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their own fault - too much speculation in
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1. HWJr cites case of Britisher who tried
to corner pepper market.
b) There has been considerable foreign selling
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no way affects Treasury - 4/29/37...................... 255
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SEE Tripartite Agreement re story of Petit
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Committee)
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SEE Tax, Miscellaneous - 3/31/37

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 Eccles, Marriner S. (Chairman, Federal Reserve Board)
SEE Foreign Capital - 2/11/37

SEE Foreign Capital - 2/15/37

SEE Foreign Capital - 2/18/37

SEE Foreign Capital - 3/1/37

Exchange Control
Japan adopts exchange control system - 1/18/37

a) S\&Jr tells press their Japanese correspondents
could render American public great service by
clarifying Japan's position; no one knows
details except, "they haven't had chance to
work out machinery" - 1/18/37

1. "Cloak of mystery" surrounding whole
situation.

b) Uncertainty of Japanese exchange, like all big
commercial nations, affects world monetary
conditions - 1/18/37

1. US cotton exporters particularly worried,
as Japan is biggest cotton customer.

c) Adopting exchange control is "backward step"
for any nation - 1/18/37

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22 & 25
Exchange Control (Continued)
HMJr feels he accomplished his purpose in forcing
Japan to publish their position; but must be
very careful not to be blamed for their
financial crisis - 1/21/37
Book 8: 28-33
a) Despite Japan's reassurances, only one
American businessman has been paid sum of
$8,000 - 1/21/37
Book 8: 30

Federal Reserve Board
SEE Tax, Legislation - 1/7/37
"Off the record", HMJr does not believe Federal
Reserve Board was intended to be put under Treas-
ury by President's reorganization plan - 1/18/37
n 26-27
a) Board is independent agency and should remain
so - 1/18/37
n 27
b) HMJr did not want chairmanship of Board -
1/18/37
n 27
Excess reserves kept in Federal Reserve Banks kept
at minimum of $150 million as desirable balance -
1/25/37
n 46-48
a) No change in policy; action has full approval
of Federal Reserve Board - 1/25/37
n 47
b) Large balance in San Francisco kept for
"expenditure reasons" of D. W. Bell - has
no connection with gold purchases - 1/25/37
n 47-48

SEEX Foreign Capital - 2/11/37
n 65-69
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SEEX Financing, Government - 5/10/37
n 260-62
Financing, Government
Only $50 million will be offered for current week -
1/7/37
n 9-10
a) Working balance for week is ample - 1/7/37
n 10
b) Two factors will govern weekly offerings: 1)
how fast money goes out; and 2) how fast gold
comes in - 1/7/37
n 10
1. No gold will be ear-marked.
HMJr watching increase in acceptance rate as it af-
facts whole bond financing and monetary structure
- 1/14/37
n 16-17
Financing, Government (Continued)

a) HMJr has distributed public debt over long
even period to prevent a great amount
coming due in any one or two years - 1/14/37. Book 8: 17-18
b) Around 60% of public debt is in bonds - 1/14/37
Average rate on last weekly bill offering was .377
as compared with .401 for previous week - 2/8/37...
a) HMJr pleased with lower rate - 2/8/37........
$97 million US Savings Bonds sold in January 1937;
almost 4 times more than usual - 2/11/37........
a) $355 million sold in year 1936 - 2/11/37...
b) $22-22 million sold in February 1937 - not
all institutional - 2/11/37..........................
c) Any financing must be done without disturbing
money market - 2/11/37.......................... 

HMJr announces financing to next tax date on June
15 - 2/25/37........................................
a) No new money will be asked to March 15 -
2/25/37...........................................
b) Holders of notes maturing April 15 will be
offered new security on March 15, for con-
version - 2/25/37................................
1. $502 million, 3% notes, will mature
April 15.
c) Beginning first week of March, $50 million
additional weekly bills will be offered to
June 15 - 2/25/37...................................

a) No change will be made in public debt if
conversion runs to usual 95-98% - 2/25/37...

b) No change will be made in public debt if
conversion runs to usual 95-98% - 2/25/37...
e) More study given this financing than any
previous in order not to disturb money
market - 2/25/37..................................
f) Smallest financing since HMJr took office -
2/25/37........................................
g) HMJr very much interested in low-cost housing,
but to finance it is problem - 2/25/37.....

HMJr announces holders of April 15 notes will be
offered 1949-53, 2½%, bonds in exchange, at par
plus accrued interest from December 15 to March 15;
interest will be paid on notes from March 15 to
April 15 - 3/6/37.....................................

SEE Wagner Housing Bill - 3/11/37........
By week of April 8, June series of bills will have
reached $300 million - 4/1/37...................
Approximately 60 trust accounts whose funds are in-
vested in various government securities - 4/1/37
Financing, Government (continued)
a) With these funds and Federal Reserve funds, government bond market can be kept orderly - 4/1/37...

b) Trust funds invested in governments total about $2 billion; HWJr declines to give out amount of trust funds uninvested - 4/1/37.

Other than weekly bills, big government refunding program is completed - 4/5/37.

a) $24 billion of bonds sold in last 3 years; 4th Liberty Bonds refunded; no maturities due until September - 4/5/37.

b) Some new money will be needed before July - 4/5/37.

c) Pending President's relief message to Congress, HWJr cannot say why new money is needed - 4/5/37.

HWJr says there has been no change in US fiscal or monetary policy since his administration - 4/12/37.

New series of $50 million weekly bills, due 9/15, will be offered 4/15 - 4/15/37.

Lower Treasury cash balance and higher reserve requirements part of program worked out with Federal Reserve Board - 5/10/37.

HWJr announces $50 million, 9-month, and $50 million, due September 15, bill issue - 5/10/37.

June financing will be offered on June 7 - 5/24/37.

$50 million bills offered for June will conclude September 15 series of $350 million - 5/27/37.

June 7 offering will be $800 million notes; $500 million new money, $300 million maturities - 6/3/37.


a) See Press Service No. 10-45 - 6/5/37.

b) See Departmental Circular No. 575 - 6/5/37.

$1.783 billion, Series D-1939 and $1.843 billion, Series A-1942 notes (total $3.626 billion) subscribed; should be about 6 times oversubscribed - 6/7/37.

a) Success of issue "signifies passing of another financial milestone" - 6/7/37.

b) Wall Street Journal only paper to forecast success of issue - 6/7/37.
Foreign Capital

In November, President appointed Committee, composed of H. W. Harriner, S. Eccles (Federal Reserve Board) and James W. Landis (SEC) to study inflow of foreign capital - 2/11/37. Book 2: 65-69

a) Study has proceeded far enough to hold meeting - 2/11/37. 65-69
b) Constant inflow of foreign capital is source of worry to administration - 2/11/37. 67

Committee met February 15 and expects to reach decision by end of week; making good progress; all members in accord - 2/15/37. 73-78

a) Treasury has not consulted any outsiders on study except the State Department representative, so that any recommendations made will not conflict with any treaties - 2/15/37. 79-81

Preliminary report given to President; additional work to be done before solution can be found - 2/18/37. 83-91

a) Approximately $8 billion of foreign capital in US; creates a serious problem which must be solved - 2/18/37. 83-91

b) Committee in full accord that something must be done to control influx, but the solution has not yet been found - 2/18/37. 83-91

c) HMWJr's explanation entirely "off the record" - 2/18/37. 93-97

"Off the record", HMWJr explains why no announcement has been made re foreign capital:
1) Landis absent for 3 days; and 2) finding means of reaching the people who should be reached without hurting others; many ideas have been presented but HMWJr will not ask Congress to pass on anything unless he is 75% sure of its feasibility - 3/1/37. 109-12

SEE Tax, Evasion - 3/14/37. 127-28
SEE Capital Movements - 4/1/37. 182
SEE Capital Movements - 4/29/37. 249-56

Foreign Exchange
SEE Exchange Control - 1/18/37. 21-25
SEE Exchange Control - 1/21/37. 28-33
Foreign Exchange (Continued)

France raises discount rate from 2 to 4% - Book E: 50-51
1/28/37.................................................................

a) HWJr says it is strictly "an internal
matter"; will not comment on situation as
he does not wish to accelerate France's
troubles - 1/28/37.................................................. 51

SEE France, Defense Loan - 3/8/37...................... 139-54
SEE France, Defense Loan - 3/11/37...................... 155-56

Minimum of fluctuation exists in foreign exchange
due to action taken under Tripartite Agreement -
6/1/37................................................................. 299-300

SEE Stabilization Fund - 6/28/37............................ 342-54

Foreign Investments

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France

SEE Foreign Exchange - 1/28/37................................ 50-51
SEE Tripartite Agreement, re story of Petit
Parisien - 3/4/37.................................................. 116-30
SEE Tripartite Agreement - 3/6/37............................ 132-36

Defense Loan

France floats defense loan to cover rearmament
program; seeking agent in US to handle sale of
bonds - 3/8/37...................................................... 139-54

a) HWJr consults with Senator Robinson (Ark.)
and others relative to French request -
3/8/37............................................................... 141-52

b) Under Johnson Act, illegal for American
investors to purchase French bonds -
3/8/37............................................................... 152-54

1. Cannot control small purchases, but
large movements would be reported
weekly by banks.
2. Justice Department would prosecute
violators.

No sign of American funds being invested in French
bonds - 3/11/37.................................................... 155-56

a) No abnormal movement of funds in or out of
US - 3/11/37....................................................... 156

SEE Gold - 3/11/37................................................ 156-57

SEE Capital Movements - 4/1/37.............................. 182
### Germany

**Gold Stabilization** - 1/21/37... Book 81 35-36

**Gold**
- **Stabilization, Government** - 1/7/37 9-10
- **Federal Reserve Board** - 1/25/37 46-48

Heavy movements of gold to inactive fund to keep currenices from fluctuating, under Tripartite Agreement, not considered "abnormal" by HMR; prefers to call it "a heavy day's (regular) work" - 3/11/37 156-57

HMR has no comment to make re Federal Reserve's statement that his gold sterilization program will affect their policy - 4/5/37 198

a) As result of conferences with Federal Reserve no statement to make on change of policy - 4/5/37 198

b) No change of handling charge on gold purchases - 4/5/37 199

HMR refuses to comment on story that he would abandon inactive gold fund and have "free gold market" - 4/12/37 205

a) Cites fact that American dollar is steadier of all currenices as result of gold program - 4/12/37 206-07

b) President and HMR only two who have been cost of gold; they are not worried and no one else should be - 4/12/37 207-09

1. No change in price contemplated

### Great Britain

- **Stabilization** - 1/25/37 38-40
- **Gold** - 3/11/37 156-57
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- **Investigations - Personnel** - 1/25/37 54-56

### Harrison, Senator Pat (Chairman, Senate Finance Committee)

- **Railroad Retirement Fund** - 3/31/37 179
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- **Railroad Retirement Fund** - 4/15/37 221-25

### Housing, Low-Cost

- **Financing, Government** - 2/25/37 102-03
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Treasury making study to find means of financing
low-cost housing in connection with Wagner
Bill - 3/11/37................................................. Book 8: 157
a) HUJr favors plan, as a "social-need" -
3/11/37................................................. 158-60

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Inter-American Conferences
Finance Minister of Uruguay to confer with HUJr -
5/13/37............................................................... 263-64
HUJr is opposed to big conferences; more can be
accomplished by talking with each country on
mutual problems - 5/20/37......................................... 275-78
a) Finance Minister of Uruguay will discuss
mutual problems with HUJr - 5/20/37.................. 279
b) Quoting Will Rogers, HUJr says only thing
that ever happened in World conferences,
"Americans got trimmed" - 5/20/37.................. 230-31

Internal Revenue
SEE Investigations, Personnel re Denver, Colorado -
3/1/37............................................................... 112-13

Investigations - Personnel
Guard Force:
Routine check-up being made of guard force -
1/28/37............................................................... 54-56

Internal Revenue:
Two Internal Revenue employees in Denver office
terminated by HUJr when investigation showed
"charges of sufficiently serious nature";
would not say it was for political activities -
3/1/37............................................................... 112-13

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Japan
SEE Exchange Control - 1/18/37........................................ 21-25
SEE Exchange Control - 1/21/37........................................ 28-33

Johnson Act
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SIN China - 6/28/37.......................... Book 3: 346-49

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Landis, James H. (Commissioner, Securities and
Exchange Commission)
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SIN Foreign Capital - 2/15/37.................. n 73-81
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SIN Appointments and Resignations - 1/28/37........... n 56
SIN Tax, Income - 4/29/37........... n 247-49

N

Narcotic Laws, Violation of
In Blue Funnel Line narcotic seizure, HMJR interested
in determining whether Customs Service discovered
it or ship's officers reported it - 1/14/37....
a) If ship's officers report presence of
narcotics on "hot" ship, imposition of fine
is at discretion of Treasury - 1/14/37....
1. Having wonderful effect on reducing dope
smuggling.
b) Blue Funnel Line officers reported opium
aboard their ship - 1/14/37........... n 15
Niemeyer, Otto (British Representative)
SIN Stabilization - 1/25/37........... n 38-40

P

Personnel Regulations, Treasury
HMJR runs Treasury on "honor system"; no employees
handling confidential information speculate in
markets; 99-7/8% compliance with system - 4/26/37. n 241-43
Personnel Regulations, Treasury (Continued)

a) Secretary, Treasurer, US, and Register of Treasury, prohibited by law from buying government bonds - 4/26/37. BOOK III: 244

b) If President wants Civil Service to issue rules, Treasury will issue same and enforce them - 4/26/37. BOOK III: 244-45

Petit Parisien (French Newspaper)

SEE Tripartite Agreement re story carried - 3/4/37...

Press Conferences

Monday conferences will be held at 3 p.m., instead of 4 p.m. - 4/29/37...

Public Debt

SEE Financing, Government - 1/14/37...

Public Health Service, US

SEE Coast Guard, US, re flood work - 1/26/37...

Railroad Brotherhood

SEE Railroad Retirement Fund - 4/1/37...

SEE Railroad Retirement Fund - 4/5/37...

SEE Railroad Retirement Fund - 4/15/37...

Railroad Retirement Fund

Treasury conferring with Senate Finance Committee, Ways and Means Committee, Social Security Board, and Railroad Retirement Board on rates - 3/29/37...

Harrison, Senator Pat, Chairman, Senate Finance Committee, and Doughton, Robert L., Chairman, House Ways and Means Committee, confer with HWR re Railroad Retirement Fund - 3/31/37...

a) Study and analysis continuing - 3/31/37...

Chairman of House and Senate Committees to meet with Railroad Brotherhood and railway owners - 4/1/37...

a) HWR more encouraged after meeting with Chairman - 4/1/37...

HWR to meet with Pat Harrison, Doughton, Pelley, George Harrison, Megill, and Bell, re retirement plan - 4/5/37...

a) Budget estimate anticipates collecting $134 million for current fiscal year in railroad tax - 4/5/37...

b) $100 million would have to be refunded, under "agreed plan" - 4/5/37...
Railroad Retirement Fund (Continued)
c) HMWr has alternative whereby $100 million
would remain with Treasury, yet benefits
would be higher to railroad men, but
taxes would not; HMWr only interested in
protecting revenues - 4/5/37................................. Book 81 202-04
HMWr met with 4 actuaries on Railroad Retirement
pension plan and agreed to accept either of two
plans that Congress chooses - 4/15/37.................... n 221-25
Reconstruction Finance Corporation
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Stabilization
HMWr says Treasury has no power to lend Germany funds
to help her situation - 1/21/37....................... n 35-36
Stabilization (Continued)

Rumson and Niemeyer (British Representatives) in Washington to confer with State Department; Treasury has no connection with their visit at this time - 1/25/37

a) Group meeting with Secretary discussing only regular Treasury business; no connection with Niemeyer and Runciman; strictly surveying international monetary situation - 1/25/37

SEE Tripartite Agreement re story of Petit
Parisien - 3/14/37

Stabilization Fund

HMJr will recommend extension of Fund - 1/4/37
HMJr "tremendously pleased" that Congress extended President's stabilization and devaluing powers - 1/21/37

a) Authority to issue $3 billion currency did not expire - 1/21/37

SEE Gold - 4/12/37

Regardless of English and French actions on stabilization, $2 billion Fund is adequate to protect US interests - 6/28/37

a) Only $200 million of fund in daily work balance - 6/28/37

b) Tripartite Agreement still working - 6/28/37

- T -

Tax

Evasion:

Committee studying influx of foreign capital, also investigating rumor that American investors are buying foreign securities to avoid paying taxes in US - 3/4/37

a) SEC particularly interested and investigating rumor - 3/4/37

HMJr prohibited by law to discuss individual tax cases - 6/28/37
Tax (Continued)
Incomes:
March 15 tax collections below annual estimates
3/29/37......................................................... Book 2: 164-78
a) Number of returns 17½% higher than 1935
3/29/37......................................................... 164
b) Number of requests for extensions up 35%, particularly in second and third New York
districts - 3/29/37.............................................. 165-76
c) HMJr having extensions investigated; can
make no final statement on taxes until he
gets report of investigation on extensions
3/29/37......................................................... 165-76
d) Collection of $62 million windfall taxes
postponed to June 1, by Congress; also
affects revenue estimates - 3/29/37............. 169
Investigation of tax extensions not satisfactory;
Under Secretary Magill going to New York to look
into matter, personally - 4/29/37............. 247-49
Legislation:
HMJr: Jesse Jones, Chairman, RFC; and Harriner S.
 Eccles, Chairman, Federal Reserve Board, to meet
with Speaker of House and Senator Robinson (Ark.)
re emergency legislation - 1/7/37.................. 8
HMJr studying Wagner (Low-Cost) Housing Bill, in-
volving $1 billion - 3/1/37......................... 107
a) Senator Wagner to confer with President
March 2; HMJr wants to be prepared if
called on it - 3/1/37......................... 113-15
Miscellaneous:
Harrison, Pat, Chairman, Senate Finance Committee,
and Doughton, Robert L., Chairman, House Ways
and Means Committee, state that miscellaneous
tax will be continued at least one more year
3/31/37......................................................... 180
Windfall:
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Trade Agreements:
SEE Foreign Capital - 2/15/37.............................. 73-81
Tripartite Agreement
United Press published story carried in Petit
Parisien which attempted to interpret conversation
between Georges Bonnet, French Ambassador, and HMJr
when Bonnet paid his first official respect
3/4/37......................................................... 116-30
Tripartite Agreement (Continued)


b) Denoyer had not seen Bonnet and did not know when Bonnet called on HMJr at time cable was filed; only wanted to give French public story on attitude of US toward their situation - 3/4/37. Book 8: 119-20


b) Denoyer had not seen Bonnet and did not know when Bonnet called on HMJr at time cable was filed; only wanted to give French public story on attitude of US toward their situation - 3/4/37. Book 8: 119-20


d) Admits phrase "unequivocal assurance of support" in financial crisis was misinterpreted; intended his cable to mean US would assist France as far as Tripartite Agreement and Johnson law permit - 3/4/37. Book 8: 121-23


1. Denoyer satisfied with same; feels Ambassador will be also.

c) HMJr has verbatim transcript of conversation had with Ambassador Bonnet at time of first visit - 3/4/37. Book 8: 127-30

Meetings with French Ambassador are only for exchange of information under terms of Agreement - 3/6/37.

a) French franc is having trouble; HMJr taking care of US and also trying to live up to Tripartite Agreement - 3/6/37. Book 8: 132

1. Tripartite Agreement is in force; as long as it continues to work, no announcement needs to be made.


Gold - 4/12/37. Book 8: 205-09

Foreign Exchange - 6/1/37. Book 8: 299-300

Stabilization Fund - 6/23/37. Book 8: 342-44

--- U ---

United Kingdom

Stabilization - 1/25/37. Book 8: 38-40


United States Savings Bonds

Uruguay
- Inter-American Conferences - 5/13/37 - Book 5: 263-64
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Wagner (Low-Cost) Housing Bill
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Wall Street Journal
- Financing, Government - 6/7/37 - 317-20

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REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, JANUARY 4, 1937

Q. No silver and gold? (Weekly statement missing)

H. M. Jr.: You fooled Herbert. He said we'd leave out the silver and gold.

Q. I just missed it—I don't care whether it's left out or not.

A. If you boys really want it we'll give it to you, but we thought it really didn't mean anything.

Q. I still would like some figures to show what comes from import and newly-mined. The trouble was that they didn't correlate with the daily statement at all.

A. Maybe that's why we discontinued them.

Q. If we had something that ran on the same time-basis to know what caused the increase in monetary stock.

Mr. Gaston: I think we could get up such a statement quarterly, or something of that sort, which would match with the Daily Statement.

Q. That would help even if it was a part of the capital movement study.
Mr. Gaston: We can get that.

H. M. Jr.: That might be possible. Anybody else got any New Year’s requests?

Q. Any tax news?

A. No.

Q. Anything on the budget?

A. It has gone to the Public Printer.

Q. When will you give it out, Mr. Secretary?

A. I don’t know. What’s the date the President will read it?

Q. Thursday, the 7th.

A. Wednesday night, isn’t he going to have the conference.

Mr. Gaston: I think they are planning it Thursday afternoon at four.

Q. You’ll give it out here?

H. M. Jr.: The way they always do it. After all, it’s a White House document. Do you know how they work it out?

Mr. Gaston: If the tentative schedule holds, Danny Bell will be able to give out copies at one o’clock on Thursday, and the conference will be held at the White House at four o’clock Thursday afternoon.
H. M. Jr.: This is all off the record stuff, you understand, just for your own information.

Q.: Going to send it up to Congress on Friday?

Mr. Gaston: That's the present understanding—it will be read on Friday noon.

H. M. Jr.: I'm getting worried.

Doris Fleeson: I just want to wish you a Happy New Year.

A.: I've been sort of waiting for the guns to open up on my port-side, and it just didn't happen and I was getting a little worried. Thanks for the New Year's greeting.

Q.: Have you decided, sir, how you're going to handle the old-age reserve account? Will you issue special obligations against it?

A.: I really don't know. You're ahead of me.

Q.: What are you going to do for us who get soaked on two or three different payrolls? He's lucky to be on that many. For the ten dollars a month I'll get when I'm one hundred years old. Anything on bills issued on the gold sterilization program?
A. No, I think you’ve got to wait a couple of days on that. The thing is fixed but you’ll have to wait—I mean the method of handling it from this end has been decided.

Q. Could you tell me whether it will be with the regular announcements.

A. Oh, I’m sorry, I thought you meant legislation.

Q. No, sir.

A. No, I’ll wait until Wednesday morning.

Q. What’s Wednesday morning?

A. We give out an announcement for Thursday morning what our bills will be.

Q. Thursday afternoon.

A. No, Wednesday for tomorrow morning’s release.

Q. You did the past two weeks, because of the holiday.

Mr. Gaston: Regularly on Thursday for Friday release.

H. H. Jr.: Whatever it is, they always told me Wednesday.

Q. Anything special on that?
A. Nothing special. They came down to see me Wednesday and ask me to make up my mind whether it's to be fifty or one hundred million, or nothing.

Q. Have the six weeks elapsed?
A. For the three hundred million, yes.

Q. What are you referring to on legislation?
A. I talked about gold and I thought he talked about devaluation and the Stabilization Fund.

Q. What else were you going to add—something more to it?
A. Devaluation?

Q. I mean both that and....
A. I didn’t say anything else.

Q. That’s all part of the same thing.
A. There are two things that both expire.

Q. You're talking about legislation to renew it.
A. That's right.

Q. Will there be anything added?
A. I don't know.

Q. Will you make a report on the Stabilization Fund?
A. I have, to the President. Nothing further.

Q. I mean publicly? Anything in the law to compel you?

A. No. The Appropriations Committee knows; I made a report to them verbally.

Q. That’s a yearly report?

A. We gave it pretty close up to date.

Q. The power is going to be continued?

A. That’s up to Congress.

Q. You’re going to recommend that they continue it?

A. Yes.

Q. Do you tell the Appropriations Committee about your transactions or merely your expenses?

A. I tell them what my expenses are and the approximate picture of the Stabilization Fund—lump sum—an approximate picture.

Q. You mean that’s how much you have left?

A. You didn’t make any New Year’s resolution. Yes, how much I’ve got left.

Q. (Laughter) I want you to say you made a profit.
A. How much I've got left in the Fund.

Q. I want you to say you made a profit, for a story.

A. I see.

Q. Mr. Secretary, do I understand legislation has already been drafted?

A. No, all I've been trying to say is as to how we've been handling it from this end in presenting it to the Hill, but I kind of tripped over myself, who would walk up to the Hill with a satchel and present it to Mr. Robinson, the Speaker and the Vice-President—that's all. Just who's going to carry the satchel.

Q. Who is going to carry the bag, you mean? When will it go up?

A. I imagine—I don't know whether it will go up this week or Monday, but say "shortly". I can't say—that's the answer.
REPORT ON SECRETARY MORGENTHAU'S PRESS
CONFERENCE, JANUARY 7, 1937:

(9:30 A.M.)

H. M. Jr.: My, aren't we all cheerful? Everybody's shaved.
Are you dry behind the ears?

Q. Why do we have to have a conference so early this morning?

A. If I told you that, you would have a story. I'm going up on the Hill at 10:30.

Q. One of the members of your Press Service pretty nearly told me why and then they took it back.
Where are you going, Mr. Secretary?

A. I'm going up to meet with Joe Robinson and the Speaker on emergency legislation. Mr. Jones and Mr. Eccles and I are all going up, and what happens up there you will have to get from those people.

Q. Mr. Secretary, I've been asked to ask you if you can say anything about your meeting with Chairman Landis on Monday afternoon.

A. I'm not going to answer a question that somebody asked you to ask me.

Q. It is my office.

A. Oh, it's your office.
Q. Not any outside interest here.
A. Well, who told the person who asked you to ask me? Who told them that Landis was here? Well, we were just discussing mutual problems.
Q. Capital movements?
A. Mutual problems.
Q. Have you made up your mind about the weekly offering yet?
A. Just 50 millions.
Q. No additional borrowing?
A. No. And to help you out, the explanation there is that there will not be any definite allocation or earmarking of funds. Right now our working balance is more than sufficient and there will be times when we will have a little extra working balance and we may go a little slower; and other times the balance may be down and we will build it up. But there will be no particular earmarking within the General Fund for gold that is sterilized.
Q. Does that mean, Mr. Secretary, you are going to gradually reduce the balance in the Treasury?
A. No. No. As I explained it when we were going to do this, this particular series is finished - the 300 million - and some time a little later we will
start a June 15 series. But we will take it up each week and we will decide; depending upon how fast the money goes out and how fast the gold comes in, we will make the decision when we will start the June 15 series. But there will be a June 15 series. But those are the two deciding factors.

Q.

In other words, this decision not to borrow cash on bills stands only this week?

A.

Only for this week. And next Monday and Tuesday and Wednesday we will talk about it again. It is only for the week. The two factors are how fast they draw on us and also how rapidly will there be gold coming in.

That is all I have.

Q.

Thanks, Mr. Secretary.

I have a question to ask, Mr. Secretary.

A.

My, Bob is full of pep this morning.

Q.

Seriously. We have had all these monetary agreements with some of the European governments, and what have we had with the South American countries?

A.

Off the record. Is Clarence Lins here? Well, I can’t answer on the record or even for background. I can only answer very much off the record. If you want it on that basis..... If not, I’ll not say anything. You don’t want anything. All right.

---CQ---
H.M.Jr.: Off the record, I just want to let you know that I didn't want to "off-again-on-again-Pinneygan" and I had a conference at the White House at 10:30 o'clock and I could not let you fellows down and so the White House conference is arranged for 11:30. The reason, for background, that I'm not going on the Hill this morning is that Mr. Somers said they're having difficulty—the Republicans—deciding who will be the members of his committee. So they won't fill it until this afternoon and I'll go up tomorrow morning; they expect to have the committee filled this afternoon and I'll go up tomorrow morning; that's the reason it was postponed. There's a little confusion in some of the stories—it's the House committee meeting tomorrow and Senator Glass, I think, is Tuesday.

Q. Will they be executive sessions?
A. I imagine so. The last time I went up they didn't even have stenographic notes made.

Q. Is it on the record to say that you're going up tomorrow morning?
A. I don't know.

Mr. Gaston: We're not certain that you are.

H.M.Jr.: No, we're not certain but when the word came down they hoped the Republicans would fill their membership this afternoon, if they did fill it then I'd go up tomorrow, but I think you'd better wait.
Q. Mr. Secretary, it would appear from the President's budget that if your estimates of the old-age fund and the state unemployment insurance fund, plus the sale of baby bonds run up to expectations, you wouldn't have to borrow any money in the open market the rest of this year, except perhaps for this gold business. Can you say whether you've made up your mind on the basis of the budget figure?

A. No, I'd rather not. No, I mean, I'm not going to argue with you on your own estimates, if you write that story or have written it, but it's—but I don't—oh, I'd rather not comment on it.

Q. It isn't off the record or for background—there isn't anything wrong with that understanding.

A. No, I think you're right, but I don't want to go out and say so and then have it come back, I mean, meet me coming around the corner three or four months from now. But I mean, off the record, it looks as though that was right.

Q. Well, you first remarked—I just wanted to be sure I didn't misunderstand you.

A. No, I think you're right, but I don't want to say so. I hope you're right.

Q. Have you decided on your refinancing plans? Considered them on the April maturity?

A. No, all we're doing now is each week we get together and study the weekly bill situation. Tonight they get an announcement to do that.
Mr. Gaston: I think it will be released for tomorrow.

H.M. Jr.: You get the announcement tonight for next Monday but each week we get together and go over the thing very carefully. We haven't missed a thing.

Q. Will tonight be another fifty million, Mr. Secretary?

A. Tonight? Can't you wait until tonight, Bob?

Q. I'm not particularly concerned, but I just wondered.

A. I think it will be about—but wait until tonight, will you?

Q. We understand you are paying for this gold out of your weekly bills now.

A. It comes out of the general fund; there's no particular money earmarked for it—it comes out of the general fund.

Q. You won't issue any additional bills until you need it?

A. It's part of the whole picture and we try to keep the thing on an even keel. An awful lot of factors go into this and gold is an important part of it. The money to pay for the gold comes out of the general fund and when we sit around and talk about it that's one of the important things, but we are not going to earmark any money for that special purpose.

Q. Does that mean you are gradually going to reduce your working balance?
That would automatically happen as we turn over our bills each week, but, as I explained in the beginning, we would start a series and complete it; we wouldn't start and stop. We completed that three hundred million series and before we start another one we want to be sure that it fits into the general picture of how much balance we want and what our spending agencies will call on us for. This whole sterilization adds another problem to our financial needs. This whole thing comes together and then we figure out we need so much.

Q. I missed your answer on the question of the April maturities—whether they'd be brought in in March?

A. You didn't miss anything, Bob. I didn't answer.

Q. I'd like to know about the bills—if you are disposed to tell about it or not. Suppose we get an announcement that tells us there's another fifty million dollars.

A. You won't, off the record. The thing tonight will be just one fifty million dollars.

Q. Mr. Secretary, we noticed Mr. Graves coming out—any law enforcement stories?

A. No, I had the two men from Customs—Mr. Gorman and Mr. Shamhart—here. I wanted to get the story about this narcotic seizure on the Blue Funnel Line first-hand.

Q. Do you have anything we don't have?
I don't think so. The thing I was particularly interested in was whether the officers of the ship told the government about it, or whether we discovered it, and the fact is that the officers of the ship brought it to our attention first. The reason I'm interested in it is where the line or the officers of the ship co-operate with us in disclosing or helping to disclose it, we take that into consideration in connection with the fine. I have to decide whether there's a fine to be placed on the boat, but in the last month, if the officers of the ship will assist us or bring it to our attention first—in the narcotic trade I think they call it a "hot" ship because of the dope on it—then in putting a fine out we take that into consideration and that's been very helpful, and already it's getting around to the steamship companies. As I understand it, if we put the maximum fine on it it would be one hundred thousand dollars. If the officers brought it to our attention first, it makes all the difference in the world. You can imagine the owners from now on will co-operate with us if they think the ship is "hot."

Q. Is it obligatory to fine the ship?

A. Purely discretionary—I can waive it or not. It's discretionary with me.

Q. What's the general procedure?
A. This is something quite new. We've only done this in the last month or so; in taking into consideration the fine, whether the steamship company co-operated with us or not, and if we find it has co-operated with us, we are inclined to waive the fine. It's beginning to have a wonderful effect. After all, what we are after is to stop dope smuggling. That's what we want to do. Our primary object is to stop this stuff from coming in.

Q. The amount or value of the opium was estimated everywhere from seventy to one hundred thousand dollars. Have you any accurate figure?

A. I don't know how they arrived at that.

Mr. Gaston: Those values are all pretty conjectural. We can give you the value of the opium and you can figure it any way you want it.

H.M.Jr.: And I think you had better check the maximum fine. I think it is one hundred thousand dollars but you had better check it.

Q. In this case, did they co-operate?

A. Yes. The ship's officers went to the Customs House and asked them to come on board. In other words, the information came from the ship's officers, and that's what I wanted to establish. I wanted to make darn sure it did.

Q. Will you comment on this increase in acceptance rates yesterday? Does that have any bearing on your financing, Mr. Secretary?
A. No, but we are watching it very closely, but as I said some months ago, we are paying 1/6 of one percent and the rate doubled; it looks like a lot when you say your rate doubled, but when it goes from 1/6 to 1/4 it doesn't amount to much. I think it's something that has to be watched.

Q. In what connection?

A. The whole picture—the ultimate effect on our bond prices or bond financing and the whole monetary structure—is it going much higher or is it going lower? But it's too early to tell. I did think it was important enough to ask immediately for a memorandum on it and I got one. It hasn't gone far enough yet to have any particular significance, but I do think it has to be watched and I'm watching it.

Q. Mr. Secretary, I noticed in your annual report there were two charts, one showing where a lot of the public debt had been—carrying out your staggering program, and more of the debt had gone into bonds, and I just wanted to know if that's going to be the policy of putting more of the debt into long-term bonds?

A. All I can say is, all we have been trying to do, and we have done so far, is to take the public debt and distribute it so that no undue amount will come due in any one year. I'm not trying to pun on the thing. But to get it so that the debt will come due, over the next
fifteen or twenty years, so many billion each year. And that's one of the reasons. If you look towards the next five years--already the next five years there isn't any year now that there is a large amount of the public debt that will come due, and we have already pretty well accomplished that. There will be thirty-five billion or thirty-four billion distributed so that no great amount will come due in any one year, and I think that's the way it ought to be and we'll keep that in mind.

Q. That means you won't be confronted by a five billion refinancing and you may get better rates of interest.

A. We can do a better job. When I first came here we had eight billion dollars of Liberty's coming due in four years and we were fortunate and able to call those in and refinance them and spread them out over a period of fifteen to twenty years. The public debt is now so arranged that there is no great amount coming due in any one or two years. As a matter of fact, it's in pretty nice shape, if I say so myself.

Q. Around what percentage of the public debt is in bonds—about sixty per cent?

A. About sixty per cent.

Q. Can you say anything, even generally, about your conference with the President?

A. No, I think that will have to come from the White House.
Have you decided on your Under Secretary yet, Mr. Secretary?

No.

No applications?

No, sorry.

No results from our want-ads!

No. I got just what I paid for!
H.M.: Everything is very quite, as far as I am concerned.

Q.: Had a chance to read Handy & Harman's annual report, Mr. Secretary?

A.: Believe it or not, I haven't.

Q.: They suggest a junking of the Silver Purchase Act and compliment the Treasury on not fulfilling the purpose of the law by buying a lot of it, or something to that effect. Maybe I put it badly.

Mr. Gaston: They didn't say, I don't believe, "not fulfilling the purpose of the law."

Q.: They turned around and said the Treasury was buying by agreement instead of buying all it could buy, and said that was a good policy.

H.M.: You've got the advantage of me. I'll read it, but I haven't had a chance.

Q.: Mr. Secretary, will you make any comment on the visit of the two British statesmen—Niemeyer and Runciman?

A.: I can't comment because I don't know of it, other than what I read in the papers.

Q.: Will you say something about the Stabilization Fund since your testimony up there? Is that six million profit correct?
A. Testifying up there in those executive sessions ... Well, when I left there I said in both cases any statements as to what I said or didn't say would have to come from Chairman Glass or Chairman Somers—I think I'll have to stay on that ground.

Q. I just wondered if that was the right figure.

A. You'll have to ask Chairman Glass or Chairman Somers.

Q. They didn't tell us—it was the minority members who told us.

A. Well, I'll still stick by my statement. As far as I am concerned, it was Executive session. At least the Senator from Michigan did me the courtesy when I testified at Executive session to say anything that was said he wasn't bound to secrecy; and if it got to anything embarrassing to him that he thought he had to talk he'd leave the room.

Q. Mr. Secretary, would you like to give us a lesson on the Japanese situation and how it affects us?

A. You'll have to go up and talk to the committee, I guess.

Q. I mean, quite apart from your testimony up there.

A. All I can tell you is purely for background. What is known is that for a little over a week now they've had exchange control—I think it was Friday a week ago.

Q. Does that take the form of limiting the amount of exchange which may be obtained, or what?
Well, it's worked out so far that, as far as I know, no one has been able to get any exchange, and it's very, very difficult to get any information, and if any of you newspapermen have correspondents in Japan you would be rendering the American public a service if you could get a good story because no one has published anything except what I have said and no one seems to be able to find out just what's going on. But, as near as I can get it, no one who has a contract has been able to get exchange to cover his contracts—that has been true for about eight days. This is all for background. The explanation is that they haven't had a chance to work out the machinery. As I understand it, if you've got a commitment and if you want exchange, you haven't been able to get it.

Q. Wouldn't the ordinary short-time affect of that be to drive up the price of the yen? If there's any exchange around it ought to command a premium, ought it not?

A. Scarcity?

Q. Yes.

A. Yes. But for some reason, also which I don't understand, the yen seems to be weak. The whole thing just doesn't check, and I think some of you people with correspondents out there could—because
there's a story there which nobody has been able to get yet.

Q. Has our Ambassador been able to get any information on it?

A. Well, off the record, we got a very good cable from him, as far as he could go; I mean, we got an excellent cable, but it didn't go into the details of why or how they are going to handle it in the future. There's an awful lot of mystery over there.

Q. Is there any thought, Mr. Secretary, that this may be some preliminary step for further Japanese devaluation?

A. I wouldn't want to go that far. All I can see is there is a cloak of mystery there and, so far, no American news agency has been able to get the story. There hasn't been a factual story or news story out of Japan on it.

Q. How does this affect us—the Treasury?

A. It's just like any other world currency. Any uncertainty just tends to add to the present uncertainty and every time a big commercial nation like Japan has monetary troubles, it affects every country. If that stuff kept on—there must be millions of dollars tied up
over there. As I say, no one has been able yet to get a story—I wish you luck in getting a story on it.

Q. There's a censorship, maybe, on those stories.
A. There's something. It has been running eight, nine or ten days. I think it was Friday week ago.

Q. Have any American businesses been howling about this situation yet?
A. I wouldn't use the word "howling"—they are very much worried. You take yourself: you've got an open-ended commitment there, and you can't get your money.

Q. The cotton sellers would suffer.
A. Badly—they are our biggest cotton customers.

Q. Could you say, Mr. Secretary, whether this has been discussed by the participating nations in the monetary agreement?
A. Not that I know of, but you get any big nation doing a big international business, and suddenly have the payments freeze up—it's enough to make anybody sit up and take notice. And, anyway, when a nation puts on exchange control, it's decidedly a backward step.

Q. They've had some sort of control by which they regulate currency to the pound.
A. It is definitely tied to sterling. I mean, here's a country where, up to now at least, there's no exchange control and suddenly it's slapped on.

Q. Just to be quite clear, Mr. Secretary, do I understand correctly, none of this is being attributed to you?

A. Please, very much so.

Q. We can say you are looking into it?

A. I don't think you had better attribute it to me.

Q. Don't want to tie anything up to you, but I just want to say—if we were writing outside, we'd say you were watching the trend.

A. Yes, but I don't want them to go on.

Q. Yes, but the men, Mr. Secretary, who cover the Treasury ought to know how to escape tying you in to the background of it.

A. Well, I'll put my reputation in your hands; I leave it to you fellows.

Q. This is all background.

A. This is all background.

What else?
Q. Anything to volunteer, Mr. Secretary?

A. Any announcements?

Q. No, unless Herbert Gaston has got something—I haven't.

A. Mr. Secretary, have you had a chance to read the reorganization plan of the President?

Q. No. I went to the President's Cabinet meetings, and with that exception, I know little about it.

Q. I was wondering if the Federal Reserve was coming into the Treasury as a semi-independent board.

A. Well, very much off the record, I haven't discussed this with anybody, but I don't think there's any intention of including the Federal Reserve Board. I don't think they think of it as an independent agency—

I don't think that was in anybody's mind when they wrote it that the Federal Reserve Board would be included. Certainly, from what I heard and what I understand, the purpose of that report—I don't see how the Federal Reserve Board could be included and I don't think it should be—that's very much off the record. I know that's going around and, personally, if I can help towards killing that
story, I'd just as leave do it. But I don't see where they fit in the picture—they don't report to the President and they don't come in these—I just don't see it. I may be entirely wrong, but I don't see them in the picture at all. But the twelve banks—they are mentioned specifically in the report as a type classed as a so-called business corporation and there are certain general recommendations made to apply to business corporations operated by the Government.

A. Again very much off the record, my own feeling is the Federal Reserve Board is independent and in a true sense should be. You know my stand. I didn't want to be Chairman of the Board. I was tickled to death when I got off. I'm just talking for myself. I've not discussed it with the President. I'm just telling you how I feel. I think very much they should be outside.

Q. Unless you owned them.

A. That's different, but as the situation is now...

Q. Do you know why they don't mention the FDIC in that report?

A. I don't know.
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, JANUARY 21, 1937:

M.M. Jr.: Banks are a little thin this morning. I've nothing particular.

Q. Mr. Secretary, did you get your report from Tokyo yet?

A. I got it here—it just came in this second.

Q. Is it right?

A. I haven't had a chance to read it—there's a whole bunch of stuff. Not to make you feel bad —

Q. That's the press association stuff?

A. Yes.

Q. They're just a day late.

A. In the family, I mean, I evidently started something, and I think I had better sit back now. Some of you boys have been very busy. The stories now are—they're getting fresh stories out of Japan. My New York papers are all late this morning, but they're getting direct stories, and I think I accomplished, through you men, what I wanted. Something has happened. The stories are very interesting and I think if anything I understated the other day.
Q. In spite of the fact that the Japanese made some statement the other day about thinking they can hold the yen at its old sterling parity, there's still some question that that's true. You know how it goes—they always protest up until the time they do something else. The record shows yesterday (you know, I don't want any quotes)—you have to be very careful on this—the yen was soft, just as I told you men—one of you asked me if the scarcity of the yen would go up, and I said it was apt to be soft and it was soft yesterday. As I say, in the off the record I made, I think I understated in that they are now having this meeting, and I want to sit back and see what happens. There's a Cabinet meeting in Japan this morning, so I've got to be awfully careful for fear that they don't blame me for their financial troubles in Japan.

Q. I understand that someone in the Japanese Embassy said that there's no great mystery about the decree—you can get all the information you want at 150 Broadway.

A. Try getting it.

Q. They've published it.
A. I know—they've published it, but try to get some money; try to get paid for some goods in Japan. That's the point! I read one story today, you have to fill out a lot of blanks for money. What I am saying is very much off the record. I started something I want to sit by or I'll be blamed for Japanese financial troubles. The fact remains that I know of only one instance of any American business man getting any money and he had eight thousand dollars—that's the only case I know—which is thirty thousand yen I guess. That's all. Only one man has been paid to date.

Q. Can we use those figures if we don't attribute them to you?

A. I'm a little scared of this thing because, really, telling you men to go after stories, your offices did and there are some swell stories coming through. We are getting some facts. All I can say is that anything I told you Monday I under-estimated the situation, and I had better sit back because, as I say, I don't want to be blamed for their financial crisis.
Q. By saying you under-estimated—does that mean you've nothing from them as to their intentions on currency in the future?
A. We've no statements, no. We've something, second- or third-hand. It's meaningless.

Q. Are you referring to the State Department?
A. No, they gave us something, but it's meaningless. They (Japan) pooh-poohed the whole idea—"there's no mystery"—"it's nothing"—"everything is all right"—you know what I mean. But, as I say, try getting your money. Like four years ago today.

Q. From the things they're doing over there, doesn't it appear that they really would aggravate their troubles by running their currency down in value. Haven't they got a runaway price situation already?
A. I don't know enough yet. I really don't. The stories seem to be just beginning to break now and I think, as I say, it's something we want to watch very closely, and I think that if the American press will go after it the way they have that we'll begin to get some line on the thing. But what or how they're going to move, I don't know. It isn't something that we can
just say that it's amusing and it can be laughed off, because I think the stories in your own papers—it isn't anything that can be just laughed off.

Q. According to their orders, this thirty thousand yen that you talked about would be just one month's permissible imports.

A. Yes, but as I say, I only know of one concern that got eight thousand dollars in Japan, since the 8th of January.

Q. The decree calls for ten thousand dollars limit a month.

A. I thought it was thirty thousand, isn't it?

Q. I may be wrong—I understood it was ten.

A. Well, I hope that they'll iron their troubles out. I sincerely hope so, but certainly I don't think anybody knows yet what direction they're going to move or how they're going to handle it.

Q. Mr. Secretary, unofficial information for our background not for quotation, what seems to be the reason for all of this—is it their war preparations?

A. I'm a little worried about what I started here, in a sense. I mean, it's developing
so fast I think you men better get your information direct from your representatives abroad in Tokyo. I really think so. I seriously challenged the American press to go after the story. You've done it now. You people all have representatives over there. I think you'd better get your story first-hand.

Mr. Gaston: I was going to say anything coming out of Washington right now, especially indicating it came from the Treasury Department, might be right dangerous in the present situation.

H.M.Jr.: They might be justified in saying I was adding fuel to the fire, and if you don't mind, I don't want any stories credited to me.

Q. Mr. Secretary, have you received a letter from the I.C.C. on this tax business?

A. No.

Q. Did you write them one, sir?

A. Oh, I guess you'll have to do a little digging on that.

Q. I think they've got a system of public files down there.

A. Go see if you can tap it.
Q. Mr. Secretary, I was just wondering about the inauguration yesterday. I've seen several—the military force was, I think, at least double, and a lot of moving picture people thought so, but, of course, that isn't in your jurisdiction, but I just wanted to ask you if that meant anything—a hint to other people?

A. Oh, Bob! Do I know? No. All I know is that it rained like hell.

Q. I mean, there was a demonstration there that was very impressive.

A. Well, the large searchlights—I don't want to pun —.

Q. Well, the searchlights were nothing. I mean the troops.

Mr. Gaston: We had eyes and ears there.

H.M. Jr.: I think you'd better go over and see the Secretary of War and the Secretary of the Navy.

Q. The people opposite the reviewing stand didn't think much of it—the lines were terrible going by the President.

A. They weren't too good—a couple of fellows dropped the flags and I don't blame them. The best story I ever heard was that the United
States Government had enough mother instinct to put rubber on all the West Point boys.

Q. Mr. Secretary, do you know the Treasury crowd boomed Vermont and Maine?

A. No! Well, I hope they cheered the Coast Guard.

Q. Somebody yelled "man overboard!" They really did.

A. Did they? I'm surprised.

Q. Mr. Secretary, do you have any comment on the devaluation and stabilization?

A. Only that I'm tremendously pleased that Congress saw fit to extend them and give the President the right to devalue if he deems it necessary.

Q. Senator Pittman said he thought it might not be a bad idea to help Germany get on her feet if necessary by giving her a loan. Any thought about that here?

A. No discussion along that line.

Q. The Government has no authority to lend money to Germany?

A. The answer is "no."

Q. Well, of course, the Senator wasn't talking necessarily under existing law.

A. Now, look out! Are you aiming to handle this by quoting me?
Q. Suit yourself.
A. I never contradict a Senator, so I think the best way —.
Q. You're not in contradiction with him. He didn't say there had been any discussion.
A. You can make it an off-record statement. You know that there isn't anything like that pending because we have no power to make any such loans.
Q. Mr. Secretary, there has been a lot of talk about debt settlement. Lot of crazy rumors in New York yesterday, although I haven't seen the papers. I got a telegram from my office last night.
A. I've absolutely nothing.
Q. I suppose that's because of the English visitors.
A. I suppose so. But I can say that those people—anything on their visit will have to come from the State Department. There's nothing in connection with the Treasury.
Q. I was going to ask whether they had any appointment with you.
A. No, so anything that would be doing would be from the State Department. I haven't been
asked for any appointments, and, so far as I know, I don't expect to see them.

Q. Mr. Secretary, in that devaluation and stabilizaton extension, is it so worded as to continue the power to issue three billion of greenbacks, or didn't they expire?

A. It did not expire.

Q. Did you notice the Chamber of Commerce recommendation that that be repealed, Mr. Secretary?

A. I read part of it, but I didn't notice—the so-called Thomas currency?

Q. Yes.

A. I didn't see that, no.
H. H. Jr.: Haven't you got any home?
Q: I prefer not to answer that (Duffield).
A. Busiest little bee I ever saw—too damned good!
Q. Mrs. Kloze not here?
A. She has a lot of mail.
Q. Well, you can tell us all about the conference to start with.
A. Well, I might just as well save you people embarrassing me—by saying what has been going on today is Treasury business, and it's of such a nature that at this time, I'm very sorry, I can't discuss it.
Q. Will you say whether it has anything to do with Hunciman and his visit?
A. None. Nothing.
Q. Can you say anything, Mr. Secretary, about your talk with Mr. Hunciman at the White House, as to whether the tripartite agreement entered into it or may be affected as the result of any negotiations under way or anything at all?
A. I was a guest there. They had about ten or twelve people and the conversation was absolutely general. I don't know, there must have
been ten or twelve people there for lunch; it was at the White House and it was purely social.

How about yesterday? Weren't you over there yesterday?

A. No, no. For background, Runciman's visit—as far as I'm concerned, I've got nothing to do with it—it's not in the Treasury.

4. Secretary Hill at the press conference at the State Department indicated that the monetary situation would be, of course, one of the factors that would be considered in connection with the whole program of any new trade agreement that might be negotiated with Great Britain, one phase of it.

A. All I can say—and you men who've covered me now for three years know I either say I can discuss it or I can't—I simply say that, outside of the social visit, as far as I'm concerned and the Treasury is concerned, whatever Mr. Runciman's business is here I'm not a factor in it at this stage—oh, you can fix it up in nice words and make it seem polite, but that's the picture. I mean, it isn't in our backyard, that's all.
Q. Mr. Secretary, could we look forward to any announcements later today or tonight?

A. No, no. There's nothing pressing and if anybody's editors are all "hot-up" over this, just say it's nothing of any (what shall I say?)—what we're doing is not of major importance and, this is for your editors, it may run on. You might see this group back here three or four times over a period of two or three weeks.

Q. There's another prominent Englishman, Mr. Secretary, I think he's already arrived in this country; he might be directly connected with Treasury matters—that's Otto Miemeyer. I think he's in New York, and the report is that he's taking up some matters connected with the general foreign debt question—consolidation.

A. I've had absolutely no communication with him whatsoever, and, again for background, Runciman or Miemeyer being over has nothing to do with what has been going on here today. I planned this a long time ago; it just so happened I had some people come down on Treasury business—the two things had absolutely no connection.

Q. What two things, may I ask?

A. Do you think I'm going all over that again?
Q. No, you've had a conference of some sort here in the Treasury which had to do with the visit of the British Board of Trade president. It had no connection with that?
A. I'll go over the ground again.
Q. I beg of you not to.
Mr. Gaston: The answer is no.
H. M. Jr.: You're a nice fellow and I'll do it all for you. I simply said the fact that Mr. Runciman and Mr. Niemeyer (this is for background) were in the United States had nothing to do with the meetings going on here today—no connection whatsoever.
Q. Off the record, do you know what Mr. Niemeyer's purpose is?
A. Only what I've seen in the paper. I've had no communication directly or indirectly with him.
Q. We can say on the record, the meeting today had nothing to do with his visit?
A. Yes, you can.
Q. Had to do with excess reserves?
A. No; I said purely Treasury business.
Q. Who attended the meeting?
A. I refer you to the Wall Street Journal; he has an exclusive on it.
Q. There was one man I couldn't identify. Is exclusive correct? Can we pick it up?

A. That would make it look as though I read it too carefully, but he's done a lot of leg-work and I'll refer you to the Wall Street Journal ticker; the UP didn't do much, did they, Herbert?

Mr. Gaston: Oh, yes, they had a good story.

Q. Can you tell us how long ago Mr. Cochran left here?

H. U. Jr.: I can tell you when he got here. He got here Saturday morning.

Q. Did you have Mr. Butterworth here from London a short time ago?

A. Yes.

Q. Has he gone back?

A. He's gone back. There's nothing of major importance going on—I want to tell you that.

Q. By major importance you mean no basic shift in any of the monetary agreement provisions?

A. There's nothing major going on. We're doing some study and some work and you may see this group here three or four times in the next month.

Q. Will you clarify for all what Mr. Sprague's position is?

A. We call him in as advisor.
Q. Does he get paid?
A. Yes, he does.

Q. How about the list of names of people who were here?
A. I wouldn't have given them out but some of these boys did a good piece of reporting and I'm not going to take it away from them.

Q. We're just asking for confirmation, not trying to take it away from you.
A. No, I mean, I would not normally give it out. I mean, I would not have made an announcement. What do you think, Herbert?

Mr. Gaston: I don't think there's any objection to telling them who was here.

H. M. Jr.: All right, who was here?

Mr. Gaston: I believe Mr. Sprague was here; I believe George Harrison was here; I believe John Williams, of the Federal Reserve Bank of New York, was here; and I believe Mr. Cochran was here. And aside from Treasury personnel that's as far as I know.

H. M. Jr.: Knoke.


H. M. Jr.: He was the first economist of the Federal Reserve, but don't put it down. He started it. And Goldenweiser was here, too.
Q. Anyone from the State Department?
A. Yes, Dr. Feis. I'd better go over it again.
Harrison, Knoke, Williams, Sprague, Goldenweiser, Feis and Walter Stewart.
Q. Feis of the State Department?
A. Yes, but Walter Stewart was the first economist of the Federal Reserve.
Q. Mr. Secretary, can you tell us whether this meeting had something to do in anticipation of some future development?
A. It's hard to say no, isn't it? I don't blame you fellows.
Q. Is it another step? You've taken various steps here.
A. I'm simply making a survey of the situation, past, present and future.
Q. To what situation do you refer, monetary?
A. International monetary situation. If you don't mind, I'll let it go at that. I mean, that's the truth.
Q. I thought you were going to say, "The whole truth and nothing but the truth."
A. I'll say that.
Q. Are there any conferences planned with Bonnet when he arrives?
A. The State Department hasn't said anything to me about it.

Q. Mr. Secretary, will you make any comment on the letter you wrote the President about the Interstate Commerce Commission's tax recommendations?

A. No.

Q. Have you received their reply?

A. No.

Q. When will Mr. Magill come down?

A. As soon as he's confirmed. They reported him out today. Senator Harrison thought he could get him confirmed right away, maybe tomorrow, but as soon as he's confirmed he'll be down.

Q. Wednesday at the earliest, probably.

A. I don't think so. I think he'll go to work, if he's confirmed, he'll go to work on the 1st of February, if he's confirmed.

Q. Anything more on the Japanese situation?

A. No.

Q. Would a study of methods to tax foreign investments or discourage foreign investments in the United States come under the heading of monetary problems?
A. You are gradually getting me by a process of elimination. That study which the President asked for—SEC, Federal Reserve and ourselves—has not yet reached me.

Q. Were you asked, sir, regarding your conversations with Mr. Runciman?

A. I told the boys that I was over there at lunch—I think there were ten or twelve people—purely social.

Q. Have you had any appointments to talk to him?

A. No, I explained his business is State Department business, and I imagine I was invited on a social basis, and whatever business he has it's with the State Department.

Q. Do you know what his business is, Mr. Secretary?

A. Is somebody going to rescue me? No? I've got an inking, but it isn't Treasury business.

Q. Could you give it to us for background?

A. I'll refer you to the President or Mr. Hull.

Q. Is there a change in Treasury policy, or is it a new one of keeping the deposits in the Reserve banks high to decrease excess reserves?

A. Go on, Herbert, do your stuff on that.

Mr. Gaston: There hasn't been any change in policy.

Q. There has been about two hundred fifty million.
Mr. Gaston: Actually we're keeping a minimum of one hundred fifty million which is considered a desirable balance to maintain.

Q. Mr. Secretary, was it ever made public—the amount of silver the United States bought from China in 1936?

H. M. Jr.: Separately? Other than what has appeared in the Department of Commerce's reports I don't know of anything.

Q. Well, fifty million ounces was the amount in 1935.

A. I've never said. I'm a little rusty on it. I want to come back to Bob's question. This thing you brought up about the Federal Reserve, I want to say, for background, that anything we've done on that is entirely with the knowledge, the approval, and everything else of the Federal Reserve Board here in Washington. No move has been made on that that hasn't had their approval.

Q. Well, isn't it true, sir, that the primary reason is to equip yourself to handle gold imports? That's the reason you've kept your balance so high?
A. We haven't done anything here in reference to
gold that might affect excess reserves, and
not one thing has been done without the entire
approval of the Federal Reserve Board.

I don't think you understood me. Haven't you
in order to assure yourself of a balance in
New York or San Francisco kept more money in
San Francisco and New York than you previously
did?

A. I read the story. I didn't have time to run
it down—I asked Danny Bell and Herbert to run
it down and take it up with Danny Bell, but
all I know is I'm a little bit upset about it
and didn't understand it and asked Herbert to
take it up with Danny Bell.

Mr. Gaston: That very large balance in San Francisco is
not specifically in connection with gold im-
ports, but for other reasons—expenditure
reasons of Danny Bell. Of course, the with-
drawal from commercial depositories is a
necessary link in sterilization of gold im-
ports. The act of sterilization is accom-
plished when you make the withdrawal and that's
a factor in the rate of withdrawal from the
depositories.
H. M. Jr.: Being very honest, I read it, didn't have time and asked Herbert and Danny Bell to handle it, but I want to make very clear that the moves we made are entirely—what shall I say—nothing that we moved on in any way was but what the Federal Reserve was more than pleased that we should do.

Q.: Mr. Secretary, your inactive gold fund has passed the one hundred million dollar mark; are you contemplating any issues?

A.: Between now and Wednesday we'll decide that—we make our regular announcement Wednesday or Thursday night.
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, JANUARY 28, 1937:

H.M. Jr.: Where's Miss Chauncey?

Q. She's outside admiring Mr. Magill's new sign.

Duffield

A. I have to go out and take a look at Mr. Magill's new sign myself.

Q. Do you want to wait for her?

A. I think so.

Q. Mr. Secretary, it's only a matter of curiosity, but what's the bill issue going to be? I don't mean for publication now, but when you make the announcement?

A. Fifty million.

Q. Just fifty million?

A. Yes, but that's in the family until Saturday (?) noon. Where's Clarence? (Linz) I can go off the record now.

Q. I was just seeing what he was up to last night.

A. Who, Clarence?

Q. Yes.

A. (Miss Chauncey enters) I asked where Miss Chauncey was and they said you were out admiring Mr. Magill's new sign.

Q. Mr. Secretary, the Bank of France raised its discount rate today from two to four percent.
In connection with the monetary situation, have you anything to say?

A.
I'd say it was purely an internal matter.

Q.
Will you comment, sir, on that general franc situation?

A.
No, I'm sorry.

Q.
Can you say anything now about that meeting of people which —

A.
Which fascinated you some? No, I don't think I can add anything to what I said the other day. What did I say? Past, present and future.

Q.
Mr. Secretary, to broaden it a little and get away explicitly from those discussions, I wonder if you could say if the pressure of the franc continues whether, as an academic proposition, it might not be necessary to let it slide a little in relation to the dollar?

A.
No. Very much off the record, we've got to be careful here—what I say. And I think the American press ought to be careful not to accelerate their troubles and if I talk—I mean, I can't say anything. It's an internal matter; they've got to face it and what the outcome will be I don't know. I mean, we've just got to watch it. I would rather you, directly or
indirectly, refer anything on the French situation to me.

Can you tell us whether you and Governor Eccles went to the White House?

Sorry, I can't help you out on that either.

Mr. Secretary, can you enlarge any on what you said at our last meeting on the monetary conferences?

No, just that I can't say anything more than what I said the other day. Just that we were reviewing — past, present and future, and I don't think that there will be any announcement.

Sorry.

That is, how soon?

I mean, I don't think as the outcome of that meeting there will be any announcement.

Well, how soon do you think there will be some really concrete development on it—within a month?

As a result of that meeting, I don't think there will be an announcement.

I don't mean the meeting, Mr. Secretary. I mean your general studies.

We're going over that all the time. We've got to keep watching, studying and looking.
Q. Naturally, Mr. Secretary, something is going to happen or you wouldn't study it.

A. We might study it and decide everything is fine and leave it as it is.

Q. This is meant to be a question, although it may sound like it isn't. I'll make it a question: Don't you think that by being too cautious about these meetings you may give rise to stories which might cause embarrassment to the French situation? I'm sorry if my writings contributed to that situation. (Duffield)

A. What are you going to do? I want to consult those people and have them here. It's obvious I don't want to discuss what I called them here for so the only thing you people could do was to make a good guess, and so far as the Treasury is concerned, nobody wrote anything I could take any objection to and if we do it again we will have to do it the same way. You fellows will have to guess. It isn't easy to face you men and say nothing. It would be much easier for me to "gab" along. The hardest thing is to say nothing.

Q. It's so easy to make a harmful guess.

A. I know, but you fellows are smart.
Q. Well, I mentioned the possibility. (Much laughter)
A. Well, so far, we've gotten along fine and there wasn't anything harmful to the United States Government—that's my first interest.
Q. You could indicate, Mr. Secretary, whether any step is contemplated in the near future in connection with the international monetary agreements—as to what is being considered.
A. My best guess is that there will be no announcement as the outcome of that two-day meeting—I don't think there will be any announcement.
Q. Is Mr. Cochran going back soon?
A. He'll be here about another week.
Q. Mr. Secretary, there has been some discussion of the lowering of the excess reserves; I wondered if the Treasury is contemplating any additional steps?
A. All information on that will have to come out of the Federal Reserve Board. It should. It's entirely their problem.
Q. How's your "purge" of Treasury guards coming along, Mr. Secretary.
A. Purge? Treasury guards? Are we having one?
Q. You ought to know—you’re the one that ordered one, they say.
A. I’m not trying to dodge it, but you’ve just got me off-base—that’s all.
Q. I understand that you got Elmer Irey to bring over some of his ace detectives to find a lot of skeletons in the boys’ closets.
A. You’ve, frankly, got me off-base. I’m sorry.
Mr. Gaston: They’re doing one of the occasional check-ups that they do of the guard forces and other employees of the Treasury—just a routine check-up of the personnel, just as they do occasionally here and there.
Q. I don’t know why, but they’re asking a lot of questions that don’t seem to be routine questions.
Mr. Gaston: On those personnel check-ups they always do ask a lot of questions.
Q. What’s a glass of beer got to do with a man’s job in the Treasury, and unpaid installments on his car?
Mr. Gaston: I suppose their questions are similar to what they’d ask of anybody in a responsible position.
Q. These fellows only make twelve hundred dollars a year. If they were G-men or something like that there might be some excuse.
H.H. Jr.  
Well, I can't help you out, but if Irey is doing it I can assure you it will be well done.  

Q.  
The guards say they're doing a good job on it.  

A.  
Anything else? Magill is here getting acquainted. I'm going to volunteer some information now. We're going over to pay his respects to the President.  

Q.  
Can you tell us, sir, just what his work is going to be here, I mean, when Mr. Taylor came you sort of marked out what he was to do.  

A.  
Well, his work is going to be, largely, practically entirely internal revenue and taxation.  

Q.  
Are you putting the Bureau directly under him?  

A.  
Yes.  

Q.  
Does it report to him instead of to you?  

A.  
Yes.  

Q.  
Would you care to comment on the work of the Coast Guard and Public Health Service and the work they are doing in the flood area?  

A.  
I don't know whether it's up to me to praise my own organization—but all the reports I get—they seem to be doing really a magnificent job and I only have praise and no complaints. And the President and the Red Cross— everybody—seems to be simply delighted with what they are doing,
and we have certainly given them everything we've got, and as long as they are doing such a fine job, I don't exactly like to praise my own people, but everybody is more than pleased. We haven't gotten a single complaint and from every source come all kinds of nice things for what they are doing, and we've simply turned everything we've got loose. Maybe that might be good, coming from somebody else, but as long as you asked me — .

Just to be clear, you said you didn't want to say anything directly or indirectly on the French situation, but your statement that the change in the discount rate was purely internal—is that quotable?

Yes.

ooOoo
Q. Welcome back, Mr. Secretary.

A. Thank you. I had a good rest. At your service.

Q. Mr. Secretary, your colleague, Mr. Wallace, wrote an article for a London newspaper, which was distributed to the American press yesterday, in which he indicated that the Administration would not be disposed to extend any loans to Europe until the present debts have been cancelled. Have you any comment on it?

A. I just suppose he was writing it as Secretary of Agriculture.

Q. Did he consult the Secretary of the Treasury in the framing of the article?

A. I'm afraid you boys will have to excuse me on this—you'll have to get all your stuff from Wallace.

Q. A jurisdictional dispute—we've been hearing about it in Labor.

A. No, he's written this article —.

Q. A swell piece, too. (Linz)

Well, Mr. Secretary, Mr. Bonnet, the new French Ambassador to Washington, is sailing on Wednesday for his post. Do you expect to discuss debt
matters with him or have you any indication that he will bring them up?

A. That sort of appointment is always made through the State Department and, naturally, the State Department wouldn't be making an appointment until after he arrives. And I have had no communication from the State Department about Mr. Bonnet at any time, of any kind.

Q. Mr. Secretary, some time ago you spoke about or somebody did, at least, in here — spoke about discouraging continued imports of foreign gold to the United States, and they talked about taxes that would sort of equal our capital gains and loss tax. You were making some studies on it. Have you gotten anywhere? What the alternatives are?

A. That study is being done, as I said before—there's nothing new in what I'm going to say,—by SEC, Federal Reserve and ourselves. It's still in the study stage. It's still in the study stage.

Q. Can you tell us what the alternatives are?
A. I'm sorry, no. There are a lot of ideas floating around, but none of them are crystallized.
Q. Do you know yet the rate on the bills?
A. Yes.
Q. What is it?
A. It's down.
Q. What?
A. Yes, it's just because I came back. The average discount was .377 and the time before it was .401.
Q. What do you attribute that to, Mr. Secretary?
A. My return from Sea Island.
Q. Not publicly you don't attribute it to that?
A. What? Well, with my friend, off-the-record Linz, here I'm always serious.
Q. Well, facetiously then, what do you attribute it to?
A. What, facetiously!
Q. There is an interesting angle, seriously, Mr. Secretary, because of the criticism up on the Hill directed to the increase in the reserve requirements — the effect that this would increase the "wages of money" — Mr. Rankin and I.
A. Wages of money? Well, to be serious, I'd say one week is too early to tell the story but it's worth watching. I mean, the fact — I think it's too early to say that it has passed the peak and is on its way down, but I do think it's very interesting, and pleasing to me.

Q. Mr. Secretary, do you agree with the Federal Reserve Board that the probable effect of tightening short-money rates will increase interest rates?

A. In view of this?

Q. Would you say that?

A. No, because I wouldn't want to say anything.

Q. I don't mean in controversy with Mr. Eccles.

A. No, no. That's one place I'm not in controversy.

Q. It's no controversy. You said a week wasn't long enough. I meant in the future.

A. I'd rather not. There's no controversy of any kind. I just don't care to make any prophecies — that's all. I just don't want to make any prophecies. You boys know I never did. I made one over New Year's, but that's about all. That wasn't much of a prophecy. I don't make any prophecies.
Q. Mr. Secretary, the bond market is beginning to worry a little about what you're going to do in March.
A. Where's Bob Thornburgh?
Q. I'm representing him.
A. Is he sick?
Q. No, he had that SEC hearing today.
A. Well, if Bob isn't here, I can't comment on financing.
Q. I'll cover it.
A. No, it's too early. We're having tomorrow -- I don't know where this announcement should come from, but, at least, I'll give you the news and they can decide where it should come from.

Mr. Gaston: You can credit it to the Federal Reserve Board.
H.M. Jr.: The Executive Committee of the Open Market Committee will be here at 11 o'clock tomorrow, but as long as it's meeting here -- I can say that much.

Q. Meeting with you?
A. Yes.
Q. What's the significance of that?
A. My return from Sea Island.
Q. Can you tell us whether the March financing will be your topic?
A. Well, the discussion will be financing. If you don't mind, write it that way. Financing.
Q. Does that mean an open market operation?
A. No, I just say "financing."
Q. You always talk over your financing plans with them before, don't you?
A. We have, yes. I've always consulted with them.
Q. Will you say whether you've asked them to come?
A. Yes, yes. Yes, I asked them to meet with me tomorrow.
Q. Well, portfolio operation is not a "financing" is it, Mr. Secretary?
A. No, I said we'd be discussing — what I said, was very careful to say, somebody said "March," I said "no, we'd be discussing financing."
Q. I understand that, but you wouldn't be discussing the policy of the Federal Reserve System in letting governments run off?
A. I didn't say that.
Q. I just asked.
A. I said we'd be discussing financing.
Q. I was just wondering if that was financing or not.
A. You go over and see Marriner and ask him. I just said we'd discuss "financing" and I'd take it that would mean the borrowing of money, don't you?

Q. Yes. You still feel that in having asked the Committee over here, we should go over to the Federal Reserve for information on it?

Mr. Gaston: I don't think it's necessary.

H.M. Jr.: I don't think it's necessary. I asked them to come over here—I invited them over here at 11 o'clock tomorrow. If you happen to drop over there you might ask them.

Q. How about a new issue for this tremendous amount of new gold you have now — $145,000,000?

A. Well, we are meeting tomorrow (smiling).
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, FEBRUARY 11, 1937.

(The Secretary and Mr. Gaston were discussing "Old-Fashioned Journalism" as the newspapermen came in.)

Q. What do you mean by "old-fashioned journalism"?

Mr. Gaston: Old-fashioned journalism is to work up a real hot story and then kill it for advertising reasons.

Q. Don't they do that nowadays?

A. Oh, I don't think anybody does that any more.

Q. Mr. Secretary, may I ask Mr. Gaston if he ever covered a department store sale?

H.L.Jr.: I thought you people might be interested in knowing that the committee the President appointed to study the inflow of foreign capital, consisting of Mr. Eccles, Mr. Landis and myself—we have proceeded far enough in our studies that we will meet here at ten o'clock, Monday.

Q. Does that indicate, Mr. Secretary, you may draft some conclusions at that time? How far have you proceeded?

A. Well, we have proceeded far enough that the three principals feel that it's worth while meeting.

Q. This is the first time the three principals have met?

A. We met, I think, once—mapped out how we'd put our technical staff to work. Now we feel that
the studies have proceeded far enough.

Q. They are about to emerge from the study stage?
A. Yes.

Q. What are some of the possibilities, for background?
A. I'm sorry, I can't say.

Q. Could you tell us, Mr. Secretary, the particular significance of the Monday meeting? Will you have any statement afterward?
A. Not necessarily.

Q. Can you say, Mr. Secretary, whether you do contemplate having some definite program?
A. Not until after I meet with Mr. Landis and Mr. Eccles.

Q. The meeting will be held here?
A. Yes.

Q. How long has the study been going on?
A. Oh, it must be since the middle of November—about three months ago.

Q. Do you personally feel, Mr. Secretary, that the situation is such still that some action should be taken?
A. Well, I feel that—that's a hard one to know just how to answer. I'll put it—if you don't mind my answering it my own way, —I'll put it this way—that the constant inflow of foreign capital
is a source of worry to me. If you don't mind, I'd like to leave that "period, end."

Q. It isn't particularly a source of joy to the foreign countries that lose it either.

A. I shouldn't think so. I think you can just say, instead of saying "to me," "is a source of worry to us," which would be inclusive of the Administration.

Q. For background, Mr. Secretary, what would be the possible actions you might take?

A. Bob, do you mind fixing your glasses? I can't look at you without smiling.

Q. I like to wear them on the end of my nose.

A. The self-made bifocals.

Q. So I can see. Can't you answer that question?

A. I don't know. Do it again, Bob, will you?

Q. The possible actions you might take to meet this situation.

A. No. Here these various technical staffs have been studying for three months; they've gotten far enough that the principals feel that we should meet now and hear the reports from these various staffs.

Q. Don't capital funds move from one country to another because of better economic or investment
conditions? How can you do anything short of modifying the whole picture?

A. After all, there are three people on this committee, and, frankly, I don't want to say anything until I get the benefit of their advice and I get a chance to tell them what I have.

Q. I'm not talking about what could be done, but isn't that the reason for investment funds going from one country to another?

A. If I answer that, I'll open up the whole question—the next question will be, "What do you think about it—?" I mean, I'm not announcing this coming conference—Clarence isn't here—I'm not announcing this this morning just for fun. It isn't just an accident that I'm announcing it. That's very much between us, but, frankly, I don't want to go any further. I don't think it would be courteous to my associates to say any more than that we are going to meet.

Q. I was about to ask whether you were convinced something should be done.

A. No.

Q. You don't want to go that far?

A. No, and I might say before making this announcement I called up Mr. Landis and Mr. Eccles and
they said they were very glad to have me make this statement.

Q. Do you think the dollar is under or overvalued—what do I want to say—under valued?
A. I don't want to get in on that.

Q. Is there no answer to my question, Mr. Secretary? (Re: action on capital imports)
A. No, sorry I can't go any further than I have.

Q. Can you say anything about your financing plans?
A. No, they're still in the making.

Q. When do you contemplate raising the weekly bill issue to pay for the gold coming in?
A. Well, I don't know that. Of course, we did sell $97,000,000 worth of United States Savings Bonds in January which was, of course, almost four times what they have been running heretofore, so that did give us some new money. Our plans are still in the study stage. We still just don't know; the whole thing is tied up with what we will or won't do on the 15th of March.

Q. Did you say they were four times as great in January as any other month?

A. Not any other month, but you can figure. For the year they ran $355,000,000 sales for the calendar year of 1936 and in the month of January we sold $97,000,000.
Q. Will they continue to run at that rate in February?

A. I think the first week of February they sold twenty or twenty-two million dollars.

Q. Isn’t there always a lot of institutional buying at the beginning of the year?

A. Not all institutional. We know just what it is, but it isn’t very big. We have those figures—you might just as well give them out (To Mr. Gaston). The picture of institutional, corporate and individual for the year might be very interesting.

Q. As you look at this thing, from now on do you count on the same volume of money from savings bonds every month or a decrease?

A. My own inclination was that it will slide off, but it has been so far in excess of our estimates that it has given us a supply of money, and this question of financing now is one that we have, and we will consult the Federal Reserve Board on because the two agencies must work very closely together and with their announcement and plan of increased reserves which goes into effect the first of March and May—you’ve got to consider that whole thing. It makes the problem a more difficult
one than it has been before to do it without disturbing the money market.

Q. You've always consulted the Federal Reserve.

A. Yes, we've always consulted the Federal Reserve, but at this time it's a more difficult task to know what is the right thing to do without disturbing the money market, without having to pay too much for our money. We'll do it in the way which will disturb the money market the least. Frankly, what that answer is we don't know yet.

Q. How about the old auction system?

A. No auction system.

Q. Has your attention been called to the very exclusive story in the World Telegram yesterday about the loan asked by the British for Germany?

A. Yes.

Q. What about it?

A. As I understand, there's no closed season on writing dope stories, and I don't think you fellows that cover the Treasury regularly would have written that story. It took one of those city slickers.

Q. Maybe one of those city slickers was taken in.

A. I think so. I think some country boy sold him the idea. I don't think any of you fellows who
are around here all along would have written it. I don't know whether there's a World-Telegram man here or not. I think some country boy sold him the story.

Q. One of the "Old Country" boys.

A. Good, very good—I accept that. That's very good.
H.M. Jr.: All right, gentlemen. You are as much embarrassed as I am about those pictures. (Washington Times man taking candid camera shots)

Q. Could you tell us about the conference this morning, Mr. Secretary?

A. Well, I can’t tell you very much. We had this meeting, as you gentlemen know, as a result of the President’s asking the Federal Reserve and the SEC and the Treasury to make this study in the middle of November, which we did, and the heads of the three organizations met for the first time today, and all I can say is that we made progress and that we all are thinking along the same lines and that there’s no real conflict in the approach to the problem as between the three organizations. That’s about all I can say, because we’re going to have some more meetings and I question whether it will be — the announcement may not come from here. If you don’t mind, this is off the record—it may come from the White House—I don’t know. So until that decision is made I don’t know whether it will be an
announcement of the three organizations
or will come from the White House, but,
in the meantime, we're going to hurry
this thing up and I imagine there will
be a decision this week, one way or the
other, on what we're going to do.

Q.
Is there any approximate date?

A.
No.

Q.
This week or next week?

A.
No, we're going to try to come to some
definite conclusion this week.

Q.
Can we quote you on that part?

A.
Make it several days.

Q.
Can we quote you as saying that there may
be a decision on this within several days?

A.
Within several days.

Q.
Definite decision?

A.
Yes.

Q. 
Mr. Secretary, to repeat a question of
last week, what's the possible decision?

A.
Say that again.

Q.
What's the possible decision?

A.
What will the possible decision be?

Q.
I mean what are the possibilities?

A.
Of a decision?
Q. I don't mean of a decision, but the possibilities of decision? Legislation—what are you going to do?

A. He's asking a lead question, I'm not going to try to spar with you. Until the decision is made, I can't tell you fellows what it's apt to be. See, I've got two partners in this thing and until the three of us shall come to a decision—the decision will be announced by the three of us or it will come in the form of a recommendation to the President, but I don't want any reference to the President, if you don't mind.

Q. Can you say whether or not you've agreed upon a recommendation to the President? They say you are the chairman.

A. No, we haven't yet come to a definite decision.

Q. Can you tell us, Mr. Secretary, whether there has been a discussion of barring capital imports?

A. Borrowing?

Q. Barring.

A. In this group?

Q. Yes.

A. No.
Q. It hasn't been discussed?
A. No.
Q. Could you bar foreign capital without legislation?
A. You mean, could foreigners borrow here.
Q. No, I said bar, b-a-r.
Mr. Gaston: What Bob (Thornburgh) wanted to know was if any question came up forbidding imports of capital to the United States.
H.M. Jr.: Now, again, to answer Bob's question and by a process of elimination --
Q. I don't think so—it's a question of exchange control the same as between Germany and Italy.
A. Did I say that the other day?
Q. I wasn't here; you might.
A. Personally—this has nothing to do with the others—I'm opposed to exchange control except as a last resort.
Q. That brings up a very interesting question, Mr. Secretary.
A. Does it?
Q. Why?
A. Well, unfortunately, the countries which have had to resort to exchange control--
it has always been when they have been more or less pressed financially, and at this stage of recovery in the United States there's no possible excuse for exchange control. I mean, we passed that phase several years ago.

Q. Could you say anything about the possibility of a reduction in the price that the Treasury pays for gold?

A. No.

Q. Could you say whether that's receiving consideration?

A. No.

Q. That is not under consideration?

A. No.

Q. Can we, for our background, Mr. Secretary, say that there was no discussion of exchange control?

A. Well, I said, talking personally, I disapprove of it, and I mean I think I've gone pretty far. I don't want to, as one member of a board of three, discuss what took place this morning, you see, because when we've come to a definite agreement—the three people involved—we'll have an announcement to make. You asked me about exchange control and I said I didn't
want to talk about it personally, and if you don't mind, I'd like to leave it like that.

Q.

There's another story today speculating on the possibility of a German loan. Do you have any further comment on that?

A.

I thought the two of us handled that the other day.

Mr. Gaston: Yes, you and Sandy Klein handled that.

Q.:

I can't improve on what Sandy said.

A.

I thought he handled it very nicely.

Q.:

My office did—they handled the story.

A.

Did they print it the way you wrote it?

Q.:

No, they merely said what speculation was.

Mr. Gaston: I gave that story to your office, Sandy—they should have used it.

Q.:

What was that?

Q.:

Well, the question of some country boy selling the story up in New York and Sandy said it was an "Old Country" boy—something like that; it worked out pretty well.

Q.:

In Mr. McReynolds' testimony before the Appropriations Committee he said you wanted $10,000 for some new assistant;
he said you were thinking of somebody and you'd have to pay him $10,000.

Well, if he did, I don't know who Mac had in mind; I'll have to read Mac's testimony. I really don't know what he meant because—
I don't want to turn Mac down, but as far as I know—.

Well, it was a question of continuing, I think, some appropriation for an office not now occupied. I mean, you're authorized to have five special assistants—there are only four now, and he said you wanted that fifth one continued as a $10,000-a-year job because you had someone in mind that you thought you'd have to pay $10,000.

You'll have to let me talk to Mac; I don't know what he had in mind. I'll have to ask Mac. He must have had something in mind.

Mr. Secretary, when will you meet again in regard to capital imports?

Well, I think we'll meet every day this week until we get it straightened out.

Is that the same group that will meet again tomorrow?

Well, no. Some other experts will meet tomorrow and then, if they can get together, why maybe
Wednesday Mr. Landis, Mr. Eooles and myself
will meet Wednesday. We hope that by
Wednesday or Thursday they will have
something for us.

Q.
Could you indicate what experts will meet
tomorrow?

A.
They've had groups—an awful lot of the
experts from the three offices, I should
say.

Q.
The study is not completed then, Mr. Secretary?

A.
No, they hope to have something which will be
in final form by Tuesday or Wednesday.

Q.
Are you inviting anybody from outside of the
three organizations?

A.
We've had a representative from the State
Department just to make sure that anything
we might do would not be in conflict with
any treaties.

Q.
I mean, particularly, some private counsels
of some kind.

A.
No, no. I mean, talking for myself, it's
no. Whether the other organizations did,
I don't know. As far as I know, we haven't
consulted anybody outside of the Treasury
employees. Whether the other two organizations
did, I don’t know, but the Treasury has not.

Q. Could you say what measures might be in conflict with the treaties?

A. No, but we just want to be very sure that any suggestion made is not in conflict with any treaty; there’s this Canadian treaty pending, as you know, waiting for ratification—do you boys know about that? If you don’t, Herbert Gaston will explain it, but there’s this question of special tax features for adjacent countries.

Q. Wasn’t that in the last tax bill?

A. It was, but it hasn’t been ratified, but it’s that kind of thing. We want to make sure any new plan would not be in conflict with any treaty of that kind. Camera finished?

Q. Just about, sir.

A. All right.

Q. Anything more you can say on the financing, Mr. Secretary?

A. No, except that I’ve asked the Executive Committee of the Open Market Committee to meet with me again Wednesday morning at eleven o’clock. We’re going into a
Q. Mr. Secretary, I noticed in your testimony before the Appropriations Committee you mentioned the absorption of thirty billion dollars in the reserve account.

A. Yes.

Q. You said that might happen if the present law were unchanged.

A. Yes.

Q. I wonder if you would express an opinion as to the advisability of changing the law.

A. No, but as the law is written, that’s what would happen.

Q. Would you care to say what effects it might have on the money market?

A. No, I don’t think so.
REPORT ON SECRETARY MORIENTHAU'S PRESS CONFERENCE, FEBRUARY 18, 1937:

H.M. Jr.: Those of you who cover the Treasury regularly realize that I had a very difficult time not answering some of your questions yesterday, but at least I consciously have never given you a "bum steer," and as long as I'm here I'll not try to give you a "bum steer."

Q. On this capital business?
A. Yes. I told you as much as I could.

Q. Mr. Secretary, one thing perplexes me still.
A. Only one? Lucky man!

Q. Let's concentrate on one. You said over there at the White House yesterday, after saying this was still in the study stage, you were asked if there was still an outlook for something concrete and you made a remark that you didn't know; that you sometime studied without arriving at any definite action. If I understand it correctly, that was the first intimation I received that this thing wouldn't end up in something concrete.
A. Yes, I know, but I turned to Eccles and Eccles gave the indication that it would.

Q. Yes.

A. Well, without elaborating on the thing—this is with Clarence Limz not here.

Q. He was there yesterday, though.

A. He wasn't at my meeting—the one before—either. He said I referred this thing to the President. Well, anyway, to try to explain it as far as I can—we go over there, quite obviously with a report and quite obviously the report we made, as such, there were some kinks in it. Three people are appointed by the President to make the study. We go over there and come out and, obviously, we hadn't gone—there was something the matter somewhere—right?

Q. Yes, quite right.

A. Now, as between the group which was appointed by the President to make the study for him, I wasn't in a position where I could say what was the matter. Now, that's the whole
story. What I think about it or what my wishes in the matter are—this isn't something I'm doing for myself. I'm doing something for the President.

Q. Did you mean, sir, to leave that inference that this might all just die in the study stage?

A. No, I did not mean that, but you asked me a question, and the thing we ran into I didn't know we were going to run into on Monday, and if I had come out and said every-

thing is fine, boys, we're going right along, I might have given you a wrong impression and the impression I was trying to give you was just that, and as long as I'm here I will either say can't answer or I'll try to give you the facts as much as I can. Nobody of the three could say this thing—something definitely is going to happen, and, therefore, I was trying, as best as I could, to keep good faith with the President, who is my boss, and for whom I'm doing the job, and go as far
as I could and still not come out and say "everything is lovely," because if everything was lovely the committee would be discharged and it wasn't. We were told to go home and do some more homework. Does that satisfy you?

Q.

Could you say when you expect the other homework to be finished?

A.

No, we're working on it right now, continuing the thing and exploring additional angles. As to the need there's no disagreement among us as between Landis, Eccles and myself as to the need. The need is there. It still exists. But the very fact that they have been studying the thing for three months shows how difficult it is. If it had been an easy thing we should have been able to do it in three days, but, leaving out the principals, leaving out myself, the staffs are certainly intelligent of the three organizations, and the fact that it did take three months to get this preliminary report shows how difficult it is.
As to the necessity, there's no disagreement. Everybody agrees something has to be done, but what that something is is not so easy. Is that entirely cleared up?

Q. Yes. I'm cleared up, except for this one point: You say there's no disagreement on the point something must be done—that implies something will be done.

A. You can't say that, Bob (Kintner). I may say to you, I mean, I can't just think of a good example. Something has got to be done.

Q. We should have a law about it!

A. Yes. Now the necessity is there—the capital is coming here in large quantities. It's disturbing for many, many reasons. The problem is there, but now how to handle that problem.

Q. Or if it can be handled at all—is that still an open question?

A. Yes, or is there—if suitable legislation can be found. The problem is there. We recognize the problem. We recognize that when we sterilized gold we removed the effect it had upon our domestic economy, but the money is still coming in in large
quantities to be invested in our stocks, some permanently, some for gain, some for flight, and it's coming in. Everybody working on it says something must be done, but it has taken a full three months to find out what that something is.

Or if there is something.

Yes. Now, we think there is, but I can't say to you boys we've got the answer. Now that's the whole thing. And if you listen to some of these technical people, you'd be even more doubtful, but we're going to keep plugging away at it. We've had more difficult things to do—much more difficult, and we have found an answer, and I'm personally not discouraged. I think we can find an answer, but I can't say to you and I'm not going to say to you and nobody else can say that the thing is solved. I want you to understand it, because it's a very important thing; we're talking about roughly eight billion dollars in this country and a person can't be flip about a thing like that.
Q. Aren't you also talking about the American position on the whole world on a monetary basis?

A. This thing cuts every possible way—the future of America, our domestic economy, our price level.

Q. Our relation to other countries?

A. Our relation to other countries—the stock market, this thing called inflation. I mean the whole business—one can't afford just to go off half-cocked. It's too important. We have spent weeks and weeks and weeks on the question of sterilization. We've spent three months on this thing. It's a very, very difficult problem. I'm hopeful that it can be solved. I'm not going to leave a stone unturned, and we're all in agreement that something should be done, but I can't say to you that something or what that something is. I don't think that anybody working on it would be in disagreement. And, as I say, I'm personally not discouraged. We've handled more difficult things than this. (Interruption)
One second—this fellow (Duffield) he was all hot and bothered last night and I want him to have a peaceful weekend.

Q. I wished last night I had been a bookkeeper. (Duffield) I did not want to be in the newspaper business.

A. All right now?

Q. Yes. Is the State Department still represented in these discussions of the technical staffs?

A. Yes.

Q. Mr. Secretary, a couple of the boys—alleged journalists and I—stuck around the kitchen stove last night and did a little speculating, and we figured you went over to the White House with some general program envisioning some sort of taxation to solve this foreign capital problem and that the snag you struck across the street may have been as a result of Mr. Kent's visit the previous day.

A. Well, I don't know what Kent said, see. So I don't know—I'll have to join your group around the stove.
Q. Very happy to have you.

A. Just let me know where it is and what kind of liquids you put on the fire.

Q. Mr. Secretary, one clarification about a thing you said a moment ago—that you were all in agreement about the necessity for this. Could I ask whether you were in agreement about the preliminary report you gave to the President?

A. Yes.

Q. Mr. Secretary, could you say whether the difficulty arose over a general principle or over a device?

A. You'll have to excuse me on that. I'm not going to be held helpful—you'll just have to excuse me. (Silence) The calm before the storm.

Q. Anything you can tell us about the financing, although Bob is not here?

A. The only thing I can say is that I've again asked the Executive Committee of the Open Market Committee (I've had that drilled into me) to meet with me again next Wednesday.

Q. Can you explain why this rather unusual series of meetings?
A. Yes, it's—in order to do this financing and not to disturb the money market at this time—is what we're studying.

Q. Can you say whether you're going to do any cash borrowing?

A. I don't know. I don't know. After all, we're just in the midst of this change in excess reserves and it's—as I said here a week or two ago—we want to borrow the money; we want to borrow it as reasonably as possible and we want to do it in a manner which will make as little disturbance as possible, and just how to do it—the decision is more difficult than usual.

Q. Mr. Secretary, can you say whether you expect a surplus of receipts for the balance of the fiscal year? Can you take a cut-off date now?

A. I don't know.

Q. One other question. I've been asked to ask you when you were before the Appropriations Committee, Chairman Buchanan questioned you for sometime
about the domestic silver price of seventy-seven cents and asked how it happened and you said it was an accident and he said it was a coincidence; and he asked if that price was based on what price would have to be paid to keep domestic silver mining industry working happily and you said it had not. Is there any thought of making such a survey or asking the Bureau of Mines to do it?

A. Well, just now, my time has been taken up with other problems. What else? Are you satisfied on this other thing (capital)? Everybody?

Q. Except I'm not clear—is this on the record?

A. No.

Q. Off the record?

A. It's off the record—very much off the record.

Q. I misunderstood you then. We can't quote you on it?

A. On what I said on foreign capital?

Q. Yes.
A. No. Do you want me to make a statement on the record? No, everything I was saying was to try to clear up everybody's questions.

Mr. Gaston: I think it's all pretty safe for background use.

Q. I'd like to have some statement on the record, if you could make it.

H.J.: How about if I make it for background—will that help?

Q. What can you say on the record?

A. I can't say anything more than I said yesterday when I came out of the White House and said it was still in the study stage, period. That's all I can say. Herbert says you can use it for background.

That's all right.

Q. Can't we quote Treasury officials?

Mr. Gaston: What would be the statement? It isn't quite clear in my mind.

H.J.: I personally—I don't like to disagree with you, Herbert, but I'd rather have it for background. If the boys want a statement—I don't mean background, I mean off the record. I talked very freely and
I'd rather keep it very much off the record. If the boys want to start fresh and ask me some questions on the record, I have time.

Mr. Gaston:

I imagine the statement they want is that they are still hopeful of finding a solution for this problem of capital imports and you are still working on it.

H.N.Jr.:

I'll try to put it frankly on the record: The Committee is continuing to study the question of inflow of foreign capital and are hopeful of finding some solution within a reasonable time.

Q. Could you add to that, Mr. Secretary, something generally about what you said about the difficulties of the study?

A. No, I'd rather just leave it like that, but I knew that several of you, around the stove and other places last night, had troubles and I felt this was one of the times I could talk to you. The easiest thing is to talk—the hard thing is not to talk.
Mr. Secretary, some of the statements that have been made in the past, about foreign capital movement, that is, publicly, have been made with the idea of some sort of psychological influence on the boys that are pouring it in here; I wonder if this might not have an adverse effect—that the plan has struck a snag.

I can't help it. I think I've got your confidence. I know you fellows have got my confidence. I can not go further than I have here in the fifteen or twenty minutes—I can not keep your confidence and say we've got something. I can't do that. I mean, if I did it you fellows could say, truthfully, well, Morgenthau is just kidding us. I have never done that.

Mr. Secretary, you said this was off the record, but, of course, the morning papers say you've been a little baffled—I mean, it can't be off the record entirely.

Well, it's quite obvious; my actions were quite obvious.

I didn't want you to think we had betrayed your confidence—the morning papers carried the same theme.
A. I read the morning papers; there is nothing in them that disturbs me.

Q. Are the staffs of the three agencies meeting this morning?

A. Our own people are meeting right now.

Q. Can you give us any outline of when the three agencies are going to meet with technicians?

A. I'm going to meet during the day with Landis and Eccles.

Q. We can use that?

A. Yes, I am meeting with Eccles and Landis sometime today; but Eccles is tied up on the Hill and we're going to wait until we find out when he gets through.
REPORT ON SECRETARY MORGENTHAU'S PRESS CONFERENCE, FEBRUARY 25, 1937:

H.M. Jr.: Isn't Bob going to be here today?

Q. Bob is up at SEC covering a story. Are you going to have any financing news?

A. I've got a financing story. Well, I can tell you three things on financing: One, over the 15th of March we are not going to ask for any new cash. Two, on the 15th of March we will offer the April notes the opportunity to convert into a new security.

Q. Would you say that over again, Mr. Secretary?

A. No new cash and there's a 502 million dollar note maturing on April 15th and on the 15th of March we will offer the holders of that note the right to convert into a new security, and beginning next week we are selling additional fifty million bills into the next tax date—into the 15th of June.

Q. In what total amount?

A. At this time I'll simply say we will sell approximately several hundred million.

Q. Several sounds like seven.

A. Several means to me two or three hundred million, depending upon what the March 15th tax receipts would be.
Q. Mr. Secretary, when you say there would be no new cash, do you mean no net new cash or no March bills?

A. What I mean is, over and above the April maturities, on top of the April maturities, we will not offer any additional security. The only thing would be the right to convert.

Q. The bills which mature in March would be in effect replaced by the bills sold.

A. They would be paid out of tax receipts.

Q. But as to the Public Debt, they would be, so to speak, replaced —.

A. If you want to say that, but, technically, they're paid out of tax receipts. When we're all through there'll be no amount added to the public debt.

Q. And none taken off. I was going to say, but you can't say about that.

A. The net result will be if we get approximately our usual run, 95 to 98 per cent conversion on the 1st of April, the public debt will stand as now. Whenever we conclude these offerings the net result is that the public debt will stand where it was.
Q. What were those April maturities?
A. $502,000,000 3% notes.
Q. Is that primarily because of the working balance or the sterilization program or can you pin it on anything?
A. You can't pin it on anything. After all, these meetings and everything else, we've spent more time on this financing than on any financing since I've been here. The reason for it is that we wish to have a minimum disturbance of the money market at this time, while the Federal Reserve are carrying out their operation. In other words, the Treasury wants to and will cooperate to the fullest extent with the Federal Reserve so there will be a minimum disturbance of the money markets. And we feel that this way of handling the financing at this time will accomplish that result. Now, you know everything about the next financing except what kind of a piece of paper we're going to offer those April holders of notes. You've got the whole story except that. And for your own information, just for your own—the formal announcement of that offering will be on Monday the 8th—that's just
for you. So next week some time I'll tell you what kind of a piece of paper we'll offer the April note holders. But it wasn't an easy decision to arrive at.

Q. Mr. Secretary, in the course of these decisions did you determine whether the Treasury will have a surplus over the next four months?

A. Well, naturally—if I didn't know that I don't think I'd be occupying this chair, but it doesn't mean I've got to share it with you, though.

Q. It will make a good story.

A. No, I think you'll have to be a little patient. You keep on guessing—you're doing all right.

Q. Isn't that a low amount—$502,000,000?

A. That's actual maturity.

Q. Yes, I understand that.

A. I can't build it up.

Q. But other quarters have been so much more than that. Is this the smallest financing? That's what I'm trying to get at. Probably since you came here.

A. I suppose so and I guess it's the first time I haven't asked for what I call new money—fresh money.
Q.  
A.  
Mr. Gaston:  
Mr. W. Jr.:  
Q.  
A.  
Q.  
A.  

Net new cash.

As far as I know—I’m never very good on history, but, as far as I know, subject to confirmation, I think it’s about the smallest.

There were some when we were calling those Liberties—there were some which were purely exchange.

Certainly in the last couple of years it has been the lowest. And as we "approach" a balanced budget they will continue to be smaller. Want a glass of water, Clarence (Linz)?

No; I think you need that.

I’m afraid of getting in there (stenographic record) so I won’t answer you.

I was going to ask you about the Housing Bill; in that connection, do you have any opinion to express on this plan of issuing a billion dollars in Government securities for this housing?

I don’t mind saying the first I knew about it was when I picked up this morning’s papers. And I certainly expect to study it very carefully, and, as you men know, there’s no allowance made for any such sum in the budget.
Q. The President, in his budget message, said, didn't he, that any additional expenditure would have to be covered by additional revenue?

A. And in the story I didn't see any recommendation for new taxes and I looked very carefully.

Q. Do you think yourself, offhand, that it isn't particularly desirable to do a thing of that sort?

A. I don't say that—I'm very much interested in low-cost housing, and I think it's one of the things that we want to do, but just how we're going to finance it is another problem which hasn't been answered yet.

Q. This is an Administration bill, isn't it?

A. You've got me scared. I'd answer that but you've tied me down so I can't answer that.

Q. Mr. Secretary, one of the London papers which has no Washington correspondent has a story from Washington.

A. A crystal gazer, what?

Q. They picked up the story some place—a rewrite perhaps—that we're going to give up measures to try to prevent the inflow of capital and try to work out some general agreement with Great
Britain under which, voluntarily, they will restrict the flow of money to this country so as to bring about more or less the same result in some voluntary fashion.

A.

Well, I can't add anything to what I said the last time I saw you men. We're meeting again this afternoon and we've no announcement here.

Q.

You've no plan of considering anything of that sort with Great Britain—something voluntary or anything of that sort?

A.

No. The story is just as I say—the fellow must have been a crystal gazer. I don't know who wrote it—I hope I'm not stepping on anybody's toes present here, but that's all I can say; he must have been a crystal gazer.

Q.

Why didn't the tripartite agreement take care of that?

A.

Read the tripartite agreement and you'll see all it attempted to do was to level out differences, sharp rises and falls in foreign exchange, but there's nothing in that agreement to keep an Englishman from investing his money in United States securities.

Q.

Mr. Secretary, yesterday in the Senate I think Senator Borah became a little concerned over
this "hot money" situation in connection with
the war debt and I believe Senator Harrison re-
plied to him and said, "if you hold your horses
a while, Senator, you'll be able to vote on some
legislation designed to curb that." The infer-
ence there was that some legislation was coming
up. Is there any coming up from the Treasury or
from this committee?

A.

I can't answer that.

Q.

When are you going to be ready to go back to the
White House?

A.

The White House phone was flashing. Maybe I
might have to go back in five minutes. No; I
really don't know.

Q.

Mr. Secretary, I understand that the Amsterdam
Stock Exchange sent a note of protest to you
against any prospective increase in taxes on
securities held by foreigners.

A.

Did you get any, Mrs. Klots? Mr. Gaston? Miss
Chamness, did you get any? No.

Q.

Run short of protests today? Mr. Secretary, we
had a cable on that thing a couple of days ago—
the Bourse, as they call it.
They may have sent something through their legation. The legation would send it through the State Department and if they have it it may get here after a while; it hasn't reached here yet.

Mr. Secretary, this old story about the German loan is still kicking around the world—it has reached Berlin now and the latest is that the arrangement is supposed to be this—that England and France will guarantee the loan as to payment of principal and interest, that we will put up some of the cash, but we won't exactly put up cash, we will send them cotton, corn and potatoes—can you say anything about that?

Just where I was before. I mean there's nothing in the shop on this—absolutely nothing.
H.M. Jr.: Hello, Bob. I smell financing. All right, at your service.

Q. What can you tell us about "hot money," Mr. Secretary?

A. What do you want to know?

Q. Whether there's any chance for an announcement in the near future, whether you've reached any agreement, or general news on it.

A. I can't be helpful today on it.

Q. Any meetings scheduled?

A. No.

Q. Are you through meeting, Mr. Secretary?

A. No, I just spent most of the day on the Wagner Housing Bill.

Q. Can you tell us something about that?

A. It will take another day or two. I don't have anything anyway. I've just been studying it. It involves a billion dollars and it's worth studying.

Q. Mr. Secretary, I saw, in reading over the hearings on the bill to permit the use of governments as collateral for Federal Reserve notes, that Mr. Goldsborough, of Maryland, raised the question of the legality of your sterilizing gold imports. As I remember, he was friendly to it, but he questioned it.
A. And so what!
Q. Just wanted to get a comment from you.
A. Well, you've got it.
Q. Put your name on it!
A. Yes, and so what.
Q. Do you think it's legal or don't you?
A. Or I wouldn't do it. As a matter of fact, as far as I know, all the important monetary moves we've made in the last three years have been legal and have been so upheld by the court.
Q. Another one today?
A. Another one today.
Q. Pretty close though, Mr. Secretary. (Much laughter)
A. You know the old saying—"A miss is as good as a mile."
Q. Well, of course, his worry is that it takes the gold out of the reserves and things don't open up enough for the gentleman.
A. Well, I'll tell you, it's very refreshing to go up before the undergraduates of Harvard, Yale and Princeton and I come back very much reassured.
Q. Are you talking about members of the House committee now?
If they went to Harvard, Yale or Princeton. I spent a day up there and it's a great experience.

You say it's very refreshing? It's very refreshing reading those hearings, too, some of those questions.

Mr. Secretary, can you give us some background on the status of these conferences on foreign capital inflow?

You mean, for background?

I don't know. You say you haven't come to any conclusion and now, suddenly, you don't say anything at all—there's an implication—.

Well, all right. It's awfully hard—this background stuff. If you'll let me talk off the record, I'll talk, but if you don't want that, I'll not do it. I'll talk off the record.

Can't you make that for background and let us use it as our own?

I'll talk off the record or I'd rather not say anything except to you men.

It gets out. (Linz)

All right—skip it then.
Q. Well, Mr. Secretary, that's only one opinion, after all. After all, I think it helps us a lot to know what the situation is.

A. If you fellows want me to tell you, I'll tell you, but I don't want to have it for background or otherwise. If you want me to tell what the situation is, in the room, I'll tell you.

Q. I'd like to know because I don't want to write any wild stories.

A. The situation is this. In the first place, Mr. Landis has been away the last three days of last week and the man he sent over didn't know what it was all about. So that was zero. He didn't even send one of the commissioners over.

The man he sent didn't know what it was all about—just came in cold. Landis left last Wednesday to go up to Harvard and that in itself set us back, and the boys have got some new wrinkles and they're exploring those and we've sent copies over to Mr. Eccles and Mr. Landis and asked them if they had anything, but the further we go into this—the trouble is to find something we can administer. Lots of people have got lots of bright ideas, but when you put it up for enforcement it's a very difficult
thing. I mean, to do it even half-way and hit the people you want to hit—that's the difficulty—this "hot money"—it's a very difficult thing and the more you study it the more you realize it. If we had access to the income tax returns of the rest of the world, it would be easier. It isn't easy. I, for one, after all these months of study don't want to go up to the Hill and say "Look what a bright boy I am," and say "Here is something," and find that it hits the wrong persons and doesn't work. That's the situation.

Q. Are you still hopeful?

A. We're going to keep after it. They think they've got something now—I don't know. We'll send it over to the other people and ask them about it. The fact that Landis was away for three days did kind of slow the thing up, but it has been slowed up anyway, because it's a very, very difficult problem and people have been studying this thing for years and I don't go off half-cocked and I'm not going to go up on the Hill with something unless I'm--I like to be 75 per cent sure the thing is going to work—I never reached the 50 per cent stage yet.
Q. So there's no way of telling now just when this study will be completed, or what will evolve from it?

A. No.

Q. It wasn't clear from what you said last week whether you'd tell us this week what kind of a piece of paper you were going to give?

A. I'll tell you Thursday morning. The Executive Committee of the Open Market Committee is coming down again Wednesday and we'll have another talk and at Thursday morning's press conference I'll tell you what kind of paper it will be.

Q. Mr. Secretary, out in Denver two men were fired today from the Internal Revenue division as a result of the investigation of their political activities. Do you know about that situation?

A. Yes, I passed on it personally.

Q. Anything you can say about it?

A. I don't think so. It's a question of--I don't know whether the question of the defamation of character comes in or not, but after a very careful investigation of the grounds the information was sufficiently serious for me to feel that I should sever their connections with the Federal Government.
Q. I'm correct in inferring that it was political activities that were being investigated? I think that's what we said from Denver.

A. I think I'd better stick to "charges were of sufficiently serious nature for me to accept the recommendations given me to sever their connections." The recommendations came from Commissioner Halvering to me and I accepted them.

Q. Mr. Secretary, the fact that you're going to meet again with the Executive Committee of the Open Market Committee--does that mean you have not definitely decided on the kind of offering?

A. That's right. I won't until Wednesday night. I want to be as sure as I've ever been that we'll do the thing which will disturb the market the least. I might say that today is the last of March and things were very quiet today in the markets, bond market and everything else. No disturbance today, as far as the Government bond market went.

Q. Mr. Secretary, if the Wagner Bill passes will it necessitate new taxes, in its present form?

A. Well, that isn't for me to say, but I've simply got to refer you to the President's budget message. You may remember, in the last three
years, that I have not recommended any new taxes.

Q. But the implication of that is that the President said in his budget message --

A. I'll just refer you to the message.

Q. I just want to be sure that I'm talking about the same part of the message as you are--any new activities, new taxes?

A. We've got the same thing in mind--I don't know whether we interpret it the same way.

Q. Mr. Secretary, there's some thought that this Wagner Bill might be an Administration bill.

A. Well, I'm just studying it, as I say, because there's a large sum of money involved and I don't want to lay any great emphasis on it, but you will see that tomorrow there's a meeting on this thing. I don't want you to say it now. Why I'm doing my homework today, is that there is a meeting across the street tomorrow. Wagner is coming down, so I'm doing my homework today. I don't want to over-emphasize the Wagner Bill, but I want to be ready tomorrow.

Q. Can you say anything about this meeting?

A. No. The President might change his mind.
Q. Can you tell us whether you’ve had conferences today on this bill?

A. Our own Treasury group has been working right along today on it, and we’ll work on it tonight too.

Q. The President said at his press conference on the 23rd that the Wagner low-cost housing bill was in the final study stage. It has been introduced since then.

A. You and the President and I are in no conflict on that.

Q. That gave rise to the thought that the Wagner Bill was what he wanted.

A. He hasn’t said that yet. I mean, he hasn’t sent any message up in connection with it.
H. M. Jr.: First as to our own business. Hello, Felix; haven't seen you in a long time—sell you a little cotton? (Felix Belair)

Q: Got some?

A: No. On Monday we'll offer the April holders of the note the right to exchange into a bond. Period. Paragraph.

Q: No maturity?

A: You'll have to wait until about 12:30 Saturday to get the rest for Monday morning release. Now I'd like to do something a little bit different than I've done it before, and that is this: Both ticker services that we get here have carried a supposed interview emanating from the correspondent in Washington of the Petit Parisien—I understand he's here. I asked him to be here and if he cared to, possibly he'd like to say what he did say in his dispatch and that would make it easier for me.

Mr. Denoyer: Here I am.

Mr. Gaston: That's Mr. Denoyer, Mr. Secretary.

H. M. Jr.: Would you like me to read what the United Press carried?
Newspaperman: Yes.

H. M. Jr.: I'd like to make it as easy for you as I can, and at the same time make it as easy for the American press as possible and let them know what the facts are.

Denoyer: Naturally.

H. M. Jr.: This is what came from the United Press:

"Paris—Government bonds (rentes) opened two points higher today on the basis of stock market reports that Secretary Morgenthau had assured Georges Bonnet, new French Ambassador to Washington, that the United States was willing to help France out of its present financial difficulties. Other issues followed the bonds upward. The Washington correspondent of the Petit Parisien cabled that Morgenthau gave Bonnet 'unequivocal assurance' of support." This is sort of unusual, but I want to be courteous and still it's very important, and I understand from what you said to Mr. Gaston that you didn't write any such thing.

Denoyer: Not in this form.

H. M. Jr.: So, if you don't mind, this is your press conference for the moment—you can say anything you want to.
Denoyer: May I say that it isn’t for quotation but for background, because I don’t have the experience that you have, Mr. Secretary.

Linz: No, oh no.

Newspaperman chorus: If you don’t want to listen you can leave. I guess if the rest of us want it we can have it; if you don’t want it, all right. Wait a minute—that’s your baby.

Linz: If the rest of them want it, I don’t mind.

Q: That’s right—if the man wants to explain....

H. K. Jr.: I guess you want to live up to the rules.

I want to say, in the first place, this gentleman is a foreigner, and we want to be extremely courteous to him. The easiest thing for me to do is to make a flat denial. I don’t want to do that, so I’ve asked him here to give him the opportunity, and if he says he wants to do it for background, I think we ought to go along with him. After all, he belongs to your guild.

Denoyer: Mr. Secretary, I appreciate very much your courtesy.

H. K. Jr.: You say it any way you want to—because this is terribly important, and if you want to do
it for background I'm sure the other correspondents will be willing.

Denoyer: I feel that if it's not for direct quotation I can give you much more and for background I can give my colleagues much more information on how that cable of mine was written.

H. M. Jr.: And, after all, I can say for you—you have your home office to consider and you don't want to throw down your editor, but it's terribly important so if you want to explain it for background....

Denoyer: I have just been back from France and I am taking up threads as I have left them about three months ago, and I have, since I've been here, not had any occasion yet to write anything at all about the financial situation. And it seemed to me of interest to take up, in view of the interest that the French public has in its own situation, to have an occasion to tell about the reaction here to the French situation. I'm going to read you (I don't think that I can do any better) a rough translation of the cable I sent yesterday. I sent this cable yesterday, early
in the afternoon, before having seen even the French Ambassador, Mr. Bonnet, before having seen anybody at the Embassy, and, therefore, what's contained there is not at all from any Embassy source—I'm volunteering that because I realize what embarrassment that may put you, Mr. Secretary. If you believe that the French Ambassador has reported a conversation that he has had with you, he has not—that is positive, and checking on the cable hours may very clearly show that. This cable was sent before I saw the French Ambassador, Mr. Bonnet. I saw him only when I went to the press conference at the Embassy last night and this was sent out before.

H. R. Jr.: As a matter of record, Mr. Bonnet was here Monday afternoon.

Denoyer: I didn't even know the date and you will see that I know so little about the exact time that you have seen him.

H. R. Jr.: He was here Monday.

Q. That's all right—on the record?

H. R. Jr.: Yes.

Denoyer: It was a courtesy visit such as every Ambassador coming in the new country makes. Is it not?
H. M. Jr.: You finish, if you don't mind.

Denoyer: What I said is this: (Translation of cable to Petit Parisien in French) "The American authorities again follow carefully the financial and monetary situation of France. The policy of the three great democracies (may I interrupt here to say that if this vague formula is vague here, it will present something a little more definite in France). The common policy of these three great democracies—the policy of the three great democracies inaugurated by the tripartite agreement of September last (the translation is a vain word—it would be a little stronger to say it is a substantial reality). They have and they are disposed to do all they can (they, the authorities) they are disposed to do all they can—they, the authorities—to help France in her present difficulties. Mr. Morgenthau, the Minister of Finance of the United States, has given such an unequivocal assurance to Mr. Georges Bonnet, our new Ambassador, in the courtesy visit that Mr. Bonnet made to him at the beginning of the week. But what can the American Govern-
ment do (note of interrogation)? Its good will is limited by laws which reduce considerably its possibilities of action. (By this I had in mind that certain people in France have been looking towards the United States for credits, as you are well aware, and this is, I believe, something that is not possible in view of the Johnson law. Now, for our public, I thought it was a good thing to remind them that whatever the good will of the American authorities in such a circumstance, the good will that has been demonstrated at the time of the tripartite agreement, whatever it is, it is considerably limited by the laws of the United States.)

The news cabled from Paris to the Wall Street Journal according to which Mr. Charles Hist would be called by the French Cabinet to give his advice to the French Government has produced a good impression. Mr. Hist is known here as one of the first economists in the world and has the sympathy and the confidence of all American circles. This is the text of my cable.

H. W. Jr.: Have you got an extra copy?
Dencyer: No, I have none, but I could have one made or you could have one made here.

H. M. Jr.: Well, I think you realize that this is of terrific importance—I’m talking absolutely off the record. I’ll give you something on the record, don’t worry, Clarence (Linz). And I don’t want to say anything that is going to unnecessarily upset things, but, on the other hand, I can’t let a statement like that stand, you see. This is one of the most (not for ourselves but for your country) one of the most difficult things, so excuse me for one minute—I don’t want to do anything unnecessarily.

(Newsmen wait while the Secretary confers with Mr. Gaston)

H. M. Jr.: Now, this is on the record. What I’d like to say is this: That the interpretation as carried by the United Press of the dispatch of the Washington correspondent of the Petit Parisien of the conversations that took place between Mr. Bonnet and myself is entirely erroneous.

Klein: You mean the United Press interpretation of that dispatch is erroneous?
No, no, as carried by the United Press.

Read it back, Miss Chauncey. (Miss Chauncey reads "That the interpretation... erroneous," as above.)

I still feel the phraseology might lead to the impression that the United Press interpretation is erroneous.

The interpretation in France, as reported by the United Press.

Read it again, Miss Chauncey. (Miss Chauncey reads statement again) Let's say "The interpretation reported by the United Press." We want to say reported by the United Press of the dispatch of the Washington correspondent. Read it once more through, please. (Miss Chauncey reads) "The interpretation as reported by the United Press of the dispatch of the Washington correspondent of the Petit Parisien of the conversations that took place between Ambassador Bonnet and myself is entirely erroneous."

Do you have any objection?

No, Mr. Secretary.

That doesn't make it embarrassing to you?

I don't think so.
H. M. Jr.: Do you think it will make it embarrassing to the Ambassador?

Denoyer: I'll explain it to him as I did to you, but I don't think it does.

H. M. Jr.: Miss Chauncey, read it. (Miss Chauncey reads statement)

Denoyer: It's satisfactory to me, although I could not speak for the Ambassador—I don't see how he could object to that.

H. M. Jr.: As a matter of fact, here's a stenographic report of my conversation, of what took place between Bonnet and myself. For you people's information, Mrs. Klotz was here and Dr. Livesey and the two of them dictated this thing—this is a verbatim report; it's written by Dr. Livesey and Mrs. Klotz—there can't be any question of what was said—they were both present at the conference.

Denoyer: I don't see how there could be any objection on the part of Mr. Bonnet; I don't know what you said or Mr. Bonnet said.

H. M. Jr.: But I know what I said and Dr. Livesey and Mrs. Klotz were in the room and went out and
wrote this for me and this is a verbatim report. It was a perfectly friendly, amicable conversation.

Q. Don't both dispatches say, in effect, that you expressed to the Ambassador your interest in the French problems and we're all interested?

A. We're all interested, and, as I said, President Roosevelt and myself have demonstrated over the past two years our friendship and interest in the French Republic and will continue to do so.

Q. Well, are the dispatches at variance with that?

A. Oh, yes—"unequivocal assurance" of support.

Q. Mr. Secretary, isn't that what you gave them in the stabilization agreement—unequivocal—isn't that what we were told?

A. Gentlemen, take my word for this.

Mr. Kintner: I'm not questioning your word, but I can't understand why this should be important.

A. Well, time will tell. You have never seen me more serious, have you?

Kintner: No, that's what I can't understand.

A. Well, you'll just have to take it on faith.
Mr. Secretary, if we can leave that for the time being, there's another United Press story that the franc is going to drop.

I have no comment, but, as far as you are concerned, your professional standing and everything—are you entirely satisfied?

Certainly, Mr. Secretary.

Have I treated you courteously?

Yes, and I want to express publicly my appreciation. I have not doubted it before, but this is another evidence.

Mr. Secretary, there's also a report from Paris that the French Government is ready to stabilize the franc at 1/12 to the pound.

Well, I have no comment.

Mr. Secretary, from London we have a story that a lot of syndicates are investing for Americans in securities abroad and in that way American investors are managing to evade capital gains and other taxes; any thought being given as to how that might be corrected?
A. At this particular time I have nothing. That's included in the study that the three organizations are conducting. We're perfectly aware of that—how shall I put it?

Q. Tax avoidance.

A. No, it hasn't been substantiated—that rumor that that is taking place,—but to date it hasn't been substantiated. That's a matter which particularly comes under SEC and, up to date, has not been substantiated,—dealing in stocks outside the United States, running of pools and that sort of thing.

Q. This is a capital gains and loss tax.

A. No, this is an operation of New York stocks outside the jurisdiction of the SEC—it's particularly their problem—they're studying it.

Q. Mr. Secretary, may I say I got a call-back on that and this is where they were doing it to escape income taxes—it wasn't a pool operation.

A. All I can say is we have heard about it and that's one of the things we're studying. We still have nothing—we have no facts.

Q. How near are you ready with the whole report?
A. No nearer.

Q. How do you feel about the railroad retirement tax?

A. Oh, I'm not ready to talk on that. Mr. Latimer only sent us his report this morning and we haven't had a chance to read it yet—it just came in this morning. But Herbert Gaston talked to you boys about it, didn't he?

Q. Yes.

A. There's nothing to add. Latimer's report just came this morning.

Q. Mr. Secretary, do you intend to let us see the transcript of your conversations with Mr. Bonnet?

A. Do you want to bet on it?

Q. I was just asking the question.

A. I just wanted to know if you wanted to make a little side bet before I give you an answer.

Q. I'll make a bet if you will produce the evidence. I mean, it leaves us a little bit in doubt.

A. No, I just mentioned the fact that I had this thing to show you gentlemen that when I went into such great detail that I wasn't just relying on my memory as to what I did or didn't say. I was very meticulous in seeing that the conversation was written down.
Everybody reading this story will say what did they say? "What did the doodlebug say?"

Mr. Gaston: I think that general statement you made covers the situation.

H. M. Jr.: My general statement is that Mr. Bormet came to exchange respects; that we had a very pleasant exchange of views, and I assured him that the interest of the United States Government in the welfare of France had been demonstrated during the past two years and that we would continue to do everything that we could and still live within and up to the spirit of our existing laws.

Denoyer: Which is just what I said.

A. Which is quite different than what they interpreted what you said—it’s quite different.

Denoyer: Thank you, Mr. Secretary.
Well, we only made up our mind on our own exchange for Monday a few minutes ago, so you boys will have to wait on the mimeograph, but I can give you what it is—
I think it's safe for you fellows to go out to lunch and come back. I'll tell you what it is.

And that would be for release Monday?

For Monday, but the mimeograph stuff I don't think will be here until two o'clock because I just decided two minutes ago. We're offering the holders of the three per cent notes coming due in April the last bond that we sold—the 49-53, 2 1/2 at par.

Any adjustment for interest?

No adjustment. They'll get interest on the bond that they convert.

And they get interest on the note to March 15?

To March 15.

And the interest on the bond from March 15?
Mr. Bell: They'll have to pay interest on the bond from December 15 to March.

H. M. Jr.: It isn't known as double interest, just single interest.

Q. They pay this at par plus accrued interest?

Mr. Bell: That's right.

Q. For the new bond?

Mr. Bell: Up to March 15 and they get interest on the note from March 15.

Q. Sir, could you tell us what you and Mr. Bonnet discussed this morning?

H. M. Jr.: I'm sorry; I can't. And I'm not going to try to parry—I mean, I just haven't got anything to say about it other than that.

Q. Do you think some announcement might come from this conference shortly?

A. I doubt it.

Q. Will you say, sir, whether you have told him that it is permissible for American banks to participate in this new French loan despite the Johnson Act?
A. I'm sorry Clarence Linz isn't here—
I'd talk for background, but Clarence
wouldn't let me, so I'll talk; for
background, any more than the French
Government or Mr. Auriol would say
today, interpret the conditions of my
loan which I'm giving Monday—can I any
more interpret the conditions of the
loan which he proposes to float on
Monday when the conditions of that
loan, as far as I know, don't exist?

Q. Well, is that tantamount to saying
that you didn't say anything about
the legality of the American banks....?

A. I'm saying I don't know what kind of
a loan he's going to float on Monday,
but I don't believe he knows himself.

Q. Does the kind of a loan have a bearing
on whether or not American banks can
buy?

A. No American bank or American investor
has asked us.

Q. Sir, is it perfectly legal, within the
meaning of the Johnson Act, for a bank
to deposit money abroad and use it for investing in foreign loans?

Wait—nobody, as far as I know, knows what kind of a loan this is going to be in its entirety—see? And so I can't say whether an American investor or American bank could or could not subscribe to this loan, and if you'll take what our friend on the left says (Duffield) and give it his interpretation...

Q.

Is that tantamount to saying that you hadn't advised the French?

A.

You're all right on that. I mean, if you assume that, you're all right.

Q.

This raises the question in my mind, since the assumption has been that that Johnson Law was rather absolute, that there was no condition under which an American investor could loan money to a war debtor, and then this discussion as to whether or not it might be possible on some kinds of loans...
A. Well, I think I've gone as far as I can, and, as I say, any more than he could interpret, not knowing the conditions of our loan, any more can I interpret his loan, not having seen the conditions. I mean, I'm not a mind-reader.

Q. Mr. Secretary, could you tell us if it is legal, under the act just like it is clarified....

A. I'm no lawyer and I'm not giving any legal opinions.

Q. Has the Attorney General ever given you an opinion on that? There's a lot of discussion that he has.

A. You'll have to ask him that.

Q. He always says, ask the Treasury.

A. I'm sorry—I can't answer that question. But certainly I'm not rendering any opinion on the Johnson Act.

Q. Could you tell us, on or off the record, Mr. Secretary, whether we can expect some new development in connection with this situation next week?
A. No. Anybody who reads the papers can see the French franc is having its own troubles, and, naturally, I'm doing all I can to take care of our own interests, and also live up to the tripartite agreement; the agreement is in force; it worked yesterday and it worked today, and, as far as I know, it will work Monday, and as long as it continues to work there's no reason to make any announcement.

Q. In other words then, these conferences are just in connection with the working out of this agreement?

A. The exchange of information.

Q. Mr. Secretary, back to refinancing, do you want to let us know now about when there will be any other financing?

A. I wouldn't know myself. I'm due at the White House at one—I'm a little bit pressed.

Q. How come that you're offering the same issue to be exchanged that you offered last time and thus break the record of
lengthening maturities. If I understood correctly, you said it was the same issue.

A. Same issue, same price.

Q. Can you tell us the reason? I was wondering why the record was broken of lengthening the maturities.

A. Record?

Q. And of lowering the interest rate thereby.

A. Well, we had an issue and conditions were such....

Q. Well, wasn't it because of the increase of reserve requirements?

A. No.

Q. Is this a sign that interest rates are going to go up from now on?

A. What I told you people before, very much in the family—if you quote me I'll kill you—paraphrasing Jimmy Walker, "We love the bondholder in March as we did in December."

Q. Mr. Secretary, that was because you announced early in January that there wouldn't be any more financing until March. Can you say that much ahead now?
A. No. I'll be seeing you Monday afternoon.

Q. Mr. Secretary, did you see that United Press dispatch from Paris this morning?

A. No.

Q. Any comment?

A. No.

Mr. Bell: I'm glad to hear that you are going to see Mr. Round this afternoon.

Mr. Secretary: I'm going to see him today.

Mr. Bell: It will be ready to a few minutes.

Q. Have you seen any of the newspapers?

A. No, I haven't seen any of the newspapers.
H. M. Jr.: Where's the UP man?

Klein: Here I am. Don't tell me they made a mistake.

H. M. Jr.: Well, look at this thing (UP dispatch). The cable was sent at 8 P. M. Friday night—sent from Paris at 8 P. M. (Klein agreed to make correction in time of dispatch when the Secretary pointed out a discrepancy.)

I suppose you are all interested in our financing.

Q. More interested in the French situation, Mr. Secretary.

A. Mr. Bell tells me that we'll have a formal announcement that we'll close the books Wednesday night. When will our formal announcement be made?

Mr. Bell: On the closing?

H. M. Jr.: Yes.

Mr. Bell: It will be ready in a few minutes.

Q. Do you have any idea of the percentage of conversion?

H. M. Jr.: No, we just know when we'll close the books and you'll have a regular release for tomorrow morning's papers.

Q. Mr. Secretary, France is of primary concern to us today.

A. What country?
Q. France--across the seas. Of course, we've seen the Senator's statement; one thing I can't tell from the statement I have is whether that will effectively bar Americans from sending money over there for investment in French funds.

A. I'm sorry that some of you--some of you who are here now weren't there then, but Senator Robinson when he gave out his statement and when he got through said "That's all," and he had no comments and I have no comments to add to his statement--none.

Q. Mr. Secretary, can you tell us the meaning of the French "such as J. P. Morgan"--there was no question, but for our background information....

A. I've nothing to add.

Q. Can you just tell us, without quote, that term "such as" is a French expression, but it would be J. P. Morgan?

A. I don't know--I mean I can't.

Q. It's a translation.

A. Yes, it's a translation.

Q. Mr. Secretary, may I ask this?
If you're asking for background, it wouldn't mean necessarily that it would be J. P. Morgan; I'd better just keep to what I said—I'm going to stand on this (Robinson's statement).

Q.
Can you tell us anything about the Johnson Act—an interpretation of it?

A.
I'm very sorry—I can not.

Q.
Did you ask for this conference on the Hill?

A.
I asked for this conference; this morning at nine o'clock I called up Senator Robinson's office and asked him whether I could come up and see him and these other gentlemen who were present to explain to him just what I had been doing during the last two or three days.

Q.
Mr. Secretary, maybe this is a reasonable question: Could you tell us whether this is the only request you've received from the French?

A.
I'm sorry, I can't answer that.

Q.
Can you tell us why, this being an administrative matter, why they took it up?

A.
I think it's quite obvious, with a democratic form of government, the legislative branch is entitled to know what is going on.
Q. Does the Treasury contemplate recommending to Congress any relaxation of the Johnson Act?
A. I have no such plans.

Q. Did you have any indications that they wanted to see you about the thing, Mr. Secretary?
A. None whatsoever. I just felt--this is a policy which I have followed ever since I've been here, that whenever there have been important international financial matters pending, I've asked for an opportunity to go up and explain it to the leaders of the Senate and the House and I've done it a number of times. I've done it a number of times. I don't know how many times I've gone up and I've always followed the practice when I do go up of never making a statement; I've let the Senators and Congressmen make it.

Q. There are several Congressional authorities who have said in connection with this situation that they saw no reason why, if an American had several thousand dollars in France, they couldn't buy Paris defense bonds. Do you see anything that would prohibit such purchases?
A. I'm sorry, I can't answer that.

Q. Can I ask it this way? Do you consider the Johnson Act as containing any loopholes?
A. I'm sorry -- not that way.

Q. Mr. Secretary, may I ask it this way?

A. Bob, are you looking over or under your glasses?

Thornburgh: Right on the end of my nose.

A. All right, Bob.

Q. A question of the spirit of the law or absolute letter of the law.

A. I'm sorry, I'll just stick by the statement that Senator Robinson made.

Q. Mr. Secretary, from the statement, could it be implied that if the French had told you anything else you'd have told the Senate about everything discussed? On the Hill the natural implication was that everything asked was told.

A. I'd rather not answer.

Q. It says here it was the only question submitted.

A. All I can say here is I have informed the gentlemen I met with of everything I have done since Friday morning that relates to the international situation.

Q. Mr. Secretary, don't you usually go up on the Hill in connection with proposed legislation?

A. I do that also.

Q. I mean, that's the only time you go up there?
A. Oh, no. As you men know, I've gone time and again to report on European situations in which I was responsible for—I've gone up a number of times. Some times the gentlemen have come down here. When silver was booming rapidly I had a number of conferences to inform them what policy I was following in regard to the purchase of silver.

Q. Mr. Secretary, Saturday, for background, you told us that not knowing the terms of the French loan it would be impossible for you to say whether it would or would not be legal for Americans in France to buy their securities; does that still stand?

A. I'm just going to stick by Senator Robinson's statement.

Q. Do you have any further conferences scheduled with Ambassador Bonnet?

A. Not today.

Q. I don't mean today; I mean in the immediate future, Mr. Secretary.

A. We're on a 24-hour basis.

Q. Did you see the Ambassador today, Mr. Secretary?

A. Yes.
Q. Would you care to discuss what transpired?
A. I'm sorry.
Q. Was the Counselor there?
A. No.
Q. I mean, any of the British Embassy.
A. No.
Q. Will they be here later this afternoon?
A. Yes.
Q. Mr. Secretary, will you look at the last paragraph of that typewritten page—was that part of your reply or Senator Robinson's statement? (Klein hands him sheet of paper)
A. That was part of my statement.
Q. I mean, your statement to the Ambassador here, Mr. Secretary?
A. Yes, it was.
Q. I took this over the telephone in shorthand and I didn't know; that's all part of the same thing. (Klein)
A. Just a minute—I've got a bum copy.
Q. Do you cast aspersions on my typing, Mr. Secretary? (Klein)
A. I don't on your typing but on your carbon paper. Without comparing it word for word, that's the same.
Q. You mean, the part that "Secretary Morgenthau appreciates..."

A. That's all part of the statement.

Q. Mr. Secretary, as I understand, there was a great perturbation—I think that's the word—on the Hill as a result....

A. That's a two-dollar word!

Q. I'll take a raincheck on it—of what these dispatches from Paris were saying on what our attitude was or at least attempting to say so, and is there any possibility that you went up on the Hill to ward off that?

A. I'll go 50-50 on the responsibility of what you fellows will write, but not on what the fellows on the other side of the water will write.

Q. I think you misunderstood my question.

A. No, I didn't. Some of the dispatches which have come over from the other side I don't think any of you fellows would put your name to.

Q. What you do think inspires those stories, Mr. Secretary?

A. I haven't the slightest idea!

Q. Mr. Secretary, I haven't seen the statement, but I understand that this makes no mention of your contact with the British.
A. They are not floating any loan.

Q. I thought you had some talk with the British on Saturday and were going to again today.

A. We have talked some time a couple of times a day and again not for a week, and it's part of the tripartite agreement that we keep each other informed on what we're doing.

Q. Mr. Secretary, isn't one of the troubles if this loan goes over in the successful way you hope, isn't it your idea that it will syphon a lot of gold out of this country and it will require some action of the tripartite agreement to keep the thing stable?

A. I'll stick right to Senator Robinson's statement.

Q. Did anybody else participate in the conference with Ambassador Sonnet?

A. He brought down Appert, the French financial attaché.

Q. Did you talk about hot money while you were up there on the Hill?

A. We never mentioned it.

Q. Can you tell us something about it now?

A. No, you've got a perfectly good statement from Senator Robinson.

Q. Does Thursday's statement still stand—that the Treasury is willing to cooperate with the French
in the spirit and wording of the existing laws?

A.

I say so right there (pointing to statement).

Q.

Mr. Secretary, this is off of that subject....

A.

Good boy—welcome to our city.

Q.

The Home Loan Bank System is planning a bond issue some time around the first of April. Is there any chance the Treasury will take it up?

A.

How about that, Professor Bell?

Mr. Bell:

Let’s hope that won’t be necessary and they’ll float it in the market.

Q.

If you had a surplus of cash....

H. M. Jr.:

I really don’t know.

Mr. Bell:

That’s too far off.

Q.

I’m not clear on one other point: Does this change the tripartite (pronounced teet) agreement in any way—the developments since Friday?

A.

All I can say, in so far as the tripartite (pronounced tite)—well, I don’t want to be too French—the tripartite (ite) agreement is still tight—it is still in force. Nothing has happened in any way to change it.

Q.

No other countries have come in?

A.

No.
Q. Do you expect any others?
A. No, we don't expect any others.
Q. I wish you'd answer my question (Linz).
A. Clarence, you embarrass me.
Q. They brought it back again—I wasn't going to say a word. Mr. Secretary, if an American sent over money to buy a French bond issue, of course, the Treasury would get a record of it. What would be done about it? Who would turn it over for prosecution? What's the procedure?
A. I'm sorry, I can't answer that.
Q. How about turning it over to J. Edgar Hoover, Mr. Secretary? Is there anything to prevent the RFC or the Federal Reserve from buying a portion of the bond in the Johnson Act?
A. No, nor Mr. Wallace either.
Q. You say no, there's nothing in the Johnson Act....
A. You're joking, aren't you?
Q. No, I'm not.
A. Well, I'll take it as a joke.
Q. Is there any authority under which you are aware that the RFC, Agriculture Department or any other lending agency of the government could invest in French securities?
A. Listen, fellows, don't start making jokes around here.
Q. Mr. Secretary, I ask an honest question on this.
A. The other one wasn't.
Q. I object to the slander—I ask you purely for information. Is there any way in which the American Government has a way of checking—say I've got a thousand dollars and I want to buy part of this loan and I send my money abroad to a friend for example, and say buy me a thousand dollars worth of these French defense bonds.
A. Girl friend?
Q. Yes, sir, girl friend—I'm French myself. But is there any way you can check such a transaction?
A. The answer is no.
Q. Could you say, for background, whether this question submitted by the French Government involved the shipment of funds abroad?
A. I'm sorry—I don't understand. Neither does Clarence?
Q. What I meant is this: Does this question submitted by the French Government...
A. Listen, the only lady present might sit down and be comfortable.
Q. I don't need to. (Doris Fleeson)
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A. I'm sorry—I don't understand. Neither does Clarence?
Q. What I meant is this: Does this question submitted by the French Government....
A. Listen, the only lady present might sit down and be comfortable.
Q. I don't need to. (Doris Fleeson)
A. You've been so good up to now I'm worried; I don't know when she's going to bubble over.

Q. I'm so inexperienced with money. I want to finish that question—involve either the shipment of funds abroad or use of credits which any American institutions might have available with a foreign correspondent.

A. Frankly, I don't get it; say it again slowly.

Q. Well, could we say, for background, or for our information, whether this question of the French Government submitted to you for answer related to or implied the shipment abroad of American funds or the use of credits which an American institution might have available with a foreign correspondent?

A. Well, now, what Senator Robinson said in his statement was he stated the French question and my answer and, obviously, what you're asking wasn't in that statement.

Q. Wasn't?

A. As he stated.

Q. That's what I thought and I wanted to clear up that point. I just wanted to be sure—he asked whether you could check shipments of money over there and you said no; is that correct?
What I said is that the question he asked me wasn't included in what Senator Robinson said the French Government asked me. He asked could I check if he sent a thousand dollars abroad and my answer was, as far as I know, we have no way of checking. He isn't speaking for me but as the leader of the Senate.

Mr. Secretary, supposing I have an account with the National City Bank of New York for instance, which I ain't, and in connection with that I'd have credit with their Paris branch. Now should I instruct the National City, through the Paris branch, to buy these new bonds—would that be a violation of the Johnson Act, would you think? That's a question which you'd have to settle and the lawyer you would retain would have to settle—whether you are breaking the law or not. I know, but from your standpoint.

But I don't have the enforcement of that, but if you bought that or this other gentleman sent this thousand dollars over, he asked me could I find it—the chances are I could not.

What do you mean by find—check it?
A.

Check it, but not the question of whether he did or didn't break the Federal law and that isn't my job.

But you have no control over American funds held abroad, have you?

A.

When it gets to big movements—but this gentleman asked me if he sent a thousand dollars over to invest—we have no machinery to catch a thousand dollars, but if they are going to send five hundred thousand dollars or a million dollars, we can catch that; he might put ten one-thousand dollar bills in the mail and that's this whole question of exchange control, which takes almost the United States Army and the Post Office to catch it; unless we open every single letter, we have no way of telling whether he's sending ten one-hundred dollar bills in a letter and if he leaves it there we have no way of knowing, but whether he breaks the law that's the question he has to decide and the district attorneys have to decide—if they think he's broken the law they've got to decide so and whether they'll prosecute. The whole question of exchange control—unless you go into mails, cables,
A. Check it, but not the question of whether he did or didn’t break the Federal law and that isn’t my job.

Q. But you have no control over American funds held abroad, have you?

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telephones, boats and have them searched and have a whole army. I mean, it's impossible almost to enforce exchange control.

Q. Who'd be the agency that would notify the enforcement officer of any large movement?

A. Any large movement we know, because the banks voluntarily report each week the total movements of funds in and out, on a voluntary basis, and I might say they do it extremely well, cooperate one hundred per cent.

Q. If you noticed a large movement, would you notify the enforcement official?

A. If I thought it was contrary to existing law.

Q. May I ask in that discussion on the small movement, did that question come up in your discussion on Capitol Hill about the exchange control of small movements?

A. It did not. I really don't think I can add much more to what I've said, lady and gentlemen.

Q. Any appointments, Mr. Secretary?

A. We never give out appointments; you'll have to take a chance.
REPORT ON SECRETARY MORGENTHAU'S
PRESS CONFERENCE, MARCH 11, 1937

(10:30 A.M.)

H. M. Jr. 1 Well, I might say that our offer to the April
noteholders to convert into a 2\% percent 49-53
was entirely successful. Final figures won't
be available for a day or two on account of
the waiting for the mail. We accept what was
put into the mail up to midnight last night.
I doubt if we will have anything before, at
the earliest, Friday and probably Saturday.
But the thing was a success.

Q. What do you consider—85 percent—a success?

A. I'd consider 85 percent or better. Will you
wait a minute—just let me multiply a second.

Q. It's four hundred and something.

A. Well, we did better than 85 percent last night
without any mail.

Q. Mr. Secretary, in any check the Treasury might
have made—does it look as though any American
funds have gone into the French loan?

A. Well, the terms were only announced this morning.

Q. Yes, but there would have to be arrangements for
transfer. I wondered if you had made any canvass
to show -- --.

A. I'll answer your original question—just put it
again, will you please?

Q. I wondered if there was any check -- --.
A. Any signs of any American funds going over?  
The answer to that is no.

Q. Has any American institution asked you about  
the propriety of their investing?

A. No.

Q. Do you think the matter is now closed, Mr.  
Secretary?

A. As far as we're concerned? Yes.

Q. You're not making any further check to see  
whether money went over there?

A. We get reports all day long on foreign exchange  
and are in continuous touch with the market and  
there has been no abnormal movement of any kind  
in or out. I mean, it's a continuous operation,  
starting at seven in the morning, as far as I  
am concerned, and running all day long.

Q. Any French holders of money over here liquidating  
and taking their money back?

A. I can only answer—there has been no abnormal  
movement of funds in or out of the United States  
this week.

Q. Mr. Secretary, there have been very large gold  
additions to the inactive gold fund this week.

A. Yes.

Q. Is that a reflection of something that took  
place earlier? You said there was no abnormal
I meant abnormal in the sense of something which was abnormal. The fact that the end of last week, under the tripartite agreement, there were heavy movements of gold in order to keep the currencies from fluctuating—I don't consider that abnormal.

Q. Oh, I see.
A. I mean, in that sense—you see what I mean.
Q. Yes, I understand.
A. I'd simply say that was a heavy day's work, but it was regular, not irregular. Instead of using the word abnormal, I'd use the word irregular—would you mind using the word irregular?
Q. Mr. Secretary, there was printed in one of the columns that you had ordered a new study of the tax structure by the new Under Secretary.
A. I don't want to comment on that.
Q. Mr. Secretary, will you reconcile your differences with Senator Wagner over the housing program?
A. No, we've got a group working on that very hard and we're in contact with all the various agencies in Washington that have anything to contribute,
and we just haven't completed the study yet—that's all.

Q. Is the issue the question of your contention that it should be more "pay-as-you-go" than the Senator's plan?

A. I was misinterpreted on that. The question that we're trying to do is to study purely a method of financing it—a method of how to raise the money. Now what they're going to do with it after we raise it, that's somebody else's job. Aren't you considering the total size of the subsidy?

Q. Oh, yes, and also considering where it fits into the budget and where we are going to get the money. In other words, we're studying it from the fiscal angle and I might say that this question from a purely social side—I mean social—looking at it as a social problem—the question of low-cost housing, I am in entire sympathy with it. It's something that we've got to have. But I think we can also have it and do it—and finance it in a sound way. And that's what we're trying to study and we're approaching it in a very sympathetic way. If it is humanly possible to find the answer we're going to do it.
But I want to again say, looking at it from
the standpoint of social needs, I am in favor
of low-cost housing.

Q. You heard the criticism of yourself by some of
these New Dealers, saying you were unsocial be-
cause you were trying to put this on a financial-
ly sound basis?

A. Have I heard it?

Q. Yes.

A. No, no. If sound financing makes me unsocial
then I am unsocial. That's all I can say. If
trying to follow sound finance makes me unsocial,
then I guess I am unsocial. I think I can stand
that criticism, if there is such. I haven't
heard one, but if there is, why that's all right.

Mr. Secretary, Mr. Doughton at the White House
indicated that the nuisance taxes would probably
be renewed in June and if there were any tax
revision it would not come until possibly January
the following year.

A. Well, that hasn't drifted down here yet.

Q. Do you still expect a revision of the nuisance
taxes before they expire in June?

A. I can't comment on that. Just answering your
question—background for a minute—after all,
my job, as I see it, is to raise the money and to keep this government on a sound financial basis. And the best answer is that we've just completed a $500,000,000 refunding and it went well, and I can't—if some people don't think that I am financing the government properly, why—to fit in with their schemes—why —.

Q.

Mr. Secretary, have you looked into the collection of payroll taxes?

A.

But I'd just skip all that. It doesn't make any difference—I'd forget it all. After all, in my talk with Senator Wagner, he and I have no misunderstanding. His attitude was that if this isn't a good way of financing it, "find a better way and I'll accept it." If it's agreeable to Senator Wagner why should I worry about anybody else? He understands and says, "if this isn't a good way, give me a better way and I'll accept it." No one raised his voice. There's no misunderstanding, and all I can say is that the social needs of low-cost housing—I'm in favor of. Let it go at that.

Q.

There's no provision in the budget though for that expenditure.

A.

No.
Q. I see you broke into print in the Wall Street Journal this morning in that speech up at Harvard. (Linz)

A. I broke into what?

Q. Into print. It's a darned good story. I didn't see anything of it in advance. It was marked off the record—I don't know.

A. Marked off the record?

Q. Yes.

A. All I know about it is that I gave the story where it belonged.

Q. Did you give it out?

A. I was the guest of the Yale, Princeton and Harvard daily newspapers.

Mr. Gaston: They printed it in three installments, Monday, Tuesday and Wednesday.

H. W. Jr.: I was their guest and as their guest, I figured that the story was theirs.

Q. I think that story was indicated as an off-the-record piece—that's all.

A. No, I've got lots of things, but — .

Mr. Gaston: It was their release.

H. W. Jr.: I was their guest—it was their story.

Q. It's true isn't it, that the discussions at the round table sessions were off-the-record?
A. Pardon me?

Q. It's true that the talks at the round-table conference were off-the-record?

A. True, but after we came back we had so many requests for what I said that I decided to give it to the three daily newspapers whose guest I was and we gave it Monday morning to the Harvard, Princeton and Yale dailies. It was given to them and ran in their papers.

Q. I am not speaking of that. I thought it was off the record. (Line)

A. No, it appeared Monday morning in their papers.

Q. Can we have copies of it?

Mr. Gaston: Yes.

H. W. Jr.: I don't see how you boys can complain about that.

Q. I've no complaint unless it was an off-the-record piece.

A. No, no. My whole conversation up there was off-the-record, and after I came back everybody kept it—nobody broke the agreement and then I had the requests and I decided that inasmuch as I was the guest of these three daily papers I'd give it to them. Besides everything else, I thought the boys had done a grand job.

Q. The only reason I brought it up was that if they had broken the confidence, I wanted to know.
Mr. Gaston: I can clear that up. Mr. Duffield asked me whether anything would be given out and I told him it was purely up to these editors and to find out from them and he found out from Princeton that they had it ready for Monday.

Q. I'm not concerned with that—I just wanted to know if it was an off-the-record piece. (Linz)

H. W. Jr.: No. Just answering this question about some New Dealer criticizing me—just forget the whole business. I don't want to get into any argument. Do you mind, boys? Just skip it all. I either have financed the government well or have not and people up to now ought to know. Just let's skip it. The record of the financing will or won't stand on its own feet and I don't have to defend it.

Q. Mr. Secretary, what's the status of the hot money study?

A. Well, quoting a gentleman not too far distant, it's not so hot. They're still studying the thing and they haven't got an answer, which I'm willing to accept as to how to handle it—practical answer. Put it that way. Anything else?

Q. Thank you, Mr. Secretary.
H. M. Jr.: Anything today?

Q. I see you've got a lot of red ink on your bond statement. (Much laughter.)

A. Well, this is the bond (indicates column before him) and it's all black.

Q. Can you say anything, Mr. Secretary, about the failure of income tax collections to reach expectations?

A. About the what?

Q. Failure of income tax collections.

A. Well, all I've got to say about this is that, as far as I know—in fact, I do know that since I've been here the only estimates that we have ever given are on an annual basis and I have always refrained from giving quarterly estimates because we felt that we can't estimate income tax returns on a quarterly basis. For example, to show you how difficult it is to estimate on a quarterly basis, Internal Revenue tells me that the number of returns this year over last year have increased seventeen per cent, while the
number of extensions have increased 33 per cent. We have sent out a number of agents into the larger districts to investigate rapidly why so many corporations have asked for extensions, and until I receive that information, why I don't know what the answer is.

Q. Won't you tell us, on the basis of the full year, that you expect the total amount of your estimates to be reached?

A. No.

Q. Mr. Secretary, by extension do I understand easy-payment plan or just an extension of payment itself?

A. No, the corporation makes its own estimate of what its return will be, deposits one-fourth of its estimate and makes a quarterly payment asking an extension before making its final return.

Q. Well, does that have the effect of not making its second quarterly return until — ?

A. Oh, yes, they'll have to make their second, but it gives them a chance to revise their return up or down; a company might put in a return and make
an estimate that their tax might be a million dollars and that might be too much and it might be too little, but the fact remains that there is an increase of thirty three per cent in the requests for extension which makes the final return that more uncertain.

Q. Mr. Secretary, from the increase in extension it can't be presumed that the collections themselves will be increased?

A. I'm not making any assumptions.

Q. I was wondering.

A. I'm not making any. In a little over three years that I've been here I've always stuck to the annual estimates and until I get the return from these field agents we sent out I don't expect to say anything. When they do come back and we do get the information I'll make it public.

Q. Isn't it obvious, Mr. Secretary, that this new undistributed profits tax would probably have that effect?

A. You mean of requesting additional extension?

Q. Yes.
A. It seems to have worked out that way. I mean, the number of extensions they have asked for in the second and third districts of New York are far in excess of anything we have ever had.

Q. Mr. Secretary, isn't it also obvious from the collections and the budget that the year to date is running behind?

A. Well, you can see our daily statement and you know how much money we've taken in, but I'm not going to make any statement until I have the facts, and when I have the facts from the field investigation I'll make a public statement, but I think it's too important to be guessing.

Q. When you receive these things and you find that there's an indication of a deficiency in your estimate is there a possibility of new taxes at this session or increase, or what?

A. That decision doesn't rest with me. The Treasury doesn't make any recommendations to Congress on taxes.

Q. But it makes recommendations to the President, doesn't it, Mr. Secretary?
All that we do is, through the Bureau of the Budget, estimates for receipts and expenditures go to the President, and the Budget Bureau gets their figures from the Treasury.

Personally, Mr. Secretary, do you see any reason why Senator Harrison's statement that there would be no new taxes would not be upheld from your study today?

I don't want to answer that question.

A great many extensions were made in the flood areas, weren't there, Mr. Secretary?

Well, that hasn't particularly been brought to my attention, but it would be perfectly logical that people in Louisville don't know. It might be so and it might not—I don't know. I just happen to have the figures on the second and third districts of New York, which are big districts.

Can you give us any figures?

Only, the increase in requests for extensions are up 33 per cent, and as I say, the extension in both the second and third are far in excess of any we have ever had before—the second district is Wall Street and the third is uptown.
Q. Have you any explanation you can make offhand?
A. No, it's too important—we're working very carefully.
Q. Mr. Secretary, Congress has postponed until June 1 the time under which payments must be made under the windfall tax. That throws you out too, doesn't it?
A. Yes, I know what the estimate was.
Q. $82,000,000.
A. $82,000,000. And we've only collected — —.
Q. That would throw off your total figure.
That isn't classed as income tax.
A. It comes in as revenue.
Mr. Gaston: Yes, but not as income tax.
Q. But your figure, five billion, one hundred eighty million of revenue, and that's part of it.
N. M. Jr.: Well, just as soon as we have accurate information which is satisfactory to me, I will make it public, but until then it's too important for me to make any guesses.
Q. Mr. Secretary, can you say anything about new borrowing as a result of the drop in income tax collections?
A. No, if and when we make any decision on financing we'll follow the customary procedure and you'll be the first to know.

Q. Mr. Secretary, can you tell us anything about the status of the railroad retirement fund?

A. Only that we're still conferring with the Senate Finance Committee and the Ways and Means Committee and with Social Security and the Railroad Retirement Board, and it's the question of rates and now that I'm back I understand that I'll have the privilege of participating in those conferences. Leave out the word "privilege" please.

Q. Mr. Secretary, to keep the record straight, a corporation does pay income tax when an extension is granted. It doesn't mean they are free from any payment. They must make a quarterly payment on their estimate.

A. On their own estimate. To give you an example—a corporation estimates their tax to be $1,000,000, and they ask for an extension. They want possibly to refigure—maybe their accountants haven't had a chance to audit and their books are open and
they can make an adjusted return, but they do not pay one-fourth of what they estimate.

Q. Would the practice be, Mr. Secretary, that they would overestimate?

A. Well, you know human nature as well as I do. But I don't want to leave any inferences that we think this will mean more or less taxes. I can't afford to guess—it may mean more, it may mean less. But I will just say, we are making an extensive study in the field and as rapidly as possible I'm just as anxious to know as you.

Q. Why do you say you can't afford to guess?

A. Because it's too important.

Q. Why is it important?

A. How old is Ann?

Q. Well, I'm interested.

A. As chief fiscal officer of the Government, what's more important to me than revenue?

Q. For taxes or borrowing?

A. The whole question. My principal function for the Government is to raise the money, isn't it? At least, I consider it such. Does that satisfy you?

Q. All I could think of were taxes and borrowing—are these the two things it's important in relation to?
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Q. All I could think of were taxes and borrowing—are those the two things it's important in relation to?
A. Isn't my chief job to raise the money for the Government, and, therefore, the estimates of the revenue are, I should say, about as important a thing as I have to deal with.

Q. On this retirement plan, Mr. Secretary, whether you expect something at this session? Do you think they will get some legislation?

A. I wouldn't want to make any guess—I don't know.

Q. The Treasury's contention now is that a 7 per cent tax is necessary.

A. I'm sorry—you'll have to wait on that because, while I've been in touch with Magill, who has been handling it for me, I haven't had a chance to sit down and talk to him about it. All I do know is there will be another meeting within a few days.

Q. Mr. Secretary, going back to taxes, have you a history of what happened last year with respect to delayed returns. You had then—last year?

A. You mean as to what the final outcome was?

Q. Yes, as to the percentage of increase.

A. I haven't got it.
Q. On the revision of existing taxes, such as the surplus law, with a view to removing inequities which you spoke about some months ago, would the revision depend on what you found out about these revenues?
A. Not necessarily.
Q. Well, while you were away Senator Harrison said he was watching the March 15 receipts to see if the corporate surplus tax could be revised.
A. Well, that's his job.
Q. Just to round out the story, could you tell us how many revenue agents you sent to those districts?
A. No.
Q. Pretty good squad?
A. Enough to do the job well and effectively.
Q. Not an army?
A. No.
Q. Could you say the investigation is centered on Manhattan?
A. No. I don't know how many districts there are.
Mr. Gaston: I don't know either.
Q. Could you say how many cities?
A. I really don't know—if Herbert can find out.

Q. You just picked out New York.

A. I happened to have the figures on New York because those are the biggest districts.

Q. Tomorrow it will give the chance to somebody on the Hill to say the wolves of Wall Street are howling—that they are the ones doing the dirt to keep you from pulling in the money. We'd like to put in Chicago, Boston, etc.

A. Why don't you say "the big centers?"

Q. If these are requests for extensions permitted under the law, why should you investigate?

A. As to why they are asking for the extension?

Q. You evidently are concerned about it? Is that so?

A. As I say, there's nothing which is of more importance to me than the amount of revenue that we're going to get this fiscal year. Now here's a 33 1/3 per cent increase in the requests for extensions and I want to know why. If I happen to know the business name I wouldn't hesitate to say, why do you want to do this? What's your trouble and can we help you to make up your mind?

Q. Mr. Secretary, was that done last year?
A. No.
Q. Then you are evidently more concerned over the large increase this year.
A. We have never had anything like this before, I am told. We never had such a tremendous increase in requests for extensions.
Q. You said you didn't have this last year.
A. Nothing like it. I said we have never had anything like this in the way of tremendous increase for requests for extensions.
Q. Don't they have to present an explanation with these requests?
A. I believe so, but these returns are still, so far as I know, in the field.
Q. Isn't it possible to get extension without filing a return for quarterly payment?
A. No. They have to make a quarterly payment. They make a quarterly payment on their own estimate.
Q. Are the extensions mostly by corporations or individuals?
A. It's both.
Q. Mr. Secretary, I can't understand how these extensions would have an appreciable effect on revenue. They pay a tax and the percentage of
error wouldn't be very large.

A. I'm not going to make any guess. You people asked me a question and I'm stating the facts.

Q. I'm asking for information.

A. I'm not going to answer it as it's too important for me to make any guesses. When I have the facts I'll make them public. Until I have the facts I won't guess. I want to make it perfectly plain that I don't want to infer that they will be up or down. The daily balance statement shows each day what they are. I'm not going to make any hints as to what it will be but I'm pointing out that we are faced with a situation never before experienced—the tremendous increase in requests for extensions.

Q. Will you set a deadline for the reports?

A. Just as rapidly as possible.

Q. You'd get it any way by the end of the month.

A. I should hope we'd have it some time in April, and if we find that we are not learning anything by sending them out why we'll recall them.

Q. Mr. Secretary, while you were away I guess you read in the newspapers there was a lot of talk
around about inflation—anything to say about inflation?

A. No.

Q. Anything to say about the drop in the Government bond market?

A. No.

Q. Mr. Secretary, can you tell us whether the Treasury supported the market more than usual?

A. I think you'll have to wait until the 15th of April when we publish the figures.

Q. On March net purchases?

A. Yes.

Q. Did you see Mr. Eccles' views in Fortune magazine?

A. I haven't seen Fortune, but he mailed me a copy of his statement down South.

Q. Do you want to comment on that?

A. No.

Q. What about the Wagner Housing Bill, Mr. Secretary?

A. We are working on it—we haven't gotten anywhere yet.

Q. Mr. Secretary, individuals, just as corporations, would make a quarterly payment—their March payment—on what they expected their tax to be.

A. I don't get you.

Q. Just as a corporation, the individual would make a
March payment on what they'd expect it to be, just as corporations.

A. They'd be just the same as corporations; they'd give us some reason and ask for extension.

Q. I don't know whether this question was asked before, but in previous years when extensions were asked and when returns finally came in, was there a general decrease?

A. Somebody else asked me. I really don't know. I'm giving you the exact facts as I've got them. This is just where the situation is right this minute. You know everything I know.

Q. How about foreign capital movements, Mr. Secretary?

A. Still moving.

Q. Coming in?

A. Coming in.

Q. How are you moving?

A. I'm sitting.
REPORT ON PRESS INTERVIEW OF SENATOR
HARRISON AND REPRESENTATIVE DOUGTON
IN SECRETARY MORGENTHAU'S OFFICE,
MARCH 31, 1937:

Sen. H.: Gentlemen, we have just had a meeting here and we were discussing things in general. Among the things in general was the railroad retirement proposal—just analyzing it from every angle, including its fiscal relationship with the Government, and there's no conclusions reached yet. It's still subject to further study and analysis.

Q.: What are you hung up on?


Q.: On the tax rate?

Sen. H.: Well, the tax rate is one of the features of the proposal.

Q.: What do you think about the possibility of action this session?

Sen. H.: Well, it's hopeful that there can be something worked out that will be agreeable to everybody.

Q.: What do you say about taxes, Senator? I mean, other taxes.
Sen. H.: Other taxes? Well, there hasn't been a complete study made yet on these March 15 returns to say anything definitely about it. I think, generally speaking, miscellaneous taxes will be extended, don't you think so, Bob?


Q.: For one or two years?

Rep. D.: That will be determined by the committee.

Sen. H.: There was no discussion of that at this conference.


Q.: When is that bill coming up?

Sen. H.: It has got to originate in the House.

Q.: When do you expect the extension bill to come before the committee?

Rep. D.: Some time at an early date, I think. We don't want to be behind. The Senate is ready to adjourn and we don't want to be behind. They've got their calendar clear over there.

Sen. H.: The easiest thing in the world is these bills introduced in the Senate touching revenue.

Rep. D.: We sent one back today.

Sen. H.: What was it?

Sen. H.: Well, fellows, there isn't anything else I can say on this conference. Maybe the Secretary would like to say something.

Rep. D.: Always glad to see you, boys.

H. M. Jr.: Good bye!

Q.: Did you mean that for us?

H. M. Jr.: Yes, good bye!
We've got that capital movement report ready and Herbert Gaston would like to know whether you fellows would like it for Monday morning or when.

That would be fine.

When will you have it? This afternoon?

They say the copies are in now and they are sending them to the office and we should have them to hand to you for Monday A.M. release.

Through December 31?

That's right.

Ever release anything for afternoon papers?

Oh, you get all the news stories.

What you get this morning you can have for this afternoon.

Mr. Secretary, what period does that cover?

The last quarter of last year, September 30 to December 31.

Mr. Secretary, will you make some comment on the bond market?

No, thank you.

Will you tell us whether it's true or not that the Treasury has exhausted its money available for investment from trust funds such as the FDIC, Postal Savings.
A. Your story was all right this morning (to
Xintner). So was Duffield's; they're all right.

Q. In other words, you are confirming that it's true.
Is that correct? After all, the rest of us
haven't written stories on this thing—some of us.

A. I'm simply saying that the information those two
men wrote today is all right. I mean, I don't want
to go into a discussion of it, but, I mean, the
story—the information they have today, today—is correct.

Q. Mr. Secretary, with the rapid increase in the in-
active gold fund I wonder if you could tell us
anything about how far the Treasury is willing to
go with that program.

A. No, we can't talk. I mean, I don't want to ever
talk beyond today.

Q. How long will you continue to issue bills, extra
bills, so to speak? How many have been run of the
June series to date?

A. Well, when we get the money in next week that will
bring it up to three hundred million.

Q. Next Wednesday?

A. Next Wednesday. I mean, sold on Monday, paid
on Wednesday—that brings it up to three hundred
million.
Q. Could you tell us anything about the railroad retirement?

A. Nothing but what the two gentlemen said yesterday. I mean, I felt more encouraged after the meeting yesterday than I have over anything else that has happened so far.

Q. Can you tell us the next step?

A. Well, the next step is up to the two chairmen of those committees. After all, the responsibility of legislation is theirs, and after they left here I understood that they would continue their discussion with the Railroad Brotherhood and railway owners.

Q. Mr. Secretary, one of the two gentlemen who visited here yesterday said if tax collections fall short of anticipations, the thing that would have to be done would be retrenchment rather than increase of taxes. Are you in favor of that?

A. Oh, I could answer that but I don’t want to go into this. I mean, I just go back to the President’s budget statement of January and if there’s anything to be said from the executive end which would change that, naturally it would come from the President. I mean, what we said last January is where I stand. That’s all right with me.
Q. Mr. Secretary, do you think the importance of government support, and quotation marks
around that word "support", has been over-
emphasized or underemphasized as far as the bond
buyers are concerned?

A. Frankly, I don't understand that question.

Q. Do you think ultimately government support will
make any difference in the bond market?

A. Ultimately? No. And we have never tried to. All
we have ever tried to do is to use our investment
funds to keep an orderly market and as long as I
am here that's all we will ever try to do. No
one has got enough money to either put the market
up or put it down, and I would never use the funds
we have for that purpose. But we have always tried
to keep it orderly and will continue to do so.

After all, I think for two weeks I was chairman
of the Farm Board or a month, I don't know, so I
haven't forgotten the lesson of the Farm Board in
trying to keep up prices of commodities. How long
was I chairman? A month?

Mr. Gaston: From the 4th of March to the 27th of May.

H.M.Jr.: A short time and I had the job of liquidating what
they had bought.
Q. What do you propose to use for money hereafter
to keep it orderly?

A. Good United States currency. What would you use?

Q. Just going to issue it or use the Stabilization
Fund?

A. No, we have investment funds. We've got something
like sixty different trust accounts and we have
funds to invest and those are the funds which we
have used and will continue to use.

Q. Any immediate money coming in in a very large
quantity?

A. Money flows in and out of the Treasury all the
time.

Q. I mean trust funds.

A. As I say, it comes in and out all the time. I
think there are some sixty different trust funds
we have money to invest for.

Q. You started to tell us your experience as chairman
of the Farm Board—what was it?

A. I inherited a lot of commodities and was running
a grocery store for a while, and it was my job to
liquidate, and we liquidated $100,000,000 worth
of groceries when I was there and I still haven't
forgotten the lesson.
Q. Mr. Secretary, regarding my query on tax collections, you say you go back to the President's budget as to where you stand. As I understand it, the President's budget estimated certain expenditures and receipts, etc., and if the receipts don't come up to expenditures, then what?

A. I'll be glad to explain that. If there's any change from his message there's only one person can officially make that statement, and that's the President of the United States. As I said last time, this is too important a matter for me to guess or hint or anything else because if there's any change from his statement of last January, the only person who has any authority to make any statement or change is the President of the United States. I'm just making statements—I mean, it doesn't mean anything.

Q. Mr. Secretary, you mentioned sixty trust funds.

A. Well, I say sixty. There may be 45—there may be 65, but I once had somebody count them and he told me there's sixty. It may be 65 or 55, but I have the figure sixty in mind.

Q. I wanted to ask you about how much money is that—hundreds of millions of dollars or billions?
You mean the total? The fund, as I remember it, these total funds, the investments in governments, as I remember it, exceed over $2,000,000,000. I think that's right.

What do you mean by investment in governments, sir? I mean, they own over $2,000,000,000 in governments, as I remember it.

They now own over two billion?

Now own over $2,000,000,000. I get a sheet once a month and here down this side are various accounts showing what funds they own and I study it every so often and take a look at it. Any money to invest? Are these funds equitably distributed among government issues? Do they own too much of one and too little of another? And this whole thing, as I remember it, the group, altogether, I think it exceeds $2,000,000,000.

Can you give us the total accumulations in these trust accounts, funds still awaiting investment?

No, I'm sorry, but I don't feel that I should give out that information. What you want to know is how many chips have I got down here (vest pocket); you know there's kind of a hollow place, but don't forget that I've got plenty here (opens desk drawer and indicates various pockets) and plenty here and lots back here. I've got them (chips) all over.
Q. Then you haven't exhausted them all?
A. There's plenty of them.
Q. In the trust funds?
A. I have plenty of money to use to keep the market orderly. And working with the Federal Reserve, between us we've got all the money that's necessary to keep this market orderly—the two organizations working together, which we are. The two organizations working together have all the money necessary to keep the government bond market orderly.
Q. The reason I asked that is because you agreed with Mr. Duffield here.
A. I said the information and statistics which those two men carried today are accurate. They just looked up the daily statement. We give those away. Any one can get one without cost.
Q. Mr. Secretary, is it possible in this connection to draw any distinction between what might be called uninvested balances and so-called special accounts?
A. No, I'll go back and make this statement: That the Federal Reserve and the Treasury, working together, have ample funds to keep the government bond market orderly.
Q. Mr. Secretary, the two billion invested—do the
trust authorizations permit a shifting from one
security to another?
A. As far as I know. There may be some, I don't
know, for instance, Government Life. I would
have to look up the authorizations.
Q. I mean, as a general practice you are allowed to
shift.
A. As far as I know. Up to now these people have left
it entirely to the Treasury how those funds are
to be invested, and, as far as I know, I believe,—
there may be something for which I'd have to get
an authorization signed, but, as far as I know, I've
got complete freedom to shift to funds as I
wish to; as I believe it is wise to.
H. M. Jr.: Well, for heaven's sake! How are you?

Bob Thornburg: Fine, thank you, Mr. Secretary.

A. Glad to see you. I guess I know most everybody. At your service.

Q. How do you find the bond market after yesterday, Mr. Secretary?

A. Well, it's still there.

Q. What did it do, Mr. Secretary?

A. It closed, on the whole, up—I think it was up a little bit.

Q. Is there any sign of the Federal Reserve Board's support and purchases?

A. Well, old timer, you don't expect me to answer that question, do you?

Q. I don't see why not.

A. Well, I do.

Q. What do you think of the action of the Open Market Committee?

A. It was a constructive move in the right direction.

Q. Does that mean that there are other steps that they can and should take?

A. I think it's a constructive move in the right direction.
Q. Does that mean pegging the government market, Mr. Secretary?
A. I can only repeat what I said.
Q. Will this facilitate your borrowings?
A. We have no immediate borrowing plans.
Q. No immediate borrowing plans?
A. I mean, other than our weekly bills, we have no refunding to do now until next Fall. I mean, the big government refunding program is finished and behind us.
Q. Would that mean, Mr. Secretary, when you say "until next Fall" there won't be any June 15?
A. We have no government maturities coming due in June other than our bills. We have nothing coming due—I think it's September, isn't it?
Q. Yes, that's right.
A. I mean the big Government refunding program has been accomplished and is behind us.
Q. What about further borrowing? Supposing some of these bills go through in the House—Farm Tenant bill; Housing bill?
A. We'll have to meet that when it comes. I mean, I don't want to be misunderstood. I'm not saying we won't have to get additional new money; at present we are getting additional money through borrowing $50,000,000 a week, bills maturing in June.
Q. But your statement is predicated on what might happen on the Hill—you can't foresee what they will do.

A. I can't say, not being a mindreader or soothsayer. But I am trying to get over, I want to make it clear in answering that particular question this program of refunding. After all, we have sold twenty-four billion dollars of bonds in the last three years. We refunded the 4th Liberties and the big refunding program is an accomplished fact. We have no maturities until, I think it's September. Some one help me out?

Q. That's right.

A. Until September, and the only requirements we have are bills which are coming due and if we need some additional money between now and the first of July, and I think we will, why that's the whole story as far as Treasury financing goes.

Q. You mean you think you will need some new money on June 15?

A. I think between now and the 1st of July we'll need some new money—between now and the first of July.

Q. Do you expect to raise it by bills?
A. I don't know. Those of you who cover the Treasury know we never say how we will raise it until the day we announce it.

Q. Can you say whether or not you will continue your weekly bills beyond this week?

A. You know me. We don't make any announcement until we have an announcement.

Q. Last time you said we'd have no new financing between now and June 15.

A. When did I say that?

Q. Last January, and I was wondering if there would be no financing between now and June 15.

A. No, I just said I am quite sure we will need additional money between now and the 1st of July. When we will raise that money and how we will raise it I'm not prepared to say. Anybody any doubts on what I'm trying to convey? Any possible misunderstanding? What are you worrying about?

Mr. Linz: There's a lot back of that.

A. As to my statement? Do you understand?

Q. Yes, sir. May I ask this? What will occasion the need for new borrowing? Is that on account of the tax deficiency?

A. No; if you don't mind, I'm not going beyond that statement. I'm telling you—we always try to inform
the public as to what our needs are as far as the borrowing is concerned. Further than that you people can wait until the President, as he announced at his press conference, he would send up new estimates in connection with his relief message, and he said he would do it, as I understand it, the week of the 14th. Now when those figures come out, they will be as they always are the most accurate figures we have available to give the President. He said the week of the 14th, in connection with his relief message. Pending that you'll have to be a little patient.

Q. Back to the same general discussion over there, Mr. Morgenthau. He talked about rising prices. Can you give us any idea of what you might have in mind to offset this seeming gaining inflationary move?

A. No.

Q. How about this tax idea? Do you favor that?

A. No, as I explained at my last press conference, it isn't up to me to talk about what my ideas are. We have a perfectly legal channel for those. If I have any ideas as to revenue they go to the Budget and from there to the President, or if I have any suggestions on those matters I give them to the President, and if he thinks well of them he informs
Congress, but, as Secretary of the Treasury, it isn't my job to talk about those things.

Mr. Secretary, you said you didn't want to speak beyond saying that you need money—you didn't say what for, but could we, for our background, know why you need this money? Is it a result of the indicated tax deficiency?

No, I'm sorry. You gentlemen will have to wait until the President sends up his relief message and then you'll get the whole story.

Could you say, Mr. Secretary, is there any indication in saying that the relief message might call for a larger figure than the budget message?

Now you're just asking one question after another. As I said the last time after I came back, this is too important for me to make any guesses or any intimations, or any hints—too important from the standpoint of the Treasury and the public. If you don't mind, please don't try to draw any conclusions from what I'm saying because I'm not giving any hints or anything else. We are working now preparing the figures for the President. He'll get them and when they go up it's just the same as the budget message in January. You know by now we don't give any hints because we don't think
Congress, but, as Secretary of the Treasury, it isn’t my job to talk about those things.

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A. No, I’m sorry. You gentlemen will have to wait until the President sends up his relief message and then you’ll get the whole story.

Q. Could you say, Mr. Secretary, is there any indication in saying that the relief message might call for a larger figure than the budget message?

A. Now you’re just asking one question after another. As I said the last time after I came back, this is too important for me to make any guesses or any intimations, or any hints—too important from the standpoint of the Treasury and the public. If you don’t mind, please don’t try to draw any conclusions from what I’m saying because I’m not giving any hints or anything else. We are working now preparing the figures for the President. He’ll get them and when they go up it’s just the same as the budget message in January. You know by now we don’t give any hints because we don’t think
we should. If you don't mind, as far as this office is concerned, I'd like to get your directions—you shouldn't get it—at least I don't think you should get it—from anywhere but from the President.

Q. Mr. Secretary, the Federal Reserve is going to absorb all offerings apparently in the interest of a wobbly market and here you come along and presumably throw more fuel on the fire.

A. What fuel?

Q. If you have another offering that's just adding more bonds when the banks are unloading. Who's going to take them all? What's it all about?

A. I'm not going to attempt to answer that. The thing is perfectly orderly. The Federal Reserve and ourselves are working together very closely the way we have been ever since I've been here, and we will continue to work very closely together and anybody can take out our daily statement and take out his pencil, and, if he has a moderate amount of intelligence, I think he can figure out just what our needs are.

Q. Mr. Secretary, have you decided yet the size of the Friday or Thursday bill offering?

A. No and we won't decide until about Wednesday night or Thursday morning.
Q. Mr. Secretary, will you tell us Thursday morning?
A. What's the usual time, Herbert?
Mr. Gaston: We usually give it out Thursday evening for Friday morning's papers.
Q. Once or twice the Secretary has told us in advance.
A. I was in good humor then.
Q. I hope you will be Thursday.
A. It depends on what I have for breakfast.
Q. One of these stories said you might affect Federal Reserve policy by seeking to sterilize the gold. Is there any contemplated change on that?
A. All I can say is the Federal Reserve made its statement, and, as far as the Treasury is concerned, we have no statement to make today as to any change in policy for today. Now I don't want you to get—that doesn't mean I'm thinking of doing anything tomorrow, but—I'll put it this way—but as a result of these conferences that have been going on we have no statement to make as to change of policy. I mean, the Federal Reserve kept me posted and I was in touch with them and I knew what they were doing and they were kind enough to consult me, and the statement they made, as I said before, was ok.
Q. Yes, but I was just wondering, for my own information, whether the sterilization of gold would do what they said it would do. I don't want that for quotation, but just for my own information. I read that story that one of the plans by which they could ease the money market would be for you to change that policy.

A. There's no statement "imminent".

Q. That's a good word.

A. Is that a good word? And that still doesn't get me off the 24-hour basis which we are still on, but there's no statement imminent.

Q. Mr. Secretary, do you plan any change in the handling charge or whatever you call it on purchases of gold?

A. Not right now.

Q. Mr. Secretary, have you heard from the Internal Revenue agents in the field?

A. No.

Q. Mr. Secretary, the decision, as I take it, regarding bills will be whether you will continue buying for cash or continue to offer two issues or only one this week.

A. Well, the whole question, as you men know, those of you who don't come here regularly—I try to be overcareful on this thing because after all we're dealing
in money and you people have got lots of investments here and I don't want to mislead you or the public through you, and that's why I'm trying to be extra careful today, but you know we don't announce it until we've made up our mind, and, as I said before, you people will be the first to know. I'm trying to be extra careful today.

The only reason I was asking, Mr. Secretary, was I knew you had announced in January you were going to offer three hundred million in bills and I wondered if you would say you would extend it or not.

Q.

No, Thursday night, the usual time, it will be given out by Herbert Gaston.

Q.

Any conferences today between yourself and Mr. Eccles or any similar conferences?

A.

Today? No. I've talked to him a number of times on the phone. I don't know whether it's out, but I might as well tell you, to save you people from being in the halls, but at 4:30 everybody concerned with railroad retirement will do me the honor of calling. You can leave out that phraseology, but they are coming down any way.

Q.

Will you discuss anything there beside railroad retirement?

A.

I hope not. It's enough. But Senator Harrison,
Mr. Doughton, Mr. Pelley, Mr. George Harrison
of the Railroad Brotherhood, Mr. Magill, Mr. Bell
and I will meet.

Q. Do you expect to dispose of it?
A. I’m ready to dispose of it—I’ve been ready for
some time.

Q. Do you contemplate that there will be anything to
be said after that conference?
A. If we don’t accomplish anything we won’t have any-
thing to say. If we do, why Gaston will let you
know.

Q. Mr. Secretary, the budget statement shows $134,000,000
in estimated collections during the current fiscal
year from the railroad tax. Now, as I understand
this new plan, it would wipe out all that and start
the tax only when the new plan became effective.
This presumably would result in a refund of some-
thing more than $100,000,000 of the taxes which
were estimated to be collected under the present
law. Could you say whether or not the discussions
relate to that subject?

A. Well, I mean, what we are trying to do is to find
a way that will not take it out of the Treasury,
and, I think I am correct,—Herbert can make a
quick check—as I understand it, in the budget for
this year we figured we would collect $134,000,000
net—is that correct?
Mr. Gaston: That is correct.

H. M. Jr.: Now, under the proposed plan, the Treasury Department stands to lose this fiscal year about $100,000,000, and I have made a suggestion whereby the Treasury wouldn't lose anything.

Q. How's that?

A. Well, I'd rather not say at this time, and under my suggestion the members of the Railroad Brotherhood would fare better than they would under the so-called agreed plan. In other words, their benefits would be higher, and I am frank to say, I think, at this time, the Treasury can't afford to lose any such amount of revenue.

Q. Can you say whether their taxes also would be higher?

A. The Railroad Brotherhood's?

Q. Yes.

A. No. Under the proposed plan, we are proposing, everybody informs me, the Railroad Brotherhood's members would fare better. This agreement is very nice, but it takes it out of the hide of the United States Government and I just don't think we can afford it.

Q. At this time?

A. At this time.
Q. I don't know whether you can answer this question or not, but could you say whether that subject alone is holding up the matter now?

A. The whole question is a matter of revenue, and I am only one, but up to now they have been willing to hold it up pending time to come to an agreement. Now if they can work out some way that they don't throw the budget estimates out by $100,000,000 why I'm more than pleased to go along. I mean, with me, it's just a question of revenue and I think that that's what I'm here for, to protect the revenue of the government, and I'm trying to do it to the best of my ability.

Q. When you say you're willing to go along?

A. Well, I mean if they want to agree on everything else, whatever they have agreed on, but what interests me, what's my job, is revenue.

Q. Mr. Secretary, may I ask how that law would work? Is that because of impounded taxes?

A. That's a long question. If you don't mind, Herbert has got it all and you can talk to him. It's a terribly complicated thing, going into the question of actuarial figures after retirement, retirement at this age or that age—it's a
terrifically complicated proposition. All I can say is the thing we are talking about is we don't want to lose the estimate of $134,000,000 which is in the budget for this fiscal year.

We want to keep that. If they can figure out some way that the Treasury isn't going to lose it why we can come to an agreement very quickly.

Q. Mr. Secretary, have you any figures later than those given out as to the March 15 collections?

A. Nothing but what's in the Daily Statement.
Q. I've got sort of an involved question I've got to ask, Mr. Secretary.

A. Make it simple so I can understand it.

Q. When the Treasury started its inactive gold fund, did it do so with the idea that it was undertaking what you might call an unlimited or indefinite commitment which you might recognize as long as the background conditions remained as they were, or did it understand its commitment to be one which ran to a certain point, even though that point wasn't fixed at that time? In other words, what did you undertake when you undertook that?

A. Well, you've asked your question but I'm sorry I don't want to answer it.

Q. I'm afraid reticence on this point leads to a story such as appeared this morning.

A. What was that story?

Q. The fact that you are about to abandon it and have a free-gold market.

A. Well, I can't help people from writing stories, and I think that the stories that were printed in the last three weeks about the price of gold ought to be a pretty good lesson—that if we
should ever get ready to do anything about the
price of gold why there won't be any leaks. My
hand will not be forced and any major move that
has ever been made in the Treasury, I think has
only been made after very careful consideration;
and I remember when we had the question of silver
I used to say Bombay India used to know more about
the price of silver than I did. In the last
three weeks a lot of people seemed to know more
about what I was going to do about the price of
gold or the President, and the President can't
be put in the position of denying each day or
each hour what we're going to do about the price
of gold or sterilization or the free-gold market.
You just have Herbert on the hour every hour and
I think the President's statement Friday ought
to lay at rest that piece of gossip. Certainly,
I'm not going to attempt to answer any more
stories.

Q.

This is slightly new.

A.

I know, but we answer that one and we get another
one and then another one. The best answer is
that we've had this authority now for a number
of years and the dollar has proved to be the
steadiest of all the currencies. People inside
of the United States and outside seem to feel that the United States is the most attractive place to put their money, and I think that it has been a matter of building up this confidence over the last four years. Knowing what the facts are the President and I, I might say, have been the least worried of anybody because we knew what we were or were not going to do, and outside of the President and myself nobody does know—nobody—and nobody can talk on the price of gold except the President and myself. And, as I say, I simply can not be put in the position of each day, or have Mr. Gaston be put in the position each day, of talking for the President and denying every silly rumor that somebody can think up over a weekend.

Q. Mr. Secretary, is there any reason why there couldn't be a free gold market in New York?

A. I'm sorry, I'm not going to discuss the possibilities and then simply add to the gossip, if you don't mind. I mean, in the last three weeks there has just been too much gossip and too many people talking about what we might or might not do by people who have no authority or information.
Q. Mr. Secretary, there's another angle to that, as to why gold, for example, from Russia has to route through London to get here. Is there any special answer to that?

A. You'll have to ask the Russian State Bank that question.

Q. The idea was it picks up a profit as it comes along.

A. I'll simply say you'll have to ask the Russian State Bank who directs the sale of that and why they route it as they do—I'm just a little more emphatic about it—purely impersonal about it—because this thing has been going on for three weeks and the only people in the United States—the President and myself have been calm about this whole thing because we had nothing in mind. We can't help people who haven't got the authority from talking and gossiping. I hope some of them have learned their lesson.

Q. Mr. Secretary, when you said that because you had nothing in mind—when you said that you were the only two people, the President and yourself, who were calm about this because you had nothing in mind, just what did you mean about that?
A. We had nothing more in mind about changing the price of gold.
Q. You had?
A. We have nothing.
Q. H-a-v-e?
A. You can use have.
Q. You said also the President and I are the least worried. I just wondered about that. You are the least worried about what?
A. Well, about the price of gold.
Q. How about the gold movement?
A. I meant, we have nothing to worry about.
Q. Mr. Secretary, you say in regard to the price of gold—could you extend that to the free-gold market and embargo against gold imports?
A. No, no. If you don't mind, gentlemen, I think I've said enough, if you don't mind.
Q. Mr. Secretary, I assume that you've seen what Mr. Auricel said in Paris today about the stable franc and the general monetary policy.
A. I'm sorry, I really haven't.
Q. In brief, he said the franc would be permitted to find its natural level within the limits fixed in the French devaluation law and suggested that possibly the most desirable thing that could occur would be immediate world
stabilization. Could you comment on that?

A. No answer.

Q. Is your position still that you are ready to listen to anything? Didn't you say on this matter of stabilization that you are ready to listen?

A. Well, look what has happened since then. We've got a tripartite agreement and lots of things have happened since then.

Q. Maybe you had better make another radio speech.

A. I don't know whether Herbert could stand the nervous strain.

Q. Mr. Secretary, if these rumors continue there's a possibility you may consider another radio speech?

A. Since the President made his statement at his press conference—I mean, anybody who has an open mind, I mean, has stopped worrying. Certainly I can't add anything to what the President said on Friday. He made a flat statement.

Q. Among the rumors has been another recurrent rumor of the possibility that gold stabilization will be extended. At the last press conference as I recall, you said there was nothing imminent on that.
A. That still is a good word.

Q. Mr. Secretary, the ticker quotes, a Federal Reserve Board official as saying he believes the Reserve Board's policy has been misunderstood and also believes your position has been misunderstood and in reality you are all in favor of higher interest rates. Is that correct?

A. Since when are you representing the United Press?

Q. I don't represent the United Press?

A. What did the United Press say?

Klein: As I recall, it was told both the position of the Federal Reserve Board and the Treasury had been misunderstood, particularly Mr. Eccles' statement that --.

A. I love to have you boys interviewed.

Q. That you were in favor of the easy-money policy and I was lead to understand that there would be no opposition to an orderly rise in interest rates, provided it was kept in line with prices and other factors.

A. As I read the thing that came over it said—let me just talk off the record.

Q. All right.

A. It says, "the Federal Reserve Board says."

Well, I'm not going to sit here and interpret
what the Federal Reserve Board says. If you want that interpretation I'd go back to the fellow that gave you the story and let him interpret it, if you don't mind.

Q. Might be a different interpretation. Maybe I might add that I toned the story down considerably from what I was told.

A. I still say, off the record, wherever you got your story you go back to the source and let them interpret. Why should I interpret what anybody says for the Federal Reserve System?

Q. Mr. Secretary, have you shifted your position as regards to the need for easy money, Mr. Secretary?

A. I have never made any statement.

Q. Do you believe in easy money?

A. I'm not making any speeches.

Q. That's a matter of great interest to the bond market, whether there has been a shift in the easy money policy.

A. Talking for the Administration--I have that authority of talking for the Administration--there has been no shift.

Q. In your easy money policy!
A. There has been no shift in the Administration's policy in regard to (let me just think of a word) in either our fiscal or monetary policy.

Q. Since what date? Is that since the tripartite agreement, Mr. Secretary?

A. Well, you can go back from the time I came here, if you want to—is that right?

Mr. Gaston: Yes.

H.M.Jr.: As far as I know, I have never talked--this is again off the record--I have never talked about interest rates or easy money policy or high rates or low rates, I have never said anything, but, talking for the Administration--and I have that authority--I can say that as far as the fiscal or monetary policies of this Administration are concerned, there has been no change. Is that all right?

Mr. Gaston: Yes.

H.M.Jr.: Bob Kintner, is that all right?

Kintner: Yes, but when you say "from the beginning of your Administration--"

A. You want a date and I'm not conscious of any change.

Q. I meant over the weekend.

A. Well, I'll go back to the time I came here--our objectives are still the same.
Q. Well, there is a misunderstanding of my story. I didn't say there was any change in the easy money policy. I said there would be no opposition to an orderly rise.

A. If you don't mind—I don't know where you got your story—that's your business, but I'm not going to argue with a United Press representative, but wherever you got it or whoever got it, they can go back to that place and find out what the man or men meant who you interviewed. I'm not going to be put in the position of interpreting your story and in the long run you don't want me to. You ask me what I feel or Mr. Roosevelt feels about the monetary or fiscal policy—I can say there has been no change. But in the long run you don't want me to interpret your story.

Q. No, but I thought if you wanted to make your position more clear, Mr. Secretary, --.

A. No, I have never said anything about easy money, nor have I ever written any articles. Anything I want to say I give to you fellows except for three or four radio talks and I don't see anybody alone either, if I've got anything to say I see you all at one time—you know that by now.
Q. Mr. Secretary, apparently the discussions relate to questions as to whether or not easy money means 2½ per cent rate for government bonds or three percent. I presume you wouldn't want to comment on that.

A. No, if you don't mind.

Q. Mr. Secretary, anything on financing plans?

A. I have nothing to say.

Q. Do you know about the mechanical process of this budget summary that will be given out? Where do we get it? Here or the White House?

A. Well, the usual thing is Gaston will talk to Steve Early and work it out, and with Mr. Bell. I don't know. It's really up to Mr. Bell and Mr. Early.

Q. You mean we will get it Wednesday morning or Thursday.

A. I think you had better talk to Steve Early.

Mr. Gaston: Steve will control that.

Q. Any comment on the budget or tax investigation?

A. No.

Q. Mr. Secretary, your statement which you said you were willing to make for quotation—you said fiscal or monetary. Would you care to amplify the word fiscal?
A. No, they are two good words.

Q. Before we get off this tax thing, have you had a report on that field story?

A. Only very preliminary.

Q. Anything you can tell us about it—you said you would.

A. I did and I will. All I can say is the preliminary information we get is sufficiently important to encourage us to go on and make further studies. I did say and I'll keep my word that when we have something I'll give it to you.

Q. In view of this French statement today, I was asked if I could get a statement from you on your attitude on stabilization. I thought I understood it from your radio speech, but evidently I don't. Things have changed. Can you say anything about it?

A. I really can't. I do want to say this, just in the family, so to speak, not for quotation—that out of this statement, I mean Mr. Eccles and I have talked several times and there's no difference between Mr. Eccles and myself. I just want to give you that, strictly off the record. There's no difference between Mr. Eccles and myself. I want to say that, but I don't want to be quoted. Mr. Eccles and I have no differences.
We have talked twice today—once this morning and once this afternoon.
Q. Mr. Secretary, there's a story carried by one service that the Treasury is going to turn over all the records in the Lindbergh kidnapping case to the Governor of New Jersey to enable him to know who to pay that reward to. Do you know anything about that?

H.M. Jr.: Not a thing about that. No, I don't know a thing about that.

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

A. We are going to start Monday selling a new series of $50,000,000 a week, due in the middle of September.

Q. In that income tax period?

A. Yes.

Q. Anything about the extent of those, Mr. Secretary?

A. A series.

Q. Have you determined the amount, Mr. Secretary?

A. A series. Fifty million next week.

Q. And due in September?

A. Due in the middle of September.

Mr. Gorton: You want that used on the day wires, Mr. Secretary?

H.M. Jr.: Oh, they might as well.
Q. Is this the financing that you mentioned some time ago, Mr. Secretary, that might be necessary?
A. The new money? Yes.

Q. Will there be anything in addition to this, Mr. Secretary, like for June 15 or some other time?
A. This is all I've got to say for today, just what I've said.

Q. But you might issue others and you might not.
A. Oh, I'm not going beyond this. I'm just saying we will start in a series of fifty million a week bills next Monday, due during the tax period of September.

Q. It's logical to assume, Mr. Secretary, that all the money will be raised by bills? That there will be no other obligations?
A. I wouldn't assume anything. I mean, you know when we are ready to announce something we tell you fellows, and ladies, and that's all I have on financing.

Q. Mr. Secretary, could you tell us why the Treasury is borrowing short-term instead of long-term?
A. No, we just think it's the proper way to raise the money at this time.
Q. Does that mean because you can get better interest rates?
A. I just think it's the right kind of financing at this time.
Q. Well, it's in line with your policy of not doing financing except on a quarterly basis—long-term financing? (Duffield)
A. That's right. Thank you. Always glad to have you help out Kintner and me.
Q. I was just asking if that was the policy.
A. I still say, thanks for the help. Some of you fellows are awfully meticulous about whether I say I, he, it or me. I notice some of you getting it right down.
Q. This is too important a matter to do any speculating with. When you used "he" the last time did you mean the President was going to?
A. I noticed that.
Q. Was that a slip of the tongue?
A. Yes, or your pen.
Q. No, it was your tongue, I'm sorry.
A. All right. What else?
Q. The last fifty million of bills, when you offered 50 million after having offered one hundred, the interest rates still continued to go up, although a smaller amount was offered on the market. Any comment?
Q. When will we get the March report on investments?
A. Tonight.
Q. For release tomorrow morning?
A. For release tomorrow morning.
Q. Any comment on the large gold receipts?
A. No, I haven't.
Q. Is that earmarked gold that's being freed?
A. I really don't know.
Q. Mr. Secretary, can you tell us whether Japan has been given a license to hold gold here in connection with those shipments they have brought over here?
A. I'm not familiar with it. As far as I know, there's no reason why you shouldn't know it.
I'd be glad to get it for you but I just don't happen to know it.

Q. Mr. Secretary, anything on the rail pension agreement, or plan, rather?
A. As far as the Treasury is concerned, we said we would get these four different actuaries together and I'd be willing to take their report. Well, they had two suggestions. Three agreed on one and one man made another suggestion and I said I'd take either one—either suggestion was acceptable to the Treasury, and that's where we stand. The rest is up to Congress now.
Q. Did the railroads and employees say they would take either suggestion too?

A. No, but we said, as far as the Treasury is concerned, from the standpoint of revenue, we would take either one of the two suggestions. One taking out seven percent the other five, running from five to nine years?

A. Well, when they left here we discussed whether or not we could make public the actuarial report. It was agreed we shouldn't and on that basis we didn't. Now if they want to release it from the Hill, that's their prerogative. We discussed it here -- should we release the report? and they said no—and so—.

Q. Do both plans provide for the returning of the one hundred million to the railroads?

A. I'm sorry, Bob. When they went out of here we agreed we wouldn't talk. If they want to, that's all right. When we get this report and it's accepted, if the gentlemen on the Hill want to talk — that's all right.

Q. Will you assume that the matter is entirely in the hands of the gentlemen on the Hill and through here?

A. We are entirely through here.
Q. Although no agreement was reached with the railroads and employees?

A. That wasn't my job. My job was to work with the two chairman of the committees of the Senate and House, and I've worked with them and we have come to an understanding with Senator Harrison, chairman of the Senate committee, and Representative Doughton, chairman of the House committee. They know where we stand. My work is finished.

Q. The only thing I'm curious about, the original conferences were on the plan submitted by the rail people.

A. Well, our part of it was always a question of financing and then it got down to actuarial interpretations, and if you have ever sat down to actuarial interpretations, you'd get as dizzy as I did. Each fellow would quote a different actuary, and we decided when we got them all in a room we would take a report and we did that. But everybody came in a room and quoted a different actuary and I just got dizzy over it, and we finally got it down in black and white and made them sign it. It's a large amount of money—$2,200,000,000 payroll—when you begin juggling percentages and slip a decimal point one way or another it means a lot of money. These boys actually signed it and the Treasury is finished.
Q. Who signed it?
A. There was the actuary for the Treasury, Mr. Neagh, the actuary for Social Security.

Mr. Gaston: Glenn.

H.M.Jr.: No, he's the Railroad Retirement —.

Mr. Gaston: It was Buck representing the railroad actuaries.

Q. But the railroad people didn't agree to anything.

H.M.Jr.: I really don't want to get into anything on that.

As Secretary of the Treasury, I'm working with the two chairmen of these committees—that's my work.

I don't get into agreements with railroads or railroad unions. That isn't my job. I work with these people but in order that all cards would be on the table I wanted those gentlemen here so they would know what I was objecting to, so we invited them to be present, but I had no negotiations with either the railroad owners or unions.

Q. Could you tell us whether either the railroad owners or unions found either plan acceptable?
A. You ask them that.

Q. Were the four actuaries all government men?
A. No, this Buck calls himself the chairman of the board of governmental actuaries, but, as I understand, it's a sort of advisory group which advises the government, but they are in private business. Buck represented Mr. Latimer, the railroad board governor.
Q. Well, that would be a government man, then.
A. There were three government men and one outside.
Q. Representing the government?
A. No, representing himself. Buck represents himself.
He's in private practice. You will have to get his exact status. The government uses him all the time.
Q. Mr. Secretary, there's nothing to prevent Congress passing a law regardless of whether it meets with your approval or not, is there?
A. I'm not going to answer that question.
Q. Mr. Secretary, can you say whether your new financing program anticipates continuation of the gold sterilization?
A. Now, listen, gentlemen, and ladies, anything on gold — what the President said should have ended it last Friday and the little bit I tried to add last Monday — if you don't mind, I'm not going to get into a discussion of gold. That's finished.
Q. I don't know whether you could answer it or not, Mr. Secretary.
A. I don't know either, but we are through with gold rumors, as far as I am concerned, and the by-products of gold.
Q. That includes sterilization?
A. Yes, sir.
Q. Mr. Secretary, to get back to financing again, I assume that you are starting this series Monday because your working balance is getting low.

A. That's almost as good as this gentleman's question. What do you usually do when your account gets low in the bank?

Q. I thought you might not start until later.

A. We borrow when we need it.

Q. Do you need it now?

A. Now.

Q. Last time you told us you were just building up a maturity to enable the banks to slip under when they started to pull out. (Linz)

A. What?

Q. I'll repeat it. You said you were building up a maturity to make it easy for the banks when the tax money started to move out of the banks.

Mr. Gaston: Well, I think that, as I recall, what the Secretary said, that making the maturity at that time would facilitate the banks' transactions on that date.

H.M. Jr.: No, if I said anything—the reason we have these moneys coming due at that time is so that there will be the least disturbance in the money markets, and that was a long time ago, too.
Q. A long time ago, Mr. Secretary, you said you would keep one billion dollars in the working balance. Does that still hold?
A. It hasn't held—there's much less than that.
Q. Is that still your policy?
A. I'm sorry, I'm not going beyond just what I said, if you don't mind.
H. M. Jr.: All right, gentlemen, any worries?

Q. Have you any, Mr. Secretary?

A. No.

Q. Mr. Secretary, despite your refusal to deny, the gold stories keep cropping up in the papers with great regularity.

A. I'm glad you asked that question, because for a paper of the kind that you run I didn't know they turned into a gossip sheet. The story they ran a few days ago. I was not going to say anything, but you asked for it.

Q. I plead not guilty. I didn't have anything to do with it.

A. It didn't have a Washington date line, but that story of a few days ago (N.Y. Times) sounded like "The Return of Peter Grimm." Of course, that's in the family. I notice the Herald-Tribune has written down every word I have said.

Q. I thought we would use it in our next advertisement, Mr. Secretary. (Kintner)

A. I wasn't going to say anything but I was surprised. Better find out where they got that story (to Thornburg). I thought that
H. M. Jr.: All right, gentlemen, any worries?

Q. Have you any, Mr. Secretary?

A. No.

Q. Mr. Secretary, despite your refusal to deny, the gold stories keep cropping up in the papers with great regularity.

A. I'm glad you asked that question, because for a paper of the kind that you run I didn't know they turned into a gossip sheet. The story they ran a few days ago. I was not going to say anything, but you asked for it.

Q. I plead not guilty. I didn't have anything to do with it.

A. It didn't have a Washington date line, but that story of a few days ago (N.Y.Times) sounded like "The Return of Peter Crimi."

Of course, that's in the family. I notice the Herald-Tribune has written down every word I have said.

Q. I thought we would use it in our next advertisement, Mr. Secretary. (Kintner)

A. I wasn't going to say anything but I was surprised. Better find out where they got that story (to Thornburg). I thought that
since the World War we had learned a lesson in this country—not to let the foreign boys lead us around by the nose.

Q. After all, it was only a general survey of the possibilities.

A. I still repeat that after the World War we ought to have learned our lesson about propaganda, etc. I didn’t bring it up. I didn’t bring it up. (Much laughter)

Q. Thanks for doing it though.

A. Thank Bob (Thornburg). He always helps me out.

Q. Can you say anything on the record, Mr. Secretary, not about their story, but about the sterilization, which seems to be the only rumor left?

A. No, I can’t help it if they’re going to plant stories and propaganda and all this kind of stuff.

Q. Will you say off the record — —

A. This is all off the record—up to now, everything.

Q. Will you tell us once more, off the record, that nothing is imminent?

A. No, no. But up to now everything is off the record. Bob and I are just having a little fun.

Q. But for our own guidance, won’t you tell — —
A. No, I'm through denying— I mean I can't help it — .

Q. I didn't mean for use.

A. No, I mean for any purpose.

Q. That's too bad, Mr. Secretary, because I got a query last night on gold and I get two every night. (Linz)

A. I know you people continue to get them.

I read different papers. There's a pretty good headline (holding up Wall Street Journal). Do you all see it? Can you see it, Bob? (H. H. Jr. laughs heartily.)

Q. Mr. Secretary, I received cables from Manila saying that I've been way behind on all the gold rumors. (Klein)

(Laughing.)

A. Has Manila been talking to Bombay?

Q. Mr. Secretary, can you say anything about financing?

A. No.

Q. Can you say anything about the study of the income tax rates, the extensions?

A. Not yet. Nothing new has come in.

Q. Can you tell us something about the tax study which the President said in his budget that the Treasury would make?
A. Nothing other than that the study is being made and will continue to be made as returns become available.

Q. Mr. Secretary, can you tell us something about the procedure of the tax study? People aren't very familiar with what a tax study means. Does that just take in individual income tax returns?

A. No, and for your peace of mind, as far as the tax study goes, other than the statements I have made that if we do find out anything from the agents out in the field — but as to the general tax study, you men will have to wait until Congress calls us up on the Hill and asks us for whatever we have.

Q. That will be in November?

A. If Congress takes the President's suggestion.

Q. Does that mean you will await the study of the June returns?

A. No, the thing is a continuous process here, and as these returns come in we've got people here and that's the particular function of Mr. Magill. I just want to say, to save you worrying about it, that until we are asked to come up on the Hill, I mean, whatever we've got — —.
Q. I notice the general fund working balance is under seven hundred million. Will the short-term bill borrowing be sufficient to keep that up?

A. I'm not going to say anything about money, if you don't mind.

Q. You wouldn't care to indicate how long the series might run?

A. No, I'd rather not.

Q. Mr. Secretary, have you found any evidences of real evasions of tax payments?

A. If these men who are out in the field find anything concrete, I told you we would give it out. Now there's nothing which has been brought to my desk yet. If we find some method or device being used, I promised you fellows that I would tell you and so far I've kept my promises.

Q. Mr. Secretary, would you care to make any comment on why revenues are below expectations?

A. No.

Q. Do you think the expert method of forecasts of the Treasury should be revised? I'm asking that for information.
Well, until we find out from these men in the field just what the situation is, I can't answer your question.

Q. Mr. Secretary, the other day the Bureau of Internal Revenue revised its form for requesting extensions of time for filing, so that you have to swear to the reasons. Is that part of this program?

A. I don't happen to be familiar with it.

Q. Mr. Secretary, there's a general feeling that in these new estimates you leaned over backwards trying to avoid overstating the amount of revenue you expect. That seems to be borne out by the fact that in your revised income tax collections estimate for the present fiscal year your March quarter collections were 57.2 percent of the total anticipated collections for the first half of this calendar year.

A. Our method of estimating hasn't changed one bit. We have simply always, since I've been here, tried to make our estimates absolutely rock-bottom, and the estimates we furnished the President this week, we arrived at exactly the same way as all others.
Q. Could you say why your estimates this year showed 57.2 percent collected in the March quarter as compared with 66 percent in the last two years?

A. I don't know. All I can tell you is the figures which we furnished the President were figured exactly the same way that every other figures have been furnished since I've been here. There has been no change in the method of arriving at estimating tax receipts or other revenue. We arrived at it exactly the same way. We have always taken what we believe to be the rock-bottom figures.

Q. Mr. Secretary, will the Treasury set an example for the other departments and cut its appropriations for the next year, I mean cut its apportioned expenditure?

A. Well, we will do the best that we can. After all, we have a part in writing the rules and I think we ought to do everything we can to live up to it.

Q. Are you going to take a vacation when the President is away, Mr. Secretary?

A. I may be away for a week.
Q. We always have a hard time finding out when and where you go. (Duffield)

A. I always tell you. At least, Gaston does. The only time I didn't is when I went down Chesapeake Bay for two nights. I don't think you have had a hard time finding out.

Q. Oh, well, it doesn't make any difference.

A. I think I tell you too much.

Q. Your departments don't always tell us too much. (Klein) Mr. Secretary, does your ban on gold rumor stories ban any stories on gold movements?

A. That's all part of the same thing.

Q. I just wondered if you could say something about that just now?

A. No.

Q. Mr. Secretary, your budget reecast doesn't contain any explanation of the public debt retirement explained in the January budget. Can you tell us something about that?

A. No, it wasn't included and I can't add anything to it.

Q. Could you tell us the reason it wasn't included?
Well, this wasn't a complete budget summation. After all, there weren't the usual detailed figures that went with the budget summation, and, as I remember it, I don't know whether it's the law or practice, but what the President usually does is to send up the budget summation after Congress adjourns. He may or may not follow that example.

He said he would.

Well, at that time he will give you the debt figures, but, after all, this was a very abbreviated budget message. It wasn't really a budget message.

Could you say yourself, Mr. Secretary, whether there will be a material increase over the thirty-five billion in the January budget?

Well, I think it's perfectly obvious from the President's figures how much the increased deficit is going to be this year and next year, and all you've got to do is take his figures and add them up. It isn't very difficult.

You've got a lot of imponderables, such as working balance, gold coming in. Personally, I wouldn't want to take a guess at it.

We don't guess here, but I think that in the light of the President's message, certainly,
I have every reason to feel extremely comfortable and highly pleased. I think it's going to be a little difficult for some of the people to adjust themselves but I'm sure they will.

Q. You say you're highly pleased—you didn't finish your sentence.
A. Highly pleased at the financial outlook.

Q. You said in the light of the President's message, "I have every reason to feel extremely comfortable and highly pleased."
A. At the financial outlook. Does that complete the sentence?

Q. Yes, sir.

Mr. Secretary, once before you mentioned the possibility of shifting these repayments of RFC into some other classification—put them on the revenue side instead of expenditures. Is there anything on that?

A. Not immediately.

Q. Do you think they might some day be shifted?
A. I don't know. I really have been awfully busy here. We've had more than plenty—it has been day and night getting ready for this message.
I have every reason to feel extremely comfortable and highly pleased. I think it's going to be a little difficult for some of the people to adjust themselves but I'm sure they will.

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A. I don't know. I really have been awfully busy here. We've had more than plenty—it has been day and night getting ready for this message.
Q. Can you tell us about liquidating some of the assets — what that meant?

A. No, just be a little patient. All right?

Thank you.
H. M. Jr.: Who's got a worry today?
Q. The stock market.
A. Who's that?
Q. Mr. Ardery
A. What have you been reading? — Major Anges?
Q. I've been reading more gold rumors; would you like to hear the latest, Mr. Secretary?
A. Love to! What's the latest?
Q. The one in Montreal and New York—one rumor said the Treasury was going to make an announcement at 11 o'clock, and the other one said the White House was, and 11 o'clock is passed!
A. No! Herbert, why didn't you get that out?
Mr. Gaston: I forgot to give them a copy of it.
Q. I was coming in to get that skin that the Wall Street Journal said you had on the wall.
A. Who's skin?
Q. Didn't you ever see that story?
A. No.
Q. Kilgore said the gold rumor had been skinned and the skin had been placed on the wall with the great and not so great. Speaking of time, Mr. Secretary, wouldn't you like now that daylight
saving time has come, to have the conference
a little earlier—at 3 o’clock? We’d like
to quit earlier.

A.

You’ll have to take that up with Mr. Gaston;
I can’t decide things just like that!

Q.

Well, we just asked you to see if it would tie
in with your plans.

A.

I don’t care much.

Mr. Gaston:

It suits me all right.

H. M. Jr.:

Easier for you boys?

Q.

Yes, sir. We can catch the late editions of the
afternoon papers in New York. This way you’re
competing with baseball.

A.

That’s the best compliment I’ve gotten yet. I
didn’t know I was even in the class with baseball
news. You fellows have a delegation take it up
with Herbert. Whatever he agrees is all right
with me.

Q.

Mr. Secretary, does the Treasury have any regula-
tions to prevent its employees from participating
in the stock market?

A.

I know we have one for Treasury internal revenue
agents, but I don’t know how far-reaching it is.
On these revenue agents we have very strict
regulations not only stock but for all sorts of
things.
Q. You mean prohibiting them?
A. I'd have to look it up; I don't know. I know over at the Farm Credit we had them.

Q. You've seen the President's letter?
A. Yes.

Q. Do you think the result will be the Treasury will restrict its general personnel--I don't mean just the Internal Revenue Bureau but all employees from speculating.
A. I just take it perfectly for granted that the Treasury employees who are in a position to get important information--I take it for granted that they don't speculate. After all, there may be some clerks very far removed--what their activities are, I don't know, but certainly, those people working in my office or anywhere near my office are not in the market and have no interest in the market of any kind.

Q. As I understand the President's letter is not directed so much at inside information as any general speculation.
A. I just take it for granted that Treasury employees handling figures or any confidential information are not in the market. Certainly, if I found they were I'd discharge them.
Q. The SEC doesn't take that for granted. Under the 48-hour rule all transactions must be reported.

A. There are a lot of things we take for granted here and people live up to. I mean, we are constantly—well, I mean, I don't want to have any reflection on the SEC or anything else, but my policy here is to run the Treasury on what they call in school the "Honor System" and so far it's worked very well. But if anybody finds it is necessary to put rules down in writing why it can be done.

Q. Now when Commissioner Mitchell writes you a letter as head of the Department, what will you do?

A. We'll do whatever the President wants us to do. If there are any rules and regulations coming out, why, of course, we will accept them. But, as I say, up to now I have run the office on what I call the honor system and I must say I have found 99 7/8 per cent compliance.

Q. I was just trying to anticipate what the rules might be.

A. If any rules come out we will adopt them, but I again go back — I would no more think of asking
the people who come in every morning to see me. "Are you in the market?" than to ask them, "Have you brushed your teeth?" I take it for granted. I think that's the kind of people we have in the Treasury. That's no reflection on anybody, is it?

Mr. Gaston: No. Of course, it would be very difficult any time to try to make specific rules—what they can do and what they can't do—you seem to grant permission to do what isn't prohibited.

H. M. Jr.: The hours are from 9 to 4:30. If anybody within one hundred yards of this office ever gets home at 4:30 it would be the unusual. If the Civil Service gets out any rules we will comply and issue rules. And now that we have discussed that important subject, what else?

Q. One other question—you do prohibit employees from being in the government bond market?

A. I really don't know. The question has never been raised. It has never been brought to my attention that anybody has been. As far as I know, I don't know of a single case, I don't know of a
case, where an important employee of the Treasury has been found in the market or in commodities or silver or gold or government bonds. I don't know that any important government employee since I've been here has been found operating. As far as I know, I don't know of a case.

Mr. Gaston:

I think that statute applies to the Secretary of the Treasury, the Treasurer of the United States and the Register of the Treasury—from buying government bonds.

H. M. Jr.:

We have a little pilfering here and there but you can't help that, with fifty or sixty thousand employees, that somebody would be the black sheep, but the important government employees—

Q.

Does that prohibit them from buying government securities?

H. M. Jr.:

I'm prohibited.

Mr. Gaston:

Buying and selling.

H. M. Jr.:

You'd better look that up.

Mr. Gaston:

Mr. Thompson is looking it up for me.

H. M. Jr.:

It's just like you come in and ask me what rules regulate my 14-year-old daughter—we just don't have any. I don't run my family that way, nor the Treasury, because it is not necessary.
Q. The reason I asked, the President evidently thinks some department —.

A. Some Department must have brought it about, but it wasn't the Treasury. You ask me what rules regulate my daughter and I say there are none. I don't want to be misunderstood. If the President finds it necessary to issue rules through the Civil Service I'll issue the same ones here and see that they are lived up to.

Q. Mr. Secretary, can you tell us how far you are going to let your weekly bills run?

A. No, we will tell you each week.

Q. Can you tell us anything about quarterly financing, Mr. Secretary?

A. No, I'm sorry, I can't on that either.

Q. How about the income tax survey?

A. Nothing new.

Q. Mr. Hevering's visit of any significance?

A. Just some routine.

Thank you.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, APRIL 29, 1937:

H.W. Jr.: Well, your sit-down strike was successful.
Mr. Gaston says 3 o'clock.

Mr. Gaston: Monday (press conference).

H.W. Jr.: But I won't be here Monday.

Q. I guess you win.

A. You have the time and I have the .

Q. What time will that be?

Mr. Gaston: Hereafter, the Monday conference at 3 o'clock instead of 4.

H.W. Jr.: When I'm here Mondays.

Q. When will you go away, Mr. Secretary?

A. Friday.

Q. How long will you be gone?

A. A week.

Q. Where are you going—South?

A. The farm—spring plowing.

Q. No raspberries yet this early.

A. No, but they will be when necessary.

Q. What do you give for picking raspberries, Mr. Secretary?

A. Well, we let you eat all you can.

Q. I see it's three cents a quart up in Dutchess County.

A. A pint.
Q. A pint—right. Mr. Secretary, your supposed actions on gold are being blamed for the London stock market crash now. Can you say anything for background about our position on the general subject of gold?

A. No.

Q. Mr. Secretary, is there any paradox in the fact that apparently your foreign capital is beginning to move out as far as repatriation is concerned and still gold is continuing to come in?

A. No, I don't want to comment on it.

Q. Anything on financing?

A. No, just the regular bills.

Q. Bill?

A. Just the regular bills.

Q. How about the tax study, Mr. Secretary?

A. We haven't got anything on it and the fact that it slowed up a little bit, I have asked Mr. Magill to go into the field himself, which he is going to do, and see if he can't get some first-hand information. Neither he nor I are satisfied that the information, or lack of information, that they haven't been able to produce anything, so he's going to actually spend a couple of days in the field himself.
Q. Do you know where he'll go?
A. It's not decided yet, but it will most likely be in New York, but he's going to spend a couple of days.

Q. When is he most likely to go?
A. He'll most likely do it over the weekend.

Q. This has to do with the extension?
A. No, this whole question—we have had these thirty men looking into these returns and neither Mr. Magill nor I are satisfied with the lack of information that is coming in, so, discussing it this morning, he thought that he might go out himself and go into the offices of several of the collectors and see just what some of these returns look like. I mean, amongst other things, the fact that 33 1/3 per cent of the people have asked for extensions—I mean, why have they asked for extensions?

Q. What percentage?
A. I gave that out before—33 per cent have asked for extensions.

Q. What do you hope to find?
A. I don't know.

Q. What did you find?
A. I haven't anything to announce, but I say the fact, why the 33 1/3 per cent have asked for extension--.

Mr. Gaston: I think, Mr. Secretary, that figure was a 33 1/3 per cent increase over the number who asked for extensions last year.

H.M.Jr.: Is that so? Thank you.

Q. Mr. Secretary, have you been advised that there is any noticeable slowing up of social security taxcollections as a result of the Boston Circuit Court decision?

A. I don't know--do you know, Herbert?

Mr. Gaston: No, I don't know.

Q. Mr. Secretary, could you tell us as a matter of background whether your figures show quite a large foreign liquidation or repatriation, whichever it might be?

A. Bob (Kintner), I don't want to evade the answer--I mean, this is in the room here--we really don't know yet and some of the stories they are writing, I think the fellows are just guessing and nobody really knows. That's the answer. It's too early to tell yet.

Q. Can't you tell from your daily reports?
A. No, we can't. I'll be very frank with you. We don't know ourselves. I mean, if I had to make a guess, I'd say it is not taking place. That would be a sheer guess. I've read the stories and whoever is writing them is guessing. This is absolutely off the record, the people that are making the guesses about repatriation--I don't think they have any information because we haven't got any--it's too early to tell.

Q. You are distinguishing between repatriation and liquidation of American securities, aren't you?

A. Yes.

Q. I asked both of them. I mean, you don't think they've been selling securities here?

A. You talk about repatriation--to use a simple word--money moving out of the country, net--more money moving out than coming in.

Q. I was trying to get at two things--that and whether they were getting in a net selling position--whether the money moved out or not.

A. You first asked one question, now you want two--which one do you want answered?

Q. I got the answer to the first.

A. And that's for advice to your financial writers.
Q. Before you go on with liquidation on this repatriation, according to our foreign exchange men, there has been a large demand for sterling from security houses who ordinarily handle a lot of foreign business.

A. And I still think that nobody knows. We have the best information of anybody in this country and I still say we have no indication to show that there's a net movement of funds out of the country.

Q. Of course, when you say net, I don't know about that.

A. Well, that's the ultimate thing we're interested in and, as I said, this is to be used for advice to your financial writers—I don't want it printed because I don't guess, but if I had to guess I'd say the movement is not out of the country. As long as I'm off the record I'll go a little bit further, also for advice to your editor—the troubles they are having in London are their own troubles of their own making.

Q. You mean as to their markets?

A. As to their markets.

Q. Not as to the gold price?
I'm talking about stocks and commodities.
That's their own situation, their own trouble.
It isn't so long ago that a fellow over there tried to corner the pepper market. Well, the situation now is very much the same due to speculation in commodities abroad as it was at the time the fellow tried to get the white pepper.

Mr. Gaston: That's a tip for your information.

H.M.Jr.: I have no objection to your telling this to your editors, but I don't want anything said about "a Treasury official says." Are we all clear?

Q. All clear, as far as the Treasury. Suppose we get it from some place else--I can tell you of two other places we can get it. (Linn)

A. If you really get it--

Q. I mean if I go after it I'll go to those places.

A. I thought you were going to tell me where those places are.

Q. No, sir, I can't.

A. But not in the Treasury.

Q. No.
A. I'm talking to help you men with your home offices. You fellows have never let me down and I'm trying to be helpful.

Mr. Gaston: As I understand, you are not undertaking to sew them up on anything they may get elsewhere.

H.M. Jr.: No, but if you can check this thing, — I'm just talking about there has been a lot of stuff in the papers the last couple of days again. I'm not talking about gold and my hunch is—which you fellows can verify—that some of the financial writers are off on the wrong foot.

Q. Did you get, by any chance, a copy of Mr. Edie's remarks before the U. S. Chamber of Commerce yesterday?

A. No.

Q. I don't know whether they have been mimeographed or not, but he spoke extemporaneously and he had a lot to say about your policies.

A. Did he?

Q. Including this.

A. Well, what did he have to say?

Q. As I remember it.

A. Were you there?

Q. Yes, sir. He said that the British situation was a reaction from here, just the reverse of what you said.
A. You can make up your mind what to believe.

Q. I don't know Mr. Edie.

A. All right.

Q. How about foreign selling in the stock market?

A. There has been a lot of that, obviously.

Q. Do your figures show that?

A. There's no question but what there has been a lot of selling.

Q. By foreigners?

A. By foreigners, but I don't want that for direct quote, Bob.

Q. No.

A. I mean, there's no question about it. Now we're all talking--I'm giving this to help you out. If you can pin it on somebody, all right, but don't pin it on the Treasury or me. I'm trying to be helpful. Do we understand each other?

Q. That last statement about the selling?

A. That goes the same way.

Q. When you gave up the weekly gold figures we were told perhaps you would give out something on the quarterly basis.
A. On the foreign imports?

Q. No, you used to publish gold receipt figures weekly and it has a bearing on this sort of business. Can we have some gold figures?

A. I haven't got any gold figures and I wish—well, I mean, we can't give anything else from what we've got now but I just—I've said enough.

Q. I have another question: It seems to me that this problem of hot money is right before you again, if there is a liquidation in the stock market by foreigners. Have there been any developments?

A. No, but this sort of thing that's going on here—there's nothing that has happened in the last couple of weeks in the market—the stock market or in the commodity market—that in any way affects the Treasury. This also again comes under the heading of just informal talking. There's nothing about it which in any way affects the credit of the United States.

Q. No, but it does affect the Treasury because you are charged with the study of hot money.

A. I know, Bob (Kintner), but I want to get the thing over. I'm very calm and collected.
There's nothing in this thing that disturbs me, as Secretary of the Treasury. I mean, there's nothing in it, because everywhere you check our people weren't in this speculation of commodities the way they were abroad and their banks had practically no commodity loans. I mean, there isn't anything in this thing that would cause me to worry.

Q. Couldn't we have monthly figures showing gold import figures?

A. We will take it under advisement.

Mr. Gaston: George Haas is working out a report now.

E.M.JR.: Is he? All right. What else have you gentlemen got?

Thank you.
H.M. Jr.: Thank you all for giving me a very quiet week.

Q. It's mutual.

A. The first quiet one I've had in a long, long time.

Q. Mr. Magill is back, Mr. Secretary. Can you tell us anything about the tax study?

A. Not yet, but what I can say is that it was worth-while sending him into the field, and, as a result of that, he will make other trips.

Q. He will?

A. Yes, he will make other trips.

Q. Have you any idea of how long before you'll be able to tell us about this thing?

A. No, it isn't the easiest thing in the world.

Q. Could you tell us where else he's going?

A. I don't know yet, but he will make several other trips.

Q. Where was he, sir?

A. He was in New York.

Q. Can you tell us in a general way what he found?

A. I'm sorry, I can't.

Q. Would you be interested in corporations—corporations set up down in Central America and other places for evasion of taxes?

A. No, I'm not prepared to talk.

Q. Can you tell us whether or not a corporation set up elsewhere—Bermuda or any place down that way—and the income due an American investor paid to that
corporation, of which he's the owner—it's a holding company proposition—is that legal?

A. I don't know. You'll have to go see one of the Internal Revenue people. Gaston would be perfectly willing to arrange for you to see somebody over there.

Q. I have asked them that question.

A. But I don't attempt to give rulings—couldn't—don't want to.

Q. I was hoping you'd say no.

A. No, if you want to see an expert over there on those things, Gaston will fix you up on that.

Q. What's Dr. Viner doing around here?

A. He comes at regular intervals.

Q. Does he have a special field?

A. I mean, he's on a regular retainer basis and he comes down every so often.

Q. But you do have some people who are experts in one field or another and I just wondered where he fits.

A. Well, he fits in a lot of places. He's here for two or three days now and he comes about every other week.

Q. Any financing news yet?

A. I asked them. They haven't heard yet. You fellows wanted to see me at three o'clock. Here we are. They haven't gotten any news yet from New York on the bills, if that's what you mean.
Q. No - -.
A. On the financing?
Q. Yes.
A. No.
Q. Can you tell us how long you are going to let this fifty million issue run?
A. No.
Q. Until the middle of June?
A. I don't know. On the bill business we are on a weekly basis.
Q. Mr. Secretary, will you make any comment on the reserve requirements going into effect and the result?
A. I didn't earlier.
Q. Mr. Secretary, as between the 7th and 6th of May there were only about $500,000 of gold came in—smaller amount than usual. Any significance in that?
A. Not that I care to comment on.
Q. Mr. Secretary, I understand you are going before the Senate Banking and Currency Committee this week. Is that correct?
A. I've read it in various papers but I haven't received any invitation. Don't hurry us. The end of the week would be very nice. I could even wait a week.
Q. You will go up if they invite you?
A. Always, always.
Q. I just heard that Mr. Fish would prevent you from buying any more gold. He put in a resolution today.
A. Far be it from me to talk against my Congressman.
Q. You mean our Congressman.
A. Me, too. He's also Mr. Roosevelt's Congressman.
Q. His constituents evidently don't have very much influence with him.
A. Or vice versa.
Q. That was to be expected. Is that all?
A. That's all.
Q. Would you like to say anything about gold?
A. No, nothing to say.
Q. How about foreign capital movements?
A. Nothing to say.
Q. Study still on?
A. You fellows might, if you feel like it, write about how quiet it has been for a week. Maybe that isn't news.
Q. That isn't news. The Bank for International Settlements recommended a reduction in the price of gold. I don't suppose you want to comment on that either.
A. Oh, I could, but, after all, that's their view.
Q. What about the cash balance, Mr. Secretary? It's dropped down a little lower than what it used to be.
A. Well, that was part of the program we worked out with the Federal Reserve Board in connection with their increasing the reserve requirements and it was a plan we worked out months ago with them and it's worked according to schedule.

Q. Could you tell us, Mr. Secretary, about what you want to keep that balance at?

A. No, no.

Q. You've abandoned the billion dollar proposition?

A. I bended it? Is that what you said?

Q. Abandoned it.

A. Bended it is better.

Q. You bended it?

A. Bended it is better.

Q. It looks like it's half-broken.

A. All right, bended it. The only trouble with this is that I just began to realize what it was to have a vacation.

Q. It isn't so good for us.

A. It's good for me. It tastes good. It tastes like more.

Q. What do you think of the revenue situation, Mr. Secretary?

A. I think it's all right. Nothing since the President's message.

Q. Well, they hit a 16-year high Saturday for one year so far.

A. Good!
Q. Mr. Secretary, on this cash balance and reserve thing you are paying out. That money had a tendency to increase excess reserves—is that right?

A. All I can say is the whole thing was worked out jointly, between us, as to what we would do and I think the program worked out according to schedule.

Q. It just seemed to me that this was moving in the opposite direction of the increase.

A. All I can say is it was a program that was worked out together and it worked out according to schedule.

Thank you, Mr. Secretary.
H. H. JA: All right.

Q. Mr. Secretary, do you plan to see the Finance Minister of Uruguay? Do you have any appointments with him?

A. I expect to see him while he's here; the State Department has asked me to.

Q. He's a proponent of that Pan-American monetary conference—I think he's the author of that resolution. Are you going to talk over that project with him?

A. Thanks for telling me. Herbert, do a little reading, will you? Do a little night work.

Q. What's his name? His last name is Charlone.

A. This stuff that he's been talking about — this conference — I don't know anything about that. But the State Department has asked me to see him and I'll be pleased to see him. I don't think he's in town right now.

Q. I think he's in this country.

A. No, but they have asked and as far as I know I don't know anything but what it's a courtesy call.

Q. On the subject of South America—what about the Brazilian Ambassador and Secretary Welles yesterday?
A. Isn't there anything going on over at SEC?
Q. I don't have to cover the SEC.
A. What about RFC or Home Owners' Loan? I think I've got to find something for you to do. No comment.
Q. Nothing you can tell us about -- ?
A. No. What else have you got?
Q. I don't know, it's a little bit unusual for an Ambassador after having been away in his home country to come back with an entourage like that and come over here.
A. Well, he was formerly a Minister of Finance and just came in to tell me a couple of good stories.
Q. Do you plan to see the President tomorrow, Mr. Secretary, or Saturday?
A. Well, there's Cabinet tomorrow afternoon--two o'clock.
Q. Before he left he intimated when he got back he would confer with you and Mr. Bell.
A. I haven't had any communication.
Q. Anything on tax?
A. Everything is very, very quiet and peaceful around here. Taxes? No. Everything is very quiet. I met with the Executive Committee of the Open Market Committee—
I've got that title right this time, haven't I?—yesterday and expect to meet with them again next week.

Q. Any significance?
A. No, just getting ready for the June financing; and next Monday will be the regular bill issue—fifty million 9 months and fifty million due the middle of September.

Q. Are you prepared yet to give any indication about June 15, Mr. Secretary?
A. No, we are just beginning to work on it now.

Q. Announce it the first Monday in June, I imagine.
A. It hasn't been settled yet—I wouldn't go down on that, if I were you. It hasn't been settled yet.

Q. You say that Thursday's announcement of bills will be for fifty million only?
A. Fifty million of 9 months and fifty million due in the middle of September—one hundred million.

Q. Then it will be the same as up to now?
A. The same as this week.
Q. Does that make three hundred million now, Mr. Secretary, or two fifty?
A. You've got me.
Q. This will be two fifty million.
A. Let's see—I don't know. You'll have to check that. Is it two fifty, what?
Q. That's my recollection. Yes, sir.
A. I'm not sure.
Q. Any news about the conference between Assistant Secretary Maccl and Chairman Doughton?
A. No, anything on that will have to come from the Hill.
Q. Could you tell us when you saw Summer Welles?
A. Yesterday afternoon.
Q. Who was with him? The Brazilian Minister?
A. Ambassador and the former Minister of Finance, and Dr. Feis was here, too.
Q. Dr. who?
A. Herbert Feis, Economic Advisor to the State Department. Is that his correct title? I think so.
Q. How do you spell his last name?
A. F-e-i-s. Isn't he economic advisor?
Q. Yes.
A. Will you (Duffield) stay a minute? No special news story, just a personal matter.
H. H. Jr.: I hope you fellows are easy on me today—I haven't had a chance to study up. How's the bond market, Bob? Well, what can I do you for today?

Q. Do you know about the Supreme Court ruling on the processing taxes, Mr. Secretary?

A. They just brought it in before you fellows and I haven't had a chance. The young lady just brought it in one second ahead of you. I saw $80,000,000—I saw that much.

Q. That's wrong.

A. There he goes—just takes the sunshine out of my day. What should it have been? One hundred?

Q. It doesn't involve that. It's a different part of the act. It's the refund part of the act; limits the refund.

A. Do you mean to say that this news service slipped $80,000,000?

Q. I was talking about my own (Duffield).

A. What else?

Q. Mr. Secretary, could you make any comment on the idea of an international curtailment of gold movement?

A. You've been reading Collins.

Q. Very good, isn't it?
A. No, far be it from me to start any new gold rumor. You're not going to write that, are you?
Q. Unless you say so.
Q. Anything new on the income tax prospects as related by Mr. Magill?
A. No—still working.
Q. How about financing?
A. No, we have a meeting Wednesday with the Executive Committee of the Open Market Committee of the Federal Reserve Board of Washington, D.C.
Q. You will have?
A. Will have, yes.
Q. What would be a good estimate of the second quarter income tax collections?
A. None.
Q. Would that be a good estimate?
A. We stick to the early one.
Q. For the benefit of the locals, Mr. Secretary, do you know about this gentleman named Mr. Keene who disappeared out of a boat down the river Thursday night?
A. Should I?
Q. It has been quite prominent in the local papers that he disappeared and the Coast Guard is looking for his body but nobody seems to have the authority to investigate as to why he disappeared or what happened to him, and I wondered what you thought as to whether the Coast Guard would have any jurisdiction to investigate the disappearance beyond searching for the body.

A. I'm not a seagoing lawyer but I don't see-- I mean, their responsibility is to save life, not to investigate why somebody wanted to take it. That's a seagoing law, not on the curbstone, but on the crest of the waves. How's that?

Q. That's pretty good.

A. And if it isn't all right the other seagoing lawyer here, Herbert Gaston, will give you another one. No I just think their responsibility is to save life.

Q. Mr. Secretary, are you going before the House Ways and Means Committee Wednesday on the Customs Administration reorganization bill?

A. Not that I know of.

Q. That's the same day as the Executive Committee meeting.
A. I haven't had any invitation. I doubt very much whether I'd go up anyway. Somebody from Customs ---.

Q. Has the other committee advised you?

A. No and don't stir anything up. Everybody is happy.

Q. How about Kintner? He was going to arrange for that.

A. He's had enough to do somewhere else and we will let that go. I guess they just overlooked me and it suits me fine.

Q. Did you have any White House-budget conference today? Any news out of it?

A. No, I just went over on general Treasury matters with the President—didn't touch on the budget.

Q. The President asked the Departments to make recommendations about how much savings they could have by May one and we haven't heard anything about what happened to all these.

A. Well, that's between the Budget Bureau and the President and I'm not trying to duck it—I just don't know. I'm sure the Treasury has done its part.

Q. How much have you saved?
A. Well, we've gone the limit.

Q. Well, thank you very much, Mr. Secretary.

A. You're welcome. This is a good conference.

Good bye.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, MAY 20, 1937:

Q. What can you say about the financing, Mr. Secretary?
   A. Not a thing.

Q. Any more meetings?
   A. Oh, there will be lots of meetings.

Q. Will you continue your fifty million extra
   bills tomorrow?
   A. Yes.

Q. Is this the last week?
   A. That will be the last announcement for this week.

Q. Is it still on a week-to-week basis, or have you
   made a decision as to how much?
   A. No.

Q. There has been a lot of speculation, Mr.
   Secretary, as to the amount of new borrowing--
   the present series of bills might be stepped up
   to one hundred million--can you say anything
   about that at this time?
   A. No, we make a decision each week as we go along.

Q. That will be 350 of the current series.
   A. With next Monday's offering that will bring it to
   three hundred 50 million.

Q. Will you make any comment on the decrease in the
   bill rate? Pretty low last time.
A. Pretty high after what we used to pay. That isn't for comment--no, no, I didn't make any comment when it went up; I don't think I'll make any comment when it goes down--take the good with the bad.

Q. Will you tell us, sir, whether you plan to see the Finance Minister of Uruguay today?

A. Pleased to--one o'clock for lunch.

Q. What's he doing here?

A. Eating.

Q. Other than that.

A. I don't know. That's as near as I can make out--eating. They give him lunch, and a dinner every night, and I think my answer, eats, is still right and I imagine if he keeps it up much longer he won't do much more either. I simply said eating.

Q. I didn't ask any question.

A. I think the answer is absolutely right. I think he's just been eating.

Q. Are the State Department people coming with him?

A. No, his Minister is, though, inasmuch as the Finance Minister only speaks his own language and I only speak mine.

Q. Mr. Secretary, can you say anything in regard to this proposal for a monetary conference?
A. Military?
Q. Monetary.
A. I thought you said military.
Q. With the American nations.
A. I want to get that.
Q. Well, I understand the invitation has been extended by the Pan-American Union to all governments of the two continents to hold a monetary conference.
A. Well, perfectly honestly, I am not questioning you at all, but if it has, it hasn't gotten over here yet. I really don't know a thing about it.
Q. How would you feel about it?
A. I don't like the eating conferences.
Q. You wouldn't go down there to eat.
A. Well, what else do they do at these conferences?
Q. I don't know.
A. Neither do I.
Q. But don't you think one would serve a useful purpose at this time?
A. I leave that to the State Department. I don't want to comment.
Q. I think about eight weeks ago - - .
A. Well, talking on general principles, I am opposed to conferences—I mean big conferences; I mean, on the ground that I have yet to see one that has accomplished anything.

Q. I didn't understand.

A. I have yet to see one that they have accomplished anything at it. I mean, if you sit down with one of these countries at a time you can get somewhere. These big conferences, other than the good time that you have, I don't see that they have accomplished anything.

Q. In other words, your idea is to sit down with one man or a few men or the representatives of one government and talk out mutual problems?

A. About mutual problems. I mean, that's the way we have accomplished what we have so far with the countries that we have negotiated with on monetary matters. We sat down with one country at a time and talked matters over, but to go into a big conference—I don't want to get into any big conference.

Q. You won't or you don't want to?

A. I don't want to.
I don't think you'll have to sit in this one. Response has been very poor so far, Mr. Secretary, in spite of all that has been written about this proposed conference. I don't think anything has been written about what it will be about.

As a matter of fact, for background, as I understand, each time they have one of these Pan-American conferences they always ducked the monetary thing and they always pass a resolution that at some future date we will have a conference on monetary matters; then they don't have it and they meet on political matters and pass a resolution to meet on monetary matters. That's happened several times. Nothing has ever happened, and as far as I am concerned, I am opposed to it in principle because I don't see that you get anywhere. I can't sit down with twenty or thirty countries and talk monetary matters.

Mr. Gaston: Don't you think all of this ought to be for background—this stuff on monetary matters?

H.M.Jr.: O.K. My right hand says this should be for background.
Mr. Gaston: I understand the Secretary is speaking about monetary conferences, and, for background purposes, it is understood the Secretary doesn't think there will be much promise of fruitfulness in a general conference.

H.M. Jr.: Herbert is right. He's always right.

Q. Is that off the record?

Mr. Gaston: No.

H.M. Jr.: They want to know how they should write it—Treasury officials.

Q. "It is understood the Secretary of the Treasury"?

A. O.K.

Q. Still for background, Mr. Secretary, I assume these general things you've said would hold for other proposals such as the one on the Hill to redistribute gold.

A. No, I never talk about pending legislation. I never have. If you don't mind, that's something else again.

Q. What's the Finance Minister's name? Charlone. Mr. Secretary, still for background, would you express an opinion on your idea of South America as a possible realm for extension of monetary agreements?
A. Still for background, we're interested. This gentleman is here. He's being entertained and we'll talk over whatever he's got on his mind. He's here, and if we have any mutual problem naturally we will talk about it. That goes for any other country--North and South America or any place else.

Q. Mr. Secretary, do you know of any problems that exist?

A. I don't know. I have asked two or three times what he's got on his mind and I have been unable to find out.

Q. Isn't there some bond agreement about to expire?

A. That wouldn't affect us. We would not be interested in that. I'm not kidding. I don't know. I've asked a couple of times what he will talk about and I have yet to find out.

Q. Mr. Secretary, speaking of individual negotiations, does the Treasury have any contact with Russia on the system of transferring gold?

A. The answer is no comment. OK?

Mr. Gaston: I should ask you.

H.M.Jr.: Herbert has got me scared.

Mr. Gaston: You mean you've got me scared--it's mutual.
R.M. Jr.: Oh, boy! This is great! Bob, it must be great fun to be in one of these jobs where you can talk.

Mr. Gaston: That makes it mutual.

R.M. Jr.: Where are we?

Q. Back to Russia.

A. How that boy does travel.

Q. It has been written both ways and Mr. Gaston says that makes it mutual.

A. I'll stick to mine--no comment.

Q. How about a world monetary conference? Are you in favor of such a thing? Do you feel that way about all conferences?

A. Do I? Yes. Again for background, I mean, I've read a little history and I don't have to go back many years, and I've yet to see one -- what did Will Rogers say about world conferences--the only thing that ever happened the Americans got trimmed. Every world conference we went into we lost our shirt. I think that's right, again for background.

Q. You spoiled an awfully good story, Mr. Secretary. Does that apply to '33, Mr. Secretary?

A. We didn't agree on anything.

Q. You didn't lose your shirt.
A. There wasn't any agreement, but we came darn close to it, shirt and everything.

Q. Mr. Secretary, for my own information, were you with the President at the time he sent his note to the conference?

A. Yes.

Q. Wasn't he off the coast?

A. He was on the Indianapolis.

Q. Were you along?

A. Yes. Are we all straightened out? Bob has got all his financing.

Q. When will the next meeting with the Open Market Committee be?

A. Tuesday.

Q. Mr. Secretary, can you tell us anything about taxes yet? How your tax study is progressing, etc?

A. No, I've got nothing to tell you.

Q. Mr. Secretary, are you in favor of high tariff or low tariff?

A. Take him out and give him the bum's rush!

Q. They sent a tariff bill from the Treasury to the House Ways and Means Committee increasing the tariff on antiques.

A. Will I let him have it?
Mrs. Klotz: Yes.

H. M. Jr.: What I'm in favor of is legitimatizing worm holes in antiques. The trouble is, they tell me, the worm holes aren't lousy enough. Now listen, that's strictly off the record, including Clarence Lens.

Q. Now we're getting some place.

A. Including Clarence. You fellows have got to have a little fun.

Q. Talking about the reciprocal tariff arrangement, that would be against the policy.

A. That's strictly between us. I don't know what the trouble is. They take a shot gun over there and fire it and claim it's an antique. That's just a little fun between us girls.

Q. Let's have that one line.

A. What?

Q. "I'm in favor of legitimatizing worm holes in antiques."

A. No.

Q. Mr. Secretary, is it your understanding that the President's budget that was announced in April will not be revised down and that it was expected to come out as announced
and no savings anticipated?

A. You had a conference with Danny Bell yesterday.

C. Yes.

A. That still goes. On this wormhole business, please!
H. M. Jr.: Well, for Bob's sake, we will do our financing on June 7th.

Q.: June when?

A.: 7th.

Mr. Gaston: That's the announcement.

H. M. Jr.: We will do our financing on the 7th of June.

Q.: You announce then the issue and you issue it on the 15th—is that right?

A.: We will do our financing on the 7th of June. I mean, they will subscribe on that day.

Mr. Gaston: I think probably the boys are still as perplexed as I am.

H. M. Jr.: Saturday, the 5th of June, we will meet here about five minutes past twelve and I will tell you what the terms are, and Monday morning papers will carry the announcement and on the 7th of June we will do our financing.

Mr. Gaston: Will you add to that that it's the June 15th financing.

H. M. Jr.: They will pay for it on the 15th.

Q.: Subscriptions on the 7th, payment on the 15th?

A.: Yes; just having a little fun.
Q. Can you give us the amount?
A. No.
Q. What will it be?
A. No, thank you, Bob and I have an understanding—just a little piece at a time.
Q. When will you tell us the rest?
A. You won't have anything until next week.
On account of deciding that the financing would be not until the 7th we postponed our meeting with the Open Market Committee tomorrow.
Q. Until when?
A. Until Wednesday week.
Q. Will that be the last meeting?
A. Yes, that will be the last meeting.
Q. Mr. Secretary, was that decision reached after the Supreme Court reached a couple of decisions today?
A. No, as a matter of fact, word went out before lunch this morning.
Q. What do you think the effect of the court decisions will have on revenues from Social Security?
A. Well, as a matter of fact, all I've seen are the flashes because I've been at the White House from one until three and I
haven't seen the text of the decisions, I don't think anybody else has.

Q. Sweeping victory!
A. Evidently the investors in the bond market liked it because all our governments went up.

Q. Mr. Secretary, will you say whether this will enable us to repurchase outstanding Treasury issues in the next fiscal year in your investments accounts or otherwise?
A. I'd rather not go into that.

Q. Don't you think, Mr. Secretary, that this will make people pay in their Social Security taxes who have been holding back some of them?
A. All I will say is that it will certainly quiet a lot of people that have been doing a lot of worrying about this. I mean, quotations in the government bond market were the best answer. They all went up today.

Q. Did you say that wasn't for quotations?
A. I said the government bond quotations all went up and that's the best answer.

Q. You mean government people or Wall Street people?
A. I said investors, wherever they may be.

Q. In the Treasury?

A. In or out of Wall Street.

Q. You wouldn't want to say, Mr. Secretary, that you have been one of the people who's been doing a lot of worrying about Social Security taxes?

A. I haven't been doing any particular worrying about anything for the last couple of months.

Q. It's obvious, of course, that this decision removes one major budget uncertainty.

A. That's a very good way of putting it. Thank you. Charge a percentage on that.

Q. He said "removes one major uncertainty?"

A. Ask him. You interview him.

Q. He said "removes one uncertainty."

A. You ask him.

Q. I'll talk to you later (Arbery). I was wondering whether you would remove the "one" or not.

A. Unless it's copyrighted.

Q. Probably will be.

A. He said "one of", didn't he?

Q. One of.

There has been some talk in some of the papers about recommendations to remove some small
loopholes in the tax structure at this
session without raising rates.

A. How small is a small loophole?

Q. Well, a quarter of a billion, I guess.
The Wall Street Journal had a pretty
interesting story last week on it.

A. Is that so! Well, better interview
them.

Q. Anything on the Magill study you can tell us,
Mr. Secretary?

A. Not today.

Q. There has been a lot of speculation that you
might revive certificates of indebtedness
in your June quarterly financing. Can you
illuminate?

A. No, all I can do is to give you the date on
which we will open our books for subscriptions.

Mr. Gaston: Why don't you stand by your original platform?
It was good.

H. H. Jr.: And that's all we have to offer today, plus
the fact that we postponed the meeting of
the Open Market Committee from tomorrow for
a week.

Q. Are you out for one hundred million of bills
this Thursday, Mr. Secretary?
A. Today is what? Monday? You'll have to wait until Thursday morning. Everything quiet on the Potomac.

Q. Thank you, Mr. Secretary.

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Q. That some third Army, is that right?

A. That's right, yes.

Q. Have you heard the three second division sector before, Mr. Secretary?

A. I don't know the exact details, but...

Q. I think the three second division sector before?

A. Not sure.

Q. How fast can we still start, without interfering on a different one?

A. I don't know.

Q. Absolutely. Absolutely.

A. Absolutely.

Q. Will you please do so?

A. Absolutely, yes.

Q. Sorry, that you didn't see.

A. Absolutely.

Q. Absolutely.
H.M. Jr.: The only news I have, and I don't think it's news, is that this last fifty million of bills which we are selling will conclude that series. We have three hundred fifty million—that ends that series due around September 15; that last fifty million ends that series.

Q. That makes three fifty; is that right?

A. Three fifty (million).

Q. Didn't you have two three hundred million series before, Mr. Secretary?

A. Well, the one now coming due is three hundred million.

Q. Well, the two coming before this.

A. I'm not sure.

Q. Does that mean you will start another series on a different date?

A. I don't know yet. It hasn't been decided.

Q. So, it's still possible you might offer an extra fifty million on whatever the next offering date is?

A. No, what I'm trying to convey is—I guess I haven't done very well—this series ended and between now and the 15th of June the only bill offering will be to roll over the fifty million
of the 9-months coming due. There will be
nothing else between now and the 15th after
we have concluded this series. Some of the
newspapers have been running stories that we
would stick in an extra one hundred million.

Q. Your cash balance will be adequate enough to
run you until the 15th of June?
A. That's what I have figured.

Q. Your cash balance is down pretty low—your
working balance—you can't use all of that
either.
A. I figure we have plenty of margin of safety.

Q. Can you tell us the amount of money you will
borrow, Mr. Secretary?
A. Pardon me!

Q. Usually at this time you tell us the amount of
money you will borrow on June 15th.
A. No, the last week or the week before. Do you
boys want a press conference Monday afternoon?
(Memorial Day)

Q. Are you going to be in town? What! I'm off
Monday.
A. All right, I'd have been disappointed if one of
you fellows had risen to that. Have it Tuesday
afternoon?
Q. We're good soldiers. If you want it we'll be here. How about Tuesday morning?

A. Let's just see, huh?

Mr. Gaston: All right.

Q. You had one before on Saturday when Monday was a holiday.

H.M.Jr.: Let's see if there's any news, what? You can talk with the boys and see what they want Tuesday.

Mr. Gaston: Yes.

H.M.Jr.: I can't do it Tuesday afternoon—I have other arrangements.

Q. Anything on taxes, Mr. Secretary?

A. No.

Q. Nothing yet?

A. Nothing yet. I'm not going to let you boys down though; don't worry, you'll get something.

Q. Any comment on the importation of English gold coins which seems to be something new?

A. No.

Q. Have you any appointment to see the new Chinese Ambassador?

A. No. I didn't even know he was in town.

Q. He just got here yesterday.

A. I'll be here this weekend.

Q. You are! Anything going to happen? The President
says we'll put the lid on. Are you going to put the lid on?

A. Mrs. Morgenthau is going to close up the house, that's why.

Q. Dutchess County dinner?

A. That's right. Hyde Park Roosevelt Club, Saturday evening. Thank you very much.

Q. Pretty slim.

A. Pretty slim, what?

Q. Can you make any comment on the inflow of gold, Mr. Secretary?

A. No, thank you. It should be slim this week.

Q. Mr. Secretary, I understand the Secret Service is planning to take over or to bring in the organization some guards here and at the Bureau of Engraving. Could you tell us anything about that?

A. We're working on a reorganization but we're not ready yet to announce it.

Q. Well, could you tell me this: Isn't that more or less in line with what you did with the White House police, the same sort of thing, when you brought them under Secret Service?

A. Well, they are making a study now. It has
been going on for a couple of months and they are not quite ready yet, but when they have it I will tell you. They're not quite ready. There has been a study going on for a couple of months. All right?

Q.

Thank you, Mr. Secretary.
Mr. Gaston: Just the old guard, the regulars.

H.W. Jr.: Good, that makes it easy.

Q. Mr. Secretary, the gold rumors have arisen again and I understand the boys up with the President asked him some questions about it and he refused to discuss it and we began to think that maybe there's something in the air.

A. Wait a minute. Do that again, will you? I must apologize.

Q. Last Friday night was too much for me. The boys with the President asked him about gold.

A. When?

Q. I think yesterday.

A. I see.

Q. As a result of the rumors from abroad, and he didn't want to discuss it at all and we just began to think maybe there was something coming up.

A. Because he doesn't want to discuss it?

Q. Well, he's discussed it in the past, one way or another.

A. I can tell you I don't want to discuss it, either. There's nothing to discuss.

Q. Well, does your statement that nothing is imminent still hold good?
A. Sure.

Q. That did lead up in Montreal, after that press conference, they had a radio broadcast saying that the President had announced that he was going to change the price of gold.

Mr. Gaston: That was the rumor—that the President was going to change the price of gold.

H.W. Jr.: Satisfied on that?

Q. There seems to be a great deal of nervousness abroad. Do you think there’s any cause for being nervous?

A. I've got to tell you a little story! A businessman was abroad and came back on a steamer and he saw his father, who was his partner, on the dock and as soon as he could talk he yelled out, "Hello, papa. How are you? Should I worry?" So I think we'll let it go at that. You asked me, "Should they be nervous?" I say, "Should I worry?"

Q. Anything on financing, Mr. Secretary?

A. Not yet.

Q. Will you be able to tell us anything soon?

A. Yes, I'll have something Thursday. I'll have the amount for you Thursday.
Q. Will that be the amount of the June 15th financing?
A. Yes, I'll have that for you Thursday.
Q. Still keeping in mind, Mr. Secretary, that this message from the President is not releasable until it gets there and knowing that you know what's in it, I wonder if you can tell us anything about how quickly, if Congress gave you the necessary authorization you could start in with an expanded investigation or hearings.
A. I'd say we could start reasonably soon.
Q. Is your claim for public hearing?
A. That's up to Congress.
Q. As I understand the message, you will do the investigating—is that right? This last paragraph says — .
A. I think that the next move—we will wait now. We'll go up there at twelve o'clock, we'll have a release. I think I'll let the Congressional leaders talk about it.
Q. It said you would do the investigating.
A. Yes, but at least I can wait until Congress talks next.
Q. One question that was raised by that remark of the President's that the full power of the Government would be thrown behind the investigation was the dramatic question of whether you'd have some G-men to help.

A. I don't think we would call on the G-men any more than we would on the Army and Navy.

Q. Could somebody clarify — ?

A. But if necessary we would; that's the point.

None of this is for direct quotation, you understand until the message is out.

Q. Could somebody clarify this section of your letter relating to depletion? Is the idea to limit depreciation and depletion?

A. What page are you on?

Q. I'm on page 5, which points out that companies taking deductions for depletions, even though they have charged off the total cost of their profits — .

A. I think you'll have to wait for explanations now until I go up on the Hill.

Q. Until you go up?

A. When I am called up, but I want to tell you another little story. You met me somewhere and I said I'd give this out. You and I are in the same position
as the manager of your bureau who said "Go out
and get this story." You got it, but the publisher
of your paper thought it was so good he incorporated
it in an editorial. My publisher liked it so well
he incorporated it in an editorial, but it's a
news story.

Q.

Mr. Secretary, in view of the new crisis in Europe,
I just wondered if you contemplated changing
your policy regarding the working balance.

A.

Well, I answered that—I'll tell you Thursday
morning how much we are going to borrow. I told
you Thursday morning I'd let you fellows know
what we will borrow for the 15th of June, but
everything here, as far as our foreign exchange
situation, is working (thanks to the tripartite
agreement) why everything is working beautifully,
and there's no disturbance in the foreign exchange
field. What there would be if we didn't have a
tripartite agreement, heaven only knows, but, I
mean, there's a minimum of fluctuation in foreign
exchange entirely due to the action taken under the
tripartite agreement.

Q.

Mr. Secretary, how important is gold in your foreign
exchange regulations now?

A.

Well, it's a factor.
Q. It's a factor, but only one.
A. It's only one.
Q. Of course, by action under the tripartite agreement, I assume you mean the stabilization fund operations?
A. Yes. Anything else? It's a good message.
Q. It's a good letter.
H.M. Jr.: Good morning. They're actually smiling this morning! Well, I'll be short and snappy. The offering on Monday will be $800,000,000 in notes.

Q. On Monday?
A. On Monday, $800,000,000 in notes.
Q. That will be five hundred new money and three hundred maturity; is that right? Is that the way it works out?
A. No, I mean it's $800,000,000 in notes. Now what we pay off is one thing—whether you're going to pay it off out of taxes—I don't see—if you ask my advice, I don't see anything to be gained by writing the story that way.

Mr. Gaston: We never offer exchanges for bills, those things maturing the 15th.

H.M. Jr.: The bills which are maturing, you could say, would be paid out of tax money.
Q. In effect, it's a replacement of the three hundred million.
A. You can write it any way you want. I mean, expect so much money in taxes and we will take in $800,000,000 besides. Now out of that we have got the $300,000,000 bill maturity and interest of about 150 million.
Q. But actually it will increase the national debt by five hundred million; is that correct?
A. Yes.
Q. I wouldn't be technically inaccurate if I said five hundred million new money?
Mr. Gaston: Yes, you would be—I'll explain to you why (Freidheim).
Q. If I said eight hundred million new money, would I be accurate?
Mr. Gaston: I'll talk to you about it later.
H.M.Jr.: That's the whole story, unless you fellows have got something else.
Q. The offering will be made on Monday?
A. That's right.
Q. You wouldn't say what the rate is?
A. Just eight hundred million in notes.
H. M. Jr.: The mimeograph on this thing won't be ready for how long, Herbert?

Mr. Gaston: Oh, it will be twenty minutes.

H. M. Jr.: All right. Well, the issue is four hundred million of 1 3/8 notes, due in September, 1939.

Q. Due in September what?

A. 1939. And four hundred million due—of 1 3/4 notes—due in March, 1942.

Q. The 15th of the month in each case?

A. Sure.

Q. Can you give us the formal designation of the offering, what series they are?

A. You mean letters and numerals?

Q. Yes, series B --?

A. Haven't the vaguest notion. I mean we just cleared it.

Q. How does this interest rate compare with past offerings?

A. I don't know.

Q. The last note offering was 1\(\frac{1}{2}\), wasn't it?

A. Yes.

Q. That was on the 5-year.

A. 5-year, 1\(\frac{1}{2}\).

Q. How would that compare with this?
A. Well, this is 1 3/4 for 4 years and 9 months, but things have happened since last March.

Q. Will there be any change in the bidding rules or anything like that?

A. Everything is just the same. We are using '42 which is entirely blank—there are no maturities in '42, so we're using the first date, which is March '42, which is available. We kept '42 open originally on account of the bonus. That's why there's no maturity in '42.

Q. How many maturities in 1939?

A. I can't tell you offhand.

Q. Mr. Secretary, what do you attribute this slightly higher interest rate to?

A. You said things had happened.

Q. Read Bob Kintner's column for the last three months.

Q. You wouldn't get much information (Kintner). The rest of us haven't read it, Mr. Secretary.

A. Well, I haven't said I have or I do. Read the one on Sunday—I recommend it—it's very good.

Q. Would it be tight money conditions or a slump in government bonds, or what?

A. Oh, have a heart, boys, have a heart!

Q. Administration fiscal policy? How about reserve requirements?
A. The thing, you know as well as I do what's been happening in the last three months. It's there in the papers every day. It's an open book.

Q. Mr. Secretary, could you give us on or off the record an explanation so we'll all say the same thing? We all know the things which might contribute to this. On or off the record?

A. I can't answer you, but—I don't know how good your sense of humor is today—I don't think so. I just say read the financial papers for the last three months.

Q. The papers in the last three months have shown a drop in short-term interest rates.

A. Are you implying that I'm putting the rates up?

Q. No, I just can't understand—the bill rates have kept going down.

A. You can't understand what?

Q. It seems like a little high rate. Mr. Secretary, could you say anything about the yield on Treasury notes, as of the present time? That is, as I recall, the 1½s are selling around 98. Is that right?
Look, needless to say, I have spent two solid weeks on this thing, and I'm firmly convinced that these notes are priced right. I feel confident that the issue will be a success, and if anybody wants to look at what other notes sell—they have nothing to do with this yield, earlier or later maturities. They will find—this is for background, I don't want direct quotes on this, please—that these are priced correctly, and in view of the changes which the government bond market has gone through in the last three months, it's necessary for me to be doubly sure that I was pricing them correctly. Now I'm confident that I have.

Q. This last is not for quotation?

A. No, it's for background, Bob—I was sincere. Take a look at the chart (exhibits statistical chart). There's the notes and bonds and here they are right up the middle, right up until last night, but the bill market has nothing to do with this. I mean, you can't compare your bills with your notes.

Q. I was referring my question to the notes, Mr. Secretary.
A. There are the notes right there (pointing to chart). If you don't mind, I can't recall it—it's right here—there's the note market, it's right there. There's no secret. There's your prices and there's your yields. I might say that we have hit it correctly so far every time since I've been here, and I think we will again. This is all for background. Don't quote me on this stuff, please. Now, what else?


A. That's correct.

Q. Can't we use this background material saying we understand you feel that way about it?

A. What do you think about it, Herbert?

Mr. Gaston: I think so.

Q. Do you want to say anything about this conference with the President?

A. Well, I went over to see the President to check with him on this financing before we announced it.

Q. Could you say why the first quarter in '42 was chosen?
A. It's the first available date in '42, and then the issue just ahead of that, December '41, is only two hundred million. December '41 is only two hundred million, so I mean, it's the logical --.

Q. Mr. Secretary, Senator Donorgan has made public a letter to you for release tomorrow morning saying he would appreciate a report from you within a few days stating whether the Treasury is in immediate accord for legislation for tax on incomes on future issues of U.S. Government securities and States and subdivisions.

A. I'm on record—two or three years ago I expressed myself.

Q. Favorably?

A. Favorably, sure.

Q. That is, to a constitutional amendment.

A. Yes, I think that was the first year I was here.

Q. The Senate Finance Committee.

A. I believe so.

Q. But only on condition of a constitutional amendment.

A. That's the only way you could get it. I may seem a little bit, what shall I say?
flustered. I am, because we were held up
on this thing so we are not ready. We
haven't got the mimeograph. I like to have
everything ready for you when you walk in,
and we usually do, but you'll have to bear
with us. I imagine it will be ready within
fifteen or twenty minutes. I like to be
able to give the whole picture, but we
weren't able to at this time.

-000-
Secretary of the Treasury Morgenthau is today offering for subscription, at par and accrued interest, through the Federal Reserve banks, $600,000,000, or thereabouts, Treasury notes in two series, each for $400,000,000, or thereabouts. Both series will be dated and bear interest from June 15, 1937. One series, designated Series D-1939, will bear interest at the rate of 1-3/8 percent, and will mature in two years and three months on September 15, 1939. The other series, designated Series A-1942, will bear interest at the rate of 1-3/4 percent, and will mature in four years and nine months on March 15, 1942. The notes will not be subject to call for redemption prior to maturity.

The Treasury notes will be accorded the same exemptions from taxation as are accorded other issues of Treasury notes now outstanding. These provisions are specifically set forth in the official circular issued today. The notes will be issued only in bearer form with coupons attached, in the denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000.

Subscriptions 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. Subscriptions from
banks and trust companies for their own account will be received without
deposit but will be restricted in each case and for each series to an amount
not exceeding one-half of the combined capital and surplus of the subscribing
bank or trust company. Subscriptions from all others must be accompanied by
10 percent of the amount of notes applied for.

The right is reserved to close the books as to any or all subscriptions
or classes of subscriptions at any time without notice. All subscriptions
will be received subject to allotment and subject to the reservations set
forth in the official circular. Payment for any notes allotted must be made
or completed on or before June 15, 1937, or on later allotment.

Special Treasury bills aggregating $300,000,000 mature immediately
after June 15, and about $157,000,000 interest on the public debt becomes
payable on that date.

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

TREASURY NOTES

1-3/8 percent Series D-1939 Due September 15, 1939
1-3/4 percent Series A-1942 Due March 15, 1942

Both series dated and bearing interest from June 15, 1937

1937 Department Circular No. 575

Public Debt Service

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for notes of the United States in two series, designated 1-3/8 percent Treasury Notes of Series D-1939 and 1-3/4 percent Treasury Notes of Series A-1942, respectively. The amount of the offering of each series of notes is $400,000,000, or thereabouts.

II. DESCRIPTION OF NOTES

1. The notes of Series D-1939 will be dated June 15, 1937, and will bear interest from that date at the rate of 1-3/8 percent per annum, payable on a semi-annual basis on September 15, 1937, and thereafter on March 15 and September 15 in each year. They will mature September 15, 1939, and will not be subject to call for redemption prior to maturity.

2. The notes of Series A-1942 will be dated June 15, 1937, and will bear interest from that date at the rate of 1-3/4 percent per annum, payable on a semi-annual basis on September 15, 1937, and thereafter on March 15 and...
September 15 in each year. They will mature March 15, 1942, and will not be subject to call for redemption prior to maturity.

3. The notes shall be exempt, both as to principal and interest, from all taxation (except estate or inheritance taxes, or gift taxes) now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority.

4. The notes will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury in payment of income and profits taxes payable at the maturity of the notes.

5. The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

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

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 submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without
deposit but will be restricted in each case and for each series to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Subscriptions from all others must be accompanied by payment of 10 percent of the amount of notes applied for. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, to make allotments in full upon applications for smaller amounts and to make reduced allotments upon, or to reject, applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest; and his action in any or all of these respects shall be final. 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 notes allotted hereunder must be made or completed on or before June 15, 1937, 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 notes applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depositary will be permitted to
make payment by credit for notes allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve bank of its district.

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 notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

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

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.
REPORT OF SECRETARY MORGENTHAU’S PRESS CONFERENCE, JUNE 7, 1937:

H. M. Jr.: Well, the issue went extremely well, I think. Up to five o’clock this afternoon, on the 2 1/4 notes, we received subscriptions for one billion, seven hundred eighty-eight million.

Q. Which notes were they?

A. 2 1/4-year note.

Q. $1,788,000,000?

A. Yes, on the 2 1/4-year note—on the September, ’39 note. On the March, ’42, note we received subscriptions of one billion, eight forty-three million, or a total of three billion, six thirty-one million. We closed the books, and, following our usual custom, we will accept subscriptions in the mail—mailed on or before midnight tonight. We have gone back and looked over the last ten issues and, based on the last ten issues, why if the people follow their usual custom, why the issue ought to be over-subscribed at least six times.

Q. How does that compare with other issues in the past, Mr. Secretary?

A. I don’t know. But I’d like to say that I think, in view of the condition of the market the last couple of months, I think that the success of this issue
signifies the passing of another financial milestone. I might add that I am delighted.

Q. The over-subscription is less than the last time though, isn't it, Mr. Secretary?

A. I might add for some people that—I don't expect you to write this—that the Wall Street Journal was the only paper that had the courage to forecast the success of this issue. Why did you stop the pencil (to Kintner)?

Q. I'll write it, but I'd like to have a little comment of my own.

A. I can take it, too.

Q. Nobody else doubted it. You covered a lot of ground when you said that was the only paper.

A. It was the only newspaper that has come to my desk that forecast the success of this issue.


A. I'm talking about Monday.

Q. But when the issue was first announced — .

A. Well, I'm just throwing that in for — .

Q. Do you think there was any very serious doubt in anybody's mind that this issue would be absorbed?

A. I don't know. That's an off-the-record remark, but I read all the papers very carefully and I was rather interested, but the only newspaper that forecast the success of this issue was the Wall Street Journal.
Q. Mr. Secretary, there was a story appearing last week that you forecast the success of this issue (Felix Cotten).
A. I'm referring to this morning's press, but sufficient unto the day — .
Q. Mr. Secretary, are you going to resume the extra fifty million bill issues?
A. I can't tell you.
Q. We are getting telegrams from New York about that thing.
A. Well, this is enough for tonight, I think.
Q. That's only two lines. You said you couldn't answer that, Mr. Secretary?
A. No, I can't answer that.
Q. Is there any sense in this—that they're asking that 9-months paper be made 90-day paper?
A. I'd rather not comment on it. From my standpoint, this has been a big day and this is about all there is.
Q. Mr. Secretary, when Mr. Morgan arrived back in New York today from Europe he had a lot to say about your tax evasion. Have you seen what he had to say?
A. Yes.
Q. Would you say anything?
A. I think most American people would disagree with Mr. Morgan as to his philosophy. I certainly do. You are in good humor (to Linz).

Q. I'm laughing at what you said.

A. What?

Q. About the Wall Street Journal; I'll take your word for that.

A. I just looked through the papers. I happened to be interested. I'm sorry, I can't help it.

Q. I didn't even take the trouble to write the story (Linz).

A. It simply says here, "Brisk demand expected for Treasury notes."

Q. Mr. Secretary, is that story correct that the banks, trust companies, trust funds and insurance companies were the big buyers of this issue?

A. This headline?

Q. The first sentence.

A. "Brisk demand expected by institutions?"

Q. We want to know whether you have analyzed the returns and whether or not the insurance companies or the banks are buying.

A. No.

Q. That isn't correct?

A. As I say, we haven't had time—we've just gotten the figures.
Q. Mr. Secretary, you must remember a lot of us press association men can't editorialize (Klein).
A. This is just in the family. If the thing had been a failure I wouldn't have said anything. It was a big success. Maybe I shouldn't have said anything either, but the only paper that came to the desk gave me a little boost—I felt that paper deserved a little pat from me in return. That's all.
Q. We can't print it.
A. That's all—that's all I had.
Q. Is all this financing business for morning release or immediate release?
A. Herbert?
Mr. Bell: Morning papers.
Mr. Gaston: Do you think so?
H. M. Jr.: Oh, yes, on account of the mail.
Q. How is the report coming about adding some of the guard forces to the Secret Service?
A. I don't know, I'm sorry. That's about all I've got tonight. Thank you.
H. M. Jr.: Well, it's a nice afternoon. What can I do for you gentlemen?

Q. Well, of course, you know what has been happening in France today, Mr. Secretary?

A. No.

Q. Well, they raised the discount rate to six percent.

A. Haven't missed a thing.

Q. Gold outflow and their Minister of Commerce said unless tariff barriers were lowered by Great Britain and the United States France might be forced to withdraw from the monetary agreement.

A. Who said that?

Q. The Minister of Commerce, a Mr. Bastid. That's the real French pronunciation, to keep out of trouble.

A. I'm glad Miss Chauncey is here to keep this meeting refined. All right.

Q. I have a suspicion you knew what his name was.

A. You give me too much credit. Well, I'd say that was a French internal matter.
Q. We can't print that, Mr. Secretary. Let the
readers make their own pronunciation.
A. That's the first good laugh I've had today.
Isn't that my usual comment? All right,
let's have the next one. Have you got any
other good ones today?
Q. No, that's the best I've got. Is there anything
at all doing in the international situation?
A. I don't think so.
Q. Well, Mr. Secretary, I wouldn't think that a
threat by France to leave the tripartite monetary
agreement was strictly an internal matter.
A. Well, I haven't seen the statement so I don't
care to comment on it.
Q. Well, from our point of view, Mr. Secretary,
you said recently the agreement was functioning
all right. Does that still hold?
A. That still holds true.
Q. France's main worry seems to be—you remember
last Fall they did effect a few tariff reductions
shortly after devaluation, and they say they are
the only ones who did. Is it true that the reason
we haven't may be due in part to our reciprocal
trade agreements program?
A. I don't want to get in on that.
Q. Mr. Secretary, did you hear any estimate on the amount of gold in hoarding, either in England or throughout the world, that you could give us in any way at all, for background?

A. No.

Q. There has been a lot of question about the extent of private gold hoarding and how long liquidation might continue.

A. Well, I'd rather not say.

Q. There have been reports that about seventy percent of the gold hoarded in London has been sold on the market there, or is being dehoarded.

A. I see those things and I'd just rather not comment.

Q. Can you tell us, sir, whether the Treasury has any official knowledge of the extent of private gold holdings. I mean, as you go about this business, do you have to guess — ?

A. We have received estimates, but I don't just care to comment.

Q. Will you be the first witness in the tax evasion inquiry?

A. The first witness? No.

Q. First defendant?

A. No. I'm on the government's side.
Q. I think he was asking, Mr. Secretary, if you'd be the first accuser.

A. Well, the thing hasn't organized yet. I haven't received any communication.

Q. Dealing with your farm and profit?

A. They can look at it any time they want to—anybody.

Q. I don't want to; your Congressman might.

A. Well, he can look at it. It doesn't make any difference. Anybody can take a look at it.

Q. Mr. Secretary, do you have any comment to make on this Dies proposal and various other proposals up there to issue currency against gold?

A. I don't think I ever comment on pending legislation, as far as I know; I don't think I do.

Q. Well, I understand that one of the bills had been referred to you for comment.

A. Well, I can say, if it has, it hasn't come down yet. It hasn't gotten here yet.

Q. Mr. Secretary, the Finance Minister of Brazil is flying up today to try to borrow some money—our story said that he wanted to organize a central bank in Brazil with the help of this government, drafted somewhat along the lines of our Federal Reserve System, and he wanted to establish some gold credits in this country. Are you familiar with that situation?
A. Well, I know he's coming, but as to his purpose, I think you'd better get it either from the Brazilian Embassy or the State Department.

Q. When are you due to see him, sir?

A. He has no appointment yet.

Q. But you expect him?

A. But I expect him.

Q. Is this a continuation of those bilateral discussions like with Mexico?

A. I think you boys had better get something from the Brazilian Embassy. Here's a man coming officially—I don't know how they want to put it.

Q. Mr. Secretary, is it safe to ask his name?

A. Perfectly.

Q. Sousa Costa.

A. There's a friend—you are perfectly safe.

Q. Under the Johnson Act, Mr. Secretary, could we lend to Brazil. Do you know offhand?

A. I think so. I hope I'm right. I don't think they owe us any money.

Q. Mr. Secretary, are you rather optimistic over the second installment collections of income tax?

A. I think you boys will have to be a little patient on that.

Q. When will we get our first telegraphic report? Do you know?
A. I really don't know. I don't know how that thing is timed.

Q. We usually get it the afternoon of the 15th.

A. Whatever the usual practice is, it will be followed. Do you know (to Upham)? If Herbert Gaston were here, he'd know.

Q. It's too early to say whether they would be over your early estimate.

A. I don't try to guess.

Q. Can you tell us anything about your conference with the President?

A. Just general discussions.

Q. Did you discuss revenues?

A. No, well, I just want to leave it general discussions, if you don’t mind.

Q. On tax matters—is that it?

A. Yes.

Q. Will you think about that private gold hoarding and see if there's anything you can tell us at all, because there seems to be a situation on which there's not a great deal of information.

A. True. I'll think of it.

Q. There are some private estimates on that.

A. I'll say this—that it's a guessing match.
Q. Nobody really has any —.
A. I don't think anybody has anything very definite. I don't think that anybody can give a definite figure.

Q. Mr. Secretary, in connection with this French situation there have been statements, I think, that the French have had, some times, to export small quantities of gold; of course, the British have been buying and the Dutch have been buying. Could you say anything at all on that, either for background — ?

A. I think you'll have to put your question again.

Q. Well, as far as the gold situation is concerned, the French have, in contrast with the action of the United States and Great Britain who have been purchasing gold, have had to dispose of certain amounts of gold; they couldn't join in any general gold buying plan.

A. No, I don't want to get in on that.

Q. Mr. Secretary, for background, or any other way, this seems pretty important—this French business—but you don't seem to be very much concerned about it, and I wonder if you could tell us how major is this statement today from your point of view?
Is it something that might knock the props off from under this agreement, or is it just talk?

A. I've got nothing I want to add.

Q. Under the agreement, 24-hour notice is all that is necessary—is that right?

A. That's right.

Q. You don't plan any conferences in regard to the situation? It would be tough if they gave notice; everything would go. You haven't received any official notification of any sort, have you, Mr. Secretary?

A. Oh, no, no.

Q. Have you got some conferences scheduled regarding it?

A. On the French situation?

Q. Well, on the French situation, and I might say on the whole monetary situation.

A. There's no question about the tripartite agreement. There's nothing that's come to me. Partly I don't want to answer and partly I've been at the White House for the last two and one-half hours—I haven't seen the tickers and haven't read the stuff, so it's partly I don't know and partly I don't want to know.
Q. Is part of it that you don't want to tell about meetings or conferences?
A. No, no. This conference—whatever your friend had to say—I just didn't happen to see the statement because I've been out of the office since before one o'clock and I didn't see it. I've been out for two hours; ordinarily I see it.

Q. Mr. Secretary, he said the Minister of Commerce, not the Minister of Finance.
A. I've been out for two hours.

Q. We can assume nothing was said at the White House then?
A. No, the subject was a tax discussion. Really the first I knew of it was when you brought up this conference of your friend.

Q. He's not my friend. Mr. Secretary, would you take very seriously a statement by the Minister of Commerce in a matter that deals with finance?
A. I don't want to get in on an argument with this person now; it would be—well, reverse the situation and use your own judgment.

Q. Well, I had in mind Uncle Dan.
A. And I don't know how they divide the responsibility over there, but over here it's mine.

Q. Thanks, Mr. Secretary.
A. That last remark is amongst us girls.
Q. Welcome back.

R.M.Jr.: Thank you. Sorry to keep you men waiting, but I don't keep you very often. It couldn't be helped. The gentleman across the street is who I work for.

Q. We thought you were at the farm.

A. No, I was across the street.

Q. The boys were broadcasting vague reports that you were sighted passing over Baltimore ten minutes ago.

A. No, sorry. I was across the street.

Q. Mr. Secretary, it seems like we are going to have a lot of new French names to deal with.

A. Do you want to pronounce them for me?

Q. No, I'd rather not try again.

A. You did pretty well the last time.

Q. I wonder if there's anything you can say about that situation.

A. Not a thing, except that, naturally, we are watching it very closely.

Q. Have you had any formal notice from them of any action taken?

A. Nothing whatsoever - no word.
Q. Could you say, Mr. Secretary, whether there would likely be any?
A. All I can say is—I mean there isn’t anything to report. Nothing has happened so far as we are concerned. We have had a very quiet day.
Q. They had?
A. We did.
Q. That means that the tripartite agreement is just where it was yesterday or last week?
A. Or a month ago.
Q. Can you tell me what you mean by “we have had a very quiet day?”
A. Financially—exchange—not a lot of gold engaged. All we engaged today was $500,000.
Q. Mr. Secretary, the inactive fund went up past a billion dollars, according to the latest figures. I wonder how long you are going to keep up this sterilization program or whether you are going in for a temporary relaxation.
A. That’s a novel way of putting it. No, I don’t think we are going in for—that just gets under all this question of rumors and I just don’t want—I have nothing to say and no comment to make.
Q. Anything on Sousa Costa coming to see you?
A. No. For your own information, as I understand it, he has first some business to take up with the State Department and it will be several days before he gets around.

Q. Who's that?

A. Sousa Costa.

Q. Brazil?

A. So they tell me.

Q. Mr. Secretary, I just want to make sure that I heard correctly when Mr. Freidheim asked about gold sterilisation relaxation—did I understand you to say "I don't think we are going in for any relaxation?"

A. No, I said that was a novel way of putting it. It came under the head of rumors and I had nothing to say. If somebody can find a way for me to go into relaxation I'd love it—I'd underwrite it and give you each a little piece of it.

Q. Mr. Secretary, some of us get as much as two of these rumors a day and our offices communicate with us and say please communicate with the Secretary of the Treasury and ascertain if there is any truth in it.

A. It's like the rumor I was over in Baltimore.
Q. I knew different. I wasn't in on that. How about Van Zealand, Mr. Secretary? Have you heard anything of that?

A. Other than official dinners I have had no notification.

Q. Mr. Secretary, for background, could you say anything as to the monetary agreement—the tripartite agreement? There's a lot of interest now as to whether or not it will be continued or whether you expect it to be continued, in view of the change of government over there.

A. One of you men and I made a joint statement—he said there was nothing today, nothing a week ago and I added no change from a month ago. That's what I call a joint statement.

Q. Mr. Secretary, there have been some reports that certain high administration officials have discussed newspaper attacks on fiscal policy and have come to the conclusion that newspapers which attack the fiscal policies of the Treasury are unpatriotic. Would you care to make any comment on that?

A. Wait a minute. In the first place, after three or four years you know I'm truthful—I don't
have the vaguest notion as to what you're
talking about.

Q. Would you care to make any comment on that idea?
A. You are the first person who has ever broached
that idea to me. I haven't read it or heard
about it and don't know anything. Was it in
the Tribune?

Q. No, it wasn't in any newspaper, but a discussion
of Administration officials--.
A. You've got my answer.

Q. That you know nothing about it?
A. Straight from you is the first I've heard,

Q. You wouldn't approve such a policy?
A. I never heard about it. I have no complaint so
far as the news stories about the Treasury are
concerned. I think they are very fair and
well-done, and I am entirely satisfied. Is
that all right?

Q. Mr. Secretary, when do you expect to put out
your next issue of international movement of
capital report?
A. Schwarz, can you pinchhit for Herbert and find
out?

Mr. Schwarz: It's in the works, but will be a little while
yet.
Q. Are you going to issue it officially?
R. M. Jr. I think four times a year, isn't it?
Q. But it's three months back and a lot of water goes over the dam in the meantime.
A. Sure, that's what we want. We are the only country in the world that does it--there isn't another country in the world that does it.
Q. Mr. Secretary, would you have any objection to another agency gathering its own figures and making those figures public?
A. Don't ask me that. Don't get me in between the Department of Commerce--.
Q. That is not what I had in mind.
A. Well, I don't know what you have, but I don't know of anybody else that wants to do it.
Q. The SEC collects figures on foreign trade.
A. I haven't heard that they want to do it. They do it for us.
Q. Do they do it for you?
A. Sure; as a matter of fact, we give them--this is just for you--we give them the help and actually pay for it.
Q. Mr. Secretary, there have been rumors to the effect that France has asked help in spotting
French funds in this country; can you say anything about that?

A. That may be so. I don't know. That would come under tax returns, wouldn't it?

Q. No, it's flight of capital.

A. Well, it hasn't reached me if it has. It might be in the Treasury but I don't know about it. It would have to be something that came in since Friday night.

Q. Mr. Magill said on the Hill--doesn't that amount to the same thing you had discussed--exchange of information on foreign investments with other countries.

A. I think what Magill was referring to was tax information.

Q. Would that get back to hot money?

A. They are related.

Q. Tax information would mean investments.

A. There isn't anything here. We haven't had anything, as I say, unless it came in since Friday night.

Q. Can you develop this idea of Mr. Magill's?

A. Are you familiar with that?

A. Well, I don't want to do it in an offhand manner.
Q. Did you say there were negotiations under way on gold now with these foreign countries under the Tripartite Agreement?

A. I'll just go back to our joint statement on the Tripartite Agreement.

Q. On the tax investigation, Mr. Secretary, there have been pretty wide variations in reports on how many cases are going to be submitted.

A. How do you like it?

Q. All right, so far, except I'd like to know how many names we are going to have. They vary all the way from five hundred to one thousand.

A. That investigation is on a 24-hour basis.

Q. You mean it's going to fold up?

A. No, I mean each day is sufficient unto itself.

Q. Mr. Secretary, you say that this offense is legal—can't you find something that isn't legal?

A. I still say you will have to wait until tomorrow for tomorrow's story.

Q. You haven't produced any of that yet—all this stuff is just immoral and not unlawful.

A. Well, I made my statement Thursday—I've got nothing to add to that.

Q. Could you estimate how long this thing will last? I've heard all sorts of rumors about that.
A. As I say, I think each day as the committee invites them to come up for that day, they will respond to the invitation of the committee and see if they get another invitation, so we will see how she goes along.

Q. Can somebody, maybe at your next press conference, tell us a little more about this reciprocal tax information?

A. I'll get Magill to develop it a little more for you.

Q. Mr. Secretary, the conference held last week with Riefler and Viner and Williams, did it reach any conclusion?

A. I don't want to comment on it, thank you.

Q. Did you have any conferences today?

A. Just with the President.

Q. On the French situation?

A. We talked about everything.

Q. You talked about the French situation?

A. We covered all imaginable things.

Q. Would that include the French situation?

A. We covered all sorts of things.

Q. Housing and --?
A. That's the only one I'll answer definitely, that's the one thing we didn't talk about. That beautiful editorial in the Times (N. Y.) brought tears to my eyes. It was very nice. It was much better than the one they wrote two weeks ago.

Q. Mr. Secretary, will there be any conferences tomorrow on the French situation, or do you plan any conferences?

A. One of us is slipping. Didn't I say we were watching it hourly?

Q. Very closely.

A. All right, I slipped—very closely. All right, gentlemen?

Thank you, Mr. Secretary.
H. M. Jr.: He's pinchhitting for Dorothy (to Fred Essary).

Q. Doris Fleeson?

A. Dorothy. All right, gentlemen.

Q. What's the answer to the New York Sun, Mr. Secretary?

A. Oh, I don't think that this is the place to make it. Certainly, if I did make it, I wouldn't call names.

Q. I didn't quite get that, Mr. Secretary.

A. I said if I did make it I wouldn't call names, meaning Mongolian idiot?

Q. What is it? A holding company or an operating company, from your point of view, sir?

A. Any statement made in regard to that or any other tax matter, we can only make on request of the Joint Committee on Finance and Ways and Means before the House. Under the law, I have no right to answer those questions.

Q. How about the critician, Mr. Secretary, that the tax hearings have produced little, if any, evidence of illegality of tax avoidance? You'd be permitted to answer that, wouldn't you?
If you gentlemen don’t mind, I’m not going to get in on it at all. Anything I have to say or any Treasury representative has to say we will make before that committee publicly. If you don’t mind, I’d rather not get into that, as I say, as to individual cases, under the law I’m particularly not permitted to discuss any individual tax case.

Mr. Secretary, there was a case that had nothing to do directly with the Congressional investigation, but the Board of Tax Appeals—the Lummont-duPont case was a holding company, was it not?

I’m not trying to avoid it—I just don’t know. It’s impossible for me to follow each individual tax case. I think there are twelve thousand tax cases pending—something like that,—before the Board of Tax Appeals. If I knew the answer to each one I’d better go over to Internal Revenue—that’s where I’d belong. I wouldn’t belong at this desk.

Mr. Secretary, have you had any word from France which would indicate any news you might be able to give us?

Nothing but what’s here on the news tickers or the newspapers.
Q. Is there any change in the tripartite agreement?
A. None.
Q. Same as it was a week, month or year ago?
A. Thank you.
Q. Nine months ago, excuse me. Would you comment on the outlook?
A. No, it's just where it was when I saw you gentlemen a week ago. We are watching the situation closely.
Q. Mr. Secretary, with France's equalization fund virtually bankrupt, I assume British and American funds are carrying the hod, aren't they?
A. I'm sorry, I don't wish to answer that.
Q. Can you comment on reports that the French equalization fund has been exhausted?
A. No.
Q. Can you say whether we will increase our Stabilization Fund like the British are increasing theirs?
A. I can say that our Stabilization Fund is adequate.
Q. Are you speaking of the two hundred million, Mr. Secretary?
A. I'm talking about the two billion. The two billion fund is adequate for any situation that we can foresee at this time.

Q. Is there a likelihood of an increase in the two hundred million amount?

A. I don't see any reason for it at this time.

Q. Do you mean by adequate, adequate to keep the exchanges of three countries in line?

A. No, I mean adequate to look after United States interests.

Q. Is there a two hundred million fund apart from the two billion?

A. No, what we show on our statement—we have a revolving fund of two hundred million out of the two billion. When we set up the two billion dollar fund we took two hundred million to show that on our Daily Statement that we are using that constantly, and that also indicates to the world that we are not using more than two hundred million at any time out of the two billion.

Q. Does it show how much less at any time?

A. No, it just shows that the maximum we could be using at any time is two hundred million, the way it's set up now.
Q. But you can dip into the rest of it any time you like?
A. But it would show up on the Daily Statement. For example, if there were any reason, it would show three hundred million, but it still shows two hundred million and I don’t see any reason at this time why two hundred million won’t be adequate to take care of our own situation.

Q. Could you say whether France is actually participating in the agreement, Mr. Secretary?
A. No, I’m sorry.
Q. Well, if the agreement is the same as it was a month or week ago, she must be participating.
A. I answered that.
Q. You said yes.
A. Yes, but if I answered that, I was afraid of the next question.
Q. Did you have any conversations with the Belgian Prime Minister?
A. He’s calling on me tomorrow morning officially.
Q. Can you say what time, Mr. Secretary?
A. 11:30.
Q. Have you had any report yet from Cleveland on the firearm investigation?
A. If it's in the Treasury it hasn't gotten to my desk. I personally haven't gotten it, but I don't want to say that there isn't any. Where's Schwarz? Will you inquire about that?

Mr. Schwarz: They haven't submitted affidavits to us as yet.

H. M. Jr.: There's nothing yet?

Mr. Schwarz: We've asked for affidavits which they haven't yet submitted.

H. M. Jr.: There's nothing on my desk.

Q. If a company had possession of firearms, just as they are defined in the Firearms Act, before the Act was passed, would they be required to register?

A. Schwarz, will you find out? I don't know the situation. Will you find out?

Q. Had any conferences today on monetary matters?

A. Well, I was over in the White House for a couple of hours and had my usual Monday talk with the President.

Q. Anything significant?

A. General conversation, financial.

Q. When are you going to see the Brazilians?

A. Well, for your information, I mean absolutely off the record, they are busy over at the
State Department and I have had no notice yet from the State Department that they are ready to see the Treasury.

Q. Have you had any further appointments with the Chinese Minister?
A. I think he'll be dropping in now.

Q. Is that agreement still exactly where it was a year ago?
A. With the Chinese?
Q. Yes.
A. We have had no change.

Q. And there was no termination date on that?
A. Well, I never disclosed what it was, as far as I know.
Q. Can you now?
A. I don't think it would be a very good time. But I think you will find that Dr. Kung will come in, or some of his assistants will be in, while he's here, off and on quite frequently.

Q. Mr. Secretary, can you tell us something about your hot money study?
A. I have nothing to say.

Q. In the light of the stories that appeared over the weekend?
A. Well, I learned an expression one of you boys taught me a month ago; don't you call those weekend stories "thumb-sucking" stories? It's all right with me.

Q. Well-climbers.

A. I prefer the other, but it's all right. That was a very good description of a particular story.

Q. Mr. Secretary, what do you think about your revenues? They passed your revised estimates today.

A. Well, around eleven o'clock on Friday, if you gentlemen care to meet with Mr. Bell, he'll meet with you and go over the year-end statement.

Q. Do you feel much better over the increase?

A. I feel all right.

Q. Feel all right? Oh! That leads me to ask, Mr. Secretary, whether you feel all right over the fact that the net deficit is a little higher than estimates?

A. I think we will wait until Danny Bell meets with you Friday and he'll go into whatever the final figures are,—whatever they show; he'll be glad to meet with you gentlemen if you wish it.
Q. Do you expect a statement to come out of these Chinese discussions?

A. One never knows.

Q. Talking about silver agreement, what do you mean—with the Chinese agreement?

A. I don't know.

Q. I mean, those two statements that you and the Chinese Ambassador issued simultaneously a year ago.

A. Oh, Dr. Kung and the Chinese Ambassador called on me this morning; we exchanged the time of the day, talked about China and the United States, mutual friendship between the countries, and that's actually all we talked about. I haven't got—this is off the record—I haven't got the vaguest idea of what he has in mind. Answering that question as to statements, I don't know. Maybe he's just come over to get a degree and will go back.

Q. Maybe we'd better go back and clear up another part of the conference, Mr. Secretary. When I asked about an expiration date I meant the date included in those two statements a year ago.

A. I don't want to get in on any statement or any comment because, perfectly frankly, Dr. Kung
paid a visit of courtesy; he's here and nothing other than pleasantries passed between us.

Q. I got the impression from your remark before that there was a termination date to the silver agreement.

A. If you did, I'm sorry.

Q. I wanted to get it straight.

A. If Dr. Kung wasn't here there would be no reason for raising the Chinese silver question at all—I can say that.

Q. That answers it.

A. Is that all right?

Q. Anything on export loans—through the Export-Import Bank to finance exports to China?

A. I don't know anything about it.

Q. Any other international conferences this week?

A. I don't know. If there's anybody of importance comes in we'll let you know.