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BOOK 9

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All Government bonds selling above par, except 21/2

7/19/37

$817 million securities offered for refunding notes (Series A-1937) maturing September, 1937, 8/23/37

Three $50 million new bill offerings going into December, 1937, 8/23/37

Two notes: Series B-1936, 15-month, 1½% and Series B-1942, 5-year, 2%, issued in exchange for $817 million Series A-1937 notes 9/5/37

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The reason that these gentlemen are sitting here—they happen to be the people—with the exception of Mr. Taylor who'll be here in a minute or two—who helped me since Monday night on working with the British and French, and Chick Schwartz can give you a list of them, but those are the people who have worked with me. Since Monday night we've been in consultation with the French and with the British with the proposed change in the financial arrangements that the French have made, and this morning the French and the British and ourselves came to an agreement, and we are giving out simultaneous statements at this time. I am very much pleased that the three countries have been able to come to an understanding which permits the continuance of the tripartite agreement.

Mr. Secretary, in the future will there be any change in present cooperation as embodied in the original?

Q. Have you read the statement?

A. Yes.

Q. Well, I think that this statement covers all aspects. I have told you everything that there is to be told, and, as Ethel Barrymore used to say, "there isn't any more."
Q. Mr. Secretary, will you make any amendments in your announcements of October 13 and November?
A. This is the only statement we have to make.
Q. The last time there was a preliminary statement and then subsequent ones, but this is the end?
A. This is the statement, and it's being given out, I believe, by Mr. Bonnet and by Sir John Simon in the Parliament at this minute.
Q. Mr. Secretary, it says, "May I express to you the sincere hope that France...." You mean express to the press?
A. That is a message to Mr. Bonnet.
Q. Oh, this goes to Mr. Bonnet?
A. I'm sorry, we've worked under such pressure here.
This is a message to Mr. Bonnet and the English are sending an identical message to Mr. Bonnet.
Q. How about the other three countries that were interested in the agreement? How about Belgium, Switzerland and those countries?
A. Of course, the tripartite agreement—the original agreement—is between, as I say, ourselves, England and France and on a matter like this we work with those two countries and of course will advise now the other three countries, but in a juncture like this we work with England and France.
Q. You will continue to sell gold to France?
A. There are no changes in any of the technical arrangements. All of the technical arrangements
stand as they have, and they have stood. There will be no change in any of the technical arrangements established under the tripartite agreement. Now I'll answer any questions, if there's any doubt in your mind, because I've worked under terrific pressure and got back here last night at a quarter of nine and we only got this cleaned up at one o'clock this morning.

The thought is, isn't it, Mr. Secretary, that after this French situation is ironed out that the status between the currencies will be approximately what it was during the months preceding this crisis? In other words, you will not have the sharp fluctuations which we've avoided under this agreement?

Here the French have had this discussion which has been going on now for three or four days, and due to the fact that the tripartite agreement was in force we have had no disturbance in the American market, no disturbance of any kind. As a matter of fact, this week, if you look at our Government bond market, it's been steady and it's been rising, and if we didn't have the tripartite agreement and if it hadn't been in force, we'd have had great disturbance. But each day, all I can say is, the same technical arrangements have been working and our fiscal agents -- the Federal Reserve Bank of New York -- has carried them out under our instructions.
Q. Did France sell you any gold during those days?

A. We've been doing a small amount of business for their account—a small amount of business.

Q. Just what does that mean, Mr. Secretary?

A. Well, I mean we, as people, have wanted to buy or sell francs—we have supplied them with the necessary francs for the account of the Bank of France. In other words, the United States Treasury has not dealt in any francs and we don't own any francs. But I again want to say that the old order—if any such program had been under consideration—we'd have had great disturbance in our market, but we have been able to avoid it and there's been really no disturbance; business has been going on and our own markets and our own business men have not been affected.

Q. When did they inform you they were going to suspend gold payments?

A. I believe that we had our first communication—I think it was Monday. I mean they have lived up to their agreement; they have notified us in plenty of time.

Q. When did you say? Monday?

A. Monday? We got our first notice from them Monday? Monday.
MESSAGE TO HONORE

Now that the French Ministry of Finance has been given the powers which it sought to meet the present situation, I look forward to a continuation of close cooperation between our Treasuries under the Tri-partite Declaration.

May I express to you the sincere hope that France will soon emerge from the temporary difficulties with which she is now confronted.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, JULY 9, 1937:

Present: Dr. H. H. Kung, Vice-President of the Executive Yuan and Minister of Finance of the Republic of China.

Dr. Chengting T. Wang, Ambassador of the Republic of China.

Mr. P. W. Kuo, Director of the Bureau of Foreign Trade, Ministry of Industry, Republic of China.

H.M.Jr.: You gentlemen all know Dr. Kung and the Chinese Ambassador, and Dr. Kung and myself asked you people to come in today so we could give out this joint statement. Would you like me to read it out loud or would you people like to read it?

Q. I'd like to have a moment to read it or someone to read it to us. (Dr. Kung poses next to the Secretary for photographers)

A. I'd be glad to read it if you want me to. It would just take a minute to run through it. (Reads mimeograph statement 10-71) We'll shake hands on that (shakes hands with Dr. Kung).

Q. Mr. Secretary, does this mean that gold will be sold to China for the first time for purposes other than exchange stabilization?

A. No.

Q. I mean, it says they "will purchase from the United States Treasury a substantial amount of gold." Now is that gold for the purpose of exchange stabilization?
A. For the purpose of exchange stabilization.
Q. Solely?
A. Solely.
Q. Will you say anything about the amount?
A. Well, Dr. Kung and I would rather not—is that right?
Dr. Kung: That's right.
Q. Could you say if it is to be done at regular intervals or at those intervals convenient to each government?
H.W.Jr: This particular transaction has been concluded and the actual exchange of the silver and purchase of gold will take place just as rapidly as the documents and the checks can be drawn. Is that right?
Dr. Kung: That's right.
Q. Will that be reflected in any figures that are available to us—that movement?
A. Yes, it will show up in a reduction in the sterilized fund. In other words, it's part of the sterilized gold and an increase in the silver certificates.
Q. This is purely an internal matter, but since the money is going to be withdrawn from that sterilized fund, will you buy up bills?
A. No, it's an exchange—the mechanics of the thing is paid for out of the general fund.
Q. I just remembered that when you set up that fund you said as gold came in you'd issue bills and as it went out you'd buy bills.
A. For the purpose of exchange stabilization.

Q. Solely?

A. Solely.

Q. Will you say anything about the amount?

A. Well, Dr. Kung and I would rather not—is that right?

Dr. Kung: That's right.

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A. No, it's an exchange—the mechanics of the thing is paid for out of the general fund.

Q. I just remembered that when you set up that fund you said as gold came in you'd issue bills and as it went out you'd buy bills.
A. Perfectly true.
Q. You didn't have to?
A. No, the necessary adjustment will take place but the amount is not sufficient that it will make any difference in the program which we announce on Monday.
Q. Will the gold remain in this country?
Dr. Kung: Yes, I will deposit the gold here.
Q. Could you say, Dr. Kung, what this would do to the silver reserves in the Chinese banks, what change it will make in the ratio?
Dr. Kung: It will simply increase our gold reserves a little more and decrease our silver.
Q. I think just one interpretation should not be put on this: The Chinese reserves of gold and foreign exchange have not been depleted?
Dr. Kung: No, no, no.
Q. This isn't to bolster them?
Dr. Kung: Yes, to increase them. We had too much silver reserve, but we think we ought to have more gold reserve.
Q. I understand, sir, the gold would remain in this country.
Dr. Kung: Yes, the gold will remain here. Of the silver that was sold last year and the year before all the money still remained in your banks, and without interest, so it's a little money for your banks.
Q. Do you intend to transfer some of those credits then to some other place?

Dr. Kung: No, I've got credit elsewhere; I want to keep the American credit here in America.

Q. I thought this new gold perhaps might substitute for some previous silver credits you had here.

Dr. Kung: The gold will remain here. What we want is a reserve fund against our issue. We circulate paper money in China—we have to keep the reserve.

Q. Where do you keep the reserve?

A. We keep reserve in New York, Washington, or Shanghai, Nanking—it doesn't make any difference.

Q. This is behind the internal note issue and is not an international exchange as was the previous arrangement?

Dr. Kung: The reserve, whether we have gold or silver, that's all against the issue.

Q. What is your proportion of silver and gold reserves now?

Dr. Kung: That I am not prepared to answer just now.

Q. The figure was given out at the time of the silver agreement last year, I believe; as I remember, it was about 1/3rd.

Dr. Kung: Our cash reserve is sixty per cent and security reserve is forty per cent against the circulation.

Q. Mr. Secretary, do you plan to transfer any sterilized gold to any other country in a similar manner?
H.M.Jr: Well, you know me by now; we only make announcements when we conclude agreements, and we have no other agreement which is concluded except this one with the Chinese Government.

Q. Could you elaborate, Mr. Secretary, on what you say here about "the United States Treasury will also broaden the scope of the arrangements under which the Central Bank of China has been enabled... to obtain dollar exchange?"

A. It's simply the arrangements which Dr. Mung has made with us, through our fiscal agents--your agent is the Bank of China.

Dr. Mung: Yes. Central Bank of China.

H.M.Jr: And ours is the Federal Reserve, and he keeps a certain amount of dollars and gold and silver on deposit with them and these moneys, whether they are gold or silver or actual dollars, are a part of his monetary reserve against his currency.

Q. Is that the "broadening of scope?" You see we never did know what the scope was, so we can't tell.

A. Well, I won't be mean enough to call on the man who wrote it, but I think you'll just have to take it in your stride.

Q. Can it properly be said that this is a broadening of the stabilization policy involving France, England
and ourselves. The tripartite agreement. Can they bring them in?

A. No, this is an agreement between the Chinese Government and the United States and it has nothing to do with the tripartite agreement.

Q. It strengthens it though, doesn't it?

A. Anything that strengthens the ties between China and the United States helps strengthen all foreign exchange.

Dr. Kung: Yes. That's right.

Q. Mr. Secretary, would you expect to issue a statement similar to this on the conclusion of the discussions with the Brazilian Ministry of Finance?

H.K.Jr: If you don't mind--ask some of the men who cover the Treasury regularly--. (Flashlight bulb explodes)

Q. Mr. Secretary, may we ask you a question about an internal affair.

A. I don't mind, if Dr. Kung doesn't mind.

Q. It's reported that during the past week, among other things, you considered the issuance of gold certificates to the Federal Reserve Board in exchange for securities which they hold.

A. Well, I read that story and I thought that those stories were only weekend stories.

Q. Wasn't it a good weekend story?
A. Well, I'd rather not comment on it, but as I say, I don't know who wrote the story, but those stories usually are written over weekends—not weekends. I don't think he got it out of the Treasury.

Q. Mr. Secretary, will you tell us about your visit with George Harrison yesterday?

A. My visit with George Harrison was this: I wanted to explain to him how we expected to handle the gold and silver for the Chinese Government. As he is the head of the Federal Reserve of New York, which is our fiscal agent, we talked about that.

Q. But that other plan was discussed at the conference here yesterday, wasn't it? The issuance of gold certificates against government securities?

A. Shall I surprise you?

Q. Yes.

A. You always believe me, don't you?

Q. Surely, I do.

A. Well, we didn't discuss it—we did not.

Q. I'll pin you down a little more and ask if you discussed it in the past week.

A. That's enough. You know when you say you believe me I only tell the truth.

Q. I'd like to ask Dr. King if this concludes his negotiations here.
Dr. Kung: Yes, as far as Mr. Morgenthau.

Q. I wondered if you were seeing any other departments.

Dr. Kung: Well, I'm seeing people every day.

Q. Are you leaving tomorrow, sir?

Dr. Kung: No.

Q. Mr. Secretary, since this figure will show up eventually in the gold sterilization fund figures, could you give us a general idea of the amount?

A. No, I'm sorry. I think you'll have to be a little patient and then do a little guessing.

Q. Could you say if it compares roughly with the transaction a year ago?

A. No, Dr. Kung and I agreed that we wouldn't make any comments.

Dr. Kung: It may affect the price of gold and silver on the world market and we don't want anybody to speculate.
The following joint statement is made by the Secretary of the Treasury and the Minister of Finance of China:

The monetary cooperation which resulted from the conference of the Secretary of the Treasury of the United States of America with representatives of the Chinese Ministry of Finance in May, 1936, has contributed to the very successful functioning of the new Chinese monetary system with benefits both to the internal economy of China and to American trade.

We are now able to announce further progress in monetary cooperation between the two countries in pursuit of the understanding reached a year ago. At that time the Secretary of the Treasury, in a public statement, said:

"I feel confident that the monetary program being pursued by the National Government of China is not only along sound lines, but constitutes an important step toward the desired goal of stability of world currencies."

"To supplement their efforts toward that objective and to cooperate with them in their program of monetary reform and currency stabilization, and in accordance with our silver purchase policy, we have definitely indicated our willingness, under conditions mutually acceptable, to make purchases from the Central Bank of China of substantial amounts of silver, and also to make available to the Central Bank of China, under conditions which safeguard the interests of both countries, dollar exchange for currency stabilization purposes."

At the same time, the Minister of Finance of China in a public statement expressed the firm belief that the new measures of monetary reform which were
then being adopted by the Chinese Government, and the arrangements made with
the United States would insure the stability of the Chinese currency, and this
would inevitably lead to greater economic improvement and prosperity of the
Chinese people.

Arrangements have now been made through which the Government of China
will purchase from the United States Treasury a substantial amount of gold.
To aid the Chinese Government thus to augment its gold reserves, and in
accordance with the terms of the United States Silver Purchase Act of 1934,
the United States Treasury will purchase an additional amount of silver from
the Chinese Government.

The United States Treasury will also broaden the scope of the arrange-
ments under which the Central Bank of China has been enabled, under conditions
which safeguard the interests of both countries, to obtain dollar exchange for
currency stabilization purposes.

Both the Secretary of the Treasury and the Finance Minister of China
are greatly gratified by the beneficial results to both countries which have
been the consequence of their understanding reached last year, and they are
equally gratified to be able to announce further progress in their cooperation.
It is a source of satisfaction to them that the program of monetary reforms
and currency stabilization in China has been carried out with great success
and has been accompanied by an increase of trade between China and other
nations, particularly the United States, which occupies the first place in
China's foreign trade.

Because of his desire to express the appreciation of the Chinese Govern-
ment and the people of China, the Chinese Minister of Finance came in person
to the United States to conduct the negotiations which have just been concluded.

The Secretary of the Treasury greatly appreciates having had this opportunity for personal contact with the Finance Minister of China and of undertaking in conference with him to further the welfare of both countries.

---End---
Q. What's the last word on the Brazilians, Mr. Secretary?

A. That's like the fellow that went up to the announcer in the New York Central and said, "When will the last train leave for Buffalo?" and he said he wouldn't live to see the last train, so I don't know whether you and I will live long enough to get the last word on the Brazilians—he'll be back Wednesday.

Q. Have you taken over any Chinese silver yet?

A. I don't know—the boys did a pretty good job on the paper work—it will take a little time to show it up. I signed the papers this morning.

Q. Can you tell us what that means—signed the papers? That doesn't mean much to us. What do you mean? Sign what papers? What did the papers say?

A. Well, sign the documents of buying the silver.

Q. Signed the first batch of them?

A. Well, it's quite obvious we don't want to tell how much it is; it will show up gradually.

Q. It won't show up in the Treasury statement?

A. It will show up in the increase in silver certificates, and I wouldn't—not without having
Dr. Kung here—I wouldn't want to add any more; I've said as much as I can, if you don't mind.

Q. We wondered if you'd say this much: The statement says they will buy a substantial amount of gold and said we will acquire additional silver; the assumption was that the two things would be equal in dollars—is that true?

A. I read the various stories and I was perfectly satisfied.

Q. Has Japan protested you are financing the Chinese war or made any complaint?

A. Can I take a chance and be funny? No? All right.

Q. It's all right with me.

A. We'll skip it.

Q. When you say 'show up in the silver certificates,' Mr. Secretary, you mean by that, silver certificates will be issued against the silver and that will reflect the acquisition?

A. Yes.

Q. I'd like to have a serious answer to that question, if possible.
A. I refuse to be serious. I would not receive any protest here; I'll be serious--there has been no protest received.

Q. Has the Treasury ever decided how to answer that note from the Pan-American Union on the suggested Pan-American monetary conference?

A. Other than what I said a month or so ago, I said how I felt about such conferences.

Q. I wonder if any foreign invitation has been sent over here?

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

Mr. Gaston: I don't think any came to us in a formal way.

H.M.Jr.: I don't know. You asked me at the press conference and the President the next day backed me up which made me feel all right. So far as I am concerned, that ended it. Does that satisfy you?

Q. I just wondered if a formal letter--

A. I don't know. Gaston will be glad to look it up.

Mr. Gaston: I think, if there was any formal reply, it must have gone to the State Department.

H.M.Jr.: I don't think it would come over here.

Q. Mr. Secretary, have you figured out how much your Department will save yet?
A. No, the men are working on it hard and, seriously, we have a budget committee here in the Treasury composed of head Treasury employees of responsible positions and I know they are working very hard on it. I occasionally see people in the hall who groan and grunt on how they're going to do it.

Q. Mr. Secretary, how do you feel about that report on the merger of enforcement agencies?

A. I haven't had a chance to talk it over. Well, talking as Henry Morgenthau, Jr., if I can talk as such, I would regret very much seeing all police activities of the Federal Government consolidated into one agency.

Q. Why is that, sir?

A. Oh, I think it's a move in the wrong direction.

Q. How about if they were all consolidated in the Treasury Department?

A. I wouldn't think of having them—I wouldn't ask for them—I wouldn't want them.

Q. Is your objection, Mr. Secretary, to what is called centralization?

A. No, I don't like to see, under this form of government, any one agency having all the Federal
police. I think it's inclined to be
dangerous. You see what has happened in
European countries. I don't think it's
in the spirit of democracy. I certainly
wouldn't want it in the Treasury and I simply
hope that it doesn't happen.

Q. Is it your thought that this might result
in a form of tyranny, Mr. Secretary?

A. No, you can see what would happen; we've had
plenty of demonstrations in countries outside
of the United States of the centralization of
Federal police. And it always seems to me ---

Q. It's true, as stated in the report, that there's
jealousy between the Secret Service and Federal
Bureau of Investigation, isn't it?

A. Well, if it exists I'd say that it's a wholesome
competitive spirit. Whether it's between Secret
Service and Post Office Inspectors, or any other
agency, or whether it's inside the Treasury, I
think a wholesome competitive spirit is good
and leads toward efficiency, as long as it stays
wholesome.

Q. In that connection, Mr. Secretary, there was
a story published some time back in one of the
magnifies that the suspicion between these agencies had gone to such an extent that the head of the Intelligence Unit was having his telephone wires inspected once a week to see if they were tapped. Have you any comment?

No. At the time this thing broke I wrote a public letter to the Attorney General and I expressed myself openly and frankly on how I felt about one Federal agency spying on another. I made the letter public and I didn't mince matters on how I felt about any agency spying on another.

Q. In this case it wasn't like that. This was another agency spying against the Treasury.

A. Well, I didn't see the story. That's the way I feel about a central police agency.

Q. Well, sir, would you mind elaborating on just why the consolidation of these agencies is dangerous?

A. Well, I cited the case of other countries where that happened. I think that is sufficiently obvious without naming the countries. As a matter of fact the work is so large that I question further consolidation would lead to efficiency.

Q. Mr. Secretary, do you think such a consolidation would justify criticism that the present Administration might have Fascist tendencies?
A. I don't want to go any further, I think, if you don't mind. I've talked enough. It's important but if I say much more I'm afraid I'm over-emphasizing it.

Q. To change the subject back to the silver situation, would you say it's going to be the policy of the United States to try to pass around some of this gold to debtor countries.

A. If you don't mind, what we try to do here—we work on things, we work very hard, very diligently day and night until we get these plans worked out, what we think as near foolproof as possible. When we have anything, the men who've been here regularly know I tell the Treasury men first. Right now we have nothing else worked out in any form satisfactory to me, so we have nothing to announce as far as any other country is concerned.

Q. You wouldn't say what your policy is?

A. No, I think you'll have to, at this particular stage, as we take additional steps—we're weaving a pattern which we very carefully weigh each step before we take a step, and if you look back over the last three years, the various monetary steps we have taken, we believe that the pattern is an absolutely consistent one.
Q. Mr. Secretary, could you — with the countries that owe us on their war debts — make the same arrangements with them as you have with China or would that violate the Johnson Act?

A. Now you've got me on the spot.

Q. You are buying silver—just making a purchase; you are not lending them any money.

A. There's more than that. I'd say, do you insist on an answer?

Q. No, I was going to answer another question after that because of the threat of war in China you wouldn't be permitted — that would bring in the Neutrality Act.

A. I don't think there's anything in the Neutrality Act about lending. I'm moderately sure there isn't.

Q. Yes, there is; bars any loans other than ordinary commercial credits.

A. Are you sure that's the way it passed? I thank you. I'll be glad to look it up. I was under the impression there wasn't.

Q. Has the question ever come up whether you could do something like this with war debtor nations?

A. No. For your own information and background, the answer is that we most likely wouldn't make such
arrangements with a debtor nation because I would interpret it as contrary to the spirit of the Johnson Act. But I don't want to say so publicly. It might be embarrassing, but that would be my interpretation.

Q. That it would be?
A. That it would be—my curbstone interpretation—not the purchasing of the silver, but the foreign exchange credit arrangements that go with it. That's for you—I haven't asked any lawyers or anything else. The fact is we haven't got such an arrangement with any war debtor nation. We have not got such an arrangement.

Q. What do you mean? The foreign exchange credit arrangement that goes with it—can you elaborate on that?
A. I guess I got myself into it, but you'll have to write this not for me, but you can credit it to a "Treasury official." I mean, under the previous arrangement they could get foreign exchange credit against silver which they own.

Q. That is continued?
A. And that is continued against the gold.

Q. I don't understand.
A. Well, if they needed to borrow to stabilize their currency, they wouldn't have to sell their gold—
we would advance them the necessary foreign exchange.

Q. Does the silver have to be in this country?

A. Against silver in this country or against gold in this country. That's something I have never said before, but if they need foreign exchange we would advance it against either silver or gold deposited here, but you'll have to credit that to the Treasury, not to me.

Q. When you say "advance foreign exchange", does that mean advance dollars?

A. It would be either dollars or yuan—their own exchange. We might have their own exchange, but it's a loan in either their exchange or our exchange, but with, as collateral, gold or silver deposited with us. I don't blame you, if you're new on this beat. These boys are a good crowd—they'll help you out. What do you cover—the State Department?

Q. Supposed to, yes.

A. The only really important announcement I've got to make, unless something unforeseen happens, I'm going to sail from Los Angeles on the 24th of July for Hawaii.
Q. Are you going to take that coconut oil money to the Philippines?
A. I'm only going as far as Hawaii.
Q. What are you going to do, Mr. Secretary, besides have fun?
A. Nothing, nothing. Mrs. Morgenthau, the three children and I.
Q. How long will you be gone?
A. We'll get back on the second of September, and I'll say I earned it.
Q. What are we going to do in the meantime?
A. That's why I'm telling you now.
Q. Do you think the financial situation will take care of itself?
A. Everything is quiet.
Q. Don't you think the correspondents should be sent on a Coast Guard cutter?
A. I'll send you fellows ahead.
Q. You had a hard time finding a vacation spot a year ago.
A. It's still more difficult this year.
Q. Is the money made available to Brazil to be used only for exchange stabilization?

H. M. Jr.: Yes.

Q. Are the dollar credits referred to in Part II in addition to the $60,000,000 in Part I?

A. No, we will advance dollars against the gold as they get the gold.

Q. Can you tell us what we will receive in return for the gold?

A. Cash.

Q. In what form?

A. Dollars.

Q. There's no silver transaction involved in this, Mr. Secretary?

A. No.

Q. Do you then spend that cash for your regular operating expenses?

A. It goes in the General Fund.

(Secretary Hull questioned)

Q. I'd like to ask Secretary Morgenthau about the mechanics of this exchange agreement. Mr. Secretary, the effect will be, will it not, that Brazil in supplying dollars to buy our gold will convert its money into dollars. In other words, won't the effect be that Brazil in reality is buying gold
with its currency?

A. Well, as Brazil acquires dollars wherever she sees fit to acquire them—she might acquire them here or anywhere else; it's entirely at her option as to time to convert those dollars into gold. Where she buys those dollars is of no particular interest to us.

Q. Dr. Secretary, the balance of trade between the United States and Brazil is in favor of Brazil, is it not?

A. Yes.

Q. So that would make a supply of dollars available there, would it not?

A. As I say, she can acquire the dollar exchange—the dollar is available now all over the world.

Q. Why exchange dollars for gold against which to get more dollars?

A. Well, acquiring this fund—the gold here gives the Brazilian Treasury and their central banking system a fund against which she can, at a moment's notice, get foreign exchange to stabilize her currency.

Q. Dollar par?

A. To stabilize her currency as between Brazil and the United States.
Q. Will there be an apparently fixed ratio between the currencies of the two countries, or approximately a fixed ratio?

Brazilian Representative: Opportunely it will be fixed.

Q. It will be a fluctuating ratio—is that what you mean?

Brazilian: The ratio will be fixed within certain levels. The purpose is to take out the fluctuations (this remark after conferring with Morgenthau).

Q. Can you tell us, sir, what those levels will be?

Brazilian: Not yet.

Q. Could you tell us, sir, what the present ratio is?

Brazilian: The rdldre at present is between 70 and 80 cents.
H. E. Jr.: All right, gentlemen.

Q. Mr. Secretary, we understood from the Brazilian delegation that there might be a joint statement by the Treasury today.

A. Were you here last night?

Q. I wasn't here, no sir, fortunately for me. (Idns)

A. Where were you last night?

Q. My day off. (Duffield) That's the "abundant life".

A. When you get a really good assignment like that?

Q. What time did you quit?

A. About quarter of eleven.

Q. That's quarter of twelve in New York; we don't work that late on that kind of a story. Is there going to be anything today?

A. I haven't heard yet. It's in the hands of the lawyers now. It's gotten that far in the drafting stage, but I'm hopeful it will be late this afternoon—if it isn't it's just because of a question of drafting.

Q. Can you tell us anything about it, sir?

A. I think we'll wait until it's ready, if you don't mind.
Q. Will you comment on reports in foreign exchange circles in New York that we have lost gold this week, on some days?
A. No, I don't want to comment, if you don't mind.
Q. Are you going to be here Monday?
A. Surely.
Q. Are you?
A. I'm just coming back to say goodbye to you fellows Monday afternoon.
Q. Will you talk about this gold business before you go? You said you thought you would.
A. I don't know. I doubt it.
Q. How about the premium?
A. By the time I come back Labor Day, why maybe it will be a good time to talk then.
Q. A good time to talk just before you go away. Do you expect to see the Brazilian Finance Minister again, Mr. Secretary?
A. Yes.
Q. Today?
A. Yes, they're coming at three.
Q. Will the statement come after that?
A. I'm not sure. I really don't know. I just don't know because, as I say, we have turned it over to the lawyers.
Q. We wouldn't get it before that time in any event?
A. It will not be before three o'clock, and if it's this afternoon it will be for tomorrow morning's release.

Q. Would there be a press conference with it?
A. I don't know. I just don't know how the State Department is going to like us to handle it, but, between us, they may have one too, and we may do it together.

Q. Jurisdictional division?
A. No, it's very easy because on a matter like this anything they want is agreeable to me.

Q. I didn't say dispute.
A. There's no question—anything that they would like—I'll handle it any way they want it. So there can't be any dispute. We're just sort of waiting.

Q. My only purpose in asking was so we would be here.
A. As I say, it's a question of how the State Department would like to handle it, and any way they want to handle it is agreeable to me.

Q. Will representatives of the State Department be in on the conference this afternoon?
A. Dr. Feis is always here on these matters. He's been at all our meetings.

Q. Can you tell us anything about Mr. McDonald's visit?

A. I can say it had to do with Federal housing.

Q. Did it have to do with FHA's plans to use part of their revenues for operating expenses?

A. He was just telling me some of his problems.

Mr. Gaston: Mr. Secretary, the Robinson funeral is at noon tomorrow in the Senate Chamber.

H. M. Jr.: How long will it last?

Mr. Gaston: At least an hour, don't you think?

H. M. Jr.: Well you talk to the boys about that afterwards.

Q. Do you have a regular double issue of bills? This is when the announcement comes out.

A. Yes.

Q. Did you say another double issue of bills?

A. Double-header.

Q. Well, I'm quoting the Wall Street Journal.


Q. You started to add something.

A. This Brazilian thing—when we get that out of the way, well, my desk is clean.
Q. Could you tell us whether there are going to be any more of these extra issues?
A. Each week we will announce it.

Q. Each week.
A. We'll announce it. This is the last of the first—we'll tell you each week.

Q. What do you mean by double issue?
A. What we mean is $50,000,000 of 9-months and $50,000,000 coming due on or about the 15th of December.

Q. Then there will be no major financing until the next quarter financing?
A. Not until the 15th of September.

Q. Any other international conferences scheduled?
A. I hope not. They've got me. In the last three weeks they've been pushing me kind of hard.

Q. Mr. Secretary, in the tax hearings in the Senate and House they indicated there that they would be willing to give you more men in the Internal Revenue Department.
A. Did they say that yesterday?

Q. They said it in the hearings—Senator Harrison and InFollette and Doughton.
A. Good.
Q. In the early part of the hearings and suggested that the Treasury ask for what they want. Have you made any request or are you going to make any?

A. No, as I remember it, we were up there and we originally asked for nine hundred thousand and they gave us four hundred fifty and somebody said that's pretty good, and I don't know just what we will do on it, frankly.

Q. That's for this year?

A. Well, they gave us evidently $450,000 more for this year, so whether we will ask for more money this year, having to cut down ten per cent, I don't know.

Q. Well, have a good vacation. Goodbye, Mr. Secretary.
Q. Did you see Governor Lehman's letter to
Senator Wagner?

H. H. Jr.: I just saw the headlines.

Q. I wonder—he's from your home state—if
you would care to comment?

A. No, no comment.

Q. Mr. Secretary, could you make any answer
to a letter from Representative Fish in
which he asked if that was a permanent
ruling of the Bureau?

A. That was handed to me late in the forenoon
this morning and I have turned it over to the
lawyers and they will prepare an answer.

Q. What was the last part?

A. I have turned it over to the legal staff and
they will prepare an answer.

Q. Will that be made available, Mr. Secretary,
to us here?

A. Well, what we usually do here is we mail the
man the letter and wait until he receives it.

Q. Then we'd get it?

A. Sometimes we release it.

Mr. Gaston: Yes, sometimes, if he doesn't, and if there's
any point in handing it out—he made his
letter public, didn't he?
H. R. Jr.: At least we wait until he receives his. Herbert will have to take a look at the answer and see how it goes. How can he decide until he knows what the letter looks like?

Q.: Will that apply to Dirksen?

A.: Mr. Gaston will take a look. I really don't know what the usual procedure is. There's no reason in the world why you men shouldn't have both letters after a reasonable time has passed so the man has received it. It's just that it takes a little time to prepare those things.

Q.: Mr. Secretary, what was the conference the Director of the Budget had with the President this morning about? Anything in the mill?

A.: You're asking me?

Q.: You were over there too today.

A.: I was at lunch but not at that other conference. I really don't know. You'll have to ask the gentlemen who took part in the conference.

Q.: What did you talk about at luncheon, Mr. Secretary?

A.: Well, we discussed our farms.
Q. Christmas trees?
A. No, that didn't come up. I got some good
tips on how to catch porpoise in Hawaii,
where to go, where the best fishing ground
was—I'm serious—in Hawaii.
Q. Where are you going specifically?
A. Pacifically?
Q. Specifically in the Pacific.
A. We're going to the city of Honolulu.
Q. You'll be there all the time?
A. In that group of islands there.
Q. You're going to get a little island of
your own?
A. Not necessarily. I'm leaving this afternoon
by train for Los Angeles.
Q. When do you sail, Mr. Secretary?
A. 24th.
Q. What boat? Coast Guard?
A. No, I wish I were. The Matson Line.
Q. When will you be back?
A. Snappy today, isn't he? We land on the 2nd
of September and I should be back here in
Washington by the 5th, I think. You fellows
will have to work over Labor Day. I mean,
everybody is going to be around. That is,
if you want the announcement of the next
financing.
Q. Will that be the day we get it?
A. You see Labor Day comes so late, on account of being Monday, the 6th, you see.
Q. You will announce it on the 6th?
A. 7th. I mean it will be published on the 7th.
Q. That will be refinancing? Nothing new coming?
A. Well, I haven't got any idea, I mean, at least we will take care of our maturities any way.
Q. You couldn't say anything this early about new money?
A. No, you wouldn't believe me if I did.
Q. Mr. Secretary, are you familiar with the proposal to put American tourists going into Canada on the same basis as Canadian tourists coming into this country who pay -- ?
A. Quite frankly, I don't know anything about it.
Q. May I pursue it?
A. Please.
Q. The Canadian tourist must be in this country 48 hours before they can bring back $100 worth of goods free and the people around Buffalo and Detroit want the same thing to apply to Americans going to Canada to prohibit them bringing in that much free unless they've
been there 48 hours, and there's a proposal to pass such legislation this session.

A.
It's the first time I have ever heard of it so I wouldn't want to give an opinion on it.

Q.
The Customs has had it for some time.

A.
This is the first time I've heard of it. I wouldn't know if they gave an opinion.

Q.
In that connection there's something in the Canadian trade treaty regarding that. I may be wrong but my understanding was that Canada had agreed to extend to Canadian tourists trading across the border the same privilege—there was some — .

A.
You've been doing a lot of reading over the weekends.

Q.
Something about equality on both sides.

A.
Why don't you give Herbert Gaston time to study it. You're getting him entirely off base. I don't know anything about it, do you, Herbert?

Mr. Gaston: No, I don't.

H. W. Jr.: We'll look into it—see Gaston. We'll try and give you an answer.

Q.
Is there anything to say about how your loophole legislation is coming along? Is anything ready yet?
No, as I understand it, everything is tied up
over the weekend and Mr. Magill will be back
Wednesday morning from a week's vacation.
Taylor will be back Wednesday, and, as I under-
stand it, the committee isn't meeting until
Thursday, and I greatly question if anything
has been done in the last four or five days.
Certainly at this end nothing has arrived or
left and Mr. Magill will be back Wednesday to
get in touch with the Hill and find out what
their wishes are.

Q. Mr. Secretary, could you say anything about
the amount of money that will be borrowed in
the new cash bill series at this time?

A. No, they will announce it every Thursday.

Q. Will Mr. Magill hold conferences while you
are away?

A. I think if you men will discuss it with Mr.
Gaston he'll be glad to meet you ninety per
cent of the way. Whatever you and Gaston
decide—just talk it over with him. Who's
the dyer of the Treasury press?

Q. The what?

A. The dyer—senior member of the diplomatic
corps. You (Ardery) and Sir Ronald?
Q. Is there any possibility of the Treasury recommending any legislation at this session on tax loophole legislation?

A. We never recommend legislation any way.

Q. Sometimes you favor it, indirectly.

A. I don't know what they've got on their minds, and, as I say, Magill will be back and the whole question, the whole thing, is still to be done. What Congress will or will not do—we really don't know, but we really don't recommend legislation; we bring the facts to their attention and they make up their minds as to what they want to do.

Mr. Gaston: The President has definitely recommended legislation at this session.

N. M. Jr.: That's right. Herbert Gaston says the President has recommended some tax legislation.

Q. Don't you people make tentative drafts of legislation for the Committee's consideration?

A. Only on request.

Q. Have they requested anything?

A. I really don't know. As far as I know, I talked to Magill this morning, he doesn't know. We don't know. The whole thing is waiting until these various Senators and
Congressmen got back and they won't meet until Wednesday.

You usually appear on legislation and if you are going away they will drop the whole business.

No, no. Gaston said the President's message went up there and I'd say that that was more than obvious of what the Administration desires. It so happens my desk is clean. There's no pending business. For the first time in three months, every Government bond but the 2½'s are selling above par, so it's a good time to go before they go below again. They all went across par today except the 2½'s. My desk has never been cleaner and there's no important business pending and Mr. Magill is more than able to give Congress the cooperation that they need on the taxes, and, as a matter of fact, Mr. Taylor, Mr. Gibbons and Miss Roche will all be here.

Mr. Secretary, maybe this was asked before I came in, but have your lawyers said anything about the possible application of the Neutrality Act to this Chinese currency business—that it should be cause for revoking the act in that dispute?
A. This is shooting from the hip, see, and as I understand it, that gentleman who was here the other day—I don't want you to write this until Gaston has a chance to check me—give Gaston a chance to look it up. The way the thing is worded, peculiarly enough, this only applies to private debts. I think I'm right.

Q. Private credits?

A. Private credits, and not public, but I want Gaston to check it. I think I'm right, but I may be wrong. Give him a chance. If I'm right, the answer to your question is no.

Q. Just so we get it clearly understood, nothing is to be written out of this press conference?

A. Let Gaston look it up, but I think I'm correct in saying it does not apply to governmental debts. That's the thing—give him a chance — . Our lawyers' opinion just came in.

Mr. Gaston: He says he doesn't believe this would apply to the Government of the United States, but he thinks it is a matter clearly for interpretation by Department of Justice—the Attorney General—an authoritative interpretation should come from the Attorney General.
H. L. Jr.: We're going to ask for an opinion from the Attorney General and my suggestion is that you kind of go easy giving credit to any statement from the Treasury until we can get an opinion. You can write the stuff. There's considerable doubt as to whether the Neutrality Act applies. And I raised the question and they say we will have to write for a formal opinion.

Q. All we can say officially is you are asking for an opinion from the Attorney General.

A. I wouldn't even say that, if you don't mind, because that infers I am looking for trouble. What you write on your own, all right, but I'd rather you wouldn't credit anything to me. It looks as though I thought we were going to have a war. Nothing out of here. I'm just telling you, very much off the record, very frankly, what the situation is. I asked my General Counsel. Evidently he's in doubt and it may mean we'll get an opinion from the Attorney General. I was just getting ready in case Duffield asks me the question and we are not ready and I don't want to say anything because it would look as though I thought there was a war imminent.
Q. Do you want us to say --?

A. I don't want even to suggest what you should say, other than please don't say anything has come out of the Treasury. Is that all right?

Mr. Gaston: If they want to say on their own authority that it is unlawful for any person within the United States; that it doesn't seem to apply to the government --.

Q. Is that the wording? "Any person within the United States".

Mr. Gaston: Yes, "Any person within the United States."

Q. Any message for the financial community, Mr. Secretary, while you are away?

Mr. H. Jr.: I have yet to make my first message, haven't I?

Q. Your absence would indicate that the Treasury has nothing up its sleeve. Would you say that for the record, monetary or --?

A. No, all I can say is that I'm leaving with my house in good order and no unfinished business. I think that's enough, don't you think so, Herbert?

Mr. Gaston: Yes.

Q. Do you want to say anything as to the reaction to the 2½s going up to par again? Or as to whether the government bond market has finally recovered from the break?
A. I think that's enough. Does that suit you, Bob?

Q. Yes. Can we induce you to talk about the gold situation before you go?

A. No, I think you'll have to be as patient as I have been.

Q. Have a good trip.
MR. TAYLOR: This is just to give you some preliminary information about the September financing for tomorrow's papers. The public offering will involve approximately $817,000,000, which is the amount of the note issue maturing in September. No cash.

Q. You will offer an amount of securities necessary to cover all notes turned in for refunding?

A. That's right -- a straight refunding operation.

Q. No sale of new securities?

A. We are continuing the present series of bills going into December so there will be three more bill offerings of fifty million. Three in addition to this one, making a total of half a billion dollars going into December.

Q. This means you will abandon the billion dollar working balance?

A. I don't think there has been anything specific on that. We are paying off the September bills maturing around the 15th, from then on. 350 of those will be paid off.

Q. Not the straight type?

A. No.

Q. Roughly, how much cash will that leave you on December 15th -- 900 million cash?

A. What we will do for future bill offerings will be determined sometime after the 15th. That will end the December bills when we get to 500. What we will do about selling special bills going into March next
December 1st, I am not ready to say anything about that.

Q. How much return do you expect on income taxes?
A. I haven't anything on that.

Q. How much interest is due on September 15th?
A. I haven't got any figure.

Q. Will there be notes?
A. I haven't anything to say.

Q. Why raise money by bills?
A. I don't think we are. We have this concentration of bills on December dates.

Q. There have been two or three stories that treaties or negotiations with Nicaragua and Cuba are under way, presumably on monetary matters.
A. I don't think you could call them negotiations. We have had for some time various representatives of the Cuban Government here in Washington studying various aspects of our banking system, particularly the place of agricultural credits and Farm Credit has been cooperating with them and in the general banking field various agencies have cooperated, including the Federal Reserve. We have an established policy that any country wishing to discuss with us anything to do with possible advice on internal banking situations or monetary policies we are more than glad to cooperate.
Q. Does that envisage anything like the Brazilian agreement?
A. Can't tell. If that seems to be desirable. There is nothing in either of those cases of a monetary nature.
Q. In neither case?
A. The Nicaragua case involves several other things. They have had a very congested exchange condition there and have had this volume of exchange which has been blocked and until they get that fund one way or the other it will be difficult for them to move in negotiating with the National Foreign Trade Council, who represents the American creditors with a view to making an arrangement similar to that made through the Foreign Trade Council several years ago with Brazil.
Q. To take care of blocked balances?
A. You remember in connection with the Brazilian funding arrangement they made arrangements with the Export-Import Bank to discount those notes; they are not quite far enough along to take that up with the Export-Import Bank. I imagine similar facilities would be extended.
Q. How do you get into the picture?
A. We are not in that picture at the present time but I just happen to know about it.
Q. Was there a Treasury angle?
A. The Treasury angle is another negotiation which Nicaragua will carry on which has to do with some claims backward and forward which they also hope to clear up.

Q. They are strictly government claims? Can you tell us what sort of claims?

A. One is a tax claim and the other is in connection with the purchase some time ago of some surplus supplies from this government.

Q. You said Cuba was interested in agricultural credits, not in borrowing money?

A. They haven't any system for taking care of agricultural credits as far as the individual farmer goes. They have a different system for taking care of the people running the sugar mills and they have in turn reloaned to some farmers. It is very complicated. They are endeavoring to set up a system of agricultural credits which will not necessarily be modeled on ours, but they will be guided by the experience our Farm Credit Administration has had.

Q. Who is handling it for Cuba?

A. The mission is handled by the Ambassador.

Q. The same as Nicaragua?

A. No. They have a special delegate up here and they have a financial adviser by the name of Edwards, James H., an American citizen.
Q. Here in Washington?

A. Maybe up in New York now.

Q. Can you give us his name?

A. His name is Luis Manuel Debayle. He is a brother of the Minister in charge up here.

Q. What is his title?

A. Special representative.

Q. Are you willing to sit down with any country, North, Central or South America, including those two?

A. I wouldn't emphasize that at all. It just happens that those two happen to be here at the present time. They don't have to cross as much water.
I will boil it down for you (Press Service No. 11-9). It is very simple but a lot of words. We are offering the note holders of the $617 million their choice of two notes—a fifteen-months note having a coupon rate of 1\(\frac{3}{4}\) per cent and a five-year rate with a 2 per cent coupon. They can convert into either one of those two notes and that's the whole story.

The only other news is that after talking the situation over with Mr. Taylor and Mr. Bell, we find that we don't need as much money as we thought we would and therefore we are going to discontinue selling the bills which fall due on December 15.

In other words, the issue we sold last Friday will be the last of that series or a total of $450 million. Including last Friday's share, we have offered a total of $450 million coming due December 15. Well, after going over our financial situation with Mr. Bell and Mr. Taylor, we find we have enough money on hand and that there is no reason to raise any additional money at this time.
Q. That's $50 million short of the original plan.
A. Yes, $50 million less.

Q. What contributes chiefly to that better situation?
A. The balance.

Q. I know the balance, but isn't it also the fact that no gold has come in?
A. Well, no. I wouldn't say that.

Mr. Bell: There is about a $25 million increase in our balance over what we thought it would be. Expenditures have not been quite as heavy as we thought they would be.

H. M. Jr.: Relief expenditures are considerably less than last year. As a matter of fact, they are running about one-third less.

Bell: For the first two months of this fiscal year, the WPA alone is $79 million less than last year.

H. M. Jr.: What is that percentage roughly?
Bell: About one-third.

H. M. Jr.: So with the balance we have, I feel perfectly comfortable and there is no need of borrowing any additional money at this time.

Q. You are figuring on the September installment on the income tax collections?
A. With the money that is coming in from the income taxes and the money we already have on hand, we have enough money to pay off the $350 million maturing on September 15.
Q. Would it be a proper statement to say that the reason is the declining expenditures?
A. That and increased receipts.
Bell: Some increased receipts, yes.
Q. Gold is not a major factor?
H. M. Jr.: No, because gold is coming in at about the rate we expected.
Bell: Yes, that's right.
Q. Is the decline in expenditures mainly in relief?
H. M. Jr.: Yes, I would say entirely under the category of emergency. Wouldn't you, Mr. Bell?
Bell: Mostly emergency.
Q. There is no need within the present view of any new money?
H. M. Jr.: No. I want to make it plain. After the fifteenth of September we will then examine our picture after the money has come in and we will unquestionably start borrowing again through bills but we won't start borrowing additional money through bills until sometime after the fifteenth of September. You see, we have $50 million coming due each week of nine-months bills and we have been selling a series of bills coming due on or about the fifteenth of December. Well, that series has now reached $450 million. We had expected to borrow up to $500
million so we are going to close out that
series and not borrow any more money at this
time until sometime after the fifteenth of
September. Just when we will start again, we
don't know. And before we do start a new
series, we are going to re-examine the whole
bill market.

Q. Mr. Secretary, will there be the usual September
budget revision put out?

H. M., Jr.: Mr. Bell, in his capacity as Director of the
Budget, will answer. He will now shift.
Do you mind taking another chair, Mr. Bell,
and answering that question.

Bell: Well, I hope so. We are working on it a little
and we are approaching it in the Budget Bureau
pretty fast and nobody in the Budget Bureau has
had any vacation, but I hope there will be a
budget revision sometime before the end of the
month.

Q. A recapitulation?

A. Just like it was last year.

H. M., Jr.: But Mr. Bell is going away for a month very shortly.

Q. Does this mean, Mr. Secretary, there will be no
bills borrowed against March?
A. No. But before we start any new series, we are going to reexamine the whole bill market and sometime after the fifteenth of September we will announce what the new program will be. But there will be no announcement on the bill program until after the fifteenth of September.

Q. I see.

A. I mean we may borrow bills of different maturities than we have in the past.

Q. I thought you said December 15.

A. I said as far as the December 15th borrowing is concerned, that's finished. Now if we borrow again on the tax date, the next will be March 15. We borrowed $450 million coming due on or about December 15. That particular series is closed. We had intended borrowing $500 million but when I came back and went over the figures with Mr. Bell and Mr. Taylor, I found that we wouldn't need the additional $50 million.

Q. I thought you said you would reexamine the bill market after December 15.

A. No, after September 15 we will reexamine it.
On this new offering here, how does that compare with the interest rates on the last similar offering?

They are higher. There has been considerable increase in commercial borrowings, which we are very glad to see, and it stands to reason that as business begins to borrow and uses money, it is only natural that the Treasury will have to pay more. Perfectly normal condition, and we are glad to see it; it is a healthy sign.

Isn’t it the highest in the last few years?

You people always call on my history. I always live for today, and you will have to consult some of our historians on that. I really wouldn’t know.

It isn’t as high as the one we are paying off. That’s 3%. That’s right. That’s one for you!

In other words, this is higher than the last.

Yes.

Higher than last June.

Yes, higher than last June but the reason is—how much have commercial borrowings increased in the last three months?
A. The Federal Reserve Board statement said $690 million. That was the first half of 1937.

Bell: I think it's a billion within a year.

H. M. Jr.: That's a lot of money.

Q. Mr. Secretary, if the expenditures are less than you anticipated, why is it the deficit seems so high this year, almost up to your budget expectations for the full year?

A. I think you gentlemen will have to wait until the new budget summation. We have been through this thing before, I mean as far as our forecast as to the expenditures are concerned—I think I am correct, Mr. Bell—they are running about on the dot, aren't they?

Bell: Yes. I don't think there is anything to worry about there. The months of July and August always had special factors in them.

H. M. Jr.: You take RFC or Commodity Credit. They may or may not have collected and paid us. That runs into considerable sums, and for a month or two it sort of distorts the picture by as far as twelve months back. You check me; I want to be very accurate. Expenditures are running at our estimates or less. Is that correct? If it isn't, correct me.
Bell: Well, I think that's about correct on past estimates. What it will be on the new budget, we will have to reexamine.

H. M. Jr.: But before some of this legislation that was passed during the last couple of weeks, the money has not been spent.

Bell: I would say it is fair to state they are running close to our estimates. It's hard to tell how a two-months' period will compare with the twelve-months' estimate.

H. M. Jr.: Would you say they are running approximately as estimated?

Bell: I think it is a fair statement, as near as you can tell. Of course, the legislation that was passed has not affected the July and August expenditures.

Q. As a matter of fact, Mr. Bell, isn't the deficit, that is, the cash deficit, actually about $100 million under what it was the same time last year?

Gaston: Eliminating the revolving fund, I think that's true.

Bell: It's a little more than that. The deficit on August 31 was approximately the same as the deficit on August 31 of last year, but if you had some recovery and repayments your deficit would have been $150 million or $175 million less than last year.
Q.
Could you tell us whether this commercial borrowing is long-or short-term borrowing?

H. M. Jr.:
My guess is that it's fairly short.

Q.
That's the reason for the softening in the rates on your short-term?

A.
I mean for the first time we have commercial borrowing of any extent and it naturally affects the money market.

Q.
Is that billion dollar figure the member bank figure?

Bell:
Yes, it's reporting banks, isn't it, Wayne? I don't think they have any way of getting any other information except from reporting banks.

Taylor:
They can get it from FDIC.

Bell:
That would be insured banks.

Upham:
Reporting banks is that billion dollar figure.

H. M. Jr. (to Mr. Upham): You had better check it while we are having lunch.

Upham:
Sure.

Q.
$450 million has been borrowed against December on previous occasions, has it not?

Bell:
You mean Treasury bills?

Q.
Yes.

A.
Since July 14.
Q. Wasn't that the amount of maturity in last month's bills?

Bell: No, I don't think there were any bills maturing last December. Last March we had $450 million. March was the first time we put bills in the tax payment date.

Q. Have you explored the long-term market possibility of more borrowing?

H. M. Jr.: Yes. We went through everything and you see we had only maturity of $426 million coming due in 1942 and the rest of that year there isn't any other maturity so it makes a good year to have a maturity. And that's one of the reasons we picked 1942. There is only $426 million maturing in 1942.

Q. Could you say why you are using a fifteen-months note?

A. Well, since I've been back and from what Mr. Taylor and Mr. Bell tell me and from the survey they made in New York, it seemed that this particular offering fits the particular situation that exists at this time.

Taylor: It was the first open date in which there was not a concentration of some other maturities.

Q. Could you tell us, on or off the record, about what these 2 per cent notes should sell for on the basis of Saturday's close? They would sell above par, wouldn't they?
H. M. Jr.: If not, I don't know my job.

Q. The bid price on 1-3/4's was par?

A. You'd better get that somewhere else. Ask somebody else. I will tell you a story about that at lunch.

Q. Any estimate as to how much of these maturing notes are held by banks?

A. We never really know.

Q. This fifteen-months' issue would appear to be for bank holders.

A. Not necessarily.

Bell: Corporations.

H. M. Jr.: Some of the large corporations. We know one corporation owns a very large amount of these maturing notes and there seems to be more of a tendency for corporations to buy these bills for their balances—I mean, they don't get any interest on their deposits so it's an attractive medium for them to put their money in.

Q. Has there been an increase in that practice lately?

A. I think so. Yes, there has.

Q. Got any funny stories you want to tell us about your trip to Hawaii?

A. I'll tell you at lunch. Everybody got this all right now?

Q. It's a good story, Mr. Secretary.
Thank you.

This is for release for Tuesday papers?

For Tuesday morning. I can't answer for your radios, but as far as we are concerned, it's Tuesday morning. Yes, very much Tuesday morning.

Anything else? I think you all know that I would like you to have lunch with me now and it's for one o'clock downstairs.

Yes. Thank you, Mr. Secretary.
Secretary of the Treasury Morgenthau announced today the offering, through the Federal Reserve banks, of two series of Treasury notes, both in exchange for 3-1/4 percent Treasury notes of Series A-1937, of which $817,483,500 mature on September 15, 1937. Both series of notes will be dated and bear interest from September 15, 1937. One series, designated Series E-1938, will bear interest at the rate of 1-1/4 percent, and will mature in 15 months on December 15, 1938. The other series, designated Series B-1942, will bear interest at the rate of two percent, and will mature in five years on September 15, 1942. The notes will not be subject to call for redemption before maturity.

Exchanges will be made par for par, and the offering of each series of notes will be limited to the amount of maturing notes tendered and accepted in exchange therefor. Cash subscriptions will not be received.

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, and should be accompanied by a like face amount of Treasury
notes of Series A-1937, maturing September 15, 1937, with the final coupon due on September 15 detached.

The right is reserved to close the books as to any or all subscriptions at any time without notice, and, subject to the reservations set forth in the official circular, all subscriptions will be allotted in full.

Special Treasury bills aggregating $350,600,000, which mature immediately after September 15, and about $168,400,000 interest on the public debt, which becomes due on September 15, will be paid from the cash balance.

The text of the official circular follows:
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, from the people of the United States for notes of the United States in two series, designated 1-1/4 percent Treasury Notes of Series E-1938 and 2 percent Treasury Notes of Series B-1942 respectively, in payment of which only Treasury Notes of Series A-1937, maturing September 15, 1937, may be tendered. The amount of the offering under this circular will be limited to the amount of Treasury Notes of Series A-1937 tendered and accepted.

II. DESCRIPTION OF NOTES

1. The notes of Series E-1938 will be dated September 15, 1937, and will bear interest from that date at the rate of 1-1/4 percent per annum, payable on a semiannual basis on December 15, 1937, and on June 15 and December 15, 1938. They will mature December 15, 1938, and will not be subject to call for redemption prior to maturity.

2. The notes of Series B-1942 will be dated September 15, 1937, and will bear interest from that date at the rate of 2 percent per annum, payable semiannually on March 15 and September 15 in each year. They will mature September 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. 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. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.
IV. PAYMENT

1. Payment at par for notes allotted hereunder must be made or completed on or before September 15, 1937, or on later allotment, and may be made only in Treasury Notes of Series A-1937, maturing September 15, 1937, which will be accepted at par, and should accompany the subscription.

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.
REPORJ OF SECRETARY MORGENTHAU'S  
PRESS CONFERENCE, September 9, 1937

Q. Got any figures on conversion for us, Mr. Secretary?
A. I haven't got any figures, but I can say that the 
conversion is going very satisfactorily.
Q. Can you say which note seems to be preferred?
A. No. That's about all I can tell you today.
Q. When do you think we will get figures?
A. Mr. Gaston, when do you think we will give them 
figures?
Mr. Gaston: Of course we can't give final figures until tomorrow 
or next day.
Q. Will we get an interim report?
Mr. Gaston: You might get an interim report.
E. L. Jr.: I would give them something tomorrow after the market 
closes. They ought to have something tomorrow night 
for Saturday morning.
Q. That means you won't have to pay much off in cash.
A. I say it's going very satisfactorily. I would say 
we would get about the average conversion.
Q. What is that, Mr. Secretary?
A. We ought to get 90% or better.
Q. Mr. Secretary, is this operation affected at all 
by the situation in Wall Street, or to what extent is it affected?
A. The answer is that it has not been and I think it speaks very well for the bond market that it has not been. I mean, the operation is going along very smoothly and up to expectations, and I think when you consider what the rest of the financial markets have been doing it speaks very well for the Government bond market.

Q. Mr. Secretary, of course the Government bond market has been affected to some extent by the stock market.

A. True. But I think — I question whether the bonds are off very much from Saturday night's close, or they may be a little bit off, but to bring out a refinancing on Tuesday with the stock market going off eight points and have the operation go ahead smoothly, I think we are entitled to a good mark.

Q. June notes, which were at par last week, dipped below this week.

A. I think you mean March '42.

Q. No. I mean the notes that were sold in June.

A. Yes, but they are dated March '42.

Q. Yes, that's right.

A. Yes, but I think they are almost back to what they were. Of course, all you have to do is read your own paper. Bonds went off, but in percentages I
doubt if they went off half of one-percent, if they went off that much, which I would say is about the minimum. I can say all of this, because our refunding is going very well and like all of these things in this position of mine — I mean, the ticker tells the story every day. I can't bluff anybody if I wanted to. All you have to do is look at the ticker and there are the reports and get your facts every second.

Q. Mr. Secretary, is there any threat in the budget calculations as to higher interest rates? I mean, the cost of money?

A. No. No.

Q. Mr. Secretary, foreign exchange quotations seem to indicate that money is coming to this country at the same time that we have a decline in the market. Could you tell us if foreigners are bringing their money here and piling it up in bank balances? In other words, are we now accumulating large foreign bank balances in this country both because of money coming here and foreign money going out of the stock market and into the bank?

A. I think, if you don't mind, what you are asking is too close-up a picture for me to comment on. I would rather comment after this situation blows over. Its too close-up right now.
Q. Too close to what, Mr. Secretary?
A. Too close to the timing. What he is asking about is something that is happening now. Too close to this hour. Too close to the moment -- the actual happenings -- the workings.

Q. (Clarence Linz) Couldn't you tell us off the record?
A. (Much, much laughter.) Oh, Clarence! Clarence! Well, you and I both have had a good summer. Let me meet the new Clarence! (Secretary shakes hands with Linz).

Linz: I said "background," not "off the record".

A. Oh, no. Shall we accept his apology? No! You fellows will have to take him out and talk to him.

Q. Mr. Secretary, could you make any comment on the payment Hungary made in connection with the war debts? Say something nice!
A. (Laughter.) What can I say? What was it, $29,000?

Mr. Gaston: I think we were very much gratified that they made the payment.

H. K. Jr.: Go on, Herbert. Give me something pleasant.

Mr. Gaston: I said that everybody was gratified that they made the payment.

Q. Do you think it might be followed by other payments from Great Britain and France?
H. M. Jr.: Herbert said "everybody was gratified." Period!

Paragraph:

Q.: Do you hope that this might show the way to Great Britain and France?

A.: I don't want to get in on that. I would like to be excused on that.

Q.: The Wall Street Journal on September 4th had a New York story stating there is evidence of new cooperation between the United States and Great Britain — that is, monetary cooperation. The British control is believed to be currently disposing of part of its metallic stocks acquired last spring and is cushioning the decline in the pound without adding to the Treasury fund. Care to comment on that?

A.: I have been watching Mr. Duffield's face and he looks absolutely mystified.

Mr. Duffield: I knew about it, but it was written in New York, as he said.

H. M. Jr.: Do you care to answer him?

Mr. Duffield: I think it's a fine story!

H. M. Jr.: I don't want to comment on it. You should have told Duffield to prepare me.

Q.: Way back, there was some committee appointed to study the foreign capital movements. Remember? Mr. Landis and Mr. Eccles ....
A. Oh, yes!
Q. I was wondering if they are still around.
A. Oh, yes!
Q. Studying the situation?
A. Well, I would say that that is a continuous study.
Q. (Indz) Does that relate to Kintner's query? That's hot money.
A. What did Kintner say?
Q. Bob or Duffield asked about gold coming over here.
Mr. Duffield: I asked about money coming over here.
H. W. Jr.: He was asking about daily operations.
Q. That's hot money.
A. No. That other study I would say is continuous.
Q. Is there any truth that you plan to leave as Secretary of the Treasury and be succeeded by Mr. Kennedy, as the columnists say.
A. Who said it?
Q. Allen and Pearson and a long string of them. I can get you a list.
A. I have no comment to make.
Q. Do you plan to see the Open Market Committee when they come to town?
A. No, because I don't think I will be here.
Q. Have you had a chance yet to look into the tax study since you have been back?

A. No. They had a truckload delivered to Mr. Magill and Mr. Magill is going to digest it and then he and I are going to start on it Monday.

Q. Mr. Secretary, in connection with this foreign capital, do we have any available figures or any information on how much Government bonds are held abroad?

A. I don't think so. They are not registered. We have no way of knowing.

Q. Or the amount of Treasury bills or notes?

A. No. We have no way of knowing.

Q. Could you comment on the increase in the Treasury bill rate?

A. No.

Q. A bold question, Mr. Secretary: any change in the gold situation since you returned?

A. I have no comment.

Q. Thank you, Mr. Secretary.
Well, we've had a pretty good day today—had a nice government bond market. Just got the results on the sale of our nine-months bills and they have sold on a basis of .554 per cent, just a little over half of 1 per cent for a nine-month, as against last week's .711. So I think that the first day's combined efforts of the Federal Reserve and the Treasury, I'd say, was fairly fruitful. Now I imagine that some of you men would like to know just how we will put this $300,000,000 to work and get it into the monetary blood-stream of the country, and Mr. Bell, whose responsibility that is, will be glad to explain it to you gentlemen.

Q. Can you tell us when, too?

A. It's now.

Q. I mean when they are going to do it.

A. It has been done today.

Mr. Bell: Taking the Daily Statement of September 9, which is the last out, as a basis, we saw on that day an inactive gold fund of $1,385,000,000; the Daily Statement coming out Wednesday morning, which will be dated September 13, will show
that fund reduced by $300,000,000. That $300,000,000 will go into the current working balance—did go into the current working balance—today, and immediately transferred it to the gold certificate fund of the Federal Reserve Board, so that the gold certificate fund will go up by $300,000,000 and the balance to the credit of the Treasurer of the United States will go up by $300,000,000. As that money is paid out of the Federal Reserve Banks to meet government obligations it flows back into the money market. And the part of the program—I suppose I may go on with the Treasury bills—.

H.M. Jr.: Please do.

Mr. Bell: The two issues falling due on September 22 and September 29 will be paid off in cash and the new issue, subscribers will be allowed to pay for it by credit.

Q. How does that differ from any other Treasury operation?

A. The maturing issue of Treasury bills on those two dates will be paid off in cash out of the balances with the Federal Reserve banks and the new bills put out that day will be paid for by credit so that the payment of cash will
go into the market and by paying for the new
bills by credit no money will be taken out of
the market. Is that clear?

Q.
I don't understand how that differs from any
bill sale. Can't a bank always buy a bill and
write up a deposit with you?

A.
It can not unless we authorize it.

Q.
Does it mean that the Reserve banks alone will
buy these two issues?

A.
Oh, no. The commercial banks will buy our bills
September 22 and 29 and pay for them by merely
giving us a credit on their books.

Q.
Maybe it would clear it up a little bit if
you'd tell us how they usually pay for them.

A.
Paid for in cash or a draft on the Federal
Reserve banks and we took that cash and paid
off the maturing bills so it was a wash trans-
action as far as the money market was concerned.

Q.
Mr. Bell, could you tell us the amount of those
two maturing issues, September 22 and 29?

A.
Fifty million each.

Q.
It's correct to say, Mr. Bell, that you just
use the regular mechanism for the issuance of
bills to establish this credit.

A.
No. You're getting off-base now.
Q. The new issue was fifty million?
A. A maturing issue of fifty million each and there will be a new issue of fifty million each on those two dates.

Q. That's the regular nine-months bills?
A. That's the regular weekly issue of bills.

Q. The effect of that is to put two hundred million in the money market?
H.K.Jr.: One hundred.

Mr. Ball: The effect is to put whatever part of the one hundred million is paid for in cash—or whatever part is paid for by credit—in other words, if seventy million of those two issues is paid for by credit we put seventy million of new money in the market.

Q. But you get fifty million new money in the market from retiring these bills in cash each week—just one hundred million to start with—is that right?
A. Not quite.

Q. I get it.
A. We offer the privilege of paying by credit—they don't all take advantage of it. We are assuming that seventy million of the one hundred million will take advantage of the credit so that requires us to put seventy million cash into the market to pay off those bills.
To use a simple illustration, it's just as though we went to a department store and you can pay cash or charge it—what we are saying is when we offer the right to subscribe to fifty million we will let you charge it or pay in cash. Now Bell estimates during those two weeks about seventy per cent will charge it or open a credit; the other thirty per cent will pay in cash. It's the same idea. I want to make very plain that each week we have fifty million maturing. This doesn't contemplate the issuing of new bills over and above the fifty million, but in order to keep from drawing on the money the way we have, we want to give these people an opportunity to open up an account and charge it. In that way we draw that much less money out and it gives us an opportunity to spend this gold and get it into the credit stream—we are anxious to get it in the market. Bell has estimated that by doing this that early in October all of the $300,000,000 will have been put to work.

Mr. Bell: The end of the first week of October.

H. M. Jr.: Does that make it fairly plain?

Q.: This will be continued beyond these two weeks?
A. Until the three hundred million is absorbed into the system and is put to work through our spending it, why we will continue to give the banks who bid for our weekly bills an opportunity to buy them and establish a book credit with us and in that way we hope that the first week in October all of the $300,000,000 will have been put to work and will have flowed into the monetary stream of the country.

Q. You expect seventy per cent to take advantage of your credit privileges?

Mr. Bell: Based on past experience, yes.

Q. How would that affect the balance with the Reserve banks and how would it affect the balance with depository banks?

A. Well, the balance with depository banks would go up and the balances with the Federal Reserve Banks would go down because you would have to pay off seventy million dollars of the maturing bills out of Federal Reserve balances.

Q. Your balance at the Federal Reserve banks will be increased by $300,000,000 as the result of the gold transaction?

A. That's right.
Q. So that immediately within those two weeks, on those dates say, $35,000,000 will be drawn out of the balance with the Federal Reserve banks?

A. I don't get the $35,000,000.

H.M.Jr.: He's talking about 70 per cent of each fifty.

Bell: That is right; yes.

Q. Mr. Bell, you can pay for bills by credit in war loan accounts—that's what the banks have been paying with. I don't see where this is a departure.

Mr. Bell: We've done it, yes, but we are not doing it now.

Q. Last week?

A. Well, not this week. We did it because we had larger balances. Whenever we have large balances we do it, but we are telling you how we expect to put this $300,000,000 into the system.

H.M.Jr.: Nothing new to this. We are trying to explain because there have been so many questions on how we are going to put the money to work. This is the usual procedure how between now and the first week in October the $300,000,000 will be put to work. That's what we've been attempting to do.

Q. I got the impression that usually banks couldn't buy bills on credit.
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Q. I got the impression that usually banks couldn’t buy bills on credit.
Mr. Bell: I'm sorry if I gave that impression.

H.M.Jr.: The question has been asked repeatedly today-- how we would put the $300,000,000 to work. We have attempted to explain it.

Mr. Bell: You can watch the next three weeks this balance on the Daily Statement to the credit of the Federal Reserve banks; on the 13th it will show that amount up $300,000,000 and after that day you can watch it and see it diminish until it disappears.

Q. Temporarily the working balance will stand at one billion three or one billion four--it's almost a billion one now.

A. One billion one is the working balance--that will go down a little as soon as the income tax period is over.

Q. Will this transaction not reflect then as a billion four as a result of this transaction?

A. Yes.

Q. Isn't the credit system usually used with other issues than bills? In other words, if you sell a bond or note issue, isn't it true that the sales are reflected with the balances with the depositaries?
A. That's right. We always sell bonds and notes for cash.

H.H. Jr.: But not always bills.

Q. Not always bills, but the credit arrangement—is that the usual case in bill sales?

H.H. Jr.: No it is not. We use it some times—sometimes we don't use it.

Q. When was the last time you did not use the credit system on bills?

Mr. Bell: Prior to August 15 we did not use it. It's only when our balance got large that we started in to making payment by credit.

Q. Since August 15 this has been in operation?

H.H. Jr.: The point that we've been trying to explain today is that through this rather complicated process we expect that by the 1st of October the $300,000,000 will be absorbed into the monetary system of the country.

Q. Mr. Secretary, is this to be a continuing policy when this $300,000,000 is absorbed?

A. This is a policy which the Federal Reserve and the Treasury believe will tide over the unusually tight money situation, which developed due to crop movements and other things until after the 1st of January when money flows back into the system again.
Q. You don’t think it will take more than $300,000,000?  
A. We are not contemplating any other move at this time. We believe this move will take care of the money market until after the 1st of January.  
Q. Mr. Secretary, the bill operations won’t absorb all of the three hundred million, will they?  
A. We’ve got tremendous transactions—we are paying off $350,000,000 of bills the 15th of September which will reduce the public debt by $350,000,000. We’ve got $160,000,000 worth of interest payments. We’ve got our tax receipts coming in and then we’ve got this refunding of $817,000,000. When all of those transactions have taken place, we believe that this combination move of the Federal Reserve and the Treasury—the money markets will have a minimum of disturbance and that through this move we have anticipated a possible tightening in the money market. This tightening is more than seasonal apparently because you didn’t have to go through the same sort of operations last year.  
A. I think the Federal Reserve in their press conference handled that situation admirably and I don’t think I can add to it.  
Q. Do you contemplate any change in the sterilization of incoming gold?
The sterilization program is not up for discussion at this time.

Do you mean--repeat that.

The sterilization of gold is not up for discussion at this time.

You mean nothing is under consideration regarding it, Mr. Secretary?

I just repeat what I say--it isn't up for discussion at this time.

Do you mean public or official discussions?

All of our discussions are public.

I wish they were.

They are at our press conferences.

Mr. Secretary, what do you think of the stock market's responses to this policy?

This is a monetary move and I think the reaction of the bond market to this move was highly satisfactory. I think that the bids we received for our 9-months issue this afternoon was highly satisfactory.

Mr. Secretary, industrial bonds and railroads and utilities went off.

Well, you're right--from here to here (pointing to list before him) is government bonds.

That movement can't, of course, keep going on in two different directions.
A. Oh, I don't know. You know me by now—I never go in for prophecy. I mean, I feel that the move which the two organizations made was a move in the right direction and I'm very pleased over it. Now, I don't think it's something you can hold like this (close to eyes) so close it may be blurry. It's a long-distance move. Now the fact that the government bond market—even if it had fallen off today, I'd still feel it was a move in the right direction because I'm looking forward to the balance of this year, and I think what we have done—the two organizations—will take care of the money market for the balance of this year. You've got to hold it off a little way and take a look at it; even if the government bond market had fallen off today I'd still be enthusiastic about what the two organizations have done.

Q. Mr. Secretary, would the same thing have been accomplished if the Treasury had been in a position to continue to retire outstanding debt with a surplus of income?

A. If you don't mind, you have seen in some of the papers that there were a number of moves which could have been made. It goes without
saying every possible move was considered and I, talking for the Treasury, feel that this was the best move that could be made to meet a particular situation.

Q. The move I had in mind wasn't a possible one. I have in mind if the Treasury had been operating on a cash-balanced budget would the same thing have been achieved?

A. Well, if this was China we'd meet the situation differently also.

Q. Mr. Secretary, in view of the fact that the Treasury bill rate has now gone down about fifteen points or so, could you say whether or not this move is expected to stabilize the bill rate which had been going up rather sharply until this week?

A. I think it will stabilize the bill rate and other rates as well. As I told you gentlemen, I think last week, we expect to explore the government bond market as to whether the kind of bills we are selling are the best for the country. That study is going on now by the technical staff of the Treasury and as soon as they make the report and we have a chance to study it we may or may not change the kind of bills that we are selling.
Q. Could you sell bills not on a discount basis?
Are they automatically certificates?
A. I think they become certificates with a coupon--
I think they do, but as far as we can tell we
will now continue $50,000,000 a week of some
kind of a bill or other government security.

Q. A moment ago, Mr. Secretary, you said in response
to a question about the stock market, as distinguished
from the bond market, that this was a monetary
move. Does that indicate you think this move
had no effect on the stock market?
A. What I was trying to do was avoid answering the
question, but if you're not satisfied I'll answer it. The question of the stock market doesn't
come under the Treasury and isn't my responsi-
bility.

Q. Whose responsibility is it, Mr. Secretary? I
mean, as far as the government is concerned.
A. I think that's rather simple, if you want me to
answer that.

Q. I'm interested.
A. I'd say it was divided between the SEC and the
Federal Reserve. Do I get one hundred?
Q. I'd add the Treasury.
A. I think I still get one hundred. I do as far as I am concerned, in both the spirit and letter of the law.

Q. Mr. Secretary, under that agreement I understand the Federal Reserve Open Market Committee will buy government obligations. Any limit on that?

A. Again, I think the press conference they had at the Federal Reserve Sunday covered that.

Q. This would indicate that their buying probably would pick up where you leave off the first week in October.

A. Again I refer you to that agency.

Q. Mr. Secretary, about 15 months ago in Cleveland three men had been selling liquor to the State and you told them in order to keep their jobs they would have to give the money to charity. While you were in Hawaii I went up to the Community Chest and none of them were recorded as having paid anything. Have you had assurance that they have paid or is there anything new on that?

A. That matter is again under consideration and I think I can tell you in the not too distant future what the other two gentlemen are going to do.
Q. Save it until morning, will you?
A. All right, Mr. Gaston, make a note. Is that the Cleveland Plain-Dealer?
Q. Yes. Are you considering whether or not to continue a discount paper?
A. The whole question of what kind of security will be sold each week in the amount of $50,000,000 is under study and just as soon as we decide we will let you know. The study hasn't yet reached me. I doubt whether I'll make any change before the end of the month.
Q. Is that fifty million in addition to the refunding?
A. No just the turn-over. In other words, we are not considering borrowing any new money at this time.
Q. Could you say whether $300,000,000 would affect consideration of the question of selling a security against the March tax date?
A. That doesn't enter into the picture—doesn't have anything to do with it.
Q. You might sell, in other words, a fixed-price security each week?
A. Quite frankly, it's under study and until the study reaches me and I have a chance to look at it I'd rather personally not guess and I don't know.
Q. Can you give us the alternatives?
A. They haven't reached me.
Q. Mr. Morgenthau, are you still opposed to the third term?
Mr. Gaston: Have you stopped beating your wife?
Q. What are your views on it?
H.M.Jr.: Well, I think I'll stick to my knitting, which is the Treasury.
Q. Do you expect to be in after 1940?
A. I'll just stick to what I'm doing now, which is running the Treasury.
Q. Mr. Secretary, the one point that isn't clear is whether this $300,000,000 will be added to your working balance. In other words, whether you'll have, as a result of this, a larger working balance by three hundred million?
A. Oh, yes. This gives us another $300,000,000 in cash.
Q. As a matter of history, Mr. Secretary, isn't this the largest working balance we have had since the bonus balance?
A. I don't think so.
Mr. Bell: I'd have to look back.
Q. Mr. Secretary, you said in answer to that
gentleman's question about that third term
that you'd stick to your knitting, which is
the Treasury. There have been reports in the
Treasury in the last day or two that you were
going to leave your knitting along with Mr.
Hoole.

A. I think the answer is "I'll stick to my
knitting, which is the Treasury"—goes for
that gentleman's question and for yours.

Q. Changing the type of government security, is
there any thought of selling them to the public
instead of the money market?

A. You're going to have Mr. Taylor weeping. He
sells about $1,000,000 a day to the public in
the form of Savings Bonds. It's a very nice
investment—I recommend it. You can start
at $15.75 a week. I recommend it.

Q. I meant there was another type of security you
might offer.

A. I told you gentlemen we are having a study
made. The study hasn't reached me. I don't
know what alternatives are included. We may
continue to do what we are or we may change,
but I thought, in fairness to the public, I
should let them know we are studying it and
I also say for the balance of this month we
will continue to sell each week fifty million
of nine-months bills to refund the fifty
million coming due between now and the last of
October. This study will reach me and my
associates and myself in the Treasury will
study it, come to a decision, and make it
public immediately.

Q. Can you tell us what prompted the study?
A. Well, we just felt that we wanted to make
sure that we were offering that kind of a
security to the public which was the best in
the public's interest.

Q. I notice, Mr. Secretary, the deficit has dropped
below that of last year for the first time this
fiscal year. Anything to say on that?
A. All I can say is more power to it.
MR. Secretary, can you tell us about Mr. Shafroth quitting?

He's handed in his resignation, I'm sorry, for personal reasons.

He might resume the practice of law in Denver?

I believe that's correct. I'm very sorry to see him resign.

Has it been accepted, Mr. Secretary?

It has been accepted.

When is he leaving?

Saturday.

His resignation doesn't arise out of any disagreements with anyone in the Treasury?

No.

No one at all?

No.

Then the story that he quarreled with Mr. Oliphant is incorrect, Mr. Secretary?

Yes, it is.

We also heard, Mr. Secretary, that Mr. Ryan was going to resign.

That's right, yes.

The reason I turned to Herbert, I've seen Mr. Shafroth several times but I have not
seen Mr. Ryan. Inasmuch as he came down
with Mr. Shafroth, when Mr. Shafroth left
he'd leave too.

Q. Is that Mr. Ryan's reason for leaving—
because Mr. Shafroth is leaving?

A. So I understand. I haven't talked to him
personally but I understood if Mr. Shafroth
left he'd leave too.

Q. He was a general assistant to Mr. Shafroth?

A. Yes, but, notwithstanding the fact that
several raised their eyebrows, that state-
ment that I made as to personal differences
is correct.

Q. Can you say what the personal reasons were?

A. If he wants to he can, but that's up to him.

Q. He did state them to you?

A. We've had a number of talks.

Q. It wasn't personal differences?

A. Let me put it this way: They were personal
differences but not as between individuals.
Is that clear?

Q. No, but I'd like something a little more — .

A. Well, I mean, I might pick any paper off my
desk—I might disagree with the policy of the
XYZ newspaper, but I might think you were a
small guy.
Q. Can we assume then there might be some disagreements over policy?

A. Yes.

Q. You were speaking about Mr. Shafroth?

A. Yes. I haven't had any contact with Mr. Ryan. I don't know -- .

Q. We've heard a story that Mr. Shafroth found it difficult to work under two bosses—that is, being responsible to the head of the Internal Revenue Bureau and then under Cliphant as assistant.

A. You gentlemen who cover this office know if I make the statement it's always accurate.

Q. I wasn't questioning that.

A. And I'm telling you and I'll ask you to believe it—that it's a matter of policy and not a matter of differences between the divisions.

Q. That would be policy anyway. If there were two different groups that would be policy; it wouldn't be anything else.

A. No.

Q. As long as we've gone this far, Mr. Secretary, can you tell us for our background what the differences in policy were?
A. Oh, if he wants to say something all right, but I'm not going to. I have more than 65,000 employees in the Treasury and if he feels it's necessary to explain, that's his privilege.

Q. It wasn't with Mr. Oliphant over matters of policy though, was it?

A. What can I do to convince you that it wasn't?

Q. I don't see with whom it could have been, if it wasn't Mr. Oliphant.

A. It wasn't between individuals.

Q. I mean, matters of policy. I don't understand with whom he disagreed on policy then. With you?

A. If you want to say so.

Q. But it was with the legal division.

A. No, he differed with a policy which I was trying to carry out.

Q. We can assume it was a tax policy and that policy wasn't the policy of Mr. Oliphant. I'm not trying to hedge, I'm trying to find the facts.

A. I'll tell you the story, off the record. You might as well have it. There's no use of kidding each other and if anybody doesn't want to listen they can leave the room.
Q. Can we use this?
A. No. I'll tell you the story and if anybody doesn't want it they can leave the room.

Q. Suppose we get the same thing from somewhere.
A. You can't get it because all the questions you ask shows you are on the wrong track.

Q. But I mean if Shafroth talks.
A. He won't tell you what I'm going to tell you.

Q. The only thing is, Mr. Secretary, it blocks a possible new channel.
A. Make your decision. I'll tell you off the record or stop right here. Herbert, what do you say?

Mr. Gaston: I would say it's a matter of general policy and let it stop at that.

Q. I think, Mr. Secretary, most of us would like to know, for our information.
A. I'll leave it to you fellows. You can decide. Do you want it or not?

Q. I don't think there's any disagreement.
A. All right. The facts of the case are these: That when we were presenting the facts on the hill in connection with the loopholes, Mr. Shafroth was asked by me to go up and take his turn and present the cases of incorporated yachts and he refused to do it. Now inasmuch as
he was a Presidential appointee—I mean I can't fire a Presidential appointee—I asked the President and I was directed by the President to say to Shafroth that he should do this. I said, "Shafroth, you were in the Army, your brother was in the Navy. You know what discipline is. Either you believe in this thing or you don't. If you don't, there is only one thing to do—ask for your resignation." He took a week to think it over, came back to see me and decided he'd resign. That's the whole thing. He had one week to think of it. Now this country is free and independent, and I hope it will always stay so. He didn't want to do it—fine, that's all right! But one must have discipline!

Q. What reason did he give you, Mr. Secretary?
A. He didn't want to do it.

Q. Why?
A. That's perfectly obvious—he didn't believe in it—perfectly obvious. That was one man's opinion and on that basis the question was either you do what the President wants or you don't. As far as I am concerned, I don't want anybody around me that doesn't want to carry on.
As I told Mr. Shafroth, I admired him for his courage and independence and he happens to be a personal friend of mine of long standing, so the last thing I want to do is to smear him. But he didn't believe it and I admire him for his independence. I believed in it—I was willing to do it; if I hadn't I'd have done the same thing he did. That's the whole story. There's no mystery about it. That's the complete story and that's all there is to it.

Q. Without any reference to what you just told us, could we say he differed with a tax policy which you were trying to carry out, inasmuch as he was in the tax division?

Mr. Gaston: I'd say he was in disagreement on a matter of departmental policy.

H. K. Jr.: There's the whole story, see, and it isn't a matter of any individual—it's a matter of Administration policy. Satisfy you, Bob?

Kintner: Yes.

Q. On the record, Mr. Secretary, will Mr. Ryan leave Saturday too?

A. Herbert will have to find out. I just took it for granted that whatever Shafroth did Ryan would do, and, as I say, on account of
Shafroth having acted straightforward I just took it for granted that whatever Shafroth did, Ryan would.

Q. You haven't had a talk with Ryan?
A. No.

Q. Do you happen to know where Mr. Ryan is from?
Mr. Gaston: He's a former judge of the Superior Court in Indianapolis, in practice there since 1916.

Q. Mr. Shafroth?
Mr. Gaston: Shafroth is a former Denver member of the firm of Grant, Shafroth and Toll, and practiced in Denver since 1911.

Q. Wasn't he a former professor at Chicago University at one time?

Mr. Gaston: I think not.

Q. Mr. Ryan, I assume, will go back to Indianapolis to practice too?

Mr. Gaston: I suppose so.

Q. When are these resignations effective?

H. M. Jr.: As of Saturday.

Q. Are you going to make those letters of resignation public?

A. I don't know whether I write it or the President writes it. Give us 24 hours.

Q. Mr. Secretary, the story today that the Treasury has abandoned hope of balancing this year's
budget—do you have any hope?

A. 

While there's life there's hope.

Q. 

Very little though.

A. 

Having unburdened myself of this other thing I think I've done my boy scout deed for today.

Q. 

What can you tell us of the future policy of the Treasury in respect to silver, following that announcement of yesterday?

A. 

I'd say we've got three and one-half months to study the thing.

Q. 

Can you tell us, Mr. Secretary, about the visit of Sir Frederick Phillips, the Under Secretary of the British Treasury?

A. 

Yes. Sir Frederick Phillips is coming here on my invitation.

Q. 

Who is he?

A. 

He's the Under Secretary of the Treasury of Great Britain, England. His mission has no specific objective but is simply establishing policy that from time to time officials of treasuries who are members of the tripartite agreement will visit us in order to have direct contacts and exchange views as to the workings of the tripartite agreement, and undoubtedly officials of the
United States Treasury will make similar visits.

Q. Mr. Secretary, when you get Sir Phillip into your den here you won't happen to get into a discussion of war debts?

A. Do you want to sit under the table during this discussion?

Q. I'm willing to. Mr. Secretary, does that follow up Mr. Butterworth's conference with you yesterday?

A. Well, Mr. Butterworth, who has been assigned by the State Department to look after the Treasury's interests in England, just the same way that Mr. H. Merle Cochran of the American Embassy in Paris looks after our interests, has come here once or twice a year in order to report and also to take back the latest Treasury viewpoint on financial matters.

Q. When do you expect to see Sir Frederick, Mr. Secretary?

A. Well, he gets here, I believe, Monday.

Q. Mr. Secretary, there has been a lot of speculation in the British financial papers that there may be a lowering of the price of gold; they say that their stabilization
fund is so filled up with gold they have to enlarge it and the burden has been increased on both the United States and Great Britain.

A. It's too nice today; why spoil it?

Q. Somebody interrupted you on that war debt question—you were going to say "no", weren't you?

A. Nobody interrupted me.

Q. Do you think you are going to discuss war debts?

A. I doubt it.

Q. You said, Mr. Secretary, that some other officials might be coming; anything in view?

A. No, but it seems to me a very practical way of exchanging views at first hand.

Q. You have noticed probably, Mr. Secretary, that the franc is collapsing again for about the fifth time. I wonder how that would fit into the picture of the tripartite agreement which is designed, as I understand it, to prevent violent fluctuations.

A. I also say it's too nice a day to spoil it with such discussion.
Q. There haven't been any activities recently, Mr. Secretary, in connection with the operation of the agreement or any activity of any sort?
A. Oh, it's continuous operation—it's operating all the time.
Q. Does that mean you've gone to the aid of the franc again?
A. No, I mean the tripartite agreement works every day.
Q. One question I wanted to ask you, Mr. Secretary—reports from Tokyo that the British are refusing to accept Japanese sterling notes for rediscount paper, and they are accusing the British of putting the money squeeze on them, and my question is, "Will we do likewise or are we contemplating joining the British?" in view of the conversations with the British?
A. I don't want to get into any of those questions.
Q. Mr. Secretary, you mentioned Treasury officials would make return visits; could you say who and when?
A. Sure. Herbert might want to go over next summer.
Mr. Gaston: I accept the invitation.
Q. Accept it now?
A. He'd have to take some of the newspaper men
with him to see that he's properly represented.

Q. We accept the invitation.

Mr. Secretary, could you give us an idea of when the Canadian and American reciprocal tax treaty will go into effect?

A. I don't know, but Mr. Gaston will be glad to find out for you.

Q. I understood the regulations were ready for your inspection.

A. Since I've been back everything has been cleared every day and there's nothing pending that I know of. If Mr. Gaston will do a little detective work maybe he could find it.

Q. Don't they have to be issued in an Executive Order by the President?

A. I really don't know—I'm not stalling, I don't know.

Mr. Gaston: I'll see McGill and tell you.

Q. Mr. Taylor likely to go over any time in the next few months?

A. I don't know, but it just seems a good idea and I'm delighted that this gentleman is coming, and as I say, it's perfectly possible that somebody might return the visit.
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the next few months?

A. I don't know, but it just seems a good idea
and I'm delighted that this gentleman is
coming, and as I say, it's perfectly
possible that somebody might return the
visit.
Q. You said he was coming on your invitation?
A. Yes, he is.

Q. To go back to that tripartite agreement which you said was operating daily, I was wondering if there had been any unusual or extraordinary operations lately in connection with the present situation.
A. I don't want to comment.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, SEPTEMBER 20, 1937:

Q. Nothing about Sir Frederick here, Mr. Secretary (indicating press release).

H. M. Jr.: Let's do our own problems first, if you don't mind.

Q. Is this what Herbert (Gaston) brought in? I saw it face-down outside there. Well, that makes him (Mr. Wenchel) chief counsel of the Internal Revenue Bureau at the same time.

A. That's right, and may I point out the fact that it's a Civil Service employee of 23 years' standing, career man.

Q. Is that not in here, sir?

A. It is but I was afraid you might miss it.

Q. From Baltimore! How did he get by Farley? What's the matter with Mr. Farley? Is he losing his grip?

A. Mr. Huntington Cairns also has been handling Customs and is promoted to assistant general counsel.

Q. Baltimore is doing very well here. Yes, it's coming a little late but it's doing very well. Do you have any comment, Mr. Secretary, on the statement Mr. Shafroth gave out after your press conference as to the reason for his resignation?
A. None. The only other thing, and then I'm at your disposal, gentlemen, we haven't got the final figures yet for our 9-months' bills, but on account of there being more bids from what they call the 'country' than usual—but up to date we've got 128 million bid at .452 (this is for New York) as compared last week with .58. When we hear from the 'country' it should be even lower.

Q. Will we get those today?

A. Kilby was just in here and said he'd have it in another thirty minutes. It means we are paying less than one-half of one per cent against last week we paid over one-half of one percent. Last week we paid .58, not quite .6 per cent, and this week it's considerably lower. The announcement will give you the final figures in half an hour. For these non-Treasury people I wanted to put it in the language of the layman.

Q. That's me. (Fred Essary)

Mr. Secretary, from what you tell us I assume that you are still pleased at the Treasury's ability to get money at lower rates.

A. Wouldn't you be?

Q. I just wanted to get you on record.
A. I'm very pleased.

Q. Would that indicate the success of the easy money program?

A. I don’t know any better way of measuring the success.

Q. How about the decline in business demand for money—wouldn’t that make available more funds?

A. I don’t know that there has been such a decline.

Q. Now what can you tell us about — ?

A. I don’t mean to stop you on your Sir Frederick, I just had these two things—two appointments, on the recommendation of Fred Essary, and interest rates.

Q. I was merely opening the way for a discussion of Sir Frederick’s visit.

A. I think I said the other day, and I reiterate now, that he will be in here a number of times to see me, and I doubt very much if there will be any formal announcement during his visit or when he leaves.

Q. Is it likely that you will discuss the extension of the London silver agreement?

A. I question if we will make any announcement as to what we do or don’t discuss. It will be purely informal.

Q. You said he doubted if he would discuss that.

A. I’ll out-doubt him.
Q. Well, you doubted it at the last conference.
A. I doubt him at this one.
Q. You still doubt it.
A. I still doubt that we will announce what the discussions will be as they will be on a purely informal basis.
Q. But we are talking about silver, Mr. Secretary.
A. I'm talking about what I'll say to Sir Frederick in this room.
Q. That means you don't contemplate that any concrete action will develop out of these conferences?
A. I thank you!
Q. But it may lay the basis for some concrete developments later?
A. I very much question that there will be any formal announcement during his visit or when he leaves.
Q. When is he going to leave?
A. I don't know. I imagine that he will most likely be here every day for a week, as far as I know.
Q. That sounds pretty important. It sounds like a long time it takes to get acquainted. It took a long time to be introduced to him today. Mr. Secretary, will these visits be confined to calling upon you or will he consult with others in the Treasury Department?
A. Oh, I imagine that he'll meet with others in the Treasury.

Q. Did you have any others present today on your staff?

A. Oh, yes, there were several people here. I don't know whether the news service carried it or not.

Q. (U. P.) Yes, we carried all the names.

A. What did you say?

Q. (U. P.) We mentioned the name of Mr. Butterworth, of Mr. Taylor, of Mr. Mallet, of Mr. Trentham. Is that a very good piece of reporting?

A. Pretty good.

Q. We are willing to have you supply the additional details. You said at the last press conference, Mr. Secretary, that you would discuss the operations of the currency agreement between the three powers. Do you still stand on that?

A. I mean, after all, Sir Frederick Phillips, Under-secretary of the British Treasury, comes here on my invitation and naturally we are not going to sit around and talk about the weather. We both have responsible positions and we will use the opportunity to talk about mutual problems.

Q. Is the franc a mutual problem, Mr. Secretary?

A. If you don't mind, Bob (Kintner), I'm not going to get down to subjects, if you don't mind.
Q. Mr. Secretary, you said the other day that this would probably be followed by some similar visits on our part—anything to say?
A. No.

Q. Are there any subjects that you can definitely eliminate, such as war debts?
A. What's that game they play? "Subjects?" And then you're getting hot and you're getting cold. What's that called?

Q. "Who's got the button?"
A. No, "Mineral, Vegetable or Animal." We are not going to play that today.

Q. As a statistic, Mr. Secretary, do you or Mr. Gaston know whether Mr. Wenchel is a native of Baltimore?
Mr. Gaston: I believe he is. I can verify that for you, but I think he is.

H. M. Jr.: Call up the Baltimore Sun office.
Q. Is he their appointee?
A. Well, they can go farther and fare worse, I'll tell you that.

Q. What time is the conference tomorrow, Mr. Secretary, with Sir Frederick?
A. He'll drop in in the morning.

Q. Early morning or late morning, Mr. Secretary?
A. Middle of the morning.
Q. Disregarding your conference with Sir Frederick, what's the Treasury attitude on renewing the London silver conference—in favor of renewing the agreements?

A. I think I said the other day and my position hasn't changed—we've got three and one-half months to discuss it, lacking five days, and I just haven't had time to have an opinion.

Q. Mr. Secretary, would it be necessary for us to renew the agreement with the other nations to carry on?

A. Well, we can carry on under the Silver Purchase Act which has nothing to do with the London agreement.

Q. I'm talking about the London agreement.

A. Pardon me. He asked me a perfectly good question—I'm trying to give a good answer.

Q. Well, then, on the expiration of the Silver Purchase Proclamation do you contemplate the continuance of that?

A. Also I have three months and ten days to think that over.

Q. Since they both expire on the same day?

A. True.

Q. The Administration has power to participate in an extension of the silver agreement if they so desire, haven't they?
A. Oh, yes, or any other agreement; we can start de novo. You can start de novo. You can start anything, if you wish to.

Q. And you can also extend that silver proclamation which expires the same day.

A. Oh, yes, the President can. The law doesn't expire, just the proclamation.

Q. Mr. Secretary, just for background, and not for quotation, it's quite obvious that the London Silver Agreement—that is, our participation in it—and the Silver Purchase Proclamation will ... .

A. Why don't you learn your stuff before you come in here?

Q. This is all new, and the Silver Purchase Proclamation are interrelated and one can pretty well assume from that there will have to be some discussion between Congressional leaders, etc., and the matter wouldn't come up for consideration in your discussions at this time with Sir Frederick Phillips.

A. All I can say to you gentlemen—use it any way you want to—I just haven't gotten around to either one. The only question I had to decide and recommend to the President was when was the cut-off date—at the mint or the mines? We recommended a cut-off date at the mines and that's the only decision we've made and I haven't discussed the question of the
London agreement or the Silver Purchase Act.
either in the Treasury or with anybody else.
We just had to make that one decision—what was
the cut-off date and we decided, midnight,
December 31st, at the mines, was the cut-off date,
and that's the only decision we've made and I
haven't worked on it.

Q. Thank you; that answers the question.
A. Anything else?

Q. Could you tell us anything about the tax study,
Mr. Secretary? How far they have advanced and if
anything will be presented to the Joint Committee
on Capitol Hill?
A. No, all I can say is that the tax studies are up
to schedule as to time and are going along very
well and if the committees on the Hill will be
ready in November we will be ready. I mean, if
they will be ready to receive it, we will be ready.
We are absolutely on time and getting on very well.

Q. How does the undistributed profits tax look now?
A. I'm sorry.

Q. Mr. Secretary, is there anything you can add to the
stories printed this morning about Graves being
appointed to jack up Internal Revenue a little?
A. No, I read one story which I thought was a very good story. I have nothing to add. Was there more than one story?

Mr. Gaston: Yes, the AP, Herald-Tribune, and Times.

H. M. Jr.: The story I read was accurate and I have nothing to add. As a matter of fact, I complimented Herbert on the stories.

Mr. Gaston: And I said it leaked out and the Secretary said, "If that's the way they leak out, don't give out any more releases. Just let them leak."
TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, September 20, 1937.

Press Service
No. 11-26

Secretary Morgenthau announced today that the President had appointed
John Phillip Wenchel to be Assistant General Counsel for the Bureau of Internal
Revenue, succeeding Morrison Shafroth, resigned.

Mr. Wenchel has been continuously in the Government service as a
classified civil service employee for 23 years. After his graduation from
the University of Maryland in 1908, he practiced law in Baltimore until 1914.
In that year he entered the Department of Agriculture as an attorney by
appointment under the merit system and rose to the position of Assistant
Solicitor and Special Attorney of the Secretary of Agriculture. On February
1 of this year he was appointed an Assistant General Counsel in the Treasury
Department. In this position he has been in charge of legal work in the
Bureau of Customs, Procurement Division, Coast Guard, Bureau of Narcotics,
Alcohol Tax Unit and Public Health Service. In addition, he has been handling
the legal aspects of certain administrative problems in the Department, having
particular reference to appropriations and problems with the General Accounting
Office.

The Secretary also announced that Huntington Cairns, who has been in
the Legal Division handling special problems in connection with Customs, has
been promoted to the position of Assistant General Counsel in charge of the
Opinion Section and all legal matters arising in the Bureau of Customs.

Mr. Cairns, a native of Baltimore and a graduate of the University
of Maryland Law School, 1925, has been in practice as a member of the
Baltimore law firm of Piper, Carey and Hall since 1926. He entered the Treasury service as a special attorney on the staff of the General Counsel on September 25, 1934. He has been a member of the faculty of the University of Maryland Law School and is the author of "Law and the Social Sciences," "Tax Laws of Maryland, Annotated," and other books and legal articles.
H. M. Jr.: All right, gentlemen.

Q. Mr. Secretary, I wonder if you ever received an opinion from the Attorney General on the legality of the Chinese agreement; we asked you about that about two months ago.

A. I have never seen any.

Q. Well, do you know of anybody in the Department who has—Mr. Oliphant?

A. I don't know that we asked for one; I don't see why we should.

Q. Well, I thought that you told us at the press conference some time ago that you would ask for it.

A. I think, if you don't mind my saying so, I think you are a little bit confused. Somebody may have asked but before I left the question was if the President invoked the Neutrality Act, what effect would it have, and I very carefully tried to avoid a forecast of whether the President would or wouldn't invoke the Neutrality Act. What I'm saying is for your own information, not for quotes, please. I think that that was the situation. If I'm wrong, one of you men correct me.
Q. In case the Neutrality Act should be invoked, would the agreement go out of force?

A. That's the point. If you don't mind, I don't want to be put in a position of forecasting whether the Neutrality Act will or will not be invoked and if it is, what effect it would or would not have on the Treasury. I have been very careful to refrain from saying what might happen if so and so—, so, if you don't mind, I don't want to be quoted.

Q. Mr. Secretary, have you decided whether to continue to sell discount bills or shift to another form of security?

A. This evening there will be an announcement that next Monday we will offer again the nine-months.

Q. Another fifty million?

A. Another fifty million.

Q. Have you made any decision as to the beginning of October on the certificates of indebtedness?

A. No, I've asked the Open Market Committee to meet with me next Wednesday and we will discuss it then.

Q. Is that the full committee?

A. They've got so many fancy titles—it's the Executive Committee of the Open Market Committee.
Q. You mean you'll discuss whether to shift from discount bills?
A. I'd say we would discuss the bill market with them.
Q. I thought you said the "bull" market.
A. Not the bull market.
Q. There isn't any.
A. Not the bull market—no, I didn't know I was talking to a farmer.
Q. Well, your decision on what to do will probably follow pretty closely after that meeting next week.
A. Not necessarily.
Q. We can use the fact that you are going to have an announcement on these bills?
A. Next Monday we will again offer nine-months.
Q. We can say that now?
A. Yes.
Q. Mr. Secretary, when do you think the revised budget will be announced—with the President away you are the —.
A. Acting what?
Q. President.
A. No, you are joking.
Q. But you are the top official of the field.
A. Well, I think the answer is very simple: that
pending the return of the President there won't
be an announcement; also, in the absence of the
Director of the Budget.

Q. When does he return?

A. I hope he'll be away for a month. He certainly
needed and earned his vacation. So I'd say he
wouldn't be back until the middle of October.

Q. Mr. Secretary, you remember last year when the
revised budget came out it was issued here at the
Treasury and we sort of hope it can be done again
this year.

Mr. Gaston: I think we can make the same arrangement; I'll
talk to Daddy when he comes back.

Q. Mr. Secretary, does the President's order to stop
construction under FWA affect the deficit—it
doesn't, does it?

A. I'm not shaking my head for that reason. I don't
know what the answer is.

Q. Are you still conducting your conferences with the
British?

A. Yes.

Q. They will continue this week?

A. Yes, I think they will.

Q. Can you tell us anything about it yet, Mr. Secretary?

A. No. The only thing is that Mr. Magill, the Under
Secretary, is moving this week and he'll get back
Saturday, and when he gets back, he'll join the conferences and discuss the tax features regarding aliens.

Q. Is that in line with our policy of having reciprocal alien tax agreements?

A. That's the idea.

Q. Are there any such agreements with Great Britain now?

A. I don't think so—you'll have to check.

Mr. Gaston: I don't think there's any reciprocal agreement.

Q. Double taxation, Mr. Secretary?

A. No, it's a question of aliens holding investments. After all, we've been making this study in regard to the taxing of aliens holding investments in the United States and this committee has been sitting on that for some time.

Q. Which committee?

A. It's the committee composed of Mr. Eccles, Mr. Landis and myself.

Q. There isn't any Mr. Landis any more.

A. I know that.

Q. Maybe it will be Douglas.

A. Correct; well, then, I'll give their titles—the Chairman of the SEC, and the Chairman of the Federal Reserve Board and the Secretary of the Treasury. How's that, Bob?
Q. Fine, I just didn't want you to say Landis. Is there a possibility an agreement may be reached with Great Britain on this subject?
A. No, but you people have been very patient with me this week and I just thought I'd help out a little bit.

Q. Give us a few crumbs here and there?
A. That's the idea. The fact that Mr. Magill is in the process of moving his family down here—otherwise he'd have been in these discussions before, but he'll be back Saturday.

Q. Mr. Secretary, is there any estimate on the amount of money invested here by British subjects—Commerce Department or otherwise?
A. I think there have been estimates, but they're pretty loose—there's a total figure usually used.

Q. Eight billions?
A. You used it; I don't want to.

Q. That's total alien investments?
A. Total.

Q. No figure on the proportion of British investments?
A. I don't know. I suppose they have broken it down.

Q. Will this be a formal agreement or understanding?
A. Let me go back again. If and when Phillips leaves as far as I am concerned, there won't be any formal announcement.
Q. I asked would it be a formal arrangement entered into or a tacit understanding?
A. You mean if we finally decide to go ahead with something on taxes?
Q. Yes.
A. We'd need legislation. It would become part of the program on tax legislation which we will work out with the committees on the Hill if and when they meet and when they invite us to come up there.
Q. Would you say, Mr. Secretary, that the hot money problem has gotten a little hotter as a result of the wars all over the world?
A. I think the answer to that is no.
Q. Could you elaborate on just why?
A. No, I don't think it has. As a matter of fact, it has been fairly quiet the last couple of months.
Q. A lot of sterilized gold?
A. Yes, but he asked the question and I just answered it the way I felt on how the situation was.
Q. Do you feel that England has been cooperative enough in taking gold?
A. I'd rather not answer that. If you don't mind, I wish you wouldn't quote me one way or the other on that.
Q. On what?
A. On what he asked me as to whether England cooperated.
Q. It's all right about hot money being quiet?
A. Yes.
Q. Mr. Secretary, Mr. Vinson suggested the imposition of income taxes on those with incomes less than $5,000 to be withheld by the employers for the Treasury.
A. I'd like to withhold comment on his withholding suggestion.
Q. Doesn't sound so good?
A. You know I never comment on suggestions and I couldn't resist the pun.
Q. He said they'd be ready any time you were.
A. Well, they have a chairman up there by the name of Doughton.
Q. Mr. Vinson is chairman of the Committee on Special Taxes.
A. Of the whole committee?
Q. Of the Committee on Special Taxation.
A. Oh, yes; but we got our invitation from Mr. Doughton.
Q. I don't think so. It will meet before Doughton gets here.

A. Well, I still say when they are ready and Mr. Magill is ready, he'll go up and represent the Treasury and that's his sole responsibility; I mean, that's his responsibility, solely.
H. M. Jr.: Good afternoon, gentlemen. Well, for Fred
Esaary—we want to educate him on borrowing
money—.

Q. Borrowed money?

A. Borrowing money. Last week we borrowed—at this
hour on account of the difference of time—we only
have the New York figures. We got bids at .45 for
nine-months and this week its .392. We will have
a regular release for you in about an hour.

Q. That's only for New York?

A. That's only for New York. In comparison, the whole
country last week was .441.

Q. What was that last figure?

A. The whole country last week was .441. New York
last week was .452 and New York this week is .392,
so she's still going down.

Q. Again approaching the vanishing point. Is this a
new low, Mr. Secretary?

A. No.

Q. Can you tell us anything about your conferences on
"hot money" on Saturday?

A. No, there will be no announcement.

Q. Mr. Secretary, there are stories published today
indicating that an understanding has been reached
and I just wondered for my background information whether there was anything to it.

A. An understanding between whom on what?

Q. Between Great Britain and the United States.

A. No, I just want to say that we won't have any announcement to make in regard to Sir Frederick's visit.

Q. Are the talks over now, Mr. Secretary?

A. He's going around the country and just having a vacation and I imagine that before he sails he'll drop in again.

Q. Is he out of the city now, Mr. Secretary?

A. Yes, he wants to learn something about the United States, so he's taken a car and he's touring around the country.

Q. Not thinking about giving him a job, are you, Mr. Secretary?

A. Well, he's got the ability.

Q. When do you think you will get together again? Can you give us an approximate time?

A. No. I don't expect him this week, and, as I say, before he sails—that's indefinite—he'd drop in before he sails, just to say goodbye.

Q. Just to say goodbye?

A. Just to say goodbye.
Q. Mr. Secretary, is there anything on that 
Cleveland situation—those two gentlemen out 
there?

A. I don't know.

Mr. Gaston: Nothing has developed.

H. M. Jr. : Nothing has developed.

Q. Any comment on the ouster of the Collector of 
Internal Revenue at St. Paul?

A. Has that been announced?

Mr. Gaston: It was announced that he had been removed by 
direction of the President.

H. M. Jr. : I have no comment.

Q. Mr. Secretary, there's a great deal of interest 
in the preparations that might be made to receive 
Mr. Justice Black when he lands, and we wondered 
whether the Treasury was contemplating any special 
arrangements to get him through the Customs or 
provide a Coast Guard boat to get him up before 
the newspaper boys get at him.

A. I'll just have to refer you to Coast Guard and 
Customs because, as far as I know, there have been 
no special arrangements.

Q. If such a request is made, are you willing to 
provide him with a special boat?
A. I once attended one of the press conferences of the President and he called that kind of a question an "if" question.
Q. I think that's a fair question.
A. I still say, as far as I know, no special arrangements have been made of any kind, and it's being handled in a regular routine manner.
Q. We could say he has not communicated with you for any special request?
A. He has not.
Q. Mr. Secretary, you are in command of the Coast Guard; it couldn't take any action without your approval, could it?
A. Quite right, I again repeat that not having received any request it's just being handled in a regular routine manner.
Q. What would the routine be?
A. Well, the way any other passenger is treated.
Q. Would you stand by in case he wanted you to?
A. I mean the way any other American citizen returning —.
Q. You mean through Customs?
A. Customs. And he'll be treated in the usual courteous manner of any other citizen.
Q. But that would have nothing to do with the Coast Guard?
A. Somebody asked —.
Q. I thought you meant routine with reference to Coast Guard.

A. No, I meant routine in the usual courteous manner of all returning citizens.

Q. You said, Mr. Secretary, that no requests of any kind had come from him. Any requests from any other source, such as the Maritime Commission?

A. No request has come from Justice Black.

Q. Any source?

A. I say no request has come for me from Justice Black.

Q. You may not have understood my question; my question was pretty specific; I asked whether you received a request —.

A. And I said I have no request from Justice Black.

Q. That leaves an inference that a request may have come from some one else.

A. As to handling Justice Black?

Q. Yes.

A. I have no request from anybody. Does that satisfy you?

Q. Have you any comment on the decrease in the rate at New York? Can you amplify it a little bit?

A. No, nothing, thank you.

Q. Is there any Federal financing contemplated in the near future?
A. Well, what we do here is every Thursday we make an announcement of what we will do in regard to the maturing bills, and we won't make any announcement until Thursday. I usually make it at my morning press conference on Thursday.

Q. You remember some time ago, Mr. Secretary, during the tax evasion and avoidance hearings, it was brought out that the Treasury was hopeful of negotiating quite a number of agreements regarding the exchange of tax information with other countries—France was mentioned particularly. Is there anything on that now?

A. Well, the only thing is, and Herbert can go kind of easy and get it, is this trip of King's abroad. You might give them that.

Q. Senator King?

Mr. Gaston: Eldon King of the Bureau.

Q. Who's he?

A. He's over at the Internal Revenue and he's making a trip to Geneva. Can you give them the details on that?

Mr. Gaston: I think he's a delegate to the Tax Committee in the League of Nations.
Q. What's his title, Mr. Gaston?

Mr. Gaston: Deputy Commissioner of Internal Revenue, Eldon P. King.

Q. And is he going over there after this League meeting, or whatever it is? Is he planning to visit some other countries?

Mr. Gaston: Not so far as I know. I think he might broach that general subject of tax cooperation before that meeting.

Q. When is the meeting, do you know?

Mr. Gaston: I'll have to look that up.

Q. Soon?

Mr. Gaston: Yes. I'll have to ask King.

Q. He hasn't left yet?

Mr. Gaston: No, he's still here.

Q. What does tax cooperation consist of?

H. M. Jr.: Go on, Herbert.

Mr. Gaston: It might consist of a great many things; it might consist simply of an exchange of information; it might consist merely of discussions of tax legislation, tax statutes.

H. M. Jr.: The taxation of Americans doing business abroad.

Q. Well, that comes under dual taxation.

A. Double taxation.
Q. You have hopes that something concrete will come from his talks over there?
A. Well, I hope that he'll at least pay for his carfare any way.

Q. Anything on the budget summation in addition to what you have already told us about awaiting the President's return?
A. No.

Q. Mr. Bell back?
A. No.

Q. He won't be back this week?
A. He won't be back this week.

Q. Mr. Secretary, you met this afternoon with some members of the Accounts and Deposits Division and some gentlemen from the Budget Bureau.
A. That's right.

Q. Was that concerning the budget summary?
A. Well, it concerns economy.

Q. In line with your remarks at the staff meeting?
A. In line with talks that I had with the President before he left. We are looking in every direction to see where we can save any money for this fiscal year and I was talking to those gentlemen about that.
Q. Is there any horizontal measure of economy that's being urged—ten per cent, five per cent, or seven and one-half percent?
A. No, we are just going over all the figures and taking a fresh look at all expenditures to see what possible economies can still be made in this fiscal year, and I had this talk with the President before he left at Hyde Park and on his return why whatever I've been able to get together for him why I'll present to him.

Q. Can you give us an opinion in the meanwhile as to what might be accomplished?
A. What we are trying to accomplish is to save money this year.

Q. I mean in terms of figures?
A. No.

Q. Do you hope you will accomplish a balanced budget this year?
A. I'm not going to say at this time. We are just trying to do everything we can to help the people in the Budget and the Treasury, exploring every avenue to see how much money we can save.
Q. There was a report this morning, Mr. Secretary, that some members of the Administration had decided we needed to prime the pumps more to keep Wall Street from falling.

A. Well, I don't know who it is, but if they are talking that way—I guess they haven't talked recently to the President.

Q. Have you any view about the general market situation that you can give us—any viewpoint?

A. I could be a little facetious. I guess you fellows can get along without my adding. No, I just stick to the bond market and I think that, in view of what the other markets have done, the Government bond market has behaved beautifully during the last two weeks. As a matter of fact, it has been the bulwark of the whole situation.

Q. Do you think the stock market is a barometer of business, Mr. Secretary?

A. You're in the wrong department, if you don't mind. I refer you to today's editorial (this is very much off the record) in the New York Times which I happened to read on that subject—a very nice editorial.

Q. Mr. Secretary, have you found any places where you can save some money as yet?
A. I think we will just wait. We're working—
I'm going to work on it every day this week,
meet with these gentlemen and whatever we find
we will save it until the President gets back.

Q. Mr. Secretary, are you considering any recommenda-
tion which involves the salaries of Government
employees in your work?

A. No. I might add it isn't Government employees
and it isn't the unemployed.

Q. You mean no cut in relief?

A. I mean we are not exploring that avenue. The ex-
penditures on unemployed are fully within expecta-
tions and I'm not looking to cut the salaries of
Government employees or the unemployed.

Q. Can you give us a little clearer idea of what you
are going to do so we can get a vague — ?

A. Well, I've really said more than I wanted to say,
but as long as you asked that I didn't want to make
people unnecessarily worried and that's the reason
I answered your question.

Q. Does it look hopeful to you?

A. There are possibilities.
H. M. Jr.: All right, gentlemen.

Q. Mr. Secretary, there have been some stories in the paper in recent days saying that you and Mr. Eccles were understood to favor higher taxes next year, if necessary to balance the budget, and Mr. Celler, our Congressman Celler, issued a statement concerning that.

A. Those of you who have attended my press conferences are entirely familiar with every statement that I have made and you also know, I may add, that I don't make any statements to any newspaper reporters except at my press conferences—that I haven't said anything to anybody since I've returned about taxes.

Q. Have you ever expressed yourself at all at any press conference in the past on taxes?

A. I don't recall. Well, the last thing I know of—it goes back to a letter written to Senator Harrison, as far as I know, which had to do with no increased taxes at the last session of Congress. Now that was that session which leaves me with my hands untied for the next session of Congress.

But I have made no comment. Are you going
to ask me next what do I say in my sleep?

Q. I believe, Mr. Secretary, you have made a comment that if Congress votes greater appropriations than the estimates new taxes would be necessary.

A. I think you are quoting the President.

Q. I'm also quoting you.

Mr. Gaston: The Secretary was calling attention to the statement by the President that all has to do with that same letter—I mean, the letter and the President's statement and the budget.

E. E. Jr.: But that all affected last year; I'm simply trying to say that as far as next Congress goes, as far as what the Treasury may or may not say in regard to taxes, I haven't said anything and nobody associated with me has said anything. Is that a sweeping enough statement?

Q. Well, you do stand for the...

A. Excuse me, just a minute. Does that answer you?

Q. Well, not the way I'd like it answered. The thing I was trying to get straightened out in my mind was do you expect to effect enough economies to balance the budget?

A. That wasn't your question—as to your question
and Celler's statement and what I'm reported to have said or what somebody thought I said, and so on.

Q. You do stand for the principle not necessarily for next year but for all time that if Congress increases the appropriations above the budget you favor increased taxes to meet those additional expenditures?

A. I don't want to talk about -- .

Q. You said as to the future—next year.

A. Well, if you don't mind, I don't want to get in it this time because that leads to a couple more questions at this time. I don't think this is the time to talk about the budget beginning July 1, 1939. After all, a lot of water has got to go over the dam before that both as to expenditures and revenues and a lot of work has to be done yet.

Q. The question I had in mind also concerned economies about which you've said a good deal in recent weeks.

A. True, but what you gentlemen asked me about now is how do I feel about the 1939 budget and I'm not really ready to talk about it. That's quite a way off. We've got to do a lot of work. The Budget Bureau has just begun
its hearings and unquestionably Congress is
going to have hearings—Mr. Doughton and
Chairman of the Subcommittee Vinson—all
that work has to be done yet and anybody,
as far as the Treasury goes, who says any-
thing about it is just talking out of turn.

Q.  
Mr. Secretary, you said at the last press
conference that you would not oppose the
cutting of salaries or relief. Could you
tell us along what lines savings could be
affected?

A.  
No, that will have to wait.

Q.  
There doesn't seem to be much else.

A.  
Well?

Q.  
Those economies apply to '38 fiscal year?

A.  
Yes.

Q.  
The President in his Bonneville speech
indicated a balanced budget in the '39
fiscal year.

A.  
Right.

Q.  
So you don't necessarily mean by your state-
ment of economies a balanced budget this year?

A.  
Go over that again, will you? You fellows
must have had red meat for breakfast. All
right, let's go a little slowly.
Q. You talked at the last press conference economies moving in every direction—economies for the present fiscal year.

A. Right.

Q. The President at Bonneville said he looked for a balanced budget next fiscal year.

A. Those statements are consistent.

Q. Absolutely, but you don’t mean to accomplish a balanced budget by your economies?

A. I didn’t say.

Q. But looking to curtailment of expenditures and economies in ’39 so far as a balanced budget a year hence?

A. You’re talking about two different years.

Q. That’s right and you and the President were talking about two different years.

A. Right. That’s as far as I want to go.

Q. I don’t recall—did you say you hoped for a balanced budget this fiscal year?

A. I didn’t say.

Q. You said where there’s life there’s hope.

A. Where there’s time there’s fortune—how’s that?

Q. You won’t say whether you expect to get a balanced budget this year?

A. I don’t go in much for “hopes”.
Q. I wish you'd tell us though what's left besides relief, that is, PWA, and salaries. You can't starve the Army and Navy.

A. By not saying anything I don't want to raise your hopes or anything else.

Q. I got from New York queries—what are the savings outlined in your story?

A. That's all right. New York is in that frame of mind today that they can well be patient.

Q. Mr. Secretary, could you tell us about the meeting yesterday? Did you reach a decision?

A. No decision was reached. We postponed it until next week. We will all do a little homework on it.

Q. Mr. Secretary, there's a story in one of the local papers about a billion withdrawal of British gold.

A. I'm sorry Dickson isn't here today. I don't like to criticise you fellows. If you fellows are interested see Herbert afterwards. If Cecil were here I would talk about it, but he's not here.

Q. Mr. Secretary, are you going to refund this maturing bill issue with another bill issue?

A. Yes. You mean the fifty million next month? We offer another 9-months' bills.
Q. Did you have evidence of a billion dollar withdrawal by the British?

A. Is there anybody here representing his organization? (Cecil Dickson's)

Q. Yes, Eric (Friedheim) is.

A. I don't want to go into that story. Do you want me to?

Q. Perfectly all right with me. I wasn't ever here when the story was written.

A. I'd rather not.

Q. As a matter of information, if it's true we'd like to know about it.

A. What do you think, Herbert?

Mr. Gaston: It's difficult to say anything about the story because it seems to me so confused.

Q. I'm getting the impression there's something in it. Why not just deny it or affirm it?

A. Let us have the story. I'm in one of these very mellow moods. I wish Cecil were here. I'm talking about one of your own kin now and this is off the record. I call this one of those thumb-sucking stories. I mean, I don't know, but Cecil must have been kind of hardpressed.

Q. You mean it's a lollipop?
A. One of you boys asked one of those days what those stories were and I said thumb-sucking stories. I just think he drew on his imagination rather liberally. Don't quote one of your own crowd—I just think he drew on his own imagination rather liberally. I mean, it's pretty serious stuff to be flip about and I don't want to be flip about it and I don't want to throw him down publicly, but—that's in the family,—there is nothing to it.

Q. You said at a recent press conference that the situation was quiet. If that story is true, it certainly would not be quiet.

A. I just say I don't know where he got it. After all, everybody does it once in a while. He just drew on his imagination.

Q. Is the silver situation unchanged, Mr. Secretary?

A. Yes.

Q. When are you going to start conferences on it?

A. Well, I don't know.

Q. Have you started studying it yet, Mr. Secretary?

A. No.

Q. Much pressure?

A. Surprisingly little. About the only pressure comes from you.
Q. We've got to have pieces for the paper. Did you get replies to the notes you sent to the other signatories?

A. I don't know that we sent out anything. Did you send out anything, Herbert?

Mr. Gaston: There was a story in one of the papers to that effect—ask the State Department about that. That would be a treaty matter.

Q. Mr. Secretary, I just assumed that that was true because I was told about it on good authority.

A. Here in the Treasury? Go back to your source. I'd like to know myself.

Q. Mr. Secretary, do you have any plans or is there any consideration being given to a major financing before the quarterly date?

A. The answer to that is definitely no.

Q. Mr. Secretary, do you have any comment to make on the credit-easing policies of the Federal Reserve Board?

A. No.

Q. Mr. Secretary, did you say, on that major financing, did you say definitely no?

A. Yes, I said definitely—get the question the way he asked—he said a major financing before a quarterly date—December 15th—and I said definitely no.
H. M. Jr.: For your information on Treasury financing, on next Monday, the 11th, and on the following Monday, the 18th, we will offer on each of those days $50,000,000 of 9 months' bills.

Q. Just the regular offering?
A. Just the regular offering—$50,000,000 of 9 months' bills.

Q. Those are the replacement issues?
A. To replace the fifty million which are maturing. Then beginning on the 25th we will discontinue the 9 months' and will start selling a bill which will mature on or about March 15th.

Q. Mature when?
A. On or about March 15th.

Q. On the same discount basis?
A. Exactly the same—just what we call a tax date bill.

Q. That will be fifty million a week?
A. Fifty million a week.

Q. No new money?
A. As far as I can foretell at this time, the Treasury will not ask for any new money during October or November. I'll be glad to go over that again.
Shall I do it again?
Q. Not for me. Mr. Secretary, how low will your balance be in December?
A. If you don't mind, I don't want to go beyond what I've said today.
Q. Can you tell us—this involves drawing down your present balance, doesn't it?
A. Yes. Getting all the estimates, having worked on this thing now for several weeks, we feel that we can do this and still have a comfortable balance.
Q. But not the old billion dollars that you talked about before?
A. No, but a comfortable balance. But, of course, I work on a different basis. I've got a net working balance and what you people read in the paper is something different.
Q. I meant the Treasury's statements.
A. Yes, I'm just trying to think—what does the Treasury's statement show today?
Q. One billion, one hundred twelve million, two days ago.
A. Well, it will go below a billion.
Q. You mean you have something different than the figures we get in the Treasury statement?
A. I have what I call my own net working balance. There's nothing new, nothing hidden—always certain funds which are tied up —.
Q. Is that the Treasury statement balance less the $200,000,000 or so of gold?

A. I am trying to be terribly accurate and I didn't want to have any possible misunderstanding.

Q. Mr. Secretary, that looks like double bookkeeping—that's the first thought that comes so you'd better explain it.

A. No, it doesn't need any explanation. There's no double bookkeeping. In order to make sure that I wasn't in any way misleading you, naturally, we have a net working balance and anybody that has followed it and wants to go around, we can explain it.

If you want an explanation, go up and see Bartelt.

Q. Gaston can tell us.

A. Gaston can tell you. But there is no mystery. You can go up and see Bartelt if you want to get an explanation—there's no mystery. Let them go up and see Bartelt or Gaston can tell you, but there's no mystery or anything else. Anybody who's followed it very closely will know.

Q. Oh, that's the funds tied up in that Treasury statement balance, except that two hundred million.

A. If you want a technical explanation you can go up and see Bartelt. I don't want any mysteries. If anybody wants to go up and doesn't understand it they can see Eddy Bartelt.
Q. You will continue this presumably for a couple or three months, but it couldn't be done indefinitely. Does that mean you will resurvey the situation in December?

A. You're going too fast. What I'm saying is on the 11th and 18th we will continue the nine-months' bills. On the 25th we will discontinue the nine-months' bills and start a bill coming due on or about March 15th and that, as far as I can at this time foretell, we will not have to borrow any additional new money during October or November.

Q. The bills you will issue in anticipation of March receipts and you will still have those weekly $50 million maturity right on through and while you may issue those for two or three months against March receipts eventually they will have to stop. You can't keep right on up to the tax date.

A. Sure.

Q. What I want to know is does that indicate that this bill situation will probably be resurveyed in December when the third or fourth quarter financing comes along?

A. Oh, I don't want to say that. Because the next question is December financing and I very carefully said October or November.
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Q. Well, maybe you can answer this in another way: Does this dispose of, for the time being, the matter which you said was under study?
A. Yes.
Q. Does this indicate that you are prepared, Mr. Secretary, to discontinue bills?
A. No. I am simply telling you men how I expect to conduct the Treasury finances, as far as I can tell at this time, for the rest of this month and November.
Q. Doesn't it mean, Mr. Secretary, just the opposite of what he asked—that you have decided to discontinue tax bills or any other certificate of indebtedness?
A. No, some of those stories that have been written—it simply means they did a little guessing.
Q. Obviously you have decided not to issue certificates of indebtedness.
A. All I've done is I have outlined (I keep saying again) as far as I can tell at this time, what the Treasury financing will be for October and November. Now, very obviously, I don't want to discuss anything after the 1st of December—I don't know, and it leaves the situation entirely open for what I will do for December on our regular—get this—quarterly financing. Get that, Bob? (Kintner)
Q. Yes.
A. Are you satisfied?
Q. Yes, I understand.
A. Thank you.
Q. Mr. Secretary, I will phrase my question another way: Does this indicate definitely that you are discontinuing the weekly refunding?
A. I'll go all over it a third time. I have said to you gentlemen what we'll do on the 11th, what we'll do on the 18th, and that beginning on the 25th we start selling a tax bill which will fall due on or about March 15th.
Q. In other words, your maturities will come due on the March tax date.
A. Beginning on the 25th of October we discontinue the 9-months bills. We are offering on the 11th and 18th a 9-months bill in the amount of $50,000,000. Beginning on the 25th we discontinue the 9-months and begin offering a bill which will mature on the 15th of March. Is that — ?
Q. Yes, I was simply extending that a little further and saying that instead of 9-months refunding — .
A. Pardon me, but you can't extend it any further than what I said. I'm saying, as far as I can foretell, and as far as I know, for the first time since I've been here what I believe that I can do taking all this in for the balance of this month and November—what our plans are for the regularly quarterly financing in December I don't know.

Q. What induced this change? Have you too much money?

A. I don't need any additional money—I've got enough money in the Treasury to carry me, as far as I can foretell at this time, through October and November and that's the reason. I don't need it and why borrow, but when we do need it — .

Q. Mr. Secretary, did your committee or any of your other sources tell you the banks preferred a shorter maturity than the 9-month bills?

A. Oh, we have heard a lot of advice, but for your own information, background, very much off the record, the argument was not as to what kind of a bill, but as to whether we should go in at this time and get additional money or wait until December—that's what the argument was about. One school of thought was we should go in and take it now. I have never borrowed money when I didn't need it—I don't need it now, why borrow? That's the whole argument.
Q. On the 15th of March you will have large income tax collections and I assume you will redeem the bills maturing in that income tax period—that will mean a reduction in the total volume of bills outstanding from that day forward?

A. No, I can’t go beyond October and November. What method we will use on our quarterly financing in December I don’t know.

Q. I was speaking of March.

A. I don’t even know then—I don’t know in December.

Q. It seems that this would be paving the way for a reduction in the volume of outstanding Treasury bills, beginning March 15 when these things mature.

A. Not necessarily.

Q. Might or might not.

A. It might or might not—you could go either way. You might decide to build them up; in other words, there’s no decision as to what we will do after the 1st of December, but I want to make it again clear—I’m not committing myself at this time, but this is the best I can tell at this time. Inasmuch as there has been so much talk about it I thought I’d better tell you men definitely at this time.

Q. Did you seriously consider at any time a fixed interest short-term obligation during this study?
They explored the one-year certificate.

And decided on this?

Well, not needing any new money, you get the point, the question couldn't come up at this time because we don't want to borrow any new money, and we do want to sell a bill coming due on the 15th of March in order to even out the money market, so the question of whether we would sell a one-year certificate or wouldn't wasn't germane at this time—you get it?

Yes, I do.

And that's where some of the people went off a little bit.

I got the impression there was some idea of replacing outstanding bills with certificates.

As a matter of fact, I didn't go into it very far because it wasn't necessary. Now some people say they'd like it and some wouldn't, but I didn't go into the matter very far because I wouldn't know what to do with it if they did say they liked it.

Mr. Secretary, did you also in your study explore the possibility of desterilizing some of the inactive gold?

I don't want to get into that.
Q. Well, I thought if you found you needed more funds that might be one way to do it.

A. Well, I'd rather not—as a matter of fact, it was not part of the discussion.

Q. Will you continue to buy gold offered from Japan?

A. I'll answer you this way: That there's no change in the gold-buying policy. There's no change in our gold-buying policy.

Q. Mr. Secretary, the last time we discussed the billion-dollar balance—.

A. Excuse me. Is that right, Herbert?

Mr. Gaston: That's exactly what I told those who asked me some time ago.

Q. Any change contemplated?

A. Somebody stick a pin in him. Just a minute, Sandy, does that take care of you?

Q. Not the pin-sticking point. You haven't answered this question.

A. I answered the question about gold. I said there was no change in our gold-buying policy.

Q. I meant the other one you wanted to stick a pin in me for.

The last time you mentioned a billion-dollar balance you mentioned unsettled foreign affairs.
It seems to me they're unsettled now. Is there any shift in the Treasury's belief that the Treasury should have a large balance?

A. I think the best answer to that question is the program I just laid out to you.

Q. Well, the balance will presumably go below a billion dollars by December one?

A. Oh, yes.
H. M. Jr.: In the first place, I have a formal statement here about the death of Secretary Mills, but I really feel very much upset over it and I have real admiration for him personally, although I hardly knew the man, but for his work as Secretary of the Treasury. And Mr. Gaston will give you a formal statement. He certainly left a great name behind him here among the personnel of the Treasury. Do you want to say anything, Dan? Do you care to say something about Mills?

Mr. Bell: No, I don't think so. The newspapers generally ask me when people like Mr. Mellon or Mr. Mills die and usually I say no. As a member of the permanent force of the Treasury, I have thought best not to say anything.

H. M. Jr.: The 9-months' bills, as far as the bids in New York—we don't get the bids from the country—but the bids from New York so far are .436 as against last week's .445, so I'd say they were fractionally under. For the country last week they were .436—about the same, a little bit better.

Q. Mr. Secretary, are you through with your announcement, sir? About your budget discussion, could you say something about that?
A. You mean at the White House?
Q. Yes.
Mr. Bell: Well, the plan is now to issue the '38 summation next Tuesday.
Q. That will be issued here?
Mr. Bell: Yes.
Q. For Wednesday release?
Mr. Bell: I think it will be Tuesday release.
Q. Immediate release?
Mr. Bell: Yes, immediate release.
Q. That's not tomorrow—that's Tuesday-week?
Mr. Bell: Yes, Tuesday-week. We may get it to you Monday evening; we'll try to.
Q. It will be a great help if you could.
Mr. Bell: We'll try to get it to you Monday evening.
Q. Is that, sir, the annual budget that goes to Congress?
Mr. Bell: That's the summation of the 1938 budget; we always have a statement after Congress closes of what changes have been made in the budget picture.
Q. That does not concern next year's appropriation?
Mr. Bell: No, sir.
Q. Can you tell us, sir, what it's going to show?
Mr. Bell: I don't believe so.
Q. In general terms, will it show a better picture than the April estimates?

H. M. Jr.: I don't think we'd better comment on it until you see the statement; it isn't quite completed.

Q. Do you plan on speaking before the American Academy of Science on Government expenditures and receipts?


Q. What are you going to talk about, sir?

A. I'm down for 'Government Expenditures.'

Q. Where's that, Mr. Secretary?

A. New York City.

Mr. Gaston: It will be at the dinner meeting at the Hotel Astor on the evening of November 10—the American Academy of Political Science.

H. M. Jr.: Miss Warner is secretary and she will accept your reservations.

Q. Will it be radio?

A. I don't know, I think that had better come from them. The arrangements are in their hands.

Q. Can you tell us, Mr. Bell, whether the work is finished in substance or not, or whether it's a question of working out the details of the revision? I mean, did President Roosevelt today get a picture of pretty much what it will look like?
Mr. Bell: He got a general picture but there are revisions to be gone over.

Q. Mr. Secretary, was it an optimistic picture you presented to the President about Federal finances?

H. M. Jr.: A factual picture.

Q. Cause for joy or gloom?

A. Factual, the way they always are.

Q. Can you say anything, Mr. Secretary, about the results of your efforts at economy?

A. You'll get it all when the Director of the Budget gets it out—you'll get everything we've got, just as it is.

Q. May I ask whether in this summation some consideration was taken of the possibility that if Congress is called into a special session that there might be need for another quick revision?

Mr. Bell: I wouldn't ask that question if I were you.

Q. Hahaha! You wouldn't ask it, huh! Well, I won't answer then! (Klein) Can you say whether you will say anything about death retirement in connection with the budget summation?

H. M. Jr.: I think you gentlemen will just have to be a little patient and wait until Monday night or Tuesday morning, whenever Mr. Bell is ready; it will all be there. That is not very far away.
Q. Mr. Secretary, there was an election in France yesterday which, in effect, gave the Government a victory. Any change in the monetary situation?

A. Oh, I think that comes under the heading of "A French Internal Matter."

Q. Well, it does have some effect on their fiscal picture and their fiscal situation does have some bearing on our tripartite agreement.

A. Well, I don't care to say anything about it.

Q. Could you say that things are going along as usual?

A. I don't want to say anything, if you don't mind.

Q. Did you see Mr. Bonnet's interview on the agreement before the election?

A. You mean the one about a week ago?

Q. This Saturday, about the tripartite agreement.

A. I didn't know there was one other than a week ago.

Q. He said France had kept up her end and proposes to continue to do so.

A. Well, I didn't see it.

Q. Without quoting you, can we say on our own authority, but reliably, that the situation is going along all right? In other words, can you give us any guidance on it?
I'm sorry, no.

Can you say when Mr. Cochran will be here?

No, I don't know.

Can you tell us, sir, when you are planning to send one of your Treasury men over on this exchange-of-views policy?

Well, they are all just back now; today is the first time we've got a full Treasury force in I don't know how long so I don't think we'll think about sending anybody away for some time.

When is Sir Frederick coming in to see you?

Has been.

When was that?

Thursday.

Are those talks all over?

Finished.

Could you say anything about them?

No.

Could you say they were satisfactory talks?

Yes.

There will not be any announcement at any time regarding it?

He just made my announcement for me.

That was just leading to something else, sir.
A. I think that was very good.
Q. You couldn't say whether any conclusions were reached?
A. No, I just rest on our joint statement.
Q. I'll never make any statement for you again. (Klein)
A. All right, I'll say it myself.
Q. Well, would you say that your discussions would lay the groundwork for some future steps?
A. No; I think, just that the conferences were very satisfactory.
Q. Mr. Secretary, did you discuss taxes with the President this afternoon?
A. No, the whole discussion was confined to this budget summation.
Q. You didn't get into next year's budget then, did you?
A. Just this budget summation. That's right, isn't it, Dan?

Mr. Bell: Yes, sir.
Q. Are you going to talk taxes with the President soon?
H. M. Jr.: I don't know, I really don't know.
Q. Could you tell us when the special session is going to be called?
A. No.
Q. Are you planning to go to Poughkeepsie to help the President shove the cornerstone into place?
A. I happen to be on the program to lay the cornerstone. As a matter of fact, this will be the first one I have ever taken part in since I'm Secretary.

Q. You'd better practice a little while before you go up.

A. Well, I don't actually lay it, but I'm going up with him tomorrow night.

Q. That's the post office?

A. Yes, the new post office.
I am sincerely grieved to learn of the death of the former Secretary of the Treasury, Ogden L. Mills. A man of keen and vigorous intellect and the highest integrity, he had served his country with great distinction in civil as well as military capacities. His fellow countrymen generally will mourn this early passing of a man so well equipped and one who has participated so actively in public affairs. His departure will be most keenly felt by all who have been privileged to know him personally.
Q. How are things up in Poughkeepsie?

H. M. Jr.: Fine.

Q. Did it rain up there yesterday?

A. No, it didn't. What have you gentlemen got to offer this morning? I have nothing.

Q. Thank you, Mr. Secretary! I guess you noticed, Mr. Secretary, that Representative Vinson is going to call his group to meet on the fourth, to study tax legislation; could you comment?

A. No, except that we'll be ready.

Q. Are you almost ready now?

A. We'll be ready by the 4th of November anyway.

Q. Does the Treasury plan to make public its tax report?

A. I don't know.

Q. You start talking on the 4th—Isn't there some misinterpretation that the Treasury is going to have a formal report to present?

A. You mean the way I've spoken now?

Q. No. Aren't you going to have conversations with the committee and announce a drafted bill instead of having a formal document go to Congress?

A. Well, as far as the understanding exists today, after Mr. Doughton and Mr. Vinson were here
(they called on me and then we went over to see
the President), we simply proposed to comply with
their request and work with them on the question of
taxation.

Q. Are you going to have one plan or several alternatives?
A. Oh, I don't think I'll get into that.

Q. They said they were discussing nuisance taxes with
a view to putting them on a permanent basis; could
you elaborate on that?
A. No, if you don't mind, I'll stick to my regular
policy. I mean, I'm not going to comment on any
details other than that we are ready and that we
will come to an understanding as to how the committee
would like us to work with them that's entirely
agreeable and when they meet on November 4th the
Treasury will be ready, under the leadership of
Dr. Magill, to go up there and put the Treasury's
information at their disposal.

Q. Will you be the first witness?
A. I doubt it; I don't know. I don't even know whether
they are formal hearings; we didn't get down to
that, just as to how we'd work and the question of
agreement between the Ways and Means and the Treasury
as to methods of working.
Mr. Gaston: I think Doughton indicated yesterday that the committee would work with the Treasury for some time before they started any formal hearings.

H. M. Jr.: I see. I didn't see that, but as to the method of working we are in complete agreement, but as to what we are going to discuss, I don't want to comment on it. Does that make our position clear?

Q. Mr. Secretary, Mr. Doughton after that conference told me that there was an agreement that the total of taxes would not be increased; is that your position?

A. I'll just stick to what I said; I don't want to make any comment.

Q. Have you sent any memoranda to the committee yet?

A. I really don't know. I know their people have been down here and our people have been up there a number of times and have been exchanging information constantly.

Q. Will the budget summary be ready Monday or Tuesday, Mr. Secretary? Have you any idea?

Mr. Gaston: Dan hopes to have it ready some time Monday afternoon or evening for release to the papers of Tuesday morning.

Q. Tuesday morning?
Mr. Gaston: That was his expectation—he's working toward that.

Q. I thought they had hoped to have it for Tuesday afternoon papers and that we might get it on Monday night for that purpose.

Mr. Gaston: I think it was his hope to be able to get it ready for Tuesday morning papers, but I haven't had a chance to talk with him.

H. M. Jr.: You don't, by any chance, represent an afternoon paper?

Q. Well, the INS man, AP man and UP man talked it over yesterday and we thought it would be ideal if we could get it Monday night and digest it properly for Tuesday afternoon papers. (Klein-UP)

A. You talk it over with Mr. Gaston.

Q. I think the Wall Street Journal, the Herald-Tribune and New York Times will also talk it over.

(Duffield-WJSJ)

That makes three newspapers—we represent 125 or more. (Klein)

A. I refer you to Mr. Bell or Mr. Gaston.

Q. Will there be a press conference to go over some of the details?

Mr. Gaston: I'll ask Dan.

H. M. Jr.: They're there and you can talk to them.
Q. There are reports that efforts toward a British trade treaty are being renewed, Mr. Secretary—I think Mr. Daukhage, in his column yesterday, said something to that effect. I was wondering—.

A. Well, that's a State Department matter.

Q. I didn't know to what extent you might have been participating.

A. I still say it's a State Department matter.

Q. How are you getting along with silver, Mr. Secretary?

A. Fine.

Q. What can you tell us about it?

A. Nothing.

Q. Anything new on financing?

A. That announcement, I think will take care of this month and next month, sorry.

Q. Thank you, Mr. Secretary.
H.W.Jr.: At your service.

Q. We saw a mob coming out of here a minute ago.
   We were wondering where the fire was. It was an awful array of talent.

A. Just Treasury business.

Q. Do you think the increased deficit indicates new taxes?

A. I don't care to comment on that.

Q. Your call at the White House yesterday with Secretary Wallace has given rise to some speculation that new taxes may be necessary to finance that program and I wondered if you could comment on how that program will fit in with the President's prediction of a balanced budget next year.

A. I can't answer it the way you ask me, but if you don't mind I will answer the way it is possible for me to answer. As a result of the conference with the President and Mr. Wallace and myself, at which time we reported to the President on a conference which had taken place at this office the day before . . .

Q. Between you and Secretary Wallace?
A. Yes, and his people and my people and people from Commodity Credit--it was decided that Mr. Bell would make a study of the situation and pending results of Mr. Bell's study no decision of any kind would be made.

Q. When will that be completed?

A. Well, the President said take long enough to do an intelligent piece of work.

Q. Mr. Secretary, was that directed to find some means by which a corn loan could be financed with the Reconstruction Finance Corporation?

A. If you don't mind, I am not going to add anything to that.

Q. You don't care to comment on the report that $200,000,000, new taxes would be sought of the result of the farm program?

A. No. I took time to think out that statement before I made it and I think that it is a correct interpretation of what the situation is today.

Q. I am not sure which question you are answering--what the developments were on financing the new farm program?

A. No. The question refers to a loan on corn.
Q. Of how much, Mr. Secretary? How much do they anticipate?
A. I'd rather not get into that.
Q. Could you give it to us, off the record or for background without saying it came from the Treasury so we could explain just what this is all about?
A. No. Well, I'm going to talk very much off the record. I read the stories in this morning's papers. I was confused. Mr. Wallace called me on the telephone and told me that he was misquoted and that he did not say what he was reported to have said so I said "Now, Henry, this is what I am going to say because this is what the situation is." (What I have just told you gentlemen). And he said, "That's entirely satisfactory to me." That's the whole story. But I am not going into what I said to the President and what the President said to me and you people who cover this office know that when a matter is pending, my conversations with the President I do not repeat and inasmuch as the decision will be made by the White House and he has asked us to make this study, until he makes up his mind what he wishes to do—he has asked us to make this study of what the situation is.
Now he is waiting for that. As I say, inasmuch as I was not at Mr. Wallace's conference, I don't know what he said or did not say, but that's the whole thing boiled right down and I told him what I was going to say and he said, "As far as I'm concerned, that's perfect."

This is between us and not for background. I wasn't there. I don't know. But I was disturbed when I read the story because the understanding was when we left there that no one would say anything until Bell had an opportunity to look into the situation and see whether it would fit into the budget summation. And that's the whole problem. What I am saying here—it's one of these very difficult things, White House, Secretary of Agriculture, and myself. He called me up. I told him what I was going to say and what I am saying is satisfactory to him. There must have been some misunderstanding at his press conference.

Q. Then it's perfectly safe to assume that Mr. Bell's study is being directed to determining a method of financing this corn loan?

A. Within the budget. I'm on the record now.
Q. Mr. Secretary, will you tell us wherein the stories were wrong?
A. No. How can I? I wasn’t there.
Q. I go to bat on my story. (Linz)
A. Now, look! I have been terribly frank with you, haven’t I?
Q. Yes, sir.
A. And Wallace wanted to send me over the stenographic notes. After all, I have enough worries of my own. I'm not saying and I don’t want you to go over there and say that Morgenthau says that Wallace’s story is not right. He has his own way of handling the press. But in view of this statement I'm making, I want to be very frank. I'm not throwing down anybody. When we left the President, the situation was that, pending that study . . . .
Q. You don’t read the Journal of Commerce?
A. Yes, I do. Here it is right here.
Q. I took everything down in shorthand, verbatim.
(Linz)
A. Listen, old man, this is one of those very unusual times when I talk off the record. I have been sorry I have had to talk off the record with you fellows, but here's a very unusual occasion and I am not throwing down
anything. I am just telling you the facts and I am telling you that Wallace would be tickled to death if I made that statement. What he told you is between you and Wallace. Right? So everybody understands what I said off the record and that's in the room.

Q. Yes. In connection with financing the corn loan within the budget the President has indicated time and again and said so that he intends balancing the budget in the next fiscal year. I wonder, sir, if we can go so far as to assume that if there should be any corn loan it would be financed within the balanced budget?

A. No, I can't. Wait until Bell has had a chance to examine his picture and after he has examined it, he'll make a report and I am going to be very patient.

Q. That goes in this fiscal year's budget?

A. Partly. Because they might not liquidate it until after July 1, so it might be both.

Q. But, conceivably, loans could be liquidated before June 30?

A. Could be; not apt to be. Might sell some in June and some in September.
Q. The study is to determine whether it can be financed within the budget?
A. That's right.
Q. Do you still agree with the President that the budget can be balanced in the next fiscal year?
A. I don't want to answer that question and I don't want you if you don't mind, to draw any deductions from that.
Q. Is there any estimate of the question of the new farm program or any study in connection with the drafting of the legislation?
A. You tell me what the farm program is.
Q. That's what I mean. Wallace testified last spring before the Agricultural Committee that the then pending farm bill would cost money and that was the statement he made. It would cost a lot of money.
A. There is $340,000,000 in the budget for the farm program. That's what has been allocated.
Q. My only idea was whether or not any study or discussion or conferences were underway in regard to the preparation of legislation.
A. I don't know what Agriculture is doing, but the only part of the farm program we are studying is the question of corn loans because nothing
else has been put up to us and the President
wants to know can it be done within the budget
and that's what we are trying to find out.

Q. I was just wondering if you are also . . . .
A. I can't consider something that I haven't
been asked to and I don't know what it is.

Q. Revisions in revenue downwards, is that due
to errors of experts in the Treasury or to
changed business conditions since April?
A. Well, I can answer the first question. It isn't
due to errors.

Q. Then it must be due to business.
A. We have adjusted it to business.

Q. Mr. Secretary, is there a gentleman here by the
name of Dr. Buck from China?
A. Yes.

Q. Can you tell us anything of what he reported?
A. No. I'm sorry I can't.

Q. Can you tell us anything about your silver
program?
A. No.

Q. You are working on it, of course?
A. Just now, I'm full of corn. My digestive
tract has its limitations.
Q. I can assume that you have temporarily suspended your study of silver to get on the corn proposition?

A. I guess you'd better leave off those facetious remarks. Do you mind forgetting them, please? That's a joke.

Q. You mean about being full of corn? I love stuff like that.

A. All right. O. K.

Q. Did the $256,000,000 take into account the stock market break and capital losses on that account?

A. It was an adjustment of revenue downward due to business conditions.

Q. There is a slight upward trend in relief expenditures. Will that be for the same reason?

A. Somebody wrote a story on increase in relief expenditures. Go around and see Professor Gaston if you want to talk with him. That's not correct.

Q. In the estimates.

A. Someone wrote a story on increase in relief expenditures.

Q. I merely said the January estimate compared with the estimate of last Tuesday was an upward trend from January.
A. The last estimate was in June. The last budget was in June. All I can say is I think you and I are talking about different things but as far as relief expenditures are running from month to month, right now they are entirely within our budget estimates because I checked that with Bell this morning and he said they are running within the budget estimates.

Q. In the January estimate they assumed one and a half billion dollars would be used for relief and they had a figure in the January estimate of $1,037,000,000.

A. See Gaston, if you don't mind. All I can say is that on month to month basis since the first of July, relief expenditures are running within the estimates to date. That I know. The other thing, I haven't got those figures at the end of my fingers.

Q. I wonder if you would care to add your comment to the other experts' on the stock market's ups and downs of the last few days?

A. No. I am not an expert on that subject.

Q. Thank you very much, Mr. Secretary.
I just got a report on what New York bid on our 148-day bills—I haven't got it for the country yet.252.

Q. You don't really have any comparison for that, do you, Mr. Secretary?

A. No, I just had it here.

Q. Any comment on it, Mr. Secretary, so we could get a few lines on it?

A. No, I'm just passing it along for what it's worth.

Q. Mr. Secretary, is there a possibility that the question of war debts might come up for discussion in the nine-power conference?

A. You'll have to ask Mr. Hull that question.

Q. Do you have a representative along over there as an observer?

A. No.

Q. No one there as an observer?

A. No.

Q. Mr. Secretary, can you say anything more about these bills—that is, your plans with regard to maturing of refunding bills?

A. Nothing but what we said—whenever that was—a couple of weeks ago. Just whatever I said a couple of weeks ago about the program for October and November. There is no change,
whatever it was I said.

Q. Could you say anything about new financing?

A. No, just the program as we laid it down for October and November.

Q. Mr. Secretary, you remember in this new budget summary it pointed out the effect of the shift in the Social Security obligations on the debt increase; I wonder if there's anything new on it as far as the Treasury is concerned, looking toward a downward revision in that reserve fund? Are you giving that any thought?

A. I don't want to get in on that discussion, if you don't mind, at this time.

Q. There was a committee appointed, Mr. Secretary, but that's a House and Senate committee, to work with some officials downtown.

A. I don't think the Treasury— as far as I know— Herbert? I don't think the Treasury is in on that committee.

Mr. Gaston: I don't know of it. No, I don't think so.

Q. What do you do with Social Security taxes, Mr. Secretary? Do you segregate them or not or does that go in the general fund?

A. It's a long story.
Q. I'd like to know it though. I'd like to get some idea, because that was the complaint that was made and it's being revived again.

A. Well, if you'd like to sit down afterwards with someone in the Treasury they'd be very glad to go over the whole thing with you. We went over it fairly fully in the budget summary. If that isn't satisfactory you can do it after this meeting is over any time at your convenience. It's a long story; I don't know how much the other people are interested but the information is available.

Q. You never heard from that Congressional Committee though?

A. I don't want to say that. A lot of people are working on it and a lot is being done and I don't want to commit myself. We may have loaned them people—I'm not sure. That's why I'm being very careful of what I say. They may have asked for actuaries in the Treasury to work with them—I don't know.

Q. Apparently the committee has been inactive. That is, the last time I checked most members were on vacation and scattered.
A. I just don't know but I might perfectly well find that we had loaned some people, but as far as I am concerned, it hasn't come to this desk yet.

Q. Mr. Secretary, can you tell us about the tax study, how it's getting along?

A. No, other than that we'll be ready when the committee meets on November 4.

Q. Will you make any recommendations?

A. I can't say.

Q. Can you say whether you are making a study of processing taxes or similar taxes?

A. Our job is to study taxes all the time, day and night.

Q. Have you ever expressed yourself on processing taxes?

A. No, I don't think so, not that I know of.

Q. Will you say anything about the possibility of reviving certificates of indebtedness?

A. No. I most likely won't have anything to say on financing other than what I have said—that we are all set for October and November, but I don't expect to say any more on any kind of financing until after the 1st of December.
Q. Mr. Secretary, in light of the financial picture as it now shapes up, can you say whether there will be a balanced budget the next fiscal year?

A. That would be a story, wouldn't it?

Q. Can you tell us?

A. How can I tell you? How does anybody know?

Q. Certainly you are consulted on fiscal matters by the President.

A. But how does anybody know? The answer is the President will send up his budget message in January and until he sends up his budget message in January nobody will know. Mr. Bell, the Director of the Budget, is holding hearings now and until the President sends his message up the first week in January I'd say that nobody can answer that question.

Q. Well, you can determine whether you are going to have a balanced budget, can't you, in advance?

A. I don't want to say.

Q. You can decide that you are going to keep your spending within income—I'd say that was something predetermined.

A. Thanks for the opportunity, but I think I'll postpone comment for the time being.
Q. Can you say anything more about the corn loans you are studying?

A. No, we had a meeting on it today—Mr. Ball and Mr. Taylor, Mr. Jones and myself. We'll meet again.

Q. When, tomorrow?

A. Possibly. Mr. Wallace is out of town—that's why he wasn't here.

Q. Are you making any progress?

A. Well, we've got enough to talk over at another meeting.

Q. Does it look like you are approaching some kind of an agreement?

A. Oh, it's safe to say we are making progress.

Q. Which direction?

A. I didn't say. You would ask that!

Q. Does that relate to the amount per bushel to be loaned?

A. No, our assignment is to try to find a way to do it within the budget—within the budget.

Q. Does that contemplate processing tax in any form?

A. I just, if you don't mind, I'll repeat what I said: we will try to find it within the budget.

Q. Do you mean the budget for the '37 fiscal year or '38?
A. This year's budget.
Q. Within the 695 million?
A. Yes.
Q. Do you think that can be done without new taxes, Mr. Secretary?
A. That's why we're having so many meetings.
Q. You haven't ruled out processing taxes, have you?
A. If you don't mind, I don't want to answer that.
Q. Maybe you like them?
A. Again thank you.
Q. Mr. Secretary, could you say now whether the Treasury will borrow any money at all before December 15?
A. Golly, that fellow is hard to satisfy!
Q. No stories elsewhere.
A. No stories elsewhere? None here either. Again you know the answer—nothing on financing until after the 1st of December. Could you give them a nice story, Herbert? A good murder or something, a good narcotics story or customs?
Q. Corn is about as good a story as any.
A. No murder in corn yet.
Q. You can think of plenty but you won’t give them to us. Didn’t you liquidate the old Farm Board?
A. Yes.
Q. How do you like the over-normal granary? Do you think it will be over-normal, Mr. Secretary?
A. I don’t know.
Q. Anything on hot money? We’ve got to pull all the old ones out of the bag.
A. Who usually says “Good night, thank you?”
Q. Talking about hot money here.
A. Can’t we get Jupiter in this some time? Where’s Jupiter? Page Jupiter.
Q. Can you tell us anything as to the extent of the inflow of American-owned money from abroad?
A. I could.
Q. Will you?
A. No.
Q. Is it very substantial as compared to foreign-owned money?
A. No, I can’t do it.
Q. I mean, is it 50-50?
A. I know, just between friends.
Q. No, I want it for the papers. Anything on silver, Mr. Secretary?

A. You boys must have had a hard day, that's all I say.

Q. We've been sitting waiting for this press conference all day. Thank you, Mr. Secretary.

A. It's terrible!
Q. We already know all the answers to the questions we are going to ask. We had a preliminary press conference, Mr. Secretary, held a rehearsal. I ran across this and I thought you might be interested in it—just for your files. That's cute, isn't it? (Klein gives Mr. Morgenthau newspaper clipping)

H.M.Jr.: I'm suspicious.

Q. That's the "National Republic." Very fair-minded paper, too.

A. Is there any significance in the fact that I didn't seem to get a very good reproduction?

Q. They also say they agree too.

A. I like that O.K.

Q. What do you think of the Federal Reserve Board's action, Mr. Secretary? That was question #1.

A. You boys are all full of jokes this morning. I've no comment.

Q. Is it apt to have an effect on our foreign exchange position, making our stock market more attractive to foreigners?

A. I really don't know.

Q. Did you say you don't know?

A. I said I don't know.

Q. Been a lot of discussion?

A. You don't expect to put something like that in front of me and suddenly have me get loquacious.

Q. That's what I was aiming at.
A. You thought I'd just bubble over—I want to live up to what they say.

Q. You didn't bite. Mr. Secretary, did you know about that margin change in advance? Was it generally discussed here?

A. No. Mr. Eccles just did me the courtesy of calling me up right after board meeting yesterday afternoon and told me about it. That was the first I knew about it. No reason why he should have.

Q. Taxes was the next question, Mr. Secretary.

A. Didn't this gang talk to you outside?

Q. But we didn't believe them.

A. No taxes, just the same.

Q. Be ready November 4?

A. Right. What else?

Q. As you probably know, there has been a lot of talk about recommendations for changes in the capital gains and losses taxes and undistributed profits taxes and many administrative officials also are advocating those changes. Is the Treasury paying particular heed to these pleas?

A. Well, I still repeat November 4th.

Q. After election?

A. Where do you vote on November 4? (To Klein)

Q. No place. Thank you, Mr. Secretary.
A. You thought I'd just bubble over—I want to live up to what they say.

Q. You didn't bite, Mr. Secretary, did you know about that margin change in advance? Was it generally discussed here?

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Q. After election?

A. Where do you vote on November 4th (To Klein)

Q. No place. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, NOVEMBER 4, 1937:

H. M. Jr.: What's new?

Q. Taking the play away, are you: Mr. Secretary, can you tell us whether you have had any communications indicating that Great Britain is going to make a debt-token payment?

A. No.

Q. Have not?

A. No.

Q. No word of any kind concerning it?

A. Why should I?

Q. I should think you'd be interested.

A. Oh, yes, but this doesn't happen to be the time, does it? The answer to your question is no.

Q. Have there been any discussions of it between Treasury officials or any government officers?

A. You'll have to get that from the State Department.

Q. Well, have there been any discussions between Treasury officials and British officials regarding -- ?

A. Well, the Treasury has nothing to say on it.

Q. 'The Treasury has nothing to say,' is your reply to that question.

A. I don't want to infer that we have been talking because we haven't. I don't know why you're asking the question but the answer is all-around no.
Q. The reason I'm asking that is contained in that first clipping you have on your desk.

A. Well, the answer to your question is — can I just take a minute to read the Washington Herald? Well, the answer is that I haven't received any such message of any kind.

Q. As for the other question as to whether you've had any conversations?

A. The answer is also no. I didn't realize why you were referring to this article.

Q. I thought you had read it.

A. No. I had just gotten to it.

Q. Yes, sir. Mr. Secretary, what can you tell us on the Treasury's views on taxes as being expressed to the Committee this morning?

A. I can't tell you anything. Mr. Magill is up on the Hill now appearing before the Committee on Ways and Means, giving them the benefit of our studies that we made at the direction of the President in the past several months.

Q. Will he make any definite recommendations for the Treasury?

A. I don't think I can go any further, if you don't mind, than the statement I just made.
Q. Anything on silver, Mr. Secretary? The time is approaching. There are thirty-some days before the expiration.

A. Two months, lacking four days.

Q. Any studies been started on the proposition?

A. Oh, it's too early to talk about.

Q. Too early to talk about?

A. Yes.

Q. About the silver question?

A. Right.

Q. Mr. Secretary, on this tax thing will the first thing we know be the report of the committee, or will the Treasury's recommendations be amalgamated with the special committee?

A. I'm sorry, I can't answer because I don't know.

Q. I'm just wondering whether we will ever know what the Treasury, as an agency, has concluded from those studies.

A. I get the question perfectly, but I can't answer it because I don't know what the answer is.

Q. Mr. Secretary, to go back to this silver thing, Professor Buck is back here and I just wondered whether the silver question hadn't come up during his visit.

A. I can just answer what I said before, that it's just too early to discuss it.
Q. With the press, you mean?
A. With anybody. Why be so exclusive?
Q. I just wanted to know what the reply really meant.
A. INS is good.
Q. No, I'm United Press. (Klein)
A. United Press, I'm sorry. I still say that you had steak for breakfast.
Q. I'm just looking for a story. I can't afford to eat steak. Mr. Secretary, on these war debts I understand you had no conversations. How about your man in London?
A. Nobody connected with the Treasury.
Q. There have been dispatches in recent days indicating that France was going to buy some gold in this country. Has the Government sold gold to any foreign countries in recent days or recent weeks?
A. I have no comment other than one and that is that we have not sold any gold to Brazil.
Q. To Brazil?
A. Yes.
Q. Is that gold for all time back—I mean, none of the $60,000,000 has been taken?
A. That's right.
Q. Mr. Secretary, New York asked last night whether this coffee business down there had anything to do with the monetary—?
A. That's why I'm making the statement this time.
Q. I'd forgotten that understanding that this Government had with Brazil. Briefly, what was it?
A. I suggested that Mr. Gaston give you and several others a copy.
Q. The agreement still stands?
A. The agreement still stands and it's quite clear and if some of the people would read it it might be helpful all around.
Q. Mr. Secretary, you didn't say anything about France.
A. No, I know I didn't. I just said I had no comment to make.
Q. Mr. Secretary, could you tell us whether the change in business conditions might affect the budget estimates?
A. I'd rather not answer that.
Q. Did you read the BAE report—Bureau of Agricultural Economics?
A. No.
Q. That was a gloomy one.
A. No, no. Well, there are lots of those around.
Q. What do you think of the re-election of Mr. LaGuardia, Mr. Secretary?
A. Well, I think it speaks for itself.
Q. How about Hyde Park going Republican?
Mr. Gaston: That's not your election district, is it?
Q. Does that speak for itself too?

H. M. Jr.: No, have a heart, old man, will you?

Q. How did Fishkill go?

A. That's what I've got to find out. My reports come by mail.
Q. Did you see any more good movies?
A. I saw one last night.
Q. I saw you there. I liked it, too.
Mr. Gaston: I'd like to present the new president of the Press
Association, Mr. Sandy Klein, Mr. Secretary.
E.K. Jr.: How do you do? (Shaking hands)
Q. Thank you, Mr. Secretary, there's a report from Paris
that approximately six billion francs worth of gold
have been earmarked for shipment from this country to
Paris—that three billion has already gone in francs.
A. Do you mind talking my language?
Q. I didn't have a chance to do the figuring.
A. Say it again.
Q. Six billion francs, one billion and one-half—that's
a little over $100,000,000.
A. $150,000,000, is that right?
Q. Could you give us any idea as to how much has gone over?
A. Well, what's the story?
Q. Well, it appears that apparently a good deal of gold is
being shipped by this country to France and that a good
deal is earmarked. Can you give us any figure?
A. I can say this—that there will be a shipment of gold
to France this week.
Q. Will that be a net reduction in your gold fund or not?
A. Not necessarily, not necessarily.
Q. How much gold will be shipped, Mr. Secretary?
A. A little over $10,000,000.
Q. How long has it been since you shipped any gold abroad?
A. I don't know.
Q. A couple of years?
A. I wouldn't want to guess but Gaston will give you that. I don't know.
Q. Not over ten million?
A. It's a little over ten million—a fraction—ten and one-quarter million.
Q. Mr. Secretary, this one will be the first shipment that's going?
A. This will be the first shipment.
Q. Mr. Secretary, it has been obvious for some time that we have been releasing gold somewhere or another. How our export figures don't show any actual shipments.
A. It has been an exchange of earmarking.
Q. Could you say to what extent?
A. No, through the Stabilization Fund.
Q. This is a Stabilization Fund operation?
A. Now, wait, you're getting the questions mixed. Sandy Klein asked about gold and I'm saying that on Wednesday there will be $10,250,000 of gold go on the Normandie
to keep the currencies as stabilised why France
contracted for gold in order to keep her currency from
fluctuating.

Q.
Did you receive any private inquiries for sales of gold?
A.
Not here, I don't think so. I haven't received any.
I can answer that. And may I just say that we had for
the first time a demonstration of the tripartite agree-
ment working in conjunction with our sterilisation
program.

Q.
Well, it isn't determined yet whether you will buy bills
in the open market because you don't know whether there
will be a net reduction in the gold or not?
A.
Will you hold your thought for just a minute and I'll
come back to it. I just simply want to say that we've
got a billion and a quarter dollars, roughly, in the
sterilisation program which we can draw on if this gold
movement should continue to move to the other side, and
I want to say that we will let gold go willingly. I mean,
that's what the sterilisation fund was set up for.

Q.
What will you do with the money you receive for this gold?
A.
We will do just what we said in our announcement under the
sterilisation program and that is that we will let bills
run off or it means that we will borrow less.

Q.
Will there be other shipments, Mr. Secretary, than this?
A.
I don't know.
Q. I was just wondering if other shipments were planned.
A. I don't know. I mean, I'm giving you—Sandy Klein asked me a question and his Paris office or somebody got a little excited and got their millions a little bit mixed, I think, and that's why I'm giving you this figure.

Q. What is this figure in francs, Mr. Secretary?
A. Well, I mean, the franc rate is 3.41; you can multiply; the franc is worth 3.41. I roughly used 3 1/3 for quick --.

Q. What will they use to pay for this gold, Mr. Secretary? Their own currency or will they have to pay for it in dollars?
A. They will pay for it in dollars.

Q. This shipment, would you say, was the result of operations by the French control?
A. To keep the franc from going too high. And they sell francs and buy dollars and turn the dollars into gold—that keeps the franc from going too high—sell francs for dollars, take the gold for dollars.

Q. When you said you were willing to see gold go out, would you also say you were glad?
A. You use that word, if you don't mind.

Q. Mr. Secretary, could you tell us whether any other countries have indicated they want to purchase gold here or if any shipments are arranged?
A. They either do or don't and that's all I can tell you today.

Q. France is the only country that has asked for it today—is that correct?

A. No, I said that's the only country I can tell you about today.

Q. Could you give us something for our background? You seem to know something.

A. Well, I've always been truthful with you fellows and I always will. Don't press me on that because I've gone as far as I have to help you out and don't press me on the other thing. And inasmuch as the French had something, I didn't want to get this thing—talking about billions instead of millions—and don't press me any more today on that. And, as a matter of fact, that's as far as I can go today.

Q. Mr. Secretary, what does this mean in terms of domestic economy? What should it mean to the security holder? Is this a flight away from the dollar?

A. Inasmuch as we have the sterilisation fund to act as a cushion against just this kind of a situation, I don't believe that it means anything, and if you care to take the trouble to look at the letter which I wrote Senator Vandenberg on September 25th, 1936, I went into considerable
detail at that time on just this particular phase.
How we borrowed a billion and a quarter dollars to
sterilize an equal amount of gold just against this
sort of a contingency and I don't believe that
on account of having all of this gold sterilized it
will have any internal effect.

Q.
You seem fairly convinced that this is going to result
in a net reduction in gold. You seem in this discussion
convinced that these releases of gold will be larger
than receipts of gold from other countries.

A.
You asked me if it would show up in a reduction of
sterilization and I said I wasn't sure but I thought so.

Q.
In a reduction?

A.
I believe it will show up in a reduction of the steril-
ization fund.

Q.
In a few days?

A.
Yes. I said I believe so. Tomorrow there might be another
situation, might be, which would offset this, but I don't
believe it and to have actual—it takes until the thing
goes in and they deliver it and pay for it—it takes
a number of days but I believe this thing will show up
as a reduction and that's why I can't make a flat statement.
Does that take care of you?
Q. Sure. Mr. Secretary, you mentioned the sterilization fund acted as a cushion against this sort of thing—did you mean sterilization or stabilization?

A. Sterilization.

Mr. Gaston: Inactive gold.

Q. Well, release of earmarking is, of course, the same thing as outward shipment, isn't it?

A. Not necessarily.

Q. In its essence it means the same kind of transaction caused it?

A. That's perfectly true, but we don't know, I mean, until we match up what other countries do—gold from Japan, for example—until we match these things up, we don't know what our net position is. That's why I can't be so positive.

Q. You only sell gold to countries under the tripartite agreement, as I recall; is that correct?

A. No, I think not. I think we have sold gold to any fiscal agent of any government.

Mr. Gaston: There's a continuing agreement with five nations for machinery and others are a matter of special application and consideration.

H.M.Jr.: But I wouldn't want to say, it's only the five countries included in that.

Q. With the five countries it's automatic?

A. Yes, with the five countries it's automatic.
Q. Mr. Secretary, you said once before that the Stabilization Fund never made any purchases of foreign currencies. In other words, that would mean that there wouldn't be any francs there that would be liquidated?
A. I mean, we've got to make them, but in the same day we would convert into gold.
Q. But you never have a net acquisition that you carry over in a foreign currency?
A. Never is --.
Q. Substantial?
A. Substantial is perfectly correct. If it would make you any happier, I will say that as of tonight we have no foreign currencies of any kind.
Q. Could you say whether you have had any special applications for outward shipment?
A. If you don't mind, I'll put it the other way. We have not refused any government or their fiscal agents any applications to buy gold this week or last week.
Q. Is there any chance that you will let private individuals export gold?
A. I doubt it.
Q. Mr. Secretary, can you say whether this gold will come from Fort Knox?
A. I think we've got enough in either New York or San Francisco to take care of considerable gold. We've got a large amount both in New York and San Francisco.
Q. Mr. Secretary, can you say anything about the unusual developments in foreign exchange in the last few days?
A. No.
Q. The gold price going up to this point?
A. No. All I can say is we have been preparing for this situation for several years and now the situation has come about and the Treasury is fully prepared to meet it.
Q. There have been reports of the further devaluation of the dollar. Some of the advance in gold price is attributed to that as well as to strengthening of sterling.
A. Well, if you don't mind, without being at all personal, I don't think it's worth answering that rumor today.
That's for you, impersonally, if you don't mind.
Q. Mr. Secretary, to skip to the domestic side, could you say anything about your conference at the White House today? Did it have any connection with the Hopkins visit?
A. No.
Q. You didn't discuss spending?
A. We always discuss Treasury affairs, which includes spending.
Q. Did you discuss business conditions?
A. The President and I just had a general discussion as we always do and also, as I always do, I don't say what it was.
Q. You and Mr. Hopkins sat down together on this?
A. No.
Q. Mr. Secretary, you are going to make a speech on spending next week, aren't you?
A. Wednesday night.
Q. Will we get advances here?
A. I think so and I think that possibly I will answer some of the questions that people have in mind in regard to the Administration's position on spending.
Q. Mr. Secretary, this conference today resumed speculation on the renewal of pump-priming, so called—there have been reports from time to time that renewed recommendations or suggestions on the part of some government economists that, in view of the business recession, the government ought to undertake more—to resume spending on a greater scale than the reduced scale which has now prevailed for some months.
A. Well, I expect to state my position officially on Wednesday night on that subject.
Q. Mr. Secretary, I don't quite understand the technical reason behind this release in gold. Is it largely the price in London which makes export profitable or the fact that we no longer have gold in Europe available for earmarking? Even if we had gold in Europe available for earmarking would there still be this actual physical movement?
A. Do it again.
Q. As I understand, up to this time the exchange movements under the Stabilisation Fund has been handled through earmarking.

A. On both sides of the Atlantic.

Q. Now, there is actual physical movement. Does that mean the device of release from earmark has been exhausted?

A. Yes, it has been exhausted.

Q. That's on that particular day and at this particular time?

A. Duffield has it right. He asked a question—how the earmarkings of gold on both sides of the Atlantic—have they reached the point that they are exhausted so that now when they want to move gold they have to actually physically move it. The answer to that question is yes.
H.M. Jr.: We've got a nice rate on our bills today—120-days. This is the New York rate, not the country yet—.144 as against last week .204.

Q. Do you think that reflects the open-market operations of last week, Mr. Secretary?

A. I don't know. There will be a regular release later on when we get the figures for the whole country.

Q. Will you comment on that?

A. No.

Q. That's the lowest rate since last December, isn't it, Mr. Secretary, on any bill issue whatever?

A. I really don't know.

Q. Mr. Secretary, just a matter of a little technicality—to get the average price you deduct that figure you gave us from one hundred, don't you? That's the average discount.

A. Well, they always give you that technical explanation there.

Q. I know they do.

A. I'd wait until you get the full statement. Long rigamarole. Kilby will show you how he figures it. When he gets all through that's
the result, but if you wondered how he
figured it ---.

Q.  I just wanted it for use here.
A.  Kilby figures it.
Q.  Mr. Secretary, can you tell us how much
longer this bill series will run?
A.  As I originally announced, October and
November—that was my original announce-
ment.
Q.  Still goes?
A.  Still goes.
Q.  You wouldn't want to say whether they will
close?
A.  Nothing newer than the original announce-
ment as to October and November.
Q.  How much will the total be?
A.  I don't know. It's easy enough to figure
it out. I think I could guess four
hundred, but don't take any guesses.
Q.  Mr. Secretary, in your speech the other day
you made some statement about broadening the
income tax class by creating new taxpayers.
Could you amplify that now? Do you mean you
favor broadening the income tax base by
lowering the exemptions?
A.  No, the Under Secretary, Mr. Magill, represents
me before the Ways and Means. He's there every day answering questions and explaining and I doubt if I will do any explaining other than what Mr. Magill does for the Treasury, unless I'm asked to come up on the Hill.

Q. I mean, how do you feel about it personally? You made that statement in the speech and it's subject to varying interpretations.

A. Well, I'm sorry, but except before either committee in the Senate or the House I'm not going to amplify it. I don't mean to sound definite, but I feel definite on it, if you don't mind.

Q. Do you think our gold exports are temporarily at an end?

A. I really don't know.

Q. How was the dollar today?

A. Very good, thank you; temperature normal.

Q. It didn't make 95.6? 

A. Right. Are you and I both blushing!

Q. Have you been invited to the Hill yet on this tax matter?

A. No.
Q. Mr. Secretary, in your speech you recommended against any new taxes; does that include processing taxes for the farm program?

A. I think I'll have to stick by my previous statement. Anything that I say in addition on taxes, why I'll wait until I'm invited to come up on the Hill and say it before either the Senate Finance or Ways and Means.

Q. Mr. Secretary, could you say why Mr. Oliphant isn't appearing before the House committee on this tax revision? I understand that was his baby originally.

A. Well, last year we didn't have anybody who could take charge of representing the Treasury exclusively on the Hill and both Mr. Oliphant and Mr. Haas took that on in addition to their regular work. Now we have Mr. Magill added to the Treasury and that's his exclusive responsibility. And that's why Mr. Oliphant and Mr. Haas are not appearing on the Hill this year. Or Mr. Helvering, for that matter. They all pitched in and did what is usually done by an Under Secretary. I didn't have an Under Secretary for a year so Mr. Oliphant, Mr. Haas and Mr. Helvering—all three of them—went up and represented us.
and now that we have an Under Secretary and have one whose particular training is taxes, why that's his particular responsibility. So no longer will you find either Mr. Oliphant or Mr. Hass or Mr. Helvering on the Hill. I saw his wink.

Q. That was to me. (Laughter)
A. That was an intercepted wink.

Q. I'd hate to tell you what we were thinking about.
A. I'll write it for you.
Q. I'll bet you could.
A. Where were we?
Q. We'd like to get an elaboration on your tax speech.
A. I think you gentlemen will have to wait.
Q. Did you talk to the Executive Committee of the Federal Reserve Open Market Committee before this buying program was begun?
A. That decision was made last September.
Q. I know, but they were meeting here last week and I wondered if they consulted with you.
A. The only thing that stands out in my mind, naturally—we talked it over when they made the announcement last September, so I don't just remember. There was no reason why they should. The decision was made September
12th, wasn't it? In other words, it wasn't new business.

Q. Thank you, Mr. Secretary.

A. I miss Sandy Klein's thank you.
TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, November 15, 1937.

Press Service
No. 11-68

Net market purchases of Government securities for Treasury investment accounts for the calendar month of October, 1937, amounted to $3,746,000, Secretary Morgenthau announced today.

--c0c--
Q. You'd better hide that gum until the pictures are taken.

H.M.Jr.: All right.

Q. Any more gold shipments, Mr. Secretary?

A. No, no.

Q. No? No more gold shipments or just reluctance?

A. I was trying to think. I thought you were a columnist.

Q. Yes, I'm bashful.

A. I haven't anything. You fellows have nothing either!

Q. Mr. Secretary, there have been some published reports recently of a pending trade agreement between the United States and Great Britain and I wonder in the negotiations that are apparently now under way have there been any discussions of war debts?

A. Well, that's all over—the whole question of trade agreements is with the State Department and you'll have to get your information there.

Q. Have you been consulted in connection with the trade agreements?

A. Well, I think our people sit in with them and we have a regular working arrangement with the State Department.

Q. Your phase of it would be debt then, wouldn't it?
A. No, it would not.

Q. Could you explain to us what the Treasury officials would be doing?

A. Oh, they have this interdepartmental committee and it has been set up for a couple of years—Taylor and Haas and different people. It's on the question of customs and countervailing duties and revenues—I mean, after all, revenue—you either lose or gain revenue through customs so we sit in on it and the two departments work very closely together on all of these things. When I've got anything in the international monetary field we have somebody from the State Department sit in with us—Dr. Feis usually—and Mr. Taylor goes over there. So the two things work out so each department knows what the other is doing. As to details, whether it's war debt or anything else, any information on that will have to come from the State Department.

Q. How detailed were your conversations with Harrison yesterday?

A. I told the boys it mainly centered on whether we should have coffee or tea and coffee won. I have a policy that when I go up on the Hill I like whoever I'm calling on to do the talking and he gave quite
a full statement. It's all right with me.
When I go up on the Hill as guest of a Senator or Congressman I let him do the talking.
Mr. Secretary, my understanding is that the Treasury feels if there should be any broadening of the income tax base it should be accomplished by working on a basis whereby some of the hidden taxes should be removed to economize.
You weren't here last time so I'll repeat: Any detailed discussion of what the Treasury's position is on taxes—Mr. Magill is representing the Treasury on the Hill before the committee and anything that we have to say on taxes will be said by Mr. Magill before either Ways and Means or Finance, unless they should ask me specifically to come up or something, so, pending that, Mr. Magill will do the talking for the Treasury.
Q.
Yes, but I'm thinking of Senator Harrison's conference yesterday. There was some discussion of the tax base.
A.
Naturally, we had a discussion and Senator Barkley sat in part of the time and Senator Harrison wanted to bring himself up to date and so did Senator Barkley. It was just the whole tax question and we went over and they asked us questions and Magill was there so we answered their questions—they wanted to be brought up to date on what was happening in the tax field.
Q. Not to quote you then, Mr. Secretary, is my attitude correct that that is the attitude — —?
A. No, no.
Q. You mean you won't talk about it?
A. Right.
Q. Didn't you say that in your speech?
A. I made a very definite statement in my speech.
Q. It wasn't so definite.
A. Well, I indicated how I felt, which way I'd like to see it go. I talked about broadening of the tax base— I indicated how I felt. But what I don't want to do because it's a very serious subject—I don't want to, just in an offhand manner, amplify that talk. As I say, Magill is up on the Hill every day with a group of Treasury experts and he's testifying every single morning and I just don't — —.
Q. The reason I say it wasn't definite there was some discussion among correspondents as to what it meant.
A. I tried to, in that thing, to explain the Treasury's philosophy towards the general subject of taxation. How successful I was I don't know, but I did try to be specific and I did try to indicate our attitude toward taxation and the taxpayer.
Q. I got a very definite impression.
A. I thought, at least as far as our attitude went, it was a definite statement without getting into rates.
Q. Mr. Secretary, have you ever expressed an opinion on the sales tax in the past?
A. I don't think so.
Q. Can you express one now?
A. No, thank you.
Q. Do you have any estimates there of how much you'll have to disburse in the way of unemployment benefits, either in the first three months or six months of next year?
A. You mean through Hopkins' organisation?
Q. I meant through the Social Security law--22 States, as I understand.
A. Oh, yes, we must have very definite estimates.
Q. I just wondered if you could tell us how much--there are stories being written about these as cushions for the business depression.
A. I don't know. Of course, we have estimates. Let Geston take a look and see. I don't know whether he can or can not give it out, but we must have estimates in connection with our financing. It's an important item. All right?
Q. Anything on silver, Mr. Secretary?
A. No.
Q. The discussions are under way, aren't they?
A. On silver?
Q. Yes.
A. No.
Q. Nothing at all?
A. Not a thing.
Q. How many days before Christmas?
A. How many days before December 31st. No, not a thing.
Q. Is there any change in that Brazilian monetary agreement in view of that situation down there?
A. No, they never availed themselves of it in any form.
Q. But the agreement is still on?
A. It still stands. They have never availed themselves of it in any form.
Q. They could come in tomorrow?
A. I think so. I don't think there's any time-limit.
But, as I say, they never availed themselves of that agreement.
Q. You said there are no discussions on silver—you mean with outsiders. The thing is being studied in the Treasury, isn't it?
A. Yes. All right?
Q. Thank you, Mr. Secretary.
H.M. Jr.: All right, gentlemen.

Q. Mr. Secretary, are you considering the desterilization of any more gold?

A. I don't care to answer the question.

Q. That, you know, always carries an inference; you are usually ready with denials.

A. Well, I said I didn't want to answer the question, didn't I?

Q. Yes, sir, but I'm just warning you.

A. All right.

Q. A lot of copyrights tomorrow. Can you tell us whether there have been any more exports since the recent ten million shipment?

A. No, if there were we'd have told you.

Q. It seems every time the French people get a liquid urge they draw some gold as a political expedient.

A. Very much off the record, I think that's unkind and unfair.

Q. Well, Chautemps did that once before after an election—got the jitters and called some gold.

A. I still say, very much off the record --.

Q. Good politics, Mr. Secretary.

A. Well, we don't mix our gold and our politics.

Q. It's different in France.
A. The French situation has steadily gotten better since the 17th of October. This is not for quotes, please.

Q. Mr. Secretary, have you invited any of the Executive Committee yet?

A. Yes. Which one?

Q. Of the Federal Reserve Board.

A. For the benefit of the Board—the Executive Committee of the Open Market Committee of the Federal Reserve Board of Washington, D. C., are invited to come here on the 1st of December. How's that?

Q. That's very good.

A. I'm glad I learned my lesson. December 1.

Q. To when?

A. December 1.

Q. Just a one-day session?

A. As far as I am concerned—get it from the Board. Have they announced it? I think they will have other sessions of their own, as far as their meeting with us is concerned. December 1.

Q. Is that on the financing?

A. That's on the financing.

Q. Would you clear up whether you mean to offer these March bills through this month? It makes a little difference of one issue or not. It makes a difference
of one issue this month or whether you are going
to offer one this month.

A. I recently offered as to October and November,
didn't I

Q. That's right.

A. Well, the last bill will be offered on Monday the
22nd to be paid on the 24th.

Q. Then there won't be one on December 1, according
to that announcement.

A. No. What is today? Monday?

Q. Yes.

A. You boys won't be here Thursday, will you? For
your sake I'll go to the front to clear up the
point which Mr. Duffield has made. There will be
another offering on the 29th of November to be paid
on December 1.

Q. You won't say whether that's the last?

A. Then we'll meet again on the 29th and then I can
tell you on the 29th what we will do for that week.
On account of this being Thursday, on the 22nd we
will make another offering a week from today on
March bills. All right, Mr. Duffield?

Q. Mr. Secretary, could you say anything concerning
silver?

A. No, I think last week, or whenever I saw you gentle-
men, I said we were studying it. That still holds true.
Q. Are you studying it with any outsiders?
A. None.
Q. None? As a matter of fact, you are probably not going to make any move to revive the London Silver Agreement when it expires.
A. Well, the study is still within the Treasury family—that's accurate.
Q. No change in the Brazilian bank status?
A. No.
Q. How about the reported token payments by Great Britain?
A. Well, all I know is what I see in the papers.
Q. How about Harle Cochran's visit here?
A. He does that about twice a year.
Q. I just wondered whether it had any special significance.
A. No.
Q. Coming in here at this time?
A. No, it hasn't. It's just that it happened to be a quiet time in France—he could get away and "fresh up" on what we are doing.
Q. Let's go from France to crime.
A. You went from gold to France and now from finance to crime. Who has committed one?
Q. Attorney General Charles Margiotti of Pennsylvania is coming down here tomorrow to ask the aid of Federal
officers in connection with his drive against vice and he said he was going to ask the Treasury to help him in attacking through income tax investigation. That is, get after some of the crooks in connection with his income tax returns.

A. I refer to my vice expert.

Q. All right, Mr. Gaston.

A. I didn't even turn, Herbert. Can you hand it back to them?

Mr. Gaston: I think we are always glad to cooperate to clean up a local vice situation, insofar as we can, within the limits of our authority and responsibility.

H.M. Jr.: Now what comes after vice?

Q. Mr. Secretary, Mr. Willingham of the Federal Alcohol Administration is resigning December 30th. Are you considering a successor?

A. I think the law reads that the chairman of that organization, Mr. Alexander, recommends appointments and I simply can say yes or no. I think the recommendations have to originate from him and I have received no recommendations. I know I have received none. But I think they have to originate from Mr. Alexander. I haven't received any.

Q. How about this gold sterilization? Can't you tell us something about that?

A. There you go! I gave it to you--you threaten me with an expose--I don't fall for that. And then you're not satisfied.
Q. He's giving you a chance.
A. Great!
Q. Apparently there's something afoot because you usually say yes or no.
A. I'm just as truthful.
Q. Meaning what? You don't know anything?
A. Just what I answered.
Mr. Gaston: I don't think you have ever made any advance commitment of what you were going to do.
Q. Never hurts to try, though.
H.M.Jr.1 The point is this: I didn't give him a story and he isn't satisfied, and if you want to be a little bit facetious there isn't any story.
Q. Mr. Secretary, is there any serious consideration of changing the gold content of the dollar with the hope of changing the price situation? Quite a lot has been said about that recently.
A. I'm not even going to answer that, if you don't mind. I don't want to even bother on that. I'm not going to answer it.
Q. Well, you weren't joking on the other one. You just said you weren't going to answer it.
A. Yes, and Duffield tried to egg me on and then realized there was no story on that and the other one, I just said I didn’t wish to answer.

Q. That’s a change from “no comment”, and I didn’t know what to make of it. If there weren’t anything to it you’d say “no.”

A. What did I say, Duffield?

Q. You said you didn’t care to answer that question.

A. I think in cold print that’s a denial.

Q. No. That permits me to ask the next question: When are you going to desensitize gold?

A. Everybody happy?

Q. Thank you, Mr. Secretary.
H. W. Jr.: To those of you who are interested in financing we will continue to sell this present series of bills up through the 15th of December which will make a total of $450,000,000 of this particular series.

Q. Four fifty?
A. Four fifty.

Q. They will all mature on March 15?
A. Well, I think it's 15th, 16th and 17th, but we say the tax date.

Q. That will make four hundred million of the series?
A. Four hundred fifty million of the present series. It goes through—it will be offered on the 13th and paid on the 15th of December—it makes four hundred and fifty million of this particular series. Check, everybody? That's about all I've got.

Q. Can you say what you will do with regard to bills maturing after December 15th?
A. No, but I will tell you that on Thursday morning.

Q. Mr. Secretary, this is still to be $50,000,000 a week?
A. $50,000,000 a week, up to and including the 15th of December.

Q. Have you gotten down to considering the problem of silver yet? You've got a month now.

A. Well, when did I say we would decide that?

Mr. Gaston: Midnight, December 31st.

Q. Well, I'd like to know whether there are any discussions with outsiders --.

A. What do you mean by outsiders?

Q. Well, say with representatives of other countries.

A. No, I haven't had any discussions with anybody outside of the Treasury—I mean, nobody outside of the Treasury.

Q. Have any members of the Treasury staff had discussions with anybody outside the Treasury?

A. The answer to that is "vegetable, mineral, or—what's the other?"

Q. Spinach.

A. All right—that goes.

Q. That wasn't an answer though.

A. Well, it was good enough.

Q. It was like a hog-call.

A. What do you know about that? You lived in Dutchess County?
Q. I know we had hogs about five miles outside of where I (Klein) lived, Mr. Secretary. Mr. Secretary, how much will you tell us about financing on Thursday?

A. I don't know.

Q. But you'll have something.

A. Yes, I'll have something.

Q. Will it be for publication on Thursday?

A. No, the regular formal announcement you men will get Saturday noon for Monday morning release.

Q. Mr. Secretary, do you think things look rather gloomy for next March 15th on account of the business depression?

A. I think I'll go back and talk to Klein.

Q. No, I'm just a member of the working press. (Klein)

A. I see. I don't want to answer that.

Q. You don't think so?

A. What?

Q. A lot of stock market losses, etcetera.

A. Thanks very much.

Q. Mr. Secretary, will you have some announcement regarding the financing on Thursday morning?

A. I don't know. I'll tell you what kind of bills we'll have to offer when this series
is through. That I will be able to tell you how much more, I don't know. But the formal announcement will be given to the press Saturday noon for Monday morning release.

Q. Can you say now whether there's any chance of including those February notes?

A. No, I can't say any more beyond what I just told you.

Q. The reason I asked, Mr. Secretary, was that in times past you've made some prior announcement giving an indication.

A. I know but I can't say any more than what I have said. All I can say today is that the formal announcement will be ready Saturday noon.

Q. And by bills you mean you will tell us then whether or not you will run a series against June or whether you will revert to the system--

A. All I can say is what I have said. I have nothing else to say on financing.

Q. Mr. Secretary, has there been any gold left since the middle of last week—exports?

A. No today? I'll confine it to that.

Q. How much gold are you going to de sterilize?
What have you fellows been doing all day? Eating raw meat or something?

Can you say anything more regarding sterilization, Mr. Secretary?

No.

Mr. Secretary, is sterilization going to be considered in your discussion with the executive committee?

I really don't know.

Mr. Secretary, can you say whether it would originate with you in that discussion? Of course, you can't tell what they may want to talk over with you, but do you want to talk over sterilization with them?

I'd rather not say anything on it, if you don't mind.

Mr. Secretary, would you comment on the relation of the President's highway recommendations to your November 10 speech?

Well, I don't know how to answer that one.

I guess it speaks for itself pretty well. The President said it was consistent with what you said in your speech.

There's nothing I can add to what he said Friday.
Q. What I was getting at was this: After what you said, your November 10 speech, as Secretary of the Treasury, was in a vein of recommendations—then the President's highway comments looked like practice of those recommendations, at least in one respect.

A. I wasn't at the President's conference but didn't he say something about that at his conference? Were you there?

Q. Yes.

A. Do you know what he said?

Q. Yes, he said his recommendation on highways was consistent with your speech. He rather dodged any questions about carrying out other phases of it and said they were budgetary, naturally.

A. If you don't mind, I don't want to add anything to that.

Q. Mr. Secretary, the Famous Brands case is now back with reports that Mr. Harper has been asked to resign his Secret Service job out in Cleveland. Have you anything recent on that?

A. Let's see. You're Cleveland, aren't you?

Q. That's right.

A. Well, we promised you a story whenever it was
ready. It hasn't come to my desk. For your information, off the record, both Harper of the Secret Service and the Customs man—what's his name?

Q. Pollock.

A. Were given whatever is the usual number of days to answer charges and whether those days are up now I don't know, but it hasn't come to me. But we did give them formal charges and they have a chance to answer them.

Q. Is that some time ago?

A. I don't know. If you say it must be at least a month. It seems so to me. Do you want it morning or afternoon?

Q. Afternoon. There's nothing could be done about the third member of that group?

A. No, he resigned.

Q. He's still getting paid by the Government.

A. True.

Q. Mr. Secretary, I understood that you had settled your differences with Mr. Pollock and that he was going to make a few payments.

A. Well, all I know is, as I say, I'm talking now off the record because we are not ready—as I understand it, these men were presented with formal charges—I think they had thirty days to answer. Now pending that answer I don't
think it would be fair to them for me to say anything. They may be able to explain or give a perfectly good answer and in fairness to them we ought to wait until that time is up and as soon as it is up we will make public whatever the findings are. I just want to be fair to those men.

Q. Could you make charges like that if they didn't actually violate the regulations?

A. It's a long story. I don't know how much these other men are interested, but Gaston can get you the whole story. There's no secret about it. It's a long detailed thing. If you're interested, Gaston will get it for you.

Q. Mr. Secretary, the Executive Committee will come in Wednesday, will they?

A. Wednesday at eleven o'clock.

Q. Will that be in connection with the meeting of the full committee of the Open Market?

A. I think it's the Executive Committee of the Open Market Committee coming over and talking about what our mid-December financing will be. No, as soon as we have anything on silver, for everybody's sake, I'll say so, but we just haven't done anything on it.

Q. The thing is, Mr. Secretary, that I've gotten some queries on it and I have a feeling and
I do believe, there have been some outsiders discussing the matter here with some members of the Treasury staff. Outside of the staff, that's the thing I was trying to get when I got the "vegetable, mineral" answer.

A. Well, the answer is that, as far as I am concerned, there's nothing on my desk pertaining to silver. I, personally, haven't done anything about it at all. Now I can't talk for the employees of the Treasury and nobody in the Treasury has talked to me about it, so I can tell you that. So I am simply going to—the chances are—wait until the end of December. How does that help you out?

Q. A little bit.

A. Well, you are getting the facts.

Q. Do you expect to have more than one meeting with the Executive Committee?

A. No, just one.
This is the program: On the 15th of December we will pay off with cash the $450,000,000 worth of bills which are maturing. We propose to offer $450,000,000 of new government securities and we expect to offer the February 2 5/8 notes, of which there are $277,000,000, the right to subscribe to whatever the December offering is. And then starting on Monday, December 20th, we expect to offer $50,000,000 of 90-day bills. I'll be glad to do it once more if you'd like me to. Would you like me to do it again?

Q.

Please. Yes, sir.

A.

All right. The $450,000,000 of bills which come due on December 15th will be paid off with cash. We also have $165,000,000 worth of interest to pay with cash. We expect to offer $450,000,000 worth of securities and the $277,000,000 of 2 5/8 February notes will have the right to subscribe to whatever the new offering is. And then starting on Monday, December 20th, we start a new series of $50,000,000 of 90-day bills.

Q.

Mr. Secretary, there's no new money over and above maturities contemplated in any of these things?

A.

That's right.

Q.

The $50,000,000 bills aren't extras—they're simply replacements.
A. Yes, they'll take the place of 9-months which are coming due.

Q. These will be 90-days?

A. 90-days.

Q. Why go back to 90-day bills?

A. Why? We think at this time it's a good kind of a bill to use. There's a great shortage of that kind of paper in the market and we think it's to the interest of the government to use that particular kind as an instrumentality.

Q. How long will this series run—this 90-days?

A. All I can say is I've given you the program for December, see. That's the December program.

Q. Mr. Secretary, could you tell us why you are not seeking any new money? Do you find your working balance ample at this time?

A. Yes, that's right. We don't need any. The answer is we don't need any more.

Q. With the income tax collections in December?

A. Taking it all in all, we don't need any new money.

Q. Mr. Secretary, the offer to the holders of the February securities — is that the same as the first $450,000,000 which you mentioned?
A. Whatever we offer of the $450,000,000—whatever those securities are that we offer—the holders of the February notes will have the right to exchange their February notes for whatever that might be.

Q. Mr. Secretary, do you believe this financing program will carry you through to March?

A. Well, it may, with one exception, depending upon our balances. We may offer—most likely will offer—in January bills coming due in June—the June tax date.

Q. Are those extras?

A. That will be $50,000,000 in addition to the 90-day bills. But as to when we would begin to offer the June bills would depend on what our balances are, you see—that would be the controlling factor.

Q. That would indicate, Mr. Secretary, that the bills you are going to offer in January will be of a longer maturity than 90-days?

A. Of course, that's right.

Q. They will be extras?

A. The chances are that we will continue—I don't want to commit myself beyond December—but the chances are that once we start this program of $50,000,000 a week of 90-day bills we will continue and then, depending on our balances, we will start some time in January offering an additional $50,000,000 of bills coming due on the June tax date.
Q. That would be new money—that later issue.
A. It would and it would not because we would be building up our balances to meet later maturities, so it would not necessarily be new money. As a matter of fact, everything I've said here—there's no provision for new money because, as I say, it isn't necessary.

Q. Mr. Secretary, this ends the sterilization rumors for awhile.
A. I'd say so.
Q. That is, you don't contemplate any sterilization, obviously, in view of this program.
A. What I've just said here is what the program is for December and I've indicated what it might be for January, but I'm making a commitment for the month of December, but I don't want to go beyond that.

Q. The sale of new bills in January against June would increase your working balance.
A. Yes, but then as our maturities come due in June —.
Q. Oh, yes. In other words, as bills come due in June, you might pay them off in cash.
A. Yes, just the way we are now, in December.
Q. Could you say whether one or two issues might be offered?
A. I said government securities.
Q. I know you did.
You know everything but that and I don’t know myself.

You’ve got the whole story except securities. I can’t explain what I mean by government securities because I haven’t made up my mind yet.

Q. Could you eliminate any of the things which have been speculated upon, such as certificates?

A. No, if you don’t mind.

Q. The Monday announcement will cover that?

A. Yes. You’ve got the whole story except what kind of securities they will be.

Q. When you make the announcement will it be for release Monday?

A. That’s right.
H.M., Jr.: We haven't got the financing announcement yet so after you read this (Statement by the Secretary re Hoover income taxes) I'd like to read it to you.

Mr. Gaston: The young lady put the wrong date in it; it's supposed to be Sunday, December 5.

Q. Did he say this morning he didn't have any complaint?

H.M., Jr.: He or anybody else.

Q. I understand that Professor Myers also has disclaimed making any such statement.

A. I've seen what all of the newspapers reported him to say and he certainly made the statement, and if he didn't then I think he ought to retract it publicly. He ought to publicly retract it.

Mr. Gaston: The Secretary is speaking here merely of what is reported in the newspapers—what is attributed to him in the newspapers generally.

H.M., Jr.: I think if Professor Myers did make the statement, in fairness to the people working in the Government, then I think Professor Myers ought to be man enough to withdraw the statement.

Q. Is this story part of the Hoover campaign?

A. As for the financing we are waiting—it's quite a job. I'll give you the details and the thing will...
be along any minute. As I said on Thursday, we are offering $450,000,000 worth of securities for cash subscriptions—$250,000,000 of them will be 6-year bond with a 2½ per cent coupon. The other security will be a 5-year note with a 1-3/4 per cent coupon. The February noteholders will have the right to subscribe to either one of these securities.

Q. You mean over and above the $450,000,000?
A. Well, that’s the $450,000,000; now there’s $277,000,000 worth of notes maturing in February and to the holders of those February notes we are giving them the right to subscribe to the bond or the note—they can have their choice.

Q. What sort of interest adjustment, if any?
A. We will pay the February noteholders up to and including December 15 the interest which the coupon carried, which is 2-5/8, and from the 15th on it will carry the new coupon.

Q. And those not refunded will be paid off February 1?
A. February 1 in cash.

Q. They will be paid on February 1.
A. February 1. Anybody who doesn't avail himself of this opportunity to convert, why we'll have the cash on hand to pay him off the 1st of February.
Q. Mr. Secretary, assuming that $100,000,000 of February noteholders wish to exchange for either one of these, that will increase the amount of the new securities by that amount?
A. That's right. By $100,000,000.
Q. The maximum is $727,000,000 of new securities with 100% conversion?
A. Well, if there was 100 per cent conversion and then we usually allot 10 per cent over in our own minds—we are figuring on about $750,000,000.
Q. How long since the last bond was sold?
A. It's just a year now. Am I right?
Mr. Bell: Yes, sir. The last bond was December 15, 1936, for cash.
Q. The last bond for cash?
Mr. Bell: That's right and in March there was an exchange issue offered for that same bond.
E.H.Jr.: But the last cash offering was just a year ago.
Q. That bond offering which was cash and the cash offering was 2½ per cent.
A. That's right.
Q. And was a 17-year?
Mr. Bell: 149-53; 12-17-year.
E.H.Jr.: That's the whole story. If anybody would like me to go over it again I'd be glad to. The details will be up any minute from the mimeograph room—it's a long job.
Q. For release Monday morning?
A. Only Monday morning.

Q. Any change in the bidding rules?
A. Everything is just the same, isn't it?

Mr. Bell: Just the same.

Q. The 1-3/4 per cent on the 5-year note—that's approximately the June rate, as I recall. In other words, you sold a 5-year note in September for 2 per cent.

E.M.Jr.: No, in September we sold a 4-3/4-year for 2 per cent, wasn't it?

Mr. Bell: No, 5-year for 2 per cent.

E.M.Jr.: 5-year for 2 per cent. Now we are selling a 5-year for 1-3/4 per cent.

Q. You sold a 4-3/4-year in June for 1-3/4 per cent.

Mr. Bell: That's right.

Q. Do you feel that in view of the existing level of interest rates that 1-3/4 per cent is the right price? I thought that was just a shade high.

A. No, I have worked very hard on this thing for a week and I feel confident that this offering will be well received by the investing public.

Q. What's the call-date on these bonds? You said they were 8-year bonds.
A. None. It will be fixed. It's like the 3½ of 1941. These mature on December 15, 1945. Will you discuss the significance of these 8-year bonds when you have been issuing longer term bonds right along?

A. Nothing, except that this is after a very careful survey of the whole market for over a week. We feel that this is the type and kind of security which will be well received by the investors at this time.

Q. Can you give us the yield today on any comparable securities?

A. No. I'll get Harrison. You can talk to him. He's got it all down as of the close. Herbert, let them see Harrison and he'll give it to you, as of the close.

Q. Thank you, Mr. Secretary.
The routine examination and audit of the income tax returns of prominent persons seems often to evoke surprise and concern among those who are ignorant of the ordinary procedure of Federal tax collection. Persons of a suspicious turn of mind may at once conclude that persecution is involved, if the individual whose returns have been investigated in the usual course is a political opponent of the Administration. This conclusion is illustrated by statements attributed by today's newspapers to Professor William Starr Myers of Princeton University as to investigation of the tax returns of former President Hoover.

I do not know whether Mr. Hoover's tax returns have been audited within the last four years, but it would be a surprising omission if they had not been. A high proportion of the returns of persons having taxable income have been examined and audited in that time.

The revenue agents of the Treasury Department investigate many thousands of returns annually. All returns showing net income of more than $25,000 in a year are regularly sent to the field for examination and verification. This is true also of all returns showing large transactions, whether there is tax liability or not; and of returns showing unusual features. In addition there is also investigation of many smaller returns on a sampling basis.

Errors are found in many of these returns. In many cases, additional taxes are assessed; in others there are adjustments in favor of the taxpayer. In only a small minority of cases is any wilful concealment of income or attempt to evade taxes discovered.
There is no stigma whatever attached to the mere investigation of a taxpayer's return, nor is there any harassment of the taxpayer involved. It is merely a necessary part of the business machinery of collecting the taxes.

I do not understand that Mr. Hoover himself claims that he has been persecuted or unfairly treated. If he or any other taxpayer, whether prominent or obscure, believes that he has been harassed or improperly dealt with, he need only report the facts to me and I will promptly cause a most searching investigation to be made. If I find that there has been persecution I shall see that the persons responsible for it are dismissed from the Government Service.
H.N. Jr.: Well, we are announcing the closing of the books on the cash offering tonight, and the issue was entirely successful and most pleasing. The bonds—based on previous experience, on the evening of the first day of the offering—the bonds were oversubscribed fifteen times and the notes eleven times, which would mean that in the case of the bonds there would be a seven per cent allotment and in the case of the notes a nine per cent allotment.

Q. Those allotment figures are tentative, of course.

A. All tentative. As I say, we have simply made an estimate based on previous experience as of the first night. Now we may be off one per cent either way; we may be off one per cent either way. We are basing it on previous experience. And as to the exchange we will close the books on that on Wednesday night.

Q. Wednesday midnight?

A. Wednesday night, yes, midnight. There will be a formal release for tomorrow morning which Mr. Gaston just put into the machine for tomorrow morning's papers or for immediate release?

Mr. Gaston: Tomorrow morning's newspapers.

Q. All this for tomorrow morning?

Mr. Gaston: I think it had better be all for tomorrow morning because San Francisco is still doing business and there's plenty
of chance to put subscriptions in the mail yet.

E.M. Jr.: Tomorrow morning, please.

Q. Mr. Secretary, you say seven per cent on the bonds and nine per cent on the notes. It will be a little more than that if you allot ten per cent of the offering.

A. These figures are tentative and, as I say, there may be a one per cent variation either way, depending on how they come in. We won't have a formal announcement as to allotment until Friday morning. I mean, the chances—it may vary either way, one per cent either way.

Q. Do you still plan to allot ten per cent over?

A. I can't tell, but these figures, after going over with Mr. Bell and Mr. Kilby in order to give you the best we can, as of the first night, based on previous experience, this is the best estimate we can give you, and, as I say, it may vary one per cent either way, but it's a good day's work, I think.

Q. Is this a record for oversubscriptions?

A. I don't think so. Kilby says that we had one other issue that was as good as this.

Q. Can you say when that was?

Mr. Kilby: September, 1936.

E.M. Jr.: September, 1936—it was about the same as this. He thinks it was about the same.
Q. Mr. Secretary, can you give us any background or anything on the record about what happened in the silver market today?

A. No. On the record or off the record?

Q. Nothing?

A. No, I just—the only answer I have is that there are more people that want to sell silver than want to buy it—there was on this day anyway.

Q. Are you going to keep on buying for seventy-seven cents after New Year's—domestic silver?

A. I can't answer that because I don't know. Until the President gets out his proclamation I don't know how to answer that question.

Q. Mr. Secretary, could you tell us the purpose of the Internal Revenue Bureau's order requiring taxpayers with $100,000 income or more to make a list of their capital assets?

A. The reason for that is that we don't have sufficient information about people in that class and we thought it would assist both the taxpayers and ourselves in arriving at correct conclusions as to what they should pay and some of these cases are expensive for the government and expensive for the taxpayer and if we have this information on hand, why, I think it will make our audits considerably simpler and will make it that much easier for the taxpayer. He might perfectly well think that we had this information, but in most cases we don't, and the only object is that we can audit his returns that much quicker and more intelligently.
Q. Mr. Secretary, then the desire for the information doesn't flow out of any consideration of the tax on capital assets?

A. No, it's simply absolutely as I have stated. In many cases we have put the taxpayers to considerable expense to have auditors and accountants and in many cases the government—I happen to know of one case now that's costing the Government several hundred thousand dollars to get the information—where if we had that information, it would all be available. I think in the long run if any taxpayer was in that class I should think he would welcome the opportunity. It's confidential and it simply assists us—confidential the way all information is—in arriving at the conclusion as to what the just tax should be and there's nothing else behind it other than what I have just absolutely stated to you. Does that give you the answer?

Q. In other words, this is a move to increase the efficiency of your administration of the present tax.

A. Absolutely, and at the same time, it ought to make it much easier for the taxpayer.

Q. Mr. Secretary, in this connection, is there any penalty on the taxpayer who refuses or fails to file one of these returns?

A. It doesn't come to that question. I don't know what the law is, but, after all, the Treasury Department is
charged with the responsibility of auditing these returns and, as far as I know, nobody has yet raised the question that we are not entitled to all the information we need in order to audit the taxpayer's return--nobody has raised that question.

Perhaps not formally, but I have received many queries regarding that and some of our other men have received queries regarding that and is there anything in the law which would impose a penalty for failing to file this information?

A. I don't know what the penalty is. If a man shouldn't file his income tax return or if he withholds information--

Q. I was referring specifically to this.

A. Whatever the penalties are for withholding information as to income from the United States Government--whatever that penalty is that applies, whether a man's income is $10,000 or $100,000, it's the same penalty.

Q. But this isn't information about income but about capital assets. Is there anything in the law requiring a person to file a list of his capital assets?

A. Before we asked for that we very deliberately took months of preparation and before we asked for it we were fully confident we were within the spirit and letter of the law to ask for it. Now we are charged with the responsibility of collecting revenue and if we'd have had that information
I doubt that the investigation last summer would have been necessary. And this has partly grown out of that investigation last summer—trying to trace funds to the Bahamas, and every place else. And I'm sure 99 per cent of the taxpayers will give that information because it's in their interest—it will save money for them and the Federal Government.

Q. Can we go back to silver?
A. Must we?

Q. A moment ago you said the information would be kept confidential. One of our colleagues today, in a piece he wrote, pointed out that such information filed with the Treasury Department has not always been kept confidential and cites the case last summer when such information about income returns and yachts, etc., were cast about for the whole world to see and he raised some apprehension about this. I wondered if you cared to comment about this.

A. All I can say is that the only reason for asking this information is the reason I have given you and we have absolutely nothing else in mind. And if you gentlemen knew the trouble and the expense that we have to go to—sending men around the world to get that information—you would see that this is in the interest of the government and efficiency and economy and common sense.
Q. You have to go around the world to check up on them any way, in some instances.

A. Yes, we do, but I think if we have this and I think it will save us a lot of money and to the taxpayer too. And I think 99 per cent of the taxpayers will give that information willingly.

Q. Back to silver, Mr. Secretary, could you tell us how much silver you bought today?

A. Yes, but I'm not going to.

Q. There was a report in New York that there was a million ounces bought in London today.

A. All I can tell you is we did buy, but I'm sorry, I can't tell you how much.

Q. If you should change that New York buying price would you let us know? It's always disconcerting when word comes from New York that the Treasury has changed its price.

A. If we should change it the announcement will come from this building.

Q. Still buying at approximately 45 cents?

A. Until further notice. Everybody moderately happy?

Q. Is there any chance that that silver information will come earlier than previously indicated? You said late in December.
A. My elbow doesn't say anything.

Q. Mr. Secretary, a little while ago, when Mr. Friedheim asked about the 77-cent price of silver, you said we wouldn't know until after the President issued his proclamation. The inference is, of course, that the President is going to issue a silver proclamation.

A. Well, that inference is correct, and as long as you are so meticulous, it's 77.57.

Q. Did you just look that up, Mr. Secretary?

A. I wanted to be 100 per cent sure because if I gave you 77.56 it would be wonderful.

Q. There's a four on the end of it too, Mr. Secretary.

A. Is there? Now I'm still. Is everybody moderately happy?

Q. Thank you, Mr. Secretary.
H. M. Jr.: Well, we've got some pretty good estimators here—on Monday—we now find that the gross subscription was $4,126,000,000, which was about sixteen times. And on the notes, $2,711,000,000, which is about 13 times. And the reason I used the word "gross" is that they haven't yet examined them all to see—there's always some that they throw out, you see. So before the market opens tomorrow morning we will announce to you gentlemen—we will give you a statement of what the allotment is and also what the conversion is. Mr. Gaston will give it to you, but that's the gross subscription.

Q. Does that include exchange, Mr. Secretary?

A. No, this is just cash. But on the exchanges and the actual allotments why he'll have it for you before the market opens tomorrow.

Q. That means there will be a prepared statement late this afternoon?

A. No, tomorrow morning, around 9:30 or quarter of ten because it takes all the night yet—they actually work through the night. When it's oversubscribed so heavily it's very difficult and we've got to examine every single subscription to make sure it's lived up to the rules. And that's all I've got. What would you gentlemen like to have that I could give you?
Q. Mr. Secretary, is the Treasury Department making any study of the Supreme Court decision last Monday with regard to perhaps taxing State employees and municipal employees?

A. I really don't know, but Mr. Geoton will inquire and if we are he'd be glad to let you know. I just don't happen to know.

Q. Mr. Secretary, Mr. Eccles indicated that perhaps you would have to revise your budget figures again this fiscal year. What would you say about that?

A. No comment.

Q. Mr. Secretary, would you comment on the Mellon tax decision? (No answer)

On that question is there likely to be an appeal by the Internal Revenue Bureau?

A. I really don't know.

Q. Mr. Secretary, considering conditions do get a little tighter with regard to taxes coming in, etc., is it conceivable that you still might be thinking of desterilizing some gold to use for pump-priming purposes?

A. What I did was when we announced the financing I gave you our program for December and there's no change as far as the month of December is concerned.
Q. That's as far as you will go?
A. That's much farther than I have ever gone before.
Q. But you are only talking through December?
A. That's all.
Q. What I'm getting at is the budgetary point of view—isn't it that gold does provide an emergency sort of cushion?
A. I'm not thinking along those lines.
Q. For business?
A. I'm not thinking along those lines. That's pretty important and I'd rather give you that for background and not to be credited to me, because it's pretty important and you ask me these difficult questions. For your own background and guidance, right now I'm not thinking—the Treasury is in a very nice position—we have ample funds (saying this for background). I'm not thinking about desterilizing and I'm not thinking about what may happen. There's nothing has happened since October 19th which would make us revise our budget estimates (this is all for background) and unless the President is sitting here and Mr. Bell with the President there's nobody who can or does know about the revenue and anybody who makes any
statement is talking for himself—this is for your guidance. There's nothing which has happened in the revenue situation since October 19th on the revenue figures which would make me or Mr. Bell or the President change those figures—that's for your guidance. When you get on this whole gold question—the gold question right now is fairly quiet and it is—people will be—I'm not talking about you men—but people in business, or speculators in foreign exchange and stocks—will have to stir it up. I'd like to keep it as quiet as possible. It's quiet right now and I don't want to be saying anything on the record to stir it up because there's no reason to. Our financing was a great success. There's nothing at present in the picture which would make me have to go to see the President, or Mr. Bell, to revise our estimates. There's nothing particular in the increase in the relief situation. In other words, everything is running about along the way that we estimated as of today. Now I don't want to be a party to adding to people's fears when it's unnecessary. There's enough of this loose talk around without my adding anything to it. Everything that I have said here is what you call for background. I have taken this trouble—I just didn't want to—.
Q. Thank you very much.
A. Is that understood, gentlemen?
Q. Can you go on further to answer if the tendency is still for gold to leave this country?
A. Again for your guidance, the gold continues to flow out.
Q. A net outward movement?
A. A net outward movement of gold, but that doesn't mean—again for your guidance—that there's a net sale of securities.
Q. Oh, no, I didn't mean that.
A. But there's a net outward movement of gold. As long as I'm so talkative today does anybody want anything else?
Q. We usually inquire—has there been any gold leave since that which left on the Normandie last night?
A. That's the last.
Q. That was five million, wasn't it?
A. Five million. I notice that Mr.—what's the writer's name?
Mr. Gaston: Mr. Ludwig.
H. W. Jr.: Mr. Ludwig missed the boat but the gold didn't.
Q. Thank you very much.
A. Is that understood, gentlemen?
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A. Five million. I notice that Mr.—what's the writer's name?
Mr. Gaston: Mr. Ludwig.
H. E. Jr.: Mr. Ludwig missed the boat but the gold didn't.
H. M. Jr.: I hope you gentlemen have some news for me because I haven't got much for you.

Q. Mr. Secretary, can you tell us anything about the Mexican Minister's visit?

A. Yes, he was here on his problems and I think he will be dropping in a number of times most likely.

Q. The next meeting is when?

A. Tomorrow morning, eleven o'clock, and I don't know if there will be any statement.

Q. If there is a statement, Mr. Secretary, could you say the nature of it so that we would know the drift of the conversations?

A. No; naturally it's financial.

Q. He didn't discuss silver, did he, Mr. Secretary?

A. Yes, we did.

Q. Well, what I had in mind—a statement such as has been announced in the case of one or two other governments.

A. Well, I don't know, see. I mean, I don't know what will come out of these conversations.

Q. Mr. Secretary, did the discussions concern also the question of exchange as related to their oil exports?

A. Well, that's one of my reasons for being hesitant. He's come up here on things that not only affect the Treasury but also affect the State Department. This
may be like when the Minister of Finance of Brazil came—this may be a joint statement from both departments; but he is also seeing the State Department; just how the publicity will be handled, if there is any, I don't know yet.

Q. Mr. Secretary, Mexico is a signatory to the London Silver Agreement, isn't she?
A. Yes.

Q. Was that discussed at all?
A. Well, we discussed silver in general.

Q. How about renewal of that treaty?
A. As a matter of fact, he did not bring it up.

Q. In other words, silver was not discussed in connection with that treaty or the expiration of that treaty?
A. No.

Q. Is he afraid that the price is going down?
A. I'm afraid that you'll have to ask him that.

Q. Did he tell you?
A. I think you'll have to ask him that. The last of those series of bills sold at a little bit better rate than last week. The New York rate, which is not the rate for the country, is .127 as against last week .131. A little later on Mr. Gaston will have a release for you on it, when we get the figures for the country.
Q. That's the last of those maturing on March 15?
A. This is the last one of the March series.
Q. Mr. Secretary, you have said in the past that in times of some big international upheaval or in an international crisis, why you make it a practice of keeping a working balance at a fairly safe level.
A. Yes.
Q. Do you contemplate increasing your working balance at this time?
A. Well, we won't make that decision until after the 1st of January, because at that time we will begin to consider when and if we will sell bills for the June tax date.
Q. Will you also consider gold sterilization, Mr. Secretary?
A. Oh, no. I gave you a nice talk the other day.
Q. I tried my best to get that into print but it just wouldn't work.
A. It wouldn't work?
Q. If we could only quote you on it it would be much better. Mr. Secretary, you said at that time, very pointedly and clearly, that you were speaking for the month of December.
A. Well, this is what—December 13th? If you don't mind, I'll keep off that. I went into great detail on it. The situation today is no different than at the last press conference. I don't think it's necessary to go
over it once more, if I say the situation is just
the same as when I talked to you the last time.

Q.
We had the impression that you would consider after
January one whether to sell bills or desterilize
gold.

A.
Well, don't go off on the limb on that one, just for
your own sake.

Q.
Mr. Secretary, you said at the last press conference
that you were contemplating the issue of extra bills
for cash;—that is, after the 1st of the year.

A.
Well, after the first of the year we will take a look
at our balance and at that time—some time in January—
we may begin to sell bills due on the 15th of June,
depending on our working balance.

Q.
That would be an extra fifty million each week?

A.
That would be an extra fifty million each week.

Q.
Do you know whether the gold clause case today is the
last pending before the Supreme Court?

A.
I think so, but Mr. Gaston will check up for you. I
know the General Counsel's office feels very much
pleased. It means we can, if we want to and at the
proper time, call five billion dollars worth of govern-
ments, when the call date is due, but it isn't due now.
But the General Counsel's office, I know, worked very
hard on it in conjunction with the Attorney General.
Q. Did you say five billion dollars?
A. There's five billion dollars involved.
Q. Mr. Secretary, has any decision been made yet as to further action in the Mellon case?
A. Nothing has reached me. I'm not familiar with it, but if there is anything Mr. Gaston will let you know.
Q. Mr. Secretary, what progress have you made in connection with your future silver program study?
A. Well, I think the President took care of that very nicely when you asked him that the other day.
Q. Anything for a story.
A. And I'm more than willing to abide by what he said—23 or 24 days from when he spoke.
Q. Except that the studies are being made in the Treasury and that you will present a memorandum when you are ready, or assuming that you will.
A. Well, we are always studying silver or gold.
Q. Well, has the Treasury made any recommendations with regard to changing the price of domestically newly-mined silver?
A. Well, the President set the time, didn't he? Didn't he say 23 or 24 days, which brought it to the 30th of December?
Q. He said 23rd or 24th.
A. Well, there's a misunderstanding on that because I have inquired and what he meant was the 30th or 31st of December.

Q. I was there. He said it twice and it didn't quite agree. What I understood was a Christmas present to the silver mines. He said the 22nd or 23rd of December the second time.

A. Well, he must have also ---.

Q. He said both.

A. All I can tell you—the one that he meant was the 30th or 31st of December, because I was also curious and that's what he has in mind.

Q. Can you answer that question as to whether or not you've made recommendations to the President on the new price?

A. No, I'm not going to, if you don't mind.

Q. Can you say whether you have made any recommendations as yet? That's a perfectly fair question.

A. This is a matter now that has gotten down as between the Treasury and the President of the United States and I understand, having asked, that what the President intended to imply to you gentlemen was that he would have something to say—is that the way he put it?
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Q. Yes. That's on the proclamation. Now we're asking you whether, as Secretary of the Treasury, you have forwarded your report.

A. And, if you don't mind, I'm not going to answer that question.

Q. Mr. Secretary, has the Treasury made available to the Coal Commission a report on the case of Carl Moore of Cleveland who left the good offices of the Treasury last summer?

A. I don't know. This isn't silver, this is just I really don't know. But we would be more than pleased to find out. Klein and I have a good time on silver but I really don't know, but it's up to Gaston to give you the information you want.

Q. Mr. Secretary, this five billion worth of bonds outstanding—they are still outstanding, aren't they?

A. Oh, yes. Out of the whole group of bonds—this case affected five billion dollars worth of so-called gold-clause bonds so that if and when the call date comes due they can be called. That doesn't mean that we are going to call them because I know there aren't any callable at this time.
Q. That's all under the gold clause, isn't it?
A. And, Sandy, don't write a story, please; that I sent anything over.
Q. I didn't intend to; you didn't say that.
A. I know, I just wanted to make sure—whatever is here is right there.
Q. I don't quite get that.
A. I mean, anything on silver is right here. It's here; it's in this shop.
Q. The sales of silver by the Indian Government after this London treaty expires—of course, the London treaty has been riddled in two or three places, but the one thing that is still holding together was the fact that there was a limit on the amount of sales by the Indian Government. Has there been any discussion in that connection?
A. There has been no discussion with any people who signed the London Silver Agreement; that I know of; now the State Department might, but as far as I know there hasn't been any discussion.
Q. India has been a net buyer of silver, hasn't she, Mr. Secretary?
A. I believe so, yes.
Q. Mr. Secretary, to return to the domestic situation, you said everything was the same this week as at the last conference.

A. That's right.

Q. In other words, the revenue situation is the same.

A. Yes.

Q. I was thinking of gold. That was pretty difficult to get over, that's why I wish you would say something on the record about that because people seem to be dubious.

A. Well, let them wait now until we get our tax returns in another week or so. After the tax returns come in it will be time enough to talk about it. But everything I said last week, including revenue or any demands on the Treasury, are just the same as last week. Nothing has happened to affect our estimates either incoming or outgoing.

Q. I wish you would say that on the record.

A. Well, in another week or so, after the returns come in.

Q. Mr. Secretary, did you read the comment of the manager of General Motors on stabilization?

A. No, I didn't. Which paper should I read it in?

Q. In any paper.

Mr. Secretary, in connection with the London Silver Agreement, is it fair to draw the conclusion that as
far as this country is concerned the treaty can die a natural death? How about some information for background?

A. For your background, I think you can bury the treaty. It has been violated and pretty much discredited, hasn't it?

Q. No, you don't expect me to editorialize!

A. Mr. Secretary, are there any revisions contemplated in the Social Security law that you know of which you can discuss with us?

Q. No. This advisory committee which is appointed by the Senate, I believe, headed by Professor Brown, is it?—of Princeton. And that study is going on and they have asked us to sit in with them and we are doing that, but beyond listening it hasn't gotten beyond that stage. Does that answer your question?

Q. Well, I have another question. Do you have any comment to make relative to the survey which is released for this morning's papers by the Economy League regarding the practice of the Government in using the old-age pension benefits for current expenses?

A. Well, I haven't read the particular release, but there's nothing to add to what I said in my talk in New York—that we are simply doing what the law prescribes.
We are living up both to the spirit and letter of the law. When we use those funds deposited in the general fund we are living up to both the spirit and the letter of the law.

Q. This thing I'm asking about—the charge is made many times that the Treasury is putting I.O.U's in the General Fund—has been described in various places as a sort of inflation.

A. If you don't mind—now some people—I'm not answering you, if you don't mind; some people just don't want to understand and all they've got to do is to read the law and if they will read the law they will see that we are carrying it out exactly as it is written. There are people who charge us with sterilizing the fund and not using it; they are just as wrong as the people who say we are breaking the law when we do use it. Congress passed the law and we are carrying it out exactly as it was written and the people, if they will take the trouble to read it, they will satisfy themselves that the statement I make is correct.

Q. Is the administration of that fund, Mr. Secretary, any different from the administration of any other fund?
A. It's exactly the same as the Civil Service Employees' Fund, Government Life—there are three or four funds handled exactly the same way.

Q. Railroad Retirement?

A. Railroad Retirement.

Q. In other words, under all these funds the policy is to invest the revenues from these funds into government securities and either you buy them in the market or issue special securities to those funds.

A. The point I made before is that if we left on deposit the actual cash received in the case of Social Security it would mean we would have to borrow additional billions of money. Until we have a balanced budget we will use those funds instead of going into the market and borrowing money. When we have a balanced budget and begin to have a surplus we can take an equivalent amount of money and retire funds in the hands of private investors. That's the whole story and I went into it very carefully in my talk, and, as far as I know, no one has challenged the accuracy of any statement I made in the talk. This is nothing personal.

Q. It isn't a question of that.
A. Please. I said it's nothing; you wanted an answer to a particular story and there's nothing personal between you and me on this, but I'm just, what shall I say, a little bit—I don't know; what's the word?

Q. Annoyed?

A. No, I don't get annoyed. It's a luxury I can't afford. Well, a little bit bothered to think that people won't take the trouble to read the Social Security law, because when you get down to it they are not worried about how we are administering it; they just don't like the Social Security law.
Q. Mr. Secretary, have you discussed with Mr. Straus or anybody in his administration the possibility of their floating some debentures to finance their housing allocations to municipalities?

H.M.Jr.: Well, to answer this, for background, there have been several people from his organization talking to several people here in the Treasury. Now, it's just in that state and they have just been keeping us posted and that's about as far as it has gone. Does that explain it? Several of his people have talked to several of ours. I don't happen to be on it, but they just want to keep us advised.

Q. Does the Act require, as some do, that you give approval to any public market offering?

A. I don't know. Gaston will find out.

Mr. Gaston: Oh, yes, oh yes.

H.M.Jr.: Does it? I don't know. At least that's the basis on which they are proceeding and on which they want advice. But it's in that particular stage.

Q. If there had been a final decision you certainly would have been in on it.

A. Definitely. It hasn't come to me, but they tell me at the 9:30 meetings that these conversations have been going on, but it isn't in a state that has reached me. Does that satisfy you?
Surely. Mr. Secretary, Jesse Jones has been around here recently and—I think day before yester-day—held a conference with Mr. Taylor and Mr. Bell and I wonder if that wasn’t in reference to the possibility of reviving loans to railroads.

A. No. On the record, what he’s over here discussing—the so-called Commodity Credit Bill, see—. Off the record, we are preparing with him a bill which will what I call clean up his balance sheet.

Q. What do you mean by that?

A. Well, there are a lot of things—their money which he gave for relief—which they carry as a liability—this is off the record.

Q. Can’t use it as background?

A. No, not at all, and we don’t know—Mr. Jones is sounding the people out on the Hill—whether he will send it up now or afterwards. Both he and Mr. Bell and I are anxious that he send up a bill which will clean up everything on his balance sheet. They gave money both before Mr. Roosevelt and since—relief money—which he has to carry on his balance sheet and they want to clean that up. I doubt whether it will go up until after the 1st of January. On the record, Commodity Credit, and, off the record, what I call RFC balance sheet. There’s a lot of stuff both prior to 1933 and since which he’s given to States that ought to be written off. Congress used that device to give
money to States. It shouldn't be on Jones' balance sheet.

Q. Mr. Secretary, of course you've told us off the record and we can't violate any confidence, but would there be any objection if we tried to dig it up elsewhere without indicating it came from you? That's all right.

A. On the record, is RFC definitely going to be liquidated now?

A. This has nothing to do with liquidation. Absolutely nothing. As a matter of fact this has been going back and forth between the Treasury since last March and there are a lot of charges there which don't belong there and they should be written off by act of Congress. It has nothing to do with liquidation of anything, but if Mr. Jones at a future date wishes to sell some of his own obligations on the market why he ought to have a good balance sheet. That is one of the things we have in mind, so as to make what stays there actual loans, either to States or municipalities or railroads. Whatever is on there should be a bona fide loan and not a gift for relief purposes.

Q. To revise Sandy's question--has the Treasury any attitude on the matter of granting further loans to railroads? Has that matter been discussed with you?
A. Oh, just the way we talk about it when he has lunch with me, but again it isn't a thing which has gotten to the point of formal discussions. I mean, I know what's going on, but it's purely on an informal basis. It wouldn't wreck your budgetary plans if they loaned another hundred million, or so, to railroads?

Q. I couldn't answer like that. I don't know. But it's absolutely in an informal stage, but all of these so-called independent agencies keep us informed of not only what they are thinking of doing but what they have done, and, if you don't mind my saying, I do know what's going on and I don't have to ask them—they tell me. The relationship is a very friendly one. Mr. Strauss, or Mr. Jones, or Governor Myers, Mr. Fahy—these different people—they drop in and tell me or Mr. Taylor and Mr. Bell what's going on. Otherwise I couldn't do my job.

Q. This idea of helping the railroads is very popular right now. I wondered if you were one of those who wanted to contribute to their welfare.

A. It's too important a subject to give it to you offhand.

Q. I assume it's O.K. to say there have been informal
discussions regarding railroads?

A. No, I'd rather not. I am not particularly in the picture at this stage—it's too informal.

Q. How much will this write-off be? Do you have any round figures?

A. We have very definite figures but we are not ready yet until the bill goes up on the Hill. In other words, if Mr. Jones, who has to handle the bill, decides he wants to wait until after the 1st of January—I'd much rather he'd make the announcement any way. It's his bill. That's why I don't want anything coming from here, but you asked me what we've been talking about, and if Mr. Jones' RFC wants to say something about it, all right. That's up to them. In other words, it's his bill and his responsibility but we are working together on.

Q. Anything on December 15 tax collections, Mr. Secretary?

A. No, it's too early. I doubt whether we will have anything before next Monday on that, but I'm not promising we will have them, certainly not before Monday.

Q. Can we have telegraphic reports if you get them?

Mr. Gaston: I haven't had a chance to call Mr. Belvering this morning but I will.

Q. Mr. Secretary, have you concluded your conferences
with the Mexican Finance Minister?

A. No. There will be more.

Q. When is your next?

A. Nothing definitely.

Q. None today?

A. I don't know, but there's nothing yet definite on for today. That doesn't mean that there may not be but there isn't anything definite.

Q. Mr. Suarez told us after a meeting with Mr. Taylor one day that the outcome of these discussions or negotiations depended a good deal on what the government's future domestic silver policy is going to be. So I wonder if you couldn't tell us something about that?

A. Well, I'll tell you that—if I may be facetious—you'll know it at least as soon as Mr. Suarez.

Q. I hope so.

A. Now don't print that. That's for you. You'll know it at least as soon as he—maybe a little bit sooner.

Mr. Gaston: That's a schedule—not a statement.

Q. Will that silver proclamation be given out over at the White House or here?

A. White House, I should think.
Q. We are willing to take it here.
   I understand Mr. Suarez went out of his way at a press conference to tell the press that we don't pay a preferential price to Mexico for silver. That's not strictly true.
A. Yes it is.
Q. We pay the same price!
A. As to Canada and anybody else.
Q. May I ask you is that price still 45 cents?
A. Well, it was as of noon yesterday.
Q. Where's Sandy (Klein) today?
A. He's out today, Mr. Secretary.

Q. Who's going to act in his place?
A. We have got the silver question settled.

Q. The only news I've got for you gentlemen is we offered a new series of 90-day bills; while the final New York figures are not the figures for the country—for New York it's .105 as compared for the week before .127. The week before we offered 94-day bills so it's practically comparable. For some reason these are 91-day bills so I'd say the rate was satisfactory.

Q. Did you hear about Mr. Taber's statement on silver, Mr. Secretary? He said the President should have courage enough not to issue a proclamation.
A. Well, fortunately for me, when I first came here I established a policy of not entering into an argument with the gentlemen on the Hill from this desk. So that would relieve me from commenting on that statement.

Q. Well, the President has already said he was going to issue a statement anyway.
A. Well, no. He said he was going to have something to say on or before the 31st.
Mr. Gaston: On or before the 31st.

Q. Something to say?

H.M. Jr.: Something to say.

Q. When did you say you were going to tell us about the rest of the financing? Did you say this week?

A. No. What I said right straight along was it held good for December; it's still December.

Q. Have you been before the Appropriations Committee yet?

A. Yes.

Q. You have been?

A. Yes, I have been.

Q. What did you tell them, Mr. Secretary?

A. Plenty.

Q. Mr. Secretary, can you say anything about the conferences with the Mexican Finance Minister?

A. No, I mean I have nothing to say.

Q. Will there be a statement?

A. I don't know that.

Q. Can you tell us when your next appointment will be?

A. No, I'm sorry, because I haven't got one; I don't know when there will be another one.

Q. Do you know whether he's coming back?

A. Well, he went away for a couple of days; he went up to the city.
Q. He's in New York.

What do you think of this ruling which prohibits taxation of receipts of football games played by State colleges?

A. Well, I don't happen to be familiar with it, I'm sorry; I'm not dodging issues; I don't know.

Q. Mr. Secretary, what is the total net outflow—the loss of gold from the United States on the present movement?

A. I don't care to answer that.

Q. The New York Times had a story estimating it at $400,000,000 which seemed quite substantial.

A. What do you want me to do—confirm or throw it down? Is the New York Times man here.

Q. Right here (Crider).

A. I mean if I couldn't answer it I wanted you to come to my rescue, that's all.

Q. It wasn't my story. Well, has it been as large as that?

A. I'm sorry; you'll have to ask the Department of Commerce which is the official source of statistics. I think you'll have to rely on them; anything else would be just guesswork.

Q. That would involve release of gold from earmark and that kind of thing.
A. I mean any other statement than from the Department of Commerce would be guessing, that's all.

Q. It also had in that story, Mr. Secretary, that it appears that the incoming gold now is being put into the Stabilization Fund instead of in the Sterilized Gold Fund in order to meet outgoing demands on the Stabilization Fund.

A. Frankly, I didn't read the story; I'm not familiar with it, but the position I take, as you gentlemen know, is anything which does affect the Stabilization Fund why we don't talk about it and you get your official statistics of gold entering and leaving the country from the Department of Commerce.

Q. Well, it was a Treasury policy though, I believe, for the incoming gold to go into the sterilized fund, wasn't it?

A. Well, quite frankly, I don't want to get in on that discussion, if you don't mind; I can't talk frankly on it so I'd rather not talk at all.

Q. It comes through the Stabilization Fund first, doesn't it, Mr. Secretary?

A. No, I just said I can't discuss it frankly, so, if you don't mind, I'd rather not discuss it at all.
Q. Have you done anything about the Mellon decision?
A. There's nothing pending before me; I don't know what the legal department is going to do; they haven't made any recommendation yet.

Q. Do you think we can hang his picture out there since he's been absolved?
A. I'd hang it out there any time it arrived, be glad to.

Q. Out in this outer office?
A. Yes; as a matter of fact, I asked, before Mr. Mellon died, I asked three times whether they would send down a picture and they have now promised us one; his daughter had been asked two or three times when he was alive whether he would send one down.

Q. You asked personally?
A. To be exact, I asked Mr. Kieley to call up the family.

Q. One has been promised?
A. By Mrs. Bruce, yes.

Q. Is sterilisation definitely out, Mr. Secretary, in view of these large exports of gold?
A. All I can say is both the tripartite and the policy of sterilisation are working extremely well.
Q. Do you imply that sterilization is a part of the general policy?
A. The two together? They work together.
Q. I want to get it straight about this picture; is it going to be hung outside here?
A. What they do, I understand, the custom is this: Mr. Kieley is my authority, having been here longer than anybody else. They rotate; Mr. Mellon's picture will come before Mr. Mills and before Mr. Woodin; somebody has to go out; I don't know which is the oldest one, but whoever is the oldest one there in term of service. Not in this room—they don't rotate. Whoever has been in the outer room goes out.
Q. How about Carter Glass the next time he votes against the Administration?
Mr. Gaston: I think, as a matter of fact, it is Carter Glass.
H.M., Jr.: I think somebody has laid a trap and I have fallen for it. Well, Mr. Kieley is the proper authority.
Mr. Gaston: No, I'm wrong; it wouldn't be—it would be McAdoo.
H.M., Jr.: Well, whatever the custom is. There's just room for so many pictures.
Q. Mr. Secretary, I'd like to get this straight:
When you say both the tripartite and sterilization are working exceedingly well, it means that sterilization hasn't been abandoned?
Q. Do you imply that dertilization is a part of the general policy?

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Q. Mr. Secretary, I'd like to get this straight:

When you say both the tripartite and dertilization are working exceedingly well, it means that dertilization hasn't been abandoned?
A. No, I mean the two policies—the two policies of handling gold—there is the tripartite and we've got the Stabilization Fund and the sterilization—all three, I should say, instruments which we have; I mean, all three working in conjunction with one another have been functioning extremely well.

Q. Where is this gold coming from that we are losing?

A. That's just what I can't answer, but there are three different instruments: There's the Stabilization Fund, the sterilization fund and, working in conjunction with the tripartite agreement, they are all working together—I say they are working extremely well.

Q. When the time is propitious will you continue the de sterilization of gold?

A. If you don't mind, I don't care to answer that, but all I can say, as far as gold is concerned, I don't think that there is, certainly any time in years, that it has been—well, I don't like to say it, but that it has been handled any better, if you don't mind my saying so.

Q. Could you inform us as to whether there has been a definite flow of capital towards Paris?
A. The answer to that is yes.
Q. The answer is yes?
A. Oh, yes, definitely.
Q. Has it been substantial?
A. It has been substantial. Just let me say this, just very much off the record: You see we do business with four other countries and at times they say we want to do something which is to be absolutely secret; now it's like your family doctor or anybody else, and when they make that statement and we do this business with them, they wish to pledge us to secrecy; we have nothing else to do but do it the way they want us to; we are dealing in very large sums and when these countries say we want to do such and such negotiations under the tripartite agreement and they ask us to keep it a secret there's only one thing to do and that is keep it secret. If the country with whom we are doing business wants to release the information it's up to that country; if we didn't do business on that basis I don't think they would have the trust in us they seem to have.
It involves very large sums. It isn't some whim I've got. When you get a country which makes some very definite request it's up to us to keep it
A. The answer to that is yes.

Q. The answer is yes?

A. Oh, yes, definitely.

Q. Has it been substantial?

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a secret and it's up to you to get it through
any legitimate channels. No feeling on either
side, I hope.

Q. Mr. Secretary, about two weeks ago you said that
this net outflow of gold was not the result of
this sale of gold to foreigners; has there been
any change?

A. There hasn't. No, I don't want to go too far,
but, for background, you can say that the rest
of the world is still buying American stocks on
balance; does that help you out a little bit?
They're buying more than they're selling.

Q. We can't quote you on that?

A. Not me--background. You can use it--credit it
to Mr. Gaston.

Q. High Treasury officials?

A. No, background. Now, listen. I've given you
something; have a heart, gentlemen!
Q. Is there going to be a special cabinet meeting this afternoon, Mr. Secretary?

H. E. Jr.: Well, there is a Cabinet meeting, but they are just having it on Thursday because I think the government offices are closed on Friday.

Q. It isn't a special Cabinet meeting.

A. No, but don't quote me on this. I think the government offices are closed on Friday and they are having it today.

Q. Do you know whether it refers to the Panay incident?

A. Well, just for your own information, when the President set Cabinet for Friday I asked him if he didn't want any of us to go home for Christmas. I mean, all government offices are closed, but you can check that up at the White House. But for Heaven's sake don't charge me with that story! I think you will find that that's true—government offices being closed on Friday, the regular, cabinet meeting is on Thursday, but don't credit it even to Herbert Gaston.

Q. Mr. Secretary, the silver proclamation due December 31st?

A. I hope so.
Q. Are you through seeing the Mexican Finance
Minister?
A. He's still in town, but there's no appointment
scheduled for today.
Q. May I ask, sir, if the Canadians are holding
any conversations with respect to silver?
A. No. They are not.
Q. I see where Pittman had another blast on silver
last night; I think he issues them without any
one asking for them.
A. Well, isn't that what they call Senatorial
privilege?
Q. We are filing his in the wastepaper basket.
A. Well, far be it from me to tell the Tribune (N.Y.)
what to do with their stories.
Q. Mr. Secretary, last summer, I think it was, the
Bank for International Settlements, or one of
those groups, suggested that to facilitate our
exchange control would not we leave some of our
gold that was earmarked to our credit in Europe
and more or less all countries set up a central
clearing house; that has been reviewed again by
Mr. Van Zeeland on a somewhat enlarged scale;
Is there anything under consideration here
looking to the setting up of one international
agency to handle foreign exchange clearance or
control?
Q. Has he consulted with you?
A. He has not.
Q. Paul Van Zeeland?
A. I mean, I'm just taking Duffield's --
Q. Well he had a statement, which you may have seen, in Paris the other day in which he listed four or five things which he thought should be done.
A. I have not, but as far as the proposal you suggested, as far as the United States Treasury is concerned, the answer is definitely no.
Q. Having observed the income tax figures for the period have you any statement to make on the budget?
A. No, everything on that—the lid is on tight until the President's budget message.
Q. Have there been any gold exports in the last few days, Mr. Secretary?
A. No.
Q. Do you anticipate any in the next few days?
A. Well, this is very much off the record—there will be one Saturday—France is taking five million, but you'll have to wait until it's on the boat. I'm always hesitant about this.
This is my Christmas present to you. This is
very much off the record because you never know until it's actually on the boat whether they will take it off or not.

Q. Can we use it as a rumor?
A. No, please. It will come out.

Q. Not much of a Christmas present.
Sometimes that department of yours in New York which is supposed to leak this information falls down.
A. Well, Herbert, see that this is an official leak Saturday morning, but don't let the boys down.

Q. But please have them leak from New York.
A. Well, wherever the customary leak is, make sure, will you? But there's five million going out but that's for you because I won't be here.

Q. One time I wired New York that there would be a shipment; they wired back, "Treasury Department denies there will be a shipment."

A. I see. I don't know whether you boys are on duty Saturday or not.

Q. No, nor tomorrow.

A. All right. Let it come out of New York. Is that the idea?

Q. Yes.

A. Let it come out in New York. I thought you were asking for something.
Q. What's the Christmas present?
A. $5,000,000 worth of gold for France.
Q. We can't use it, nor are we getting the gold.
A. No, I guess we'll just have to --.
Q. Were you asked, Mr. Secretary, about the Mexican Minister?
A. Yes and I said I had nothing scheduled.
Q. No appointment?
A. No appointment scheduled.
Q. You don't expect to see him again?
A. Well, I don't know. He and the Ambassador had dinner at my house last night, just informally, and how long he's going to be here or whether I see him again, I don't know.
Q. Will there be a statement, Mr. Secretary?
A. I don't know.
Q. You probably wouldn't see him before next week any way.
A. I doubt it.
Q. Any prospect of a statement at all?
A. I'd rather not say.
Q. Is there anything new on the silver situation?
A. I think the 30th or 31st you will get something; it will be terrible after that comes out; there will be nothing more to talk about.
Q. We still have desesteralization.
A. Well, that goes over until next year.
Q. Anything new on Treasury financing?
A. That goes over until next year. If I don't see you I wish you all a grand Christmas.
Q. Same to you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, DECEMBER 30, 1937:

Q. Any news today?
A. I have no news.

Q. Anything about silver yet, Mr. Secretary?
A. I have nothing to add to what the President told you gentlemen.

Q. I wonder if you could tell us whether it's coming out here? This is not for publication but for our information.
A. When does the President have his next press conference?
Q. Tomorrow at 10:30.
A. Well, I think you will have to wait until his press conference tomorrow.

Q. He was kidding us—that it would be out at 11:59 p.m.
A. Well, I still think, if you don't mind, as long as he's handling it so ably.

Q. I was just wondering, for our guidance—some of us may want to go away for the weekend, you know.
A. I realize that, but I think you will have to wait for his press conference tomorrow morning.

Q. In other words, you are on the spot.
A. No. If I am, I'm feeling very comfortable.

Q. How about bills, Mr. Secretary?
A. Bills?
Q.  Treasury bills.
A.  Oh, I thought you were getting personal. No, no bills until after the 1st of January.
Q.  You are feeling good this morning.
A.  Well, why not? No, I think you can wait until after the 1st of January.
Q.  Mr. Secretary, you said some time ago, in discussing your December financing plans, that there would be no de sterilization in December, but you didn’t speak for January.
A.  Well, that’s another year.
Q.  It’s pretty close to it though.
A.  Well, let’s all be patient.
Q.  Mr. Secretary, did you see the statement by Senator Thomas that he had positive information that de sterilization was being considered?
A.  All I can say is that whatever his source of information, it isn’t from this office. I have had no contact with him nor has anybody authorized to speak for me had any contact with him.
Q.  Is the source of information correct then?
A.  Now, I have gone as far as I want to go. I mean, all I can say is that I have had no contact with him nor has anybody who is authorized to speak for me had any contact
with him. I don’t know who Senator Thomas saw
outside the Treasury, but as far as the Treasury is
concerned we haven’t had any contact with him and
when I say “we” I say myself or anybody else who would
be authorized to speak for me.

Q. There would be no reason to desterilize gold anyhow if you
are going to do new financing.

A. Let’s save it until the first of the year.

Q. Have you any comment, Mr. Secretary, on the gold figures
issued by the Department of Commerce showing an increase
of twenty-two million despite the gold outflow during
the month?

A. I have no comment.

Q. Did I understand you to say, Mr. Secretary, that you would
discuss the bill financing Monday?

A. No, I simply—whatever the time was I said the financing
plans were set for the balance of this year. Now that takes
care of this month. We will take a look at our balances
next year and see what they look like. I may or may not
have anything next week; the chances are I won’t have
anything to say.

Q. The present weekly bills will continue as they are now—
fifty million a week?

A. We certainly will make—let’s see—well the notice goes
cut tonight, doesn’t it?
Well, there will be the usual notice tonight for
next month and that takes care of next Monday.

Q. That is as far as you will go?
A. No, I'll think it over carefully, but there will be a notice
go out tonight for next Monday, but beyond Monday I don't
want to go.

Q. Mr. Secretary, would you like to make a year-end statement
now? I think in the past we have gotten a year-end
statement from you.
A. I don't think so, thank you.

Q. You don't think you'll have one this year?
A. I don't think I ever have other than to wish everybody
a Happy New Year.

Q. I thought you had had a prepared statement.
A. I don't think we ever had.

Q. Did you talk to George L. Harrison earlier in the week
about future financing or gold plans?
A. No. This is off the record. He was in here and what
he came in here for—he paid a visit to a sister in
Kentucky and he then visited our vault there and he
wanted to tell me about it.

Q. You did talk gold then.
A. That was the—he just came in to tell me about his visit
to the Fort.
Q. We couldn't use that, could we?
A. I don't think it's important.
Q. It wouldn't hurt anybody.
A. I don't want to. That's up to him. That is what he was in here for and that's the only thing. I had to think what it was and that's exactly what it was and nothing else except his visit to his sister and to Fort Knox.

Q. Mr. Secretary, in view of the fact that some understanding has been reached with Mexico for the month of January on silver, has any other understanding been reached with any other country, such as Canada?
A. Yes, with Canada.

Q. Exactly the same as the Mexican agreement?
A. Let me put it this way: We have extended the Canadian agreement.

Q. Is that an agreement or an understanding?
A. An understanding, thank you. Our understanding with Canada is extended for the month of January.

Q. How much do you pay for that? About forty cents an ounce with each country on an average?
A. I don't think we have ever said what we did pay.

Q. Is it above the world price?
A. I don't think we have ever made a statement as to what the agreements are, as far as I know.
Q. There have been informal statements made somewhere within the range of the world price—somewhere between forty-four and forty-five cents.

A. Well, I don't want to make a mystery out of an unimportant matter. As far as I know, we pay them the price which we announce at noon each day. I mean, if it is forty-five cents, it will be forty-five cents; whatever that price is, but they don't know and we don't know until the middle of the month.

Q. That's the New York price, commonly known as the New York price?

A. It is commonly known as the New York price.

Q. That has been pretty static hasn't it?

A. Yes, it has been for a year. Whatever the New York price is, the price that we fix—it is announced at noon and whatever that price is would be the price. But some place or other I saw a story that the agreements with both Mexico and Canada—all it is is that they can offer us a fixed amount of silver, if they wish to, and we reserve the right to fix the price after they offer it.

Q. Do you know how much that fixed amount is?

A. I'll tell you something. If Canada or Mexico want to announce that, I think it's up to them.

Q. Well, in that case would you tell us whether the extension of the Canadian understanding is pending—who determines the future relations of the silver problem?
A. No, no.

Q. A month-to-month arrangement?

A. It has always been a month-to-month arrangement.

Q. With both countries?

A. With both countries it has always been that. It has always been that way—a month-to-month arrangement both ways.

Q. And the agreements are identical with both Canada and Mexico in so far as price is concerned?

A. As far as I know, they are identical arrangements.

Q. As to the amounts?

A. No.

Q. Who do you take more from?

A. It's based on their production and Mexico produces much more; Mexico is a much bigger producer, but it's based on their production. I mean, Mexico is a much bigger producer but both countries—we extended the arrangement for January.

Q. Is that a percentage of production?

A. It is based on a percentage of production.

Q. Is Peru in that arrangement?

A. We never had an agreement with Peru.

Q. Don't you take all of their exportable silver?
No, we take the bulk of it. I mean, if they want to sell it to us it's up to them—we are ready to buy at a price to be fixed next month. They can sell it to us or if they find a better customer to buy at a higher price they can sell it to them.

What do you get in return for this?

There isn't anything.

Any stabilization understanding or exchange understanding of any kind?

No, this is just a straight purchase agreement with nothing other than just an agreement on the buying and there isn't anything else.

Friendly relations?

Friendly relations, but I mean we are doing straight financial arrangements.

By direction of Congress.

Yes.

Any understanding with any other countries, sir?

The only other country is China.

And is that agreement still in effect?

That agreement is still in effect.

What is that Chinese agreement?

I never have said other than we have an understanding—if you don't mind, use the word understanding rather than agreement.
In view of the so-called Mexicanization of industry and labor over there, are there any negotiations being carried out to return some of the American properties confiscated, or is that a matter for the State Department?

A. That is purely a matter for the State Department and we confine ourselves to monetary matters. And, for background, the stories that have been coming out on Mexico, as to what they call this Mexicanization, are absolutely false. We have never, here in the Treasury, we deal in gold or silver or foreign exchange and we do it on a straight monetary basis—this is for background. And it isn’t my responsibility to go into what the Mexican Government is doing on land or oil or anything else. I mean, I work directly under the President on these matters and I am not any more interested in the internal affairs of Mexico than I am in the strike in Paris yesterday. I want you fellows to get this because it’s terribly important and the stories which have been coming out of there are terribly wrong and absolutely unfriendly. But this is for background.

Q. We can use it though?

A. You can use it on your own, but I mean I am no more interested in the holding up of oil cars than in the Paris strikes. But you men who have been around know we are not interested in internal matters. We conduct
stabilization operations and have nothing to do with internal politics of a country. This is all background.

Q. Mr. Secretary, in view of these Paris strikes have you noticed an outflow of capital from Paris?

A. No.

Q. No gold has flown out?

A. I’ll put it this way: There has been nothing which has been brought to my attention. Don’t use that; I’m just telling that.

Q. This Chinese understanding—has it been extended through January?

A. Well, it has been extended for a period.

Q. Couldn’t you say definitely, Mr. Secretary?

A. It was extended some time ago for six months.

Q. When will that run out? Was that when you had that conference with the Chinese Finance Minister?

A. Oh, no. This happened some time ago. It was extended through the first six months of the next calendar year—1938. It runs to July 1st, 1938. That cleans up all —-

Q. Everything else except the domestic price?

A. Right.

Q. And you think it will be at tomorrow’s press conference?

A. I said whatever guidance will have to come from the President’s press conference.