PRESS CONFERENCES

BOOK 10:

JAN. 3 - MAY 26, 1938
### Appointments and Resignations

**Kelly, Col. William H.** (Collector of Internal Revenue for New Jersey) reported being asked to resign - 3/10/38. 
- a) Announces resignation - 3/14/38. 
- b) Effective 4/1/38 - 3/14/38. 

**Viner, Dr. Jacob** - resigns as Consulting Expert 4/14/38 - 4/21/38. 

**Hanes, John W.**

"Off the record" BMJr recommends Hanes to President for appointment - 5/12/38. 
(Appointed Under Secretary - 11/1/38)

**West, Charles**

BMJr did not recommend West for position of Comptroller of Currency - 5/12/38. 

### Arizona

**SEE Internal Revenue, Bureau of** - 2/17/38. 

### Association, State Banking

**SEE Banking** - 5/5/38. 

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### Banking

**SEE Holding Companies** - 1/31/38. 

**SEE Holding Companies** - 3/3/38. 

**SEE Holding Companies** - 3/21/38. 

President requests Federal Reserve, FDIC, Comptroller of Currency, and Treasury to study uniform plan of bank examination, without need of legislation - 4/25/38. 
- a) Not intended to consolidate under one agency - 4/25/38. 
- b) Plan covers, examination, handling of bank assets, and rating of securities - 4/25/38. 
  1. First objective is coordination 
  2. After coordination whether consolidation is necessary; if so, how? 

Recommendations of Treasury, Federal Reserve, FDIC and Comptroller of Currency will be submitted to state bank examiners for more uniform and simple bank examinations - 5/5/38.
Banking (Continued)

a) Chamber of Commerce also discussed matter:
   EMJr did not see articles - 5/5/38
   Book 10: 332-34

b) Findings discussed with group of independent bankers, who favored general plan and offered additional suggestions - 5/5/38
   1. Mr. White, Banking Commissioner of New York and President of State Bank Association present - 5/5/38

Banking Association, State
   SEE Banking - 5/5/38
   Banking Legislation, Inter-departmental Committee on
   SEE Holding Companies - 3/3/38
   SEE Holding Companies - 3/21/38
   Belgium
   SEE Tripartite Agreement - 5/9/38
   SEE Tripartite Agreement - 5/12/38
   Board of Tax Appeals
   SEE Internal Revenue, Bureau of - 2/17/38

Budget
   EMJr says budget cannot be balanced unless "business conditions pick up" - 1/3/38
   Book 10: 1-3

Business Aid Program
   EMJr declines to comment on President's program;
   announcement must come from White House - 4/11/38
   a) Agrees business situation calls for Government aid - 4/11/38
      Book 10: 254-66, 257

California

Los Angeles:
   SEE Internal Revenue, Bureau of - 2/17/38
      Book 10: 137-44

Canada

SEE Silver - 1/10/38
SEE Silver - 1/11/38
SEE Silver - 1/28/38
SEE Silver - 4/11/38
      Book 10: 29-36, 80-81, 168, 262-63
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a) Agrees business situation calls for Govern-
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**Daladier, Ambassador (France)**

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**Daughters of American Revolution**

Claim that they were required to turn in collection of heirlooms at $20.67 per ounce, but when gold was needed they paid $35 an ounce - 4/25/38.

- a) HMWr denies knowledge of - 4/25/38.

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**Ellis, Mariner (Chairman, Federal Reserve Board)**

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**Exchange Control**

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**Farm Credit Administration**

In organizing Farm Credit, HMWr put it under Comptroller General, Civil Service, and Budget - 1/6/38.

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**Farm Security**

HMWr says agency does not have good publicity - 2/10/38.

- a) $12 million available for direct relief to farmers to 6/30/38 - 2/10/38.

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**Federal Deposit Insurance Corporation**

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<tr>
<td>Banking 5/5/38</td>
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Financing, Government

- $50 million, 90-day, weekly bills to refund similar 9-month bills, only financing for January, 1938 - 1/10/38...
- $100 million bills maturing weekly from March to July, due to overlapping of 91-day and 273-day issues - 2/10/38...
  a) $100 million weekly bills to be offered to March 15, to take care of maturities for that period - 2/10/38...
- $150 million bills maturing March tax period will be paid in cash; 3/455 million, 3% notes will be replaced by another security - 2/28/38...
- $50 million weekly bill offerings continue; new $50 million, 91 and 106 day, weekly bill series start 2/26/38, no time limit on letter - 2/26/38...
  a) 90-day bill sold at .967 in New York, against .092 previous week - 2/28/38...
  b) 106-day bill sold at .095 in New York - 2/28/38...
- $200 million weekly bills offered for period 3/2-23...
  - 3/5/38...
  a) 10-year, fixed rate bonds, at 23% offered - 3/5/38...
  b) Nearest comparable outstanding bond 8-year, fixed rate, at 23% - 3/5/38...
  c) Reason: Conditions in government bond market for government are better, HMTr - 3/5/38...
- $50 million bills offered during week of 3/24/38, bringing total for period 3/2-24 (June series) to $250 million - 3/24/38...
  a) Necessary because tax receipts are lower than expected - 3/24/38...
  b) Treasury offering series of notes for Commodity Credit Corporation - 4/25/38...
  c) Only financing anticipated until June 15 is regular monthly intermediate credit transactions with Farm Credit - 4/25/38...
  d) Rate on government bills in New York on May 9, 1938 .029; in country .033; "all-time low", HMTr - 5/9/38...
Financing, Government (Continued)

Rate on bills in New York for week, .027 - "new low" - 5/16/38
- 5/26/38 ......................................................... Book 10: 364
Rate on 91-day bills in New York down to .026 - 5/23/38

France

SEE Tripartite Agreement - 1/27/38 .................................. 56-66

SEE International Currency Agreement - 4/25/38

Fixes new "defense point" for franc to prevent speculation - 5/5/38

a) Values of franc, pound, and dollar are interrelated - 5/5/38

1. US has rate with English
2. France has "French-English" cross

b) Defense point value of franc in US cents must be given by French, HM Jr - 5/5/38

1. HM Jr not withholding any information from American public as Secretary of Treasury, but cannot speak for France.

SEE Tripartite Agreement - 5/5/38 .................................. 339

SEE Tripartite Agreement - 5/9/38 .................................. 347

Glass, Senator Carter (Virginia)

SEE Holding Companies - 1/24/38 .................................. 50-53

SEE Holding Companies - 1/31/38 .................................. 70-76

SEE Holding Companies - 3/3/38 .................................. 172-74

Gold

HM Jr declines to give amount exported or earmarked for foreign accounts in effort to prevent speculation - 1/6/38

Beginning 1/1/38 any gold acquired up to $100 million per quarter, will be deposited with Federal Reserve system - 2/14/38

a) $30 million acquired since 1/1/38 will be deposited at once - 2/14/38

b) All gold sales will be from sterilization Fund - 2/14/38.
Gold (Continued)

O. Gold movements into US in excess of $100 million will be deposited with Federal Reserve system - 2/14/38.......................... Book 10: 119

d) See Eccles prepared statement - 2/14/38...

SEE Stabilization Fund (US) - 2/17/38..........................

HJr explains gold movement "off the record" - 3/3/38..........................

a) Foreign countries afraid US would reduce price; sold gold to buy commodities; changed this policy to cash; now trying to reconvert to gold - 3/3/38

b) Redistribution of gold "a very healthy thing", HJr - 3/3/38..........................

SEE Inactive Gold Fund - 3/14/38..........................

SEE Stabilization Fund - 4/11/38..........................

SEE Sterilization Fund - 4/14/38..........................

SEE Inactive Gold Fund - 4/18/38..........................

$2.5 million gold moved out of Sweden - 5/12/38...

a) No inter-government deal - 5/12/38

b) US has understanding with Sweden re gold - 5/12/38

c) Four Scandinavian countries have agreement among selves; however Denmark has exchange control system which handicaps operations of other participants - 5/12/38

1. US and Sweden, after years conversations reached understanding.

Graves, Harold N.

SEE Internal Revenue, Bureau of - 2/17/38...................

Great Britain

SEE International Currency Agreement - 4/25/38...........

SEE France - 5/5/38..........................

SEE Tripartite Agreement - 5/5/38..........................

Greece

Makes small payment on war debt (no amount indicated in conference) - 5/23/38

Hanes, John W.

SEE Appointments and Resignations - 5/12/38.............
Holding Companies

Senator Glass and HJWr discuss legislation to abolish Inter-departmental Banking - 1/24/38.

- HJWr states elimination of bank holding companies is not deflationary - 1/31/38.
- a) Senator Glass' bill allows 3 or 5 years to liquidate - 1/31/38.
- b) Branch banking another matter - 1/31/38.
- Inter-departmental Committee on Banking Legislation to study Senator Glass' bill and make suggestions - 3/3/38.
- b) HJWr says bank holding company situation is "unhealthy" - 3/3/38.
- HJWr states "off the record" bank holding companies report given President for study by Committee - 3/21/38.

Holland

SEE Tripartite Agreement - 1/27/38.

- Inactive Gold Fund

Increased by approximately $5 million received from Japan - 3/14/38.

SEE Sterilization Fund - 4/14/38.

Inactive Gold Fund discontinued April 19, 1938 - 4/18/38.

- a) No further inactive gold account will appear in Daily Statement - 4/18/38.
- b) Does not mean end of sterilized gold - 4/18/38.
- c) Some gold may be accumulated in general fund as was previous practice - 4/18/38.
- d) $1.4 billion deposited with Federal Reserve Bank - 4/18/38.
Inactive Gold Fund (Continued)
e) Two changes in policy:

1. Arrangement to deposit up to $100 million per quarter in Federal Reserve Banks (Per conference - 2/14/38 - 101-119) rescinded - 4/18/38

2. Changes sterilization program - 4/18/38

f) Gold withdrawals by foreign countries may come from: 1) General Fund; 2) Stabilization Fund; 3) Working balance of Stabilization Fund - 4/18/38

g) Inactive gold account set up in December, 1937 is wiped out. "...the project is over, but the problem isn't", HMFr - 4/18/38

h) Mechanism of Tripartite Agreement still exists - 4/18/38 (See Press Release No. 13-1) - 4/19/38

Industrial Loans
Jones (RFC), Ransom (Federal Reserve), Douglas (SMC), and James Roosevelt met with HMFr to discuss industrial and small business loans - 3/24/38

a) Study will be made of industry's short-and-long-term needs - 3/24/38

Internal Revenue, Bureau of Special division of Technical Staff, established 3/1/38 at Los Angeles to handle southern California and Arizona cases - 2/17/38

a) Graves, Harold N., and Marrs, Aubrey B., will set up new division - 2/17/38

b) Complete staff of 34 assigned - 2/17/38

c) Taxpayer may still appeal to Board of Tax Appeals - 2/17/38

d) If experiment is successful, similar branches will be established elsewhere in US - 2/17/38 (See Press Release No. 12-55) - 2/17/38

International Affairs
SWW Tripartite Agreement - 3/17/38

International Currency Agreement
Rumor that US, Great Britain, and France are negotiating a new international currency and war debt agreement denied by HMFr (for background) - 4/25/38
Investigations
SEE Pennsylvania, State of
Roos Investigating Committee - 3/24/38............. Book 10: 249-50

Japan
SEE Inactive Gold Fund - 3/14/38.....................

- K -

Kelly, Col., William H. (Collector of Internal Revenue for State of N. J.)
SEE Appointments and Resignations - 3/10/38...........
SEE Appointments and Resignations - 3/14/38...........

- L -

Latin America:
Mexico:
SEE Silver - 1/10/38...............................
Increases tariffs on certain products - 1/24/38...
  a) HMWr says action will not affect silver
      purchases - 1/24/38..........................
    HMWr says US prevented Mexico from shifting into
    Exchange Control system - 1/27/38..............
    (See also Tripartite Agreement) - 1/27/38....
SEE Silver - 1/31/38...............................
SEE Silver - 2/28/38...............................
SEE Silver - 4/14/38...............................n
SEE Silver - 4/21/38...............................n

Loans, Small Business
HMWr knows of plans to establish Federal agency to
handle loans for small business, but cannot
discuss - 1/27/38.................................
Study being made by another agency - 1/31/38....... 
  a) Federal Reserve, RFC, and FHA empowered to
      help small business - 1/31/38............... 
    SEE Industrial Loans - 3/24/38.............

- M -

Marrs, Aubrey B. (Head, Technical Staff, Bureau of
Internal Revenue)
SEE Internal Revenue, Bureau of - 2/17/38............

- N -
Mellon, Andrew J. (Former Secretary of Treasury)

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Morgenthau, Jr., Henry

Leaves 1/11/38 for 10 day vacation at Sea Island.

Georgia - 1/10/38

Denies rumor he will resign - 5/19/38

* 38

* 374

Pennsylvania, State of

Governor Earle of Pennsylvania calls on HWJR in connection with House Investigating Committee obtaining Treasury cooperation - 3/24/38

Port Authority

| SEE Tax, Quasi-Governmental Agencies - 5/23/38 | * | 249-50 |

Procurement Division

| SEE Purchases, Government - 2/7/38 | * | 375 |
| SEE Purchases, Government - 4/28/38 | * | 99 |

Purchases, Government

Tires:

US to save lot of money on new tire purchases due to heavier competition between companies - 2/7/38

* 99

Cement:

Will readvertise for bids on cement - 4/28/38

a) Plants getting first contract lacked distribution facilities - 4/28/38

* 318

b) Bids asked for on new basis - 4/28/38

1. Procurement criticized by manufacturers for "indefinite amount" of special formula cement, without assurance government would take output.

* 319

2. Procurement criticized by manufacturers for "indefinite amount" of special formula cement, without assurance government would take output.

* 324-26

c) HWJR says bids as originally drawn are "unfair", willing to revise terms - 4/28/38

* 324-26
Sea Island, Georgia

HAR Morgenthau, Jr., Henry - 1/10/38

Silver

Domestic price reduced; foreign price remains at
45¢ - 1/3/38

a) Study made by Treasury on cost of silver production - 1/3/38

US buys 35 million ounces accumulated silver @ 45¢
from Mexico, New York, or San Francisco delivery
- 1/10/38

a) 5 million ounces newly-mined silver bought
in January from Mexico under Silver Purchase Agreement - 1/10/38

b) Mexican production 60-70 million ounces per year - 1/10/38

c) 2 million ounces newly-mined silver bought
from Canada in January under Agreement - 1/10/38

SEE Latin America, Mexico - 1/24/38

Offer to purchase 5 million ounces extended to
Mexico; 2 million ounces to Canada for month of
February, 1938 - 1/31/38

HAR states correct amount of silver purchased
monthly from Canada is $1,200,000 instead of $2
million stated 1/10/38 - 2/28/38

a) Agreement with China extended to 6/30/38 -
2/28/38

b) Agreement with Mexico extended to 6/30/38 -
2/28/38

c) Agreement with Canada extended through 3/38
- 2/28/38

Agreement with Canada extended for April - 4/11/38.

Agreement with Mexico temporarily suspended for
April - 4/14/38

a) Any "spot" silver offered on free market is
bought on day's posted price, regardless
of source - 4/14/38

b) Price offered on 4/13/38 was 43¢ - 4/14/38

c) Three points of delivery: New York, San
Francisco, and Denver - 4/14/38

Quantity of silver (mined in Mexico by American
refinery, and remelted in US to meet standards)
purchased from American refining company - 4/21/38

287 & 305
Silver (Continued)

a) Buying silver on free market is only
carrying out mandate of Congress - 4/21/38 Book 10: 301

b) All silver subject to assay tests;
producers are paid 95% of values,
subject to resmitting and testing;
if of correct fineness they are
then paid 100% of day's price
offering - 4/21/38 ...................... 304

Price on silver dropped from 45¢ to 43¢ for everyone - 5/16/38 ............... 366

Stabilization Fund (US)
Is composed only of US gold dollars or Government
bonds - 1/10/38 ................................ 36

Fund acts as "channel" to hold gold temporarily for
foreign countries, as well as acting as "reposi-
tory" for US gold - 2/17/38 ..................... 145-49

SEE Tripartite Agreement - 3/14/38 .................. 205

$1.3 billion gold in fund - 4/11/38 ..................... 268-67

a) $200 million working fund not separated as to
cash and gold - 4/11/38 ...................... 266-67

SEE Inactive Gold - 4/16/38 ...................... 282-94

Sterilization Fund
SEE Gold - 2/14/38 .................. 115-36

SEE Tripartite Agreement - 3/14/38 .................. 205

HMJr to meet with Federal Reserve Board relative
mechanics of sterilization program - 4/14/38 269

SEE Inactive Gold - 4/13/38 ..................... 282-94

Supreme Court, Decision of
SEE Tax, Quasi-Governmental Agencies - 5/23/38 .................. 375

Sweden
SEE Gold - 5/12/38 .................. 356

Switzerland
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Tax

Income:
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&

151-53
Tax (Continued)

Quasi-Governmental Agencies:
Supreme Court rules salaries paid by Quasi-
Governmental agencies to employees are taxable
income - 5/23/38. ......................... Book 10: 375
   a) Case of Gearhart on which ruling passed - 
   5/23/38. ....................... 375

Whiskey Floor Tax:
Industry wants "floor tax" placed on whiskey;
Treasury opposes idea - 4/28/38. ................. 326-28
   a) WMJr says (for background) $2 per gallon
tax is sufficient; higher tax would only encourage bootlegging - 4/28/38... 326-28

Tires

SEE Purchases, Government - 2/7/38. ........... 99

Tripartite Agreement

WMJr says despite low value of franc, agreement is
working successfully - 1/27/38. ................ 56-66
   a) US acts as agent for France at their risk
   and expense - 1/27/38. ............. 60-61
   b) Francs are converted to dollars or gold
daily; no danger of loss to US - 1/27/38...
   c) Agreement prevents participating countries
from adopting Exchange Control - 1/27/38...
   d) Absence of Exchange Control is basis of
American Trade Policy - 1/27/38. ........ 63

No participant has depreciated currency to obtain
trade advantages - 1/27/38. .............. 67-69
   a) Six other countries; including Holland and
Switzerland, have adopted agreement
principles - 1/27/38. .................. 67

"Thanks to Tripartite Agreement, Stabilization Fund,
and Sterilization Fund, the dollar is still the
strongest currency in the world", WMJr - 3/14/38.
   a) Insulates US against shocks; no repercussion
on banking system - 3/14/38. .......... 205

Agreement working successfully during worst crisis
in foreign exchange market since its adoption - 
3/17/38. ............... 216-27

SEE Inactive Gold - 4/18/38. .............. 290

SEE France - 5/5/38. ................. 335-38

WMJr announces that after 3 days of consultation,
French, British, and US have agreed to carry on
currency arrangements in future under terms of
agreement, as in past - 5/5/38. ............. 339-43
   a) "Off the record" WMJr denies there is any
   prospect of devaluing US dollar and English
   pound as result of French situation - 
   5/5/38. ..................... 343
**Tripartite Agreement (Continued)**

HMWr says Belgium is "Junior member of Tripartite Agreement" - 5/9/38.  
- a) (For background) HMWr says French move hits Belgium worst of all; "affects US very, very little" - 5/9/38.  
- b) "On our (American) side there is no speculation (this week in foreign exchange) except for legitimate commercial transactions... American business men and bankers have cooperated 100%" - HMWr - 5/9/38.  
- c) Belgium has bad situation on hands; HMWr does not want to aggravate it by making any public statements - 5/9/38.  
Belgian situation steadily improving - 5/12/38.  

**United Kingdom**  
SEE Silver - 1/10/38.  
SEE Silver - 1/21/38.  
SEE Silver - 2/26/38.  
SEE Silver - 4/11/38.  
SEE France - 5/5/38.  

**Viner, Dr. Jacob (Consulting Expert)**  
SEE Appointments and Resignations - 4/21/38.  

**War Debts**  

**West, Charles**  
SEE Appointments and Resignations - 5/12/38.  

**Whiskey**  

**White, Commissioner (New York)**  
SEE Banking - 5/5/38.
Williams, Aubrey

Works Progress Administration - 2/3/38

Works Progress Administration - 2/10/38

Aubrey Williams submits new schedule of requirements for unemployment relief - 2/3/38

a) Sufficient funds at present - 2/3/38

b) HWg most sympathetic; willing; if necessary, to ask Congress for deficiency funds to support WPA - 2/3/38

c) 50,000 additional persons to be employed from February to June - 2/3/38

$680 million new money allocated from January 1 - June 30 - 2/3/38

Employment situation requires increased funds - 2/10/38

a) Without additional funds would have to lay off 100,000 to 150,000 persons - 2/10/38
Q. Mr. Secretary, have you read the Comptroller General's report?

H. Mr. I have just seen the headlines and we will take the report and study it very closely and will make an answer.

Q. You will?

A. I certainly will. Nobody can make statements like that and not have us make an answer.

Q. Mr. Secretary, the President indicated today that a balanced budget is out of the question for the next fiscal year. That must be a source of disappointment to you after your New York speech.

Well, seriously, Mr. Secretary, I would like to ask—does that mean that there's a difference of opinion on this side of the street and the other side of the street on a policy as important as that?

A. There's no difference of opinion.

Q. Well, can you restate your opinion so that it gets?

A. I think if you will read the speech over again—take the trouble to—I think you will see, considering that the speech was given November 10 and that considerable water has gone over the dam since then, that I am not—that there is no difference between myself and the President.
Q. Well, has the water that has gone over the dam the qualification that makes your speech fit with this? The statement that if business does its part we can balance the budget?

A. No, I was thinking in terms of business conditions.

Q. That's what I meant.

A. I think if you will read that part that it is very clear; I just don't happen to have it here.

Q. You hinged it on business activities.

A. On business activities, and, as I say, if you gentlemen will take the trouble to look at it I think you will find that the statement made then and considering what has happened since then, that the speech still was good.

Q. In other words, if business picks up and gets back where it was your speech of November 10 sticks?

A. Well, I think that statement is true and if you gentlemen will wait until tomorrow afternoon when the President goes over his budget message, I think that it will still be clear that there is no difference—I mean there just can't be any difference, and I am either in tune with the President or not; and I say that the speech as given at that time, when one considers that business only began to really fall off in November, that the thought is to keep the
taxes as they are and if business picks up we will get revenue to balance the budget, but if business doesn't pick up or falls off more we will not have sufficient revenue and I think I made that perfectly clear just as the President did.

Q. Well, to go back to my original question, you are disappointed, however, that you are not able to have a balanced budget.

A. I again refer you—if you will read exactly what I said about balancing the budget; I can't add anything or take anything away from what I said on November 10th; but I feel exactly as I did on November 10th and nothing has happened nor has the President said anything to make me feel one bit differently than I did on November 10th, as far as balancing the budget is concerned. The whole thing rests on volume of business. If business is big enough and profitable enough we will have a balanced budget, and if it isn't, we won't.

Q. Mr. Secretary, to clean up the silver situation, can you tell us why the price was reduced?

A. I don't care to comment on that. I may say though I appreciate the way you gentlemen handled it—most satisfactorily.

Q. Could you tell us why there was no cut in the foreign price, sir? Your cut was confined to the domestic;
it's bound to create criticism from that angle; the American producer has to take the slash and foreigners still get paid at the 45 cent level.  

Well, I think that, in the first place, there was no reason to do anything about the world price because there is no proclamation expiring or anything else, and also there's a world market and there are a great many other people in the silver market besides the United States Treasury.  

Can you tell us why you took the extraordinary precaution about the releases? We wanted to get some comment, but by one o'clock everybody was celebrating. I think it's perfectly obvious. At six o'clock it's three o'clock in San Francisco and we wanted to wait until all the markets were closed; that's the answer. If you don't mind my saying, as long as you asked me the reason, the reason you give wasn't the reason. We were waiting for all the markets to close. San Francisco has quite an active market in silver and six o'clock Washington time is the time it closes. Well, they stopped publication until 9 o'clock. 

Well, that was taken up with the heads of the various press associations, and, as I understand, I think each head of the press associations was called and, as I understand, all the press associations were
satisfied. I believe Mr. Gaston called the head of every press association and asked their advice. I think that is correct.

Mr. Schwarz: That is correct; it was a question of what constituted a morning and afternoon paper.

H.E. Jr.: That’s right; this is the advice they gave us. Am I right?

Mr. Schwarz: Yes, that’s right.

H.E. Jr.: And as far as I know there hasn’t been any complaint from anybody as to how to handle a news release which has cash value. I mean, as far as I know, there wasn’t a single press association or any newspaper, as far as I know, that knew about this question of nine o’clock being the dividing time between morning and evening—it was all worked out and as I understand we took the advice of the press associations.

Mr. Schwarz: We set the time and that was at their request.

Q: May I say that I asked that a definite time be put on it so there would be no confusion? (Perlmaner AP)

H.E. Jr.: As I understand it, with the exception of your paper (Herald-Tribune), everybody else was more than pleased.

Q: We were pleased but rather surprised at the extraordinary precaution taken, because we wanted to get some comment.
Well, if you had had it at five minutes of six—you weren't here when we were announcing the gold price. A Washington stock exchange house had a telephone wire open to London and were beating the press associations by six or seven seconds, which would mean in London they could operate in that thing and beat the New York people and, having learned that thing, we wanted to make very sure that nothing like that happened. It took us a week to find out about the gold and the result was the telephone was beating the AP and UP. It took us quite a while to locate the difficulty.

Tell them it came off the Dow Jones ticker.

Having been all through that I appreciate the fact that there wasn't even the slightest criticism from anybody; in other words, nobody had the inside track.

That's right. Mr. Secretary, a little more than a year ago the Chairman of the Appropriations Committee suggested a survey of the cost of producing silver to enable the fixing of the price for the domestic producer; any such study ever been made?

We made here a most exhaustive study of the silver production and it is the most intelligent study I have ever seen made.
Q. Can't we have it?

A. It's the most exhaustive study I have ever seen on the whole silver question.

Q. That includes production costs too?

A. Everything; there wasn't any angle that wasn't covered.

Q. It would be very interesting because these silver producers cite all sorts of costs.

A. Well, let me think it over.

Q. Silence is golden. Mr. Secretary, can we say that there will be no change in the New York price on silver? Are you going to keep on buying at forty-four or forty-five or thereabouts?

A. No, that is a day-to-day operation.

Q. There is no plan to cut it.

A. I don't know; that price is on a 24-hour basis.

Q. Mr. Secretary, do you intend to decontaminate gold this month?

A. I have no comment. I don't want to get started on that, if you don't mind.

Q. You haven't told us your plans yet for January.

A. I don't know them myself. I don't want to get started on that, if you don't mind.

Q. How about financing, Mr. Secretary?

A. It's too early to tell because the first ten days of January we have a lot of money leaving the Treasury
and until we get a better look at the picture we don't know.

Q. You mean, Mr. Secretary, you are uncertain as to whether you will even issue additional bills?

A. I don't know. I've got to watch our balances.

Q. Well, I think it was early last month you said you would undoubtedly issue some extra bills.

A. Well, until we can get a look at our balances I don't know just how they will run.

Q. On this world silver price, is it all right if we get the price as soon as it goes to New York?

A. You can have it first if you want it.

Q. Well, it would help, especially if there's going to be a change in it, because it's embarrassing for Handy & Harmon to know it before we do.

A. If there's any change in it, the Treasury press room will get it first—remember that. If there's any change we will give it to the Treasury first.

Q. Well, it has been practically the same right along.

A. I think for about a year.

Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JANUARY 6, 1938:

H. M. Jr.: All right.

Q. Do you want to reveal all? Any more gold, Mr. Secretary?

A. No.

Q. Are you ready to announce your financing yet?

A. No.

Q. Have you decided whether to de-sterilize?

A. No. I've got nothing on financing yet—it's too early.

Q. Hills?

A. Well, what is today? Thursday? There will be the regular announcement tonight and outside of that there is nothing.

Q. Anything yet on the Comptroller General's reply?

A. No, but this is off the record. I hope to have something ready Monday; they are working on it and we are going to go into great detail.

Q. Afternoon papers?

A. I don't know. I hope to have something by Monday afternoon when I meet with you.
again. As I say, I have asked that they have something ready for me by Monday morning and we are taking it very seriously and it may be in the form of a letter to the two chairmen of the committees; I don't know yet. We haven't been able to work on it, but all I can say is we are taking it very seriously.

Q. This is off the record?
A. This is off the record.

Q. Will you release it from here?
A. I don't know that because, after all, the Treasury is only a part of the picture. I have asked Bartelt to go into this thing very carefully and pending what he has it's the whole accounting system against—it's really underneath and there's a kind of a war between the Commissioner of Accounts of the Treasury and the General Accounting Office and at this end they think—it's all off the record—that the Comptroller General has been trying to get outside of his real authority and it has been a battle, not
between the heads of the departments
but really between these people who are
regular Civil Service government em-
ployees. Now it has been going on for
some time and all this talk about watch-
dog of the Treasury is just the bunk
because he audits after the money is
spent and the time to watch the spending
of the money is before it's spent. After
it's spent he may pick up some fellow who
has two or three dollars more on his ex-
 pense account; but the way to stop the
money is before it's spent and everything
possible should be done to see that the
money is spent honestly.

Q.
He speaks of special accounts, such as
FDIC.

A.
That is a matter for Congress. When I
was in Farm Credit, when I organized it,
I put it under the Comptroller General,
under Civil Service and under the Budget
because I wanted to run it that way.
That's the way we sent Farm Credit up to
the Hill and Farm Credit was under all of those. Now when the other organizations were formed, Congress could say we are not going to put this through unless they go through what Farm Credit did. The responsibility is in Congress. We expect to go into this thing in detail because this is a very important thing, because we can't just brush it aside and we don't want to. The day I came in Farm Credit I was tremendously impressed with what was good accounting.

I use Farm Credit for an example and I put it under Civil Service, under the Comptroller General and under the Budget Bureau, but if Congress had wished to they could have done the same with every other organization. It's up to Congress. It's just like the Comptroller of a company who calls in any big accounting firm at the end of the year to do his accounting and for them to say after the year's
business is over and this accounting firm—all that they do is to see that your own company auditor did the work honestly and that's the way the Comptroller General is set up. I don't think he's ever made a report to Congress; as far as I know, he's never made a report, which he should under the law, so by the time the Civil Service boys get through with this you'll have something good, I assure you. They're not going to take this lying down because it's too important to them and to the country.

Q. Mr. Secretary, just for our information, does the Comptroller General do any pre-auditing?

A. Nothing.

Mr. Gaston: I think it's something like five per cent pre-audit—it's a very small percentage.

H.M. Jr.: In New York State they pre-audited, and if you wanted to get five dollars they audited it first and it really meant
something, but here, once you get something approved by the Budget and the President, it's spent. It's very important but the money is spent; all he's going to find out is whether the money was spent properly and some poor Army official coming back from China—whether he can bring his furniture back or something else, and they'll hold up his pay for two or three years and make him hire expensive lawyers to go into the whole business—talk to some of the Army and Navy fellows as to what they've been up against—it's terrible. But we'll have something for you.

Q. We have the same trouble getting petty cash from the Tribune.

A. Well, it's important that everybody's accounts, especially for any entertaining, should be carefully audited, and, I mean, it can't be brushed aside but there's a place where a fellow should stop—I mean, where the budget begins and where this other fellow—that's quite a speech, huh!
Q. Mr. Secretary, is it true that the Treasury has agreed to take thirty-five million ounces of silver from Mexico?
A. It all depends upon who says so.
Q. Well, somebody just told me to read it in the New York Times and I wondered if it was correct and I am curious myself.
A. Well, I have no comment to make.
Q. The story came from Mexico City.
A. Well, I have no comment.
Q. Mr. Secretary, Mr. Eccles is talking about spending a billion dollars to dewaterize gold; is that the plan?
A. Well, I think I am correct, and as Mr. Eccles said, he was talking for himself; didn't he say that two or three times?
Q. I think so.
A. Well, let it go at that. I think he said it two or three times, didn't he?
Q. He said everything two or three times.
A. I think I read it and, as I understand it, I think he made it very clear that he was talking for himself and I think that is correct.
Q. Mr. Secretary, is your study in connection with your financing plans for this next quarter—your weekly financing—based on the demand that will be made for unemployment benefits?

A. We take that all into consideration—we take that all into consideration. But I will give you this for background: I'm in very close touch with the people of Hopkins' organization and as of today that's all I can say; as of today there's nothing in the picture which would call for any expenditures which haven't already been provided for in the budget for this year. Now all I'm saying is that is so, as of today.

Q. Mr. Secretary, last Tuesday you disclosed that the Treasury had made a thorough study of the question of silver; have you decided to make that public?

A. Can I be a little facetious, very much off the record?

Q. Sure.
A. Well, as long as the price fixed on silver has caused so little disturbance, I'm willing to sit here and say nothing more; we'll hold our fire.

Q. Wait until Mr. McCarran gets through.

A. I'm willing, but as long as we seem to be sitting pretty for the moment—that's very much off the record—I think we'll sit tight for a while.

Q. Mr. Secretary, can you tell us about your visit across the street?

A. No, I'm sorry.

Q. About budgetary matters?

A. I think you'll have to get that from Steve Early; I can't say anything.

Q. Mr. Secretary, in the budget, in the paragraph regarding the debt, it said that the estimates there were subject to whatever might be done in connection with gold; can you tell us either on or off the record what significance that has?

A. Well, off the record, the significance is this: No one can estimate how much
gold, say, Japan is going to ship to us or how much gold is going out. Therefore it's an uncertain factor. There's no significance other than an actual straight statement that nobody can tell us how much will come in or go out; therefore we have to have a question-mark—that's the answer. It just has to be a question-mark after it—we just don't know.

Q. Mr. Secretary, could you give us a total of the amount of gold exported or earmarked for foreign account since this withdrawal started?

A. I could.

Q. Would you?

A. No.

Q. Well, in nice round figures it would make a good story without meaning an awful lot.

A. As I said before, we are doing business for other governments and they have requested us not to do it.

Q. I didn't mean by countries.

A. Well, I don't want to be quoted but they asked us specifically not to say how much we have.
Q. Of course, there are two sides to that. They might not want us to know how much they are getting, but don't people over here have a right to know how much we are losing?

A. People know how much goes out of the country, and if I thought it would help them any I would tell them just like that (snapping fingers) and if I thought it would do any business man any good other than—may I use the word—satisfying some speculators' curiosity—if I thought it served any legitimate purpose to help the business man conducting his import or export business I'd tell it like that (snapping fingers). But I don't think it would. The main thing the business man knows is that he can sell and buy his goods in the world market and he's dealing in the most stable currency in the world and he isn't worried about his foreign bills and payments because he knows that as long
as he is dealing in dollars he has nothing to worry about and the importers and exporters are not worried about the stability of the dollar.

Of course, there's a general rather than a specific interest in a lot of this monetary business.

I know, but don't think we don't discuss this thing very, very carefully and we tell all we think will be helpful to Congress and to the businessman. I had a long discussion about this yesterday and we feel that it gives information to people which might help them to speculate in currencies and that's the thing which we have been very successful in eliminating—that's the whole story.

Before we get off of this general subject may I ask if Brazil ever took any of that gold?
A. It never availed itself in any way of that agreement.

Q. Mr. Secretary, do you have any meetings scheduled with the Federal Reserve Open Market Committee?

A. Only that Eccles and Ransom are coming over to have lunch with me.

Q. Today?

A. Today. They do that once a week.

Q. No other meetings scheduled?

A. No. But I hope to get away next Tuesday and if I do Monday will be the last press conference for ten days.

Q. Cuba?

A. No, the regular place—Sea Island. And if I do, before I go I'll announce the financing plans. My plans for going are still uncertain—I'm still talking off the record, but if I go I'll tell you Monday night—I'll tell you the financing plans.

Q. May we assume the financing plans will be revealed by Monday?
A. I think so. I guess you can say that.

Q. Mr. Secretary, they call these French gold shipments propaganda shipments—this is the New York nomenclature. Do you have anything to say on this? I mean, does that gold have to go out of the country or is it a political move by the Chautems Government?

A. Not knowing the details of the movement of capital in and out of France I can't answer that.

Q. I mean the metal movement.

A. I can't answer that. I'd have to know the detailed movement of capital; I'd have to know right down to the last dollar the way we know our own and I just don't know—I just don't know.

Q. Mr. Secretary, way back in the Dark Ages there was some committee studying the question of "hot money"; is that committee dormant?

A. Well, I think I said the last time it was in the ice box.

Q. When was that you said that?
A. Didn't I?
Q. No, but it's a good idea.
A. That's where it is. We may take it out any time and look at it, but in the meantime it's in the icebox.
Q. The committee is in the icebox?
A. The idea, because it isn't up just now. Of course, what happened on that—everybody worked and worked and worked and we never could get a practical answer to that question which I would accept; that was the answer; they never worked out anything which made horsesense.
Q. And since that time the situation has adjusted itself.
A. For the time being it has adjusted itself and I suppose again when the money gets hot we will begin worrying about it.
Q. Did you ever get a report from the Deputy Commissioner of Internal Revenue who went over the League of Nations on tax reciprocity?
A. I don't know.
Mr. Gaston: That was Eldon King's.

H.M.Jr.: I don't know.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JANUARY 10, 1938:

Q. Mr. Secretary, you said you would tell us
today about bills.

H.W. Jr.: Yes. Other than the regular fifty-million-
a-week of 90-days to refund the 9 months,
which are coming due, there won't be anything
else this month; we've got enough money.
That will go for the month.

Q. Through January?

A. Through January.

Q. Does that put the kibosh on any further gold
destabilization this month?

A. Well, we have no other plans this month other
than just to—as far as the financing
goes—to refund the 9-months bills which
come due each week—the $50,000,000—to
refund them with another $50,000,000 of
90-days.

Q. Same turnover?

A. Just a turnover. 9-month bills, $50,000,000
of which come due each week, replaced with
another issue of 90-day bills.

Q. May we interpret your "no other plans" as
an answer to Mr. Friedheim's question
(destabilization)?
A. I didn't want to answer that.

Q. It does answer it, however.

A. All right, thank you. I'm a little out of breath. No other plans than just the refunding, which rules out everything.

Q. It rules out the possibility of a series against the June tax date.

A. It rules out everything but just what I said.

Q. I mean after this month.

A. I'm only talking for the month of January. We have nothing else than what I said for the month of January.

Q. Mr. Secretary, there was a story out of Mexico City yesterday that the Mexican Finance Minister had said the American Stabilization Fund was protecting the ratio of the peso to the dollar and would continue to do so and that we had bought a lot of silver here, not held by the Treasury but by the Federal Reserve Bank of New York.

A. Where's the New York Times today?

Q. Isn't that a bit old, Mr. Secretary?

A. What, the New York Times! Before I answer, let me ask you a question very much off the record. I understand the Mexican Ambassador gave out a statement this morning which was sent around.
Yes, sir. They did but it didn't mean a thing; it just said whatever they said was an error, whatever it was. The Mexican Finance Minister also denied their story just before he got in here on his last visit—that some tentative arrangement had been made, but after that conference he announced—.

Let me tell you the story Herbert Gaston told me; he can tell whether it's off the record or not. I know exactly what the facts are: On December 31st we agreed to buy from the Mexican Government thirty-five million ounces of silver at 45 cents to be delivered at either New York or San Francisco, period. Now that's the whole story. How would you handle that, Herbert? I mean, there's nothing else other than that—that's the whole story.

Mr. Gaston: I don't see any reason why they shouldn't just handle that the Treasury confirmed the statement that we did agree to buy thirty-five million ounces.

Q. I am curious to know why you did make an agreement with Mexico to buy their silver.
A. Well, we have such a thing as the Silver Purchase Act and why do we buy silver at all? We are operating under the Silver Purchase Act.

Q. Yes, but why don't you make an agreement with some other silver-producing country? Why do you confine it to them?

A. Well, we have.

Q. With whom?

A. I told you gentlemen we have agreements with Canada, Mexico and China—they're the only countries that offered us silver and who asked for an agreement.

Q. Doesn't the Treasury buy silver delivered in New York from Europe?

A. We buy silver offered to us in London but that is from individuals.

Q. That is for stabilization purposes, isn't it?

A. No.

Q. I mean, to maintain the price, you go into the market and buy silver to maintain the price; that doesn't represent newly-mined silver.

A. We don't know necessarily whether it's newly-mined or whether it's silver that has been in storage or what it is. As far as the policy of the Treasury goes, what we try to do here, as nearly as possible, is to maintain an equal
price for silver in the world market and so far we have been very successful at that.

Q. Mr. Secretary, what ratio is thirty-five million ounces to their average yearly production?
A. I think their production—you fellows will have to check up—was between sixty and seventy million ounces last year.

Q. Taking approximately half.
A. This wasn't newly-mined silver—this was silver that they had accumulated, but I think, you will find that their production is somewhere between sixty and seventy million ounces.

Q. Mr. Secretary, he was quoted from Mexico City not only taking thirty-five million but an additional five million each month.
A. I told you people we had an agreement on a month-to-month basis.

Q. Totalling thirty-five million?
A. No, I told you people we had entered into an agreement with Canada and with Mexico on a month-to-month basis, to be renewed each month by either country agreeing to buy a quota of their newly-mined silver and I don't know whether I told them the amount at that time or not.
Mr. Gaston: You didn’t tell them the amount and at this conference when the Mexicans were here Mr. Perlmeter asked if this silver clause meant, in addition to the month-to-month purchases, you were also buying silver under a specific transaction.

H.M.Jr.: And what did I say?

Mr. Gaston: You said there was.

H.M.Jr.: I also said it was up to Mexico to say how much and I want to make it very clear that there’s nothing else.

Q. That is thirty-five million of accumulated silver stocks you are taking off their hands in addition to newly-mined silver on a month-to-month basis.

A. That’s right.

Q. Now have you agreed to take any accumulated silver from Canada?

A. Accumulated? No.

Q. Will you tell us how much you agreed to take from Canada?

A. We agreed for the month of January to take two million ounces from Canada and for the month of January, from Mexico, five million ounces. And I was asked before why the difference and I said it was based on their production.
Q. And five million Mexican in addition to the 35 million.

A. Two separate transactions.

Q. That's only for January?

A. That's only for January.

Q. Is this thirty-five million ounces of accumulated silver to be delivered all at one time?

A. At their pleasure—it's up to them to deliver it as fast as they wish to deliver it.

Q. It's all right to quote you on that particular part of the announcement?

A. Gaston thinks so and, off the record, naturally I was disturbed to think that they dragged in the Stabilization Fund because it just wasn't so, that's all. That's the kind of thing I have explained to you gentlemen before—the Stabilization Fund is to maintain the dollar and not to maintain any other foreign currency. Otherwise, we would find ourselves loaded up with a lot of paper money of some other country and that is what we have been so scrupulously careful not to do and we have either gold or American dollars; nothing else.
Q. Mr. Secretary, in taking this thirty-five million ounces of silver in addition to their newly-mined silver, could you tell us whether this indicates you are trying to more rapidly bring our silver stocks into ratio with our gold stocks?

A. No. Here is an amount of silver which the Government of Mexico wants to sell; they could have sold it to London or any other place. Now instead of having them possibly crowd the market and demoralize the price, as long as we are operating under this Silver Purchase Act, I thought it was the sensible thing to do in order to maintain an orderly market; otherwise we’d have the prices jumping all over the lot.

Q. Can we disclose that fact?

A. Yes. If I didn’t buy it they could dump thirty-five million ounces on London and what we have tried to do and have done fairly successfully is maintain the price on the world market near forty-five cents.

Q. It’s more or less clubbing you, isn’t it?

A. No.
Q. I mean this threat of dumping this on the market.
A. Well, that would not be a correct interpretation.
Q. Just between us?
A. No, even between us we can't be clubby about it, but no—there was no threat, but it's just a matter of—I mean, if we let them feel that we will buy within reason an amount of silver why it keeps them from forcing an undue amount of silver on the market and we are able to keep an orderly silver market—that's the whole thing.
Q. This is more or less an informal extension of the London Agreement with some countries.
A. No, it's just a particular understanding that we have with the holders of the largest amount of free silver in the world. There are just three countries today, practically, that have any free silver that they wish to sell and with those three countries we have an understanding in order to keep the world market orderly.
Q. And they accumulated their silver because of the fact that the price of silver in London for some time back had been under forty-five cents?
A. No, I think it was part of their reserves they had; accumulation of excess; newly-mined silver they had accumulated over several years.

Q. Are they getting gold for this?

A. Dollars or credits.

Q. What do they do for those credits? Do they take gold for it?

A. No, just dollar credits on the books of the Federal Reserve Bank in New York for their accounts.

Q. And they can draw on these balances?

A. As they wish to. It's just the same as if anybody else deposits money in the bank; it's up to them to decide how they wish to spend and use it.

Q. And it isn't in connection with any currency operation of their own?

A. What they do with it is their business—it's entirely their business, what they do with that money—no strings attached to it—that's their business.

Q. Mr. Secretary, do you intend, during your time here, say to the end of the present Roosevelt Administration—intend to bring the silver stocks into the proper ratio with gold?
A. I haven't got the Silver Purchase Act here.
Q. It didn't set any time here.
A. There's no time-limit, but there's a particular sentence I wish Gaston would get for you—that we buy as long as it's in the public interest and that is what is guiding me—and he'll get the particular sentence which is the instructions under which I act. I mean, I'm directed to do so and so and so—about twenty orders.

Mr. Gaston: Whenever and so long.

H.M.Jr.: Get that for them. I am directed to do so and so and so and so and I have interpreted it to the best of my ability.

Q. That would mean you could suspend purchases indefinitely if there ever came a situation where, in your own mind, it would be against the public interest.
A. I could stop buying if I thought it was not to the best interest.

Q. Mr. Secretary, with reference to these January quotas—the purchase of newly-mined silver from Mexico and Canada—isn't it true that the amounts are approximately twice the average number of purchases in the last year?
Q. It's exactly the same, from Canada and Mexico.
A. Yes?
Q. It's exactly the same. We simply extended the agreement.
A. Did they sell the same amount every month last year? Approximately the same amount? Approximately five million and two million?
Q. It may have been the same—I can't remember.
A. It averaged that.
Q. Did it? I'm not sure. The chances are we did.
A. As a matter of public record we are supplying it to you. No reason you gentlemen shouldn't have it.
Q. Can we disclose the Stabilization Fund has just dollars and always will have dollars or gold?
A. What? Well, I mean it always has—there's nothing new about it.
Q. You told us it converted each night.
A. Yes, the point is we have to be extra careful on that. We either have dollars, gold, or United States Government bonds, one or the three, and that's the picture as of today. We have nothing but either gold, dollars, or United States Government bonds.
Q. I didn't know the way the fund operated; I didn't know you converted daily.
A. That's quite all right, but I mean I wanted to make it extra careful.
Q. It's clear in my mind.
A. That we don't own any pesos or francs or anything else.
Q. All good money.
A. All good money, perfectly good money.
Q. Mr. Secretary, when the Mexican delegation was here they explained that they were trying to maintain the ratio of the peso to the dollar at 3.60; maybe that's where the confusion arises.
A. Well, he spoke of their Stabilization Fund. What he said when he got back I don't know, but I've been assured by the Mexican Ambassador that they had no such intention to imply that our Stabilization Fund would be operating in pesos. He knows it isn't so, and there must be some place, either in translating from Spanish to English, but some place there was a misunderstanding.
Q. Mr. Secretary, to use the word stabilize in another connection, isn't it true that the United States purchases of silver do tend to stabilize Mexican currency?

A. If they use it for stabilization purposes— I don't know what use they are going to put it to. If they use it to buy and sell foreign exchange, and I suppose they will, it would, and certainly for them to acquire dollars would tend to stabilize their currency.

Q. Mr. Secretary, do you want to tell us about your visit across the street now?

A. Only I had a lot of odds and ends which I cleaned up because I'm leaving at noon tomorrow on ten days' vacation.

Q. Would you mind our announcing that?

A. If it's of any interest to anybody.

Q. Well, we run a social column. Sea Island?

A. Sea Island. And we'll have this—I don't want you to run it, but you'll have to fix it up with Gaston—but I have finished and signed my letter to the Acting Comptroller.
Mr. Gaston: Not to him.

H.M. Jr.: To chairmen of certain committees. And that will go up tomorrow and Herbert will try to release it from here and I promise you it is worth reading.

Q. Can't we have it tonight?
A. No, we have to send it up there.

Q. Well, we can release it when it is delivered up there; they have done that before on a lot of other documents.
A. Herbert loves to be high-pressured.

Q. We're doing it.
A. I don't want to rush the people on the Hill—the letter hasn't left here.

Mr. Gaston: No, it hasn't left here. We couldn't put it in anybody else's hands.

Q. Is it a long letter?
H.M. Jr.: Fifteen pages.

Q. We could do a lot better job if we had it in advance and we want to give you a chance.
A. Well, that's Gaston's responsibility and you people get along with him all right and he gets along with you all right, if you don't mind, do you?
Mr. Gaston: Yes, that's all right.

Q. He knows I'm not putting the heat on him in here. (Klein)

Mr. Gaston: You wouldn't think of it!

H.M.Jr.: I just thought I'd tell you the thing was coming and I think we'll send it up tomorrow morning to the people and Gaston has to call up the chairmen of these committees and ask them if it's agreeable to them to release it.

Mr. Gaston: This is all off the record, that there is such a letter.

H.M.Jr.: Yes, you don't know there is such a letter until tomorrow, but it's good.

Q. What is it on? Asbestos?

A. Can I go very much off the record? I told them I could say it in three words; they took fifteen pages!

Q. Mr. Secretary, did you decide about that silver report? (Treasury silver study)

A. Everything is so lovely on silver I don't see any reason to add anything; everybody seems happy, as near as I can tell.

Q. You are still on a monthly basis with Mexico and Canada; is that correct?

A. Yes.
Q. That means that the agreement may be terminated at the end of each month?

A. By either party. As I say, everything in the Treasury is cleaned up; it's quiet. There's nothing left undone. Mr. Magill will take care of tax bill on the Hill.

Q. Have you been invited to testify?

A. Again off the record, I had a letter, which I have not yet answered, and I am answering that Mr. Magill will do the testifying and represent the Treasury.
Q. How was the trip?
H. M. Jr.: A perfect rest.
Q. Can we quote you?
A. Yes—a perfect rest. All right?
Q. Did you find everything all right when you got back, Mr. Secretary?
A. As Jim Farley says, "Everything is under control."
Q. Does that include the French franc, Mr. Secretary?
A. Well, that's their problem.
Q. Does that franc situation tend to endanger the tripartite agreement in any way?
A. It hasn't yet.
Q. No, it hasn't, but, if it keeps on — —
A. Well, it hasn't yet.
Q. There has been some speculation that the British may be unwilling to continue the dollar-pound ratio in view of the probability of still further decline in the franc, Mr. Secretary; in fact, articles have been written predicting that they would be unwilling to continue this ratio.
Q. Do you believe what you read in the papers?
A. Well, the writer of this particular article wrote as if he was very definite and clear in his idea.
Q. Well, you've got the advantage of me because here's what I should read and I haven't done it yet, so I don't know who you are quoting; I don't know whose toes you are stepping on, but you've got the advantage of me.
Q. Well, Mr. George Anderson in the Herald-Tribune is the fellow I'm quoting.
A. Well, I didn't happen to read Mr. Anderson.
Q. Mr. Secretary, I wonder if you would excuse me—my office has called me to go downstairs. (Klein) Make him leave his notes here.
Q. Mr. Secretary, while you were away the Mexican Government imposed severely increased tariffs on a number of products and the question has arisen as to what effect that will have on silver purchases.
A. As far as I know, I don't think it will have any effect.

Q. Mr. Secretary, do you expect to appear before the House Ways and Means Committee at all on this tax?

A. I don't think so—no, I don't think so. I mean, the setup we have here with the Under Secretary in charge of tax matters and the Internal Revenue—he's fully able to handle that situation and he seems to be handling it to the entire satisfaction of the Chairman of the Committee, Mr. Doughton.

Q. Mr. Secretary, returning to the Mexicans, have you given your commitment for February?

A. No, it isn't time yet.

Q. Could you explain a little technicality for me, please, sir? If the Treasury does not buy francs and you have stated that we do support foreign currencies, how, in the Tripartite Agreement, can you help to stabilize the franc? You've got to do it, don't you?
A. Well, I'll tell you, if you want a technical explanation, how that works, I would be very glad to let you sit down afterwards with Mr. Lochhead and go into it, or anybody else who wants to; he'll give you a correct technical explanation.

Q. You do ship gold to France.

A. If that's really what you want to know, Mr. Gaston can fix it up for you to sit down with him after the meeting. I could give you the answer but I don't think it would satisfy you. They give us a rate at which we buy or sell francs. I don't want to be quoted on this—I don't even want this for background. And then at the end of the day it's a question of whether we bought or sold, and whether they have to give us gold for it—so the thing is fixed by them, and when they say we will buy or sell francs at such and such a rate, they always have to settle for gold. At the end of each day we never have francs. If you want something to use—to write about—I wish you would see Gaston as to just what you can or can not
use; that's the correct technical explanation, but before you use it, sit down with Gaston. That's why at the end of each day we don't get left with paper francs.

Q. Any French earmark been taken for the Stabilization Fund?
A. I can't answer that.

Q. Any physical shipments under way?
A. Again, I can't answer that. I mean, there's nothing been shipped you don't know about.

Q. Any conferences contemplated on this Mexican action hiking tariffs?
A. No, that's a matter—as I explained to you gentlemen before, we don't mix our silver and other matters. Excuse me, please. (Speaks over telephone) Sandy and I are both very busy today.

Q. You mean your respective bosses are calling?
A. I hope Sandy's conscience is as clear as mine.

Q. That wasn't Chauteopsis, was it?
A. Where were we? Bring me back to earth.

Q. Mr. Secretary, in this Mexican announcement they very clearly hooked that tariff up with money; no doubt about our silver policy having
something to do with the status of their currency.

Well, for background, when I told you originally about that silver they announced it and I confirmed it—that our purchase of silver is purely a monetary matter and that whatever the tariff or whatever else may come up is a matter which is handled by the State Department and, if you will remember, I think Dr. Suarez was reported as saying on his return to Mexico City that there had been no horse trading in connection with the purchase of Mexican silver and that is correct.

Q. Is it conceivable, sir, that the State Department might ask you not to buy silver because of the effect of their tariff on the commercial policy?

A. Anything is conceivable but it hasn't happened. We go ahead and handle our tripartite arrangement with England entirely irrespective of any trade treaty negotiations the State Department may have under way and that's been that way ever since I've been here; it doesn't mean the
State Department and Treasury don't work very closely together. You know we do. And whenever we have anything that is foreign there's always a representative of the State Department sits in on the meetings so they will know what goes on; but Mr. Hull and I came to an agreement long ago with the President that we should handle monetary matters entirely independent of trade treaties, debts or anything else and we will continue the same way. That is for background. Otherwise we would find ourselves constantly at cross-purposes and I wouldn't know from minute to minute what Mr. Hull is doing and he wouldn't know from minute to minute what I'm doing. The result is we haven't had any conflict and we are serving our Government with what we think is its best interests.

Q. Were you advised of that contemplated tariff action?

A. You'll have to get that from the State Department.

Q. Mr. Secretary, I have noticed several cases on the Board of Tax Appeals in which the Internal Revenue Bureau has tried to collect taxes where personal holding companies, foreign insurance companies and holding companies were involved;
is that part of the general Treasury policy to carry through the objectives expressed on the Hill last summer?

A. I really don't know. Will you find out about that, Herbert? I don't know.

Mr. Gaston: Yes, I will.

H.W. Jr.: When you get it, tell me too.

Mr. Gaston: It's a case of our asserting tax liability where we think there's liability; that's all there is to it.

Q. Anything on February financing plans yet?

A. Not yet. The only thing is on February 2nd I have asked the Executive Committee of the Open Market Committee to meet with me.

Q. On February 2nd?

A. That's right. Have I got it right—the title?

Q. In the morning or afternoon?

A. Eleven o'clock, Wednesday.

Q. In the morning?

A. Yes.

Q. That's next Wednesday, week?

A. Yes.

Q. Will the Open Market Committee meet at that time?
A. I don't know. I just asked Mr. Eccles whether he would have the group down. So there won't be anything announced with regard to financing until after that meeting.

Q. You will discuss at that time the sale of bills?

A. Oh, we will discuss financing.

Q. How about next week, will there be bills?

A. The 31st is a Monday; that still takes care of January.

Q. Mr. Secretary, Senator Glass announced that he had conferred with you at length on legislation to abolish holding companies.

A. I don't think he said "at length," did he?

Q. Well, maybe that was interpretation.

A. Well, when I went around to congratulate Senator Glass on his 80th birthday on that day I did bring up the question and we had a very short discussion about it and that's the only time I saw him.

Q. Could you enlighten us on your views?

A. No, because we have got a committee working on it and they haven't made their report on it yet.

Q. Is that the committee of agencies concerned with bank supervision and regulation?
A. That's right.

Q. Is that the Interdepartmental -- ?


Q. A subcommittee of that committee, Mr. Secretary?

A. Yes.

Q. Could you say who they are?

A. Oh, we will just call it a subcommittee of that group.

Q. You mean a subcommittee of these four?

A. Yes, they all sit in and study it; that's what it amounts to; we are going to have a meeting some time this week to discuss it.

Q. Do you have a tentative draft of legislation, Mr. Secretary, to go over?

A. I don't know. You see I just got back at noon and I don't know how far they have progressed, but some time the end of this week we will meet and discuss it.

Q. Senator Glass said in effect that the legislation, in his opinion, should provide for reasonable time for orderly liquidation and proposed five years.

A. Well, if you don't mind, it's getting down to too much detail. I did discuss with
Senator Glass the principle, and as to the principle I found, if I may say so, that he and I were in complete accord; as to details—five years or three years, we didn't discuss it. In discussing the matter I found that we looked at this matter in the same way. There were no details discussed but just as to the principle—there was no difference of opinion.

Q.
Well, the meeting this week would indicate that legislation would be going up to the Capitol in the near future.

A.
No, because the committee might not be in agreement.

Q.
You mean the branch-bank issue involved in it?

A.
I don't think so. I think this is just a—no I don't think so. I think it is just a straight question of holding companies—whether they should hold bank stocks or whether they shouldn't. From my standpoint it's a clean-cut question—simply whether holding companies should or should not—whether it's good for them to hold bank stocks.

Q.
And you say it isn't good.

A.
I say whether it is or is not.
Q. And your opinion is -- ?
A. Well, I made a statement before the Finance Committee—I don't know the exact wording—December 10th.

Q. "Unhealthy situation."
A. That I considered it an unhealthy situation and I still do so. Does that clean that up?

Q. Yes, thank you very much.
A. You're welcome.

Q. Is Mr. Eccles head of that subcommittee?
A. I'm not and you've only got Eccles and that leaves three; I think we are acting as a committee of the whole; that was a good question but I'm not going to fall for it.

Q. I understood you to say that that was a subcommittee of the Interdepartmental Banking Committee.
A. Well, it's very informal. The five of us sit down and we talk the matter over; we will sit down again Thursday or Friday and discuss the matter again at a very informal meeting.
(Sandy Klein re-enters)


Q. There's a story on short-selling, Mr. Secretary.
A. Everything else all right?
Q. Mr. Secretary, have you been informed of the action of the Securities Commission in adopting a ruling attempting to prohibit short-selling on the downside?

A. No.

Q. Will you give us your views on the subject?

A. No.

Q. Thank you, Mr. Secretary.
Q. Can you tell us something about today's meeting of the Interdepartmental Subcommittee?
A. There isn't going to be any.
Q. Today?
A. No, it was put off until tomorrow.
Q. Tomorrow morning?
A. They need a little more time. Yes, eleven o'clock tomorrow.
Q. What was the reason?
A. They needed a little more time—some of the people didn't do their homework.
Q. Will Senator Glass be in this meeting?
A. No, no. I mean ---.
Q. Have you decided on your suggestions, Mr. Secretary?
A. No, I'm going to listen.
Q. Is it fair to assume that out of this meeting there will come some sort of a legislative proposal?
A. Well, not necessarily, but I don't know what they are going to propose. I don't know how when you appoint a committee to make this study it's up to me, as chairman, to listen, and I don't want to guess at what will come out of it — this isn't a rubber-stamp committee. I mean, these fellows are all ---.
H.M. Jr.: Well, I'm at your service.

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Q. Will you discuss any of the bills already proposed?
A. Well, they will go over the whole thing. They have had plenty of time. I mean, these are intelligent people and there will be a full discussion of the whole subject.

Q. Mr. Secretary, around the first of the year you said you were keeping in constant touch with Mr. Hopkins regarding the relief situation; has that changed any?
A. You mean my keeping in touch with them?
Q. No, at that time you said as a result of those contacts —.
A. No.
Q. There was no change in the picture at the moment.
A. That's still true. I have here their release as of the week ending January 15th and I got the advance figures for the week of January 22nd and there still isn't anything in the picture but what can be taken care of by the money provided for in the Budget.

Q. Money provided by what?
A. By the Budget.
Q. Anything new on this French situation, Mr. Morgenthau? I see the franc almost touched an eleven-year low the other day.
A. Nothing new that I can say about it except that we are watching it very closely, but there's nothing I can say.

Q. Is the Tripartite monetary understanding still in effect?
A. Still in effect.
Q. Mr. Secretary, Reuters had some report that the
Van Zeeland report is going to be made public in Washington at the Treasury or White House tomorrow morning.

**Q.**

All I know is we won't release it. My guess is it would come from the State Department.

**A.**

Is this the Van Zeeland report from all those trips around that he made?

**A.**

Well, strictly in the family, it came here late last night and it's about that thick, and I have asked somebody to read it, now, and that somebody hasn't because I gave it to him late last night and I don't think they have waded through it yet. But I greatly question that I will make any comment on it. I imagine it will all be State Department and I would be surprised if the White House did anything about it. But this is just amongst us, but my guess would be—a diplomatic document—it would come out of the State Department.

**Q.**

There are going to be some things on money in it. Will you comment on them? At least, according to what Mr. Van Zeeland said.

**A.**

I've got to wait until this fellow reads it. But you remember, here a month ago, there was a dispatch coming over what they are talking about doing with gold and if that is in the report I think I laid that one to rest, but as long as it's so big I suppose the whole report will be released.
Q. Mr. Secretary, isn't it rather unusual in this current French franc crisis that there have been no actual physical shipments of gold from Paris?

A. No.

Q. Has it been confined to earmarking?

A. No. Use this for background. The dealings in francs in this country are not very heavy, see - this is for background. And the big play on that is between London and Paris, and when a time like this comes, what they do is more or less just make, more or less - this is for background - just make official transactions in francs the way it is now. I mean, there isn't a free play in the franc right now, you see, but the shock of it is mostly on London and again and again when the franc gets these sinking spells, which they have had three or four times, we don't get the full brunt of it and then they have always taken extra good care to treat the United States well and we are fully protected.

Q. But still it doesn't account, though, why there have been no gold shipments; I still think some metal should have been shipped.

A. The answer is they've got enough here to take care of the present situation - you can use this for background - but they've got enough gold and dollars to amply take care of the very limited transactions which are taking place, but the big brunt of this thing comes either in London
or on the Continent and we don't get it—we never
get it; I mean, there's just as little mystery about it
as possible and I'm telling you the whole story; there's
nothing else to it.

Q. Has the French Stabilization Fund exhausted its resources?

You see constant reports that the Stabilization Fund is
not supporting the franc or to a limited extent.

A. Well, that I can't answer because it's their operation,
but I'm simply telling you, as far as we are concerned,
they are very small operations. They have ample funds
on deposit for them. Do you think I'm talking too much,
Herbert?

Mr. Gaston: Not for background; it's all right for background purposes.

Q. Mr. Secretary, if it's true that the French Stabilization
Fund isn't supporting the franc, then the Tripartite
monetary agreement isn't working.

A. The answer is we do get a rate every day. It's working
every single day.

Q. What do you mean by rate?

A. Didn't I explain that the other day? They give us a buying
rate for the franc and they give us that every day, after
their market closes, they instruct us please to take care
of the franc—buy at such and such a price and sell at such
a price, and when the day is over they have brought money
in gold or dollars here that they take whatever
French we bought or sold off our hands. In other words,
we simply operate for them and we never get stuck. We
take darn good care of that. Every single day we get
a rate for buying—this is all for background purposes.

Q.

Mr. Secretary, what happens when their balances here
become exhausted?

A.

That is, again, their worry. In other words, as far as
the United States Treasury is concerned, we don't take
any risk at all, you see. I mean, just as long as we have
gold or cash we are more than willing to operate for them
at their risk and expense.

Q.

Do you check the amount of gold they have here before
you start buying or selling?

A.

I am a very careful fellow. And it goes for all of these
people. When I'm operating for the United States Treasury
or the United States Government I don't take any chances
at all.

Q.

No rubber checks.

A.

No, I'm not taking any chances, whether it's France, or
Mexico, or Canada or any other country. When the day
is through the U. S. Treasury is amply protected. This
is all background. And at the same time, doing this,
why do we do it? Well, we are operating for them—it
eliminates the sharpshooter in the foreign
exchange market and he can't depreciate or inflate this thing and start a run on the Bank of France. It has always heretofore been handled by these sharpshooters and no flag means anything to them and if they can make a profit and in that way start a run—they have always done it. That, really when you get down, is what the Tripartite has done; it keeps this thing regular in times like this. When a country like France is trying to straighten out its internal difficulties and they know they don't have to worry and the American businessman if he has francs due him—he knows that he can get francs at a reasonable rate and that's what it does for the importer or exporter. Now you go to any other country outside of, I mean, where they've got this thing shut down—the American businessmen can't get his money and that's the great difficulty and that's why—they know what they can continue to buy and sell and import and export—he's taken care of and that's the service we are rendering him.

Has the Treasury issued any sort of de facto orders asking American banks not to engage gold in France for psychological reasons?

A. No. They might have on their side, but we haven't.

Q. Do you know if they have asked?

A. I don't know; that's their business. As far as I know, anybody can buy or sell—our market is open. I mean, if any government wants to sell, we will buy. They can
take it out or buy it; there's no restriction whatsoever, as far as the United States Government is concerned. It's absolutely free—that is again for background. Now if the French want to do it that is their business and I don't want to talk about it. When you get all through there's no mystery about it as far as what we are doing, other than I don't want to say what I am doing for another client—that's his business. If he says to me "I don't want you to say how much I'm doing" and he has to keep the secret. And if he's my client I should, as a matter of ethics, live up to his request and as long as I do that he trusts us and I think they trust us as much as anybody else in the world, because we keep their confidence; it's no secret as far as what I am doing, but just as far as I am operating for another government.

Purely off the record, don't you think the Tripartite Agreement stays alive on a pretty slim balance, if it depends on French balances in this country?

Q.

A.

Well, yes and no. The fact that they have this agreement has enabled them to keep going and to keep from slipping into exchange control—that's what they don't want and that's why we don't want. If this thing fails, as far as France goes, what happens? They go into exchange control and this present government has again and again—this group starting with Blum—has again and again said they don't want exchange control.
Q. Can we use this for background?

A. Sure, and that's one of the economic foundations they stand for; and there's this other party who wants exchange control; it's of tremendous interest to this government to keep as many countries from going on exchange control. Why? As soon as they do it makes it that much more difficult for our businessmen to do business in that country, and just as long as we can keep France open and free it means the chance for world trade is that much better. There's the whole story and if we can keep that it makes it that much easier for Mr. Hull to keep his trade treaties going and keep the world trade going. Every time a country slips back into exchange control it's that much more difficult to do business. This thing, when you get me going! There's an awful good reason for all of it.

Q. Can we say free exchange control in your policy in the Treasury is essential for American trade instead of for background?

A. I wouldn't say it was essential but it's the basis. Herbert, is that too strong? I think it's the basis for trade. What?

Mr. Gaston: Yes.

Q. The absence of exchange control is the basis of American trade policy?

H.M. Jr.: Yes.

Q. We can quote you on that?
A. Why not?

Mr. Gaston: I think that's all right.

H.H. Jr.: If you want something, let me have a minute.

Q. The absence of exchange control is the basis of the American trade policy?

A. That's a kind of a double negative, isn't it? If you want something—let me just think a minute. I put it something like this: That the Treasury is constantly working—I can't give it to you offhand. It's too important. Let me think about it. I don't mind you using it for background, but just to give you something which would stand up around the world—it's too important—I can't do it. You get what our policy and our program is—it's tremendously important that we keep as many countries open, tremendously important, not only for ourselves but for the whole world, and I may point out that one of the reasons that business kept up as well as it had is on account of the very remarkable volume of our import and export trade at the end of '37. I don't think people yet appreciate the tremendous increase in volume of our export and import business for the last quarter of '37 and the basis of that whole thing is that a man, if he sells a million dollars worth of merchandise, knows that he can go to his bank and cash that thing—as the other hand, if he goes up against a country that has exchange control he's got to worry and has to take
harmonicas in exchange for oil which they do, and has to send his boat into a country to get it painted in order to get money for his bananas which they do. That's the fight I have made here. I trust you fellows to use it for background.

Mr. Gaston: It was very carefully stated in the Tripartite understanding itself, in the last paragraph of the Tripartite understanding; it said these nations (I don't remember just the words used) expressed the hope for relaxation of exchange control and other restrictions on trade.

H.H. Jr.: Would you get that for the boys and send it down?

Mr. Gaston: Yes.

H.H. Jr.: And that's why we burn the midnight oil time and time again when something is happening in another country to strain every point and still stay within the spirit of the law which we do very carefully to helping a country from slipping into exchange control.

Q. What other countries, Mr. Secretary, have you prevented, besides France, from slipping into exchange control?

A. The most recent one is Mexico; that's the most recent one.

Q. How about Japan?

A. Well, they have a semi-formal exchange control now; there isn't a free flow.

Q. Any other countries besides Mexico?

A. That's the most recent one.
Q. Was your policy towards China with the same view in mind?
A. Partly, yes.
Q. How about Brazil?
A. Well, we gave them an agreement last Summer and they never took advantage of it and since December 10th—I think the date is something like that—they have had more or less exchange control. This is all for background.

Q. Is there any likelihood that France may slip into exchange control?
A. Well, that's the fight that's going on right now and I hope that they can pull themselves through again. I mean, I sincerely hope that they can, but that's the big fight which is going on there now. All this is for background, but I sincerely hope, and it's a matter which only the Frenchman can decide.

Q. Mr. Secretary, would it be accurate to explain, for background, that this country is doing whatever it can to help France avoid exchange control?
A. Well, that's the whole Tripartite agreement, which is, as long as they are in it, just as long as they can live up to the Tripartite agreement, there won't be exchange control.

Q. The thing that has troubled all of us is just what are the qualifications for living up to it; just when do they and when don't they?
Well, they live up to it just as long as—say you sell France $5,000 worth of dollars and you send it over there and you can get paid that minute, and just as long as there isn't any exchange and as long as they don't depreciate their currency in order to get advantages through that depreciation that is one thing. Because it drops, and we are convinced it drops on account of French capital moving out, that is one thing but just as soon as they decide to depreciate for their advantage, then they wouldn't be living up to that thing. Through that Tripartite agreement we have set this principle—here are three countries who say we won't take competitive advantage by depreciating currencies. We hope the other countries won't either. Since that agreement, no country has done that in order to get trade advantages.

Q.

Does that apply to countries outside of the agreement?

A.

Here are six countries who have laid down these principles including Holland, Switzerland. Since that agreement, no country has depreciated its currencies in order to get trading advantages; they have all had their difficulties but no country has depreciated in order to get trade advantages. We have accomplished that, you see. Again, all this for you fellows, but for background.

Q.

In the event that the French Stabilization Fund metal reserves were exhausted and its metal resources of earmarked metal, and again the Tripartite Agreement hangs in the balance, what would happen to the efforts to
continue that Tripartite Agreement? You said it was pretty slim.

A.

No, I didn't say it was pretty slim. I said they still had plenty of funds available with us here. They can go quite a long time as far as our markets are concerned.

Q.

In other words, you are not concerned about the situation, Mr. Secretary?

A.

No, I didn't say that. I'm not concerned as far as their operations in our market are concerned, but I also pointed out that their operations in our market are very limited. That's one thing, but what is going on in France is entirely different. But I hope you don't write anything about how concerned I am with how long they can go. That would not be fair and would not express what I have said, but I have talked very frankly in order to give this to you people and just let you really know what we are trying to do.

Q.

Did you say, Mr. Secretary, that the Tripartite Agreement was an essential preliminary to trade negotiations, as with Great Britain—it stated a policy.

A.

Well, I think this, and I think that the State Department will agree with me, that having concluded the Tripartite Agreement and having handled the work so well and having brought the three countries that much closer together, it makes a trade agreement that much easier—it makes it
much easier, very much easier.

Q. Paved the way?

A. I don't think there's any question about it.

Q. Mr. Secretary, back on the record a minute, do you know of any plans being developed to have a Federal agency that would expend small industrial loans or help the market for bond issues of small businessmen?

A. Yes, but I don't want to talk about that. I mean, unfortunately, I always am truthful and it is embarrassing at times. I do, but I can't discuss it.

Q. Thank you, Mr. Secretary.
Q. Mr. Secretary?

H.M.Jr.: Mr. Klein.

Q. Do you believe that the elimination of bank holding companies will be deflationary or have a deflationary effect? (To Mr. Gaston:) That's one you didn't count on, huh?

A. No.

Q. You don't think it will be deflationary?

A. No.

Q. That appears to place you in disagreement with at least one --

A. I know, I know. My answer is still no.

Q. Mr. Secretary, if they have to divest themselves of their holdings, do you suppose there will be a market for bank stock?

A. Well, under Mr. Glass' plan they have five years in which to divest themselves; that would seem to be ample time.

Q. Couldn't they also get money from R.F.C. to purchase their own stock, from the R.F.C. or some other organization?

A. I don't know whether individuals can.

Q. I mean banks?
Q. Mr. Secretary?

H.M. Jr.: Mr. Klein.

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Q. I mean banks?
A. I should think so. I mean, I don't know whether that is correct, but if it is, naturally—I mean, if it is legal and proper I should think that would be the logical course to follow.

Q. Hasn't Jesse Jones had an awful time getting rid of the stock he's taken from banks?

A. I wouldn't say so; I wouldn't say so.

Q. But do you think that in the small towns, the country banks, and by the way this was put up to me—I'll be frank about it—by a lawyer who is interested in it. Mr. Secretary, take out in the Northwest and those small places near Minneapolis—do you think they can get rid of their stock out there?

A. I believe this: That a period of five years, as I say, that's the time that, I understand, that Mr. Glass—I haven't talked to Mr. Glass about it—whether it should be three years or five years, but I still believe that if they were given ample time that the market could be found and created for these shares in the smaller banks wherever they are. Five years is a long time.
Q. Mr. Secretary, can you tell us when the
Interdepartmental Committee will meet again?
A. No, there's no time set and the Executive
Committee of the Open Market Committee of the
Federal Reserve has asked that this meeting be
postponed to Thursday from Wednesday because
certain members couldn't attend.

Q. Is the first meeting going to be here?
A. No, it's the Executive Committee of the Open
Market Committee.

Q. I understand that.
A. I don't know about the other; you'll have to see
whoever gives out the information at Federal
Reserve.

Q. The committee is meeting with you on Thursday?
A. On Thursday instead of Wednesday.

Q. Is that when you will draw up the financing plans?
A. We will discuss it; we will discuss our financing
needs through the 15th of March.

Q. What's the outlook for February?
A. I'm not ready to discuss it yet.

Q. What are you going to do next week?
A. We won't have any announcement until Thursday evening.

Q. Could you say, Mr. Secretary, whether a special issue of bills against June is under consideration?

A. We will examine our needs from now until the 15th of March; we may or may not have an announcement on Thursday—I don't know—depending on the results of the conference; I have called these people in to give me their advice and until I hear it I don't make up my mind.

Q. Mr. Secretary, to return to banking for a minute, could we assume that in expressing your views on bank holding companies that you are also expressing the views of the Administration?

A. Well, I'm going to answer that I don't want you to make that assumption, but that doesn't mean that my views are at variance, but I'd rather you wouldn't make it.

Q. Certainly they are in accord with President Roosevelt's views as publicly expressed.

A. Well, yes.

Q. Mr. Secretary, in mentioning the five-year or three-year period, the natural assumption would be that
you are not in favor of a death-sentence idea.

A. Well, you people—Sandy sort of challenged me and I like to meet his challenge or I wouldn't answer his question at all, but I don't think he thought I'd answer it and I like to fool him.

Q. Well, it's sort of nice to meet a fighting man now and then.

A. He was expecting no comment, but I thought I'd fool him, but I think I have gone as far as I want, but other than general plan, general attitude towards that situation, which I expressed to the committee in December, the next thing is—is there a bill drawn or not, but we are not ready for that yet.

Q. Will this committee draw a bill?

A. I don't know.

Q. Have you had any informal conferences today or Saturday, Mr. Secretary?

A. On this?

Q. Yes.

A. Did I talk in my sleep about it? I don't know. No.

Q. No meetings outside of the Treasury?
A. You mean of the committee?
Q. Yes.
A. No.
Q. Not of the committee but of individuals—that is, informal.
A. Well, I don't know. But there has been no meeting of the committee.
Q. Are there any great difficulties to accomplishing this?
A. Well, it's a very—I mean, it's an important step and in making it we want to be sure that all the safeguards which are necessary are taken into consideration.
Q. Any likelihood that you will suggest that these banks become branches—will they become branches of the holding company?
A. From my own standpoint, we have just been looking at this from that standpoint—branch banking is another matter.
Q. Well, I mean, where holding companies have branch banks, will it be recommended that there be an alternative of turning these into branches within the states?
A. I think that is a matter of state legislation.
Q. In other words, you think that branch banking in states --

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

Q. Is this law as it is finally evolved going to give discretion to the several states or will it be one solid law?

A. Well, we haven't progressed far enough—I mean, when the time comes if the Administration decides to make a recommendation that decision hasn't yet been made; if we have, there will be a detailed recommendation which will answer all your questions.

Q. When do you expect the committee to meet again, Mr. Secretary?

A. I don't know.

Q. Do you think that this plan of liquidation would result in calling of loans? That argument has been advanced that if you compel these companies to liquidate within a certain period of time they would force the banks under their control to call loans in order to pay out, to take up, their own stock held by the holding company.

A. Well, I think Sandy Klein's question covered that—did I think it was deflationary? I said I did not think so.
Q. Mr. Secretary, I wonder if you could tell us anything new about the plans to make Federal aid available to small businesses?
A. No.
Q. Have you any idea along those lines in your own mind?
A. Oh, in a general way, but nothing that I'm prepared to talk about.
Q. Anything on Van Zeeland?
A. Not yet.
Q. Anything on the French situation?
A. No, other than I thought that Mr. Marchandeau's statement was an excellent one.
Q. The franc and the pound both up? Have they lifted the restriction?
A. The franc closed at 3.27½ and it's 3.27 3/4 today, so I mean it has been very steady; the pound is up a little bit.
Q. There's a new flurry of dollar devaluation rumors in New York, Mr. Secretary. I don't know whether the Committee for the Nation started it or somebody else.
A. Some holders of gold mining stock, huh! Well, I
don't think the rumors are severe enough yet for
me to get in on them.

Q. Regarding small business loans, could you say
anything about the plan to group loans to small
business concerns under say a single bond issue
or issues?

A. No, Duffield asked me the question the other day—did
I know about it? I answered yes. The work is being
done outside of the Treasury and the people who are
working on it told me what they are doing. When he
asked me did I know about it I answered yes, but
the preparatory work is being done in another agency.
Duffield undoubtedly knew what agency was doing it
and he just asked me the blank question did I
know about and that's what happened.

Q. Is that the plan under consideration?

A. I don't know. I think several agencies are working
on it.

Q. RFC, etc. Do you want to add anything to those,
Mr. Secretary—to the RFC and Federal Reserve?

A. I didn't add those. As far as I am concerned, it's
too early for me to comment on it because I don't
think any of them have a finished plan.
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too early for me to comment on it because I don't
think any of them have a finished plan.
Q. But you do believe, Mr. Secretary, that there
must be some way of getting aid to small businesses,
to finance them?
A. No question about it—no question about it. Most
important.

Q. And you believe the Federal Government should do
something about it?
A. I don’t know. I’ll put it this way: I am not
prepared to say because I don’t know what we can
do other than what we are doing. After all, we’ve
got two agencies set up now to do just that—the
Federal Reserve and the RFC and FHA. FHA can make
loans, so we are equipped to do it. Whether there’s
anything more we can do about it, I don’t know.

Q. That is, you can extend the FHA guarantee?
A. No, I think—can’t they still make those loans up
to $50,000?
Q. Yes.
A. That’s a lot of money for a small business.

Q. Well, the people who are studying this say they
run into instances where one corporation needs $150,000.

A. Well, that’s just the point. When you people asked me—
I don’t think any of these studies are completed. If
they are I haven’t seen them, but there are three
agencies now where small businessmen can get loans. Whether the Federal Government can do any more, I don't know.

Q. Why don't they, if it is admitted they need aid?
A. I don't know. There are three agencies now.

Q. It's rather difficult, isn't it?
A. It shouldn't be.

Q. Jesse Jones says he's got enough money to provide for the demand.
A. Well, the Federal Reserve haven't begun to loan the money they've got.

Q. Well, they can only lend for working capital, can't they?
A. Well, that's what most of the cry is for. It's just for that and they go to FHA for up to $50,000 to equip their factory. Like all of these things you've got to get down to particular cases and examine them.

Q. Mr. Secretary, when you announced the Mexican silver purchase you said the five million ounces purchased was for January alone; today is the 31st of January and are you buying another five million tomorrow?
A. We extended it for the month of February. What the extension means is they can put to us or offer us five million ounces during the month of February. We stand ready to buy five million ounces of silver in February; it's not obligatory on them.

Q. In other words, if they don't sell it to foreign markets they can sell it to you?

A. They can sell it to us--five million ounces; we stand ready to take five million ounces of silver during February.

Q. At your own price?

A. At the price of the day--the particular day on which they offer it to us.

Q. How about Canada, Mr. Secretary?

A. Same thing.

Q. How much is that?

A. Two million, but at the price on the day on which they offer it to us.

Q. Mr. Secretary, do you have a report on re-use of cooperage of the Federal Alcohol Administration?

A. It's in the Treasury, but I haven't gotten it yet. It came in about twelve or one o'clock Saturday, but it is, so to speak--I mean, I just haven't gotten down to it.

Q. Thank you, Mr. Secretary.
H. M., Jr.: There seems to be considerable interest in the employment situation and the amount of money available to take care of the unemployed, and Mr. Bell and I devote as much time to that particular subject as any subject that we have to do with, and I have made statements here at different press conferences that we still had sufficient funds on hand to take care of the requirements as they were given to us by Works Progress Administration. Now no less than yesterday at twelve o'clock—11:30 or 12—Mr. Aubrey Williams was over here and sat down with Mr. Bell and myself and submitted a new schedule, and under the schedule which he submitted to Mr. Bell and myself there are still sufficient funds in the budget to take care of the needs which Mr. Aubrey Williams put up to us. Now nobody in Washington are more interested or more sympathetic than Mr. Bell and I to the needs of the unemployed, and if the time should come when there are
not sufficient funds in the Treasury to take care of the needy, why Mr. Bell and I will be the first to say so, and we will do everything possible to get additional funds, even to the extent of asking Congress for such funds through a deficiency bill, if and when that time comes. And there isn't a week, I think, that goes by that Mr. Bell and I don't study this subject, and, furthermore, we have our own field representative in the field constantly travelling and checking on the unemployment situation. We are in touch with the Social Security people to get the latest information. And, as a matter of fact, one of the situations which really worries Mr. Bell and myself even more than this, but they don't seem to have the knack of good publicity possibly as some others, and that is the farm people who are on relief under Resettlement, or what do they call it?
Mr. Bell: Farm Security.

H. W. Jr.: Farm Security, under Dr. Alexander, and Mr. Bell and I are studying that situation very closely. Do you want to add anything to that, Bell?

Mr. Bell: No, I think that covers it very well.

Q. Mr. Secretary, in regard to those reports, did you ask Mr. Williams to reduce his schedule?

H. W. Jr.: I have not asked Mr. Williams to reduce his schedule. We have taken it exactly as he submitted it to us.

Q. Can you tell us how long it runs? I assume it's revised from time to time.

A. This is a schedule originally set up in December?

Mr. Bell: That's right—December 20th.

H. W. Jr.: And he revised it as of yesterday upward in the number of people that could be taken care of and the reason he could revise it upward without additional funds is that they were slow in December and January in putting additional people on the rolls, and that's why there is still money available to take on
50,000 more people in February than they originally contemplated.

Q. Is this schedule that he submitted yesterday for the month of February?

A. It is for the month of February—it's for the balance of the year.

Q. Fiscal year?

A. Running through to June 30th. But Mr. Bell and I have not once taken—reduced the number of people on their list—by not one. We haven't reduced it a single person. We haven't had to. There have been sufficient funds available up to now. As I say, if the time comes when there are not, we are as much, or more, interested as anybody else in seeing that nobody starves and the Treasury will be the first to say the money is available.

Q. Mr. Secretary, can you or Mr. Bell give us figures on the people to be taken care of or the money available?

A. I think the people should come out of the Works Progress Administration. There has been enough coming out of there the last couple of
days and they might as well give it to you.

Q. When you say there are still sufficient funds, do you mean sufficient funds clear through to June 30th?

A. There are still sufficient funds for the schedule handed to Mr. Bell and myself yesterday at 11:30.

Q. Did you mean when you said that Farm Security was worried about that that there was likely to be a shortage there of some kind?

A. They have a $10,000,000 fund, haven't they?

Mr. Bell: No, $12,000,000.

H. W. Jr.: $12,000,000 to take care of farm population on direct relief and the question is if that is enough money to take care of those people until June 30th. And we have had a conference this week with Mr. Alexander and he's given us additional figures and facts; based on that information right now, as far as we know, it's all right, but whether that is enough money to last them until June 30th we don't know, but that situation, without having checked it
ourselves, looks as though it might be even more critical than Works Progress Administration because those people are on direct relief right now and the money they get from the Government is food and clothing, and if they don't get it they will go hungry.

Q. Mr. Secretary, that $12,000,000 is what is left for spending between now and June 30th?

A. Yes.

Mr. Bell: That's what was allocated to them in December in addition to what they had previously for the months beginning July 1. They said at that time they were about out of money in December so the $12,000,000 is for the six months running to June 30th.

Q. Could you give us the total figure of the amount to be spent for relief to June 30th?

Mr. Bell: I can't give you an over-all figure. The WPA has about $680,000,000 of new money for funds until June 30th. If they have any funds left over of the funds allocated previous to December 31, that increases that $680,000,000.
Q. Mr. Secretary, on the Daily Statement there appears this summary of emergency funds, the allocations, obligations and expenditures, and according to that at least until recently it appeared that there had been about $400,000,000 unobligated and an additional $400,000,000 unallocated; is that money available for this purpose?

Mr. Bell: Some of it; all of the unallocated is available either for Farm Security, WPA, or various departmentals.

Q. Without new appropriations?

Mr. Bell: Yes.

H. M. Jr.: Does that kind of clear up that situation?

Q. Anything on your Treasury financing, Mr. Secretary?

A. No, if there will be, when Mr. Gaston makes his regular announcement Thursday evening as to what we do on Monday—if we come to any decision between eleven and twelve we will have it for you. Mr. Gaston will have the information for you.

Q. That includes the bills if you are going to have bills?
A. Whatever there is.
Q. Mr. Secretary, is the Interdepartmental Committee scheduled for any other meetings here?
A. No.
Q. Have you seen any of these memoranda allegedly suggesting gold desterilization and issues of debentures against recoverable assets, housing and relief all hooked up into one thing?
A. Not in written form. I got them word-of-mouth, just as you did. There's nothing has come formally to me.
Q. Is it true, sir, the agencies holding these recoverable assets have already got debentures against these things?
Mr. Gaston: Net proprietary interest is over and above any interest they have.
Q. I thought the RFC, for instance, was indebted to you for all the money it had gotten in any way at all and re-invested in any asset of any kind.
Mr. Bell: Well, it has for part of it, but they've got an earning. That proprietary interest does include capital stock, Herbert.

H. M. Jr.: Are you through?

Mr. Bell: Yes.

H. M. Jr.: If what we are talking about, if we need additional money for relief, as far as that is concerned, as Secretary of the Treasury, I will ask for funds. I'm not going to use any sleight-of-hand. I'm going to come right out openly and say we need so much money to take care of the needy and not do it in a sleight-of-hand or phoney manner, and these fellows who are sitting up nights trying to find some way to do it, this way or that way, as far as I am concerned they are wasting their time. I will come right out openly and above board and ask for X millions of dollars to take care of the needy for the rest of the year. There's no sense in the world in going around
three blocks to do what is a very simple thing—we need so much money to take care of the needy.

Q. Have you gotten that report from the committee studying the small-loan problem?

A. No.

Q. How about this French situation—any change?

A. Nothing.

Q. Thank you, Mr. Secretary.
H.K.Jr.:

Has the left end got anything to say? Right end?

Q:

I'm waiting. There's quite a program.

A:

All right; I'm at your service, gentlemen.

Mr. Line:

A liberal bloc in the House has proposed the retention of the undistributed profits tax on large corporations. And they ask for an amendment to the undistributed profits tax to enable small corporations to accumulate minimum reserves out of earnings, free of tax. They want stock dividends taxed. They want the capital gains tax retained and strengthened but revised because it is far too lenient. No Federal sales tax. Increase in estate and gift tax. Removal of tax-exempt privileges. Increase of the tax on intercorporate dividends.

That is a nice program.

A.

All right, what else?

Q:

I would like to have you comment on it—it's doggoned long.

A.

You don't expect me to comment on it when you read it in a tone of voice I can hardly hear and the boys can hardly hear you.

Q:

Any comment, Mr. Secretary, on the survey of bank holding companies which the Federal Reserve Board published in its bulletin?

A.

No. I saw the comment in the papers, but I haven't had a chance to read it.
Q. The Board explained it was following a policy of withholding permits.
A. This time—I don't want to get into a discussion with them this time.
Q. Are you formulating a program for loans to small industry that you could talk about now?
A. Nothing that I can talk about now.
Q. Well, that means you are formulating some plan—is that correct?
A. But nothing I can talk about now.
Q. I mean --
A. Well, I'm thinking about it—very hard.
Q. Do you think it would be necessary to create another agency to do that?
A. I really don't know; I don't know.
Q. Can you tell us, Mr. Secretary, when your committee is going to meet the Interdepartmental Committee?
A. No, I don't know. I don't know.
Q. Mr. Secretary, in connection with the undistributed profits tax, a week or so ago the President said that he thought it was the duty of corporations to keep their employees on the payroll during times of recession through using funds left over from good times. Well, don't you think that the undistributed profits tax sort of kills any prospects of doing that?
Well, Mr. Magill is handling the tax program on the Hill and publicly and doing it very ably and, for the time being, why I'm more than willing to let him represent the Treasury on any tax questions.

Well, just as an official principle, do you think it would be a good idea for corporations to have a reserve?

Well, I appreciate the opportunity but I still say that with a bill pending before Congress, with Mr. Magill appearing almost every day before the committee, why, much as I would be pleased to have the New York Times carry what I have to say on the surplus tax, why, I think I'll have to forego that pleasure.

Maybe you will have an opportunity some other time.

Thank you.

Mr. Secretary, has Joe Kennedy been over here to discuss any fiscal problems with you that might be involved in his new job?

I understand Mr. Kennedy is out of town—at least he was last week, and I have talked to him several times and before he leaves I expect to have several meetings with him.

Did he come over here to see you?

No, I've talked to him on the telephone.
Q.
That's the extent of your conversations?

A.
Yes. I don't know why you ask this, but, off the record, he isn't ready yet. But as soon as he is ready, why, he's coming over and he would like to sit down and talk over what the Treasury problems are abroad and I told him, of course, I would be more than delighted to have him come by, again off the record--he had, at first, to do his studying with the State Department, but he had not had time to do it because he's still acting on his other job, but when he gets through with the State Department of course he's more than welcome to come over here, but he hasn't come yet. But he hasn't begun at the State Department yet to bring himself up to date.

Q.
You mean this remark about his stating he'd like to come over to see you is off the record?

A.
Yes, I don't know why you asked about it. I don't know that there is any public interest.

Q.
Maybe not, but how about the war debts?

A.
Oh, well. If that's it, if you want a formal statement, I have had several conversations with Mr. Kennedy on the telephone and when his Maritime Commission job is wound up he expects to come over and consult.
Q. Is that the usual procedure with all the new foreign posts—men appointed to foreign posts?

A. Well, the State Department asks those representatives at foreign posts—I mean, where the Treasury has great interests—most of them, not only ambassadors and ministers, but often the secretary, either first, second or third—they ask them to come over to see me or somebody else; that is the practice where the United States Government has financial interests.

Q. Is there any implication of war debt discussions in all of this?

A. No, no. If that is what the point is then the answer is no.

Q. Do you discuss trade treaty questions, Mr. Secretary?

A. Do I? No. Only where customs receipts and customs regulations—and we have a representative on the Interdepartmental Committee that sits over at the State Department.

Q. Could you say whether the projected British trade treaty might be involved in the discussions you have had with Mr. Kennedy?

A. No. I happen to know Mr. Kennedy very well and this is the kind of telephone conversations we have: "Hello, Henry. I'm going to Florida and when I get back
I want to see you," - no mystery about it - and he says, "I'll be back in a week or ten days--I want some sunshine--and when I get back I want to sit down and talk about what it is all about." There's no point in reporting that, but that's the whole conversation. He says, "Why I've got to brush up over at the State Department first and when I get through I'd like to come over and see you." And I say, "Fine, when you get ready, give me a ring and we will have lunch." I want to dispel the fog.

Q:
Mr. Secretary, some time ago you said that there would be some interchange of fiscal officials of various countries with the United States to seek various views on international fiscal matters, and I believe there has been only one exchange that we know of; has there been any since?

A:
No.

Q:
Mr. Secretary, will you comment on the section of the Van Zeeland report which recommends currency parities?

A:
No, I'm not ready to comment on it and I don't know whether I will or not and any comment most likely will come from the State Department. As I said last week, I don't know whether I will comment on it or not.
Q. Do you think, Mr. Secretary, that, in the aggregate, the reciprocal trade agreements will result in a decrease of receipts from customs?

A. It's too early to say; until the treaty is concluded, nobody knows.

Q. But, of course, there are sixteen in effect now.

A. Yes, but until the new treaties are in effect, nobody knows.

Q. Is the American Stabilization Fund working as hard to support the franc as it was about a week ago?

A. To show that there is no hard feeling, I appreciate the opportunity of the New York Tribune, but I don't think I will accept it at the moment.

Q. I hope the Herald-Tribune will have the pleasure some time.

Mr. Gaston: For the record.

Mr. Jr.: What's the matter, Sandy?

Q. I haven't got anything out of this. How about expanding on this loan to small business? I think you've got some ideas in mind, Mr. Secretary, that you don't want to --

A. Nothing today.

Q. Are you considering the FHA plan?

A. I'm not ready to talk about it.
Q. Have you decided yet, Mr. Secretary, whether you think the Government should do anything more to aid small business?

A. No, just what I say. I'm thinking about it and very hard, but I'm not ready to talk about it.

Q. Have you got anybody studying it in the Treasury, Mr. Secretary?

A. A lot of people.

Q. Mr. Secretary, the tire bids that were opened today seemed to show a little more signs of competition than in the past; any comment?

A. Only that, being interested in economy, I am glad to see that the United States Government is going to save a lot of money and also that for the first time we've got real competition, and I hope it will extend to other merchandise that we are buying and also that these tire companies will extend the same policy to the consumer other than the government.

Q. Mr. Secretary, have you had any conferences with State Department officials on this Van Zeeland report?

A. No. I can look you in the eye and say no.

Q. You mentioned the possibility they might issue a reply. I wondered if you were consulted on the reply.

A. Well, it came to the State Department; it was a memo to them, not marked for the Treasury. In other words,
it's a government thing and the chances are likely that a memorandum to the State Department they would answer it. The fact that it was financial—I imagine the State Department would talk it over with me but they haven't yet because they are busy and so am I.

Q.

Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, FEBRUARY 10, 1938:

Q. Mr. Secretary, because of the overlapping of the 91-day and 373-day bill maturities you are going to run into a $100,000,000 maturity each week from March through July, aren't you? Can you tell us of various ways of meeting that?

A. None other than that we will just ask for the money and that's all.

Q. There are several alternatives: You could do it by increasing your bill offerings right through the weeks or you could borrow money on the quarterly date—how many other ways?

A. Let me think for a minute. I told you gentlemen we would start February 28.

Q. Run four to six weeks.

A. Yes, and it would just mean that beginning that week we would ask for $100,000,000 a week and it might run up to $150,000,000. After that, I think it's the 23rd of March, and that's one of the things we went over with the Open Market Committee as to what effect, if any, it would have on the money market and they thought it would have none.
Q. Well, I suppose the basic question is in that period from March 15 to July—the bill maturities will be $50,000,000 a week—will the bill offerings be $100,000,000 a week or only $50,000,000?

A. You are asking something I haven't answered and could not answer, because I don't know. All I told you people of our financing program was through the 15th of March—your question goes beyond that and I'm not prepared to answer that because I don't know what the answer will be.

Q. But you did state a minute ago that it might go up to 150 million.

A. No, I wouldn't write that because I don't know. I wouldn't write that; I mean I was—we didn't get—the question really was: What would happen after the 15th of March and the answer is I don't know, because I just haven't figured it out.

Q. Are there any other possibilities, sir, besides borrowing the money to meet those additional maturities and paying them off each week? Are there any alternatives?
A. I just haven't thought about it. We worked out a program between now and the 15th of March. I never commit myself beyond the month, but I committed myself for over two months. I told you people early in February what the program was from then to the 15th of March which was way beyond anything I have ever done before, but I knew it removed one uncertainty from the money market and we have one less thing to worry about.

Q. Mr. Secretary, will you tell what changes in the circumstances or policy between last Thursday and the other day necessitated the desire for more relief money?

A. Well, let me first talk off the record, see, then we'll see how it sounds because here is a letter going up, you see, at noon from the President, so I think I sort of ought to wait as a matter of courtesy. I can answer your question off the record, but I don't think I'll be able to answer it on the record.

Q. Could you answer it, for release with the President's message?
A. No. I will explain why I can't. We first thought we would start hearings this morning and the Administration was ready to go up this morning at 10:30, but they couldn't get their committee ready for some reason or other. The question you asked will be answered when Mr. Aubrey Williams opens the hearings and he will explain what has happened, but the unemployment situation got worse so rapidly that the situation changed sufficiently between the time Mr. Williams came in to see me Tuesday morning and the time he came in before that it was necessary to act. But the time before he was all right. Then he comes in again and the situation is so much worse that there isn't enough money in sight but as you people know we are tied up through the so-called Woodrum Amendment which makes it necessary to divide the money on the basis that it will last and the President's hands are tied on that basis. But the situation, as I told you people, I mean, after all—I have a letter as of February 2nd that the situation was all right. Then Mr. Williams comes in here Tuesday morning and we sit down with Mr. Bell and the situation is such that there isn't
enough money to take care—and as I told you people when the time came we would ask for more. That gives you the whole story, but I can't give it to you. You will have to wait until the President's message goes up. Mine is a very frank statement and when the hearings open Mr. Williams will tell the story as what it is today. But I'd be talking out of turn if I answered, but for your own information——.

Q.

Well, Mr. Secretary, here's the position we're in. Last Thursday we carried this story; now our editors ask why the change. They want to know the answer to that thing. They know we are at a press conference this morning and want to know the answer. Can you give us something along those lines?

A.

Well, they'll get the answer at twelve o'clock when the President's letter goes up.

Q.

Can we use that and say that, in case they ask about it? As a matter of fact, we have been asked—at least I have been asked—by my office to find out why.
A. I think—what do you think, Herbert?

Mr. Gaston: I should think you'd have to wait for the President's message.

H.M. Jr.: I think you can tell your office you will have the answer at noon, when the President's letter goes up.

Q. What's the cause of this radical change?

A. Mr. Williams will explain what the cause is.

Q. When is Mr. Williams to go before the committee?

A. He was to have gone this morning. Now I understand they will try to have it tomorrow, but they seem to have had some trouble getting a quorum; didn't the House adjourn until Monday?

Q. No.

A. But they are having some trouble on the Hill; I don't know what it is.

Q. Are you going up, Mr. Secretary?

A. I will if they ask me. I don't know whether it's necessary because after the President sends the letter, as far as the Treasury is concerned, they've got the whole story. The whole story, as far as I am concerned, is in a one-page letter from the President.
Q. Could you tell us whether the additional request, with the release of the letter or subsequently, will make the Treasury's net cash expenditures exceed its net cash receipts this fiscal year? In other words, does it necessitate an open-market borrowing?

A. I have to take a look at that—I don't know. My guess would be that it would mean extra borrowing—that's my guess but I'll have to take a look at it.

Q. That's what I was about to ask you—whether it would affect your bill borrowings or March 15th financing?

A. It won't affect us between now and March 15th—there will be no change between now and March 15th. As a result of what has been discussed there will be no change in our financing program between now and March 15.

Q. We can say that for now?

A. You can say it after twelve o'clock.

Q. For release after the letter?

A. After the letter, yes.
Q. Isn't it strange that the whole thing would
do such an about face in about three or
four days?
A. No.
Q. I should think it was. It could grow that
much worse that fast, but it was apparent
you were in a fairly strong position a
week ago.
A. We were in a position to take care of all the
needs Mr. Williams presented. Again, still
off the record, there was nothing in the
picture he presented as of February 2nd—
there was nothing in the picture we couldn't
take care of. Then he comes in with a story,
which is again off the record, they make
their field check and it's brought in on
Tuesday—changed to such a degree that we
have to ask for money. What I do is here,
so that you get the whole picture, they
have got the organization to get the
information. I rely entirely on them.
If they say there are so many million
people out of work—it's increased so
rapidly, etc., I take their figures.
If he comes in and asks us—we need so
much—we've got so many people, I again
Q. Isn't it strange that the whole thing would do such an about face in about three or four days?
A. No.
Q. I should think it was. It could grow that much worse that fast, but it was apparent you were in a fairly strong position a week ago.
A. We were in a position to take care of all the needs Mr. Williams presented. Again, still off the record, there was nothing in the picture he presented as of February 2nd—there was nothing in the picture we couldn't take care of. Then he comes in with a story, which is again off the record, they make their field check and it's brought in on Tuesday—changed to such a degree that we have to ask for money. What I do is here, so that you get the whole picture, they have got the organization to get the information. I rely entirely on them. If they say there are so many million people out of work—it's increased so rapidly, etc., I take their figures. If he comes in and asks us—we need so much—we've got so many people, I again
take their figures. Of course, to give you an answer—I'm trying to let you have this for background. If he hadn't gotten this additional money they'd have had to lay off 100 or 150 thousand people.

Q. Is this for background?

A. No, no, you'll get it all—I mean, I want to explain how I work it and the thing that brought this thing to a head—would they or wouldn't they lay off 100,000 people.

Q. And that came up in about four days?

A. All I can tell you is what they gave to me. Up to a week ago, they were all right. Then they were faced with this thing—if they were going to live within the money allotted to them—they'd have to lay off 100,000 or 150,000 people. But that's what brought this thing to a head.

Q. This is W. F. A. projects?

A. Yes.

Q. Is that an indication that the general condition of the country has grown rapidly worse?

A. The unemployment condition, yes. There's no question about it.
Q. Can we use that?

A. No, I'm sorry. And here's the thing: I'd like to tell you what I've got. I could say nothing and you wouldn't get anything. I'm being very frank and you fellows will have to be a little bit patient and this story will roll out to you and you can have it.

Q. How about a press conference after the President's letter, Mr. Secretary, because we've got to get something out of this press conference.

A. Well, let me talk it over with Gaston. I mean, I could just sit here and just say 'I'm sorry—no comment,' but I have been very frank with you.

Q. Can you say this—whether Mr. Williams gave any causes or factors for the change?

A. That isn't his job. Here are the figures—so many people on relief—so many people that need work—that's his picture. What's brought it about—he may have ideas, but I wouldn't say that was his job to expound on that. There are plenty of people in Washington who will expound.
Q. You did say on the record, after twelve o'clock. I understood we could say that because of the additional relief money you may have to borrow some additional money on bills after March 15th? What you said was no change between now and March 15th.

A. After twelve o'clock what you can say, after the President's letter goes up, and you see what the figure is that that does not necessitate any change in my financing program to March 15th. That you can use after twelve o'clock.

Q. But you don't want us to say you will have to borrow some money after March 15th.

A. No, because I don't know yet. I don't want to commit myself after the 15th anyway.

Q. But just to explain the financial meaning of this additional relief money, what are the mechanics of it?

A. Well, I think if they know what the Government is going to do between now and March 15, people should be satisfied.

Q. (Duffield) Mr. Secretary, I read in my paper this morning that you and Mr. MacDonald have agreed on a debenture to bear 2½% interest on an intermediate term. Is there any such agreement?
A. Do you know?

Mr. Gaston: I don't know, no.

H.M.Jr.: We'd better ask. But which would you rather have—for me to say nothing or give you the story, so I can be guided in the future.

Q. We'd rather have the story.

A. For background? Or I can say 'no comment.' I can do it either way in the future.

Q. You are trying to put us on the spot.

A. No, I can handle it either way. I can simply give you the inside story—you've got the inside story. After twelve o'clock, talk to Herbert.

Q. You can at that time explain the financial situation?

A. I don't know. I'd like to have time to talk it over.

Q. Any change in the French situation?

A. No.

Q. The Tripartite Agreement still working?

A. Still working.

Q. Mr. Secretary, in the announcement of this quarterly financing, that is, not the financing, but the extra bills, you indicated they would run from four to six weeks.
A. Two to three hundred million.

Q. Well, that's four to six weeks, and the four weeks would bring it up to March 15th, roughly speaking.

A. I don't know—we can't do it roughly speaking. (Looking at calendar) It would bring it through the 21st (of March).

Q. Four weeks?

A. Four weeks would bring it through the 21st.

Q. Could we say in view of the changed situation you are going the limit for six weeks?

A. I don't want to commit myself.

Q. Because you said at that time if conditions changed you might go six weeks.

Mr. Gaston: What he said was 'depending on the March income tax collections.'

Q. Oh, that's right.

H.M.Jr.: No, I don't want to change my previous announcement on financing.

Q. Would you say in one of those weeks you might find it necessary to run over the fifty million extra?

A. No, I'm going to say just what I said before.

Q. I thought in order to make that total, you might run over the 50 million extra.
A. I don't want to change my previous statement a bit. There's no reason to change it because even if they start this program, until they get this thing rolling there will be no change between now and the 15th.

Q. If you made it one hundred million extra, what date would that be?

A. I don't know when that day comes in, I think it's the 31st.

Q. Mr. Secretary, anything new on the bank holding Interdepartmental Committee?

A. No, there has been no meeting.

Q. Anything on the little business loans?

A. Only, I've seen Mr. Boper is in on it. I have nothing to report. There's nothing of any news value or anything except we are working. I don't know whether that's news or not.

Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, FEBRUARY 14, 1938:

(Also present, Chairman Eccles, Mr. Elliott Thurston,
Mr. Taylor, Mr. Oliphant)

H. W. Jr.: I'll be glad to answer all the questions
that I can or refer them to Chairman
Eccles, and Chairman Eccles would like
to have something to say and be glad to
answer questions that you may wish to
direct to him.

Q. Mr. Chairman, to make sure that I read
this correctly, you will include in the
sterilized gold fund only an amount above
$100,000,000—any acquisitions above $100,000,000?

H. W. Jr.: Do you want me to answer?

Mr. Eccles: You go ahead.

H. W. Jr.: I will give you an explanation of that
statement as we see it and then if that
isn't clear—. What this statement says
is this: That beginning January 1st, 1938,
that any gold that the Treasury acquires
up to $100,000,000 will be deposited with
the Federal Reserve System. And that means
that inasmuch as we have acquired approx-
imately $30,000,000 of gold since the 1st
of January we will deposit immediately $30,000,000 with the System. The policy which we have been following in the past, i.e., that any gold which we sell will come out of the sterilization fund—the only change in that is that all gold that we sell, including earmarked gold, will come out of the sterilization fund. Now that, I think, is the whole story. Would you say so?

Mr. Eccles: Yes.

H. W. Jr.: That is, of course, on a quarterly basis.

Q. Mr. Secretary, when you are talking about depositing, in effect, it is release from sterilization.

A. No. If some government buys gold from us, the gold will come out of the sterilization fund as it has in the past. In other words, the sterilization fund, if it is one million, will be reduced by one million dollars—any amount that we dispose of. That is the policy which we have been pursuing now for some time.
Q. What I am talking about is this $30,000,000 you have acquired—will that be released from sterilization, in effect?
A. Yes.

Q. And there's seventy million more this quarter, if you acquire that much?
A. Yes.

Q. And anything above that goes into the inactive fund?
A. Anything above that goes into the inactive fund.

Q. Why is this being done?
A. Well, we think it's a move in the right direction.

Q. Can you explain the $100,000,000 figure?
A. Well, the $100,000,000 figure we feel is adequate, when you consider the movement of gold which has been taking place during the last few months.

Q. What do you mean by adequate, sir?
A. Well, I mean it ought to take care of the purchase of any gold we make during a period of three months—adequately.
Q. In other words, you don't expect more than $100,000,000 in three months?
A. Well, based on the experience of the last few months --.

Q. I was about to ask, sir, if you wouldn't elaborate a little bit on the purpose of this move. It undoubtedly has a very concrete purpose and it would be helpful if you would give us some indication of what that is with regard to business conditions.
A. Mr. Eccles will read from a prepared statement he has and he will go into that in considerable detail. Naturally, we wouldn't be making this move if we didn't think it would be helpful.

Q. Mr. Secretary, would it be accurate to say under this new plan the only gold that would be sterilized would be abnormally large movements into this country?
A. In excess of $100,000,000—it would take an abnormal movement to be in excess of $100,000,000.
Q. Has Mr. Eccles any extra copies of his prepared statement?

Mr. Eccles: Well, I merely have a memorandum here in which I have jotted down what occurred to me to be an explanation of this action—that was written somewhat in anticipation of questions that would naturally be raised and instead of submitting myself to questioning, I think that I would like to just give you here some of the thoughts that I have with reference to this situation, without quotation at all, merely for background in your interpreting the statement that the Treasury has put out here. This is my interpretation of that and if you want to use that for background in writing up your story on that release I am willing to help you to this extent, but this is not for quotation.

Q. Well, I am sorry, I just wanted to ask you to explain what you mean by background—whether you mean putting it in quotation marks—.
A. I mean no reference to it whatever. Anything I say here you might write up—I don't want to be quoted on it and I don't want to be attached to it by implication necessarily. I don't want my name attached to it. The reason, of course, is statements that come from the Board—it should be given out as a Board release. I am merely giving you here the background on this and this is not a Board press release.

Q. The point is, Mr. Eccles, that in carrying it in this story we have a Treasury announcement here and anything we might carry as background from you might be credited to the Treasury.

A. That's all right. You are putting your own interpretation on it. I am sitting here with the Secretary and anything he might have said might be attributed to me too.

Q. Couldn't we attribute it to "Administration banking officials."
Banking and monetary, yes. (Eccles commences reading) "It will be recalled that when the inactive gold account was set up we were experiencing a very heavy inflow."

Q. Pardon me, Mr. Eccles, would you mind reading just a little slower?

A. "Which not only increased the deposits of the banks but was allowed to take effect in adding to the excess reserves of the banking system. By using authority given by Congress to the Reserve System, a large portion of this excess was, in effect, sterilized, and the action setting up the inactive gold account served to prevent additional acquisitions after that date from again building up the excess to a disproportionate size relative to credit needs and business conditions as they then existed."

Now that, you will recall, goes back to the beginning of the setting up of the fund which, as a matter of background, is necessary, I think.
"The inactive fund was, of course, a new sort of instrument which could be made flexible in its application as conditions warranted, and, in fact, it has afforded a convenient instrumentality for placing funds directly and quickly in the money market, as was the case last Fall when we had a desterilization of $300,000,000, which the Treasury undertook at the request of the Reserve Board, acting on the recommendation of the Federal Open Market Committee. This was to meet a specific situation. Since the fund was originally set up, there has been a considerable change in the general business, fiscal and monetary situation. In the light of the changed conditions, it would appear to be appropriate to adapt the operation of the fund to the changed situation, since it has the advantage of flexibility in operation, whereas, changing reserve requirements, for example, does not have the same advantages.

"You might ask why this same thing could not be accomplished by some other means. That
might be possible if the sole consideration were only to create additional excess reserves. However, I do not think, under present conditions, we would be justified in carrying out open market operations or in reducing reserve requirements for the purpose of creating more excess reserves. Instead, it is obviously more appropriate to take the present action which has the effect of adding to bank reserves, while relieving the Treasury of borrowing for the purpose of keeping gold acquisitions from adding to bank reserves.

"As to the question of what effect it might be expected to have, I wouldn't want to venture into the realm of prophecy, but it seems to me that if it tends to have any monetary influence or psychological effect, it would not be deflationary. As you will note from the Treasury statement, gold that is withdrawn from the Treasury will not be deducted from the amount of incoming gold in computing the $100,000,000
quarterly. The gold so withdrawn will provide an equivalent amount of cash and thus make the public debt less by this amount than would otherwise be the case."

Q. Don't you mean, sir, that it will prevent an increase by that amount?

A. "It will make the public debt less than otherwise would be the case, either by preventing an increase or by reducing the debt, whatever the situation is that may develop.

"As to the reason for a figure of $100,000,000 quarterly, it, of course, takes account of the general movement of gold at this time and, in effect, puts a top on the amount that is to be permitted to flow into the monetary base, so that from the standpoint of the Reserve System we know the maximum amount that may be added to the reserves in any quarterly period as a result of the action. This would not be the case, for instance, if sterilization were to be entirely discontinued. In that event, of course, the
amount that would flow into excess reserves would be unpredictable and depend largely upon how much foreigners sent to us.

"With regard to the timing of this particular action, that is always a matter of judgment, but it seems to me, in the light of the changed situation, as compared to the time when the policy was instituted, that under present monetary, business and fiscal conditions, this action is appropriate.

"As I view it, this adaptation of the operation of the fund relates to this whole general changed picture and is occasioned by general considerations which I have outlined and not by any one consideration by itself. It would be a mistake, accordingly, to assume that it is prompted, for example, by purely monetary or fiscal considerations or that it is regarded as anything in the nature of a major or cure-all move. It is, as I have said, in line with the
desire to adapt the operation of this fund to changed conditions, taking into account various elements and considerations that exist in the picture at this time."

Q. Mr. Chairman, just how will this hundred million dollars, if you get a hundred million dollars in gold every quarter, help business?

Mr. Eccles: I didn’t say it would help business.

Q. That is obviously the undertone of this whole thing.

A. Well, you can put whatever interpretation you want on it.

Q. Why the need for it then? You simply call it a situation.

A. It does two things specifically, as I stated here. It does add to the excess reserves and to that extent it is in the direction of certainly a condition of monetary ease. It makes it unnecessary for the Treasury to borrow money for the purpose of sterilizing incoming gold.
Q. The banks are already full of excess reserves. In other words, you are just bludgeoning other money out of the banks—making them find a place where they can earn some money because they are loaded with excess reserves.

A. Well, the banks have about a billion four hundred million, total excess reserves—they have had three and one-half billion and they had three and one-half billion when the reserve requirement was only one-half what it is now.

Q. Well, that just shows that they don't need any more.

A. I don't think that an increase in the reserves in and of themselves is going to do other than assure a continuation of easy money and to the extent that psychologically that is favorable, why it is that much to the good.

Q. Well, can you tell us who is going to be influenced? Business can't get the money now and the banks already have it. I am just asking for a story—I don't want to heckle, but I just don't want to get—I have to write it.
A. I couldn't tell you who is going to be influenced.
Q. It's your policy, not mine.
A. This is not a policy that the Board has adopted—this is a policy that the Treasury has adopted and the Board has agreed to it. I don't want to give the impression that the Board has initiated this policy because it would be unfair to the Board.
H. M. Jr.: That's like saying it would be unfair to the Treasury.
Mr. Eccles: It would be unfair not only — —.
H. M. Jr.: I claim the child.
Q. The last one wasn't yours, was it? Have you some place along the line determined that excess reserves are too low and should be increased?
Mr. Eccles: No.
Q. What is the situation—the Board is either willing to see excess reserves increased.
A. It is willing—it has no objection. The question of increasing reserves at this time by this amount will make very little
difference—whether the reserves are one billion four, a billion six, or eight, or two billion is not a matter in itself of very much importance at this time.

Q. You say that the Board is willing that the reserves increase?
A. The Board has no objection.
Q. Has anybody asked for it?
A. Asked for what?
Q. That more money go into the banks.
A. No.
Q. Then why the action?
A. Why the action!
Q. Certainly, they've got more money now than they know what to do with. They do get a profit out of his (Morgenthau's) chiselling rate. I'll wait afterwards and you can spank me (Linz to the Secretary).

Mr. Eccles: Well, during the situation that existed, gold was sterilized, as a result of the Government borrowing money to do it at a time during an inflationary period. There would seem far less justification to borrow money to sterilize gold during a deflationary period.
Q. Well, then, this is an inflationary move?
A. It isn't deflationary.
Q. You answered in the negative and I wondered if you would express it in the positive.
A. I wouldn't express it in the positive because I don't know that it will be inflationary. The only way it could be inflationary was if it tended to cause the use of credit. I wouldn't want to venture any such opinion.
Q. Mr. Chairman, you said the purpose of cutting down excess reserves was to remove an invitation to inflation of credit.
A. When did I say that?
Q. One night when we were down at your office on a similar occasion. Maybe a year ago.
A. Well, of course, we increased reserve requirements.
Q. Yes, because of the tremendous amounts of excess reserves existing at the time was an invitation to credit inflation and you wanted to stop that and this is a reverse action.
A. Yes, that's right. The time of sterilization was a year ago December when there was a huge amount of gold coming in the country and when there was a very rapid credit expansion under way and a very rapid price advance. The situation is the reverse today. Whereas the Treasury no doubt felt justified at that time to sterilize gold, at the present time there is a good deal less reason and justification for sterilization than there was at that time because of the changed conditions.

Q. I would like to ask this question, sort of jointly: You have talked about monetary ease and how this facilitates that thing. Now one very obvious characteristic of monetary ease is interest rates and it has been quite obvious from the figures that both the Treasury and Federal Reserve Banks have been operating their bond accounts in such a way as to discourage higher prices and lower yields in the bond market. Now how does this, which tends to increase funds for private operation in the bond market, square then with this repressive action?
A. Well, I don't know that it would have that effect.

Q. Aren't excess reserves primarily in a situation like this, reflected in a bond market activity if they are reflected anywhere?

A. Not necessarily. They may be reflected in very high-grade bonds and very gilt-edged short securities. They may not be reflected that way except in the money market; when you take the country as a whole, excess reserves in some areas may have an entirely different effect than in other areas. For instance, if there should be a demand for FHA insured mortgages or Commodity Credit debentures that are being sold, there is more than merely the question of Government bonds.

Q. Well, can you square up for me this business of, so to speak, of keeping your hand on the Government bond market and at the same time putting more funds out available for the purchase of Government bonds. How do the things work together? It looks to me like they work at opposite directions.
A. Well, you have already, of course, got a very large amount of funds outside of the banks. The banks are not necessarily buyers of bonds. As a matter of fact, the total bond situation—the banks during the past six months, as a whole, have not increased their holdings of Government bonds. The strength of the bond market is due to purchases by some savings banks, insurance companies and investors due to the absence of opportunity to invest in other fields so that putting this in the banks does not necessarily -- .

Q. Well, it still seems to me that it increases the invitation to banks to replace the governments they bought a year ago—like any other investor who assumed, and accurately, so it goes into the bond market.

A. Well, to the extent that it tends to induce the banks to invest in any field, that is a sound place to invest—to that extent it is that important to the government. The action, I know, of the Reserve System, and I suppose
the Treasury for that matter, was to more or less tend to stabilize the market, than to tend to fix the interest rate, that the gyrations both down and up are bad and if there is a huge demand and apparently a supply, there is no reason the Reserve System holding its long-term portfolio and possibly the Treasury — it would be a bad time for the Treasury to go into the market when others are in and it might be an advantage to transfer from long- to short-term just as they have from short to long.

Q. Will you come forward now with an open market operation to keep the bonds from going up?

A. Oh, the Reserve System is constantly—we won't necessarily change any policy because of this.

Q. Will you likely continue these operations from bonds to bills?

A. I wouldn't want to say what the Open Market Committee might do. I am just telling you what they have done; from this minute on I am making no commitment.
Q. The last couple of days the foreign exchanges have been up and down; can you tell us if there has been any engagement of gold for foreign countries through tonight?

H. M. Jr.: The answer is no.

Q. Mr. Chairman, do you expect these gold imports to continue?

Mr. Eccles: I don't know. There is, of course, domestically mined gold and there is coming in from Canada and Mexico which is somewhat likely to continue. It is somewhat different from foreign capital that was coming over here up until last summer.

Q. Mr. Secretary, could you say how this thirty million will be released?

H. M. Jr.: The normal way—just the way we deposit any other money. It will be done in a day or so.

Q. Mr. Chairman, is this just an isolated decision or is it connected with a general administrative program for recovery such as the Housing program?

Mr. Eccles: I can't speak for other than this action here.
Q. Mr. Chairman, would that $100,000,000 figure be flexible? Could you change that or do you intend to change that situation?

A. Of course, the whole instrument is flexible, just like any monetary powers have got to be. What you mean by that is that is it likely to be $200,000,000 or $50,000,000?

Q. Yes.

A. Well, I think the statement speaks for itself. It says until further notice.

H. H. Jr.: Thank you, gentlemen.
Q. Have the movie stars been making it hard for you out there? (Referring to press release 12-56)

Mr. Jr.: Well, that isn’t the angle. We are starting something on the 1st of March in Los Angeles—Mr. Helvering, Mr. Magill and myself. Mr. Magill can’t be here—he’s on the Hill. And I consider it from the standpoint of the taxpayer one of the most constructive moves I have made since I have been in the Treasury. Mr. Helvering and Mr. Graves are here and Mr. Graves is going out tonight to Los Angeles to supervise this and I would like to briefly explain what the situation is today as to a taxpayer in dispute with the Treasury and what we hope it will be, if successful, after this plan has been working for a while. Harold, suppose you tell the boys.

Mr. Graves: Under the system that is now used, income tax returns are investigated by revenue agents in the field. If the examination discloses that there is an additional tax due from the taxpayer, the revenue agent undertakes to get the taxpayer’s agreement to the assessment of the additional tax, but if the taxpayer is dissatisfied with the finding made by the revenue agents, he may have his case reconsidered by the Bureau in Washington. The case comes in to
the Bureau and is referred to the auditing divisions in the Bureau which undertake to adjust the difference with the taxpayer by correspondence. And a great many adjustments are made in that way, but if the taxpayer remains dissatisfied with the deficiency as set up against him he has the right under the present procedure to have a hearing in the Bureau in Washington. The case is transferred then from the auditing divisions to the conference division where hearings are scheduled and held and an effort made to reconcile the differences between the Bureau and the taxpayer. If the taxpayer is still dissatisfied after hearings before the conference division he is then notified formally of the amount of the deficiency and given a period of 90 days within which he may file an appeal with the Board of Tax Appeals. If he does file the appeal that stays the assessment tax; if he does not, the tax is assessed against him. Assuming that he files an appeal before the Board of Tax Appeals, his case may be taken before the technical staff of the Bureau and also the chief counsel of the Bureau who represents the Commissioner before the Board of Tax Appeals. And a substantial fraction of the cases that are appealed to the Board of Tax Appeals,
are settled either by the Technical Staff or Office of the Chief Counsel of the Bureau of Internal Revenue. So, in effect, we have four different agencies in the Bureau of Internal Revenue to which a taxpayer may go for hearing and settlement of his case after the revenue agent has found additional tax due from him and that arrangement, while in many ways it has been satisfactory, obviously has its disadvantage of putting in Washington the consideration of these tax contests which is a matter of great inconvenience to many taxpayers and, as a matter of fact, is out of the question for small taxpayers where the amount of the deficiency is relatively small.

Now what is to be done at Los Angeles, under the Secretary's plan is to provide in Los Angeles a facility of the Commissioner's office which will hear once and for all any case in which the taxpayer is dissatisfied with the finding of additional tax made against him by the revenue agent. In other words, the same machinery that is available here in the Bureau for taxpayers under the present system will be made available at Los Angeles under the plan which we are to follow there beginning March 1st.

The exact arrangement as it appears in this release, is this: A division of the technical staff of the
Office of the Commissioner will be established at Los Angeles which will include in its personnel accountants and auditors and engineers and, among other people, representatives of the chief counsel, so that all of the agencies of the Bureau in Washington which participate in these settlements will be represented in that technical staff division at Los Angeles so that any taxpayer in that section of the country who is dissatisfied with the findings made against him by the revenue agents can take his case, after he has fully presented it to the revenue agent, before the Los Angeles division of the technical staff which will settle it locally. And if there is ultimately a disagreement between the technical staff at Los Angeles and the taxpayer the only recourse that will remain to the taxpayer will be to file his appeal to the Board of Tax Appeals. That, of course, has the distinct advantage over the present general arrangement that it cuts out this multiplicity of agencies to which the taxpayer may have recourse and the further advantage that it provides locally an agency to which the taxpayer may take his case thus saving the expense and delay that would be involved in reference of the matter to the Bureau at Washington.

That cuts out the auditing and conference section?
A. That's right.

Q. Are only Southern California and Arizona taxpayers eligible to deal with this office?

A. For the period of this experiment the thing will be limited to the section handled by the Revenue Agent in Los Angeles and that is his jurisdiction.

Q. How far north does that go in California?

A. I don't know exactly the line, Mr. Commissioner?

I think it's about half way.

Mr. Helvering: Right through by Fresno—south of there.

Mr. Jr.: Do you want to add something, Mr. Commissioner?

Mr. Helvering: I just wanted to add that the same caliber men who review these cases in the Bureau will be out there to give to the taxpayer the same capacity for hearing that he would have here.

Q. Can you tell us why you picked this district to start with?

Mr. Graves: Well, we wanted to pick a moderately large district—one that would be fairly typical and one that was distant from Washington so that the full advantages to the taxpayer in saving references of his case to Washington would result.

Q. Is it possible that this thing might work out so that you might have as many districts as there are collection districts?
Mr. Helvering: If it works out, first let it take over the whole Pacific Coast and then gradually let it go all over the whole United States. What we are trying to do is that the taxpayer can go to one place and get his case settled once and for all and if it is settled there will be somebody there to sign it; he has one place to go to appeal it and that will be the Board of Tax Appeals, and we are hoping that next to this unit the Board of Tax Appeals will set up a field office so he can go right into the next room and appeal his case. This will save all kinds of delay and expense. If it works, it's good news for the taxpayer and mighty bad news for the Washington tax bar.

And briefly, this is the first practical test of decentralization?

Mr. Helvering: We attempted to without setting up the full extent in Cleveland and that was a very favorable reaction from the taxing public in Cleveland. This setup here is very much improved—that is, it is a big improvement on the Cleveland experiment on account of two things—the finality with which we allow this unit to function and the caliber of men we are assigning to this particular setup.
Q. What sort of assurance do you have that if this thing were done in several different districts like Cleveland and Los Angeles with finality that they would apply uniform principles to analogous cases.

Mr. Graves: All of these cases will be submitted to Washington for a post-review for the purpose of making sure that there will be uniformity and adherence.

Q. Then it is possible to open them up again?

Mr. Graves: No.

Q. I don't see what the post-review is for.

Mr. Helvering: Just what you bring up.

Q. Then you've got to tell them not to handle the next case that way if they handled it wrong, but it does not affect the first case.

A. Yes.

H.H.Jr.: If a taxpayer says yes, we are ready to settle, we are ready to sign on the spot and he doesn't have to go through all of this great delay and expense and this complicated machinery for the government. What I am trying to do is decentralize this machinery and give added authority to the people in the field, but we want to take time enough to make sure it works and get the bugs out of it to make it apply to the United States, but we have spent so much time preparing it, I am hoping it will work.
Q. Mr. Secretary, can Mr. Graves give us some figures of how many are going out there?

Mr. Graves: The total of personnel going to Los Angeles is 34.

Q. Going from here?

Mr. Graves: The most of them are going from here. The plan will be, if this works well, to include in the jurisdiction of this same group cases originating in the San Francisco and Seattle division, as Mr. Morgenthau said.

Q. But the group would go to the taxpayer?

A. The group would have offices in Los Angeles, Seattle and also Portland, but this same group would be enlarged to cover the other revenue divisions. I think Mr. Helvering has figured out that should such a plan be adopted for the country as a whole nine or ten regional staffs would be required for the country as a whole.

Q. Mr. Secretary, I wonder if you could tell us something about your price study now?

H. M. Jr.: No, I'm sorry. As you saw the announcement by the White House, we will see him (the President) at 3:15, and I believe he also told you gentlemen at his last press conference that he would have something to say at his press conference tomorrow.
Q. Can you tell us this much: Has the group studying this thing completed its work?

A. That's right; we wouldn't be going over there if they hadn't.

Q. It's my understanding that this is not a set of recommendations or proposals but strictly a study and analysis—is that right?

A. That's right.

Q. An analysis, Mr. Secretary, of the entire price structure?

A. You'll have to excuse me; you'll have to wait—you gentlemen are seeing the President tomorrow, you'll have to wait.

Q. Mr. Secretary, are you going to issue a denial of these recurrent rumors of dollar-devaluation abroad?

A. I don't think it's necessary.

Q. There isn't anything under consideration which would cause us to invoke that section of the tripartite agreement which has to do with protecting domestic economy?

A. Not answering it doesn't mean there is, but as I say if you gentlemen will be patient for 24 hours, I think the President will go into it quite fully.
Q. Into the whole monetary question?
A. No, the question of prices.
Q. Now the report is around, I'm sorry to say this --
A. That's all right.
Q. But the fact that we were told about a price study was just a thing to throw us off-course but some monetary action was being contemplated.
A. No, the price study is correct.
Q. Could you say what further monetary action is in the picture of this general study of the business situation?
A. I'd rather not get in on that.
Q. You couldn't say anything about desterilization?
A. No.
Q. Or whether this gold action ends gold action for the time?
A. No, all I can tell you for your own information is that when we complete this presentation to the President, as far as I am concerned, I am through until next Wednesday morning.
Q. Are you leaving?
A. I leave when he does to go to my home when he goes to his home, so you can all relax, as far as the Treasury is concerned.
Q. I presume you don't care to comment on reserve requirements of member banks.
A. No, thank you for the opportunity. I thank you, but, as I say, when we finish this up this afternoon, I think we will take a little rest over the weekend.
Q. What's the reason for the weakness of the dollar in terms of foreign currency in view of the fact that just a few weeks ago the dollar was supporting the French franc and the tables have turned so suddenly?
A. Well, it's a long story.
Q. Can I quote you on that?
A. Oh, I don't think so.
Q. Mr. Secretary, has there been any gold engaged for shipment abroad since we asked you last?
A. No.
Q. No gold engagements at all?
A. No.
Q. There are reports, of course, that gold is going to move out; could you say anything on that point, Mr. Secretary?
A. No, I can just answer what has or has not happened and there has not been any gold engaged as of last night—I don't know what has happened today.
Q. Mr. Secretary, have you already begun preliminary discussions, not with any foreigners, but with our own officials, concerning the British trade agreement?

A. It's a bare guess, Sandy.

Q. How about the war debt? (Laughter)

A. No, you are still a bad --

Q. Bad guesser?

A. We won't do any guessing, see.

Q. Let me do it.

A. We won't do any guessing, if you don't mind; I don't want to any way.

Q. Has any of that sterilized gold been released yet?

A. Well, somebody asked Mr. Gaston a question on that and I understand it goes into a lot of technical questions and Mr. Bell is preparing a correct answer for anybody who wants it on just what the machinery has been for the last couple of months, and I take it it will be ready sometime today.

Q. Mr. Secretary, in this new setup, what part does that two billion dollar stabilization fund play? Does it still continue to act if it wishes to as a repository for gold or does it become a channel through which gold moves? It appears from these
figures that gold has been going into that fund rather than into other places and now this seems to contemplate that all gold coming in should go into the monetary or credit base.

That's right, but, I mean, it might go through the Stabilization Fund and if we were acting for some other government we might hold it back for a week or ten days at their request. That hasn't happened; it might. Some government might ask us to act for them and we would put it through that fund. The daily operations will be handled through that and will be cleared out, but it might perfectly well go through that and at the request of some government—they would say they would like us to hold it and that would be the only way we could do it—there might be some handled in that way at the request of some other government.

Well, as far as we are concerned then, that fund becomes a channel and not a repository?

That's right. That's perfectly correct.

Is there anybody who can give us an explanation of the $46,000,000 increase in the gold certificate fund?
A. Mr. Gaston is getting a technical explanation from Mr. Bell.

Q. Anything on bank holding company legislation?

A. Nothing this week. When I go over to the White House today I promise you there will be nothing new at least until next Wednesday, as far as I am concerned.

Q. Any meetings of the Interdepartmental Committee this week?

A. Nothing here and none are scheduled.
TREASURY DEPARTMENT

Washington

FULL IMMEDIATE RELEASE.
Thursday, February 17, 1938.

Press Service
No. 12-55

Secretary Morgenthau today announced the establishment by March 1 of a special branch of the Bureau of Internal Revenue at Los Angeles, California, to review income-tax cases originating in southern California and Arizona.

At the suggestion of the Secretary, Commissioner of Internal Revenue Guy T. Helvering is setting up the agency as a division of the Technical Staff of his office and it will perform its duties under the Commissioner's direct supervision, through the Head of the Technical Staff.

"After March 1," Secretary Morgenthau explained, "taxpayers in southern California and Arizona will be able to secure the final administrative determination of their tax liability in their own locality—from the Los Angeles Division of the Technical Staff—without the inconvenience and expense of bringing disputes to Washington, as the present system requires. And yet they will sacrifice none of the advantages which they have derived in the past from a review of their cases by the Bureau."

The Division of the Technical Staff being established at Los Angeles will consist of accountants, engineers and other tax specialists of the same skill and experience as the men who handle contested cases for the country as a whole in the Office of the Commissioner of Internal Revenue at Washington. Its personnel will include attorneys from the office of the Chief Counsel of the Bureau, who will not only assist in the review of contested cases but will represent the Commissioner in the trial at Los Angeles of any cases which may finally be appealed to the Board of Tax Appeals.
"Under the new plan," Secretary Morgenthau said today, "the examination of tax returns in the Los Angeles area will be made by the Internal Revenue agents at the present time. Their reports will be reviewed and discussed with taxpayers in the office of the Revenue Agent in Charge, in accordance with present procedure.

"But if the agents' findings are finally protested by the taxpayer, the case will no longer be sent in to Washington for review and conference in the Bureau, but will be referred to the Los Angeles Division of the Technical Staff. The Division will grant a hearing to the taxpayer, consider his case in the light of his contentions, and make a final determination of his tax liability. The Technical Staff Division will have full authority to revise or reverse the findings of the Revenue Agent in Charge, and its decisions will be final in so far as the Bureau of Internal Revenue and the Treasury Department are concerned.

"There will be no appeal to any other agency or any other officer of the Treasury Department. If the taxpayer is not satisfied with the final determination of his case by the Staff, his only recourse will be an appeal to the Board of Tax Appeals.

"We think this arrangement will eliminate many repetitious steps and protracted delays which it seems impossible to avoid under the present plan of centralized consideration and settlement of tax disputes in the Bureau at Washington. It will permit prompt action on all contested cases, at a point near to the taxpayer and to the sources of evidence regarding his transactions.

"It will provide, even for the small taxpayer, an able and impartial administrative body to which he can have ready recourse should he be dissatisfied with the findings of the agency which examined his return in the first instance. In short, we think it will result in fairer treatment and greater convenience.
to taxpayers, in quicker administrative decisions, and in fewer appeals from the Bureau to the Board of Tax Appeals and the Courts. The plan will be of special benefit to taxpayers who are financially unable to employ expert counsel.

"We intend to make a thorough, practical test at Los Angeles, along these lines, of the principle of decentralization as applied to income-tax administration. If our plan proves to be sound in actual day to day operations, we will extend it as soon as we can to the whole Pacific Coast area, and gradually, as time goes on, to the rest of the country."

Commissioner Helvering already has sent Aubrey R. Marra, Head of the Technical Staff, to Los Angeles to set up the new Division. He will be joined there next week by Harold N. Graves, Assistant to the Secretary, who has orders to have the new agency in operation by March 1, prior to the deadline for filing 1937 returns. To acquaint Internal Revenue personnel at Los Angeles with the reasons for the new agency, Secretary Morgenthau has written the following letter to Mr. Graves:

"My dear Mr. Graves:

While you are in Los Angeles, I would like you, as my representative, to inform our people fully of the purposes and objectives of the system which we are establishing there effective March 1. We want every taxpayer who, after a full presentation of his contentions to the revenue agents, may be dissatisfied with their findings, to be given an impartial hearing by the new group. We want all cases to be closed as expeditiously as may be consistent with fairness to taxpayers and to the Government. Above everything else you should have it understood that our intention is to provide one, single, unified agency to exercise on the ground, for the Commissioner, all the authority which the Department, or any of its branches—may have under the law, in the review of protested income-tax determinations made by the revenue agents, in the settlement of contested cases, and in the defense of such cases, when necessary, before the Board of Tax Appeals. Please point out clearly the necessity for complete and friendly cooperation among the Treasury branches concerned, to the end that these objects may be surely accomplished.

Sincerely,
(Signed) H. MORGENTHAU, JR.,
Secretary of the Treasury."
Q. Have a nice week-end, Mr. Secretary?
A. Very nice; very restful.
Q. How about prices? Have you come to any conclusions lately?
A. No.
Q. Will you tell us about your meeting with the Price Committee?
A. I'm sorry; I can't.
Q. You could tell us the President did ask you to continue your studies.
A. That's right.
Q. Any reason for it?
A. Yes.
Q. Now can you tell us the reason?
A. No, I'm sorry I can't at this stage.
Q. Do you foresee another announcement at some time in the near future?
A. I don't know.
Q. Could you say whether your studies are covering the broad general field or more or less specific phases along certain lines perhaps?
A. No, it's too early to comment or to explain what we are doing, and maybe a little later the President or, if he so wishes, I will explain it, but it's too early and this one will take more time—will be slower in developing.

Q. It's obvious that they are studying current prices. Isn't that correct?

A. I'm not going any further.

Q. As far as we know, your work thus far has been analytical but are you going on from that to formulation of proposals?

A. I'm sorry; you will just have to excuse me.

Q. When do you expect to have a report ready for the President? Next week perhaps?

A. I don't know. This one will take more time—maybe a matter of a couple of weeks.

Q. Have you received from the State Department the proposal of the Hungarian Government regarding their debt?

A. Yes.

Q. Have you formed any conclusions about it?

A. My position on that is that at the present stage I have no comment.

Q. Mr. Secretary, anything on financing? You said on the end of this month you might announce something.
A. When does the weekly announcement come out? Tonight. We are going just as per schedule and I think my last announcement took us through the 15th so there won't be anything else now until we do announce the 15th. That will be the next one.

Q. Why did they send the Hungary thing here? To analyze it?

A. No. I believe under the law the Treasury is charged with the handling of foreign governmental debts; I am quite sure of that. It was just the normal thing for them to transmit it over here.

Q. Do you have any authority to reject it? I know you can't accept it but must you send it to Congress for action regardless? Must rejection come from Congress or do you have authority to reject it officially?

A. I really don't know.

Q. What is the procedure? In other words, it comes to you . . .

A. It's just in that stage where I cannot comment on it.

Q. I don't want any comment. I just wanted to know the routine.

A. I can't even go into that because it's at a stage where I am not free to discuss it.
Q. Have you received proposals from any other Government?

A. No.

Q. Mr. Secretary, have you had any contact with Mexican officials concerning their tariff changes and its possible effect on the silver agreement?

A. As I explained to you before, the silver agreement is between the Treasury of Mexico and ourselves and we confine ourselves strictly to that.

Q. A lot of people are saying that there appears to be a little double-cross there along the line we were duped. You termed it "clubby" recently.

A. No, I don't think so. When did I say that?

Q. You were asked if they held a club over your head and you said you didn't want to call it that; just call it "clubby".

A. Did I say that? I don't remember that but I'm willing to take your word for it. I just don't remember. I just want to clear up whatever you people have. The same policy is in force on any silver or gold or monetary international action. It is between governments, and the Treasury does not get
into any field other than the straight monetary field.

Q. Well, the Treasury could work at cross purposes with the other divisions of the Government that are interested.

A. No, because any action we take, I always invite a representative of the State Department to be here so they always know what we are doing, so we could not work at cross purposes.

Q. They did not seem to know what Mexico was going to do.

A. No, but the State Department knew what the United States Treasury was going to do.

Q. Are you going to renew that five million ounces of silver at the end of this month?

A. I think at next Monday's press conference we will have something; that's the last day of the month.

Q. On the Hill yesterday, Senator Glass said he had a holding company bill outlined. He didn't indicate just when he would put it in. Is there any assumption that he is familiar with the work being done here?

A. I think you will have to ask Senator Glass.
Q. In view of these reported concessions to be
given to the Japanese Government and tariff
rises which Mexico has instituted against
American companies, there has been terrible
criticism against the Treasury for continuing
to buy silver from the Mexican Government.
A. I suggest if anybody is interested in what
we are doing, they read the Silver Purchase
Act.

Q. I know that it says you have to buy silver in
the interest of the commodity but there still
seems to be a double-cross.
A. I still suggest they read it where I am
directed to do so by Congress.

Q. Under certain conditions.
A. True, but that's the mandate under which I
am operating and so far I have not seen any
indication on the part of Congress that
they are dissatisfied.

Q. Of course, they want it.
A. And in this case they happen to be the
authority who is directing.

Q. Have you completed your study of the bank
holding situation?
A. No.
Q. Then the bill which Senator Glass has does not reflect your study?
A. No.
Q. He did not assume, when he spoke, that it did. He merely thought it might.
A. You are quite correct. It might but it just doesn't. Inasmuch as we haven't finished our study, nobody outside of the Treasury had an opportunity to see it, including myself. There is no difference between Senator Glass and myself. The study has not been finished.
Q. Have you reached any conclusions as to what might be done to facilitate loans and capital for small industry?
A. I think that was answered when the President wrote Mr. Jones rescinding the order of October 18th opening up the RFC again.
Q. What about capital loans? Seems to be a crying need for that. Mr. Draper of Commerce said your department, Federal Reserve, and other departments were studying the question of 10-12-year capital loans to small business.
A. I don't know what he refers to.

Q. Have you received any estimate, Mr. Secretary, of how the renewed lending by RFC will affect the budgetary situation.

A. No. I know that Mr. Bell is going into that but I don't know what the answer is.
Q. Did you and Mr. Kent talk over murals at the White House?

H. M. Jr.: I didn't have a chance. Do you know Kent?

Q. No, I was just amused at the guest list in view of that mural. (Duffield)

A. Yes. Those of you who are interested in the financing, we are not going to ask for any so-called new money on the 15th. We will rely on the bill market for any additional new money, plus the continued selling of United States Savings Bonds.

Q. Mr. Secretary, by new money you also include any money to repay your special bill maturities during the March income tax period. There are some $450,000,000 worth of bills.

A. We will pay off any maturing bills with cash and the $455,000,000 of three per cent notes which are maturing we will offer the holders of those another government security in the place of it.

Q. How much notes are there, sir?

A. Four fifty-five of three per cent.
Q. You haven't decided what sort of securities?
A. No, I haven't even begun it yet—I haven't started yet.

Q. Whether you will offer a single issue — — ?
A. We will offer something in place of it but what I really haven't got down to it. But we will continue the sale of United States Savings Bonds and bills.

Q. The one hundred million weekly—in other words, the extra fifty of new money bills will be continued.
A. Well, the last announcement I made on it was fifty million each week. Then we start a new series today—that will be between two and three hundred million—that program hasn't been changed.

Q. You can't say how long the new series will run?
A. No.

Q. You can't say whether it will be two hundred or three hundred million?
A. No. We just offered the first today—it's a 91-day bill and a 106-day bill.
Q. Can you give us the preliminary figures?

A. These are just New York. The 90-day bill is a .087 against a New York bid last week of .092. And the 106-day is .095.

Q. It is obvious from this, Mr. Secretary, then that you feel you will have enough money to carry you through your operations.

A. That is right.

Q. That also means you feel your income tax collections in March will come up to original expectations—that is, January expectations in the January budget?

A. Pardon me—would you repeat that?

Q. I say you apparently then feel that your March income tax collections will come to expectations in the general budget?

A. I don't want to say anything about that.

Q. Well, if you felt they were going to fall short —

A. Well, not that short. When I announced that there would be between two and three hundred million dollars worth of bills, we
figured that was sufficient leeway to
take care of the situation as it might
develop on the 15th of March, but until
the returns come in there isn't any use
guessing about it, as far as I am con-
cerned.

Q.
Is there any chance of those weekly
offerings being increased to one hundred
and fifty million?

A.
Well, I don't know. All we are working
on this week is what we will announce
next Monday and I have told you every-
thing I know as of tonight; you've got
everything I've got.

Q.
Are you going to meet with the Open
Market Committee tomorrow?

A.
Thursday at eleven o'clock.

Q.
They are meeting tomorrow too.

A.
They've got a lot of meetings over there
and they told me they were forming a new
open market committee and wouldn't be
ready until Thursday to meet with me.

Q.
And you will meet with them Thursday?

A.
Yes.

Q.
That's the executive committee?

A.
Yes.
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Q. And you will meet with them Thursday?

A. Yes.

Q. That's the executive committee?

A. Yes.
Q. You said a little while ago you would continue selling baby bonds; was there any thought of discontinuing sales?

A. There was a story in the newspapers which Mr. Gaston drew to my attention and he thought, in view of that story—he suggested that I phrase it the way I did.

Q. There's nothing to that story?

A. No, there isn't.

Q. You had no intention, as a matter of fact, of discontinuing?

A. No, no. We like it and so does the public, so there's no reason. But somebody thought there was so we thought we might lay that story to rest.

Q. Mr. Secretary, since the meeting here with Mr. Kung have you supplemented or changed the silver agreement with China? You remember, that was the last time you sat down and had joint statements.

A. Didn't I say I extended that?

Q. Search me. I think you did, yes.

A. I thought I said I extended that to June 30th.
Q. Maybe so. Yes, you did.
A. That's it.
Q. Did that involve an increase in the amount of silver?
A. Well, no. That was something else. That was an agreement with them and the agreement that Dr. Kung made, as I remember it, expired and we extended it to June 30th and I think I went over that, didn't I? That's why I'm hesitating.
Q. Yes, that was the time of the Mexican situation.
A. I was away.
Q. There has been no change in that?
A. There couldn't be—you check me.
Q. Well, I wasn't here so I'm probably wrong.
A. I think this time you are wrong. I think we told the men we extended it to June 30th.
Q. How about Mexico?
A. We sent out letters today to both Mexico and Canada.
Q. Extending the agreement?
A. Extending the same agreement for March, 
and one of the men drew my attention—
I have been talking about two million 
ounces with Canada—I was wrong; it's a 
million, two. The agreement always has 
been to buy a million, two hundred 
thousand. I've been talking two million.

Q. And five million from Mexico?

A. That's correct. Five million ounces from 
Mexico, but for some reason or other I 
kept talking about two million ounces 
from Canada.

Q. For what particular time is that?

A. One month—through March.

Q. Have you taken any additional silver from 
Mexico?

A. Nothing but this.

Q. In continuing the studies on the price 
situation, Mr. Secretary, have you found 
that you have any recommendations to make 
to the President?

A. Not yet.
Q. You are going to make some?
A. Not necessarily, because I don't know what will come out of this study.
Q. Have you made any progress in it?
A. Yes, but as I told you gentlemen last time this is much slower and it may run several weeks before we have anything.
Q. Have you arrived at the conclusions you are going to study yet?
A. I am going to be excused on that.
Q. As a matter of fact, you are studying current prices rather than past prices—is that correct?
A. I'm not going to help you.
Q. I was willing to help you.
A. Thank you—very kind, but your offer is not accepted.
Q. Mr. Secretary, how long will it take to go through that two hundred commodities?
A. As a matter of fact, hasn't the Labor Bureau got eight hundred.
Q. Yes, but not all on the line.
A. Well, I don't know.
Q. Is this for use in the monopoly message?
A. I'm sorry.

Q. Mr. Secretary, was Paul McNutt over here to see you today? (Laughter) He's coming—he said he was.
A. Is he? Philippine gold?

Q. Income tax collections.
A. Well, he hasn't been.

Q. You'd better lock all the vaults.
A. He hasn't been. I have had no communication; I'd be glad to see him.

Q. Is gold sterilization cut for March 15 in connection with buying off these bills?
A. I have told you gentlemen everything I know about the March 15 financing. You've got everything I've got, everything.

Q. I guess you have heard about Mr. Baruch's revolt in the Democratic ranks, haven't you?
A. It hasn't gotten down here yet.

Q. He asked for a repeal of the undistributed profits tax and the capital gains tax. You have changed that tax quite considerably, Mr. Secretary.
Q. Is he an old friend of yours?
A. No, it's several generations back.

Q. Thank you, Mr. Secretary.
Q. Any comment to make on that Glass bill?
H.L.Jr.: No.
Q. Either in favor of it or -- ?
A. No. We are studying it and if the Treasury is invited to send a representative on the Hill at the time of the hearing, of course, somebody will go.
Q. Who? Do you know?
A. It depends on whom they invite.
Q. I mean, would you go yourself, if invited, or is this something like taxes where you delegate somebody?
A. I really haven't had time to think about it-- I really don't know; I really don't know.
Q. Mr. Secretary, your statement the other day that there are no differences between you and Mr. Glass on the holding company proposition still hold good?
A. Well, what I really meant was this: That I have been in contact with Senator Glass and we have been consulting each other, so he's been kind enough to keep me informed of what he's been doing and I've kept him informed of the lack of progress by the committee so that what I was trying to get over was that there are no personal differences—we have each let the other know just where we are at on this particular situation.
Q. Many of us interpreted your remark the other day as indicating there are no differences in your views on holding companies.
A. Well, that's—I think I may have given you the wrong impression. I didn't intend to; what I was trying to convey was just what I said now.
Q. Well, then, will you tell us what your views are on Mr. Glass' bill?
A. No. I will try to clear up—in the first place, I read the summary—I have not had a chance to study it. We have an interdepartmental committee on banking legislation and until we have a meeting and consider suggestions that they have to make, including Senator Glass' bill, why I wouldn't have any definite opinion.
Q. What Departments on that committee, Mr. Secretary?
A. Well, there's the RFC, FDIC, Federal Reserve, Comptroller of the Currency and the Treasury.
Q. Mr. Secretary, in view of the fact that up on the Hill, I think in your testimony before one of the House Committees ——
A. Does that make it clear?
Q. Up to this point, yes, sir.
In testifying before the House Appropriations Subcommittee I think you said that you favored elimination of bank holding companies.
A. I don't think that is exactly what I said. I think the question—we can look it up—as I remember it—better look it up—I will ask Gaston to look it up. As I remember, what was said, was there anything about the banking situation which I was worried about and I said there was only one situation and that was the bank holding company situation.

Mr. Gaston: The Secretary said he considered it an unhealthy situation.

H.H.Jr.: Yes.

Q. The bank holding situation unhealthy?

A. The bank holding company an unhealthy situation, but Gaston will look it up. It's only about two lines—what I said.

Q. Mr. Secretary, when will the committee meet?

A. Well, Mr. Jones is away and we wouldn't meet until he came back. I suppose as soon as he comes back we will meet. I don't know whether Mr. Crowley is in town or not. Is he?

Q. Yes, he is.

A. Well, I don't know—until Mr. Jones comes back—

Q. Can you tell us whether it's going to be bonds or notes?

A. No, but when we hand you the usual statement tonight on Monday's bills I will try to tell you at that time. I don't promise, but I will try to have
Q. Are you meeting with the Open Market Committee this morning?

A. In 25 minutes. I will try to tell you. That is not a promise.

Q. Mr. Secretary, there have been some withdrawals from the inactive fund in the last few days—about twenty-five million. I understand it has not been shipped out of the country but earmarked for foreign countries. Can you tell us what country?

A. No, the countries with which we are doing business will have to disclose their identities.

Q. You mean those under the tripartite agreement?

A. I didn't say that. I said the countries who've bought the gold—it's up to them to announce it.

Q. They haven't engaged it for shipment yet—no arrangements made for shipment?

A. No. I will answer it this time, but not always.

Q. Can you tell us, for our background, and let us check it from an outside source?

A. I'm sorry. These are large figures and these countries have reasons of their own and don't wish to disclose their identity and it gives you something to guess about.

Q. Can you tell us whether it's hooked up with silver?
A. I can answer that definitely—no. That limits
one series of—.
Q. Can you tell us for background, Mr. Secretary,
what is behind these large sales?
A. Off the record?
Q. Background.
A. No.
Q. Off the record? I guess so.
A. What? Off the record?
Q. Yes.
A. Well, some of these countries—it goes back to last
March—felt at that time that there was a likelihood
that we were going to drop the price of gold.
(Laughter)
That's right.
Q. I know. I was just laughing at how funny it seems
now.
A. It seemed pretty funny at that time. And so they
started to ship gold and sell gold and they accumu-
lated large balances here. Now as late as September—
this will also give you a good laugh—some of these
countries had commissions over here studying the
buying of commodities—they were going to convert
their money into commodities—they decided they
wouldn't, but that they would buy war commodities,
and then they decided they wouldn't. And now since
the President's price statement, the statement on gold and all that—they are now convinced that gold is again a good purchase, and, therefore, the money—the gold that they sold us and accumulated here in cash, they are now converting that cash back into gold again. Now that goes for the bulk of it, --it doesn't explain the entire picture. One of these other countries has another reason but it does explain ninety per cent of what has happened.

Q. Since, you say, they are buying war commodities ... I say they thought they considered it—they had people over here.

A. It sounds like Great Britain.

Q. Well, if you don't mind, I can't help you out, but I just want to show you how this thing changes. In March and April they were sure we were going to drop the price of gold, although the President and myself two or three times made flat statements we weren't and finally we convinced them. Then they go through the Fall and are convinced commodities are a good buy and now they are convinced the price of gold is $35.00 and, therefore, they want to buy gold. That's the whole story. It's just these people were just a little bit smarter than they thought
they were, and now they find themselves with a lot of cash. Of course, from our standpoint, it's grand because it's a redistribution of gold, and it means other people are interested in gold and that's all to the good. I consider it a very healthy thing—delighted.

Q. You say this is all off the record.

A. Don't you think so, Herbert?

Mr. Gaston: Yes.

Q. That's a good story, Mr. Secretary, if we could use it for background, without attributing it to any source. We are going to be asked why this gold is moving out.

H.R.Jr. Well, let it ride and we will see. By Monday maybe the thing will change, but I have talked very frankly.

Q. Mr. Secretary, how about that last expression—a very healthy situation?

A. No, no, I'm sorry.

Q. Do you look for a continuation in the decline of gold?

A. I don't know. It's too recent. I don't want to be put in the position of making this statement and then -- . I told you just as I see it. Next week these fellows might get some other idea—somebody might start a rumor—and they
they were, and now they find themselves with a lot of cash. Of course, from our standpoint, it's grand because it's a redistribution of gold, and it means other people are interested in gold and that's all to the good. I consider it a very healthy thing—delighted.

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may begin to sell gold and it might look as
though I didn't know my business or what I
was talking about, but that's the situation.

Q. We could sort of help you out.

A. If you don't mind, I ask you fellows--we
always go through it and I talk very frankly
and it looks good and then you put the pres-
sure on me, so if you don't mind, if you want
me to talk as frankly as this, don't make it
too hard for me.

Q. Just as a matter of safeguard, can that be
eliminated from that transcript showed to sub-
sequent callers here?

A. What do you mean?

Q. There's always a transcript of your conference
made and it's available for us to check
quotations and it's also available for people
to look at after the conference.

A. I didn't know that.

Q. It's for our convenience, and in this case I
would just like to safeguard the people here.

A. Herbert, I didn't even know that.

Mr. Gaston: Yes.

H.L.Jr.: These people that suddenly get convinced that
this is going to happen and then they get the other thing and I told you about the commodities to show you just how they all get going one way.

Q. Mr. Secretary, have you any comment on the revised tax bill?

A. No.

Q. To return to the holding company bill,

Mr. Secretary, I see here that you said that you have been in contact with Mr. Glass and have been consulting each other. I got the word as consulting; it's correct, isn't it?

A. Consulting, yes.

Q. And I assume from that, was there any difference between you in your consultations?

A. What I was trying to convey is -- .

Q. I understand the first part.

A. I can answer that question and then I go into the bill and I don't want to get into a discussion of the bill at this time.

Q. Is it fair to assume that the studies you are conducting were available to the Senator in writing his bill?

You will say flatly that the Glass bill does not reflect the views of the Committee?
A.

No, just a minute. I told you the other day, no. I didn't make them available and as far as I know, unless somebody did it without telling me, and I don't believe it's so, that--talking for the Treasury proper—I mean I don't know what the Comptroller's Office did, but talking for the Treasury proper, we did not assist Mr. Glass in writing that bill.

Now to answer your question, until we have this meeting, what's the sense of having the matter up unless you get the benefit of everybody's advice. Does that take care of you?

Q.
The answer is no.

A.

In answering him I had forgotten your question.

Q.
The question was whether the Glass bill reflects the views of this Committee.

A.
The answer is the Committee hasn't got any views yet. It might have; it's just they haven't met and their views haven't been put together.

Q.
Will the Committee ever report now that the Glass bill is in?

A.
I don't know.

Q.
Mr. Secretary, can you comment on the Patman bill introduced yesterday?
A. No, as a matter of fact, I never comment, except in writing, or in personal appearance before these Committees.

Q. I see—are you going to appear?

A. I don't think I'm going to appear. I don't know whether we've been asked in writing for comment or not.

Mr. Gaston: I think we have not been but I'm not certain.

Q. Thank you, Mr. Secretary.
H. M. Jr.: How do you do? We will try not to spoil your Saturday. It's a 10½-year bond, 2½ per cent.

Q. Any closing figures yet on the notes for today?

A. No.

Q. I don't even know what time the market closes.

A. Today is Saturday, March 5.

Q. I know, but (laughter). When does the market close on Saturday?

Mr. Bell: Twelve o'clock.

H. M. Jr.: Twelve, yes.

Q. I just wondered if you had a closing on the notes and what yield basis they were selling on when they closed.

A. I don't know, but if you want to see one of the boys—see Harris, will you?

Mr. Bell: They're selling at a negative yield, of course.

Q. Mr. Secretary, have you decided yet as to whether you are going beyond the full $200,000,000 on your bills?

A. No, we started that the 2nd and the two hundred goes through the 23rd, so we wouldn't have to make up our mind until what—the 24th?

Mr. Bell: About the 23rd.
E.M. Jr.: They announce it on Thursday though.

Mr. Bell: It will go out on Wednesday the 23rd, until the following week.

E.M. Jr.: Yes, but we don't announce it until Thursday night. There wouldn't be any announcement on it until the 24th.

Q. That would all depend on your income tax returns?

A. That's right; by the 24th we will know.

It takes two hundred million. We worked that out so we would have the income tax information on hand and it works out very nicely that way, so by the 23rd or 24th we would know whether we would go beyond the two hundred million.

Q. What's the nearest comparable outstanding bond, Mr. Secretary?

A. I think the last one which was an 8-year, 2½ to a fixed date. You see three months ago we sold an 8-year for 2½ and we come along now and we sell a 10½-year.

Q. Any particular reason for this second consecutive issue of a fixed-date bond?

A. No, it works out very nicely, and I didn't feel like reopening an old issue, and the government seems to do pretty well on this basis. But as I say, I draw your attention to the fact that three months later we go out 2½ years further.
Q. The obvious thing is that your market conditions are favorable.

A. Conditions are better.

Q. Conditions are better you say?

A. For the government in the government bond market, are better.

Q. To what do you attribute that, Mr. Secretary?

To what do you attribute your success, Mr. Secretary?

A. Read Mr. Carnegie.

Q. Thank you, Mr. Secretary.
Q. Do you have any preliminary results?
H. M. Jr.: I doubt if you’ll have anything, well, not preliminary, before Friday?
Mr. Gaston: Yes.
H. M. Jr.: The price at which the rights are selling assures its success.
Q. Anything further to say on the record on the gold trend change?
A. I thought you would forget about that.
Q. What is the price, Mr. Secretary?
A. Well, the rights are selling at around 101, 18 to 20/32's.
Q. Mr. Secretary, doesn’t that put the new bonds on a yield basis considerably lower than any outstanding bond? I just thought the figures might be right in front of you.
A. No. On a yield basis—this is very much off the record—I don’t understand—I think they are bidding too high for them, see. I really do—very much off the record.
Q. That’s why I asked you that question. It just seems to me they are way out of line with the market.
A. Either the market has to come up or they’ve got to go down—this is just in the family—one or the other. Either those new ones have to come down or the rest of the market has to go up—they are out of line.
Q. How is the price of those notes, compared with Saturday?
A. They're up several points.

Q. Can't we use that on our own? The market people in New York ought to know that.

A. Well, don't even use 'Treasury officials.' Don't in any way attribute it to me. The information is there, but don't even attribute it to Herbert Gaston or anybody in the Treasury. The information is there and you can use it, but don't attribute it to anybody inside the Treasury.

Q. We can attribute it to 'Mr. Observer.'

A. No. I'm playing fair.

Q. Off the record, in other words.

A. Yes, off the record. But as to what it's selling and yield you can draw your own deductions, but one or the other has to go up or down.

Q. Mr. Secretary, can you say anything about your price study now?

A. Mr. Sandy Klein, I can not.

Q. Can you say they are getting along in their work on small loans?

A. I can say they are working.

Q. You can't say they are through?

A. No, I can say they are working. Got any more pipelines?

Q. No, but I can dig up a couple.

A. Somebody suggested I bring down an Admiral and put him in a room here and see if he could fool you or not. You got a big kick out of that didn't you? (To Klein) Yes? I did too. I'm going to promote the girl who sits in his outer office.
Q. Did you ever say anything about the Van Zeeland report or will you?

A. I don't know. My hunch—and this is not for quotes—my hunch is that if anything is said it will be done by the State Department.

Q. I noticed at the last meeting of the Bank for International Settlements' directors, they made no statements on it, awaiting a survey of views of various governments, and we have sort of a quasi-position on that board and I wondered if anything was said.

A. I think if anything is to be said it will be said by the State Department.

Q. Have you completed your study of the Hungarian debt proposal?

A. No.

Q. You have not completed it?

A. No.

Q. Did you talk with the State Department officials regarding this Van Zeeland report?

A. How did you put the question?

Q. Have you conferred with the State Department?

A. We discussed it, yes.

Q. I thought you said last Fall or earlier in the Winter that the United States would not look favorably upon any monetary conference.

A. That's something else again. As I remember it, there was
some vague publicity on it, something about our
sending some gold over there, letting them lend it.
I don't remember the exact words—better look it up.
But what I read I thought we wouldn't lose any time
stepping on that, which I did at that time. I think
that is about correct. Wasn't that the advance story?

Q. You said you didn't want any multipower conference on
monetary matters.

A. Well, Gaston can look up what I said, see. Whatever
I said then, as far as that goes, I haven't changed
my position.

Q. You are still opposed to any monetary conference?

A. I don't know, but whatever I said at that particular
time, I haven't changed my mind.

Q. Mr. Secretary, would you comment on the Supreme Court
decisions in the land-oil tax cases?

A. No.

Q. Would you comment on the Mitchell case?

Mr. Gaston: The Supreme Court upheld the fraud penalty against
Mitchell in connection with that sale to his wife.

H. M. Jr.: I never have commented on any Supreme Court decision.

Q. The Supreme Court decisions are pretty final until
they reverse themselves.

A. To the Supreme Court. Well, once we get $360,000 we
stop worrying.
Q. That will help the deficit, won't it?
A. It all helps.
Q. I wonder, in the light of your subsequent off-the-record remarks, could I use this quotation? 'The price at which they are selling assures its success.' I mean, there's a possibility those rights will go boom.
A. No, that statement still stands, but what I said very much off the record, I say they are out of line. It would be straightforward for me to comment on that, but the price of the rights at which they are selling are so much above par assures the success of the issue and, therefore, I am announcing tonight the closing of the issue as of Wednesday night.
Q. In your last offering, how long was it?
A. You mean the time?
Q. Yes.
A. It has been Wednesday night.
Q. In that $250,000,000 offering, in December?
A. I think every time, as far as I know, has always been from Monday to Wednesday.
Mr. Gaston: I think it has been the same day as to cash and three days for refunding.
R. H. Jr.: The last couple of times it has been from Monday to Wednesday night. It's just, in other words, as we have done the last several times—it has been just that way.
Q. How much is it too high? (Laughter)
A. I don't worry about it as much as how much is it too low.

Mr. Gaston: You can take your slide rule and figure it out from the quotations in the morning paper.

Q. I'll borrow your rule. You have defined a successful conversion several times; as I recall, an 80 per cent conversion is regarded as successful?

A. No, 90 per cent.

Q. Is that the figure?

A. At least 90 per cent.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, MARCH 10, 1938:

Q. Shall we ask who his friend is out on the wall?

H.M.Jr.: It's an excellent painting (Mellon's portrait).
All right, gentlemen, at your service.

Q. Mr. Secretary, has Col. Kelly been asked to resign as Collector of Internal Revenue at
Newark?

A. I don't care to answer, sorry.

Q. Can you discuss it for background purposes at all?

A. No, I'm afraid not, I'm sorry.

Q. Has he been suspended?

A. If you don't mind, I'm not going to comment at all.

Q. Can't you tell us whether a man is in office or not in office?

A. He's in office.

Q. What effect will the French crisis have on the Stabilization Fund?

A. Just say it a little louder, will you please?
Repeat that, will you?

Q. What effect will the French crisis have on the Stabilization Fund? Maybe we'd better go back to the Collector.
A. I think we've just got to wait and see. We don't know; I hope it won't have any effect.

Q. Coming back to Newark—.

A. My, how we travel, don't we!

Q. Will there be any announcement on this business? I don't even know what it's all about myself.

A. You're trying to find out. Well, I will just follow what I usually do. If you want me to talk strictly off the record, I will, provided after I have done it somebody doesn't say can't we use it. You can make your choice.

Q. The story has been printed. The Newark News had it.

A. Well, then, I would rather just stick on the basis of 'no comment.'

Q. I would like to have it off the record.

(Friedheim)

A. I haven't been following it very closely. I have no announcement to make, see, and the fellow is still Collector, see, so that's the position. The fellow Kelly who is Collector of Internal Revenue for the State of New Jersey.
Q. If there's any investigation to be made you would make the investigation? Is that correct?

A. The status of Mr. Kelly is he's still Collector of Internal Revenue.

Q. I understand that, Mr. Secretary. This is a question I am not relating immediately to Mr. Kelly. I just wondered if there were an investigation, who would make the investigation? You would?

A. Who else would?

Q. That's what I wanted to know. It's safe to assume in view of the fact that you won't comment on the thing that an investigation is being made.

A. No, I don't want to concur on it; Mr. Kelly is still Collector.

Q. Will you have something to say sometime?

A. It's quite obvious I don't want to.

Q. I just wondered whether that was for this time or forever.

A. Forever is a long, long time.

Q. Will you give it to us off the record, background?
A. If the boys want it, but let them look around.
I have always done that.

Q. I want to make a reservation. We have carried
stories carrying developments up to the point
of your decision which I assume hasn't
been made and I wouldn't want to feel
restricted about what I have already used.

A. Then, I'd better not give you any comment.

Q. Mr. Secretary, with the understanding that
we are permitted to write what we have been
writing in the past on it?

A. My trouble is — those of you who cover me
regularly know that when I say I have not
read the story, I have not read the story.
I have been told the story— I have not read
any of them and you who don't know me, know
that the boys know if I say I have not read
it, I have not. I am entirely familiar with
the situation and it's in that particular
state where I don't wish to make any
comment. You boys can write anything you
wish, as you always can, thank Heavens!
So I just don't want to make any comment.
That's fairly clear.
Q. Do you have any financing figures for us?
A. But it goes without saying, if there's anything at any time, that the announcement will be made to you men.
Yes—I turned it over somewhere—here.
Q. We will get a canvas cover for your desk, Mr. Secretary.
A. The most recent figures and I don't know whether they have opened all the mail yet or not is: Out of $455,000,000, $443,000,000 have been turned in, which is 97 per cent.
Q. Was that the close of business last night?
A. Do you know, Herbert?
Mr. Gaston: There's still some mail to come in. That's all they have been advised of up to date, but not all the mail has been cleared.
H.M.Jr.: No, it couldn't be. It's 443 or 97 per cent, and still some to be heard from.
Q. It looks like a hundred.
A. Well, it wouldn't be quite a hundred. There will be a little more trickle in most likely and the announcement will be tomorrow. They haven't had a chance to open all of them yet. It's still early out in San Francisco and Chicago.
Q. Do you know what the premium is on those rights? They quoted them at 1 18-32 above par.
A. I don't know, frankly. I have been on something else this morning, but I haven't seen the market and Mr. Gaston will get it for you when you go out. I just don't know. He will get it for you when you go out of the room.
Q. A week ago you spoke about the Inactive Gold Fund and the change in trend. Now since that time the Inactive Fund has declined further. I wonder if you would care to say anything on the record at this time.
A. No.
Q. The essence of the story has already been printed, but I would like to get something and tack your name on it.
A. I can't help you, but, on the other hand, there has been no change in the situation I gave you in that off the record statement in the attitude of people toward gold. This gentleman is next.
Q. Your answer before indicated that you were quite worried about the French situation. Have you any comments on it?
A. I don't think I said that—I hope I didn't say that.

Q. No, you said 'I hope it won't have any effect.'

A. Yes.

Q. Now do you think it will?

A. I can only have one hope and the hope is that it will not have any. I sincerely hope it will not have any effect.

Q. To put the question another way, is the Tripartite Agreement still functioning one hundred per cent?

A. The answer to that is yes.

Q. Have there been any exports in gold, Mr. Secretary?

A. Well, there's nothing—you men will now have to get that from the daily statement. We are giving it to you just as fast as there is any change in gold. You back it up from the daily statement.

Q. I meant earmark.

A. Has there been any?

Q. Yes.

A. No, nothing.
Q. Mr. Secretary, how about the situation up on the Hill in the House? Are you sorry to see Section 1-2 defeated?

A. Well, I don't want to seem that I don't have an opinion, but I have never commented on the bills as they go through. If I have any comment to make on pending legislation, why I either make it formally before the appropriate committee or in the form of a letter.

Q. That leaves a gap, I understand, of about forty to sixty million dollars; do you have any suggestions as to how that could be made up?

A. Yes, when I'm asked by the committee.

Q. You are already prepared?

A. We are.

Q. Has the committee asked you yet, sir?

A. They have not.

Q. Have you been in communication with any members of the committee?

A. Yes, I have. Yes, I have. Does that satisfy you?

Q. It satisfies me for the moment, sir.

A. I mean, do you have any more questions?

Q. Well, I am interested in the whole subject.
A. So am I.

Q. You said you were busy this morning on some matter; can I assume it was that?

A. It was that.

Q. Mr. Secretary, does your substitute plan entail broadening the income tax base?

A. No, I can't—if and when Mr. Doughton calls on us why we will have a number of optional suggestions that he can make as to how to raise the additional revenue. He figures that as the bill stands now it is off $41,000,000.

Q. Mr. Secretary, is it the loss of that $41,000,000 or the secondary effect of that losing the revenue from corporations that is most important in Section 13?

A. Well, then you will have me in on this discussion of the bill as it goes through the House, and I, quite frankly, have never done that; I just don't want to. I'll repeat—I either do it in a formal way or in an appearance before the committee, but I have never, as far as I know, at a press conference—it just happens to be the way I work, but I don't think I have ever commented on legislation while in the process of going through the mill.
Q. You are not commenting on legislation, Mr. Secretary, if you answer this question: Right now there seems to be an equal division of the tax burden between corporations and individuals. This action on the Hill, is it intended to reduce somewhat the burden on corporations? In proposing any substitutes it's pretty safe to assume that you would want to still equalize the burden. Is that correct?

A. Well, I don't want to answer that. The point is, as I say, if they ask the Treasury for suggestions how to make the $41,000,000 we will have a number of suggestions how to make it up and then it's up to Congress to decide what they want, but we will give them enough suggestions to choose from.

Q. Well, Mr. Secretary, I don't see how in the course of legislative procedure you could make an appearance now. The bill is out of committee and unless it is sent back to the committee how are you going to appear before the Ways and Means Committee to make a suggestion or you could do it by letter?
A. We could do it by letter. That's what we do all the time. Last year, I think about a letter an hour went up there as to the estimates of yields on suggestions—that is an exaggeration, but when the bill was being studied last summer I don't know how many letters went up on estimates. There was just a constant stream and the boys worked day and night to get these estimates up, but I have always insisted that we get a formal letter from the chairman—this is a proposal; how much will it yield—and as quick as the boys can answer we send them a letter.

Q. That's probably how it will work instead of your going on the Hill?

A. I hope so because we get so many requests for proposals we just can't answer them like that. (snaps fingers) It takes time to give an intelligent answer.

Q. Mr. Secretary, we can say this much, can't we, that you do want them to make it up?

A. Yes.

Mr. Gaston: Of course, they haven't taken final action yet—just committee action.
H.M.Jr.: No, but as far as the Treasury is concerned we hope we will not lose any revenue.

Q.: I am just wondering if that $41,000,000 figure isn't misleading. That's the immediate cash loss, but isn't it a much larger loss— isn't it a secondary loss? I don't want to make you a misleading statement.

A.: I don't intend to make it misleading, but also, that $41,000,000 is not all the changes they've made. That isn't just L-B. That's the total of all the changes they've made.

Q.: Well, if a manufacturer like Henry Ford doesn't pay out his money and keeps the money in his corporation the Treasury loses money from surtaxes too, doesn't it?

A.: I wouldn't attempt—but this morning I asked the staff to give me the best figure they could give me, as of last night, as the bill stood last night—what was the estimated loss of revenue, of everything that has happened, and the figure I was given this morning was $41,000,000 and that is the best estimate of Mr. Magill and the whole staff. That's the picture as of last night. Tonight it may be different.
Q. Have you transmitted any suggestions to any individual members of the Committee?
A. No.

Q. Has anybody asked you to be ready to transmit them?
A. No, we have had no requests of any kind.

Q. They are just waiting for them.
A. They are waiting really; that is, we are just on the job so in case we do get a call we are ready.

Q. Thank you, Mr. Secretary.
H.M. Jr: All right, Sandy?
Q: Mr. Secretary, anything on the French franc?
A: Not a thing.
Q: Is the Tripartite Agreement still in effect?
A: Yes.
Q: Working with all three of them?
A: It is and I want to add that I think it is quite remarkable the way in the last few days the business of America has not been affected by what has been going on in Europe. Thanks to the Tripartite Agreement, the Stabilization Fund, and the Sterilization Fund, the dollar is still the strongest currency in the world.
Q: Has the Stabilization Fund had to be quite active?
A: I'm sorry, I can't comment on that.
Q: That just sort of left the impression, since it's thanks to that, --
A: No, then we've got the three different things, the combination of which insulate us against the kind of shocks which have been going on in the world in the last week or so. So, I mean, there's no repercussion on the banking system.
Q: Have you received or transmitted any communication to France today?
A: I'm sorry, I can't answer that.
Q. Have you been in conference with any representative of the French Embassy today?
A. I can't answer that either.
Q. You were in conference with Dr. Feis today, weren't you?
A. So I'm told.
Q. Well, were you?
A. I was.
Q. That was concerning the French situation, wasn't it?
A. I'm sorry, I can't answer that.
Q. You couldn't answer that?
A. No, I'm sorry.
Q. Well, the impression we get then is that you are leaving everything to the various funds--operation of the funds--and you are not going outside of that.
A. Well, all you've got to do is to look at the quotations, and I think you'd see that I am fully justified in saying that the dollar is still the strongest currency in the world and that the troubles in the world during the last week--we have been able to isolate ourselves against those shocks. You might look at today's Government bond market which is pretty strong also.
Q. Mr. Secretary, is there any modification in the Tripartite Agreement or can you tell us on or off the record whether there is apt to be in the very near future?
A. No, I'm sorry, I can't get in on it at all at this time.

Q. We would kind of like a helping hand, else we may stray in the wrong direction.

A. Well, I can't add anything to what I have said--I'll just have to trust to your good judgment.

Q. Is there any large-scale movement in the repatriation of foreign capital now in this country?

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

Q. Mr. Secretary, the inactive gold fund increased by approximately $5,000,000 today and the gold assets also increased by almost the same amount--indicates that there is some inward movement of gold?

A. Japanese.

Q. Was it Japanese?

A. It must be.

Q. That one big shipment?

What is the price group concerned with? Aren't we almost at the end of two weeks?

A. I think it is three weeks.

Q. It looks like we ought to be about to get something.

A. I don't know. I told you gentlemen when we first started that it was a longer and more difficult task and I didn't know whether there would be any end of the road.
Q. You said it might be either the President or you yourself. Ready to say anything?
A. No, we are still working on it and we still don't know if the end of the road is in sight.
Q. How much income taxes do you expect this month?
A. I'm sorry—I wish I could answer something. I can't answer. You know we never give that out.
Q. I thought I would test you anyway.
Col. Kelly has announced that he has submitted his resignation; have you been apprized of it?
A. Yes, I have.
Q. Any action been taken on it?
A. Well, talking off the record, I know that it was received at the White House, and, off the record, I am informed they acknowledged it, but on account of being a Presidential appointee the acknowledgment has to come from the White House and if you will see Herbert Gaston afterwards he will see whether he could help you, but I can't—maybe the White House will want us to announce it, but I don't know, you see. You see, it's so rare that a Presidential appointee resigns I'm not quite sure what they want . . . . But if you will see Gaston afterwards he will tell you whether the White House wants to announce it or us—is that all right? That was off the record, but I really don't know.
Q. Was his resignation asked for, Mr. Secretary?
A. Well, we will have to find out, not if it was asked for, but anything I'm going to say --.
Q. I understand it was because of political activities.
A. Well, as far as I know, unless it is changed, I don't intend to make any comment on his resignation.
Q. For your information, Mr. Secretary, he said he had been given one of two alternatives—resignation or withdrawal from certain activities.
A. Well, naturally, he can talk or not talk as much as he wants. The fact that he has resigned, as far as I am concerned, that ends it.
Q. Will anything be made public, Mr. Secretary, regarding your investigation out there?
A. I am moderately sure it will not.
Q. Mr. Secretary, do you agree with Senator Harrison's views on taxes?
A. I can honestly say I don't know what they are as of today.
Q. Well, did you see the news item yesterday?
A. I saw his statement yesterday in the paper.
Q. What was your reaction to that?
A. I had a perfectly good weekend.
Q. Mr. Secretary, could you tell me why you and some other members of the Interdepartmental Committee --?

A. I want to say that --.

Q. I thought you had finished.

A. No. On that thing, Magill was up there today and it was an executive committee and I would like to explain once more that other than a written statement or a statement in personal appearance before the committee I won't have anything to say while the bill is on. I might just as well say that now, and as far as I know, Mr. Magill will represent me before the committee in the Senate as well as in the House.

Q. Mr. Secretary, Mr. Doughton spoke of, at one time, a supplementary revenue bill at this session and there was some question, some possibility, that he would ask you to come up there and talk about it, or Mr. Magill; have you received any invitation?

A. No. Mr. Doughton has left town, as I understand, and not to be back until Wednesday.

Q. I didn't know whether he had sent it before he left.
A. No, no.

Q. Can you say how the Tripartite Agreement is functioning in this situation which you described?

A. Well, it's functioning with the successful result that the dollar is very stable.

Q. Just wondering if you could throw any light on the way.

A. I'm sorry, I mean, you know what the situation is and when it is as it is I just can't talk. That's all. You will have to be a little charitable.

Q. Would you say you are still on a day-by-day basis, as far as your purchase —?

A. If you don't mind, I'm just not going to get in on it at all—it's just too important. I just can't discuss it.

Q. Mr. Secretary, could you tell us, sir, why you and some of the other members of the Interdepartmental Banking Committee are so unhappy about the Glass Bank Holding Company Bill?

A. Well, I didn't know that I was so unhappy.

Q. Well, you wouldn't call it an Administration bill, would you?
A. You know me about commenting on legislation which is pending. I don't know who you've been talking to, but I haven't been going around gnashing my teeth.

Q. Mr. Secretary, do you think a compromise could be worked out between the FDIC and Federal Reserve?

A. You fellows haven't got enough to do. You've had a bad weekend. As you know, the Inter-departmental Committee has met and is meeting every day. They just don't happen to meet in here. And we hope soon, within a reasonable time, to make a report. That's what is going on, and while it is going on why far be it from me to give you the temperature of the various members.

Q. I'll bet it's pretty high too.

A. Well, some of them have gone to Palm Beach--maybe they will cool off down there.

Q. Mr. Secretary, has the German Embassy informed the State Department or has the State Department informed you of any financial changes being undertaken by the German Government in Austria?

A. I have had no communication.
Q. Does it have any repercussion on our position at all?
A. No.
Q. It should have some repercussion on our war debt; is Germany going to assume the debt?
A. I haven't had any communication either from the German Embassy or the State Department.
Q. If they take over Austria they should take over her liabilities.
A. Well, you'll have to ask the State Department.
Q. Mr. Secretary, how has the European crisis affected the flow of gold from here abroad or from there to here?
A. Well, if there has been any effect, you'll see it in our daily statement.
Q. I mean if you could speak generally.
A. I'm sorry—I can't.
Q. Mr. Secretary, when will the next meeting of the Interdepartmental Committee be held?
A. On what subject?
Q. On Bank Holding company legislation.
A. Well, they are meeting every day.
Q. On that?
A. Yes, they are meeting every day.
Q. The full committee?
A. Well, a representative of every agency has been meeting since last week at a meeting every day.
Q. You are preparing a draft of a report?
A. Yes.
Q. Are you going to put out a revised budget summary next month like you did last year?
A. I don't think we did last year; in June.
Mr. Gaston: There was one in April on the President's revised relief estimates—April 30th.
H.M.Jr.: I'll have to ask Danny Bell about that—I don't know.
Q. In that connection, have you been given any figures on the effect of the RFC's renewed activities on the budget? You said something at one time.
A. Yes, and I think I referred you to Bell. He hasn't made any report yet and I don't know whether he wants to talk about it or not.
Q. Mr. Secretary, is this Interdepartmental Committee an all-day job or a part-time job?
A. I call it almost a full-time job.
Q. To whom will the report of the committee be made?
A. It will be made to the President.

Q. Could you say at this time when a report likely will be submitted?

A. I can't tell—they're working hard.

Q. In other words, you have already reached an agreement on what you want in this report and they are merely drafting it now—is that correct?

A. No, they are still discussing bank holding companies.

Q. Mr. Secretary, will there be more than one report—a minority report?

A. I don't know.

Q. Mr. Secretary, reverting to Col. Kelly—his resignation will become effective April 1st; have you any intimation as to whether a successor will be ready at that time?

A. No.

Q. How will the office be carried on in the interim?

A. I suppose between now and the 1st of April Mr. Kelly will stay there and he has a deputy. As far as I know, he will carry on until the 1st of April; there's no reason why he shouldn't.
H. M. Jr.: Yes, Mr. Klein.

Q. Mr. Secretary, Chairman Douglas of the SEC was over here yesterday and told us after he came out—he told a couple of us—that he had been here in connection with bank holding companies, investment trusts, and what not, and I understand there was more to it than that.

A. That's a good one, isn't it?

Mr. Gaston: Shows penetration.

Q. Well, it's more than that. As a matter of fact, I want to be nice to Mr. Douglas. I understand what he told us was definitely a misstatement. Now I want to straighten it out.

A. Well, I'll make it very easy. I have no comment on what Mr. Douglas said.

Q. Did you call Mr. Douglas down here?

A. I'm not going to talk about it.

Q. You're going to let Mr. Douglas' statement stand?
A. Well, if he went out and talked that's his privilege and it's my privilege to sit tight.

Q. You're not protecting anybody, are you?

A. I don't know, but he was my guest.

Q. Mr. Secretary, in the event that the French Government institutes an exchange control that would definitely put them out of the Tripartite Agreement, would it not? There has been considerable talk from Paris and yesterday a French economist arrived here and he said it would not be very long before they adopted exchange control.

A. Well, for background, I'm going to say this: The international monetary situation in the last week has been an extremely difficult one and I think that the fact that we have come through it as well as we have has been almost unique in recent history. I mean, in similar situations the impact would have been much more serious. Now these various devices which
the governments have set up during the last three or four years in order to meet just this kind of a situation—these devices have been working successfully and the fact that the speculator in foreign exchange, certainly on this side of the water, has been eliminated—doesn't exist any more—the individual.

Q. He has been eliminated?

A. Yes, he has.

Q. On this side of the water?

A. On this side of the water and, to a large extent, in the other important countries. It has also made it possible to meet just this kind of a situation. Now this situation has been met. I'm not going to say what we have done or how we've done it or get into a discussion and answer questions, is the Tripartite Agreement still in order, or is it going to be modified, etcetera and so on, and, if you don't mind, I'm not going to attempt
to answer those questions, but the situation which we have had to meet each day during the last week has been met and has been met successfully; and all of the devices which have been set up by the governments and by the Treasuries are still in full force. Now, beyond that, I'm sorry, I can't go. That's for background.

Q. Well, Mr. Secretary, in the past you have been willing to say whether the Tripartite Agreement is still in effect or not.

A. That goes without saying—that it is in effect. There are no changes. But I'm not going to get into skudations of this, that and the other thing because the situation is too serious. I'm talking for background.

Q. Have you set up any new devices?

A. Everything is just as it was; there are no changes of any kind.

Q. Mr. Secretary, I'm sorry to beg the question --.

A. That's all right. What I gave you, gentlemen, is for background.
Q. In the event that the French set up exchange control would that be the end of the Tripartite Agreement? Will it be left to England and the United States?

A. I’m not going to answer that. I don’t want to be quoted as having been asked and refused to answer; the implication might be something...so if you don’t mind I don’t even want to be quoted as being asked a question and not answering it.

Q. The situation is delicate then?

A. For background, the situation is very serious, but we have come through the—the various groups in the Tripartite have come through it successfully.

Q. There is some confusion in my mind when you say that as to whether everything is all over and danger is passed and the machinery is in working order on the old or some new basis or are we still to look for some thing more definite than you have told us so far?
A. Again for background, the worst blow seems to have been yesterday. Now we came through that all right and we have a machine which is functioning so there's no reason to discuss swapping horses in the middle of the stream. I'm not withholding anything from you but I don't want to answer these questions that if this, that or the other thing, and then by refusing to answer make it seem as though there was something. The thing worked. Yesterday was as bad a day as anybody might have had—we got through it.

Q. That doesn't mean it's all smooth water ahead necessarily.

A. No, but it looks as though the blow had passed, but again, I'm still all for background, but I don't want to be put in a position of if this, that or the other thing happens does that mean this will happen. Because we've got a
smoothly running machine and when you have a smoothly running machine in a very difficult situation, why try to change it, especially after the United States came through it extremely well. But there was no danger to the United States in that situation, as grave as it was for the French. We are not particularly concerned with the United States; it is with France.

Q.

Well, that's all right, but I don't want to even make a remark which might be interpreted as, if some country does something we will do something. I mean, the thing that you are asking - and my answer, - it might mean or be sufficiently serious that you don't know what it might do, and as long as the thing is working and these five countries are getting along all right on their monetary thing, why certainly the last thing in the world I want to do is to add any doubt to the situation which is bad enough as it is.
Q. Could you give a reassuring statement as you have in the past?

A. It isn’t necessary. The best answer is yesterday is the worst day I think we have had almost since we had the Tri-partite Agreement and everything came through beautifully.

Q. Could we quote you on that? I think that would be reassuring.

A. Yes, you can quote me on that, and I say this: That the results speak louder than any words.

Q. That hooks up with the whole statement, Mr. Secretary.

It doesn’t seem to me, Mr. Secretary, that you have really explained the thing fully; you leave a lot of loose ends that imply something might be going on.

A. There’s nothing going on—that’s just the point.

Mr. Gaston: The Secretary is just avoiding prophecy.
H. W., Jr.: And one of you men asked me if such and such a thing happened internally in a foreign country, what are we going to do? I'm just not going to answer that question. How do I know it is going to happen? My saying that might bring it about and that's exactly what I want to avoid. Let's be definite if you're going to quote me on anything. What have you got, Sandy?

Q. I want to point out to you, sir, if we are going to get part of this off the record, it definitely hooks up with the statement - Is it all right to say the blow has passed?

A. You'd better use it all for background.

Q. Well, could you give us a quote, Mr. Secretary?

A. No, this thing is too recent. You'd better keep it all for background.

Q. Could you tell us this, for background, Mr. Secretary? Has the Stabilization
Fund gone beyond the $200,000,000 they are working with now? Have they dipped into the one billion eight hundred?

A. I'm not going to answer that, I'm sorry. I gave you a perfectly straightforward statement for background purposes. Now there isn't anything else. You've got everything as to the general situation. As to the mechanics, what we have done or how much, I'm not even going to hint.

Q. Yesterday, from what you say, gives you greater confidence in the machinery; would that be a correct statement?

A. I really think I've told you enough for background purposes. The machinery was there; we had a very bad day all over the world and the machinery stood up without any squeaks or breakdowns.

Q. When you speak of that, are you talking about international capital movements?

A. I am talking about the foreign exchange markets.

Q. You mean all five countries came through in good shape?
A. Yes.

Q. In view of the fact the machinery has worked this well, may we assume every effort will be made to continue the machinery as it is?

A. I am talking about what happened yesterday and I'm not going to go beyond and I say the results speak louder than words. We had the most severe test any machinery could have and the machinery worked.

Q. Could we say the Tripartite Agreement is functioning one hundred per cent?

A. Have a heart! You've got to realize how serious this thing is. Because I happen to be, not Henry Morgenthau, Jr., but the Secretary of the Treasury. I've got to be extremely careful not to say anything which would anticipate—accelerate any situation. I want you gentlemen to understand that now.

Q. Well, as this is now people can draw all sorts of inferences from it.
A. No, you can just draw this inference:
That yesterday was a very bad day in
the foreign exchange market.

Q. Worst since the Tripartite went into
effect?

A. Yes, and that the machinery which was
set up worked and took care of it and
all countries which are part of the
Tripartite Agreement came through the
situation well. It's the whole situation
all boiled down. I think it would be
helpful to use that for background. I'm
really playing fair with you people, am
I, Sandy?

Q. Yes, sir.

A. If he didn't agree he'd say 'no, sir.'

Q. Sure he would.

A. If not, get a new president.

Q. There's a movement on to oust him.
But I think I'm going to perpetuate myself;
I managed to get a sofa in the press room;
we're going to dedicate it next week as
the Friedheim Memorial Sofa. (Klein)
A. I see.

Q. Mr. Secretary, can you tell us anything about the possibility of the resumption of gold desterilization in case of a gold inflow?

A. I think, if you don't mind, I will sign off right here on the international situation.

Q. Could you say, in the event gold comes in above the one-hundred-million mark, that you would resume the question of whether you would desterilize?

A. Not today, if you don't mind.

Q. All he's doing is repeating the statement that gold above one hundred million dollars is going to be sterilized.

A. Let's put it this way: That there isn't any contemplated change in the situation as was laid down when we announced it that she rides as is.

Q. All I asked was if the thing was going to be reconsidered.

A. I supplement Mr. Duffield's statement with the colloquialism that she rides as is.
Q. How about the bill borrowing program in light of your income tax collections?
A. Well, I will make up my mind a week from today whether we will go beyond the two hundred million.

Q. Are you quite well satisfied with the collections?
A. I am satisfied.

Q. We are on the record now?
A. We are on the record.

Q. Could you say any more?
A. No, I am just satisfied.

Q. Will there be a similar investigation to the one you made last year?
A. No, it won't be necessary.

Q. Are you going to give a report on holding companies to the President on studies that have been made?
A. Well, that group is meeting at eleven o'clock with me.

Q. Will you have anything at all to tell us afterwards?
A. Well, I've got to listen to the committee. I'm chairman and I'll listen.
Q. They are going to make a report to you?
A. They are going to make a report to me.
Q. Can you say whether a report to the President is in prospect?
A. It depends on what happens at the meeting.
If we can agree I'll send the report.
Q. Mr. Secretary, can you say what effect, if any, the loophole legislation had on these collections?
A. I don't know.
Q. Would you refresh me again? When did you say you would say about the bills? A week from today?
A. A week from today.
Q. The fourth of this extra fifty million series is coming out on Monday.
A. Yes, that would be one hundred million Monday—a week from today I've got to decide whether we will discontinue that series or add another which would make it $250,000,000, but we will decide that a week from today.
Q. Thank you, Mr. Secretary.
Q. Mr. Klein is absent.

H.M.Jr.: I just wanted to know if there's anybody here from Havas.

Mr. Gaston: This gentleman, Mr. Secretary, is Mr. Stone from Chicago.

Q. Tell us about the franc. (Laughter)

Mr. Secretary, will you identify the high Administration official who spoke about the --?

A. I want to say this, in the first place. I want to thank you gentlemen for the way you handled the story last week. I needn't tell you that it was a very difficult one and that I appreciated the way you handled it because it was serious, and I really appreciated the way you all handled it. That's that. And the only other thing before you ask me the question—this is off the record—I did send to the President a report on bank holding but the man has been so busy he can't handle it. So I am not going to say, on the record, he hasn't
handled it, but he will take it to Warm Springs and when he has a chance he will study it, but it is over there.

Q. Why couldn't we say he will take it to Warm Springs?
A. Well, he has a press conference tomorrow.
Q. That the holding company?
A. Yes. I just think it would be better and I don't want to make it any more difficult than I can help. I just think he has about all any one person can handle.

Q. Well, can we ask him tomorrow? Somebody will.
A. What do you think?
Mr. Gaston: Well, as long as you don't say that the Secretary sent it over here; if you ask, 'did the Secretary send it over?' all right. No offense, Clarence (Linz).
Q. If you will tell him to say 'yes' it will be all right.
Would that indicate, Mr. Secretary, that there would be a further report or is this a conclusion of the study?
A. The study is finished, but he just hasn't had time to look at it. He has more than he can attend to and he will take it down with him and study it, but I don't want to say I sent it over because I'm sure he hasn't had a chance to look at it.

Q. You don't want anything said about it at all?

A. I'd rather you wouldn't. On the record, if you wanted me to, I'd say we weren't finished, but that wouldn't be the truth.

Q. Can you say anything about the reports that France is willing to revalue her gold stocks again? I don't think she has much leeway.

A. Well, that would come under the heading of an internal matter.

Q. It has an external aspect in that if she revalued it would change the external value of her currency.

A. For your information, I don't know anything about it; I haven't heard anything about it.

Q. Mr. Secretary, is there any change in the Mexican silver agreement?
A. The United States Government has an agreement with—at least the United States Treasury has an understanding—understanding is the word—with the Minister of Finance of Mexico which is good for the month of March and when we have given an understanding to another country for a month why we live up to it.

Q. How about next month?

A. Well, that's next month.

Q. Could you say whether the Treasury will re-examine this whole matter of silver purchases from Mexico?

A. I've got from now until midnight, the 31st of the month.

Q. Mr. Secretary, at the time Mr. Suarez was here you made a joint announcement that arrangements had been made for the stabilization of the peso at 30 cents; has there been any change in that?

A. That was an announcement of what he was going to do; we can't stabilize anybody's currency other than our own; do you understand? Another country can ask us to operate for them in our markets at their expense and for their account, but the Mexicans are free to do anything they want. Mr. Suarez can make a statement and then it's up to him to live up to it and make good on it.
Q. Well, the statement at that time was a joint statement.

Mr. Gaston: The statement at that time said that arrangements had been made looking to the stability of the peso-dollar relation.

Q. Are you still looking to the stability of the peso-dollar relation? (Laughter)

A. Well, I guess you've got your answer. The answer is yes.

Q. Mr. Secretary, is there any upper limit on the total amount of baby bonds you can sell?

A. None that I know of. I may be wrong. You'd better look it up.

Mr. Gaston: Yes, I've got it on my desk. I'll look it up.

H.R.Jr.: The only limit I know is $7500 per person per year. There may be, but Herbert Gaston will look it up.

Q. You are speaking of sale value and not maturity?

A. Sale value.

Q. That legislation authorizing those was originally unlimited.

A. I believe so. But if there's any limit on that Gaston will give it to you; there may be—I don't know.
Q. Mr. Secretary, have you made up your mind as to the amount of borrowing in bills?
A. No, Danny Bell and I and Mr. Taylor get together Thursday.
Q. Will there be an announcement?
A. Sometime Thursday and I might remark in passing that the bills today—the New York prices—were lower this week than they were last week.
Q. Prices are lower?
A. I mean we pay less interest.
Q. Prices higher and the discount is lower. I just want to be sure because if it’s wrong on the ticker...
A. The Government pays less.
Q. To return to Mexico, did I understand you to say special consideration is going to be given to the renewal of silver purchases this month because of developments down there?
A. No, just the usual.
Q. Have you had any official advice on this matter, Mr. Secretary? The suspension of exchange purchases?
I don't believe so. Wasn't up until noon, but, again, Gaston will check, but as far as I know none has come over here—as far as I know there haven't.

Mr. Gaston: You mean diplomatic advices.

H. M. Jr.: Yes.

Q. The general feeling is that this will be temporary and as rapidly as they can resume the transactions in exchange they will do so. I was wondering if you had any word on that.

A. No, I haven't received anything from the State Department about the Mexican financial stitution, that is, in the last couple of days, bearing on this.

Q. Does your previous statement still hold that matters other than strictly financial considerations don't enter into your judgment in making these monetary arrangements?

A. Yes, nothing has happened officially to make any change.

Q. I mean, the last time this matter came up you made it very clear that you weren't considering these other things.
A. I understand, and there's nothing that has come, up to date, so far as we have been advised, to make any changes other than a straight agreement to carry out the terms of the Silver Purchase Act.

Q. Have you taken in the five million ounces yet?

A. I don't know, but there's no secret about it. I'd be glad to let you know. I just don't know, but they would be glad to let you know.

Q. You mean five million ounces for March?

A. Yes. I don't know but I'd be glad to let you know.

Q. Mr. Secretary, in the hearings before the Banking and Currency Committee they voted to request you and other high government officials, if you so desire, to express themselves on the much amended Patman Bill. Do you expect to go up?

A. Well, I want to announce now that I hope to leave Friday night for Sea Island, but the two have no connection with each other. I mean, if you hear I'm going to Sea Island there's no significance other than that this is the children's Easter vacation. (Laughter)
Q. Mr. Secretary, I notice you were over at the railroad conference at the White House last week; I was wondering if you had any particular interest in it.

A. Only the interest that we have in all financial matters which affect the country; on that basis the President invited me to sit in.

Q. But you have no plan or idea that you are particularly fond of in connection with railroads?

A. I have no plan or idea that I am fond of.

Q. Mr. Secretary, how long will you be away at Sea Island?

A. I don't know yet; it depends upon the weather.

Q. Where?

A. Everywhere.

Q. You had better take us along.

A. I'd be delighted to.

Q. Can you tell us anything about the Tripartite Agreement since last Thursday?

A. Nothing to tell.

Q. We just want to know the number this time, Mr. Secretary.
A. Some club members.
Q. Has it proved its mettle?
A. Have a heart! It's metal is good in gold.
Q. È-s-t-t-l-e.
A. It proved its mettle in gold.
H.W.Jr.: In regard to the bill program we are going to borrow $250,000,000 on the so-called June series.

Q. Fifty million more, in other words.
A. There will be another fifty.

Q. That will be announced tonight?
A. Tonight.

Q. For sale on Monday?
A. For sale on Monday.

Q. I don't quite understand it; is this $50 million another week?
A. Another week—one more, making a total of two fifty.

Q. What can you tell us about your conference with Jesse Jones yesterday on this industrial loan program?
A. I see Sandy gave you your question.

Q. (Sandy Klein) Oh, no, I was going to ask it myself but he sneaked it in on me.

A. Mr. Gaston paid you a compliment just before you came in and said you were very busy yesterday.

(To Klein) Will you repeat your question?

Q. What can you tell us about your conference with Jesse Jones yesterday?
A. Well, a number of us met here at the request of the President to go over various suggestions in regard to loans to industry, including loans to small businessmen, and try to take the various
suggestions that have been made and see if we can put together something constructive. It's a difficult job and there will be a number of meetings.

Q. What progress did you make?

Who were the other conferees, Mr. Secretary?

A. Well, outside of the Treasury there were Mr. Jones, Mr. Ransom, representing the Federal Reserve.

Q. Mr. Douglas.

A. Mr. Douglas, representing the SEC.

Q. Wayne Taylor.

A. Wayne Taylor, Oliphant, Haas, Upham. Who else?

Q. That's enough.

Well, I heard that you had about a dozen people at your luncheon.

A. And Mr. James Roosevelt.

Q. I didn't know that—somebody held out on me.

(Laughter)

A. I just wanted to tell you.

Mr. Gaston: Always trying to give you a little news, Sandy.

Klein: A bunch of meanies—that's all.

A. I wouldn't have normally told you; I just had to have that one.

Q. My face is red.

A. Just let me digest this laugh, please.

Q. I'll enjoy it with you. (Klein)

A. I want to enjoy it.
Klein: I get ninety anyway.

A. There were ten present.

Q. Mr. Secretary, did you discuss the question of providing some means of floating bonds for the capital stock of small concerns? There was some question of providing one and one-half million.

A. What the President did, he gave me before he left everything he has received from this end of the Avenue in regard to the whole question and asked me to take it up with these people and digest it and make recommendations.

Q. In other words, this is going to be a real concerted joint effort of the Administration to work out something along the lines of financial aid to business.

A. I would say, if you don't mind my amending that very forceful statement, I would say that this is a study of all of the suggestions which have been made and also, at the same time, to make a study as to the need.

Q. When you say a study of suggestions you mean suggestions made by the small businessmen or the Administration?

A. Everything that has been given to the President during the last couple of months has been turned over to this group. Also a study as to the need and a study as to the success with the information
that both the RFC and Federal Reserve had at their disposal; after all, they have the authority to do this sort of thing now.

Q. Can you tell us what ground you covered yesterday and how far you got?

A. Well, and also the question of registration before the SEC—the whole question of registration.

Q. Is it the belief of the President that the RFC industrial lending program isn’t sufficient to meet the needs?

A. No conclusions were arrived at. There’s a whole mass of information and suggestions which have been made. Now it took a number of weeks to do that job on holding companies and to do a good job on this isn’t something that you can do at one meeting or in one day. It’s a very important subject. It’s the whole question of credit to industry, what industries needs are—short and long-term credit. It’s a very important field and we are going to give it the necessary time that an important question like this calls for. And, as I say, you can’t do it at one meeting, when you saw how many suggestions have been made to the President.

Q. When are you going to meet again?

A. I’m not stalling; I don’t know.

Q. You do plan to meet again?

A. Oh, yes.
Q. Probably several times?
A. Probably several times.

Q. Will these studies continue while you are away?
A. They certainly will; the Treasury goes on day and night.

Q. Mr. Secretary, is this all based on an assumption, expressed or unexpressed, that the existing private mechanism doesn't fill the needs? Is there a starting point like that?
A. There are all sorts of starting points; that's the trouble; there are a dozen starting points and they all come from different directions on the compass. And what we are trying to do is to formulate a program.

Q. Well, it's established in your minds that there is a need for financial aid to business; that's pretty well established, isn't it? I believe you said you thought so.
A. No, I didn't make any such statement. No, I said we are also studying what the needs are.

Q. Well, what would be the reason for the study if there wasn't some starting-point?
A. Well, you can start, if you want to use it as a starting-point—this meeting that took place at the Department of Commerce for small businessmen.

Q. Didn't you say some time ago that you regarded it as very important that something should be done for the small businessmen?
A. I may have; I still think so—there's no question about that, but I still haven't got the answer as to what you can do.

Q. That's it; you're for it, but you don't know what you can do.

A. Yes. I mean I'm for peace in the world, too (laughter), but I don't know what you can do about it.

Q. Well, if you are for it, Mr. Secretary, apparently you really feel there must be some need for it.

A. There is a need for it, but whether it's up to the government or private institutions to take care of that need, that's the question.

Q. Yes.

A. There is no doubt as to the need but who is going to do the job? That's something else; and how it's going to be done—under what agency and all that whole business; after all, we've got a lot of private agencies in that business now.

Q. Mr. Secretary, was the question of permitting national banks to participate in underwriting other than state and municipal securities discussed as a means of reviving the private capital market?

A. I'm going to answer that particular question; but I am not going to discuss it any more because then it gets down to what we did discuss. We just didn't happen to discuss that, but that doesn't mean it won't come up. Every single suggestion that has flown into the
Administration during the last couple of months, the President has turned over to us. I don't know whether we have a right to discuss a copyright story or not; I don't suppose I can discuss a copyright story.

(Laughter.)

Q. Well, not if you are going to throw it down.

(Laughter.)

A. Did the meeting take place?

Q. I'm not responsible for that; I don't know.

A. Well, Mr. Duffield, did the meeting take place?

Mr. Gaston: Off the record, Duff.

Duffield: Well, I was off yesterday and I didn't check up on it. (Laughter.)

H.M.Jr.: I'll use that next time.

Q. I think the rest of us checked up; we can answer it.

I was going to ask you, but I really don't know. I was wondering, on the assumption that it would, how the thing could have got far enough along for a discussion with the head of the Banking and Currency Committee unless that story scared it out of existence.

A. Well, perfectly frankly, I don't know whether the meeting did take place or not and I really was asking for information.
Q. I don’t know.

Mr. Secretary, you said a few moments ago that you
were for peace in the world but you didn’t know how
it might be obtained; were you inferring that the
United States might be dragged into a war?

A. Just delete that, will you? If you don’t mind, just
cross it off—just strike that out.

Q. We will go off on a different tack now.

A. Thanks.

Q. How about some statement on the flow of gold to this
country and the simultaneous decrease of gold in the
Inactive Fund?

A. No, you boys will just have to study the daily statement
for your information.

Q. Well, that trend you spoke about several weeks ago
becomes more apparent as the days go on.

A. Well, I’ve got nothing to add on the record other than
what I told you gentlemen off the record a couple of
weeks ago.

Q. Mr. Secretary, you said this study included loans to
small business?

A. Yes.

Q. Did you mean to infer it included loans to both small
and large?

A. All kinds of businesses—small and large; all kinds
of solvent businesses.
Q. Adequately collateralized?
A. Solvent business.
Q. What disposition did you make of this Patman
   Bill invitation? Are you going to send a
   letter?
A. I simply sent them word that I was out of town
   and I haven't heard from them further.
Q. I didn't know whether we should watch for a
   letter or not.
A. The invitation came over the telephone?
   Do you know, Cy? (Upham)
Mr. Upham: Well, the second invitation, I believe, yesterday
   or the day before.
Mr. Upham: No, I guess not.
Mr. Upham: Well, it may come up later and I think I'll tell
   you myself: Governor Earle called on me this
   morning and he came down to consult with the
   Treasury in regard to the Roos investigating
   committee of the State Senate in Pennsylvania—
   discussed cooperation with the Treasury—
   internal revenue agents cooperating with this
   committee, and we assured him that we would
   give him full cooperation.
Q. What is this committee investigating?
A. I can't give you the details but I know they have had a committee up there and he flew down this morning to discuss this cooperation and we assured him that we would give it to him. Certain information that the Governor of a state is entitled to.

Q. Is that an outcome of that WPA charge up there that they were using the funds for campaign purposes?

A. No.

Q. What is the committee investigating?

A. Well, that's all I can say, on the record, and I didn't think he could come to town without your seeing him so I wanted to tell you first; certainly they'd know it at that end and I thought you men would like to know it straight.

Q. Have they an executive order to look into income tax? Is that what you mean by full cooperation?

A. Yes, anything they are entitled to legally we will give them.

Q. One other question regarding this $50,000,000 worth of hills; that implies your tax receipts aren't coming up to expectations. Is that correct?

A. Not quite.

Q. What is?

A. Tax receipts.

Q. Are not quite up to expectations?

A. Yes.
Q. Does it make you feel sad?
A. Not sad, but disappointed.

Q. Will you check over those returns as thoroughly as you did last year?
A. No, they are just off a little bit.

Q. Are they off fifty million, Mr. Secretary?
A. Well, I don't know, and in the future and from now on, information as to the tax receipts will be available to you gentlemen only from the daily statement; in other words, after we bank the checks, the checks are in the bank.

Q. Does that mean next year, in March?
A. Yes. Well, this thing of having these collectors go around and kick these mailbags, and then decide how much money there is in it, just doesn't work.

Q. Well, Mr. Secretary, couldn't it be arranged so that we would get the first item on that—the money deposited?
A. Well, we have got a year to talk about that, but this thing of going around and kicking the mailbags to estimate how much money is in it just doesn't work.

Q. Before you close the door, could you tell us how far short the tax receipts were in round figures?
A. It will be a guess, but the top figure would be fifty million, and my guess, and this is a guess—it will run somewhere from fifty million down; I don't know.

Q. Could you say between thirty and fifty?
A. I'd say between twenty and fifty. That's a guess, now. I'm guessing, see, but this difference, see, is these collectors wire in—that's what they do—they go around and kick these mailbags and say there's so much money in it and from now on we will take it after the checks are in the banks and we will know we've got so much money and I'm not going to do any guessing; it's too important; there's too much at stake.

Q. Mr. Secretary, even though these taxes are below your anticipations, the total to be collected still will be greater than March, 1937?

A. Yes.

Q. Could you say what your estimate was, Mr. Secretary?

A. No.

Q. You already said twenty.

No, he means the total estimate. The total estimate for March.

A. No, I have never given it.

Q. Have you washed off that several billion dollars of assets for the RFC? Do you have authority to do it?

A. Well, Congress did that.

Q. Is that automatic as soon as the President signed the bill?

A. I believe so; it must be.

Q. I just wondered if there was some bookkeeping.

A. I take it for granted it has been done, to carry out the Act of Congress.
Q. Could you say anything about the part James Roosevelt has in these studies?
A. Well, his capacity as secretary to the President.
Q. He meets with a lot of these independent agencies.
A. As secretary to the President—I think that's his ....
Q. He handles a lot of these independent agencies.
A. Yes.
Q. That's what I was asking for.

Thank you, Mr. Secretary.
Q. About time you got back!
    They practically emptied the Treasury while
    you were away. Always a kidder. (Klein)

H.M.Jr.: All right, Mr. President. (To Klein)

Q. Any news today?

A. To volunteer?

Q. Oh, yes! It would make it so much easier.

A. Well, I'm not going to help you much.

Q. Mr. Secretary, in your November 10 speech at
    New York you said that conditions were such
    at that time that there was no justification
    for further pump-priming. Have the conditions
    changed since then?

A. Yes.

Q. Is that justification for pump-priming?

A. Well, I just answered his question, whether
    conditions had changed—the answer is yes.

Q. What form will the pump-priming take, Mr.
    Secretary? There are reports that there might
    be de sterilization of gold, a bond issue, and,
    third, just plain spending.

A. I think whatever the program is, if there is
    a program, it will be the President's.
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third, just plain spending.

A. I think whatever the program is, if there is
a program, it will be the President’s.
Q. Not Congress's?
A. Well.
Q. Is de-sterilization of gold under consideration as one of the means of raising money?
A. Well, I'm sorry, but I'm not going to be able to help you on any of this.
Q. Well, could you tell us, for background, whether that has been under consideration?
A. No, I'm not going to be able to talk or be helpful at all.
Q. There is one report out today that said it was under consideration.
A. Well, as I say --.
Q. You would not deny it outright?
A. No, I'm not going to deny or confirm or infer anything. If there is to be a program it will be the President's program and the announcement will come from him, and I'm not going to hint or in any way infer what the program is.
Q. Why do you qualify it, Mr. Secretary? You say, 'if there is going to be a program.' You admit there's a need for pump-priming.
A. I didn't say that. What was the question?
Q. You said conditions had changed.
A. Yes, business conditions are worse than they were last November. That's all I want to say.
Q. What does that imply?
A. Just that business conditions are worse than they were last November. Give me those things (To Mr. Gaston who hands papers to the Secretary). I made two statements on business conditions: On December 6th, when I appeared before the House Appropriations Committee, I said, 'I want to say that this slowing down of business, having come so recently, I think it is impossible for anybody to say whether it is a temporary matter or whether it is something that will last for several months or several years. Frankly, it's too early to say. We don't know.' Now I said that on December 6th, and I appeared once more before the committee, on February 12th, and I said at that time, 'Whether we have reached the bottom of this downturn or not I do not know; I don't think anybody else knows. It was the result of one of the most rapid declines in business that has ever been experienced in the history of this country. We have a situation and we have a great many people that have been thrown out of work and I do not mind saying that the situation is most acute.'
Q. Didn't you say something, one of those times, that you were going to take care of all the people out of work.

A. I don't know. You can look it up. Those are the only two things I said, one in December and one in February and all I can say today is the situation is worse now than it was in February.

Q. Wouldn't you say that it called for some sort of government aid?

A. It calls for...yes, it calls for some kind of government aid, but what that is going to be and how it's to be done and all that, as far as the executive and it will have to come from the President.

Q. Going back to this gold, disassociated from this forthcoming program, are you in favor of des-terilization of gold at this time?

A. I am not going to comment. That's a part of the program—I'm sorry, I'm not going to get in on what the program is going to be.

Q. Mr. Secretary, you said some time ago that you did not favor legerdemain or sleight-of-hand in financing and any new money needed would be obtained in the money market, as you have done; would you care at this time to say whether or not your position has changed?
Q. Mr. Secretary, anyway, such a program as they are talking about, you wouldn't have to put up a billion dollars overnight; it could be done by fifty-million or $100 million issues of bills, when, as and if it will be needed.

A. I don't know what the program is; I don't think anybody else does; I don't think it's ready and until I know what it is going to be, how can I say.

Q. It wouldn't be ready all at one time.

A. As far as I know, there isn't any complete program and until I know what it is nobody can say how it will be financed.

Q. Well, the White House has given the impression--some spokesmen--that there is going to be this spending.

A. Well, I don't know what the White House said, but all I can say is at the present time there is no complete program and until the complete program is submitted to the Treasury I can't say how it's going to be financed.

Q. Mr. Secretary, the Treasury doesn't face any immediate need for funds.

A. Immediate?
Q. Yes.
A. What do you mean by 'immediate?'
Q. During the next month.
A. No; anything other than what we are doing?
Q. Yes.
A. No, no.
Q. So there will be no financing, say, for this month or for May.
A. No, I'm sorry I'm not going to be pinned down.
Q. I thought you might want to clarify the remark.
A. No.
Q. Mr. Secretary, we are told in White House circles that the stories we are writing are not incorrect. (Link)
A. Well, I don't know what you are writing.
Q. Well, we've written all kinds of stuff about a billion and a half new WPA program.
A. Well, as I said, the complete program has not yet been submitted to the Treasury and there isn't a complete program.
Q. I just said our stories had been confirmed over there.
A. I'm not denying it and, as I say, I have been at three White House meetings in the last eighteen hours so I'm informed as to what the
President has in mind because he has told me everything that he's got in his mind.

Q. As you said before, there's no complete program presented to the Treasury.

A. I said there's no complete program so until I receive a complete program I can't discuss with you gentlemen how I'm going to finance something which, as far as I am concerned, doesn't exist, so that isn't in conflict with what you said.

Q. No. A program has been outlined, in part at least, Mr. Secretary, embracing loans on a 50-year basis for public works.

A. Again I say, as to parts of the program or a complete program, whatever you mean by White House circles, they will have to tell you the complete program or parts of it—it will have to come from the White House.

Q. Do you mean that, in addition to the WPA program, there is going to be another program?

A. I don't mean anything; I don't mean anything.

Q. Well, there was a conference at the White House this morning with various executives.

A. I'll repeat again: As far as I am concerned, I won't confirm or deny any part of the program or anything else. Any authoritative statement as to
what the President's program is or will be will have to come from him or his official representatives.

Q. Have you received anything from the Interdepartmental Committee, Mr. Secretary? I understand that a report was pending your arrival.

A. Which one are you talking about?

Mr. Gaston: You mean price study.

H.R.Jr.: Oh, as to that the answer is no.

Q. How about bank holding companies. The President said he did not receive your report.

Mr. Gaston: He qualified that, Mr. Gregory; he said he had quite a number of things on his desk he hadn't been able to get to.

Q. I read it in the papers.

Q. Mr. Secretary, in view of what you told us in the last few minutes, do you want to eliminate that 'if there is a program'?

A. Yes, if you will, please. I'm going to ask you gentlemen not to attribute anything as to an "if, but or and" on a spending program. Any statement as to parts of the program or will there be a program or what goes into the program will have to come from the White House. Do you understand that?

Q. Yes.
A. I want to be very careful.

Q. Mr. Secretary, a lot of silver went over the dam since you left here.

A. You remind me of a story: One night I was out to a dinner and somebody asked the Chief Justice if he had had a busy time and he said, 'yes, the dam just went over the water.' So the dam went over the silver.

Q. Would you care to tell us what all of this maneuvering has been about? Has it all been directly connected with the Mexican oil expropriation?

A. I don't know what Mr. Gaston told you, but whatever he did tell you why I will underwrite.

Q. He didn't tell us very much.

Q. Mr. Secretary, are any negotiations under way in connection with the resumption of purchases of silver from Mexico?

A. I think anything on Mexico will have to come from the State Department.

Q. Are you still buying silver from China and Canada for April?

A. As far as I know there hasn't been any change in the silver program.

Q. How much are you buying this month?
A. Whatever it was before. One million, two hundred thousand ounces.
Q. Cordell Hull said the man who should talk about silver was in the Treasury Department.
A. Wait a minute. Then later that evening he gave you another statement, didn't he? I was told he did—that what was done was administration.
Mr. Gaston: Well, he referred them to the official statement that was made; that it was desirable to review certain phases of our relations with Mexico.
H.M. Jr.: But that evening after his press conference, I am told, he gave another statement.
Q. He gave a written statement.
Q. Mr. Secretary, in that press conference here before you left Washington you said that purely monetary considerations would be given to any change in the Mexican policy. I wonder if you would enlarge on that now. (Laughter)
A. No.
Q. Mr. Secretary, aside from Mexico, can you tell us why the Treasury lowered its New York price for silver?
A. Well, we can buy it cheaper.
Q. Is that the only comment?
A. That's the only comment.
Q. Mr. Secretary, is there any uncertainty in your mind at all as to whether we are going to have a business-aid program or a pump-priming program?

A. As a result of that little conference over there?

Q. That's right.

A. No, I've got myself in a position that I want to and I just want to stand pat.

Q. Is there any uncertainty in your mind about it? We are left out on a limb.

A. I again say, anything as to if, and or but about the program can come out of the White House, as far as I am concerned.

Q. You said that whatever the program, if there is one, it will be up to the President to say so. Now, 'if there is one'; you don't want any if's.

A. I don't want any if's. I say to you gentlemen that any announcement about the program—I won't confirm or deny or infer any parts of it. It must come from the White House, the President or his official representative.

Q. Mr. Secretary, you have left me out on a limb now, because these boys are accusing me of knocking down a story and I want to get this straightened out. You were asked about a statement you made
on business conditions November 10—'no justification for pump-priming'; 'conditions changed since then, yes'; and then the next question was concerning this program and you said anything on that will be up to the President'. (Klein)

A. Sandy, as much as I like you, if one of us is to go out on the limb, it will be you. (Laughter)

Q. I think it is perfectly legitimate to ask whether there is going to be a program.

A. It is perfectly legitimate and I am just going to repeat what I said before—I'm not going to answer.

Q. Well, in view of the change in conditions, is there any justification for a program?

A. I'm not going to answer.

Q. You have answered.

A. No. Somebody asked me if conditions had changed and I said yes.

Q. And you are standing on that?

A. Yes; sitting!

Q. You said it calls for some form of government aid and what form it will take must come from the President.

A. All right, I'll stand on that; repeat that for the boys.
Q. It calls for some kind of government aid, but what form it will take must come from the President.

A. That's right; I'll stand on that; thank you very much.

Q. How about this foreign situation? Any changes?

A. Just a change in cabinet.

Q. Well, aside from that? That's very well known.

A. No, nothing.

Q. Mr. Secretary, can you say anything as to the present status of the price study?

A. No, because I haven't heard anything.

Q. Have you been making a study of the heavy-industry business?

A. Until we have something to announce, we will wait until we've got something.

Q. Mr. Secretary, has the Treasury ever made a statement at any time as to how much gold there is in the Stabilization Fund? I understand England does make that statement periodically.

A. Well, there's a billion, eight, gold in the Stabilization Fund.

Q. And it started out with two billion.

A. We took $200,000,000 as a working fund.

Q. You don't mean to imply that that is all the gold there is in the Stabilization Fund?
A. A billion, eight, plus two hundred million in
the working fund. In the two hundred I don't
say how much is cash and how much is gold.

Q. Mr. Secretary, it appears that there was
$33,000,000 gold came in during the first quarter
that didn't appear in the Sterilization; can you
tell us why? Is it an attempt to avoid financing,
because you'd have to go out and borrow in order
to sterilize.

A. True.

Q. Would you say that was the reason for that?

A. No.

Q. Are you going to follow that practice of hiding
the gold in the Stabilization Fund?

A. Don't let these fellows get you down because you
are the president. (To Klein). You are a
President. You are doing a good job. You have
done a good job. You're all right, Sandy.

Q. Yes, but that's no salve to me.

Q. Can you tell us whether the Stabilization Fund
lost $81,000,000 at the end of last year?

A. Lost?

Q. Yes.

A. Where?

Q. I just wanted to know if there had been a loss.
A. I'm not going to answer that.

Q. Well, somewhere in the imports and exports of gold there is a discrepancy of $81,000,000 at the close of business last year.

A. Well, I couldn't answer offhand; I don't know.

Q. Thank you, Mr. Secretary.
Q. I see where the New Deal is backing down all along the line here (indicating the President's message), paragraph by paragraph.

H.M.Jr.: Well, in order to save any argument as between you gentlemen and myself, until the message has been delivered and the radio speech has been given tonight, I'm not going to make any comment in any way on what is in the speech or on what the Treasury may or may not do to carry out the President's program.

Q. Well, couldn't you tell us, sir, for release with the message?

A. No, I'm sorry.

Q. Particularly the mechanics of the thing?

A. No, because I am only going to get together with the Federal Reserve Board this afternoon.

Q. Well, those are things I'd like to know.

A. No, I'm sorry, I can't — until they are worked out I can't tell you something which isn't ready.

Q. We are going to be asked a lot of questions about when you are going to dewaterize.

A. Well, I think where it's Treasury action or joint
action with the Federal Reserve, I think you've always gotten a straight story, as far as I am concerned.

Q. There isn't any joint action as far as de-sterilization goes — that's all your action.

A. True, but we just haven't — I haven't seen the final statement.

(Klein hands the Secretary a copy)

Thanks but I'm not ready, that's all.

Q. But what can we say after noon about the time of de-sterilization — that it isn't decided?

A. Just as soon as we have something, as I say, either I or Mr. Gaston will let you know at once.

Q. And in the meantime all we can say is it isn't decided, as far as I can see.

A. Well, you could say the mechanics aren't decided, huh?

Q. Yes.

A. You could say the mechanics aren't decided — that's perfectly true.

Q. Mr. Secretary, may we look forward to something after that meeting this afternoon, for our own information?
A. Well, I'll try my best to have something for you; that isn't a promise but I'll do all I can, and just as soon as — the minute we have something I want to give it to you.

Q. What time is the meeting, sir?

A. Mr. Eccles and whoever he's bringing with him are coming over at three. This is just between us: Frankly, I want to wait until the market is closed.

Q. Well, the effect, I think, is going to be out at noon.

A. Well, I'm sorry, but that's the best I can do.

Q. How about another press conference this afternoon, then, Mr. Secretary, and we can cut this one short?

A. I won't promise.

Q. Because we are going to be flooded with questions as to the mechanics of these things and certainly we'd like to get some light on it. That's the logical follow-up.

A. Well, I don't want to make any commitments.

Q. You could tell us for background if you don't want to speak for publication.

A. I mean, this is a very technical operation and when I left last night I gave the staff certain instructions to work out and I don't know how
far they got, and, up to now, I think the Treasury's technical operations have always been of the best and I want to make sure — this is just for you people; this isn't to be used — and I'm not going to make any mistakes, that's all.

Q.
Don't you think you will have something after this conference with Mr. Eccles this afternoon — something that you could tell us?

Mr. Gaston: I don't suppose we know; if we have anything that can be announced, it will be announced, and if it's something that will require a press conference, I think the Secretary will be willing to have one.

H.M. Jr.: The chances are after this meeting Gaston will most likely tell you how we will go about this desterilization, but what I have said now — there's nothing that you boys can use up to now.

Q.
How about 'the mechanics are undecided?'

A.
We are in the process of working out the mechanics.

Q.
We can say also that you are meeting with Mr. Eccles.

A.
Yes. I'd say with the Federal Reserve Board, and the process of the mechanics are being worked out.
Q. Can you tell us whether these additional expenditures and loans will necessitate an increase in Treasury borrowing over that contemplated in the January budget?

A. All of that will have to wait until I can get out my pencil and paper and sit down and work this thing out. I'm sorry, but it will have to wait. For your information we tied up the announcement on the bill issue; we just haven't had time, that's all.

Q. I get the impression, Mr. Secretary, that apparently a lot of this stuff was done in a terrific rush. The public is going to get that impression, too — that they proposed to announce a solution and then try to figure out how they are going to solve it.

A. No, it's just — after all, we went over the speech with the President yesterday; I mean the message to Congress — went over it with him and had late yesterday until tonight, 24 hours, to work out the mechanics of how to carry out this program — I'd say is reasonable time.
Q. Well, I can well understand why it should be held up until after the President's statement, but why until after the speech tonight?
A. I didn't want to give that impression. What I was trying to get at was this whole question of how are we going to desterilize, and about our borrowing, and all that — that thing is in the making and we are meeting and as soon as the Treasury program is decided I will let you gentlemen know. Do you think what I said, Herbert . . . ?

Mr. Gaston: Yes.

H.M. Jr.: It's just a question of facts, that's all.

Q. Can you tell us this: The President mentions the gold sum as a billion, four — I gather that's a round figure. Can you give us the exact one?

Mr. Gaston: You can get it right off the statement — there's the inactive and the free gold.

Q. Isn't some of that free gold tied up — twelve million earmarked against old certificates?

H. M. Jr.: Give them a detailed breakdown — I think, as I remember, 1,392,000,000 is the exact amount.
Q. The only question Sandy brought up was whether there were a few millions tied up in that.

Mr. Gaston: That isn't included in that total — that's the balance of increment.

Q. I was informed that part of it was tied up.

H. M. Jr.: You'll get it — he'll get it for you very promptly.

Q. One thing, Mr. Secretary, I don't like to change the subject.

A. All right.

Q. The Treasury has never said it wouldn't buy Mexican silver from sources other than Mexico.

A. Well, the only statement that we ever made on the Mexican situation was that statement which we gave out.

Q. Well, it has been interpreted in various ways.

A. That's the only statement on record.

Q. It has been interpreted that you wouldn't refuse Mexican silver.

A. Somebody is putting words right in my mouth.

Q. What's the official statement — your interpretation?
A. The official statement, paraphrasing it, was that for the month of April we temporarily discontinued.

Q. Your arrangements?

A. Yes.

Q. Well, that wouldn't preclude you from taking Mexican silver from other points of origin; you are not going to designate that the point of origin of silver when you buy in New York. You could buy Mexican silver through London.

A. Could we buy Mexican silver through London? We don't know whose silver it is when we buy it.

Q. That's what I am asking. Are you going to determine whose silver it is? You don't care?

A. We don't care. Does that help you?

Q. Yes.

Q. Has any Mexican silver been offered you in New York other than that which was purchased under the March agreement?

A. We have not refused to buy any. I'll put it another way, around on the positive side. All spot silver which has been offered to us in New York we have bought. I mean, at the price that we post, at which we offer to buy, as of yesterday
43 cents — all silver that would be offered to us as of yesterday — spot silver.

Q. Mr. Secretary, could it be assumed then that if the Mexicans put silver on a boat and sent it to New York and offered it on the market that you'd buy it?

A. I'll just repeat: Up to date, we have taken all spot silver every day that has been offered to us in New York.

Q. That's an open-market transaction.

A. Let's put it this way. It's a free market — that's a better word. It's a free market and we will buy any silver which is offered to us. I want to be awfully careful. Let me ask my buyer. I want to be awfully sure. I may use the wrong technical term. (Calls for Mr. Lochhead)

Q. The thing I'm curious about is why you are so reluctant to say yes or no to the question as to whether Mexicans can put silver on a boat and take it to New York and sell it.

A. Archie, is this statement correct that I say: Yesterday when we offered — put up a price of 43 cents — that we have taken every day all spot silver offered in New York?
Mr. Lochhead: Every bit of silver offered at the price we have set has been taken; of course, there are certain limitations; has to be in 1,000 oz. bars, etc.

H. M. Jr.: But we have taken all spot silver which has been offered in New York each day. Is that right?

Mr. Lochhead: That's right.

Q. Then you went a little further; put it in the future: we will buy silver offered to us.

H.M. Jr.: In other words, that has been our policy.

Q. Will that policy continue?

A. As far as I know. If you asked me today, I have nothing in my mind to change it, but, after all, it isn't a fixed policy, but as of the past it has been that way.

Mr. Lochhead: It has been the practice and the custom.

Q. I'm still puzzled, Mr. Secretary, about this Mexican thing. Of course, we have temporarily discontinued the arrangement under which we have bought Mexican silver, but if the Mexicans put the silver on the boat and land it in New York....
A. Is this in the President's message to Congress?

Q. Inasmuch as we can't talk about that... If they land it in New York could they sell it to us without having to go through London?

A. I will repeat that each day we have stood ready to buy and have bought all spot silver offered in New York.

Mr. Lochhead: May I add, silver has to be offered to us — the people have to make us actual offers and they get an answer, yes or no, immediately. But you don't answer questions in the market on details! Will you do this and will you do that?

Q. May I put the question this way, Mr. Secretary? The only difference between the purchases now and before the abrogation of the Mexican silver arrangements was that you no longer buy futures — Mexican silver on a future arrangement — but you buy only on spot in New York.

A. No, we had an arrangement with the Mexican Treasury whereby they could offer us, during
the month, up to five million ounces of silver for delivery and they would, in turn, have arrangements with their mines. That arrangement, as I say I don’t know the exact language, has temporarily been discontinued.

Q. In other words, you are punishing the Mexican Treasury but you are taking spot silver — they have to take their chances on the open market in New York.

A. They are like any other sellers of spot silver.

Q. The price isn’t the same under both arrangements.

A. We are a one-price house.

Q. But I mean there’s no differential on delivery prices or anything of that sort?

A. Well, the price is either New York or San Francisco.

Mr. Lochhead: We have three points: New York, San Francisco, or Denver and the price is the price delivered at those points.

Q. And 43 is the price delivery New York?
H. M. Jr.: At New York, Denver or San Francisco.

Q. Have you any figures indicating how much Mexican silver has come into the United States since the 1st of the month?

Mr. Lombardo: We don't get those figures. I imagine you'd have to get those out of the regular customs figures.

Q. Is there any thought of your resumption of your Mexican agreement?

H. M. Jr.: I really don't know; I can't help you on that.

Q. Thank you, Mr. Secretary.
Q. No more inactive gold? (Referring to press release No. 13-1). Does that mean the end of sterilization of gold?
A. It means the end of the Inactive Gold Account.
Q. Regardless of how much comes in over the $100,000,000 a quarter?
A. Have you taken the time to read this?
Q. Yes.
A. This means that on the Daily Statement there will no longer be an Inactive Gold Account.
Q. That means the end of the sterilized gold?
A. Not necessarily?
Q. Suppose we do get $125,000,000 of gold in a quarter, what happens to the $25,000,000?
A. That quarter business is all wiped out.
Q. This supplants that announcement of some weeks ago?
A. Of $100,000,000 for three months; that's all wiped out.
Q. Why do you say it does not necessarily mean the end of all sterilization?
A. After all, we had about $200,000,000 gold in the General Fund and we might accumulate some gold in that Fund.

Q. You mean $200,000,000 of inactive gold?

Mr. Gaston: Working balance.

H. M. Jr.: In the working balance, general fund, there was about $200,000,000 of gold in that fund, which was lifted. That, plus the 1 billion 1 totaled up to the 1 billion 392.

Q. When was that $200,000,000 accumulated? Before sterilization?

A. I can’t give you the dates. Over a long period. Can’t give you the exact breakdown, but it is no secret and if you want it I will have somebody prepare an exact statement.

Q. Just as a matter of clear understanding a record, was that amount accumulated during the time that gold was being sterilized by having it included in the Inactive Fund or accumulated before that time?

A. My guess is it was accumulated before, but I am not going to guess.

Q. How does it accumulate? How does it get in the Fund?
A. You want a technical explanation and you can get hold of either Ball or Archie Lochhead after the conference and sit down with them and they will give you the answers. There is no secret about it.

Q. As I understand it, the sterilization process involved borrowing. If you put this gold in the working balance, does that mean you will borrow as well?

A. I am being very, very careful not to make any statement which is not exactly a statement of fact. It has been the policy of the Treasury to carry a certain amount of gold in its general fund, in its working balance, and if this gold comes in it is perfectly possible that we again may take some gold in that account because it is going to take considerable time before the 1 billion 400 which we have deposited with the Federal Reserve System is absorbed.

Q. About how much time, Mr. Secretary?

A. We don't know yet. We are working on it and it depends upon what we do with the bills. And if we come to some decision between now and Wednesday when we meet with the Executive Committee of the Open Market Committee, I will let you know Thursday morning, but depending
upon estimates of how much we are called on to pay, how much we are drawn on by the various agencies, plus what we will do on the bills, we will decide how fast that 1 billion 400 will be absorbed. I am being extra careful. It is perfectly possible that we might either temporarily let some gold accumulate in our General Fund.

Q. You wouldn't call that sterilization then, would you, Mr. Secretary?

A. No. I would call it the practice that has always been followed since we have been handling this — since I have been here. It is there and has never been called sterilized and is not considered sterilized. It is there in the working balance — resting there, so to speak, until we decide what to do with it. It may be there ten days or four months, but as I say ....

Q. That gold in the working balance is not even acquired in the same way you acquire sterilized gold.

A. Some of it came in in different ways. Some of it was there to take care of National Bank notes and one thing and another, and, as I say, I am more than willing that you men get a breakdown
of when we acquired it, where it came from
and everything else. I don't carry it in my
head.

Q. What I want to be able to say is that the
sterilization program has been abandoned, and
if you are not going to acquire any more gold
in that way . . .

A. Technically you can't say that. What you can
say is what this statement says.

Q. It does not say anything.

A. Oh, yes, it does! What it says is two things
happen. First thing, we announced in February
that we would deposit with the Federal Reserve
up to $100,000,000 every quarter. That's out.
Now you have to go back previous to that, when
we set up the inactive fund, in December 1936.
Now there are two things which have been changed
and those two things we are telling you now.
Two changes in policy.

Q. That practically, to all intents and purposes,
is the sterilization program.

A. I would say so. Yes.

Mr. Gaston: Yes.

Q. When you set up that inactive fund in 1936 you
set it up as a buffer against shuttle-cock
movements of capital in and out of the country.
You have now abandoned that. Will you use gold that does not go into the inactive fund to combat any such movements?

A.

Q.: You made a statement in February that gold withdrawals would come out of the inactive fund. There is no longer any such fund. If there are gold withdrawals, from what fund will gold be taken?

A. I think we will cross that bridge when we come to it. I have not yet crossed the bridge, because the occasion has not arisen, but if there was gold in the General Fund there would be three places which it could come from — out of the General Fund, out of the Stabilization Fund and part 2 of the Stabilization Fund, the billion 800 or the $200,000,000 revolving fund, or if there was any gold in the General Fund ...

Q. I was just about to ask you — if there were any foreign purchases of gold here, whether you could draw it out of the gold in the working balance.

A. We could take it, just as I said, it could come out of the working balance, stabilization fund 1 billion 8.
Q. Mr. Secretary, when that inactive fund was set up it had the effect of preventing the flow of gold into the credit structure and thus expanding it too rapidly. Has that been abandoned also?

A. The obvious answer is yes.

Q. That is, you are going to let gold come into the country and flow into the credit structure?

A. No, you can't draw that conclusion. We have deposited the 1 billion 400. Just what disposition we will make of the gold that comes in — new gold — that has not yet been decided.

Q. In other words, when you reach an amount ....

A. Excuse me, if I can help you, there is no amount in mind. That $100,000,000 each quarter, just wipe that out.

Q. After you felt satisfied that you had enough gold in that General Fund that you speak of, you don't know whether you are going to set up another account?

A. We just don't know. May I point out to you, gentlemen, since Thursday night and until tomorrow morning all the markets in Europe are closed, so we just don't know yet and it's very important what effect this move is going to have on the rest of the world, because the
markets have been closed since Thursday night. They are closed today, you know. No market today.

Q. Is London closed?
A. I understand so. So we haven't had a chance yet to see the effect and I don't mind saying that the trading in foreign exchange is purely nominal. It does not mean anything today because the markets are closed and I frankly would like to watch this thing for a couple of days and see which way gold is going to move.

Q. Can you tell us whether one of the reasons for abandoning this policy at the present time is that you want to avoid the necessity for borrowing to carry out the program?
A. No. Having deposited the 1 billion 400 there isn't much logic in continuing the Inactive Gold Account so we, so to speak, wipe the slate clean and we start all over again. Now our hands are untied as to any future action. It simply means that this whole account, which was set up in December, setting up the Inactive Gold, the slate is wiped clean.

Q. In other words, the project is over, but the policy is not — may not be.
A. I would say the project is over, but the problem isn't.

Mr. Gaston: The policy is stated in the first paragraph — whenever it may be necessary from time to time to take appropriate action.

Q. In other words, you could revive the Inactive Fund if you thought the situation warranted.

A. We could move either way, within the law.

Q. Can you tell definitely now that you will revive it?

A. No. How can I say, with all the European markets shut down, what effect this is going to have?

Q. I say if there is any need, will you revive it?

A. All I can say, as Mr. Gaston points out, he says appropriate action can be taken if and when it is in the public interest to do so.

Q. There is no change in rules or regulations under which we release gold?

A. No. Absolutely no change.

Q. The mechanism of the Tripartite Agreement still exists?

A. Just exactly the same.

Q. Can you say anything about accumulations of gold in the $200,000,000 Active Fund?

A. No.

Q. As to whether gold will be retained in that Fund?
A. No, I am sorry I cannot.

Q. Well, there will be two ways of sterilizing gold in effect, would there not? To hold it in that Fund or allow it to accumulate in the working balance?

A. Only one way. We deposit with the Federal Reserve and as we spend, it goes into the System.

Q. I think he meant of sterilizing any gold that comes in hereafter.

A. I mean it would go in the so-called $200,000,000 Fund or the General Fund.

Q. Only partially sterilize it.

A. Well, I mean, it does not go to work. It's there.

Q. Bank deposits are increased, nevertheless.

A. I don't believe so.

Q. This, in effect, increases the total amount to be spent for the program outlined by the President in view of the abandonment of the $100,000,000 program. By abandoning the $100,000,000, the modified program, you leave more funds available for expenditures. Also, the amount of gold that may come in which you might put in that $200,000,000 account ...

A. I am sorry. I don't get it. I am not trying to avoid your question.
Q. He is asking whether gold coming in adds additional money for Treasury expenditures. I think the obvious answer is you have to take money out of the General Fund to buy gold.

A. No net change.

Q. Or out of the stabilization fund, as the case may be.

A. I think, if I understand it, it does not make more money available. I think that's the answer.

Q. Have you had any word from Dr. Suarez, the Mexican Minister of Finance?

A. I told Mr. Gaston to tell you people I have had no communication from Dr. Suarez of any kind.

Q. Any from the Mexican Embassy?

A. I am not being technical. There is no request from anybody, as far as I know. I don't even know whether he is in Washington. Is he? Do you know?

Q. No.

A. I have had no communication from Dr. Suarez or in behalf of Dr. Suarez.
Q. Was the meeting with the Federal Reserve today for this purpose and confined to that alone?
A. Absolutely.

Q. Are you to hold any more meetings with the Federal Reserve on this particular problem?
A. This is settled. As I say, the slate is wiped clean. The next thing is Wednesday at eleven o'clock when we take up with them our borrowing program.

Q. Mr. Secretary, I just wanted to ask you what Mr. Fahy was doing here?
A. Mr. Fahy and his organization have some legislation that they are interested in and they were going over it with us.

Q. Is that about the issue of debentures?
A. Oh, don't ask me. They have a lot of big — a number of things that they want, and we have again taken them under advisement and told Mr. Fahy we would let him know within a reasonable time.

Q. They came out so fast I thought they were propelled.
A. I just didn't want you fellows tripping over them. Perfectly friendly meeting, but he had been here since three o'clock.
TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS.
Tuesday, April 19, 1938.

4/18/38.

On December 22, 1936, the Secretary of the Treasury stated that,
after conferring with the Board of Governors of the Federal Reserve
System, he proposed to take appropriate action with respect to net ad-
ditional acquisitions or releases of gold by the Treasury Department
whenever it was deemed advisable and in the public interest to do so.

In pursuance of that policy, the Secretary of the Treasury,
after conferring with the Board of Governors of the Federal Reserve
System, today announces that the Inactive Gold Account has been dis-
continued.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, APRIL 21, 1938:

H.M., Jr.: At your service, gentlemen.

Q. Tell us about the financing.

A. We are going to follow a plan which we have done sometimes before, that we will announce the financing at five o'clock this afternoon.

Q. Will you have another press conference?

A. Gaston will.

Q. That will be for tomorrow's papers, won't it?

A. How do you (Gaston) usually do it on those bill announcements?

Mr. Gaston: Ordinarily, morning release.

H.M., Jr.: We will handle it just the way we have always handled it. Sometimes I have told you fellows Thursday morning. Sometimes I have not. This time I won't, but the information will be available at five o'clock.

Q. Can you tell us what decisions were reached at yesterday's meeting?

A. No, but you will have the whole story at five o'clock.

Q. That is the rate at which you will spend gold, etc.?

A. The only story is how many bills we are going to offer on Monday and that announcement will be ready at five o'clock. That's the whole story.

Q. What about the gold, Mr. Secretary. Will that be included in this?
A. Well, any questions that you want to ask after you have got the announcement will be answered straightforward.

Q. Because you told us the other day that the rate at which this gold would be permitted to enter the credit structure ....

A. If you would feel any happier, I will be glad to be here, but Mr. Gaston has been at the meetings. He's entirely familiar with it and, as I say, it's immaterial to me. I just thought it was the ordinary announcement on how many bills we will sell on Monday and he will have the information for you and any factual information that you want will be available.

Q. The thing that concerns us is not so much how many bills will be sold Monday, but the Monday after that and the Monday after that, and so forth.

Q. All I can repeat is that whatever information is available will be entirely in the hands of Mr. Gaston and he will be prepared to answer any question on which he has the information. If the information is available, you will be given it at five o'clock in toto.

Q. Can we say definitely now that there will be a bill issue Monday?

A. No. No.
Q. Did you say you would have a press conference?
A. No. I said Mr. Gaston will be available at five o'clock to give you all the information that is available.
Q. Of course, we are interested to know how fast this gold is going in the excess reserves.
A. It's all there. As I say, the information will all be available.
Q. You have got the country all hopped up on this thing. There will be nervous prostration before five o'clock.
A. I don't think so. I don't think so. No reason why there should be. I don't seem nervous, do I?
Q. No. Very calm, as a matter of fact.
A. Nothing to be nervous about. That's the answer.
Q. Have you made any arrangements to see Mr. Suarez or have any negotiations been made looking towards a reopening of the Mexican silver question?
A. I can answer again, as I did on Monday, that I have received no communication from Mr. Suarez or anybody representing Mr. Suarez.
Q. Well, Mr. Secretary, I understand that the Treasury purchased a quantity of Mexican silver on Monday delivered at New York from Mexico. Can you tell us about it?
A. We bought some silver from an American refining company.

Q. Operating in Mexico?

A. Operating in Mexico.

Q. Can we name the company?

A. I don't think so. I think that's up to the company. We never have before. They might like it. They might not. I don't think that's up to me. But we did buy from an American company operating, with mines, in Mexico and according to my announcement we bought the silver which was refined — I mean, it was silver which had been refined in the United States — I mean, the bars had been refined.

Q. Is that the first Mexican silver you have bought since April 1st that you know of?

A. As far as I know.

Mr. Gaston: I don't know whether they were refined or remelted.

H.M., Jr.: Thank you. Remelted is the word.

Q. Into bars?

Mr. Gaston: Yes.

H.M., Jr.: I mean bars that came through had been remelted into the usual bars of usual fineness that we
buy. They remelt is the word. The point is they came in with this company's name on it, and had been at least remelted in a refinery in the United States.

Q. Under the former procedure, when these mining companies in Mexico sold their silver to the Mexican Treasury and the Mexican Treasury sold to the United States Treasury, was there any processing of the metal in the United States?

A. I don't think so. These would come up with special markings, time and dates and special markings, which we had worked out with the Mexican Treasury and the companies doing business there, so we could identify them as to the time and mine and all that, and all these markings had been worked up so we could identify the mine and date and all that.

Q. Were these markings worked out before suspension of the agreement?

A. Before the agreement? It was part of the agreement.

Q. Is it part of your policy now to favor this present system so some work on the metal will be done in the United States?
A. It has worked out that way, but the policy is that we stand ready, each day, to buy all silver which is offered of the correct fineness, and we buy it every day and we are not asking the source of origin. We never did. We have an open, free market where we stand ready to buy each day at a price fixed here 'x' amount of ounces of silver.

Q. In other words, if the Mexican Government offered you silver through a broker in New York, you could buy that?

A. If the silver bars are offered to our agent, the Federal Reserve in New York, their orders are to buy any quantity of silver offered each day at the price which the Treasury fixes.

Q. No change in policy?

A. No. Just as I explained to you Monday, there is no story in it other than what you fellows asked: did we buy and the answer is yes, we bought some silver.

Q. Can you tell us how much you took Monday?

A. No.

Q. It strikes me in buying this silver from the
American company mining in Mexico that you are taking steps to prevent punishment of any American companies operating in Mexico because of what the Mexican Government did.

A. Now don't expect me to comment on that.

Q. It's obvious.

A. Please, don't ask me. It's no different from what it was Monday. Just have to repeat what I said Monday, but it's not necessary; you got it. We stand ready every day to buy silver in New York of correct fineness - whatever the terms are. We don't place any limit on the Federal Reserve. We just say 'Here's the price.' Yesterday it was 43½. 'Buy all silver that is offered.' And that's my interpretation of carrying out the mandate of the United States Government on me as Secretary of the Treasury. I say I have no choice. No choice in that matter to buy all silver offered in New York. Any time that the United States Congress does not feel that I am carrying out the mandate, why they can say so, but I have had no intimation from Congress that they are not satisfied with the way I am carrying out the mandate placed on me. No intimation of any kind that they are not satisfied. Entirely satisfied.
Q. Have there been any outward gold movements since
the announcement of the recovery program, either
earmarking or — there have been no actual outward
movements?

A. No outward movements. Let me explain to you: the
price of gold is considerably above the point —
there is no possible reason for it to go out. Gold
is above the point at which it is profitable to
export — considerably above $34.77, so there is
no possible reason for it to go out.

Q. To return to silver, Mr. Secretary, do you know
whether any Mexican silver has been offered in
London? I am just curious as to that fact.

A. I would have no way of knowing.

Q. Thought you might have heard trade reports.

A. No way of knowing it. I would doubt it.

Q. I was just interested in what the London price
would do if Mexican silver were offered there.

A. I doubt it. They may have, but — I will put
it this way: if they have, it has not reached
me and it might not reach me.

Q. In the past, Mr. Secretary, did the American
silver mining companies in Mexico offer silver
in New York or was it all offered through the
Mexican Government?
A. Some came in besides.
Q. Besides the 5,000,000 ounces?
A. Yes.

Q. Bearing on Sandy's question suggesting that your purchase of silver from an American company might be a retaliation against Mexico....
A. Excuse me, he did not say that.

Q. Oh, I thought he did.
A. Well, he can talk for himself. He said just the opposite. Well, go ahead.

Q. I gathered in one of his previous questions he suggested that you might be buying from an American company instead of the Government in order to penalize the Government in some way.
A. I can only repeat. What you say doesn't 'add up' because I say this: that under the mandate of Congress I stand ready to buy, each day, all silver that's offered at today's price.

Q. Yes, even from the Mexican Government.
A. If you don't mind, there is no 'even' 'and' or 'but'. I stand ready to buy all silver, every day, that's offered to us by anybody.
Q. I wanted to put it the other way. You have not said you would not buy from the Mexican Government.

A. That's just what I don't want to say, but I have said it and I have demonstrated it that if anybody offers any silver, of the correct fineness and so forth, the Federal Reserve's orders are to buy all offered any day.

Q. Another question: this refining or remelting in the United States would not have been necessary if the silver had met your specifications as delivered?

A. They do it to get down to the correct fineness and if they don't have the fineness I think the policy is to pay 95% of the value subject to remelting and testing so if a company can give us the correct weight and fineness then they get 100% instead of 95%.

Q. All that silver is subject to assay tests?

A. Yes, so it works to their advantage. I mean there are very complicated rules and regulations, which I am not familiar with, but if you want them you may have them.
Q. Another question in my mind — can you tell us whether 'x' company is one which formerly had contracts to sell its silver to the Mexican Government?
A. I can, but I won't. We will play guessing games. I don't want you to get too hot.
Q. Was there any exchange between you and Dr. Viner on his resignation that we could have?
A. Of course, there is, but whether Dr. Viner wants it released or not, I will ask him. I will write him and ask him. He didn't say, but I would not release it unless he wanted it.
Q. Well, if there was anything interesting in it Mr. Gaston would know and if there is, we would like it.
A. It's a little bit different. He's not a presidential appointee. Only had him on part time. I don't know whether he wants it released or not. In other words, it's his letter.
Q. Was it all very friendly?
A. Our relations have been entirely friendly.
Q. I see the dollar is still strong.
A. Still the best currency in the world.
Q. Is that foreign exchange situation, since Monday has it gone far enough so that you can say what you plan to do with the gold? At that time you said you wanted to watch for a while.

A. Wait until 5 o'clock.

Q. Thank you, Mr. Secretary.

A. Thank you.
H.M.Jr.: They are mimeographing a statement for you which will be ready in a few minutes in regard to the Commodity Credit Corporation notes which were offered by the Treasury in behalf of the Commodity Credit Corporation. They are closing the books tonight and we are giving the holders of the notes which were not exchanged until Wednesday night to turn them in, and they have been, roughly, about seven times oversubscribed. And the formal announcement as to allotments will be Friday morning?

Mr. Kilby: Friday morning.

H.M.Jr.: Friday morning.

Mr. Kilby: May I have your initials please? (to the Secretary)

Q. May I have the pen, Mr. Secretary?

A. I'm saving that for Jesse Jones.

Q. Mr. Secretary, we have reports from abroad that a new international currency, war debt and trade agreement is in the process of negotiation between the United States, Great Britain and France—part of that is outside of your jurisdiction.
E.W. Jr.: They are mimeographing a statement for you which will be ready in a few minutes in regard to the Commodity Credit Corporation notes which were offered by the Treasury in behalf of the Commodity Credit Corporation. They are closing the books tonight and we are giving the holders of the notes which were not exchanged until Wednesday night to turn them in, and they have been, roughly, about seven times oversubscribed. And the formal announcement as to allotments will be Friday morning?

Mr. Kilby: Friday morning.

E.W. Jr.: Friday morning.

Mr. Kilby: May I have your initials please? (to the Secretary)

Q. May I have the pen, Mr. Secretary?

A. I'm saving that for Jesse Jones.

Q. Mr. Secretary, we have reports from abroad that a new international currency, war debt and trade agreement is in the process of negotiation between the United States, Great Britain and France---part of that is outside of your jurisdiction.
A. Which part, so that I'll know which to answer?

Q. Trade. But certainly the money part is in your field. Is there anything new looking toward a new monetary agreement between those three countries?

A. All I can tell you is we are still doing business at the old stand and in the old way.

Q. Is that a yes or no answer?

A. It's just, if you don't mind, the way I gave it.

Q. May I ask it this way? Do you know of any such negotiations?

A. I mean, I'm not going to be put in a position of always denying every rumor that originates some place. You'll just have to take it the way I said it, if you don't mind.

Q. Could you repeat that? You are just doing business--?

A. Still doing business at the old stand, in the old way and selling the same merchandise.

Q. Mr. Secretary, there's a number of us had the same queries, that's what makes it difficult for us. I don't mind the answer. (Linz)

A. I'm sorry, but I just can not give rumor credence by dignifying it with a formal denial.

Q. He qualified his question so much that I don't know what your answer is to.
A. Well, Mr. Duffield, let's go through it.

Q. I asked specifically whether you knew of any new negotiations for a monetary agreement between those three countries.

A. And I answered you that way.

Q. That goes for war debts also?

I didn't ask about that.

Mr. Secretary, if you are unwilling to be placed in a position of denying every rumor, could you tell us, for our background, whether it's true?

A. The answer is no.

Q. Thank you; that clears it up. There are at least three of us that know of the rumor and I had a callback on it -- the AP, Wall Street Journal and myself. (Lins)

A. Well, it's like the time we used to have those gold rumors -- manufacturing them and manufacturing them.

Q. Mr. Secretary, is there some more financing of the sort like this Commodity Credit Corporation coming along?

A. I was surprised -- I read in the paper denial -- talking for background -- of Federal Housing -- I may not have the right title. All of these people, whether they are guaranteed or not, they clear with
the Treasury and the only thing — I went over the whole thing and the only thing that I know of is one of the Farm Credit every month, which they do between the 1st and 7th of every month, and some time in the next couple of months the Home Loan banks will need some additional money, but with the exception of that, for the next couple of months I don't know of anything.

Q. They are going to get it from you directly?

A. Well, check it, but we gave them $25,000,000, didn't we?

Mr. Gaston: I don't know, but this story came out Saturday that they were going to offer on Monday their financing and that's the thing I denied.

H. M. Jr.: That's right, because all of those agencies check with us and we always synchronize them to give them a chance.

Q. I understood they needed the money.

A. You can check the facts over there, but we were told they needed $25,000,000 and I again say a lot of these -- I think we agreed to give them twenty-five million nash right out of the Treasury with no offering because it wasn't
worthwhile to get out just one offering and not know when we are going to have the next one. The Home Loan Bank is getting very good rates and doing well, but there is nothing else and I think if you check with Strauss you will find that is right.

Q. Mr. Secretary, where's the RFC going to get the billion and a half dollars they need? In the open market?

A. They can get it in the open market or borrow it from the Treasury.

Q. What's the plan for the present?

A. The plan for the present is they don't need any money -- so there isn't any plan.

Q. What about the future?

A. Well, we will cross that bridge when we come to it.

Q. In other words, you haven't made a decision whether the RFC will borrow its money or the Treasury?

A. Absolutely not, because at present they don't need any money.

Q. At present they are living on their repayments.

A. They are borrowing about what their receipts are, roughly $100,000,000 -- I go over these things very, very carefully and we talk to everybody and ask them what their needs are. From now to the 1st of October
I have made a very careful check personally and with the exception of the Home Loan Bank who may need another 26 million, talking for now the next month or two, if Jones gets a spurt and puts out a lot of money he can get it here or he can go to the market, but we just haven't discussed it because he doesn't need any. He might make a couple of big loans and we might find he would need some money, but as to immediate -- looking ahead in terms of weeks or a couple of months, this hundred million, plus what he has, plus what he takes in looks as though it would take care of him.

Q. Mr. Secretary, how about the PWA's lending program?

A. The bill hasn't passed; we have no legislation.

Q. What you say doesn't apply to the period between the present time and October 1.

A. I'm just looking from now until the 15th of June. In other words, I doubt if there will be any other financing between now and the 15th of June, with the possible exception of, of course, Farm Credit regularly comes in every month.

Q. That's a refunding, isn't it?

A. Yes, every month -- intermediate credit -- that's what I mean. And Home Loan banks may come in the market for
twenty-five million, but with that exception I doubt if between now and the 15th of June there will be any of it again other than if RFC sells these municipal bonds which they take over from Public Works; they do that a couple million at a time. That's the whole story.

Q. You said something about Housing needing more than twenty-five million -- did you mean Mr. Strauss?

A. No, I think I am correct; we gave them a commitment of twenty-five million which will take care of their needs.

Q. The other was the Home Loan banks?

A. The Home Loan banks.

Q. Mr. Secretary, is it true that when the D.A.R. collected a bunch of heirlooms they had to turn it over to the Treasury and got $20.67 a ounce and when they needed it for commercial purposes they paid $35.00 an ounce?

A. That's news on me.

Q. And they said they had been after you since October 1st to get you to give back the gold wedding rings and other junk.

A. It never came near me.

Q. Mr. Secretary, speaking of gold, can you give us any explanation of the net export figures shown on the
report for the first quarter?

A. Not just like that (snapping fingers). Net exports? If you men want any explanation Gaston will be glad to have you sit down with him -- Dr. White will sit in his office and answer any questions.

Q. Mr. Secretary, there was a meeting today of some of your banking heads on, as I understand, coordination of bank regulations.

A. The President asked me last Friday to get the Federal Reserve people and the FDIC and the Comptroller of the Currency together and see what we could do towards uniform bank examination without any legislation. That doesn't mean he doesn't want it, but what could we do without it? So they are having a preliminary meeting today and they will meet with me again tomorrow morning.

Q. Mr. Secretary, on these various banking matters and practices relating to bank examination there has always been a cloud of confusion and if anything comes out of this I wonder if you would give it to us — things like the handling of bond appreciation by the various agencies — very cloudy and a lot of misinterpretation and it's led to a lot of rumors.

A. Well, I'm not surprised. This is just a story but I asked for the rulings on how they handle governments.
Well, if you could read and understand that after reading it three times you might, but I couldn't and I think it's all silly. I mean, they make those things so terrified complicated and I don't see why these things can't be written so that a person with an average education could understand what they are about. And if they agree there's no reason why these other agencies shouldn't adopt it, but I thought as good a place as any to start was "how should banks handle governments," and I asked them to start on that and by the time you add and subtract you take two steps back and one forward and it didn't add up. They could do a lot of simplification if they start on that.

Q. It would help us a lot.

A. I can assure you Mr. Gaston will be present and if they do make any progress and if we do agree on anything we will try to give it to you in good simple English both of us can understand.

Q. This apparently isn't aimed at placing unified examination or supervision in one agency.

A. No, simply seeing what can be done by just people who are here as Presidential appointees and in one family --
see what we can do by meeting together intelligently and sitting down around a table and saying how are we going to handle these things. I think a great deal can be done without any legislation.

Q. In other words, to get the main objective of consolidation — .

A. To see how far we can go — just to see how far we can go by using common sense.

Q. This refers the more to bank examination that would have to do with how the assets of banks should be handled and whether they agree on the definitions of various things.

A. And also what securities and how they should rate them.

Q. Regardless of who does the job, the agency?

A. Yes.

Q. But you haven't put aside your prime objective to coordinate all these activities that the President talked about in his message?

A. I don't know; I'm just taking this one step now. If we accomplish that, what the next one will be, I don't know. It's a question of first coordination and then seeing whether after we have coordinated whether consolidation is necessary, and, if so, how. But this is the first time I have ever really gotten in on this, so I don't know just how far I can go.
Q. You don't want to create the impression you don't want legislation? This is the first step?
A. No, the President just wanted to make sure I wasn't loafing; he asked me whether I had been loafing; I'll leave that up to you.

Q. Any comment on the Smathers Bill?
A. No, we are not ready, at least I'm not ready; I read it in the papers.

Q. That is not a Treasury bill then?
A. Well, I want to say this: It isn't a Treasury bill, with this possible exception; I don't know if the Comptroller's Office had anything to do with it or not. I can't vouch for whether they did or didn't, but as far as the Treasury is concerned we did not........

Q. It has the reputation of being a Treasury bill.
A. We get blamed for a lot, good and bad.

Q. It was written here in the Treasury, wasn't it?
A. I am excluding the Comptroller's Office but I don't know.

Q. There are some very good jobs in it -- 16 years at ten thousand.

Q. That's his first application.
A. Well, we will take it under consideration.

Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MOMENTHAU’S
PRESS CONFERENCE, APRIL 26, 1938:

H.M. Jr.: When can you fellows tell me?

Q. I’m still asleep.

A. All right, I’ll look on this side; what bright ideas have you left-wingers got?

Q. We came to you for inspiration.

Q. Mr. Secretary, are you going to readvertise for cement bids?

A. Yes, surely. We’ve got to buy cement.

Q. How soon are you going to?

A. The boys have been working on it and I have been waiting to hear from them and I should think they would get it out not later than next Monday. I have asked two or three times why Procurement Division doesn’t come through; but I say not later than next Monday we ought to get out new bids.

Q. How are they going to buy cement between the 1st of May and whenever the new contract is let? Do you know?

A. No, I don’t. They brought this memorandum over and recommended this group of bids be rejected.

Q. Too high?
A. No, mostly a question of lack of distribution—that the plants that bid couldn’t give us the distribution which was necessary—that was the main trouble.

Q. But you wanted factory prices; I mean mill prices.

A. Yes.

Q. You got them. But you didn’t get enough of them?

A. We didn’t get enough of them from plants which were big enough to take care of the business. That was the main trouble.

Q. Mr. Secretary, I’m not certain of the exact phraseology of your speech last November, but you did say something about calling on business to chip in and cooperate with the government? Isn’t that right?

A. Well, I don’t remember that expression, no.

Q. I know; I didn’t think it was the exact expression but could you go on and tell me briefly what you said at that time? I want to try and apply it to these sixteen businessmen—the driving force of capital.
A. I don't know whether we have—we must have had
17 or 18 hundred words and I don't know just
what part—I'd like to help you.

Q. We will forget about your speech; we will go
back to the sixteen businessmen; what do you
think of their offer to cooperate with the
Administration?

A. It's excellent.

Q. Didn't you think there were a lot of 'ifs' in
it?

A. No, I thought it was a forthright statement.

Q. What do you think of Mr. Ford?

A. Let's discuss our November speech; maybe I
can remember it.

Q. I had a feeling you were trying to forget your
November speech, Mr. Secretary.

A. No, no, I'm not trying to forget it.

Q. Are you going fishing with the President?

A. No, I'm not.

Q. Are you planning to leave town?

A. Well, we will—just Mrs. Morgenthau and I will—
go up to the farm and may stay up there until
Monday, but outside of that I don't know.
Q. Have you in your post as Secretary of the Treasury seen any indications of any change in business conditions at all, one way or the other?
A. I thought you said you were sleepy.
Q. I think that's a good question.
A. Change from what?
Q. A change in business conditions over, say, last November.
A. The answer is yes.
Q. All right; can you go on and tell us more?
A. Sure—they are worse. They are worse and have been getting steadily worse; there's no news in that; all you have to do is to look at the New York Times' business index every Sunday.
Q. Better look at the Tribune?
A. Or the Tribune.
Q. Are they still getting worse?
A. I don't happen to be as familiar with the Tribune one, but, looking at the New York Times' one, looking at any business index, they have been worse—they were worse last week than they were the week before; they
have been getting worse. I don't know what you are at, but that's not news. I don't know whether the Wall Street Journal has a business index.

Q. Barrons-Phelps will write you about this (Duffield).

A. Let's put it this way: Look at any business index; as far as I know, the answer is that business each week has been getting a little worse.

Q. Well is there any indication that the bottom is being reached? Do you see any signs of that?

A. No.

Q. You don't see any signs that the bottom has been reached?

A. No.

Q. You think they will continue to get worse?

A. I don't know. As long as I have been here I have never made any forecasts.

Q. You said the bottom hadn't been reached?

A. For some time each week business has been getting worse; if I say the bottom has been reached that's getting into crystal-gazing.
Q. What's the bottom?
A. I don't know.
Q. You just mean to express no opinion; you didn't mean to say there isn't any bottom.
A. No, all I say is I get all the information I can, both what's published and from our research staff; everything I've got is public knowledge—the weekly index and weekly business forecast, up until last Sunday, which happens to be the last I have seen, is that it continues to get worse. As I say, I don't see that there's any news in that because if anybody does read your newspapers they'd see that.
Q. Well, do you see any signs of private capital getting back to work? Sandy is looking for an optimistic angle.
I'm curious to know whether you have noticed private capital getting back to work.
A. May I be a little sarcastic?
Q. Sure.
Mr. Gaston: It seems to me Sandy wants—is a prediction which you are not in the habit of making.
H.M. Jr.  I can't help you out.

Q. Mr. Secretary, to get back to business cooperation, isn't there potentially a very serious situation in connection with that bid situation? Suppose some of these big manufacturers decided to boycott the government and won't give you any cement.

A. No, there isn't. I read the letters very carefully from the manufacturers who did not submit bids and both the tone of the letters and information which they volunteered led me to believe that if we ask for new bids on a different basis we would get cooperation.

Q. On what basis?

A. I think they were justified in their criticism that we asked for an indefinite amount. We asked them—that we could call on them for an amount and they would have to carry the stock on hand and there was a special formula and there was no assurance on the part of the government that we would buy any. A fellow might manufacture a million barrels of special formula cement and carry it in stock in order to qualify and there was no assurance on the part of the government that he would get an order.
That is just not fair. When I read that and read their letters I decided what we were asking them to do wasn't fair. What we propose to do and what I have asked them to do is to ask for bids of a definite amount so the manufacturer knows if he does get the contract he will get the order. That's common sense and if we make a mistake I am more than willing to admit it. I say the way those bids were drawn the Procurement Division put a proposition up that no businessman who has any sense would accept. Therefore, when I read these letters I unhesitatingly rejected them.

Q. In other words, the government asked for bids on an indefinite amount without any assurance ---

A. It read like this: "The government may, in the next three months, want this many barrels of cement." Some was special formula and a fellow would have to manufacture and carry three million barrels of cement not knowing whether he would sell one barrel or not and it just isn't fair, and when it was pointed out by these manufacturers I rejected it, but in these statements they stated they were willing to bid and they were
willing to bid f.o.b. plant. "If that's the way the government wants it, we are willing to bid on that basis." The only delay is we are trying to find out how much do these agencies want. In other words, we are asking for a firm bid. If we say we want a million barrels and the fellow gets the low bid he knows he's got the business. But the letters indicated they did not object to bidding f.o.b. plant. That's really the whole story.

Q. In other words, they will be told...

A. They will be given a definite amount because how can any manufacturer especially when it is special formula, put up a stock of goods and not know if he is going to sell it and he can't sell them to anybody else. I'm not worried about that particular situation and no cement manufacturer has anything to worry about.

Q. To go to another commodity, what about this floor tax on whiskies?

A. Well, the people talked to me about it and I have done nothing about it and I'm not going to do anything about it because I feel it's
entirely up to Congress, and as long as you
brought it up, for background, the point that
they wanted me to do was that the Treasury
represented—we felt two dollars was a fair tax
and as soon as they began to raise it above two
dollars we are going to run into bootlegging and
we have made very careful studies and a lot of
other people—and we are satisfied that at two
dollars we can collect a lot of money and have
collected a lot of money, but just as soon as you
go above that it will encourage people to go back
to bootlegging. What the industry wanted—they
don’t want $2.50, they want $2.25. I said I was
opposed to $3.25 and if I am opposed to $2.25 I am
just more opposed to $2.50. At two dollars we have
collected a terrific amount of money and have done
so that bootlegging is down to the minimum—most
people have forgotten how to make bathtub gin and
have to learn to make it all over again.

Q. Is that two dollars a barrel?

A. A gallon. All I am saying is we are not doing any-
thing about it. Mr. Berkshire went up for the
Treasury and said that we feel two dollars is the
limit. When you begin to go above that, people
are going to again manufacture alcohol illegally
and that two dollars is the limit—that’s what we feel. There have been a lot of studies made by non-government agencies and everything that I’ve got makes me believe that we can collect two dollars but when we go above that people are going to begin to make their own.

Q. You are not opposed to a floor tax then?
A. I’m not going to say.

Q. That’s something else again?
A. That’s something else again. I don’t know why they brought it in and I didn’t know why and neither Magill or myself or anybody around here is going to recommend this floor tax; I don’t know why the industry wants it.

Q. Mr. Secretary, the floor tax yields a very small amount of revenue, doesn’t it?
A. I’m not familiar with the details. I asked Magill what he thought and his recommendation was that we stand where we are—we think two dollars is the proper tax. Anything above that, we think, is going to encourage bootlegging.

Q. Mr. Secretary, it’s a very dull day. How do you feel about a national lottery?
A. I gave you two good stories today, one on cement and one on the liquor tax.
Q. The reason I asked—yesterday the House lottery bloc got organised all over again—a man by the name of Phillips is taking Kenney's place. How do you feel about it? I don't think you have ever expressed any formal opinion about it, as a revenue raising measure—this is your big opportunity.

A. Thanks for the opportunity.

Q. Compete with the stock market?

Mr. Secretary, I understand some conferences are being held or are to be held in London on the tripartite agreement or some phases of it, I don't know just what. Do we know anything about that or are we taking any part?

A. No, there aren't any conferences with respect to the tripartite agreement.

Q. Just informal discussions?

A. Not even that.

Q. Thank you, Mr. Secretary.
H. M. Jr: We got along pretty well yesterday with this group of people on trying to work towards uniform bank examination and I am going to see the Federal Reserve and the FDIC and the Comptroller's Office again tomorrow with the hope that we can agree on at least several recommendations and then we are going to try something a little bit different, and that is, that before putting it into effect we are going to submit it to the state bank examiners for their suggestions and criticism, with the hope that, I believe for the first time, we can get together with them so that even if it's just one regulation it will be uniform and apply to all banks. In other words, that both the state bank examiners and the Federal agencies will move forward together looking forward to more uniform and simpler rules, if possible, toward bank examination.

Q. About when do you expect to contact the state bank examiners on that?

A. Well, I'd say early next week.

Q. Then you are hopeful of getting an agreement among the Federal agencies pretty soon?

A. I'd say tomorrow, Friday.

Q. Would you indicate that it was going to suggest one to the states?

A. No, I hope to get at least one—we may get two or three, but instead of getting out new rules and regulations which affect
those banks under the supervision of the Federal
Government we felt we would put it up to the banks--
state banking authorities--for suggestions and criticism
and possibly we will get some which will apply uniformly
to all banks and I think it will be a start in the right
direction.

Q. Are the examinations that you have tentatively agreed upon
near enough to the state examinations . . . .

A. Well, you see, among the people here was Mr. White of the
State Banking Association of New York and the head of the
State Banking Association and that's why we had him.
What we were discussing was entirely familiar to him and
in some cases was already in the mill as far as the state
bank examiners are concerned. I don't know what they call
it, but it's the State Banking Association.

Q. Mr. Secretary, there's a rumor in New York that you have
taken some new action with regard to Mexican silver; in
other words, to make sure that you didn't buy Mexican
silver at all.

A. I never heard of the rumor.

Q. Nothing to it?

A. No.

Q. And the procedure is just the same?

A. Just the same.

Q. Mr. Secretary, can you tell us what this regulation, about
which you are talking, refers to?
A. As you know, I don't remember my exact dates, but I announced at a recent press conference that the President asked me to get together and study these various things and look towards more uniform bank examination, and I haven't said what they are.

Q. Have you followed the Chamber of Commerce discussions on bank examinations?

A. No, I have not.

Q. Some of the speeches have been very critical.

A. I haven't, but we have people here who are taking all constructive criticisms they can get and studying them very, very closely. I mean it's the old army game—when a bank is admitted, and they talked about it yesterday, when a man comes in and asks for a loan and the bank doesn't want to make it he says I'd love to do it but the bank examiner doesn't let me.' They use that all the time and they consider that perfectly legitimate and it's been going on for a long time legitimately. But I get a very large mail and we study the thing very, very closely and, notwithstanding what other people say, I don't think that one can place the entire blame of lack of loans on the part of the banks on the bank examiner. I just don't think it's fair to do that.

Q. Mr. Secretary, I don't either, but they don't do that—they don't place it on the examiners.

A. That shows I didn't read the Chamber of Commerce.
Q. I followed that.
A. I haven't. I am talking about some criticisms which Federal agencies are making who do not have the responsibility of bank examination.

Q. Chairman Jones has brought that up several times.
A. The bank people would be the first to admit it. When a man sits there and his best friend comes in and wants to borrow more money than he's entitled to, the nicest cut is to simply bring in the bank examiner and that has been done and always will be done. We made a very careful study in 1934 and out of that new rules and regulations went out and I think that that was a move in the right direction and we are making another one but I'm not going to be stampeded and we are going into this very carefully and that's why I brought these people in from the outside who are thoroughly familiar with banking, who are successful bankers, and their advice was most helpful yesterday and as a result of what I learned from them yesterday I am going to resubmit the information tomorrow to these three organizations and after we get that, if we can agree, why we will in turn submit that to the state bank examiners.

Q. Mr. Secretary, you said that a representative of a large banking association was here yesterday. The National Bank Association?
A. No, Mr. White, who is the Bank Commissioner of New York, is President of an Association of State Bank Commissioners--I don't know the technical name, but --.

Q. Mr. Secretary, they said that the memory of what occurred prior to those changes that you made on the basis of the 1934 study still remains in the minds of many banks and they are rather jittery of making loans that heretofore came under the criticism of the bank examiner and the values they were forced to write down and take their losses.

A. Well, I don't know whether you men saw the people after they left here or not but every one of them said it was a good meeting and they would be glad to come back any time again and they thought it was constructive and as far as I could tell they went out with smiles on their faces. Those people who are heads of banks are thoroughly independent,—no connection with the United States Government—and they talked perfectly frankly and had every reason to talk frankly. They all said they thought it was a good meeting and would be delighted to come back any time.

Q. This criticism of the Chamber of Commerce wasn't bad—it was just directed at things that exist.

A. Well, I don't know what the Chamber of Commerce said. My expert on bank examination, Mr. Cyril Upham, will be glad to take it and digest it and evaluate it.

Q. Mr. Secretary, I haven't seen him at one of the meetings.

A. He's right there—modest as he is.
Q. Mr. Secretary, have you seen the new figures of devaluation or revaluation or whatever you want to call them? What do you think?
A. I have nothing to add to what I said yesterday.
Q. Can you tell us the rates?
A. You can get them off the ticker if you want them. I refer you to any of the news service tickers.
Q. In an official statement from Paris they keep referring to references by French officials to their determination to prevent speculative raids on the franc such as have come in the past. What are they talking about? In other words, does the public know everything that is in this deal now or have we got to wait a while for some more of it?
A. I think you know everything that I know.
Q. Do you have any idea what they mean by statements that they are determined to stop this speculation?
A. I, frankly, didn't see the statement.
Q. They are on the ticker this morning, by the Finance Minister, and, of course, the Premier stated yesterday about his determination to prevent fluctuation.
A. Well, I can't help you out on that.
Q. Does that mean modified exchange control, new rulings coming out that you might have talked over with him?
A. That interpretation would be wrong.
Q. Well, Mr. Secretary, isn't it a fact that the difficulties that the French are in are such that they really can't stabilize the franc at any figure -- ?
A. Well, we had a very pleasant press conference yesterday afternoon and I did think that the French Ambassador should have had the champagne here.
Q. He said he was going to New York to drink it -- take a plane.
A. I see, well maybe he will invite you boys up to the Embassy some time.
Q. Mr. Secretary, just to make this new rate plain, am I correct in understanding that this defense point they have fixed relates only to the pound and the relation of the franc to the dollar will depend necessarily on the relation of the dollar to the pound?
A. Well, they are all interrelated. I mean, we have a rate with the English and the French have what they call the French-English cross--those are all interrelated. It's just used more commonly--the number of francs to the pound.
Q. But I understand that interrelation, Mr. Secretary. The thing I am trying to get at is whether there is one particular figure in cents that we can say represents this defense point of the franc. I think the figures used in the morning papers are based on the traditional par between the dollar and the pound.
A. You gentlemen noticed that I said all that information last night would have to come from the French and that still holds good.
Q. Mr. Secretary, what price is the French Government quoting to the American Government for its operations of the Stabilization Fund?

A. In the first place, we never get that until around noon, so I can't give it to you, and, in the second place, we never release that; we consider it highly confidential (laughter).

Q. Did I understand you to say that you think we know everything now that you know on this deal? (Laughter)

A. I want to be extremely careful. In regard to the general information which the papers have published, I'll put it this way, I don't know anything which would make the stories which you men have printed poor leads. I do know a little bit more than you do, however. But what I know—the stories which I read in the paper this morning, as far as the American public are concerned, are accurate. The stories which I have read, and I have read all the stories very carefully, and the stories are accurate. There's nothing in there which you men have written which is inaccurate.

Q. And do they also contain enough information for the American public's purposes in understanding the thing? In other words, if we could learn what you know, would it add much to the stories?
A. It wouldn't change the story. As far as my own action is concerned and my responsibility, I am not withholding anything from you people. The only thing I am withholding is information which is French action, but as far as the Secretary of the Treasury - my responsibility to Congress and to the President, I am not withholding anything.

Q. I am glad that, as Secretary of the Treasury, you admitted you knew more about it than we did.

A. That sometimes is true; not always.

Q. Thank you, Mr. Secretary.
PRESS CONFERENCE
May 5, 1935
5:10 P.M.

Present were the French Ambassador, Mr. Lechhead, Mr. Gasten, and Mr. Taylor.

H.M.Jr.: I will just make a little short statement—
the Ambassador may have something to say—and that is this. During the past three days, the French, British, and ourselves, Treasury, all three Treasuries, have been in consultation about our respective currencies as laid down in the Tripartite Agreement, and after consultation for three days, the three Treasuries have agreed that we will continue to carry on under the Tripartite Agreement in the future just as we have in the past, and we feel what the French Treasury proposes to do comes within the spirit of the Tripartite Agreement. How as to details, I don't know, but maybe the Ambassador would like to add something to that.

Mr. Daladier: Of course I am not a technician, so you don't expect me to give details of the financial aspects of the agreement, but it is my happy privilege to express the thanks of the French Government to the Government of the United States, especially of the French Treasury to the American Treasury, and to its very able leader, Secretary Morgenthau.
The conversations we had in consequence of the Tripartite Agreement were not unduly protracted, but they left nothing in the dark. Mr. Morgenthau is a thorough statesman and businessman. I am only a diplomat. But the principal rule of diplomacy as well as of statesmanship and of business is frankness and mutual confidence. None of these feelings failed in our conversations. As you know, the conversations involved several interesting and exhaustive talks.

When I met you gentlemen you rather thought that I was elusive, but I had to be discreet and I can thank you today to have been so patient. That negotiation meant several over-sea calls which I am afraid did not always spare Mr. Morgenthau's sleep nor mine.

I wish to thank him again for having devoted so much of his valuable time to this negotiation and now that an agreement has been reached, I think we are entitled to rate it as a success of that policy of good will which the American Government has always advocated and promoted.

Q1

The details, Mr. Secretary?

H.E.Jr.

The details will have to come from the French.

After all, Mr. Daladier went on the air and as I explained to you people before, if it is a move by a Government, it is their move and I think that whatever the details they will have to come from Paris.

Q2

Nothing further here?
Nothing further here, but details will have to come from Paris.

Q: Would you give us them for background?

A: No. I am sorry. It is their currency and it is their responsibility, but as I say and as the Ambassador says after three days of very hard work, we are more than pleased to continue with our partners in this Tripartite Agreement.

Q: Has the understanding of the Tripartite been modified in any way?

A: None, and if you would look it up could see that under the Agreement it is specially mentioned that in any movements in any particular currency there will be consultations and that is what we have done and we have again demonstrated through consultation and mutual confidence in each other that this Agreement can continue and will continue. The important thing is mutual confidence in each other.

Q: Can you tell when the French Premier will announce details?

A: He went on the air at two o'clock Paris time, which is eight o'clock our time. Six hours difference and so it is eleven o'clock there now. I doubt if they will have anything before tomorrow.

Mr. Taylor: In their tomorrow morning's papers.
H.M. Jr.: But certainly there will not be anything more here.

Q: Has there been any physical help in the way of gold earmarkings?

A: No.

Q: For account of the French stabilization fund?

A: No, nothing out of the ordinary.

Q: No financial help?

A: No. We have conducted the technical end of the Agreement today as every day and there is nothing in the proposal which will be changed. In other words, we will go along just as usual.

Q: Can you tell us at what hour American time the decision was reached here?

A: Yes. It was reached at one-thirty.

Q: This morning?

A: This afternoon.

Q: What decision are we talking about?

A: Simply that after three days consultation, the Tripartite Agreement will continue as is.

Q: Is that an implication that there was some doubt for three days?

A: No, but we had matters to talk about. After all, this is not for quotation. The French Government had a new program and a very important program.
They were kind enough to discuss the matter with us.

Q: Mr. Secretary, there is nothing in devaluation per se that would violate the Agreement? In other words, you can devalue under certain conditions?

A: What the French Treasury proposes to do after consulting with the British and ourselves, having three days conversation, we have all decided that it comes within the spirit of the Tripartite Agreement.

Q: Is there any prospect of any action working toward devaluing our dollar and the pound? Lot of rumors in London today.

A: O. K. On the record. I am not going to deny it because it is not worth it. Off the record or for background there is nothing to it.

Q: Does that cover reports that our markets here are going to be closed tomorrow?

A: Now, listen Duffield!

Q: They asked me. I don’t know what to do about it.

A: And I also forecast there will be no snow tomorrow in Washington. I will take a chance.
H.M.Jr: I thought I would do the press conferences at three o'clock for you fellows.

Q. Are you going to do it at three o'clock daylight savings?

A. If it's easier for you.

Q. Are you going to the Capitol, Mr. Secretary?

A. Tomorrow morning.

Q. Not this afternoon?

A. I don't know.

Q. Are you waiting for a call?

A. Why don't these people grow up and stop asking questions? I'm going up on the Hill and I hope you can't find me.

Q. You leave us no alternative, Mr. Secretary. Can you tell us the places you are not going? Why all the secrecy?

A. It's just the way he asked me.

Q. Where are you going, Mr. Secretary?

A. No, I think we will just let it go by.

Q. You don't want to tell us?

A. I don't think so.

Q. Can you tell us anything on the coordination meeting this morning?
A. We had a meeting, and in view of the opinions which I got, I suggested that the so-called experts meet again and do a little bit more home work, so we might get a complete unanimous report, and they are getting together. I think it's worth waiting for, because the Superintendent of State Banking Institutions has given every indication they would like to cooperate, but we had better try to agree among ourselves down here.

Q. It looks hopeful?

A. Yes, because I have enough information now, and if they don't get together I will give the President all that I have listened to anyway.

Q. Well, just where does the disagreement lie?

A. I think we had better wait, but if you read the papers I think you get some of them. Some people have been rather vocal. I have acted as an impartial chairman and listened. We have the all-time low rate on the bills today. New York, .029. I think that's the lowest, isn't it? Last week was .034, New York; the country was .033.

Q. What do you think of the situation on the belga? Would you be consulted if they were to take any action to depreciate their currency?

A. I think so.
Q. They are not members of the Tripartite.
A. They are what we call 'junior members.'
Q. Have you had any conversation with the Belgian Ambassador or any information from abroad?
A. Oh, they have been in here.
Q. Who has, the Belgian people?
A. I think somebody from the Belgian Embassy has been in here to see Mr. Taylor. That was last week.
Q. Are these conversations continuing this week?
A. This is the first day I haven't talked over-seas.
Last week I think I broke the record; I talked twenty-eight times.
Q. Were those conversations all with France?
A. France and England. Started at five in the morning and went on into the night.
Q. Was all this in one day?
A. No, this was in a week.
Q. Did you talk to the Swiss representatives, or the Dutch?
A. No.
Q. Just the Belgians?
A. They came in to see us.
Q. All of them or just the Belgians?
A. Just the Belgians.
Q. The belga is behaving as though it is going to be depreciated, especially the futures rate - off forty points.

A. I want to be very careful not to say - and please don't quote the Treasury - because you can see for yourselves it's a ticklish situation. They will have to do their own talking. I don't want to do anything, by inference or innuendo, to aggravate their situation. What I am saying is strictly in the room. They have a bad situation.

Q. I wonder, for background, if you think there are any thoughts of devaluing the belga?

A. I don't know. I haven't heard. For background, this thing has hit them the worst of all; this move on the part of the French has hit the Belgians worse of all, while, you might say, it hardly affects us in any way - very, very little. This, I am willing to say on the record: It has again demonstrated that as far as speculation in foreign exchange is concerned on this side of the Atlantic, there wasn't any last week. We got that thing cleaned up. On our side there is no speculation. What American citizens do with their money abroad, I have no way of knowing, but the amount of dealings in foreign
exchange on our side is for legitimate commercial
transactions only, and I want to say this, that the
American business man, with foreign commitments,
has cooperated one hundred per cent, and so have the
bankers. We have no quarrels or complaints, and
they have, as I say, cooperated one hundred per cent.

Q.
Isn't it true that that's all they can do?
A.
Yes, but ....

Q.
You have a two billion dollar club.
A.
But they have showed a very good spirit, and there's
no reason I shouldn't say so.

Q.
Mr. Secretary, in the past when the French devalued,
if I remember correctly, the Belgians followed suit
immediately, didn't they? They have always acted
more or less simultaneously?
A.
No, the Belgians did it themselves, alone, and since
then, of course, the franc has steadily become cheaper
in our currency. It has not always worked that way,
but, as I say, I would be awfully careful about
writing anything, or attributing anything to anybody
in the Treasury about Belgian currency, because, as
I say, they have a bad situation on their hands, and
I don't want to aggravate it.

Q.
How would you like to handle it - "Treasury officials?"
A. No, you had your own information when you came in. I have not added or subtracted.
Q. But you said the Belgian representative was here.
A. Yes, that's all right; he called on Mr. Taylor.
Q. Could you tell us his name?
A. Maybe Mr. Kiley can give it to you.
Q. Wasn't the French Ambassador in here last week?
A. Yes.
Q. Can you tell us why?
A. In regard to the Tripartite, representing his Government.
Q. Any further action to be taken in regard to that?
A. Everything is quiet today.
Q. How about tomorrow - something additional in the air?
A. No.
Q. What did he come in about?
A. We had a lot to talk about.
Q. Post Mortem?
A. Exchanging views, consulting under the Tripartite.
Q. Will he be coming in again in the next few days?
A. He might, but I am not expecting him.
Q. Where are you going, up on the Hill?
A. Sandy, you're good; you're pretty good.
Q. Mr. Secretary, have you anything to say about cement?
A. No. The group of bids went out Monday and another group went out since then; I don't know just how many, but as far as I know, I don't think the bids have been opened.
Q. One group went out Monday?
A. A week ago today — to be accurate, a week ago Saturday.
Q. How about California?
A. There have been some since then. If you go with Mr. Gaston he will find out and tell you what the facts are.
Q. We thought you were decorating Lieutenant Olsen with the order of the French Franc.
A. Can't I answer that one?
Q. How's the belge.
A. Oh, I'd love to answer that one! I'd say it was the order of the doublecross. (Laughter) If anybody uses that I'll kill them. Is that in the family? Word of honor?
Q. Word of honor. It won't even appear in News-Week.
(Laughter)
A. They'll take the Statue of Liberty back on me.
Q. Have you succeeded in convincing Mr. Hanes to come over here, Mr. Secretary?
A. Well, absolutely off the record, the thing on that is that I have asked for an appointment to see the President with Mr. Hanes and as soon as we see the President I think the chances are nine out of ten there will be an announcement. But we have all been waiting for an appointment— that's the whole story.
Q. Can you answer this on the record, Mr. Secretary? Do you want Mr. Hanes over here? Did you suggest it?
A. Well, after it is announced, I sought Mr. Hanes out—it's entirely my idea.
Q. We can't use that until afterwards?
A. No, it's entirely my idea. I sought him and I made the suggestion to the President and that's why I am waiting to take Mr. Hanes over there to see the President and that's the delay. But it happened to be my idea.

Q. This is all off the record?
A. This is all off the record, subject to waiting until afterwards. We are going to wait until after there is a White House appointment.

Q. Mr. Secretary, there seems to be some rumors around that Charley West. Can you tell us anything on that? Were you consulted?
A. Could you ask your question a little differently and I'll try to help you out?

Q. Well, did you consider Mr. West for that job?
A. No.

Q. When is Mr. West going to take his post—after August?
A. Well, I'll make the statement and you can set the question to it. I have not recommended Mr. West for the position of Comptroller of the Currency.

Q. Has anyone else?
A. Well, I was just going to say that if you had asked me the question 'Did you recommend him?' the answer is no.

Q. The recommendation would be with you.
A. Well, I still say I have not recommended him.
Q. Well, just for background; I don't understand procedure in this case.
A. Neither do I.
Q. You generally do—in the past.
A. Yes. Well, anyway, one of you men asked me the question 'Did I recommend him?' and the answer was 'I did not.'
Q. Let's continue on the same course. I heard Mr. West had been proffered the position and was going to accept it.
A. Well, I still stand by my statement based on the question which somebody asked.
Q. Well, is Mr. West going to be the next Comptroller?
A. I still say I have not recommended him.
Q. Mr. Secretary, on this other appointment, do you have any idea when your White House visit will be?
A. I think it's today. I was told by McIntyre he would try to make it today. McIntyre isn't back yet, you see, but McIntyre told me yesterday he would ask the President to make it this morning. That's the exact situation.
Q. Can we say you and Mr. Hanes are going to see the President?
A. I think you had better wait because there was one slip-up on it yesterday, not on this side. I think you had better wait until the White House appointments are announced.
The President may not be able to do it and it's another story. But McIntyre did tell me he would try to make it this morning.

Q. Mr. Secretary, what's behind this peculiar English gold movement to Canada? Building up war reserve? Have you any explanation for that movement?

A. No.

Q. Were you informed of it before it took place?

A. I knew about it.

Q. You knew about it?

A. Yes.

Q. Can you tell us something about it?

A. No, that's English gold and I guess they had better do their own talking. I'm sorry.

Q. Can you tell us how much it was?

A. No. I think there was a statement out but I just don't happen to know how much; I am not trying to avoid the question.

Q. This is no trust fund for the Prince of Wales?

A. You are all having a good time today. If it was, I'd say it was a generous one.

CASTON: What Prince of what Wales?

H.E. JNR.: Yes? What else can we cooperate on?

Q. Is there anything more on the bank examination procedure or have you reported to the President?
A. No. These boys are still meeting together and asphyxiating poor Cy Upham with ten-cent cigars every afternoon. If you look at Cy he's getting paler under the pills every day. I hope he'll survive.

Q. Any indications as to when there will be another meeting of the committee?

A. I think they are meeting every afternoon until further notice. These experts are meeting and Cy sits there as umpire. Are you going to meet some more, Cy?

UTPHAM: Yes, we are having some more meetings.

Q. Have you made any recommendations to the States yet?

A. We are waiting. I am still hoping that we will get a unanimous report and that's what we are waiting for.

Q. Around what time?

A. I think we will give them the rest of this week and then if they don't get together I will make some recommendations to the President. We will give them the rest of the week. Is that fair, Cy?

UTPHAM: A few days more because of that expanded list.

H.M. JR.: A week from today, Cy?

UTPHAM: I think that's fair enough.

H.M. JR.: You couldn't take it any longer.

UTPHAM: I'll be glad when it's over.

Q. How about this gold movement out of Sweden?

A. Is there one?
Q. Of all places—Sweden. $2,500,000.

A. Those explanations—after all, we are trustees for those countries—as to why they are doing it, they'll have to do their own explaining.

Q. That wasn't a government shipment? It wasn't to the United States Government?

A. It would be gold either of the government or the Central Bank of Sweden.

Q. It wasn't an inter-government deal?

A. No. I imagine a shipment from the Central Bank of Sweden for deposit with the Federal Reserve. It was either the government of Sweden or the Bank of Sweden.

Q. Well, Mr. Secretary, they are not a cooperator under this tripartite agreement.

A. No, but this is done after consultation with us.

Q. I was just thinking of that provision or regulation or whatever it is which says you will buy or sell to those countries which are willing to do so with the United States at prices acceptable to the United States. Then you've got a list of the countries and Sweden is not on the list and I wondered if after sending their gold here they can get it out again.

A. If they're not on that list it's an oversight.

Q. Well, there are just six countries.
A. Well, we have an understanding with Sweden. For background, to help you fellows out, those four Scandinavian countries have a sort of agreement among themselves and Denmark has exchange control; on account of having that it keeps Norway and Sweden from moving the way they would like to move—this is all for background—and they meet regularly up there—these four Scandinavian countries. And I think they had this group before we had our tripartite, just the way the Balkan countries have a group of—I don't know whether its four or five—countries who meet and, as I say, the thing that handicaps them—this is all for background—is the fact that Denmark has exchange control but in talks we have had with Sweden we have come to an understanding to extend certain facilities.

Q. Is this gold shipment connected with the French —?

A. It has nothing to do with it. It's a matter of conversations which have been going on for at least a year.

Q. We have been having conversations with them?

A. For at least a year.

Q. Just Sweden or all those Scandinavian countries?

A. There have been other conversations, too.

Q. I have a question here that I don't want to be responsible for—it's instructions. Are you in accord with Chairman Eccles' statement favoring custer of representatives of the private banks from the Open Market Committee?
A. My answer to that is my backyard is plenty big enough—I don't have to go playing in anybody else's.

Q. Any new developments on the belga?

A. For background, their situation has steadily improved since Monday.

Q. Who was that?

A. Belgium. For background, their situation has steadily improved and they are handling the situation very well.

Q. I'm not clear on what we can use on this Swedish business?

A. Background.

Q. What do you mean, handling their own situation?

A. As I say, they have handled their situation on currency very well. They got out regulations yesterday on handling currency and all that and it's on the way over and I imagine it will be released to the press. They are having a situation—raised their discount rate to 4%—and they have put in some very stiff regulations as to handling foreign exchange and they are looking out, after all, for their own interests, without hurting us.

Q. From the present outlook then, you think they will avoid devaluation?

A. I don't want to answer. I simply say that they have handled their own situation extremely well—this is all background—and it has steadily improved since Monday.

Q. Will the bill issues be continued?

A. For next week, yes.
Q. Mr. Secretary, when you said that if the banking committee will fail to reach a unanimous agreement you would make recommendations to the President, did you mean that you would recommend legislation?

A. No, we can do a lot without legislation. There are a lot of things we can do without legislation.

Q. Would you give us some idea as to what recommendations —?

A. You will have to be a little patient, please.

Q. Thank you, Mr. Secretary.
H.M. Jr.: I'm sorry, but if you fellows will insist on
having these peculiar hours, it's difficult
for me to take care of my business with the
President and get over here.

Q. I hope we didn't hurry you.

Why that will get in the Merry-Go-Round —
don't put that down.

Mr. Secretary, were you over at the White
House — of course you were. Could you tell
us the nature of your visit with Mr. Bell?

A. No.

Q. Did it concern the budget?

A. No, it was Treasury business.

Q. Couldn't give us any hint as to what it was?

A. No, not today.

Q. Something in the air? (Laughter)

A. No, no, no. You take everything down, all the
wisecracks, so ten years from now I will sell
them for ten cents.

Q. Mr. Secretary, are there any further monetary
moves under discussion between the three
principal partners in the agreement?

A. No.
Q. Thank you. Mr. Secretary, there's a piece here from Oslo, Norway, saying the Hague signatures, which involved Norway, Sweden, Belgium and the Netherlands -- it says here they are dropping this because of world conditions. I wonder if the Swedish gold shipment had anything to do with that -- if they are moving out of the Tripartite Agreement.

A. You are ahead of me; I don't know; I just don't know.

Q. I thought there might be some connection between this thing and the gold shipment.

A. My guess, for your information, background, would be no. It's a pure guess but I haven't read it and I don't think they have anything to do with each other; that's just a guess on my part.

Q. Mr. Secretary, last week New York was very much upset or otherwise over a rumor that we were going to have some Thomas greenbacks.

A. What kind?

Q. Thomas Amendment.
A.  Where do they make those?
Q.  In your Bureau of Engraving.
A.  No, they don't. That's where you're wrong.
Q.  Well, seriously.
A.  I am serious; I have answered you.
Q.  Anything on Mexico, Mr. Secretary?
A.  Nothing that I've got to offer.
Q.  Are you going to resume purchases of silver very soon from them on the old basis?
A.  I don't know.
Q.  Is there any discussion of that possibility going on now?
A.  I've got nothing to say on Mexico that would be helpful.
Q.  Well, you have seen Mr. Josephus Daniels here and I have some other reason to believe that there are some other discussions going on.
A.  Josephus Daniels happens to be one of my father's oldest friends and I happen to be one of his warmest admirers and his son happens to be my doctor, so there are many reasons.
Q.  There is obviously something going on. Can't you tell us for background?
A.  No, no.
Q. What is the situation then? Is there some negotiation going on in connection with the phases of that thing?
A. Just a minute -- anything on Mexico, foreign affairs, State Department.
Q. Except that they announced it here when you suspended purchases of silver.
A. And the same evening Mr. Hull corrected that.
Q. Why?
A. Why? For a very good reason. He made a subsequent statement after his press conference that evening.
Q. It was on a Sunday that this was announced.
A. In Mexico City.
Q. It was on a Sunday night it was announced here at the Treasury.
A. No, pardon me. That announcement came from Mexico City on Sunday; there was no announcement until Monday when Mr. Hull had a press conference Monday morning, and the inference was this was a move on the part of the Treasury. Mr. Hull corrected it that evening and said that move was one other on the part of this Administration.
Q. Mr. Gaston?
A. Herbert, we had previously gotten out a press release; I can't remember whether it was given out in the State Department or here. I am quite sure it was given out in the State Department.

Mr. Gaston: That's true. That report had been in circulation all day and I made or read a statement over the telephone after getting in contact with the State Department.

Q. Sunday night?
A. Sunday night.

Q. Well, there's something going on -- for our background, Mr. Secretary?
A. No. Wouldn't you like to know what the bills sold for today?

Q. Sure, I would.
A. We struck a new low -- this is New York --.027 as against last week, .029.

Q. Did you get any offers where they offered to pay you again?
A. I don't know yet. If we did, Herbert will tell you about it.

Q. Mr. Secretary, I wrote the story here and New York corrected it and said an individual
paid a premium on that $10,000 bill. Was it an individual or a bank?

A. I don't know.

Q. I was given the impression that it was an individual.

Mr. Gaston: I don't know; I can find out -- a bidder.

H. M. Jr.: Would you rather be right.

Q. I'd rather have the Treasury be right.

Mr. Gaston: We just said one bidder.

H. M. Jr.: All right, fix it up for him; he's right.

Q. Is there anything new coming out of the coordination study?

A. Not that I know of. They are working on it this afternoon.

Q. Why don't you supply those boys with brass knuckles and you will get a report.

A. That's an idea; I want to make it up.

Q. Is there anything to the fact that the Department of Commerce report shows imports of silver from Mexico were virtually the same in April as in March?

A. Well, I never get in any arguments with Mr. Roper; he's always right.

Q. That's their figures.
A. I don't know what the figures are, but whatever they are I'm sure they are accurate.

Q. Well, your explanation of purchasing in the foreign market would explain that, wouldn't it?

A. That's right.

Q. They don't need that guarantee; they can still sell in the open market.

A. I haven't seen these figures but if these figures are right, and I'm sure they are, why it shows they can sell in New York.

Q. Just a negligible decline; they get 43 cents. They used to get 45 cents.

A. Yes, that goes for everybody -- we dropped the price 2 cents -- everybody not just Mexico that sells in New York. It would be the same situation. We don't know the origin of silver. Anybody who sends in the correct kind of bars he gets 43 cents less 1/4.

Q. But those agreements with other countries -- they still get 45 cents.

A. No, no. Everybody the same price -- one price house.

Q. Mr. Secretary, I don't want to place you on the spot on the Mexican silver.
A. You can't.
Q. But I still think there's a story in this thing and I wonder if you have had discussions with the State Department on this Mexican silver.
A. Well, you know, as long as you fellows have been here I have never misled you -- that right?
Q. That's right.
A. And I'm not going to answer any questions on this.
Q. What you are doing is simply saying you are not going to talk on this thing at all.
A. That's right.
Q. It isn't a case of being misled.
A. No, I'm just not going to talk about it.
Q. Mr. Secretary, some time ago when this silver question was a lot more prominent -- . (Laughter)
A. Haven't you fellows got anything to do all afternoon?
Q. No, but we need a story and if you can volunteer one we will get out of here. You said the Treasury had prepared a story on silver on every phase of production, cost, etc. and you said at that time you might give us copies of that study; would you like to do that now?
All right, this doesn't concern silver. What progress has that committee that the President appointed to study financial aid to business made?

Oh, what happened, if I remember correctly, was before the President went down to Warm Springs he had a lot of unfinished business on his desk and he just dropped it in my lap and said take it and get the boys together and see what there is to it and you fellows made a committee out of that. Well, the unfinished business was disposed of one way or another and the so-called committee disbanded. That's the whole story.

I do know there is some committee working on plans -- Mr. Szymczak or somebody.

I really don't know.

Is that part of that financial group?

You're right.

How about price studies?

That's going on. I had forgotten about Szymczak. Taylor was taking care of that and I don't know what happened to that.

The President said the other day he didn't know anything about the continuation of this price study.
A. Well, the group is continuing — we are working.

Q. What did you say about this other group — this business aid group?

A. I had forgotten. There are a couple of sub-committees but I had forgotten they existed, which isn’t complimentary.

Q. I understand they are ready with the report.

A. Swell.

Q. You haven’t gotten it?

A. No, I had forgotten of their existence.

Q. When is Mr. Hanes coming over to the Treasury?

A. My understanding is his agreement with Chairman Douglas we had that day — his agreement with Mr. Douglas was he would come down here and remain with them until the last of July in order to take care of the stock exchange work and Mr. Hanes giving his word very carefully feels he should finish that work for SEC as he is under obligations to do that and my understanding with the President, with Chairman Douglas and with Mr. Hanes is he is to finish that job and just as soon as he can begin to give us a little time he will begin to do so,
but he might not come here until the 1st of July, provided -- I may have to swear him in. I don't know. I don't know what the rules are, with Congress adjourning, whether he has to be sworn in before Congress adjourns -- I don't know just what that is. We might have to swear him in before Congress adjourns.

Once he's confirmed my agreement with the President, Bill Douglas and Hanes is that he's to finish his work on the stock exchange job which he says he can do before July 1.

Q. When is Mr. Magill leaving?
A. I don't know.

Q. Is Mr. Hanes slated to take Mr. Magill's place when he leaves?
A. Don't ask me, because I don't want to answer that.
Q. Mr. Secretary, would you like to break the official silence on whether the President is going to sign the tax bill?
A. No, no. I think he has that distinct privilege.
Q. Did Representative O'Connell ask you to make an investigation of Mayor Hague's income tax returns?
A. To the best of my knowledge, no.
Q. He's certainly been passing that out to the press. Are you making an investigation of his income tax returns?
A. Well, that would be strictly confidential. I couldn't answer that.
Q. Any report on that reorganization study -- that is, coordination. Do you expect to have a report Monday?
A. You mean on the bank thing?
Q. Yes.
A. No, they have asked for more time and they are going to have to have more time and I can't set a limit because of -- I don't know -- they just haven't come through, but I want to give them a little time because I am very hopeful that they will.
Q. Mr. Secretary, when are you going to get together with the Federal Reserve crowd and begin talking about June financing?
A. I asked them to meet with me -- the executive committee of the Open Market Committee -- on June 1, Wednesday.

Q. That doesn't give you very much time, does it?

A. Why not?

Q. I thought you usually announced financing ten days ahead of time.

A. We could do it on the sixth -- that's just about right. We usually meet on the Wednesday before -- that's about right; unless the boys have misled me, that's about right.

Q. Mr. Secretary, did all these business leaders who conferred with you the other day on the tax outlook leave a gloomy picture on the tax returns?

A. They come down here on my invitation. If you don't mind my correcting your description of them, I think they would call themselves, I think, statisticians. They are invited down here because they are experts in forecasting statistics and they have come down on their own time and expense with the understanding that what they have told us and what we have said to them will be confidential, so I don't feel free to discuss what they have discussed with us.

Q. You wouldn't want to say what your own opinion is as to the effect of the recession on taxes?
A. No, but that's the basis on which they have come down and I am not free to disclose what they told us.

Q. Did you invite them down?

A. Oh, yes. We did that once before in advance of the January budget estimate and we have to make a supplementary estimate and we want to get the benefit of their advice on forecasting business conditions for the rest of this calendar year and the balance of the fiscal year.

Q. That is a preliminary to a revised budget?

A. That's right.

Q. When is that revised budget due?

A. Well, it comes usually after Congress adjourns. That is the custom that has grown up in the last couple of years. But the President hasn't decided but that's been a part of a custom that has grown up in the last couple of years. We give what you might call a supplementary estimate, based on legislation and tax bills that have been passed.

Q. As far as you know there won't be any before Congress adjourns?

A. No, that I can guarantee. I can't guarantee one afterwards but I can until after they adjourn.

Q. Mr. Secretary, has the outflow of capital from the United States assumed large proportions?
A. Well, so the newspapers say, but I don't want to comment on it.

Q. Mr. Secretary, there are some new rumors around that you are contemplating resigning; is there anything to them?

A. No.

Q. I choked on that -- I didn't hear you answer.

A. The answer is no. Do you go around to each press conference and ask each Cabinet officer?

Q. No, but it seems to have been epidemic in the last couple of weeks.

A. I see. I was disappointed it hadn't gotten here. I felt like a round robin at these press conferences.

Q. Well, I was out of town last week -- the missing link.

Q. Anything new on silver. (Coughs)

A. What's all this anyway?

Q. He has no business stealing my stuff. (Klein)

A. I see. Well, we'll give you a chance then. No, there's nothing new.

Q. Did you say anything new?

A. No, just the same. Nothing ever happens in Washington, as far as the Treasury is concerned.

Q. Thank you, Mr. Secretary.
Mr. Magill also present.

H. W. Jr: 91-day bills are still going down.

Q. Another record?

A. Another record—.026 as against .027—this is for New York. There's a piece of spot-news for you. Sit down Roswell (Magill).

Mr. Magill: Oh, I like to stand up.

Q. Any significance in Mr. Magill's presence at the press conference? (Laughter)

H. W. Jr: Well, we just thought one of you might have heard that there was a Supreme Court decision today and might ask him some questions.

Q. Sure. How much revenue do you expect to get out of taxing these quasi-judicial authorities, like Port Authority?

Mr. Magill: The import of the decision is not so much the revenue involved, which is considerable, but rather the Supreme Court has clarified a very confused situation and the Supreme Court is easily the best organization to clarify it. I haven't seen the opinion as a whole, but I gather that they have really done a job in this particular field and that's the organization to do one. Then, secondly, of course it's the strongest kind of support, apparently, for the position which the President took in his message on this whole tax-exemption subject.
Q. On the clarification angle, did they clarify this
general thing as to what are sovereign and what are
non-sovereign activities?

A. I think not. I haven't seen the opinion—that is perfectly
honest. But my understanding is, which I gather more from
Mr. Justice Butler's dissent, was that they didn't put it
on that basis at all, on that distinction between governmental
and proprietary activities, but went into the problem head-on.
As I understand, they have an elaborate discussion in the full
opinion of all these prior cases in which exemptions have been
conferred on one ground or the other on various types of
individuals employed by governments and their taxability.

Q. Taking all these tax decisions in recent months or in the
last year or so, would you say that the Supreme Court decision
has pretty well cleaned up any uncertainty that exists con-
cerning taxation of quasi-judicial bodies?

A. Quasi-judicial?

Q. Quasi-official rather—quasi-governmental like these port
authorities, etc.

A. Well, there again you'd have to see this opinion in order
to see what they have done—if they have cleaned it up. I
understand it's in this opinion.

Q. Could you elaborate a little bit on the problem they have
clarified?
What I meant is this: We have had in the lower courts hundreds of decisions involving whether particular individuals are subject to tax on their incomes. It's a field of litigation in which the number of cases is all out of proportion to the revenue significance. It's become so involved that to draft a constitutional amendment to cover the situation would be a matter of great difficulty. The court has cut through the underbrush—a major achievement in the field of taxation. Does it follow the general line of reasoning that has been used in some of the dissent—Justices Stone or Roberts?

Q.

A. Roberts' in the Brush case.

Q. Is that the kind of thing it is?

A. Am I taking too much time on this?

H. M. Jr.: I'm having a grand time.

Magill: I'm just speculating—this is like building a pile of matches on the mouth of a beer bottle—when the bottle isn't even there. What he said in the Brush case was that Brush was a citizen of the United States and hence, as a citizen of the United States, he should have to pay the same nondiscriminatory taxes as you and I pay. In this case I gather what they probably said was the man—Gearhart was the name of the taxpayer—
that the fact that he was employed by the
Port Authority and was taxable on his income,
that that tax had no acceptable effect upon the
government of the State of New York or upon the
City of New York. In other words, it was not a
burden on the part of the government to tax
Gearhart on his salary, which is a little different
angle.

Q. Does that clarify the question of whether that sort
of problem can be gotten out by a statute rather
than a constitutional amendment?
A. That's what I gather.

Q. For legislation?
A. Of course, you can't tell how far the opinion goes
until you read it. Of course, you will all know,
being lawyers, that since this is a case involving
a government instrumentality and not involving the
government or State of New York itself, it is con-
celvable that the court might still make distinctions,
but from what I have heard up there they didn't seem
to have done that.

Q. There seemed to be an opposite feeling up there that
it didn't involve the states at all.
A. You will notice what Mr. Justice Stone said off the
bench; he was not passing upon taxation of the Port
Authority itself, but upon the salary of the gentleman
who was employed by the Port.
H. M. Jr.: Do you understand it perfectly?
Q. Always.
A. Anything else?
Q. Mr. Secretary, what is the Greek Ambassador coming up for?
A. Herbert is going to have a little formal announcement for you. He will give it to you right after 3:30. They will make this little payment and they are very happy about it.
Q. Haven't they made one?
A. They made one before—I think it was '36. Here's the whole story, Herbert, if the boys want to look at it. Anything else?
Q. Any progress on that bank examination study?
A. I can't see Cy (Upham).
Upham: No, I'm hiding, Mr. Secretary.
H. M. Jr: What's the answer to that?
Upham: There's no progress—Mr. Folger is out of the city.
H. M. Jr: We are waiting for the return of Mr. Folger to the city. The answer is we are still trying to get together.
Q. Isn't this thing dragging out longer than you anticipated?
A. Oh, I think a lot of things in Washington drag much longer.
Q. What's holding up the signature of the tax bill?
A. That's a good question.
Q. Can you give us a good answer?
A. Yes, but I won't.
Q. You two fellows (H.M. Jr. and Magill) look like the guilty parties to me—that's not an accusation, merely an observation.
A. Well, Magill and I always pay and pay and pay. Anything else?
Q. Thank you, Mr. Secretary.
Q. As I remarked to Mr. Gaston, this isn't a fixed press conference—he came in with us.

R.M. JR.: So he hasn't had a chance to coach me. All right, gentlemen. It's a nice day.

Q. Mr. Secretary, are there any arrangements to resume silver buying with Mexico the 1st of June?

A. Not that I've heard of.

Q. Any negotiations looking toward that?

A. Not that I've heard of.

Q. Speaking of Mexico, Mr. Secretary, is the department taking any steps of any sort to look into the reported smuggling of arms and ammunitions across the border?

A. It hasn't been brought to our attention. I will give you fellows one that doesn't come from the State Department, so I can give it. I don't understand it. I understand (you fellows can check up on it) that the Minister of Foreign Affairs and the Secretary of the Treasury of Japan have resigned.

Q. Is that one individual?

A. Two. You fellows can check that. You never got it here, see. It doesn't come from the State Department—I was told that an hour ago.

Q. The Minister of Foreign Affairs?
The Minister of Foreign Affairs and the Minister of Finance were supposed to have both resigned and I will give it to you for what it's worth and it did not come through the State Department. That's just my morning's offering, but you didn't get the lead here, see, and you do have sources to check it, but I just can't understand it—that I should have that for one hour and there's nothing on any of the tickers.

Q. We are not that good. Think of all the things you have had for more than an hour that haven't been on the ticker.

A. No, but if this is accurate I just can't believe it. The source is the highest but it didn't come from this country.

Q. Any intimation as to the time?

A. No, that's enough.

Q. This information did not come from this country?

A. It did not come from this country—I got it on the overseas telephone.

Q. We will check it.

A. You can check it.

Q. It sounds like England.

A. I am just giving it to you for what it's worth, but, as I say, you understand how to handle it.
Mr. Secretary, what's happened to the French franc?
They said they would defend it at 2.79 1/8--yesterday it tipped to 2.76 3/4.

A.
Officially, I know nothing.

Q.
They gave it two months, but it's only two weeks, to stabilize. Have you heard any news about that situation?

A.
I can't even joke about it.

Q.
Have you seen the French Ambassador and talked over the Transatlantic telephone?

A.
I have no comment to make.

Q.
Can you make any general comment on the foreign exchange situation which has been quite erratic?

A.
It's a minute-to-minute thing and they simply tell me it seems a little less nervous, but it seems that today it's a little less nervous than it has been in the last three or four days.

Q.
Mr. Secretary, we'd like to file a story about the franc today; could you give us something?

A.
I can't help you, sorry.

Q.
Mr. Secretary, you remarked that the situation was a little less nervous; that applies generally?

A.
In the foreign exchange field. I'd say the foreign exchange field today was slightly less nervous than it has been over the weekend--I mean, it's getting a little bit less nervous.
Q. There was a report several days ago that Spain had shipped a large amount of gold.
A. I read it—I have no information on that.
Q. Mr. Secretary, are you going over to the White House again for a final conference on the tax bill?
A. I am going to the Cabinet meeting at two o'clock.
Q. Are you going over there at any other time during the day?
A. I am going to Cabinet at two o'clock.
Q. I know; I understood that. I mean, what I wanted to know — 
A. I was afraid you didn't.
Q. --was if you were going over at any other time today.
A. My answer is I am going over at two o'clock.
Q. You mean that's the only time you are going over there?
A. It's raining and if you fellows want to get out your rubber boots and bathing suits, God bless you!
Q. Sandy (Klein) hasn't a bathing suit.
A. Well, then, he can use the world's best bathing suit—think that one over.
Q. You fellows shouldn't kid me when I'm trying to get news. (Klein)
A. That would be quite a picture, wouldn't it?
Q. Right in front of the White House.
A. In the world's best bathing suit.
Q. You might talk it over with the President before or after the Cabinet meeting.
A. You mean about Sandy? (Laughter)
Q. The tax bill. Sandy is muscle-bound.
A. He wasn't the other night on the dance floor.
Q. No, I was some stuff.
A. What else?
Q. Is there anything on financing?
A. There won't be --.
Q. Until after the executive meeting?
A. Well, yes.
Q. The fiscal picture doesn't look so bad for the rest of this fiscal year.
A. It depends on which paper you read.
Q. As a matter of fact, I did write a story. (Gregory)
A. Well, as a matter of fact, you've just got a guilty conscience.
Q. I haven't.
A. Your office has.
Q. You've just got a guilty conscience—I haven't gone through the clippings this morning.
Q. The paper I referred to was the Treasury Daily Statement and on the basis of that, doesn't it look pretty good as far as the deficit, etcetera?
A. I don't want to get on that—I think the statement speaks for itself.

Q. Mr. Secretary, anything on bank examination?

A. No.

Q. When do you expect something on that?

A. Golly, I don't know.

Q. Mr. Secretary, can you tell us anything about your weekend plans? How long are you going to be away or if you are going away?

A. Are you writing a society column?

Q. Well, frankly, I want to leave town and I hoped you were going away for a long weekend.

A. Well, I'll be going up to the farm Friday night.

Q. You couldn't go Friday morning?

A. No.

Q. Mr. Secretary, on the franc, could you say whether cooperation is still continuing under the agreement with the French?

A. You fellows just killed any comment on the franc for me, so no news on the franc.