to be paid by taxes? A. I could answer you that they would be paid by taxes. We would be perfectly truthful and I could also say they would not. You said five hundred million—we never said five.
Q. I later checked and you said a maximum of five hundred.
A. I didn’t use any figure. I said it was perfectly obvious that the relief money would not last until the end of this fiscal year.
Q. It may be the President said in his budget message a maximum of five hundred million.
A. You remember what I said the other day—that it was perfectly obvious the relief money would not last the balance of the year. I can’t answer you and say yes, we can set aside three hundred million tax money, if that’s what you want.
Q. What I want to know is will the debt be three hundred million more June 30th?

A. I'll have to stand on this; the other day you asked will 750 million be the outside figure and I said no. I mean, it will be more. I'm not trying to dodge.

Q. I understand that but it isn't clear. I'm trying to figure out how close he came to the debt estimate or whether this three hundred million should be added on now.

A. I wouldn't do that.

Q. What would you say the public debt will increase by this financing—350 million?

A. Yes.

Mr. Bell: Yes.

Mr. M. Jr.: We're doing a lot of sparring here.

Q. If you pay off in taxes this three hundred million?

A. Then it wouldn't.

Q. It wouldn't be added to the debt June 30 but if you should issue securities as you are doing in this case, to pay the bills, it would raise the debt.

A. All I'm trying to say is I don't want you to go out with a false impression. I told you the other day that the figure of seven hundred fifty million was a net debt figure. I could no longer say that. So
how much more than that I don't want to say; it
may be three hundred; it may be one hundred or
fifty, depending on tax receipts and how big the
relief bill is. I'm trying to be awfully fair be-
cause I don't want you to write a story which
subsequently we'll have to deny. Am I being fair?

Q. Yes. In other words, you can't predict the June 30
debt?

A. No.

Q. You'll have a five hundred million note issue maturing
on April 16, I recall.

A. Well, we'll think about that the first of March.

Q. When is your next maturity--April?

A. Yes. Is everybody satisfied?

Q. There will be no more financing until March 15th
anyway?

A. That's right, excepting bills.

Q. Supposing you need some relief money very urgently?

A. No, except bills; there will be nothing but bills
between now and the 15th of March.

Q. That's three hundred million.

A. Yes, tentatively, right now.
Q. What was the over-subscription?
A. All I can say is it went very well.
Q. Any round figures you can give us?
A. No, not tonight.
Q. This is the first time we have not had a
round figure. Any significance to that?
Custard: It's the first time since the last time.
The last time we gave you the round figure.
Q. You said 15% on the September issue.
H. E. Jr.: On the night of the closing, that doesn't
sound right.
Bell: In September you gave a round figure I think
for the first time.
H. E. Jr.: We will get back to June as Jimmie Walker
said, "We don't love you in November as we
did in May."
Q. Is it as great as it was in September?
A. I will put it this way, it looks at this time
about the way it has been running the last two
or three times. About the same average rate
as the last two or three subscriptions.
Q. What is the significance, Mr. Secretary, of
this over-subscription?
A. (Shakes head indicating no.) The campaign is
over.
I didn't want it for campaign.

Well, I don't know.

What does it mean as far as low money rates?

It just means the issue was well priced as to the needs of the investing public—desires, needs. In other words, a 2½% 13-17 bond is what the investing public will buy at this time enthusiastically.

Any report to give out on conversions?

No. I withdraw that. I have, but it's too early to have any significance. We feel that the thing is going so well that on Monday night we announce that we will close Wednesday.

Is that the first time that you have announced on the first day that you will close the books?

It came out in September.

with the elimination of the $5,000 provision.

I wondered if the little fellows are subscribing on that now basis.

We don't know, so we are watching it. I am very much interested and we will watch it and see what the results are, but may I again say that the man with $1000 up to $7000, who wants to buy, the Post Offices are open and the mails are open and we will be glad to sell him United
States Savings Bonds. Do I have to pay full advertising rates for that space?

Q.

I bought some, I took your advice.

A.

Good.

Q.

Do you have any idea how many bonds are likely to be issued?

A.

No, it's too early to tell what the exchanges will be in proportion.

Q.

If these people wanted to convert into these bonds up to the full amount, would you grant that? I mean note holders.

A.

Sure.

Q.

Up to the full amount?

A.

If a man owned $10,000 worth of notes he wanted to convert, he has the choice of converting into bonds or five year notes.

Q.

You mean the entire allotment?

Bell.

Yes, that's in the circular.

H. H. Jr.

If he has $10,000 he can convert into $10,000 worth of bonds or $10,000 of notes.

Q.

Then there is a potential $1,740,000 bond issue?

H. H. Jr.

You are going on the assumption that they are all going to convert into bonds and nobody take any notes.

Q.

That's my question.
A. Yes. It could happen, but if I were you I wouldn't write it.

B. I just wanted to find out.

A. Oh, sure, anything can happen, but if you don't mind my advising you I wouldn't write it. There is an item of one hundred and thirty-eight million dollars interest coming due. Is that over and above the billion and a half of this issue, or is that included? It was not clear in the statement.

Bell: That's an item of expenditure that will have to be met in the month of December for interest. It will come out of our cash balance.

K. K. Jr.: It has nothing to do with this statement.

Bell: It is an item of interest.

K. K. Jr.: Did you get that?

A. Will that reduce the debt by that amount?

A. No.

A. The payment of the interest.

B. No. It won't have any effect.

A. No. The boys just put that in.

Bell: We always put that in.

B. Since last September? The last subscriptions were 7-3-13 times, a lot of difference between the three figures, what would you mean by the average?
A. Our friend, Kilby, has been sort of working on a parimutuel basis this afternoon - 2-3-4 times and when you take it and compare it with September and June, it's running the same - running about the average of September and June.

Q. What is the average?

A. You fellows write the same story. The end of the first day in September it was nine times over-subscribed and in June it was four and one-half times. I might as well give it to you because you are haunting me. It is more than four times over-subscribed the first day.

Q. Then it is not approaching September.

A. But it is approaching, you see it is about the same as the June. I am giving you the actual figures at the end of the first day, it's four times over but that's going to throw people off.

Q. All we have to do is to add that the fun has only just begun.

A. Still going strong.

Q. That compares with nine times in September and four times in June.

A. Nine times the first day in September and a little over four times in June.

Q. Can you tell us what the amount of the offering was in September?
A. In September, it was four hundred million dollars and in June it was six hundred million dollars.

Q. This is seven hundred million, a whole lot more.

A. Yes, I don't ever over-play my hand.

Q. On the foreign capital situation, have you met recently with Mr. Landis?

A. That story came out of the Security Exchange Commission. You had better ask them about that. I mean the story that the UP carried this morning.

Q. Is it right?

A. I've never done that. It's a story that came out of SEC and you'd better ask them. It came over the UP ticker out of SEC and credited to them.

Q. There is some reference in the bottom of it that the Treasury says thus and so.

A. No, not in that story. I didn't see it.

Q. I had it wired to me from New York.

A. I am 90% sure as I read it that the story was entirely credited to Dr. Guerick.

Q. The last paragraph says that Treasury officials say this may not be done for such and such a time.
A. No Treasury official has said anything. If he did he was talking out of order. We don't do that over here. When we are making a study, while a study is being made, you fellows don't get accurate tips on what those studies are. This doesn't have to do with that story, but there is some indication that this Government either has, or intends to suggest through the channels of foreign Governments to heads of foreign investment trusts that they not push funds over here rapidly for investment.

A. Let me tell you gentlemen something. As you know – most likely know, the three economic staffs, the Federal Reserve, SEC, and ourselves are making a study on this thing. Nothing has come to my desk, no conclusions of any kind.

Q. This was not connected with that study?

A. Well, not anything the Treasury has been studying. There are no conclusions and pending recommendations from these three staffs. I just continue with the rest of my work until these three staffs have completed their studies and their studies are not complete.

Q. Well, I didn't get it that this was anything that was under consultation.
It would come under the same thing. I don't want to leave any intimidation. Anything that has to do with it would come under that study and nothing has come to my desk. I don't know how far they have gotten along. All I know is that they are not ready.
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, DECEMBER 10, 1936.

H.M.Jr: You may be interested to know that the cash subscription for the seven hundred million dollars worth of bonds—the figures we've now—show that they rate a little over five billion dollars.

Q. That's how much?

A. Over seven times; about five billion, one.

Q. And was that about the end?

A. Yes, it was a little higher than that; it was about five-to-two, and they've already eliminated some but that will be about right.

And then tomorrow morning Mr. Gezon will have the allotment figures for you. We'll try to get them to you before ten o'clock—the actual allotment.

Q. What about the conversion?

A. I think we'll have something for you tomorrow on that, too. We have to wait for the mail.

We won't have anything on the conversions until tomorrow but they are going along very nicely.

Q. Mostly bonds?

A. A goodly proportion of bonds and, incidentally, I want to say now, before we have another meeting, on Monday night at closing I won't say
how much money is in at four o'clock because it gave a lot of fellows an opportunity, because they figured if they subscribed the last minute they would get it and a lot of people did and the telephone wires burnt. What was the time I said that?

Q. That would scare them.

A. You fellows scared them plenty.

Q. Could you make any estimate as to the matter of the bond conversion?

A. No, but it's running very much more to bonds than to notes, but I can't tell until we get them in.

Q. Mr. Secretary, we've been trying to figure out what, if any, effect the abdication will have on the monetary situation. Can you help us?

A. On our monetary situation?

Q. On the French, British and American monetary situation?

A. Oh, I don't think it will have any effect.

Q. Is it possible there might be a short-time disturbance on quotations?

A. I don't want to be quoted, but I think that's over. I think it's been pretty well discounted. The day I did my worrying was Monday. This is just for you--I think this thing is pretty well discounted and, after all,
if people get frightened abroad, it just means (this is all just for you boys) that they would want to invest just a little bit more here. So I can't see that it would have any serious effect on us. If people get worried abroad it just means that much money coming here for investment, but that's just for you fellows to do whatever you want, but don't quote me.

Q. As a matter of fact, the gold imports have slackened in the last few days.

A. I don't think so.

Q. The Commerce Department figure showed a very sharp decline in November, but increase in Treasury gold stock in November was one hundred forty million in contrast with two hundred million in October. There was a much sharper decline in the actual imports, according to the Commerce Department figures.

A. Well, there's still plenty of gold coming, but I can't see anything in this English--I don't want to be quoted on this--I can't see anything for us to worry about here. Don't quote me; you fellows use your judgment on that.
Q. Have you anything yet on that study on capital movements?
A. No.
Q. In your stabilization fund, as we understand it, you are just going to ask for a re-enactment of the stabilization law?
A. I think I said some time ago that I was in favor of extension of it.
Q. In its present form?
A. In its present form.
Q. Do you mean to make that permanent or make it for a period of so many years?
A. Well, I think you'll have to wait on that.
Q. That hasn't been decided yet?
A. I think you'll have to wait until the President gets back and talks with the leaders on the Hill; I said I'd like to see the thing extended but he, I imagine, will want to talk those things over with the leaders on the Hill and get their opinion on how they would like to have it.

Q. Mr. Secretary, there's a lot of rumors around about making a strenuous effort to get a balanced budget in '38; can you discuss that?
A. No, you'll have to wait for the President's message.

Q. On this stabilization fund, Mr. Secretary.

There has been some speculation as to whether

The Treasury would make a report on its operations
to Congress when it asks for the extension.

A. I can't answer that.

Q. Does that mean you don't want to talk about it
or you don't know yet?

A. Both.

Q. Have you had any replies yet, Mr. Secretary, on

the debt note to foreign governments?

A. What's the date?

Q. 15th it's due.

A. Well, bad news usually comes on the last day.

No there's nothing on it.

Q. Did you say the allotment figures tomorrow

morning?

A. Yes.

Q. Can you give us an idea of what time?

Mr. Gaston: I'll have to check with Kilby.

H.M., Jr: Try to get it before ten o'clock.

Q. For immediate release?

A. For immediate release.
Q. Back to this stabilization fund, as I understand it, you have to report only to the President?

A. That's right.

Q. It's up to him if he wants to make it public.

A. That's right. I never pass the buck. I don't want to be quoted on that thing, but I mean he has the first audit and the second one is in the process of being made and if he wants to make it public, it's within his discretion. As a matter of fact, you know each year that I've gone up before the Appropriations Committee I've told them the story and after they've heard the story and what our payroll is, and the number of people on it, and what our expenses were, they were so moderate they just lost all interest; they were willing to take my word for it; when they got verbally what the report was, they lost all interest. Each year I've told them what the figures were. Again this isn't for quote, I am just gossiping. I've told them exactly just what the situation was. I told them in confidence. They kept my confidence; the figures were
so good no one was interested; the very fact that we don't have to report I am more careful with that money than any other we spend.

Q. Any resignations, any appointments, changes, shifts?

A. No.

Q. There has been a lot of comment about the real low interest rate, Mr. Secretary, some feeling that the fact that the address made before the Investment Bankers Association and the dire predictions made of the consequences of the cheap money policy and possible --

A. Well, I'd just like to see some of those people get out an issue and sell it at four percent for twenty years and how long would they keep their clients if the markets called for three percent. The same thing is true with us. Conditions are such that we can sell a 17-year bond at 2 1/2 percent successfully and have it seven times over-subscribed. How long would I stay here if I didn't price the thing right? And the very fact that it was
seven times over-subscribed shows it was priced right and the Investment Bankers bought it and their clients bought it, and they recommended it. And it's the whole situation; the whole credit structure; that's what makes money rates. No one can sit in this chair and make money rates any more than they can in the Federal Reserve Board; it's the condition of the markets.

Q.
They figured over there they did fix the money rates.

A.
Well, maybe I'm a little talkative today. This is for background, but it's the condition of the country which exists and makes it possible for us to sell a seventeen-year 2½ bond; but don't write that.

Q.
Not your responsibility?

A.
No, no one person can fix it so that money is 2½; it's the whole economic structure, the same as with Mr. Wallace - he sets up his program and that has an effect and what Mr. Hull does on trade agreements that has an effect. It's the whole economic structure of this country and
as a result, we have a market where we can sell a seventeen-year $2\frac{1}{2}$ bond. It's my job to get the money as cheaply as possible and I think I've done it with a moderate amount of success for $3\frac{1}{2}$ years; and the first person to criticize me would be the Investment Bankers if I under-priced or over-priced it. For three years there has been a successful refinancing going on and I think it's fortunate that each one of these issues has been priced just about right. This is all background. You've got me started. It's a rainy morning, you fellows haven't any place to go and I haven't much to do, so I'm a little talkative, but that's about the picture.
Q. No silver and gold?

H. M. Jr: Russell, where's the silver and gold?

Russell: I will have it right after press conference.

H. M. Jr: Well, I guess we'll have the silver and gold afterward.

Q. Mr. Secretary, I see the Chinese currency is quite badly upset today because of their political affairs, and we have some stake in that business. Is there anything you can say about the outlook?

A. It's too confused. I mean, every hour something comes over the ticker which contradicts itself from the previous hour.

Q. Chop suey?

A. Pardon me?

Q. I said, chop suey.

A. So, I don't know. As far as I can tell, nobody in town connected with the Government knows.

Q. Can you say, sir, whether or not we have received silver for all the credits we have established for them?

A. Well, I'll put it this way: That we are not short of any silver.
Q. That's all right; I just was interested.
A. As a matter of fact, you can use this for background,—we never pay for any silver until it is on board a steamer flying the American flag; that's for background; we have always been, what shall I say?—good businessmen.

Q. There aren't many of those moving across the Pacific now?
A. There always were plenty, though. I can't be quoted, but, as far as we are concerned, we haven't paid them for any silver on which we have taken delivery, and as far as I know there isn't any silver on the high seas either. So as far as we are concerned, wherever General Chiang Kai-shek is or wherever Madame Chiang Kai-shek is, we are still safe; is that what you wanted to know?

Q. Yes.
A. Don't quote me on that.

Q. Off the record, or background?
A. Background.

Q. Was there any change in their currency situation toward the end of the day? I mean, did it quiet down?
A. It hasn't been badly enough upset that I can say. I'm not disturbed about it.

Q. Their government banks are still maintaining or endeavoring to maintain the ratio between the dollar and the pound?

A. Yes, there's nothing which has happened yet which I can say has affected us. It isn't a pleasant situation; it's one that has to be watched hourly. It also happens at a different time of the day. We are watching it.

Q. Can you say anything about this silver purchase program, Mr. Secretary, as to how it's going along now?

A. Just going along the way it has. For the past months now it has been stable. There's nothing new as far as we are concerned here.

Q. Mr. Secretary, can you tell us about any new banking legislation you might have discussed this morning?

A. Those meetings are executive.

Q. Anything doing with the Secret Service yet?

A. He's just gotten back. Looking very healthy. And that report the President is looking very fine and they reported flying over Bird Island, he was fishing, and they waved to him.
Q. I mean, a successor to Mr. Moran?
A. I just told you a nice fish story. No, I think you'll have to wait.
Q. Mr. Secretary, I saw John Fahey over here—
I wondered if he wanted some money.
A. Couldn't somebody call on me without making a touch? I might want to borrow from him.
No, we're just talking around seeing what everybody has in mind in the way of legislation and exchange of information.
Q. Will there ever be a successor to Mr. Grimm over here?
A. Ever is a long word. I don't contemplate any.
Q. Mr. Secretary, we're interested to see that the Federal Reserve Board has hired an expert on taxation—what causes that? I know it is not your problem who they employ, but taxation is your problem.
A. You'll have to ask the Board. I don't know.
Maybe the Board has a little income tax trouble and maybe he's going to make out the Board's income tax. This is being funny. I wasn't sure that our Baltimore friend recognized that.
Q. Can you say anything about your study of capital imports, Mr. Secretary?
A. No report has come through yet.

Q. Did you see the Federal Reserve Board's report on the capital movement in yesterday's Bulletin?
A. I read the headlines this morning. I don't see it until it's out, if that's what you mean.

Q. They say that we have reverted back to our pre-war position of debtor nations.
A. I'm sorry, I just read the headlines. I've had so many meetings here I haven't had time to thoroughly read my newspapers.

Q. Speaking of debts and debtors, Mr. Secretary, the State Department continues to receive communications from war debtors saying they are not going to pay anything on this debt the next installment date. Have you heard any indications that any of them really want to open negotiations, either background or otherwise?
A. Well, all I can tell you is this: I'm in direct contact with none of the countries that owe us any money so that any information I receive comes through the State Department and anything as to that, background or otherwise,
you'll have to see Judge Moore because I'm not
in indirect contact or direct contact with any
of those countries. I have no negotiations.
Anything will have to come out of the State
Department.

Q. The State Department advises you as to what
they are doing. That's the usual procedure.

A. They advise me and keep me posted. Our relation-
ship is most friendly, but I have a list—just
the way you people have—of what countries have
or have not paid and it's very easy, as you know;
the only payment that the State Department advised
that they have received so far is Finland; they've
gotten a group of letters—four or five—today
saying, yes, we have no bananas today, and that's
all we get.

Q. Presumably, you wouldn't participate in negotiations
unless they reached an advanced stage.

A. All I can say is I haven't been and am not now in
contact with any of the debtor nations as to their
war debts, directly or indirectly, or otherwise.

As I said the other day, I'm an interested observer.

Q. Anything you can tell us about tax legislation, Mr.
Secretary?
A. No.
Q. Have you any new plans to halt the coming American boom?
A. It sounds like a book. I wonder if I could write a book on that. Do you think I could sell anything?
Q. It might receive a pretty favorable reception.
A. Personally, no, I've nothing.
Q. Can you offer, off the record, any comment on the coming American boom?
A. No.
Q. Have you anything to suggest about that refunding over a period of three years?
A. No, except that it was three years, and we've just finished a large refunding and we thought we would get out a little historical information.
Q. The first time you've ever done it.
A. Yes, but with a large part of the refunding behind us, and having attained the milestone in interest rate, I thought it would be interesting. I was interested and asked them to prepare it for me.
Q. It was interesting, but I thought maybe it might be an indication that you are nearing the end of your borrowing.
A. Well, we've talked about that. There's no big financing ahead of us, and here's the record of three years and I wanted to see what it looked like; it looked rather interesting so I said give it out.

Q. Is this document available now?

A. It was given out Friday for today's papers and as far as I know the only paper I saw it in was the Herald-Tribune.

Q. Does it have to do with refunding operations?

A. It gave the complete history of all financing for three years, since I've been here, of all financing.

Q. Does it show to what extent interest rates have been reduced?

A. The whole thing— I refer you to this morning's New York Tribune.

A. The Post had it.

Q. The tabulation?

Q. No, it didn't have the tabulation.

A. I think the Tribune is the only one that had it. Do you want the release?

Q. I'd like it.

A. I was interested and they prepared it for me; it looked like a good story and they gave it out.
Q. Could you say anything about your anticipated increase in income tax receipts for March, 1936 over 1935?
A. We won't break it down on a quarterly basis; we never do.
Q. Have you an appointment with the Appropriations Committee?
A. Wednesday.
Q. That's on your Departmental bill?
A. On my Department.
Q. Does your September 2 figure on income tax collections stand up, Mr. Secretary?
A. Is that the President's? I don't know; I mean, we don't follow it; all I can say is it won't be any less than whatever it was.
Q. That will mean at least 850 million in March?
A. You've got me; I don't know.
Q. I just wondered what kind of legislation you've been discussing with Mr. Fahey other than housing legislation.
A. Well, we're going into this whole thing; I happen to be chairman of this committee called the Lending Committee. All the agencies are in it and today we had those having to do with banking; tomorrow
we'll have those having to do with lending. We have divided it up and we just get together. As far as I'm concerned, it's executive. We talk things over here and make recommendations to the President. That's the whole story.
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, DECEMBER 17, 1936.

H.M.Jr. At your service.

Q. One off the record, Mr. Secretary. Are you going to have a conference next Thursday?

A. Off the record, no.

Q. That has to do with leaving town.

A. You don't mind that, do you?

Q. Sure, I don't see any reason for taking off.

The AP carried a story last night saying that the Minister of Finance of France announced that all restrictions on the movement of capital put in force at the time of the devaluation of the franc in September had been revoked. The French monetary policy will be one of complete liberty with no restriction on the purchase of foreign currency. Now I wonder if you could say does that mean anything in relation to the general monetary agreement?

A. I would interpret that as saying it was an internal French matter. It wouldn't affect us one way or the other.

Q. Mr. Secretary, how's your investigation of the Alcohol Tax people coming along?
A. Which one?
Q. Well, there's supposed to be a sweeping investigation or a far-reaching one something like that, under way. Baltimore is supposed to be looked into according to reports from the Treasury Department.
A. So far as I know, the only one that's on right now is Baltimore.
Q. Washington comes under that Baltimore jurisdiction, does it not? It's in the same area anyway.
A. I've got Harold Graves to tell you as much as he feels he should.
Mr. Graves. There's no Washington angle to this Baltimore investigation.
Q. What about these thirteen policemen that are supposed to have had affidavits sworn against them?
Mr. Graves. That was in the paper this morning. The fact there is that the case referred to is an old case made in the days when the Bureau of Prohibition was a part of the Department of Justice. The Treasury Department has had nothing to do with that case.
Q. In other words, you're not interested in it?
A. Not in the least. The fact is we have the files of that case by transfer from the old Bureau of Prohibition and they show that every effort was made by the Bureau of Prohibition to bring about punishment of those defendants. There was no showing of affidavits or records according to the record that is now in the Treasury Department.

Q. No possibility of your investigating further?

A. No, it was a prohibition violation that we have no interest in.

Q. Mr. Secretary or Mr. Graves, can you tell me how many men are covered or how many people in your Baltimore area that are being subjected to this investigation?

H. Jr. Isn't that a pending matter?

Mr. Graves. Yes, that investigation is not complete.

H. Jr. It hasn't been closed and I think until it is closed we will just have to withhold comment on it.

Q. Couldn't you say something about the nature of the charges?

A. No, we can't. Anyway, I mean, you wouldn't print it either.
Q. Why not?
A. Because it might be libelous.

Q. Well, we could pin it on the Treasury Department.
A. Exactly. Thank you for helping me out. No, I think we'd better let that go. I think there's a little confusion. There are about three stories in one this morning and that's why I asked Harold to come in. I couldn't quite make it out myself. I think somebody is giving somebody a bum steer and they've got this whole thing mixed up. This Baltimore thing is going on; we are co-operating with the United States District Attorney--Flynn, I think his name is--in this investigation there. Until the thing is cleaned up I'm sure Mr. Flynn doesn't want to discuss it and I know we don't.

Q. Is there any possibility of investigations of that nature extending to other cities?
A. We've got a tremendously big department here and we're constantly trying to keep everything running smoothly. Now we get reports from Baltimore that things don't look all right among certain people working for the Treasury, and we immediately get on the job and make a careful investigation. But I think we've got--I don't know, sixty or
sixty-five thousand employees—and among that group there are, every once in a while, I am sorry to say, some bad boys, but it's a minimum, and whenever we do find anything like that we immediately take every means at our disposal to clean the situation up, and that's what we're trying to do in Baltimore. As we make the investigation, we find some of our people possibly didn't carry out the law the way they should. That's the situation we've had since I've been here—other cities, other agencies—and I suppose with that great number of employees there will always be somebody who won't quite live up to the rules and regulations of the Government. It's unfortunate, but I guess everybody is human and those things happen, and my attitude is just as soon as they are brought to my attention, why we immediately put our own people on it and go right after it, and that's what's happening in Baltimore. Now until the man is proved innocent or guilty, I'm not going to talk. It isn't fair to the people being investigated. The thing has spread and has given us leads in other cities—not Washington, but other cities—Baltimore is
one of the cities where these people came down to operate from other places and it's quite a big thing, but I don't think that there will be more, at the most, than a handful of our people involved—the less, the better, but I can't help it because as long as we are human we will have people who don't live up to what we expect of them.

Q. Mr. Secretary, you intimate there's a big ring of some sort moving into Baltimore.

A. It has the earmarks of a big ring but we don't know yet. It looks as though there was a big ring operating in Baltimore with leads into other areas. It looks that way.

Mr. Graves. Mr. Secretary, you might want to say that the facts that are being investigated in that case all occurred in the year 1954; in other words, they are now more than two years old.

H.M. Jr. They might also say why do we have to wait two years?

Mr. Graves. With reference to this big ring operating—that picture is a picture two years old.

H.M. Jr. You mean it's stopped?

Mr. Graves. That's right.
H.M. Jr. It stopped two years ago?

Mr. Graves. That's right.

H.M. Jr. You mean the particular still stopped operating?

Mr. Graves. That's right.

H.M. Jr. But these things move slowly; it takes a long time but we do the best, as you men know that have been covering this office, as they are brought to my attention. No matter where they lead we go after them, and clean it up as we get evidence. It takes time. I'm glad that there have been so few of those cases, as I have great confidence in the Civil Service employees— their honesty.

Q. This French action has no effect on the monetary agreement at all?

A. Which one?

Q. The removal of exchange restrictions?

A. I'd say it's an internal matter—internal in France.

Q. It means that your agreement, as far as the equalization fund is concerned, continues to operate just the same.

A. It doesn't affect us one way or the other; it's purely a French internal matter.
Q. I noticed they also adopted your idea of baby bonds over there--selling baby bonds to gold hoarders.

A. I don't think it's quite the same.

Q. Didn't they try that, Mr. Secretary, and flopped absolutely on it?

A. Don't hang that on me. No, they've had it for some time. As a matter of fact, off the record, what happened was they sold them before they devalued and the kick has been, by the people who bought those, if you knew you were going to devalue, why did you sell us these baby bonds and then try to get the difference between the original price and the devaluation; that's the kick. And they want to be reimbursed, but please don't quote me--this is off the record.

Q. With the increased stability that has come out of the monetary agreement, there seems to be some sentiment against continuance of the devaluation power. There doesn't seem to be any objection to the stabilization fund on the Hill but there have been some objections to that other. Could you comment on that?

A. I think you men asked me and I said a month ago
that I would ask—I would recommend to the President that we ask for a continuation of the stabilization fund, and the right to devalue the dollar, to give that power to the President, and I always link the two things up in my own mind; I never separate the two—I think the two go together.

It's likely that the legislation will be merely an extension of the existing powers?

Q.

Yes, an extension of the law as it is. I have always thought of those two things absolutely as one—I mean the stabilization fund and the right to give the Chief Executive the right to further devalue.

Q.

Mr. Secretary, could you say whether you discussed this, off the record, with the Appropriations Committee yesterday as you have in the past about the stabilization fund?

A.

Well, what goes on in that committee—that's one committee which I appear before, when they say it's executive, it's executive, and I asked Mr. Buchanan what I should say when I left and he said you can say a good time was had by all, and that's literally true; but that's one committee I go before—when they say it's executive, it's executive.
Q. What did they have to do with the stabilization fund?
A. I didn't say they did.
Q. That was the question.
A. But I simply said what we did up there was executive—a good time was had by all.
Q. If you need an appropriation it would have something to do with it.
A. We don't though; I didn't say anything about it. What did he say?
Mrs. Klots. He said, "I don't know how you could have a big time with Buchanan."
Ham. Jr. As a matter of fact, he's a swell guy.
Q. Can you say anything about your conference with Senator Glass?
A. No, you'll have to talk to the Senator about that.
Q. Are you going to recommend branch banking legislation?
A. Why ask me that question?
Q. You asked what you could do for us when we came in so I thought I would impose on your good nature; it's pretty interesting.
A. No, no.
Q. You say that you are not going to?
I'm just murmuring to myself.

Mumbling in your beard?

No, I'll duck that one.

Tell us something about that so we can have a story about--that's a good story.

You've got a good story about we raided a still a couple of years ago in Baltimore.

That wouldn't go very good in the Journal of Commerce or the Wall Street Journal.

Why not? You have an alcohol column. We'll just have to let it ride. You've got lots of stories in town.

Can you say anything about the meeting of the Interdepartmental Lending Committee?

Those committees are executive, too, and we ought to keep them that way.

When do you plan to meet again?

Next week.

Have you seen the President yet, Mr. Secretary?

Yes.

About the Treasury situation?

Well, I mean I saw him and told him what I had been doing and he told me something about his trip to South America.
Q. Any new ideas about the Treasury since he came back?
A. Nothing I can talk about.
Q. Have you given any thought to the act in Great Britain the other day about putting sixty-five million pounds in the Bank of England and taking sixty million pounds of paper?
A. My comment on that would be the same as on the French—that that is an internal matter.
Q. It may be; it probably isn’t.
A. As far as my comment is concerned, it’s internal.
Q. Are you advised on matters of that kind?
A. I can’t answer that, sorry.
Q. Wouldn’t you say, if you were pressed?
A. I’m not going to be pressed.
Q. I’d like to ask a question anyway: That the action in taking some sixty million pounds of paper was to give them an opportunity to have something more in the stabilization fund than gold; it’s a stabilization fund operation?
A. I’d say it’s their business and not mine.
H.M. Jr: If you'll bear with me, I'll read this very short statement and I think you'll understand just why Chairman Eccles is here. (Reads Release 9-20). I might say that during the past month Chairman Eccles and I and our statistical staffs have been in constant conference over this very important subject and when we finally did come to an agreement as to what the present course of action should be, we consulted with the President and he's approved the action which the Treasury has taken. Now I'd be very glad to answer questions as far as the Treasury's action is concerned, and Chairman Eccles is here, at my invitation, to explain the position of his Board.

Q. Isn't there a prohibition against this in the Gold Reserve Act? I've forgotten, but doesn't it say you can't deal in Government securities, or is this an open market operation?

A. This an open market operation on the part of the Treasury.
Q. On the part of the Treasury?

A. All this means that as we—from now on—any gold that we buy will be put into an inactive fund and will show up in the daily statement as the exact amount of inactive gold, and instead of going to the Federal Reserve system, as we have to now, and securing the necessary funds there to pay for this gold, why, in the future, we'll borrow whatever additional amount is necessary in the open market. That's what I was trying to say.

Q. Will those borrowings be quarterly or current?

A. No, they will be additional bills. I mean, if we buy $50,000,000 worth of gold we'll borrow an additional $50,000,000 worth of bills.

Q. They will be weekly?

A. They will be weekly.

Q. It isn't going to be daily?

A. It isn't going to be daily. It will be weekly, and we will try to make it as uniform as possible. We will try to, if we're borrowing $100,000,000 worth of
bills now we'll continue that $100,000,000 or start a new series so as not to be in and out too often; we'll try to make it as even as possible.

Q. When you buy the bills back, through what channel will you buy them back—directly or through the fund?

A. Most likely they will run off rather than buy back.

Q. That's true, but you mentioned the possibility.

A. We might have to, but the chances are—-. If $50,000,000 worth of gold left the country, the chances are we'd just let $50,000,000 worth of bills run off.

Q. Do I understand, Mr. Secretary, that this is strictly a Treasury operation, exclusive of the stabilization fund?

A. This is a Treasury operation, exclusive of the stabilization fund. I mean, the stabilization fund is part of the Treasury.

Q. The only thing I'm not clear on is whether it would be correct to say the Treasury is undertaking this or the stabilization fund.
A. The correct thing to say would be the Treasury is undertaking this.

Q. I was going to ask, sir, if you acquire gold from the stabilization fund, it will actually be a purchase by the Treasury of gold from the fund.

A. If you don’t mind, I’m not going to break that down, for the time being, but from the standpoint of the public, the public will know, which they don’t know now, every day through the daily statement the exact amount of gold that we purchase.

Q. And it will be known as inactive gold?

A. It will be known as inactive gold, or some term, if Danny Bell can think of a better one.

Q. That’s effective today?

A. Well, it will take a couple of days to set up this machinery.

Q. Will you want to comment on what the publication of this information--what will be the result of that?

A. I think Chairman Eccles will talk on that; I’d rather let him explain that.
Q. Doesn't this bring your stabilization fund operation about the same as the British?

A. It isn't particularly comparable.

Q. They sold $65,000,000 of gold to get bills the other day, so they can do the same thing you're trying to do.

A. Well, if you don't mind, I'm not going to get in that. It isn't exactly the same, it's different, because our funds are set up differently--our fund is set up with two billion dollars gold and their fund was set up with nothing. They borrowed money to set up their fund and we started with two million dollars worth of gold--that's the big difference.

Q. Mr. Secretary, you will borrow directly but a Treasury operation? Bills will not be sold as they are over there, out of the fund?

A. This will be a Treasury operation. As far as the public knows the bills will not be earmarked; it's just that we borrow that additional amount of money against the gold we have bought and put it in the inactive fund.
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A. This will be a Treasury operation. As far as the public knows the bills will not be earmarked; it's just that we borrow that additional amount of money against the gold we have bought and put it in the inactive fund.
Q. What maturity will these bills have, Mr. Secretary?

A. It depends on the market--maybe ninety days, 120 days, just where it appears to fit in best; it may be nine months.

Q. Will you have an initial issue of say $50,000,000 in order to have funds on hand to purchase the gold?

A. They may not. No. We might draw on the general fund for the first $50,000,000 and there might be a lapse there of two or three days; there might be a lapse of 2 or 3 days or a week; you can't quite make the two things dovetail; but the first fifty million, if it just didn't happen to come on the right day we would draw on the general fund for that amount, and we would sell $50,000,000 the first day available.

Mr. Eccles: And reimburse the general fund.

H.M.Jr: Right.

Q. The sale of bills might come after?

H.M.Jr: It might possibly or they might precede.

Say we're going to have this big gold wave coming and say we want to build up the general fund by $50,000,000 and we may add
the $50,000,000 a few days before and have the money on hand, but there will be a difference of two or three days before or after. Is that right, Danny?

Mr. Bell: Yes, sir.

Mr. Eccles: It will come before or after.

H.M. Jr: Before or after; I just want to say this: Under the usual Treasury policy which we have pursued since we've been here, note when I say, "Whenever it be deemed advisable, in the public interest, this policy which we are putting into effect will be a continuous one up to the time that the Federal Reserve Board and the Treasury should consider it wise to discontinue this action."

Q. You will not discriminate between individual shipments of gold?

A. That's the point, but you men who have followed the Treasury know that up to now we never have said we are taking this action and this is final; say it's action which will continue until we decide it's unwise and change it. In other words, as you say, we won't handle one shipment one way and one the other, and I also point out that this also includes domestic.
Q. Is this the final result of your study of capital movements?

A. No, the report on capital movements is still in the study stage.

Q. Would you care to review a few developments of the last three weeks or so that led up to this decision?

A. No, I think that it's a very important matter and something that Mr. Eccles, his Board, his staff and people associated with me and my staff—that we have studied this thing in and out and looked at it in every possible way and invited economists in here to confer and look at the thing and after very careful study by both organizations, this is the result: Now I think I'd like to have Chairman Eccles take it over.

Q. Can I ask the Chairman if he'll explain to us what effect this will have on the previous effect that gold had both on bank reserves and bank deposits? Will it do anything necessarily to prevent the increase of bank deposits?
Mr. Eades: Let me make a statement covering the situation and it may answer some of the questions that you naturally would have.

The Federal Reserve have certain powers to deal with excess reserves—increase of the reserve requirements of the member banks, and also, of course, the sale of Government securities which it owns in the open market. The power to deal with excess reserves from those two sources amounts to approximately four billion dollars. In other words, the Reserve System today, by using the power it has to increase reserve requirements by the additional fifty per cent, having already increased last year by fifty per cent, and selling the securities which it has, amounting to $2,430,000,000—to give a total power to absorb excess reserves of four billion dollars, approximately. The amount of the excess reserves at the present time (well, that isn’t so important)—the maximum amount of the excess reserves shortly after the new year when the currency circulation decreases, due to the large holiday business, will likely reach from two billion three to
two and one-half billion of excess reserves. So that the Reserve System has adequate power and authority to deal with the maximum of excess reserves that are now in the System, without asking at this time for additional powers to deal with the problem. The Treasury's proposed action means that further gold imports and newly-mined gold will no longer become excess reserves or increase the reserves of the member banks. It means that gold imports, newly-mined gold and gold exports can be undertaken without having any repercussion upon the domestic credit situation. This reduces the problems of the Reserve Board in this matter. I think that covers in a general way ---.

Q.

Is it true, sir, that imports of gold, although they will no longer increase the excess reserves, will continue to increase the bank deposits?

Mr. Eccles: That's right. It's impossible, of course, to keep them out of the bank deposit structure. However, that means that the effect is a dollar for a dollar. To the extent that they become excess reserves it means a possible expansion of from six to eight times the amount that comes in.
Q. This shouldn’t be construed as a move away from easy money or anything like that, should it, sir?

Mr. Eccles: No, it shouldn’t in any way because there are adequate powers in the Reserve System to simply deal with the existing excess reserves and there’s adequate excess reserves in the System to influence the money market. I want to say this, too, that—I’m going to anticipate a question—I’ve jotted it down here so it wouldn’t be misunderstood. I should say, to anticipate the question which I suppose should be in your minds as to what bearing this action might have on an indicated intention of the reserve authorities to reconsider the problem of excess reserves early in the new year, I’d like to point out there’s not necessarily any bearing other than the fact that we will now be in a better position to know what volume of excess reserves we’ll have to deal with in the future—whether at that time or at a later period. Of course, what the decision might be, I can not undertake to predict, since it would depend upon the factors which we can not judge with finality this early. Nor could I, of course, undertake to speak for the other members of the Board whose views
I could not attempt to forecast.

Q. Well, sir, could you tell us if there's a meeting of the open market committee definitely set down for any date in the future?

A. No, not a definite date. The open market is subject to call of the full committee and the law requires it must meet at least four times a year. That's the minimum that it must meet; it may meet as often as a meeting is called.

The executive committee is, of course, a smaller committee and it meets as often as deemed advisable and necessary in the interim between the meetings of the full committee.

Q. Do you feel that this solves the capital imports problem?

Mr. Eccles: I think this has nothing necessarily to do with the capital imports problem. It deals with the effects of that problem, but, of course, it in no way deals with the causes of the problem.

Q. Does that mean study is still being given to the subject?

Mr. Eccles: I think the Secretary answered that, that study is being given.

Q. This will be some cost upon the Government?

H.M.JR. Yes.
Mr. Eccles: Yes.

Q. The interest rate has already reached the vanishing point, but it will cost, nevertheless.

Mr. Eccles: Yes, there will be some cost.

Q. I was wondering if this won't cause the interest rate to go up a little; flood the market for bills?

Mr. Eccles: Of course, that's anticipating a tremendous flood of gold.

Q. Do you think that the peak of import gold has about been reached?

Mr. Eccles: Well, I wouldn't want to express an opinion as to that.

H.M.Jr: I don't think anybody can answer that.

Q. How much gold has come in since 1933, approximately? Since the Gold Act of January 30, 1934?

H.M.Jr: I've got it here, but --.

Q. Net by years; do you have it there?

A. Well I've got it--1924 it was $1,125,912,000; and 1935, $1,739,001,000; and for the 11 months of 1936, $1,059,419,000.

Q. That's not inflow each year, isn't it?

A. That's net.
Q. Mr. Secretary, can you add the amount of newly-mined gold to that? Would that be a factor?
A. We've got the newly-mined gold—we've got it on here. I haven't got a total but I can give you the way it has been running. The secondary gold runs about a million and a million and a quarter a month.

Q. That's dollars?
A. Dollars—a million to a million and a quarter dollars per month, and the domestic gold, newly-mined, has been running between twelve and thirteen million a month.

Q. Is secondary gold also going to be handled this way?
A. Everything.

Q. It's the fear of the use of this gold for credit expansion, speculation and all that business that causes this action?
Mr. Eccles: Well, the gold that comes in adds to the deposits and adds to the excess reserves of the member banks and it's got to be dealt with either in this manner or by the Reserve System. The Reserve System would prefer to have it not enter the banking picture at all, so that there's no impact upon the domestic
credit position of gold imports or exports.
It makes for a much more stable domestic credit control so long as it isn't subject to the impact of huge foreign imports of gold or exports of gold, and so far as we have already in the System such an abundance of reserves, there's an adequate amount to take care of all possible domestic credit needs in addition, and, as I stated, the powers that the System have are such that they can now deal with the excess reserve problem with the Treasury dealing with this other aspect of it.

Q.
Mr. Eccles, was this problem anticipated when the easy money policy was inaugurated by the Administration?

Mr. Eccles: Well, the easy money policy has been in existence since about 1930, as I recall; there has been an easy money policy and the Reserve System started to buy bills, I think, in 1930.

Q.
That's true, but has it crept up a little bit since 1933.

A.
Well, the Reserve System bought about six hundred million during--up until August, I think, of 1933--they bought a few hundred million, but most of the bills bought by the
Reserve System was prior to the coming in of the present Administration—at least three-fourths of them were; they have only bought about one-fourth of their present holdings since that time and that was in the first half of 1933.

Q.
Mr. Secretary, as regards the technical status of this gold, by making it inactive, it won't be necessary to issue certificates against it, but technically they could be issued against it if you wanted?

H.M.Jr:
Dan, do you want to answer it?

Mr. Bell:
Not so long as it's inactive. It wouldn't be inactive if we issued certificates against it.

Q.
It's strictly an Administration matter?
It's not frozen by Congress or anything?

H.M.Jr:
This administrative action taken does that.

Q.
And it could be rescinded tomorrow?

Mr. Bell:
That's right.

Q.
You haven't been expecting easing of the reserve problem then?

Mr. Eccles:
How do you mean?
Q. You have enough power and enough facilities to deal with the excess reserve problem; you are asking the Treasury or the effect of it is to get the Treasury to get the gold imports off of your shoulders.

Mr. Eccles: It isn't a request of the Treasury; it's simply a question of both of us recognizing the movement of the capital in the form of gold into this country and it simply is a problem that we are both interested in. We are interested in that it increases excess reserves on the one hand and the Treasury is interested in it from a standpoint, I would imagine, that they have got to buy it and it means selling—certainly it means selling something to be able to buy it. This is merely a matter of buying it. Now for the Reserve System to meet the excess reserve problem which they must do at some time, they don't want to use up all of the powers that they have without looking as to where they might get additional powers or what additional powers they may ask for. Now this meets the problem so that we're not in a position now where we feel we'll have to ask Congress at this time for further powers to increase bank reserve requirements.
Q. On that point, sir (this is a little bit outside of this conference) but do you think there's any need for any authority to, in some way, get at the volume of deposits as distinct from the volume of bank credit, that you should be authorized in some way or other to endeavor to influence the volume of bank deposits?

Mr. Eccles: I don't just get the significance of your question.

Q. Well, I'll leave it go.

H.M.Jr: May I just say this--as Mr. Eccles is my guest, if you're all finished on this question why I'd like--everybody is satisfied?

Mr. Eccles: I'm satisfied if they are.

Q. I'd like to ask one more question: What are you going to do about all the gold you already have?

H.M.Jr: For the time being, nothing.

Q. It will stand "as is"?

A. As is.

Q. These will be discount bills won't they, Mr. Secretary?

A. Yes.
Q. I'd like to ask one more question.
Mr. Chairman. In your speech in Boston you suggested a tax on capital coming in -- gold imports that went into new investments; are you still -- .

Mr. Boole: I don't think that that's a part of this problem at all today; that speech speaks for itself; it was merely an expression of the problem and matters that could be considered immediately. As to the type of tax or whether the tax would be practical, I didn't express an opinion.

Q. All of this and the interview is for morning paper release?

H.M. Jr: That's right.
Q. Today in the Supreme Court the Government filed a stipulation in a case involving the collection of windfall taxes from the Sheridan Flour Mills, and the stipulation set out that the Internal Revenue Bureau would not undertake to collect taxes from this flour mill until three days after the Supreme Court had acted on a plea of certiorari. The question is whether it is the policy in tax cases pending before the Court to delay for three days an attempt to collect the tax.

A. I'm sorry, you're just beyond me; but I'll have Mr. Gaston get in touch with Mr. Oliphant and find out. But it's just beyond me. Not being a lawyer, I don't know. But he will get in touch with Oliphant.

Q. Will you say whether under the terms of the November 23rd agreement - the monetary agreement - you have redeemed any gold in dollar balances for Holland?

A. No, I can't answer that. I'm sorry. I mean the countries that we do business with - if they want to say, it's up to them; but I would not
expect any of the other countries to say they have been doing business with us.

Q.  It does have an effect on this side in so far as it would affect the total volume of gold held.

A.  True.  But you get some new gold figures tomorrow.  I'm not answering.  It's sort of the relationship of lawyer to client.

Q.  Well, who's the lawyer and who's the client?

A.  I don't know.  But I would consider it a breach of confidence to answer that.

Q.  When are you going to start sterilizing gold?

A.  There will be figures in tomorrow's daily Treasury sheet.  They will appear for the first time.

Q.  That will be for last Thursday?

A.  Yes.

Q.  How will that be specified?

A.  There will be this little item showing Inactive Gold.

Q.  Is it going to be called Inactive Gold?

A.  Yes.  If you men have a better name for it, we'll give you a package of Camels, but lacking a better name we'll call it Inactive Gold.
Q. You should have given prizes, bad a little con-
test.
A. Well, the contest is open until midnight.
Q. How much Inactive Gold?
A. You'll have to wait until tomorrow.
Q. That will be gold arrivals at the mints as of
last Wednesday?
A. If you want the exact hour, Gaston will have to
look that up, but this will be the first time
since the announcement that you will have these
figures. But I can't give you the exact hour.
Q. Will that be on the liability side under Gold
in the General Fund?
A. Bell has an entirely new set-up. When it comes
out tomorrow, if there's any question about it -
he's rearranging the thing - he's available and
you can go up and see him, if you don't mind
waiting until tomorrow. And if there is any
question about the set-up, Bell will be glad to
explain.
Q. When will you start to sell bills?
A. That depends upon how much gold we sterilize.
Q. Is there a prospect that this week's bill issue
will be increased?
Q. Any change in your plan to accumulate 300 million dollars in bills on the March income tax payment date? That has not been completed yet.

A. We haven't said that either.

Q. You said "about."

A. Yes, and I will still say "about."

Q. What is the outlook on the Budget and the Annual Report?

A. I'm sorry, but I think you will just have to wait.

Q. When will we get them?

A. I'm not supposed to say that, but it will be along - I imagine the President will have his meeting on January 6 or January 7 - somewhere in there.

Q. When is your report going to be ready?

A. Herbert?

Mr. Gaston: I think we will have that this week.

Q. Will you have it in its entirety or without the estimates of receipts and expenditures?

Mr. Gaston: We will have to leave the estimate of expenditures out the same as last year - the estimates of receipts and expenditures.

Q. Anything to say about the Secret Service?
A. I think we will have something Wednesday or Thursday.

Q. A new Chief, Mr. Secretary?

A. Yes, a new Chief.

Q. Will it involve more than that?

A. Now, what does that question mean?

Q. Oh, the grouping of all Treasury agencies.

A. No, we haven't gotten that through.

Q. Do you contemplate asking for that legislation again this year?

A. I doubt it. I think inasmuch as the President has this reorganization plan, we will just sit back and wait now—at least that's the way I feel now—until this reorganization plan goes through, and let this become a part of the whole picture. As long as he has this big reorganization plan, I think we will wait until then and do that as a part of the whole thing.

Q. Have you had any conferences with him at all as to possible reorganization as far as these enforcement agencies go?

A. No. He seems perfectly satisfied and leaves it, so far, to me. There has been no trouble. He seems satisfied.

I just want to say a word. I want to talk sort
of in the family. I don't usually do this.

But this kind of bothered me because it is unfair and it is untrue, and I'm sorry the man who wrote it isn't here so I could look him in the eye. I don't know what the object is, but I wish he were here. This is off the record, very much off the record. (The Secretary referred to Paul Mallon's column in the Washington Star of December 28, reporting a rift between the Secretary and Mr. Oliphant)

Q.

Have you made any plans or completed plans for transfer of the gold to Fort Knox?

A.

As I understand it, we will not make any announcement. It is to begin right after the first of the year and then go forward as rapidly as possible.

Q.

When may we expect your year end statement?

A.

Gaston says this week.

Q.

I should say New Year's statement of what you are going to look forward to.

A.

I don't think I have done that.

Q.

The reason is we are getting a round-up of all Cabinet officers.
A. But I think it was a man by the name of Hoover
who put the "hi-boah" on those statements when
he talked about prosperity was just around the
corner.

Q. You don't want to talk about that?

A. No (but we've got it), unless Herbert breaks
down my morale.

Q. You would be conspicuous by your absence.
Up on the Hill they don't agree with you that
prosperity is here.

A. That's what makes horse races too.

Q. It also makes silver legislation.

A. All right.

Q. What can you say about your tax study?

A. Still going along. What I want to tell you men
is this: Off the record, we won't know any-
thing until the tax returns come in the 15th of
March, because we can't get returns from busi-
ness until the returns actually come in on the
15th of March. And we have all these returns
before us and we can't do it intelligently and
nobody can do it intelligently, because the ma-
achinery is all fixed up to set up the returns
in the grooves where they belong, by industries
and by size, and we will go at it just as fast
as we can. But between now and the 15th of March, this man says it hits him this way and another man says it hits him that way, and until it comes in it is just guesswork. But the thing is set up as it comes in and when it comes in we have to compare it with previous years. So, until the 15th of March, when we get the returns, you can’t expect anything from us.

Q. As far as your estimates go, you still expect...
A. There is no reason to change our estimates downward, and there is every reason for me to be comfortable about our estimates.

Q. They might be revised upward?
A. Well, you haven’t got so long to wait now.

Q. I’m curious about appointment of the new Chief. I’m wondering if you’re going to follow the precedent and appoint a man now in the Service.
A. I’m sorry, but if you don’t mind either Wednesday or Thursday I’ll have it.

Q. Any idea when your report on capital movements will be ready?
A. I don’t know when the next one comes. Just kind of lost track of my dates. But we figure on
doing it quarterly. But just how much drag there is.....

Q. I had reference to the study.

A. Oh, you mean the foreign capital thing. No. All the economists are out in Chicago making speeches and attending meetings, so I don't think you can find a good economist in Washington today. I don't think you can find any economist in Washington this week. They will all be out in Chicago.

Q. One said raise taxes so high you could pay off the public debt and balance the budget.

(No answer)

Q. Mr. Secretary, what you said about the March 16 returns - may we use that without particularly coming from you?

A. What do you think, Herbert?

Q. It is pretty well known.

Mr. Gaston: I don't know just how you plan to use it, Bob (Thornburgh).

Q. You said you didn't know the exact situation until you had all the facts before you.

Mr. Gaston: I don't see any harm in your using it for background.
Q. Just how much gold will be moved to Fort Knox? There have been a lot of estimates.

A. I'm sorry. You will have to wait until it is finished. We have to keep this thing as quiet as possible. There is great risk involved.

Q. Nobody can spend it after they get it.

A. I think he would find a way to spend a couple of gold bricks.

Q. It's pretty hard.
Q. We expected to see all kinds of Secret Service men here.

A. You will see two. We have them outside. When you go out, we will swear them in.

The mimeograph machine broke down. We are having it done in Baltimore and it will come over by the next train. Now, after conferring with the President, the new Chief will be Wilson and the Deputy will be Joe Murphy. In reinstating and promoting Joe Murphy, I am taking into consideration the fact of the splendid record he made on the South American trip.

Q. Could you tell us what part he had in the trip?

A. He was in charge of Secret Service on the South American trip. He made the arrangements and he was in charge of that whole arrangement. And it was extremely difficult in that he was doing business with foreign countries, and the whole thing went off exceptionally well.
There wasn't a single incident on the whole trip. He deserves a lot of credit for it.

Q. Does the Deputy have charge of the White House? Is there any shift in the White House details themselves?

A. No. The White House detail will be directly under Joe Murphy.

Q. Will Wilson be actually the Chief, not acting?

A. No, I've signed this thing and he will be Chief of the Secret Service.

Q. At midnight?

A. At midnight.

Q. When will he be sworn in?

A. Right after this conference. I don't want to disturb him at midnight, so I thought....

Q. You are going to have two Chiefs for twelve hours?

A. Well, he can take his oath, as I understand it.

Q. It's all right with me.
A. I want it to be all right. I hope what I'm doing is legal. Otherwise, I'll come down and do it over tomorrow.

Q. Entirely to avoid queries, was this matter discussed with the Attorney General?

A. Off the record, yes, and it is agreeable to him. Off the record, it was discussed with him.

Q. Mr. Secretary, will you say anything more about your bill borrowing since the last of about 300 million came out last night?

A. For background, we will run out those 300 million next week.

Q. The last will be sold on Monday?

A. Yes. Between Monday and Wednesday I have the opportunity to make up my mind on what we will do. But we sell the next ones on Monday, which will conclude—I shouldn't say conclude—which will make 300 million; and then I have a chance to make up my mind between Monday and Wednesday.

Q. You could continue the series in order to raise funds?
I could, but I would not write that necessarily. Frankly, I don't know. I don't know how much gold will come in this week. So I will take a look at the picture on Monday and Tuesday, and on Wednesday I will make up my mind—we will see what our balances are, see what they have spent, and take a look at the whole picture. Wilson has an excellent record and he has done awfully well in the short time he has been there, and I think he is going to make a good Chief.

Q. He came from Internal Revenue?
A. Yes, and he and Murphy hit it off extremely well.

Q. When will your annual report be out?
A. Professor Gaston, when will the annual report be out?

Gaston: It is out.

Q. For when release?
Gaston: For release when the reading of the Budget Message is begun. But we have copies in there and copies are being distributed to the news services.

H. M. Jr.: And Mr. Gaston broke down my resistance.

I have a New Year's message.
Q.  Success! When is it coming along?
Gaston: I just sent it down to be mimeographed.
H. M. Jr.: I want to wish you a happy New Year.
A.: Thank you, Mr. Secretary.
H. M. Jr.: I want to say in all sincerity that during the campaign and everything else I really felt that I was treated extremely fairly by the press. And that was a little trying on one's sense of humor, but I managed to live through it and it didn't do me any harm and I do think you were all good sports and I was the same.
Q.: You won't have that next year.
A.: No, once every four years.
Secretary Morgenthau today appointed Frank J. Wilson to be Chief of the Secret Service and Joseph E. Murphy to be Assistant Chief. Both took the oath of office and entered upon their duties today.

Chief Wilson succeeds Chief William H. Moran, who retired today after 54 years in the Secret Service of the Treasury Department, including 19 years as chief. Mr. Wilson has been acting Assistant Chief of the Division since September 8, 1936, when he was transferred to the Secret Service from the position of Special Agent in Charge of the Cleveland Division of the Intelligence Unit of the Bureau of Internal Revenue. Mr. Murphy is promoted to Assistant Chief, a position he had previously held for 17 years, from the position of Superintendent of the Southwestern Division of the Secret Service, with headquarters at Los Angeles.

Mr. Wilson was born May 19, 1896, at Buffalo, New York; is married, but has no children. He obtained his elementary and high school education at Buffalo, New York, and attended the University of Buffalo for one year. He was employed as an Investigator by the New York Federal Food Board and as a representative of the Department of Justice in Buffalo in the capacity of Deputy Fair Price Commissioner.

He was appointed a Special Agent in the Intelligence Unit on August 3, 1920, and was advanced through the various grades to the position of Special Agent in Charge of the Cleveland Division.

Mr. Wilson was engaged on some of the most important cases handled by the Intelligence Unit. He was in charge of the investigation at Chicago which resulted in the conviction of Al Capone and a number of other racketeers, and was rated as one of the outstanding men of the Intelligence Unit. He was also engaged for a period of approximately twenty months in connection with the
investigation of the Lindbergh kidnapping case.

Mr. Moran, the retiring chief, was born March 28, 1864, at Hagerstown, Maryland. He entered the Secret Service December 1, 1882, as an assistant operative, being appointed by James Brooks, then chief of the service. He was appointed chief clerk December 16, 1897, assistant chief July 1, 1907, and chief January 2, 1918.

During his service as an operative and as chief clerk Mr. Moran made an especial study of the work of individual steal engravers who had been connected with counterfeiting operations.

Chief Moran reached the retirement age of 70 years in 1934, but his term was twice extended by Executive Order.

Chief Moran is married and has two sons and one daughter.

His term of service exceeds that of any previous chief of the Secret Service. The longest prior service as chief was that of John E. Wilkie, 1898 to 1911.

Chief Moran also has had for some time the distinction of holding the longest service record of any member of the Treasury Department personnel still in service.

Mr. Murphy was born November 29, 1878, at Columbus, Ohio. His father, John E. Murphy, was connected with the Secret Service from 1893 until his death, in 1906, in St. Louis.

Joseph Murphy entered the Secret Service in 1899 and was first assigned to Philadelphia, and later to a number of cities in the Middle West, to Seattle and to New York. In 1908 he was assigned to Boston to take charge of the Northeast District. He remained 10 years in that assignment, but spent a large share of the time on the Presidential detail, being assigned to guard President Theodore Roosevelt during the last two years of his term and devoting a portion of his time to the White House detail during the Taft administration.
In 1912, following the election of Woodrow Wilson as President, Mr. Murphy was assigned to guard him. During the Wilson administration he was appointed head of the White House detail and accompanied the President abroad and on all trips in this country. In 1919 Mr. Murphy was named assistant chief. In 1926 he was assigned to duty on the Pacific Coast but was recalled to familiarize Mr. Wilson with his duties as acting assistant chief, and later went to South America in advance of President Roosevelt. Mr. Murphy is unmarried.