PRESS CONFERENCES

BOOK 11:

JUNE 2 - DEC. 19, 1938
Agriculture, Department of
Subsidies - 10/13/38

Appointments and Resignations

Upham, Cyril B. - sworn in as First Deputy Comptroller, Vice Marshall R. Diggs, 10/1/38 - 10/1/38

HJr's statement re Upham's appointment - 10/1/38

In order for Preston Delano, incoming Comptroller, to bring his own assistants Oppergard, Goodwin Jr., and Diggs, Marshall R., Deputy Comptrollers of Currency, asked to resign - 10/1/38

a) HJr arranges for FDIC to employ them to 1/1/39 to give time to get located - 10/1/38

b) No action to fill third Deputy Comptroller's job will be taken pending retirement of incumbent, 9 months hence - 10/1/38

Delano, Preston - to take office as Comptroller of Currency as soon as he recovers from illness - 10/20/38

Duffield, Eugene S. - appointed Assistant to the Secretary, November 1, 1938 - 10/31/38

Arita, Japanese Foreign Minister

Japan - 12/19/38

Banking

Uniform examination study progressing; HJr optimistic of results - 6/6/38

a) Both majority and minority reports will be submitted to President - 6/6/38

b) Plan does not require all agencies to participate - 6/6/38

HJr stated FDIC, Comptroller of Currency and Treasury, in drawing uniform bank examination report for President "had just one thing in mind....the interests of the depositor, first, last, and always" - 6/20/38

a) Hopes to have complete agreement of all committee members - 6/20/38

All members of Committee on uniform bank examinations agree and will submit unanimous report to President - 6/21/38
Banking (Continued)

a) If approved by President will be put into effect immediately; will not need empowering legislation - 6/21/38.

National Association of Supervisors of State Banks through its President, William R. White (also Banking Commissioner of New York State) telegraphs approval of uniform bank examination program. (See telegram on page 87) - 6/23/38.

Except that SEC consulted Treasury re proceedings taken against Bank of America National Trust and Savings Association, HM Jr. has no comment to make on subject - 11/26/38.

Bank of America, National Trust and Savings Association

SEC Banking - 11/26/38

Bank of China

SEC China - 12/15/38

Belgium

SEC Business Conditions - 6/2/38

Brazil

SEC Business Conditions - 6/2/38

SEC Gold - 11/17/38

Budget, Bureau of

SEC Budget Matters - 11/21/38

Budget Matters

HM Jr., Hanes, and Bell (DW) discuss budget and tax matters with President and work with him on January 1939 budget message to Congress - 10/10/38

Improvement in business conditions being considered in preparing January budget - 10/24/38

Committee on Fiscal and Monetary Affairs, composed of members from National Resources Board, Federal Reserve Board, Bureau of the Budget, and HM Jr. met November 21, 1938 - 11/21/38

a) Committee does not have check on Federal Reserve's or other members' policy actions - 11/21/38

b) Committee acts as "clearing house" of mutual problems for the President - 11/21/38
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   business are not due to depreciation in foreign
   currencies; to the contrary export business "is
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   averaging approximately $100 million a month -
   6/2/38............................................... 9

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   1) Stabilization Fund; 2) Tripartite
   Agreement; and 3) State Department trade
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b) Under these 3 instruments, competitive
   devaluation of currency stopped - 6/2/38.
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      last couple of years; moves with
      sterling - 6/2/38............................... 10
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      basis - 6/2/38............................... 11
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   American business men meet in foreign
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   affect their business positions in world
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Financing, Government

Beginning June, 1938 through August, 1938 weekly
bill offerings increased from $50 to $100 million
(tentative program) - 6/2/38.......................... 1
a) $250 million "specials" due 6/15 & 16 will
be retired - 6/2/38.......................... 2
b) $250 million due 6/22 will be retired - 6/2/38.......................... 2
c) By 6/31 will have $1.3 billion in bills - 6/2/38.......................... 2
Financing, Government (Continued)

1. Reduces public debt $100 million...... Book 11: 8

   d) Program does not contemplate selling bills against September and December income tax receipts - 6/2/38................................. 2-3

   e) $250 million will be retired out of tax receipts - 6/2/38................................. 4

   f) Beginning 6/22/38 $100 million of weekly $150 million will be refunded for 5 weeks - 6/2/38................................. 4

   g) Holders of $618 million notes maturing in June will be offered another security in exchange - 6/2/38................................. 6-7

False information in N.Y. papers causes bond market rise. EMJr calls second press conference to clarify earlier statements which were misinterpreted - 6/2/38................................. 22-26

   a) Holders of June and 536 million, 2½%, September notes may convert to new September security; - 6/2/38................................. 22-26

   b) Unconverted notes will be paid in cash - 6/2/38................................. 24-26

   c) Interest will be adjusted - 6/2/38................................. 24-26

   d) Type of security and interest not announced - 6/2/38................................. 24-26

Two bond and 1 note series offered only in exchange for notes maturing June 15, and September 15, par for par - 6/4/38................................. 28-43


2. 25-year, 2-3/4%, bond maturing 1963, in exchange for June and September 15 maturities listed above.

3. 5-year, 1-1/8% notes, Series A-1943, in exchange for June and September 15, 1938 maturities listed above.
   a) Bonds issued in "bearer" form or "registered as to principal and interest" - 6/4/38................................. 28-29

   b) Notes issued only in "bearer" form - 6/4/38................................. 28-29

   c) Interest on September notes will be adjusted when converted - 6/4/38................................. 28-29
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a) Bonds and notes have lowest interest rate yet given - 6/4/38


SEC Departmental Circular No. 584 dated June 6, 1938 on bond offering - 6/4/38................. 34-36

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Treasury will borrow funds on market for RFC, after which "they will be on their own" - 7/7/38

a) Decentralized borrowing of distributing different securities in the market, "good fiscal policy; ----gives a larger assortment of merchandise" to public - 7/7/38

RFC notes oversubscribed 13 times; allotment on basis of 8 %; totals approximately $210 million - 7/14/38

$400 million 12-14 yr., 2% bonds (bearer with interest and registered as to principal and interest) maturing 1950-52, at par and accrued interest from 6/15/38 offered for 9/15/38. (See Departmental Circular No. 593, pages 169-72) - 9/7/38................. 104-05

$300 million, Series A-1943, 1-1/2% notes, at par and accrued interest from 6/15/38 offered for 9/15/38. (See Departmental Circular No. 594, pages 173-76) - 9/7/38................. 104-05

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Internal Revenue, Bureau of

Two new division offices established to handle income
tax cases (similar Pacific Division) in:

a) New York City, with branch at
   Buffalo - 6/9/38
   2. Chicago, with branches at Indianapolis,
      Milwaukee, and possibly Springfield -
      6/9/38

b) Pacific Division head - quarters will be in
   San Francisco with coordinating offices at
   Los Angeles, Seattle, Salt Lake City, and
   branch office at Portland - 6/9/38

c) Permanent staffs assigned in all cities;
   approximately 650 people transferred from
   Washington - 6/9/38

d) Treasury requests Board of Tax Appeals to
   establish branch office in New York -
   6/9/38

1) 25% of total number of income cases
   are in New York

2) 50% of total money involved in New
   York cases

e) Plan eventually will cover whole US - 6/9/38

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Japan

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- Incoming gold will be handled as in past, no change in system - 9/15/38.
- U. A. L. Mallett, Counselor of British Embassy, consults with Treasury officials re Tripartite Agreement - 9/19/38.
- NY WR does not anticipate market panic and sees no indication thereof; no need to close New York Stock Exchange in event of war - 9/19/38.

- In order for US to remain "financial center" of world, our markets must be kept open - 9/19/38.
- Influx of gold abating - 9/22/38.
- As far as humanly possible, Treasury is ready to meet any situation which may arise - 9/26/38.

- NY WR says "off the record", any one casting doubt on wisdom of gold policy, involving $13 billion plus, without offering a good substitute is "taking on huge responsibility" - 9/26/38.

- a) Administration could lend money to foreign nations, but NY WR prefers gold to defaulted foreign securities - 9/26/38.
- 1. 70% of foreign debts in default since 1900.

- NY WR says gold in inactive fund and stabilization fund sufficient safeguard against sudden withdrawals - 9/29/38.

- French franc sinks below level at which Daladier Government decided to stabilize and defend it - 10/10/38.

- a) Now 2.65-3/4 against defending price of 2.71 - 10/10/38.
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"Impolitic to make official statement" on exchange situation, decline of British pound sterling - 10/24/38

a) HMJr satisfied that newspaper stories on subject "represent very good cross-cut of opinion in Washington" - 10/24/38

b) Tripartite Agreement operating satisfactorily - 10/24/38

HMJr has no news about, and does not know source of rumor that, British pound being devalued to $4.50

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a) England definitely denies rumor - 11/14/38

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Wheat

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SEE Internal Revenue, Bureau of - 6/9/38
H. M. Jr. : Well, I can give you a little news today, anyway.

In connection with our June 15 financing we are not going to ask for any new money. (Laughter) A few bets around here?

Q. Yes, two of us—we bet against Friedheim. (Klein)

A. I see; which side is he on?

Q. He's on the losing side this trip. Not much involved—only a dime.

A. Around here on these important things we only bet a nickel. And on the bill program, we have laid out a program tentatively—I mean, these things are always subject to change, but it's a little bit complicated and what I am going to do is give you the way we have mapped it out (handing out photostats) but this, like everything else, is subject to change because Congress is still in session and we don't know what they may do in the way of appropriating money, but this is the way we are looking at it as of today. On account of its being so involved I thought it would be helpful to let you take a look at it. If that isn't plain, what we are starting next Monday is to offer a hundred million dollars in bills. Beginning with Monday, instead of fifty—and what we are proposing to do from now on, as I say, subject to change, this goes through
August 31—I'm not committing myself—will be to offer every week a hundred million dollars worth of bills, and, as you see, that means we will retire the two hundred fifty million worth of so-called specials coming due on the 15th and 16th—we will retire those and then when it comes to the 22nd and we begin to have maturities of 150 we still will be selling during that period—we will retire another 250, so beginning with July 27, why, if we hold to this program, why we will be offering a hundred million. So it means that the end, if we go through with this program, we will have a billion, three hundred million in bills.

Q. At what time?
A. By August 31st.

Q. As contrasted with?
A. A billion and a half.

Mr. Bell: Well, in that billion, five hundred million, there's 250 million of special issues.

Q. But you will again have specials?
A. No.

Q. You will not?
A. No.

Q. This contemplates no bills being sold against the September income tax collections?
A. That's right.

Q. Nor, as far as we can tell from this, against December?

A. That's right.

Q. You are not retiring any of these bills in June?

A. We will retire the 250 million of special maturities.

Q. Then you are going to borrow them back in July and August.

Mr. Bell: No, then you are retiring one hundred million of maturities on the 29th of June.

Q. So there will be 350 retired.

Mr. Bell: In June, including the 250 million of specials. Then you will retire the additional 250 million in July, then when you come to July 27th you will have followed the program again by issuing $50,000,000 additional to the maturity issues.

Q. That special maturity in June will be paid from tax receipts. And you are refunding the remainder coming due that month.

Mr. Bell: We are refunding the $100,000,000 of the regular issues coming due in June and will refund $100,000,000 additional on the 22nd and 29th.

H. M. Jr: Beginning with Monday we are going to sell a hundred million dollars worth of bills a week and we will keep that program--a hundred million.

Q. For how long a period--until the end of the year?
A. But then this very technical explanation takes care of the 250 million worth of tax bills--there's five issues of 150 million coming due. We will still keep on and on July 27 we have 150 million and we still sell one hundred. We are getting this big program on a hundred-million-dollars-a-week basis.

Q. The plan or program under which you retired fifty million a week is now terminated?

A. That's right.

Q. And you begin on money refunding?

A. No, we begin to offer a hundred million a week.

Q. Turning over the whole amount?

A. That's right.

Q. Then retiring out of tax receipts the 250 million specials?

A. That's right.

Q. Refunding one hundred million of the 150 million starting on June 22?

A. That's right.

Q. Running through the five weeks, refunding that offer to 100 million.

A. That's right.

Q. And then building the thing up to where you will have 150 million of bills outstanding.

A. You've got it.
Q. Of 90-day bills and 100 million maturing each week.
A. That's right. Unless something comes up that we don't know about--Congress is still in session--this will be the program, but I give myself an out because something may happen that I don't know about. But unless something should come up that I don't foresee, this will be the program from now until the 1st of September.

Q. Since you have it so definitely arranged you don't contemplate anything coming up?
A. I said something—I don't know about something I can't foresee. I thought you should see this (photostat)—you got it quicker than the Federal Reserve Bank, and if somebody repeats that I will murder them and this time I will go through with it.

Q. Mr. Secretary, you say 'no new money'; that contemplates no 250 million to replace these special bills?
A. That's right.

Q. In other words, it's just an exchange offering on maturing notes.
A. As of June 8. We've got a billion and a half bills outstanding—when this program is completed we will have one billion, three hundred million outstanding. We don't contemplate any September tax date bills.

Q. But I am asking now about the June 15th offering.
A. It will be an exchange.
Q. Only?
A. Only.
Q. $618,000,000 of notes, whatever the new security is?
A. I don't want to talk about exchange at all, if you
don't mind.
Q. You can't tell us the type of security?
A. No, because I don't know. I might have something
tonight for you. Gaston may have something for you
then. I don't know because the thing hasn't jelled
yet.
Q. What was that figure? $618,000,000?
A. I don't want to use any figure.
Mr. Bell: That's the maturing issue, Mr. Secretary.
Q. There will be an exchange of the 618 million.
A. Yes, we will offer the maturity an exchange.
Q. Mr. Secretary, just on that point, you started out by
saying there would be no new money.
A. We will give the people an exchange and then ask for
new money through a bond or note or something. I
mean, we go out and ask the way we do when we need
new money.
Q. That's why I was a little puzzled, but your objection
to mentioning the amount of the maturity as being the
probable amount of the new issue.
A. Well, I don't want to explain it. I just didn't want
to discuss it.
Q. I didn't understand you to say you objected to the mention of the 615 million.
A. I don't object.
Q. You can say that the 615 million issue will be refunded.
A. I'd leave it alone. That doesn't mean anything, but unless you have to write on it I wouldn't touch it, if that bothers you -- .
Q. The only question that raises is whether you are going to retire a portion of the maturing notes.
A. No, no.
Q. That's all right.
A. Anyone bothered on that?
Q. Mr. Secretary, I assume as a result of this program, you are trying to preserve your working balance at a high level to meet the heavy expenditures coming due in the first quarter of the new fiscal year.
A. Well, you can say that, but I'd leave out the quarter.
Q. Because of heavy expenditures?
A. Well, yes.
Q. Your bills will go down to a billion-dollar minimum.
Mr. Bell: On July 20, yes. The week before the 27th and then they will start to rise again the following week.
H. M. Jr.: Everybody got that now? Got it all?
Q. Well, I notice you speak only of the end of August—could you project that hundred million dollars weekly through September?
A. No.
Q. I mean on the new issues.
A. This program takes it through to August 31st.
Q. Well, beyond that there's four weekly issues of $100,000,000.
Mr. Bell: Yes, when you get to that point you begin to roll over the hundred million you issued on June 6—that's the end of the June cycle. On September 7 you have a hundred-million-dollar issue which will be the maturity issued on June 6—that completes the cycle.
H. U. Jr.: Those things have gone beyond that—that's just maturity date.
Q. This one billion, three, is the total outstanding bills on August 31st?
A. That's right.
Q. In other words, a reduction in the public debt of two hundred million?
A. That's right—in bills.
Q. You go down on bills five hundred million and you go up three hundred million.
A. And when we are through we have two hundred less than we have now.
Q. I don't see how you can afford to do that. I know you have a big working balance but you will have some pretty heavy expenditures.

A. Well, unless Bell and I are completely wrong—and it will be the first time we are—we can do it.

Q. If you are through with financing, I'd like to ask about a rather lengthy debate in the Senate on Tuesday on money and the operations of the Stabilization Fund—the contention was made there that a part of our troubles over falling commodity prices and slow business are due to the fact that foreign currencies have been depreciated, particularly those of the Orient, Brazil and France. I wonder if you would make any statement whether you believe depreciation of foreign currency has contributed to our troubles.

A. I think quite the contrary, because if anybody will take the trouble to look at our export figures and the export business which our manufacturers are getting—it's the only bright spot in our whole business picture. They are buying it with a much less valuable dollar than they were. That's something else.

Q. The only bright spot in the American business so far this year has been our export business and the reason for that is that the competitive position of the American exporter is to his advantage—an advantageous position, as compared to his competitors in the rest of
the world, and, therefore, they continue to buy
our goods and we have been running a favorable
balance of about a hundred million dollars a month.

Q.

Way up.

A.

Way up, yes. And, as I say, the only bright spot in
the whole business picture is our export business,
which is up to—certainly the last figures I have
seen—has continued to hold up and that's only true
because if we were at a competitive disadvantage we
couldn't sell, but we still hold a good position for
American goods in the world market. Our competitive
position is still good and, therefore, we continue
to sell.

Q.

How about farm products?

A.

Well, I'm talking about the whole thing.

Q.

You did say manufactures.

A.

I mean, American exports are still—the people want
them at the price of the dollar and due to the fact
that we've got a Stabilization Fund, plus the fact
that we've got a tripartite agreement, that we
stopped this race of competitive devaluation. Now,
if we didn't have a tripartite agreement, and if we
didn't have a Stabilization Fund, I don't know what
would happen in the race of competitive devaluation
which went on up to the time we had these two in-
struments to stop it.
Q. Mr. Secretary, would you say the Stabilization Fund is more responsible for the gain in exports than the trade agreements? Most of those trade agreements are with countries not in the Stabilization Fund operations. I won't answer you directly, but I will put it this way. It's Mr. Hull's policy of trade agreements, plus the wherewithal that they are going to pay with—it's the trade agreements, plus the tripartite, plus the Stabilization Fund—the combination of the three—which is—. I am very glad you drew my attention to that, but I was thinking just in terms of the wherewithal they pay—the combination of the three.

Q. Can you say anything about the position of the adherents to the tripartite agreement? If all these nations outside of it, like Brazil and Japan, which have no commitments under that agreement—

A. In the case of Japan, she has not depreciated her currency in the last couple of years—it stays fixed other than that it moves with sterling. The Brazilian situation—I don't want to be quoted, for background—they are all tied up with exchange control and the exchange is fixed and it doesn't move any more readily there than it does with a lot of other countries. The Japanese do not have exchange control and it follows sterling—the only country that has lowered its money is France.
Mr. Secretary, would you elaborate on the competitive advantages that foreign businessmen know they can get? The exchange is open in the United States and is not in other countries.

No, that isn't what I mean. We run a series of studies here and the American manufacturer has three kinds of competitions to meet. We will not use any country—we don't want to name any country. The American manufacturer has to meet competition in X country with the manufacturer of this country. Then in X country he has to meet that competition in say some South American country and the third point is the manufacturer in X country competes with the manufacturer in our own country. There are three points of competition and we run a very complicated series of charts based on prices and information we get by cable constantly and we run that—a constant question of these three points of competition. I will use countries to make it plainer but don't you use countries. The American manufacturer competes, see with the English manufacturer in England in automobiles; the English manufacturer competes with us in steel; then we meet the English manufacturer in Brasil.
There are three points of competition and we constantly study this and our relative position balancing those things during recent difficult times has constantly improved.

Q.
That's not an accident.

A.
It isn't an accident and the fact I am right is—all you've got to do is look at our exports—it's the one bright spot. It's a combination of Mr. Bull's trade treaty plus the fact that the American dollar is stable. Does that make it plain?

Q.
Except for one thing: If our position has improved why hasn't that of England and France improved also, with their Stabilization Funds?

A.
Don't quote me. In France you get into the question of domestic price levels—the cost of living. The same thing is true of England. You've got to take their own situation. It's too early to tell but when Belgium changed the price of their currency the cost of living went up so high it almost offset that and they didn't gain so much. You've got to immediately get into the domestic situation and what price situation is. That whole thing. We do watch it and study it and I know we've got better figures than any other country in the world and we are the only people that have got them and taking all of those situations into consideration the answer is our position with the rest of the world, even though all
of world business has gone down—we have still held our position and that's what sometimes these people mean when they talk about the dollar being overvalued or undervalued. Are we together? You just never asked me that before, but, believe me, I am studying it all the time and I have got to—it's part of my job and it's part of the job of the Stabilization Fund to have the best information available and I think we've got it. It will cost us a lot of money to get it, relatively speaking, but I think what we've got is priceless because we know what our relative position is.

Q.

That also sets up gold rumors which came out last week that Lloyds is taking up bets you are going up to $41.00 next year.

A.

I'd say there isn't any reason and I again refer you to the Department of Commerce export figures and talk to any manufacturer with an export business and he will tell you it's the only part of his business that has held up. Any exporter will tell you that. Take a look at the automobile figures. It's perfectly remarkable the way their exports have held up.

Q.

One of these Bureau of Agricultural Economics expert economists made a speech recently and he said one of the big difficulties in selling cotton abroad was the fact that we are up against a situation that other countries are constantly manipulating their currencies
to offset a price advantage Americans might have.
In other words, they are competing with currency.

A.
I don't know who it is but I just don't think our
business is.

Q.
But that's true in certain countries like Brazil.

A.
In the Brazilian picture, they don't have any fixed
price, and, as I say, for background, I don't know
the exact figures but the last I heard is that they
are months and months behind in their payments and
if you sold cotton to Brazil—you wouldn't sell cotton—but if you would sell machinery, I don't know how
many months they are behind in their payments. What's
their money worth, at any price?

Q.
In other words, let Germany and Italy do business with
them if they want to.

A.
The point is I don't want to be knocking Brazil but
you've given me an example; if you could get your money
at any price what is it worth. They are months and
months behind in their payments and it's difficult
for the American businessman and if he, knowing that,
wants to continue selling to Brazil I think he should
have his head examined.

Q.
There are other countries like that down there.

A.
Yes, but take Argentina—she's in good condition and
pays cash. The American businessman doesn't have any risk,
but when the American businessman goes into a
country where he knows they can't pay and you
don't know whether you are going to get paid in
sixty or one hundred and twenty days it's very
difficult to say what the currency is worth.

Q.
Isn't that due to the lack of exchange?

A.
Well, they've got a situation—yes, they haven't
got sufficient foreign exchange to meet their imports.

Herbert, I'm talking plenty freely but when we are
naming countries I wish you wouldn't credit them to
me, please, no quotes to be credited to me, please,
because these are all friends of ours.

Q.
Mr. Secretary, there's a story in the New York Times
this morning.

A.
No! A story in the New York Times!

Q.
That by the 15th of July we will have purchased 250
million ounces of silver from China.

A.
Didn't the United Press carry that first?

Q.
Yes.

A.
I don't know. Herbert, did you handle that?

Mr. Gaston: It's really more than 250.

H. M. Jr.: You've been holding out on the boys.

Q.
I tried to be conservative, Mr. Gaston.

Q.
How about the Mexican silver? Anything new on that?

A.
Mr. Gaston handled that—whatever the figures are and
whatever Gaston wants to tell you, I don't know.
I don't know what Gaston did tell you. Whatever
he did, it's all right.

Q.

Is there any new agreement contemplated with China?

A.

Nothing immediate, no.

Q.

Mr. Secretary, on that Chinese question, last December
you said you were extending the Chinese agreement for
the first six months of this year.

A.

Yes.

Q.

The information that was published the other day spoke
of schedules of shipments ending July 15. Does that mean
that the agreement has been extended past June 30th or
will be?

A.

We entered into another agreement with them.

Q.

For how long?

A.

I really don't know. I'd have to look it up.

Q.

Another six months?

A.

Oh, I would rather not date it.

Q.

When does it begin?

A.

It began.

Q.

It has already begun?

A.

Yes. I don't want to date it, if you don't mind.

Q.

Mr. Secretary, a few weeks ago, two competitions were
announced for the design of Federal buildings.

A.

Yes.

Q.

Is that a new policy?

A.

Well, we simply, after a number of years here, we've
worked out what we think is a very satisfactory technique.
on competition. We worked it out in connection
with murals and then we run competitions for stamp
designs, coins and finally our advisory group of
architects came through with what I felt was a
satisfactory suggestion as to competition for build-
ings. I have been very loath to do it because the
methods we have been using for four years have been
satisfactory but it didn't give unknown architects
a chance to compete for government business. Now
we took a $50,000 building and we took a $300,000
building to try it out and the method that we used--
any young architect could compete because all he's
got to submit is a drawing; he doesn't have to have
any office because we can give him the technical
assistance to complete his drawing. In this way we
think, just as it has in murals and stamps and coins,
we may find some fellow as we did in Chicago--a
teacher for relief; in Rye, New York, one of our very
fine statue competitions and they give these young
men or women a chance to get on government business
and if these two are successful we expect to use that
method entirely.

Q. Mr. Secretary, what's the situation on retroactive
taxation of State and municipal employees?
If you don't mind, Gaston will take you in to see Magill or anybody else who wants to see Magill. I'm not up to the minute on that but anybody that wants that, Gaston will take you into Magill.

I have one more question, if I may. This request for direct relief monies was supposedly made largely at the instance of the Treasury. Can you tell us what you have in mind in suggesting that direct relief?

Well, what I think is this: In the present situation where we don't expect Congress to meet again until after January and not knowing whether the economic situation is going to get better or worse, I think the wise thing to do would be to give the President of the United States the right and the say—he's had it before in other bills—to transfer funds from one—is the word appropriation or group—one title? What do you call it?

Mr. Bell: Titles.

A. That he should have the right to transfer funds from one title to another in order to take care of the situation adequately.

Q. Did you discuss this with the President?

A. Have If Yes.

Q. In other words, you are opposed to earmarking funds?

A. Yes.
Q. Is there some particular situation like Chicago or Cleveland that demands this sort of treatment?

A. Well, we have Chicago, Cleveland, Toledo, Flint, Detroit on our hands now, and, as I say, I don't know whether the situation is going to get better or worse, and as I say, I think the wise thing to do would be to give the President that flexibility so if the situation does get worse he would have the right to be able to transfer funds as between titles in that bill. Is that clear?

Q. That's clear.

Q. Mr. Secretary, is the unemployment fund involved in this direct-relief question?

A. Well, the way, as I read the record, the way I understand it, they made it possible to take $125,000,000 out of WPA but what I am suggesting is, I mean, if I were asked, is that the President should be able to transfer funds between any title for any purpose that would put people to work or put food in their stomachs or clothes on their backs.

Mr. Bell: Your question went to the Unemployment Trust Fund?

Q. Yes.

Mr. Bell: No, it isn't involved.

Q. You were not specifically asking for this particular kind of appropriation?
H. W. Jr.: That's part of it, but as long as they asked me I
would go much further so that he has the power to
meet whatever emergency may arise between now and
the time Congress meets again.

Q. Wouldn't it be simpler to appropriate one billion
one hundred twenty-five million and say go ahead?

A. No, what I said was this: That if the right to
transfer any amounts between titles - - .

Q. Can you give us an example of what you mean?

A. Well, as I understand it, there's money for WPA and
PWA, CCC, what else?

Mr. Bell: Not in this bill. Farm Security, National Youth
Administration, PWA.

H. W. Jr.: That he have the right to transfer funds between
those titles.
H.M.Jr.: The reason I am seeing you myself--I am not looking at anybody in particular and I don't know who wrote it, about mentioning whether we were making this offer to June--and I watched very carefully--one of the services in New York got the impression it was only going to be June. Somebody got a story that the only thing we were going to do was June and I said very carefully I wouldn't write it that way but it's gotten to New York--that there wasn't going to be anything doing until about September. All I said was it would apply to June 15; I didn't say whether it would apply beyond that.

Q: They took your word and everything went up about a half a point. I am not criticizing; I never scold. I just wanted to explain why I was so careful. Now I know what I am going to do but I didn't know this morning. I try to be terribly careful. New York definitely misunderstood it, for some reason or other, but New York always misunderstands Washington. Anyway, all we now know--this is for tomorrow morning's papers--we are going to make the same offer to September as we are to June.

Q: Immediately?

A: Next Monday and that will be the only offer that September will get.
Q. I don't quite get that.
A. Let us say whatever it is going to be, bond or note—we offer June the right to convert—we will say into a bond. We are going to give September the same right to convert into June. It is whatever we offer to June the holders of the September issue.

Q. How much is the September issue?
A. I'll get Harris to get it for you. It's four hundred million, something. Do I make myself plain? Whatever we offer, let's say it's a bond; we offer the June people the right to convert into a bond; well, we make the same offer to September.

Q. In other words, the September people can convert in June?
A. But that will be the only time the September holders will get a chance to convert.

Q. They've got to do it in June?
A. In June.

Q. What about their interest?
A. If necessary, there will be an interest adjustment.

Q. Ordinarily, they would get another payment of interest on those September notes in September, would they not?
Oh, yes. Well, whatever is fair we will do on the interest adjustment. Harris, what's the September maturity of the note?

Mr. Harris: 2½ per cent.

H.M.Jr.: And how much?

Harris: 696 million.

H.M.Jr.: Do I make myself perfectly clear?

Q.: Absolutely, the only question is no information yet on the type of offer.

A.: No. Whatever offer I make to the holders of the maturing note in June I am going to make the same offer to the holders of the September notes, but that will be the only offer that the noteholders of September will get. If they don't convert they will be paid off in cash.

Q.: When will you pay them off in cash?

A.: In September.

Q.: Yes, that's fair.

A.: The reason we are doing this, I want to clear my decks in September so that, if it is necessary to raise additional money, I can do so in September.

Q.: You are not yet able to tell us the type of security?

A.: No, and this is for tomorrow morning's papers.
Mr. Secretary, can you say whether this offer will be in the form of a bond issue?

Or note issue? No, I don't know.

You have in the past, without giving us the interest rate.

Well, I can't because you are right up to date with me just now. You fellows know just as much as I do.

Maybe we will get another press conference—you haven't decided yet.

I have not decided.

Mr. Secretary, whatever the issue is, it will be the sum of the maturities of the June and September notes.

That's right.

It will not include any replacements for bills?

No, no. It will be roughly about a billion, two, and they both will get the same offer and it will be the only offer they get and those fellows who don't accept our offer we will pay them off in cash.

In other words, can a September holder come around in June and ask for cash?

No, but he has the right to convert to whatever we offer in June, but if he doesn't convert we will pay him off in cash in September, and depending on whether it's a bond or note there will be an interest adjustment.
Q. This conversion will be all taken care of on June 15th?
A. That's right.
Q. So on June 15th the September maturities will be wiped off the books.
A. No, only if they convert— that portion which converts.
Q. That part to be paid in cash will be paid off in September?
A. That's right.
Q. Do you happen to know whether the interest on those September notes is semi-annually or quarterly?
A. I don't know, I'm sorry.
Q. Mr. Secretary, will you have any further meetings with the Federal Reserve people?
A. I don't know.
Q. Before you determine these?
A. I don't know.
Q. Could you say that the financing will be definitely announced Saturday for Monday release?
A. Oh, yes, oh sure. You will get it Saturday noon for Monday morning.
Q. Do you think the government bond market rise today then was due to false information? (laughter)
A. No, but I just was telling this to show how careful your side and my side must be because they take us so seriously.

Q. Do you think it will fall back tomorrow? This is off the record now.

A. Time will tell.

Q. He just got married and wants to turn some profits.

A. You have gotten married? You deny it?

Q. I have three cents.

A. I thought you said you denied it.
H. M. Jr.: There will be a little delay in having the mimeograph copy. Half an hour?

Mr. Gaston: Oh, they ought to be ready in fifteen or twenty minutes.

H. M. Jr.: What is in it, when you get it, is this: To the noteholders of June and September, the Treasury is offering them a 20-25 year 2-3/4 bond, or a five-year 1-1/8 per cent note. Now, to the noteholders of September, which bears a 2½ per cent coupon, if they convert into a note, if they choose to convert into a note, we will give them an adjustment. The best way is to give you an example. That 2½ per cent coupon is semi-annual, so it has a $12.50 coupon on it now. We deduct 1-1/8 per cent interest for three months, which is $2.43, leaving $9.67, but up to the fifteenth of June, it has earned for the holder of the note, $6.25, so he will get cash in the amount of $3.42. If the September noteholder decides to convert into a note he can convert and he will receive in addition $3.42 to compensate him for the difference between the 2½ per cent coupon which is on his present note, and the new one of 1-1/8.

Q. You are simply paying what the note has earned?
A. Yes. What it would earn if he held it up to
September 15. In other words, we are giving him
an adjustment between 1-1/8 per cent and 2 1/2 per
cent, only if the September noteholder chooses
to convert into a note.

Mr. Bell: I would like to explain that the figures you are
giving out are on a thousand dollar note.

Q. This bond interest rate is one of the lowest you
have ever given, isn't it?

A. You go back to the 2-7/8 which we got out on March
15, 1935. That was a 20-25, and that had a 2-7/8
per cent coupon. On September 15, 1936, we got
out a 2-3/4 per cent, which was a 20-23 year, so
for the length of the bond, it has the lowest
coupon rate, with the exception of the Panamas —
leaving out the Panamas of '61, which was a 3 per
cent, fifty-year bond, gotten out in 1911.

Mr. Bell: That was just a small amount — fifty million dollars.

Q. Will there be any public offering of the bond, or
the note, other than conversion?

A. You have to be a holder of either a June or September
note in order to convert, or if someone wants to sell
his rights, you can buy his rights.

Q. How does this note interest rate compare with previous?

Mr. Bell: It is the lowest.
H. W. Jr.: Is it the lowest five-year?
Mr. Bell: 1½ per cent is the lowest outstanding.
H. W. Jr.: When did we sell that?
Mr. Bell: December 15, 1936. That was a five-year note -
the only one outstanding. 1½, sold September 15, 1937.
H. W. Jr.: This is the lowest five-year note.
Q.
In the history of the Treasury?
A.
I think so.
Q.
I've been asked to ask you, what you think of the
business situation?
A.
If you don't mind, these Saturday press conferences
are for financing, exclusively. I don't have a
general press conference.
Q.
All right with me, except I did talk to Mr. Gaston
about a story printed earlier this morning, and it
was suggested I might ask you at this press con-
ference because Mr. Gaston couldn't answer it.
A.
We have always kept these Saturday morning ones
strictly for financing.
Q.
All right with me, except I do want an answer to my
question.
A.
What is the question?
Q.
Well, the story said Mr. Hanes is going to be placed
in charge of tax matters at the Treasury.
A.
Well, Mr. Hanes - the answer is yes.
Q. Mr. Magill leaving in September?

A. Oh, I hadn't thought of that. I mean, in connection with the formal announcement - that's the trouble with that story. Let me just think a minute. I think I have to withdraw my answer because Magill has not notified the President, or me, of his going. I withdraw the statement about Hanes taking over tax matters because I haven't any statement from Magill. You will have to cross it all off.

Q. We can write a 'dope' story, Mr. Secretary. The story today was a dope story.

A. You see, the reason I am thinking about it, Magill, just to talk among ourselves ....

Q. His body isn't cold yet?

A. He has not done anything and I have not talked to him about it, and nobody has given the Treasury finer service, and the last thing I want to do in the world would be to do anything except what would be pleasing to him, and I didn't know this was coming up, and I wish Gaston had told me, and I could have called Magill and asked what his wishes were, and asked "What would you like me to do under these circumstances," and I could have been ready; and the last thing I am going to do is to hurt Magill, because he is one swell fellow, and he has done a magnificent job.
Q. Can we say that it is expected that when Magill sever his connections Mr. Hanes will take over that work?

A. No, because he has not done anything yet. If and when he does ... .

Q. But nobody has written a story officially about Magill's going.

Mr. Secretary, I wrote a story some time ago - I hinted that Mr. Magill would resign and Hanes would take it over, and Alsop and Kintner had a story that you were pushing somebody named Rogge.

A. I know. Normally we don't have any trouble, because when we have something official to tell you, I tell you, and I think that is one reason I have gotten along as well, because if I have a story I give it to all of you at one time. If you want to do this, on account of this story in the Wall Street Journal, call it a 'dope' story, or a 'thumb-sucking' story - all right, but don't credit it to high officials or anybody else.

Q. All right.

A. See what I mean?

Q. Yes.

A. If you will do that I'll appreciate it.
Q. Yes.
I want to thank you for the photostatic copy on
the bill program. I appreciate it, and I am sure
everybody else did. It was good but I couldn't
understand it.
It was swell - very clear.
A. Do we understand each other about Magill and Hanes
coming over here?
Q. Yes.
It still leaves it up in the air, how to handle
Magill's leaving.
A. What I am asking you, in all sincerity, I want to
be discreet; I don't want a story on Magill going
back to Columbia. He is entitled to a statement
and a letter from the President, and I want him to
have that, and, therefore, when he gets ready to
make the move, I think he should write to the
President, and he's entitled to get a letter.
Q. But that story has been written.
A. But it has never been confirmed, officially, and
after all, he is Under Secretary of the Treasury,
and he is entitled to a formal statement.
Not knowing it was coming, I didn't have a chance to
call him up and ask his wishes. Are we all together?
Q. Oh sure. Swell.
This is for release Monday?
A. If you please - Monday morning.
Secretary of the Treasury Morgenthau announced today the offering, through the Federal Reserve Banks, of 20-25 year 2-3/4 percent Treasury bonds of 1958-63, and of 5 year 1-1/8 percent Treasury notes of Series A-1943, both in exchange for 2-7/8 percent Treasury notes of Series B-1938, maturing June 15, 1938, or 2-1/2 percent Treasury notes of Series D-1938, maturing September 15, 1938. Exchanges will be made par for par, and the offering of the new bonds and of the new notes will be limited to the amount of maturing notes of either series tendered and accepted in exchange therefor. Cash subscriptions will not be received.

The Treasury bonds of 1958-63 now offered only in exchange for Treasury notes maturing June 15 and September 15, 1938, will be dated June 15, 1938, and will bear interest from that date at the rate of 2-3/4 percent per annum payable semiannually. They will mature June 15, 1963, but may be redeemed at the option of the United States on and after June 15, 1958. The bonds will be issued in two forms: bearer bonds with interest coupons attached, and bonds registered as to both principal and interest; both forms will be issued in the denominations of $50, $100, $500, $1,000, $5,000, $10,000 and $100,000.

The Treasury notes of Series A-1943, also now offered only in exchange for Treasury notes maturing June 15 and September 15, 1938, will be dated June 15, 1938, and will bear interest from that date at the rate of 1-1/8 percent per annum payable semiannually. They will mature June 15, 1943, and will not
be subject to call for redemption before that date. The notes will be issued only in bearer form with coupons attached, in the denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000.

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

Subscriptions will be received at the Federal Reserve Banks and branches, and at the Treasury Department, Washington, and should be accompanied by a like face amount of either 2-7/8 percent Treasury notes of Series B-1938, maturing June 15, 1938, with final coupon due on June 15 detached, or 2-1/2 percent Treasury notes of Series D-1938, maturing September 15, 1938, with final coupon due September 15 detached. The notes of both series will be accepted at par. If notes of Series D-1938 are tendered for Treasury bonds, accrued interest on such notes from March 15 to June 15, 1938 will be paid following their acceptance; if such notes are tendered for Treasury notes interest on the surrendered notes will be credited from March 15 to September 15, 1938, and interest will be charged on the new notes from June 15 to September 15, 1938, and the difference, about $9.67 for $1,000 will be paid following acceptance of the notes.

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

The amount of Treasury notes of Series B-1938 maturing on June 15, 1938, is $618,056,900, and of Series D-1938 maturing on September 15, 1938, is $596,416,100. Any of these notes may be exchanged for the Treasury bonds or the Treasury notes, and any maturing notes not so exchanged at this time will be paid in cash when they mature.
Special Treasury bills aggregating $250,306,000, which mature immediately after June 15, and about $190,000,000 interest on the public debt, which becomes due on June 15, will be paid from the Treasury's cash balance.

The texts of the official circulars follow:
UNITED STATES OF AMERICA

2-3/4 PERCENT TREASURY BONDS OF 1958-63

Dated and bearing interest from June 15, 1938

Due June 15, 1963

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER JUNE 15, 1958

Interest payable June 15 and December 15

1938
Department Circular No. 584

Public Debt Service

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, June 6, 1938.

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par, from the people of the United States for 2-3/4 percent bonds of the United States, designated Treasury Bonds of 1958-63, in payment of which only Treasury Notes of Series B-1938, maturing June 15, 1938, or Treasury Notes of Series D-1938, maturing September 15, 1938, may be tendered. The amount of the offering under this circular will be limited to the amount of Treasury Notes of Series B-1938 and of Series D-1938 tendered and accepted.

II. DESCRIPTION OF BONDS

1. The bonds will be dated June 15, 1938, and will bear interest from that date at the rate of 2-3/4 percent per annum, payable semiannually on December 15, 1938, and thereafter on June 15 and December 15 in each year until the principal amount becomes payable. They will mature June 15, 1963, but may be redeemed at the option of the United States on and after June 15, 1958, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be
determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

2. The bonds shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, or gift taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds authorized by the Second Liberty Bond Act, approved September 24, 1917, as amended, the principal of which does not exceed in the aggregate $5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above.

3. The bonds will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege and will not be entitled to any privilege of conversion.

4. Bonor bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $50, $100, $500, $1,000, $5,000, $10,000 and $100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

5. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.
III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, to make allotments in full upon applications for smaller amounts and to make reduced allotments upon, or to reject, applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest; and his action in any or all of these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full.

Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par for bonds allotted hereunder must be made or completed on or before June 15, 1938, or on later allotment, and may be made only in Treasury Notes of Series B-1938, maturing June 15, 1938, or in Treasury Notes of Series D-1938, maturing September 15, 1938, which will be accepted at par, and should accompany the subscription. In the case of Treasury Notes of Series D-1938 tendered in payment, coupons dated September 15, 1938, must be attached to the notes when surrendered, and accrued interest from March 15, 1938, to June 15, 1938, ($6.25 per $1,000), will be paid following acceptance of the notes.
V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve banks of the respective districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve banks.

HENRY MORGENTHAU, JR.
Secretary of the Treasury.
UNITED STATES OF AMERICA
1-1/8 PERCENT TREASURY NOTES OF SERIES A-1943

Dated and bearing interest from June 15, 1938
Due June 15, 1943
Interest payable June 15 and December 15

1938
Department Circular No. 585

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, June 6, 1938.

Public Debt Service

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par, from the people of the United States for 1-1/8 percent notes of the United States, designated Treasury Notes of Series A-1943, in payment of which only Treasury Notes of Series B-1938, maturing June 15, 1938, or Treasury Notes of Series D-1938, maturing September 15, 1938, may be tendered. The amount of the offering under this circular will be limited to the amount of Treasury Notes of Series B-1938 and of Series D-1938 tendered and accepted.

II. DESCRIPTION OF NOTES

1. The notes will be dated June 15, 1938, and will bear interest from that date at the rate of 1-1/8 percent per annum, payable semiannually on December 15, 1938, and thereafter on June 15 and December 15 in each year until the principal amount becomes payable. They will mature June 15, 1943, and will not be subject to call for redemption prior to maturity.

2. The notes shall be exempt, both as to principal and interest, from all taxation (except estate or inheritance taxes, or gift taxes) now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority.
3. The notes will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury in payment of income and profits taxes payable at the maturity of the notes.

4. The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

5. Bearer notes with interest coupons attached will be issued in denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000. The notes will not be issued in registered form.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, to make allotments in full upon applications for smaller amounts and to make reduced allotments upon, or to reject, applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest; and his action in any or all of these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.
IV. PAYMENT

1. Payment at par for notes allotted hereunder must be made or completed on or before June 15, 1938, or on later allotment, and may be made only in Treasury Notes of Series B-1938, maturing June 15, 1938, or in Treasury Notes of Series D-1938, maturing September 15, 1938, which will be accepted at par, and should accompany the subscription. In the case of Treasury Notes of Series D-1938 tendered in payment, coupons dated September 15, 1938, must be attached to the notes when surrendered. Interest from March 15, 1938, to September 15, 1938, on the maturing notes will be credited to subscribers, and interest from June 15, 1938 to September 15, 1938 on the new notes will be charged to subscribers. The difference ($9,672.13 per $1,000) will be paid following acceptance of the notes.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve banks of the respective districts, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or mandatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
Q. Quite a good reception on the bonds today, wasn't it, Mr. Secretary?

H.M., JR. Very good and we will get out a formal notice for you gentlemen for tomorrow morning's papers announcing the close of Wednesday night. Gaston will get it out for you.

Q. The offering of the exchange?

A. The offering of the exchange will be closed Wednesday night.

Q. Can you give us net figures?

A. No, it's too early, but it was very well received.

Q. Can you give us any idea, Mr. Secretary, as to the preference for bonds or notes?

A. I just asked and they don't know. I haven't got the exact figures, but we had to pay a little more money for our bills and it will be along after a while; it was .04 for New York.

Q. That's up quite a bit.

A. Yes, but they were asking for twice as much money. It was .04 against .025 last week, but as I say we are asking for quite a bit more money.

Q. I notice that there was a tendency to sell today in the market, according to long-term bonds—the information our office got.
A. Let's say 2-7/8—it had a terrific drop—it dropped 4/32's!!

Q. That reminds me of October, 1929.

A. Something like that.

Q. I haven't got the figures at my command.

A. Well, as a matter of fact, if you look down this list here—these are the close—everything practically was plus. (Gives chart to Klein after tearing off parts thereof)

Q. I'll take that part.

Q. I don't think he trusts you, Sandy.

A. Oh, yes, but just a little mystery, you know—the Stabilization Fund on the bottom. I'm afraid you might show it to Bert Wheeler.

Q. Mr. Secretary, can you tell us anything about your meeting at the White House?

A. That was White House business. What else?

Q. It was said over there this morning that your conversations would be on relief.

A. Well, Aubrey Williams, Burlew, Bell and myself—so you can make your own guesses.

Q. Mr. Secretary, can you say anything about the bank examination study?

A. No, but for the first time I see daylight on it; we are going to have something; I think it's going to be all right.
Q. When?
A. Well, Mr. Upham had to go out of town for a couple of days and some of the other people are out of town; it's coming along and I see we are going to have something.

Q. Mr. Secretary, when you talk about seeing daylight, do you mean the majority report or minority report?
A. I mean the majority.

Q. Will there be two reports?
A. There will be one action.

Q. Will it cover all three agencies?
A. I hope so.

Q. Are you going to send both the majority and minority reports to the White House, however, with your own report?
A. Oh, yes—give the President all the information—but there will be one action.

Q. When did you say this might be ready?
A. Oh, let's give them another week.

Q. When you say you see daylight, do you mean —?
A. I mean we are going to be able to do something; up to now I wasn't sure we'd be able to do anything.

Q. What you mean is you see the chance of an agreement among all three agencies?
A. No, I see the chance for a step toward uniform bank examination.
Q. You were a little optimistic at first.
A. Yes, then it bogged down and I got discouraged but I am quite encouraged.

Q. Whatever you hope to get then will involve all three agencies? Would that be a correct statement?
A. No, not necessarily. We may go ahead and one of the agencies may or may not go along.

Q. For example, Mr. Secretary--this is mere hypothetical--if the Federal Reserve Board were not in agreement with the majority report and you string along with the majority report and reported that to the President, would the Federal Reserve Board be required to put into effect anything of that sort, or could they go along on their own?
A. They could go along on their own.

Q. They could by legislation be required to, could they not?
A. Yes, but again on that same hypothetical basis, if you happen to have the Federal Reserve Board, and if the Federal Deposit and the Comptroller decide on joint action it doesn't leave many banks as far as the Federal Reserve is concerned. If the State examiners and Federal Deposit and Comptroller all agreed on an action it would take in most of the banks.

Q. Is there any indication of one agency not going along?
A. As Secretary of the Treasury, I've got to be optimistic so I'm still hopeful that we will get joint action.
Q. Your statement that the thing seems brighter and that daylight appears for the first time --.
A. You will be asking what time the sun rises next.
Q. Are you referring to the fact that the State supervisors are working—that's the latest development in connection with their working with the Comptroller and Federal Deposit.
A. This is from my hypothetical friend—from information I got Friday it looks as though we would be able to move towards more uniform bank examination and that's about as good as I can give you today.
Q. Can you say, Mr. Secretary, whether that step will also have any effect on the availability of credit to small businessmen?
A. Not necessarily.
Q. Will your plan require legislation?
A. No.
Q. It would involve some relaxation, Mr. Secretary, would you say?
A. I don't want to qualify it.
Q. Anything on the foreign situation, Mr. Secretary?
A. It's Whitsuntide Day—they are closed—holiday.
Q. How about the speculators—black bourses?
A. They are closed.
Q. They go to church too?
A. Yes, they go to church.
Q. Talking about the foreign situation, I have been instructed to see if any further devaluation of the dollar is contemplated.
A. What do you mean, instructed?
Q. By my office.
A. Give your office my best regards, and tell them that it's a holiday in Europe.
Q. There's a rumor in most of the offices today on the same thing, to the effect—the question has been asked by others.
A. I'm not going to dignify it by answering.
Q. There was a very lengthy dissertation in the New York Times yesterday on the advantages and disadvantages of that.
A. Did you read that?
Q. What was that?
A. Well, if you don't mind, we do it every odd Monday—we did deny it last week.

GASTON: Yes, you can just read the record of Thursday's press conference.

H.M.JR.: And this week we skip it.
Q. We are always afraid of what you are going to do in between—it's kind of timely now with Parliament on the verge of adjournment and Congress, too, and then you could devalue.
A. Whatever I said last week is good this week.

Q. It would mean about a 2½-billion-dollar book profit.

A. Seriously, I'm not going to deny it weekly.

Q. You wouldn't say you were on a week-to-week basis?

A. No.

Q. Mr. Secretary, any progress in any discussions with Mexico regarding silver?

A. I'm not having any discussions.

Q. None of the officials here, I suppose.

A. No, none that I know of.

Q. Do you contemplate resumption of some understanding with Mexico?

A. We are not talking about it with anyone; I mean, no one has talked to me about it, except you gentlemen.

Q. You would be in on any consultations that there were.

A. So far, it's exclusive between you people and myself, Pancho Villa Klein.

Q. Thank you, Mr. Secretary.
Both Mr. Helvering and I are very much interested in the extension of this plan—so-called Los Angeles plan—to Chicago and New York. We have gone along far enough now in Los Angeles that we think it's a great success, both from the standpoint of the taxpayer and the Government, and, therefore, we are going to extend it to Chicago and New York. We think it's a most constructive move. I don't know whether you gentlemen want to ask Mr. Helvering anything about it—he's here if you do.

Q. Mr. Helvering, could you tell us if you are planning to set up, in addition to these regional offices, branch offices in each of the states?

Mr. Helvering: Take as an illustration the set-up in New York—that's all consolidated and there will be a branch office in Buffalo. The Chicago office will have two branch offices, possibly three—one in Indianapolis, one in Milwaukee and possibly one in Springfield. But we may be able to handle that from the Chicago office—the whole State of Illinois.

Q. Will you tell us what the branches of the Los Angeles office are?

A. Well, the main clearing office will be at San Francisco in the new Pacific division. There will be coordinated offices in that district on account of the extent of the territory—one at Los Angeles and one at Seattle, one at Salt Lake City and a branch at Portland.
Q. What is the difference between a coordinating office and a branch?
A. Well, they've got a little broader authority.
Q. Well, then, the headquarters of this Pacific division is going to be moved from Los Angeles to 'Frisco?
A. Well, the coordinating office in Los Angeles has the same powers and everything as the main office. The San Francisco office is just the headquarters for personnel assignment and things like that.
Q. And as I understand it, for instance in this Pacific division, the personnel will be substantially the same and will move from one of these cities to another to handle cases from time to time—is that correct?
A. The head technical man—the head attorney—will consult with them on all the cases in Los Angeles, Seattle and Salt Lake City—whatever we have there.
Q. Then you will have permanent staffs in every one of these cities?
A. Yes.
Mr. Gaston: You will send additional personnel to the Coast.
Mr. Helvering: Oh, yes, already have.
Q. Can you tell us, sir, something about the number of personnel that is to be moved from Washington to these other places?
Mr. Gaston: It's in that release.
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Mr. Helvering: Oh, yes, already have.

Q. Can you tell us, sir, something about the number of personnel that is to be moved from Washington to these other places?

Mr. Gaston: It's in that release.
Mr. Helvering: On the next to the last page—it's hard to estimate right now. We think it will be about 650.

H.M. Jr.: Am I correct in thinking about half the cases pending before the Board of Tax Appeals are in New York?

Mr. Helvering: About 25 per cent in amount—in number of cases; but in dollars, about half.

H.M. Jr.: Sandy, may I ask a question?

Q.: Surely, it's your press conference.

H.M. Jr.: As I understand it, we've got a whole floor in New York set aside, in the new building up there, and am I also right that we are going to ask the Board of Tax Appeals to set up a branch there?

Mr. Helvering: We haven't had a conference with them, Mr. Secretary. Our purpose is to have a conference with them relative to having a continuing board set up there from now until the first of the year.

H.M. Jr.: So it will be a continuous process. We hope to have a board set there, right alongside of us.

Q.: The Board of Tax Appeals will have an office there?

H.M. Jr.: We are going to ask them to do that.

Q.: Just in New York?

A.: I think so, because, as I say, half the dollars and 25 per cent of the cases are there and if they could go along with us on this decentralization move, it would be an additional break for the taxpayer.
Q. That would be the only office outside of the Board of Tax Appeals here?
A. This is entirely up to them but we are going to approach them and ask them if they would make that move.

Q. The Board does hold hearings throughout the country.
A. Yes, but they don't sit continuously and we think if they would do that in New York it would be a great help to us as well as an accommodation to taxpayers.

Q. How do you account for the fact that such a large proportion of the dollar amount and large proportion of the cases are there?
A. That happens to be where the money is.

Q. But I was wondering if there was any other reason.
A. I think that's enough, isn't it?

Q. He means bad people—they don't pay their taxes.
A. I don't know the figures of the corporate wealth distribution of the United States but I think if you would look it up — .

Mr. Mellon: Another thing that affects that is that the headquarters of many large businesses are in New York which do business in other parts of the country.

Q. Do you plan extension of this set-up to any other regions?
Mr. Helvering: This eventually will cover the whole United States. We haven't figured it beyond these two additional—we have just worked out now what the district will comprise.

Q. Mr. Commissioner, returning to that personnel question, this release says the eventual number of personnel that might be transferred probably will be about 650. Can you give us any estimate about these divisions?

Mr. Helvering: In the last paragraph, doesn't it say about 40 per cent of this total will be affected by these three offices?

Q. Yes, sir, I guess it does.

Mr. Gaston: It will be about 250.

Q. Mr. Secretary, does your ban on political activities still hold?

H.M.Jr.: As long as I am here.

Q. Have you any complaints about the Collector of Internal Revenue of San Francisco?

A. Have I? I was told five minutes ago and that is the first I have heard.

Q. You haven't had any from employees out there or any candidates?

A. Nothing has come to me.

Q. Is it being looked into?

Mr. Gaston: Just on the basis of your query, that's all.

H.M.Jr.: Any facts you would give us, we would be delighted to have.
Q. It's all third- or fourth-hand.
A. If you would give me some first-hand information we would appreciate it and move fast.
Q. I appreciate that.
A. Anything you can give us I will turn over to the Commissioner, but make it something that can stick.
Q. You need affidavits, don't you?
A. Yes, on things like that, but we will be very glad to get anything you've got.
Q. How about financing figures?
A. I've got good news. Up until this morning—it isn't all quite in yet—why they converted into 912 million of bonds and 263 million of notes for a total of $1,176,000,000 of a total of $1,214,000,000, which is 97 per cent, plus, and we expect during the day there may be a few more, but it's 97 per cent, plus, which I think is -- .
Q. The offer closed yesterday.
A. Yes, but you can mail until midnight—for instance, San Francisco, three hours—they are not opened yet. It's 97 per cent plus, which I would say is most satisfactory.
Q. Have you got a breakdown, sir, on how the September holders exchanged and how the June holders?
A. I'll give it to you. (Hands Klein tabulation)
Q. But I'm no longer president.
Q. What happened?
A. His resignation was forced. (Friedheim)
Q. I don't want to discuss that here, but I think Mr. Friedheim is misstating it—I resigned. (Klein)
A. Are there two sides to this question?
Q. Yes, both of them are mine. (Klein)
A. Who's the new president?
Q. We have none yet but we are planning on electing one very soon.
A. This is good. I don't suppose there's any WPA or anything like that.
Q. Friedheim is a WPA worker.
A. I wonder if you could throw some light on these unusual gold movements—from Sweden and Scandinavian countries to the United States?
Q. No.
A. Everybody seems to be making the wildest guesses—war scares, etc. You made some explanation sometime ago—I think there were some transactions and you cleared them up—a figure of $12,000,000. Now an additional amount has come to the United States.
A. Well, it's a relation of patient and doctor and client and attorney. If they want to send it here for our safekeeping—so any discussion as to why they want to send it here would have to come from the country where it originates.
Q. That's the reason for safekeeping?
A. Well, they wouldn't send it here if they didn't think they could keep it safely.
Q. It has nothing to do with --.
A. I just use that as a term—"safekeeping." You put your money in a bank or vault for safekeeping—that's just a term. I'm not implying anything, but any discussion as to why they sent it here will have to come from the country of origin. I can't help you out. I'm sorry.
Q. Mr. Secretary, I realise this may be the odd week, but on devaluation --.
A. It is.
Q. I was going to ask this—you may not want to make any statement but could you say anything off the record for our guidance on the prospects?
A. No. You've got two good stories—one from Mr. Helvering and one from me on bonds.
Q. How does the conversion compare with March, Mr. Secretary?
A. I really don't know. Gaston can find out for you.
Q. Mr. Secretary, at the outset you were participating in these railroad conferences; are you still in on these talks?
A. No, I am not.
Q. May I ask Mr. Helvering a question? Who's going to be in charge of the New York and Chicago offices?

Mr. Helvering: Well, that hasn't been determined yet. I've got an idea about it but haven't taken it up with the men who are going to conduct these offices; that will be determined in the next day or two.

Q. When are you sending the bank examination study over?

A. Didn't I say Monday?

Q. You said sometime this week.

A. Well, Upham had to go out of town for a few days and that slowed us up.

Q. You mean Doctor Upham?

A. Doctor Upham—I'm sorry. How about it, doctor?

Mr. Upham: They have two good stories. (Laughter)

Q. Thank you, Mr. Secretary.
Q. Mr. Secretary, what about the bill rates? You seem to have them in your hands.

H.M., Jr.: Yes—thanks for the cooperation. New York, $100,000,000, .027 as against last week, for New York, .042.

Q. Mr. Secretary, is that a record for a hundred million offering?

A. I'd say so, subject to contradiction.

Q. Mr. Secretary, has the interdepartmental bank examination study gone to the White House?

A. Well, the interdepartmental banking has not because I just haven't had an opportunity. Cy (Upham) has come through with it and I've got to take the time to study it, so I need a little time.

Q. The other side hasn't shown yet.

A. Well, I'll be perfectly frank. Upham gave me this this morning and I just haven't had time to talk to him so I don't know just what the status is—I need a little time now.

Q. Well, could you tell us all just what you have?

A. I've got three or four pieces of paper but I haven't even looked at them.
Q. Mr. Secretary, the Reserve Board people say that they haven't gotten a report and aren't drawing up a report.

A. Well, for background, I have reason to believe that they are showing much more—I wouldn't say much more—a spirit of cooperation and I have hopes that there is a chance that maybe there will be a unanimous report—there is such a chance.

Q. Can we use that—you may have such a report?

A. This is for background. No, no. I have hopes now that, having been patient and giving everybody time, why it looks as though, plus Upham's very careful handling, it looks as though we may get something from everybody.

Q. Well, they must have made an about-face.

A. I don't know. This is all for background. But it looks now as though we may all get together and I sincerely hope they will.

Q. Mr. Secretary, has Ambassador Kennedy made any survey of monetary conditions abroad over the stories of a new tripartite agreement? Has he been in contact with the Treasury?

A. The answer is no. I mean, he has not been in contact with the Treasury.

Q. Well, has he made any survey of monetary conditions abroad?
A. I think your London office will have to ask him.
Q. Our London office has no financial man there, so --- .
A. Well, I mean, I answered your question very frankly—had there been any contact? The answer to that is no. Having had no contact with Mr. Kennedy on that subject I can't go beyond that. If that answer doesn't satisfy you the only other thing would be to have your London office ask him.

Q. Do you think that would be a fruitful quest?
A. I don't know. I was asked, have I had any contact with him, and the answer is no on that subject.

Q. Have you any reason to believe he has made a study?
A. Anything on that you would have to ask the State Department. All I can say is repeat what I said on that subject. We have had no contact. As to what his daily duties are you would have to find out from the State Department or Mr. Kennedy.

Q. Any other contact with him?
A. Oh, yes.

Q. About war debts?
A. We have contact on official business.

Q. Mr. Secretary, you've gotten some letters, haven't you, in recent weeks from banks, industrial firms, notably the automobile industry, indicating that there would be a greater number of shut-downs, etc?
A. Well, any correspondence that I have from people
naturally I treat that confidentially. If somebody
has written me and he wants to talk about it, it's
his letter—that's his business.

Q. I am referring to industry as a whole. You are not
violating any individual confidences.

A. Yes, because I think you men know that we get weekly
reports of sales—a number of concerns have been
giving us that now for several years and that informa-
tion is given to me on a confidential basis and we
have never discussed it in any way. It's for my
guidance and the guidance of the President and on
that basis they have given it to me.

Q. Could you tell us, on the basis of this report you
have received, that there are any indications of
further unemployment?

A. No, I don't know where or how.

Q. Well, in certain production industries.

A. I don't, if you don't mind, I don't care to get in
on that.

Q. But you do get the reports, don't you?

A. I have to be informed of what is going on and I try to
get the best information I can get and the business
people have been most cooperative and over a period of
a number of years have given me weekly figures but as
to unemployment figures I think the Department of Labor is in charge of that—employment and unemployment—plus Hopkins' organization.

Q: Well, you are interested in relief problems in as much as it affects the outlook of the Treasury and I wondered if you could tell us the outlook for business.

A: Well, the answer is no, thank you.

Q: You don't want to talk about that?

A: No.

Q: Will you discuss it on Thursday?

A: No.

Q: Could you tell us what the subject of your speech is going to be?

A: It's entitled "The Road Ahead."

Q: Nothing about whether it's smooth or rocky?

A: Well, I am trying to describe it the way I see it.

Q: Mr. Secretary, one more question about monetary affairs. You have always prided yourself on the fact that there is no speculation in the dollar here but I noticed that the dollar suffered one of its largest breaks in the foreign market last week with the pound rising three cents, the belga .79 and I wondered if you would make some comment on that.

A: I have nothing to say.
Q. This is the even week on devaluation.
A. I know it; I have nothing to say.
Q. Have you made any investigation of the origin of devaluation reports?
A. I haven’t had time to play any of those mystery games—they take quite a lot of time. There are so many people that can start these rumors and make money out of it and just as long as people are human I suppose they will start them. After all, a year ago—all the rumors—it took a month for the President and myself to convince the public through you gentlemen that we were not going to drop the price of gold. The President and I, I think we both said it two or three times and finally convinced the public we meant what we said and now the rumor is the other way.

Q. Things have changed.
A. True, but the price of gold hasn’t.
Q. Mr. Secretary, I heard a rumor that you have under consideration hiring another tax expert when Magill leaves because you’ve got nobody else here outside of some of his assistants. I understand Mr. Oliphant has proposed somebody from the University of Chicago.
A. If a certain gentleman wasn’t here I’d say you ought to keep up on his column. He wrote that ten days ago.
I mean, I read it every night. I mean, the time to have brought that up was ten days ago.
Q. I didn't read his column; I got it from another source. Mr. Secretary, that columnist suggested what that column said might scare you off; did it?

A. Oh, I don't know.

Q. Are you easily scared by columns?

A. Well, you know that after five years — .

Q. I've seen you get mad over them.

A. No, I don't think you have—I don't think so. I don't remember that you have—I don't think so. Not when they are at my expense anyway.

Q. Well, is anybody under consideration?

A. Oh, I don't know. We are always looking for good people.

Q. Mr. Secretary, are you making any effort to induce Mr. Magill to remain?

A. When Mr. Magill comes back from his vacation I imagine he will have a formal statement and we will wait.

Q. Your statements on the dollar weren't off the record? They were on the record, weren't they, sir?

A. Did I say anything about the dollar?

Q. Well, your comments.

A. That's all right.

Q. I just wanted to get it straight.

A. All right, come on there; Duffield has forgotten.

Q. He's got a better voice than I have.

A. Hasn't he taken it over?

Q. Thank you, Mr. Secretary.
H. M. Jr.: Well, the first thing I've got is the
New York rate on Treasury bills and it's --
wait until you hear it -- .016 as against
.027 for New York last week.

Q. World's record!
A. World's record.

Q. Mr. Secretary, a story is being carried by
one of the services -- Mr. Hillman, out of
London, I believe.
A. Mr. who?
Q. William Hillman.
A. William Hillman? Which do you mean?
Q. He's a newspaper man.
A. Oh!
Q. He's got a very powerful story about you
people have had informal conferences with
Great Britain and France on this dollar
devaluation.
A. Who is this person?

Mr. Gaston: William Hillman, a correspondent for the
International News Service in London.

H. M. Jr.: What do you want me to say?
Q. Well, I have been instructed to either knock the story down or build it up.

A. Well, I don't know how long you people who've got any horse sense are going to listen to these rumors or how long it's going to take you to catch on to what these speculators do but I suppose just as long as we are on the surface there will be speculators and there will be suckers and when the President of the United States and the Secretary of the Treasury say there's nothing to it I should think by now their word is good. After all, the matter rests between the President and myself and it's so obvious that the speculators are buying gold stocks all over the world and I think you will find after they have sold out the rumors will stop, but I suppose boys will be boys.

Q. Mr. Secretary, it has gone beyond the rumor stage — now they are figuring how you are going to do it.

A. Well, now that I've got the facetiousness out, I can't say anything more than that the President of the United States and the Secretary of the Treasury say there's nothing to it.
Q. Reports in a jocular way of saying no have added importance to these rumors instead of complete and formal denial.

A. Well, I am giving you now complete and formal denial.

Q. Did you see Joe Kennedy's statement?

A. Yes.

Q. Before we leave Mr. Kennedy, Mr. Secretary, one of the other higher-priced oracles —

A. Higher-priced?

Q. Has you resigning to run for governor of, or senator from, New York.

A. Well, there's nothing to that.

Q. Mr. Secretary, does the American gold policy present any obstacle in the way of negotiating this trade treaty with Great Britain — the 24-hour basis?

A. You'd better ask Mr. Hull that question — that's his responsibility.

Q. Hasn't it come up in connection with negotiations relating to South Africa?

A. You ask Mr. Hull, please.

Q. Have you any reason to believe that the Ambassador to Great Britain is coming home with informal or a formal debt suggestion —
I don't say a proposal.

A. Well, I think you will have to see his superior, Mr. Hull, and ask him, if you don't mind.

Q. The trouble about that, he always says, 'See the Secretary of the Treasury; that's a Treasury job.'

A. Well, Mr. Kennedy isn't responsible to me so there's no reason why I should try to interpret what he has or hasn't got.

Q. Well, let me put it this way: Have you any information that he is bringing such a thing?

A. I have no such information.

Q. Mr. Secretary, have you anything on the bank report?

A. As chairman of this committee, I served notice on everybody that they have got up till midnight Wednesday night and then by Friday I expect to send a report to the President and I might say that in drawing up this report for the President not only the Federal Deposit Insurance but the Office of the Comptroller of the Currency and the Secretary of the Treasury had just one thing in mind and that's the interests of the depositor, first, last and always.

Q. Any comment on Mr. Eccles' letter?
A. Period, period. If you don't mind, that's all I'm going to say.

Q. Will that report be made public when you send it to the President?

A. I think so. There's no reason why it shouldn't, and, I think, every reason why it should be. I think it's in the public interest that it should be.

Q. Mr. Secretary, will any further action by him be necessary or awaited before the recommendations in that report are put into effect?

A. Well, if it is acceptable, and I hope it will be acceptable, he could release it within a reasonable time.

Q. It doesn't require any particular action by him?

A. It does not. This group is purely informal -- it's a purely informal group and here are three agencies, none of which are directly responsible to me, and the President simply asked me to act as impartial chairman and try to get them together in the interests of the depositors and see whether we couldn't accomplish something.
Q. Can we call your report the majority report, Mr. Secretary?
A. No, because —.
Q. It's your own report, isn't it?
A. Because up till Wednesday, midnight, I am still hopeful that we can get agreement. Now we have waited this long and we will wait until Wednesday, midnight.
Q. The Federal Reserve is the hold-out, isn't it?
A. I don't want to comment on that, if you don't mind. I am still hopeful that we may get a unanimous —.
Q. Any further meetings scheduled?
A. Yes, I have asked for a further meeting here tomorrow afternoon.
Q. The three agencies are what?
A. The Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency. I have asked them to meet with me tomorrow afternoon.
Q. The heads of the three agencies will be present?
A. I have asked them to be and there will be more than the heads because I have asked four members of the Federal Reserve Board to come.
Q. Who are they?
A. Well, I invited Mr. Eccles, Mr. Ransom, Mr. McKee and Chester Davis.

Q. Do you figure, sir, that this can be done -- this relief to the depositor -- without further legislation?
A. Everything we have done -- we don't need any legislation.

Q. In saying that your position is that the interest of the depositor comes first?
A. I said that the interests of the Federal Deposit, the interests of the Comptroller of the Currency and the Treasury -- their first interest -- .

Q. Is the protection of the depositor?
A. Right.

Q. By saying that you mean that the other philosophy, i.e., that bank examinations should be linked to a planned economy or to a money management -- that you cannot agree with that?
A. I am not saying that. I am simply saying, and before making this statement I talked to Mr. Crowley and to Mr. Diggs to see whether I could make this statement, that the interests
of these agencies, as we interpret it, is the protection of the depositor — that comes first.

Q. The plain inference then, Mr. Secretary, is that the interest of the Federal Reserve is not?

A. Now, if you don't mind, for their sake and for your own sake, you had better ask them yourselves what their position is.

Q. Did you talk to Mr. Eccles the same as you talked to Mr. Diggs?

A. No, I did not.

Q. Didn't you think it necessary to call him, I mean, in view of the fact that he had expressed his opinion in a written statement?

A. Well, Mr. Eccles had expressed his opinion — whether the Board has expressed theirs I don't know. I don't know whether the Board has or not but they are all there, active, free and of age and they can talk for themselves.

Q. There's no unanimity on this whole thing, that's quite definite by now. You were hopeful last Monday that they would come around to your views and this letter from Eccles to Vandenberg certainly shook the foundation out of any belief of that sort.

A. Well, I will still wait until Wednesday, midnight.
Q. Well, don't you feel bitter about some of these things?

A. No, after five years I have found that there's no reason to feel bitter. I am doing a job for the President; I am going to do it the best I can. I can afford to wait to make my report to him and don't have to sound out in advance, and, quite the contrary, I don't feel bitter. I have just dealt with people here so long that I have become -- I recognize human nature and I think we have been able to, over five years, accomplish a lot by doing these things, acting for the President, and getting things done. And I think that we can still continue to do that and still protect the interests of the depository.

Q. Mr. Secretary, have large New York bankers asked you to stick to your guns about these bank examination -- .

A. Except for those gentlemen I asked here publicly two or three weeks ago, I have had no communica-
tion from any banker whatsoever.

Q. Have these people been in?

A. I don't know. I simply asked these people to come in two or three weeks ago and with that exception I have had no communication whatsoever
from any banker.

Q. Mr. Secretary, assuming that the Federal Reserve Board does not agree by Wednesday, midnight, and decides to submit a report of its own, would you send that report?

A. Of course, of course. It's my duty. I'm an impartial chairman.

Q. They have not drawn a report?

A. I have not seen it. Of course, I would send it.

Q. There's a report now that the Board thinks that money management should be extended to include the Stabilization Fund; have you heard anything about that?

A. No, but nothing would surprise me.

Q. Can we quote you on that?

A. Surely.

Q. Repeat it, would you please, Mr. Secretary?

Q. You said 'nothing would surprise me,' didn't you, Mr. Secretary?

A. Yes.

Q. Mr. Secretary, on those bill bids, was that for fifty million or one hundred million?

A. One hundred million. All right, gentlemen. Oh, one thing I might say is if things continue the way they are the Morgenthau family will leave
here about the middle of July.

Q. How long will you be gone?
A. We will be gone for a little over a month.

Q. Where to?
A. We hope to go to Southern France.

Q. Safe this year?
A. I think so.

Q. You will probably revive that rumor that you are going to France as Ambassador.
A. Well, we've got a first-class Ambassador there -- Ambassador Bullitt.

Q. What place are you going to?
A. Southern France and we've got a first-class No. 1 Ambassador there now. After all, they didn't make me Ambassador to Honolulu last year, but I might get worse jobs than that.

Q. Mr. Secretary, some of the chief national bank examiners, at least one, have been writing letters to his examiners suggesting that banks under their jurisdiction urge the candidacy of a man for Comptroller of the Currency by writing to you, or the President or a Member of Congress. Does that come within this political activity business?
A. I'll have to see my lawyer. I don't know. You see, if you look up the law I think you will see the Comptroller of the Currency and his people are not on the government payroll. I am not trying to justify it one way or the other and they are not Civil Service and the Comptroller of the Currency technically is not responsible to me. This is for your background.

Q. Some people in his office are appointed by you. Don't you appoint deputies?

A. I think I approve them but I don't think I have the appointive power — just the veto power. If you want a very clean-cut ruling I will get you one but I'm not quite sure. The status of that office, after all, they are paid by assessing the banks, not out of the Treasury.

Q. The peculiarity would be that any examiner who goes over the books could suggest to the banks what it might do about recommending appointments.

A. Would be —

Q. A little bit queer.

A. Quite.

Q. Mr. Secretary, will the agreement for revision of bank examination practice be put into effect by the FDIC or Comptroller's office?
A. Well, all of that would have to wait until the President decided whether he approved or disapproved it.

Q. And that would apply also to State supervisors?

A. Each bank supervisor is responsible to his Governor and so they are an independent agency.

Q. Does not the RFC have a bank examination service of some sort?

A. They do, but except in special cases they accept the report of the national bank examiner.

Q. Thank you, Mr. Secretary.
H. M. Jr.: Well, gentlemen, in behalf of the men present, they have asked me to make a very brief statement, and I am pleased to announce that the four agencies -- five agencies represented here have all come to an agreement and we are now drafting a unanimous report which will be ready for the President when he returns to Washington. I think that it's a very constructive move.

Q. Give us any details?

A. No, it now becomes a White House document, and I think you'll have to wait until the President releases it.

Q. Can you say, Mr. Secretary, whether it pertains to anything more than standards of -- unification of methods, particularly as to liberalization of loan policies?

A. No, I think, if you don't mind, now that we've come to an agreement, it becomes a White House document, and that it's up to the White House to decide whether it's acceptable and what disposition they will want to make of it.

Q. If the President approves it, why, then you'll put it into effect automatically?
A. Yes.
Q. Requires no legislation?
A. No legislation.
Q. Can you say, Mr. Secretary, whether the unanimous report differs in any important respect from the one that was tentatively agreed to by the three agencies?
A. Well, we arrived at a unanimous report through the democratic form of give and take.
Q. What does that mean, sir?
A. Just what I say.
Q. Mr. Secretary, might I ask Governor Eccles one question?
A. Ask him three, or anybody else.
Q. Governor, does this take care of the situation that you mentioned in your letter to Senator Vandenberg when you said that one of the reasons that credit was not flowing into business channels was the severe restrictions?
Eccles: I don't think it advisable for me to make any statement at this time. I would prefer that the report, after it has been acted upon by the White House, speak for itself.
Q. Any idea what the State people think on this thing?
Q. Well, they weren't consulted about this meeting, were they, sir?

A. No, we haven't had time, but we will send them a -- I think we will send them a copy of this report. We just haven't had time to think the thing through, but we most likely will send them a draft, in confidence, because they have been very helpful during the last two months in advising and consulting with us.

Q. Mr. Secretary, when you said five agencies, were you counting the Treasury and the Comptroller separately?

A. Well, there is really -- I was chairman -- it's really four agencies.

Q. Thank you.


Q. How does the R.F.C. come into the picture, Mr. Secretary?

A. Mr. Jones is Chairman of the R.F.C. I think he's about the largest holder of bank stocks in the United States, and it was that, plus the fact that he's had a lot of experience, why, I
felt that his counsel would be helpful, and
it was, and I invited him to join the group.

Q. No further meeting is necessary, then?
A. Well, we're going to meet again tomorrow
afternoon after we've got this thing down
formally, just to take another look at it.
But as to the principles -- we're all in
agreement as to the principles.

Q. When will it be submitted to Mr. Roosevelt?
A. It will go to Mr. Roosevelt at once.

Q. At once?
A. I mean it ought to go to him tomorrow night
or Thursday morning.

Q. The changes would be made effective,
Mr. Secretary, at what time? Any particular
time?
A. I don't know how those things are done.

Eccles: That's a matter that wasn't discussed -- as
to the details and the mechanics of putting
it into effect.

H. M. Jr.: Say within a reasonable time.

Q. There is some discussion of July 1.
Crowley: Take at least 30 days before it takes effect.
Eccles: Say just as soon as we can take care of the
practical mechanics of the thing.
Q. Mr. Secretary, does this unanimous report include the possibility of supplemental or concurring report from any particular agencies?

A. Well, 'sufficient unto the day.'

Q. Beg your pardon?

A. Sufficient unto the day.

Q. Well, Mr. Eccles, will you report anything to the President beyond what will be in this report?

Eccles: No. This report will speak for itself. The Secretary has reported that it meets with the unanimous approval of all those present, including the Board, so there is nothing further to report.

Q. I see.

H. W. Jr.: All right, gentlemen?

All: Thank you very much.
On this question of bank examination, we communicated with Mr. William R. White, who is Banking Commissioner of New York State, and who also is president of the National Association of Supervisors of State Banks, and he says that these new regulations are in line with what the various state bank supervisors would like to have, in other words, that they approve—that they are in line with what they want and what they have already considered. So it makes it unanimous.

Q. Mr. Secretary, is that the communication? Would you make it public in full—the full communication?
A. May I read it? Sure, here. (hands letter to Duffield)
Q. This is a copy that we may have?
A. Yes. I was trying to paraphrase it.
Q. Mr. Secretary, can you tell us just when the report would be actually transmitted to the President?
A. No. I told the President over the telephone that we have gotten together and he is very much pleased and I will send it over tomorrow, and, I suppose, within a reasonable time, he will decide just what action he will take.
Q. You say you will send the report over tomorrow?
A. Yes.
Q. You still plan on making it public?
A. Well, we will have to; if the President accepts it, then these agencies have to make public the changes.
Q. But it will not be made public until the President approves it?
A. No, it's a White House document now and until he has seen it and decided what action he wants to take, it's his property.
Q. Mr. Secretary, did Mr. White assist in drafting, at least in discussing, the regulations?
A. White?
Q. Yes, Mr. White, of New York.
A. Well, he was down here, as you know, and we kept him informed.
Q. He knew what was going on?
A. He knew what was going on all the time.
Q. The FDIC worked with the executive committee of that association.
A. Cy, is that right?
Mr. Upham: That's right.
H.M.Jr: That's right.
Q. Well, as a matter of fact, they had approved the plan.
A. Do you want to read it? Read it out loud. (Duffield reads telegram) Does that take care of it?
Mr. Upham has just advised me by telephone of the agreement reached yesterday by all federal bank supervisory agencies relative to uniform examinations. The program agreed upon is in accord with the one recently recommended by the National Association of Supervisors of State Banks. All essential details of the program as outlined to me have already been considered and approved by State Bank Supervisors at district meetings held throughout the country.

WILLIAM R. WHITE .... 1126A "

Q. That's saying that the plan as approved is the so-called majority agreement.

A. If you don't mind, I don't want to get into this thing. It's a White House document, and, if you don't mind, let's see what happens now because one question leads to another I have learned after five years; we have both learned.

Q. Mr. Secretary, have you appointed anyone from the Treasury yet to serve on this monopoly investigation?
A. No, I have not.

Q. What would you handle in the investigation, Mr. Secretary?

A. I don't know.

Q. Banking or taxes?

A. I don't know.

Q. When will a representative be appointed?

A. When the President asks me to, which he hasn't yet.

Q. Have you anybody in mind? Decided on anybody at all?

A. If you don't mind, I'd rather not answer that.

Q. Can you comment on these stories that Mr. Oliphant is selected and all you have to do is to make the announcement?

A. The story was pointed out to me and all I can say is that the gentleman that wrote the story knows more about it than I do. I read it very carefully and he does not accredit it to anybody. You read the story and it isn't accredited to anybody.

Q. You definitely haven't appointed anybody?

A. No. I said I hadn't been asked to appoint anybody.

Q. Mr. Secretary, Secretary Hull said yesterday in connection with the negotiations for a reciprocal trade agreement with Great Britain that those negotiations ran concurrently with, and apparently were closely related to, monetary matters. Could you comment on that?
A. No. I mean, there's nothing to add to it.

Q. Are monetary discussions going on? When he was asked that question he said not jointly because one was handled by the State Department and one by the Treasury and gave the impression some monetary discussion was going on here while trade discussions were going on over there.

A. There are no monetary discussions going on here.

Q. Have you any comment on this statement by the Committee for the Nation denouncing you for scotching rumors of dollar devaluation, pointing out you had defended a similar policy in 1934 before Congress?

A. I am going to answer it by asking you a question:

Who is the Committee for the Nation?

Q. I understand they're some friends of yours.

A. I'd like to know who is on it.

Q. I don't know the personnel.

A. I think it would be interesting to find out.

Q. Can we quote you on it?

A. On what?

Q. You'd be interested in finding out.

A. You can quote me on this: Who is the Committee for the Nation?
Mr. Schwartz: Did they send it to the Secretary?

Q. It was a telegram.

H.M. Jr: People in the Treasury have seen it and they advise me they thought it was unnecessary to answer it, but I do say I'd like to know who is the Committee for the Nation.

Q. Mr. Secretary, what we know thus far about the bank examination business makes it obvious that the investment rules for the banks are relaxed and the method of appraising their assets is somewhat more liberal under the agreement than previously. How does that work out for the protection of the depositor?

A. Well, you will get all of that if and when the President releases it.

Q. Is there a statement accompanying it?

A. I think there will be.

Q. Is there any reason to assume that your previous statement that the depositor protection was the first principle has been altered in any way?

A. No, no.

Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, JUNE 30, 1938:

Q. Mr. Secretary, a great number of the readers on my paper want to know if it's a good time to buy on the stock market. Could you say anything about that this morning?

H.M. Jr: Well, you've come to the wrong department.

Q. Off the record? Which department shall we go to, Mr. Secretary?

A. Well, plenty of people sell that kind of service. This is just fun.

Q. Could you make any comment, Mr. Secretary, in your study of statistics presented by the various departments here, do you find that industry has improved--your private inquiry?

A. We don't--the information which I receive is, as I said before, for the guidance of the President and myself and I think the Department of Commerce is charged with the duty of publishing--interpreting business statistics.

Q. You did comment on the existing situation once.

A. What did I say?

Q. You said that things were bad, and at that time you saw no signs of improvement. That was some time ago.
A. Well, I just say I've got nothing to say on it right now.
Q. You say you have nothing to say?
A. Nothing to say either way—one way or the other.
Q. What's the latest, Mr. Secretary, on when Mr. Hanes will come over?
A. I ought to know something today on that. That's just between us. I ought to have something today on that.
Q. What's the extent, Mr. Secretary, of the tax studies referred to by the President early this week?
A. Well, I think you will have to ask him. I haven't been in communication with him for the last couple of days.
Q. Was it planned that he should come over July 1st?
A. The President!
Q. No.
A. Who?
Q. Mr. Hanes.
A. Oh, you've changed the subject. Well, it's just an agreement—sort of an understanding—between Mr. Douglas and myself, and Mr. Hanes has got some very important work to do over there, and
originally when I took it up with Mr. Douglas he said he thought he would be through by the 1st of July. I want him to finish what he's doing over there and, after all, a couple of days wouldn't be as important to us where he's starting on a new job as it would be to the SEC where he's finishing an old job, and they said they would get in touch with me today. It's just the difference of completing an old job which is important and taking on the responsibilities here which will be important.

Q. There was some report that a compromise would call for his working at the Treasury in the morning and the SEC in the afternoon.

A. I am surprised at you daily spot-news fellows reading the columnist.

Q. Sometimes we're amazed, too.

A. I am just amazed!

Q. We notice you read them.

A. Surely. I've got to keep up to date also. I'm surprised, too sometimes.

Q. Same here, Mr. Secretary.

A. I am surprised also.
Mr. Secretary, since the Administration is committed by the President's Arthurdale speech to seeking in the next Congress restoration of the undistributed profits tax and revision of the capital gains tax, will it be the intention of the Treasury when it participates in the monopoly investigation to see how those two taxes might fit into a monopoly program?

A. You've been reading another columnist.

Q. No.

A. No? Yes. This morning.

Mr. Gaston: Well, Mr. Perlmeter asked me that same question some time last week.

H.M.Jr: Maybe he wrote the column.

Mr. Gaston: I don't think Mr. Perlmeter wrote it.

H.M.Jr: No, let me go back a minute on this thing—what the President said. I don't want any possible misunderstanding. I read it as carefully as I could—what he said—and naturally if he has some ideas in mind and wants us to make some studies that's what we are here for and when he indicates what he wants us to do, naturally, we will do it. But I just haven't heard from him and I suppose when he gets around to it he will enlarge on it.
but I don't want to leave any possible misunderstanding as to what his wishes are and what we will do.

Would you say, Mr. Secretary, that it's possible or even probable that the effect of those taxes on the corporate organization might be a proper subject for the committee to inquire into?

What I can say is this, and I think it will clear up that whole question: When I did see the President about a week or so ago--two weeks ago--he said when both of us came back from our vacations he wanted to sit down and talk about taxes and see what we would do, in connection with the preparation of next year's budget, and that would mean, I take it, that he would wait most likely until either late August or early September to sit down and talk the thing over, and, outside of that, he hasn't said anything to me. I saw Congressman Doughton, who left town yesterday, and he asked what was the program and I told him the same thing and he said late August or early September and I said yes, so there's nothing going on between the Treasury and the joint committee on taxes whatever, so everything
is really in abeyance and I take it, after the President gets back, he will sit down with Megill and myself and we will map out a program in connection with the work of the Treasury. Now outside of that very short conversation he has not mentioned taxes to me for next year at all, see. I think that lays your query to rest, and so forth. I mean, there are no tax studies being made now in connection with new legislation and there won't be until the President invites me to sit down with him to discuss a new program. Does that answer that? Does that take care of you?

I think so.

It does for the time being, but since the President delivered that monopoly message to Congress with a large section devoted to taxation, it has never been clear in my mind whether a large extent of that rested on the budget or on the findings of that monopoly committee.

All I can say is, as far as the President discussing it, he hasn't brought the subject up, with the exception of a couple of weeks ago he said, 'When we get back in late August or early September, I want you to come up to Hyde Park and we will sit down and map the thing out.' I am sure
nothing is being done because if it was I'd know about it, because he has always discussed the thing in great detail with me first, so that would include monopoly or anything else.

Q.

There's one point in my mind: The monopoly group is scheduled to begin hearings some time in early September. If you and the President are going to meet in late August or early September and the committee is going to need some data to pursue its inquiries, there must be some preparation.

A.

All I know—they're having their first meeting tomorrow, aren't they, and I take it they will announce what they are going to do, but I am giving you the absolute low-down as to what is going on in regard to any tax study in the Treasury at the moment, and also what my conversation was yesterday with Mr. Doughton, and other than that there isn't anything going on in the Treasury; when I make as flat a statement as that, you may know it is right. That's the situation as it is today. I having nothing in my mind.

Q.

Mr. Secretary, is the Treasury doing anything on studies for the monopoly group in connection with bank holding companies which also came into the message?
A. As far as I know, the answer is no. We have had no requests for any studies; there have been no requests for any studies.

Q. Mr. Secretary, you spoke of Mr. Magill being perhaps in on those August or September conversations; will he be here then?

A. I have every reason to believe so.

Q. When do you expect the revised budget summary to come out this year?

A. You'll have to talk to Mr. Bell about that—I don't know.

Q. They have started work on it.

A. You'll have to ask him; I really don't know.

Q. Mr. Secretary, could you say anything now as to when Mr. Magill may leave?

A. No, I think I have talked to him on the phone once since he's been away. I'm sure he's having a good time. I didn't want to detract from it. I hope they do the same for me.

Q. In view of this Swedish celebration about the rocks, I wonder if you could tell us about the Swedish gold movement? (Laughter)

A. You said the Swedes were on the rocks?

Q. No, this celebration on the rocks at Wilmington.
A. Wouldn't you also like to talk about the illness of the Crown Prince? Isn't that a question of a stone? Please, this is all in the family. Well, I read in the papers that, what is it? "Her Royal Highness" is calling on "His Highness" to see whether he's coming along nicely.

Q. Did any gold come with the Crown Prince? Certainly it's not paying for the expense of the trip.

A. I don't think it's that expensive.

Q. Could you make any comment on the capital movements?

A. Well, we just released a very nice statement, quarterly.

Q. I mean, your comment.

A. No.

Q. Could you make a comment on the fiscal year-end?

A. No.

Q. When will we get your statement?

A. Mr. Gaston phoned me that he will have the statement Saturday. Is that right, Herbert?

Mr. Gaston: Yes.

Q. Mr. Secretary, on that capital movement thing, are the movements on balance the same now as they were on the former quarter in which stocks were being sold and balances going out?
A. That was a pretty good picture.

Q. You mean that in the past quarter the trend continued?

A. I mean there's no sharp deviation from the first quarter, either way.

Q. The first quarter showed, of course, a sharp deduction in net purchases of securities in this country; for the final quarter of '37 also a very sharp decline in withdrawal of bank funds.

A. Well, whatever it shows there is in today's papers.

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

Q. When are you going away, Mr. Secretary?
A. 15th of July.

Q. Where are you going?
A. Southern France.

Q. Is the 15th your sailing date?
A. Yes.

Q. Be gone until what time? You mentioned before how long you'd be gone.
A. Oh, I'll be gone a little over a month. Mrs. Morgenthau and the three children and myself—we all expect to have a very good time.

Q. Nice trip.
A. I think it's going to be very nice.

Q. While we are talking about Europe, is Mr. Knoke, of the Reserve Bank, over there on business for you?
A. No, he is not.

Q. Are you going direct to France or are you going to England first?
A. No, going right straight down there.

Q. You are not even going to stop in Paris, are you?
A. We have to in order to change trains but I'm going right down.

Q. Do you expect to make any calls or have any informal talks with any of the officials while you are there?
A. I am not planning anything now. Maybe the last week I am there I may see a few people, but certainly not the first three weeks.
Q. Where do you plan to stay down in Southern France?
A. Well, if you don't mind, after I go Herbert will tell you.
Q. You don't want to tell in advance?
A. No, I don't, for personal reasons.
Q. What ship are you sailing on?
A. Statendam—Holland-American line.
Q. Could you say anything, Mr. Secretary, about the nature of the conversations which you may have later?
A. No, I have nothing planned. Last year we went to Honolulu and I had a very good time and this year we are going to Southern France, beyond the Mediterranean where we can get good swimming and some sailing and some fun.
Q. Any bombing?
A. I don't expect any.
Q. Of course, that isn't very far from the British coast and a lot of Britishers go there, you know.
A. Well, this is purely a vacation; we are going for a rest and some fun.
Q. You are not going to take a sightseeing trip into Spain by any chance?
A. No, as I say, if in the last few days anybody wants to see me—in the last couple of days that I am there—all right, but I have made no plans and haven't got any engagements of any kind; it's purely a vacation.
Q. Have the Chinese submitted for your approval yet a new schedule of silver shipments beyond the end of this month?
A. No.
Q. When does that expire, July 31st?
A. I really don't know.
Q. July 15th?
A. I am glad you brought it up; I'll look it up. Mrs. Klotz will look it up.
Q. When you decide, will Mr. Gaston tell us?
A. Maybe.
Q. It's a fair exchange--after all, I gave you the date, Mr. Secretary.
A. Well, we will look it up and see. When you boys run that 'sailing on the 15th' it will also be a notice to the Chinese Ambassador, so we may get a call--this is just kidding.
Q. Mr. Secretary, can you tell us any more about how the RFC's repayment of debts to the Treasury fits into the plans of the Treasury for financing the spending program?
A. No. I asked Gaston to look that up and they've got a very excellent statement; I don't know whether you men have seen this or not.
Q. Yes.
A. Have they got one down in the press room?
Q. Yes. It's good history but it doesn't go further than that.
A. Well, the RFC—you know its history and as Mr. Jones told you yesterday, over a period of twelve months we will most likely go to the market and borrow enough money for the RFC and they will be on their own.

Q. That will give the Treasury something over $700,000,000 cash.

A. Eh-huh.

Q. At a time when they are going to need cash.

A. Eh-huh.

Q. That's not a coincidence, is it?

A. It isn't a coincidence?

Q. Well, is it?

A. No, it just happens—it's very fortunate.

Q. Mr. Secretary, why decentralize the borrowing in this fashion?

A. Well, everybody's doing it.

Q. Why is everybody doing it?

A. Well, it gives the public a chance to familiarize themselves with these different agencies and their obligations.

Q. When you first came over here, as I remember, things were pretty well concentrated here and Mr. Jones did sell one offering of notes and that stopped and this is quite the contrary—all the Commodity Credit Corporation and everybody else going out in the market themselves.

A. Well, I think it's good fiscal policy to distribute these different securities in the market.

Q. What makes it good now and not good in '34?
Mr. Gaston: RFC is doing quite different things now—they were advancing money for outright expenditure at that time.

H. M. Jr: Well, a lot of things are good now that weren't then.

Q. Is the Housing Authority going to sell its own bonds, too?

A. I think it will, eventually.

Q. But not at first.

A. Well, there isn't enough business now so we have agreed to advance them the money they need until they have enough obligations to sell and then I think their obligations will be offered to the public, but, I mean, some of these obligations are attractive to banks and to insurance companies, some to trusts, and it just gives a larger assortment of merchandise, that's all.

Q. Mr. Secretary, is it contemplated to have the RFC repay their $750,000,000 due this fiscal year?

A. It all depends on how much they lend and how the market is and everything else. You know me by now—I don't commit myself beyond this one issue.

Q. Thank you, Mr. Secretary.
H.M.Jr.: Well, on the RFC notes that we offered they were
thirteen times oversubscribed and the allotment
will be on the basis of eight per cent.

Q. Straight eight right through—no differential
as to size?

A. Whatever the usual method is—I don't know—we
will handle them just the way we handle Treasury
notes—the same rules and regulations govern.

Q. You usually allot in 4's of a thousand or less.

A. I think so—I think it's a thousand dollars in
four and whatever over, being whatever the
last rules—.

Q. That must set a record—the books closed on the
13th and it's oversubscribed thirteen times.

A. Thirteen is my lucky number.

Q. That will be two hundred million?

A. It will be around the figure 210.

Q. Can you say anything about the Chinese silver
situation?

A. We extended our purchasing agreement with them.

Q. To what time, sir?

A. We don't announce the date.
Q. We were able to get it the last time and the
time before that, Mr. Secretary.
A. Well, we will be different this time. We have
extended it.
Q. Was it on a six-month basis before, Mr. Secretary?
The first time it was on a six-months’ basis and
then they made a new schedule of shipments to
July 15 which was announced, so I see no reason
why you want to withhold that information now,
unless there’s any specific reason.
A. Well, it will last until I come back anyway.
It’s extended until I return.
Q. The last time was from April 15th?
A. I really don’t know.
Q. You might say it’s extended for an indefinite period.
A. No, it’s a definite period.
Q. Around August 15th?
A. No, it will last until I get back.
Q. When are you getting back?
A. The end of August.
Q. Will the amounts be substantially the same as
heretofore?
A. Substantially the same.
Q.  Is that a fixed amount, Mr. Secretary, or more or less elastic?
A.  Oh, I think that's enough on that. We just extended it.

Q.  Hasn't your policy been to buy all that was offered?
A.  No.

Q.  Price 45 cents an ounce?
A.  The price the day the silver arrives at the mint or assay office—that day's price—no fixed price.

Q.  As I understand, your understandings merely cover specific amounts of silver shipments within specific periods—doesn't involve price.
A.  Say that again, please.

Q.  The understandings cover specific shipments of silver within specific periods.
A.  That's right.

Q.  And doesn't cover price.
A.  No, the price is the day of delivery.

Q.  Less refining cost. It's all in the form of coin, isn't it?
A.  Yes.
Q. They still have to have American refiners.
A. Oh, yes.
Q. Mr. Secretary, can you tell us any more about your plans in France?
A. The only change is that the children went on strike on one day in Paris so we are going to stay three days.
Q. A dispatch from Paris says Mr. Bullitt has made arrangements for you to visit Mr. Bonnet.
A. Well, I have talked with Mr. Bullitt on the telephone and while I am there naturally I will be tied by whatever Mr. Bullitt would like me to do.
Q. Are there any specific subjects you would like to talk to Mr. Bonnet about?
A. Well, I imagine the courtesy is that a Cabinet officer of this country calls there—I call and pay my respects on the Minister of Foreign Affairs.
Q. You probably will not discuss the franc?
A. Only if he raises the subject. That's just for us.
Q. Do you plan to also pay a courtesy visit to the Finance Minister?
A. Yes, I mean, that's the courteous thing to do; when I am there I will call on Minister Bonnet and Minister Marchandeau, but, I mean, I want to just reiterate once more that this is a strictly family trip. I am going to have a vacation, but, as I say, while we are there we will be the guests of Ambassador Bullitt and will make the courtesy calls which go with my position.

Q. Mr. Secretary, I wonder if you could clear up the situation. One day the State Department says that the trade agreement has a clause in it about a reduction in the pound sterling and the same day they scurry around to cover the report of Mr. Hull's statement and say he let the cat out of the bag and then refer it to the Treasury.

A. If you don't mind, Mr. Gaston has been in contact with the State Department people; did you mind handling this?
Mr. Gaston: No, not at all.

H.M.Jr.: And if you're not satisfied I'll be glad—.
Will you go ahead?

Mr. Gaston: Yes.

H.M.Jr.: Do you want to? I mean, you've been in
contact with them—I haven't.

Mr. Gaston: As I recall it the statement was made
by Mr. Hull.

H.M.Jr.: Mr. Gaston, you are talking on the
record or for background?

Mr. Gaston: This is background, always. As I recall,
in response to a question which was a
trick question Mr. Hull made a statement
which was interpreted as meaning that
there were parallel monetary negotiations
going on and when he realized that, Thomas
called up the newspapermen and explained that
he didn't mean that. What he meant was
that if a trade agreement was concluded it
would greatly improve the currency situation
through the freer flow of trade; it would
mean greater stability between the pound
and the dollar. And he later said so far
as the State Department was
concerned they were not carrying on
any monetary negotiations and he
didn't know if any negotiations of
that kind were being carried on
anywhere.

Q. Only the pound then fell to a
new low; can you tell us, also
for our background, definitely,
Mr. Gaston, whether there are
any currency negotiations going
on by the Treasury?

Mr. Gaston: I don't know of any.

H.W. Jr.: I can answer that. The answer is
flatly no.

Q. On the record?

A. On the record.

Q. Mr. Gaston, can you say in view of
the fact that our policy is to seek
stability as we can between the dollar
and the pound whether it's likely
that a trade agreement may embody
some renewed declaration with respect
to this?
Mr. Gaston: I will have to refer to that ---.

H.W. Jr.: Well, now you are getting on the trade agreement side. I have answered the question of currency negotiations and I said no. Now on the question of trade agreements Mr. Hull covered that, I think fully. He covered it three times—the first press conference that evening, a statement, and his press conference yesterday. He covered that and I think that covers that pretty fully. I don't see how it could leave any doubt in anybody's mind.

Q. Mr. Secretary, all trade agreements, as I recall, contain a monetary clause, what they call an escape clause.

A. That's right.

Q. Could you say anything as to how or by what means the clause to be included in the British trade agreement would be determined?
A. Anything that has to do within the trade agreement or with interpreting any sentence or word in the trade agreement, I am going to ask the State Department to interpret their statements. They've got to do the interpreting of their agreements. I can't interpret the agreements for them.

Q. There was a story that there was an agreement to allow the pound to be stabilized at a flat rate.

A. I answered that. (Sandy Klein repeats question) Well, it's a rumor— it's one of these things which have been started and like all these you never can run them down and Mr. Hull has answered it twice. I am answering it now and beyond that I can't go.

I can't go beyond that, because, as I say, where these rumors start or who starts them or what the particular
interest is which is behind it, why I just don't know.

Q. Mr. Secretary, in view of what you have said in behalf of the Treasury and what Mr. Hull is reported to have said, it adds up to the fact that there are no monetary negotiations now with Great Britain on the trade agreement or otherwise?

A. That is correct. That's correct, thank you.

Q. That escape clause, in effect, re-affirms the present tripartite agreement anyway, doesn't it?

A. If you don't mind, I'm not going to interpret any sentence or clause in the trade agreement. There are very able people in the State Department who can interpret their own agreements.

Q. Mr. Secretary, a couple of days ago
you said that tax matters were in abeyance until you sat down and talked with the President, but said he hadn't communicated with you in connection with that Hyde Park statement of his on taxes. I noticed all the tax people in here the other day and was wondering if you had heard anything from him.

A. No.

Q. It still stands that tax studies are in abeyance?

A. That doesn't mean—as you know, tax studies are going on 365 days a year in the Treasury but we have had no communication from the President in regard to that, and, as far as I know, between the President and myself everything is in abeyance until we both get back and have a chance to talk about it.

Q. Can you tell us anything about that meeting the other day?
A. Only that they wanted to go over with me our homework over the summer.

Q. What did you assign them?

A. I was an easy teacher.

Q. Mr. Secretary, I thought that was the faculty of the Hanes school of taxation.

A. No, this was still the Magill school of taxation.

Q. Could you say anything about possible banking legislation the next session?

A. Not in July or August, no.

Q. Will you say whether your revenue estimates in this budget summation are predicated on the continuation of business in the last six months of this year as they were in the first six months?

A. That we are going to have business?

Q. At the same level.

A. No, we never --.

Q. Well, your studies say whether it's projected on a continuation of past
Mr. Magills: or present conditions.

Q. Well, that gets into the forecasting business.

A. It's got to get into the forecasting business.

Q. I know—the figure speaks for itself.

We give you the answer but not the worksheet.

Q. It says it's a billion dollars worse off.

A. Whatever it is, it's there.

Q. Have you seen a lot of letters on the new banking codes you recently adopted? Any comments from bankers?

A. Have you?

Mrs. Klotz: I haven't seen any.

Q. Thank you, Mr. Secretary.
Mr. Magill: Well, who wants to know what?
Q. How's the tax investigation proceeding, Mr. Magill?
A. Which one?
Q. Any one.
A. Which one? Simply going on and doing the usual thing—nothing startling going on, as the Secretary told you the last time. We are making various studies of various types of taxes and statistical data, tax exempts, etc.
Q. Would you list those studies for us?
A. I don't think I could because there are quite a number of them.
Q. The principal ones?
A. That's a good question. Well, the tax-exempt situation is one thing we are going into particularly because it is obvious that that's going to be an issue. The rest of them—I don't know. We've got a lot of more or less minor ones of one sort or another which are the results of the work last year. There are a great many items of unfinished business which were left by that law. For example, one thing that the committees were very anxious that we should study was the inventory situation. As you recall, at the last minute there
was a provision put into the law with respect to
making up inventories on the last-out, first-out
method instead of the first-out, first-in method.
It probably doesn't mean much to you because it's
pretty technical, but it was supposed to be of
particular benefit to the copper industry, hides,
and brass. They were most interested in copper
and hides. There was a lot of difficulty in
getting the thing formulated—whether it should
be extended to other industries, etc.

Q. What do you mean by first-in, first-out?
Mr. Gaston: Fix the values of inventories, isn't it?
Mr. Magill: Why your first-in, first-out idea generally is
this: Here you start in at the beginning of the
year with a lot of goods on your shelves. During
the year you buy some more—at the end of the year
you find you have so much left—you want to compute
what was the cost of the goods you sold. Well,
what you have in the inventory and what you bought
during the year were purchased at different prices,
so it's necessary to adopt some kind of a rule-of-
thumb as to what goods should be regarded as having
been sold—the general rule-of-thumb which should be
followed and which the courts have approved is the
first-in-first-out rule. You will be regarded as
having sold what you first acquired and as having still on hand what you last acquired. Now these particular industries, and doubtless others, because they were the chief ones that were interested --.

Q. Copper and what else?

A. Copper, hides and the brass manufacturers were the chief ones that were represented.

Q. And they want what did you say?

A. They want last-in, first-out. In working it out, if you go home with your pencils and paper I think you can figure out what they wanted.

Anyway the idea is that instead of saying that what you have on hand the beginning of the year is the thing you sold first, they tried what you've got at the end of the year.

Mr. Gaston: And give you a little closer relation to the end of the market.

Mr. Magill: That's right, less fluctuation.

Q. The market will wipe it out in one way or the other over a period of years.

A. Over a period of years, the two things will more or less wash out. You can pretty well generalize, of course--most any kind of a tax problem—if the taxpayer will consistently rule one method it
doesn't make much difference. If one method is used one year and one another year and you change back and forth, then you do get into trouble. They want to count the stuff bought last as sold first.

That's right.

Mr. Secretary, I think you had in your study here the question of retroactive features in the Supreme Court decision in the New York Port Authority case; what progress have you made on that study?

I don't know what the answer is to that one. The study we were making, as you recall, was what kind of legislation ought to be attempted to take care of the general situation of tax-exemptions of salaries and of interest on bonds. Now so far as the decision was concerned, as you recall, it was recognized by everybody that the court was interpreting the law as it stood so that the decision would have effect with respect to past salaries as well as future salaries insofar as the returns were still open and the question then was one of arriving at an equitable result and I think the general conclusion turned out to be that as Congress was about to adjourn it wouldn't be possible to work out anything on the matter as a whole before
adjournment. You've got Senator Brown's committee studying the matter of tax-exemption—Brown of Michigan—a Senatorial committee, isn't it?

I don't think the House is in it. Of course, we are going into it with a view that when the Congress meets we will be in a position to give them the data to carry out the recommendations the President made in his message.

Well, I am still getting back to the retroactive feature in this thing. Has the Treasury decided yet whether they ought to string along with the court decision and collect these back taxes or figure out some way of giving these fellows relief?

I don't know that any final decision has been made on the subject. The problem, as we see it, is a matter—what we don't want is a piecemeal solution, but in the light of the President's message what we wanted to do was to take care of the whole problem, that is, the future as well as the past. We could afford to be equitable as to the past if we get the situation cared for as to the future.

Well, Mr. Magill, are you exploring any possibilities for increasing revenues?
A. We always are.
Q. I know, but anything specific?
A. No, not for this gathering. Needless to say, when we start exploring something we explore specifically, but I don’t think we could outline precisely the various things we are going into.
Q. Is there any chance the Administration might drop its fight for restoration of the undistributed profits tax?
A. That’s a kind of a ‘when did you stop beating your wife’ question. I don’t know—the President is the last word on that, that I know of.
Q. He hasn’t said any more — —
A. Since Arthurdale. He’s been fishing.
Q. Mr. Secretary, have any plans been made by the House Ways and Means Committee or any group to have hearings early this fall?
A. I don’t know. So far as I am aware, no subcommittee has as yet been designated. There have been, of course, the usual run of informal conversations and some of the members of the committee expect to be back here from time to time between now and the opening session, but I haven’t heard any plans for any subcommittee meetings or anything of that sort yet.
Q. Mr. Secretary, could you give us any idea of what you have in mind in connection with this monopoly investigation? The Treasury, I understand, is undertaking certain studies in that connection and I wondered —.

A. I can't tell you about that. Do you know?

Mr. Gaston: Well, that will depend on what the committee itself asks for. That will be up to the committee to say. The committee decided at its last meeting to leave up to the departments what they wanted to do and have them report back.

Q. Mr. Gaston: No, I think not. I think the committee agreed on a schedule on what the departments would do, but that's all up in the committee.

Q. How is your study getting along on anti-trust legislation? According to the last meeting you were to study anti-trust laws here and abroad. Has anybody been designated to go abroad?

Mr. Gaston: You are speaking of the monopoly committee.

Q. The Treasury has been designated?

Mr. Gaston: That would be for the committee to say.

Q. Mr. Secretary, when you say that the Treasury is always exploring possible new revenue could you say that the Treasury has in mind the thought that imposition of new taxes might disturb business at a time when it appears to be recovering?
Mr. Magill: Well, you know the answer to that one without my telling you. I suppose anybody, including you and me, would rather not pay taxes than pay them. If we don't pay taxes we buy the new car or typewriter or whatever it is. If we do pay taxes, maybe we do. It's a question of how much taxes disturb business, etc. I suppose you always get into the question of balancing two things that are difficult to balance. You want the government to carry on certain activities—they've got to be paid for. All right. Is it not desirable to have these activities even at the expense of having to pay for them or not? It's the same kind of problem. If you buy the typewriter do you need the typewriter enough to part with $125 or would you rather spend it on smoking tobacco? A lot of people don't want the government to participate in many activities.

Q.

A. They've got their way of making themselves felt.

Q. The point I've got is this: Is the Treasury going to look for new revenue the coming year?

A. Well, as to that, you've got to answer it in two parts: First, as I have said, we would be derelict in our own duties if we didn't have available here
all the time data with respect to present revenues and possibilities with respect to future revenues and the best kind of a judgment that we can get hold of as to what is the effect of the present system and what will be the effect of some new imposts. Take your tax-exempts. It's obvious a very important question on that is what the effect of imposing the taxes is going to be. Now as to whether this is a particular time to decide on an increase in tax rates or imposition of tax rates that is one of those matters of policy which has been told. The President and the Secretary expect to get together and settle it some time in the next month or so.

Mr. Secretary, have you seen the survey on taxes put out by the American Federation of Investors? I glanced at it, yes.

They point out taxes have more than doubled since 1932 and are about $800,000,000 above 1936. I don't think we officially have sufficiently detailed figures on 1937 so that I can speak on that with any confidence. As to 1936 and 1932, of course, you've got—I haven't analysed the statement in detail—I just looked at it and I don't know whether it's accurate or not and
I suppose it is. As everyone knows there's this important matter to bring in as well. National income in 1932 was very much less than in 1936. My recollection is that the national income in 1936 was about two-thirds in excess—I don't think it was twice as much as the income of 1932, but about one and two-thirds as much as the income of 1932. So if there had been no change in tax rates at all there would have been that much increase in the amounts collected. Further, for whatever it's worth, you notice those figures given there as to the taxes are figures for Federal, state and, I imagine, also local. I doubt if that figure is intended to be simply state.

Q.

Just Federal and state.

A.

But state taxes, as you may know, are a comparatively smaller part of the total than are local taxes. Your property taxes are usually called local taxes, but at any rate you shouldn't rush off with the idea that this increase is an increase in Federal taxes—it isn't. It's an increase in the whole. Then another thing I noticed about that, so far as the comparison between the earnings per share and the taxes are concerned, you've got this: Apparently they've included in there all the various types of excise taxes which are levied with respect
to the product of that company and not merely the
taxes imposed on the manufacturer per se. You
notice there that the oil companies have very
large taxes which, I suspect, include gasoline
taxes payable on their product. I don't need to
tell you the gasoline tax is hardly paid by the
company and the shareholder doesn't need to worry
too much about that.

Q.
The largest taxpayer is the American Telephone--
$157,000,000 in 1937 and $84,000,000 in 1932. In
1937 taxes were $7.04 a share and shareholders
received $9.00 a share.

A.
That's probable—and please watch all the proba-
bilities as I haven't studied this. In the case
of a company like the American Telephone and
Telegraph Company, they apparently have very large
property taxes—they've got this big plant scattered
all over the country so that some of that increase
is in there. Some of you know better than I how
the A.T. & T.'s income compared in 1932 with 1936.

Mr. Gaston: How do the dividends compare?

Q. They maintained a $9.00 rate all through the de-
pression.

I have another question bearing on this monopoly
investigation. I understood one of the functions of the Treasury would be to determine the taxes which might be used as a disciplinary measure in curbing undesirable practices in industry. You don't know of any exploration in that particular field?

A.

No, I don't. I haven't had any personal contact with the monopoly inquiry so I don't know what they are doing. There is something of that sort in the President's message so presumably the committee will do something about it.

Q.

Mr. Secretary, might your further study of the undistributed profits tax be affected by its possible influence on aggregations of corporate wealth?

A.

Well, as I recall it, the undistributed profits tax was one thing mentioned in the monopoly message. Now, assuming that the committee follows up that lead, and I take it that's up to the Congressional members whether they will or not, the effect of the tax in that respect will undoubtedly be looked into.

Q.

The reason the whole tax question devolves on this monopoly is the general philosophy of the important members of the committee is not to break up monopoly
through the old trust-busting idea but to prevent them. And the whole problem lays with the Treasury.

It does and it doesn't. It may lay with the Treasury in the sense that the Treasury people may investigate that problem. I don't know whether they are going to or not, do you?

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

Mr. Magills: I don't know. Of course, in speaking I probably emphasize the side of this business which I see and may underestimate a side which is not my special concern, but my particular concern, and I think the Treasury's particular concern, is to get in receipts for the purpose of meeting normal expenditures of the government. We are interested in taxes from their revenue-producing side and what kind are most useful and equitable to bring in the amount needed to meet the expenses of the government. We do have various taxes of various sorts which have been put in not for the purpose of raising money but for the purpose of regulating certain activities, such as narcotics, firearms, etc.

Mr. Gaston: Oleomargarine and fat oils.

Mr. Magills: Presumably, some people feel a tax device is to prevent some particular activity which they don't
want; that might be a highly desirable way to accomplish the result they want. All I want to say is that tax really isn't a part of the revenue system because it is being put in there not to raise money but to prevent something.

Have you had an opportunity to study the opinion on tax-exempt?

No, the study came in here the other day and looked like a very exhaustive piece of work but I haven't gone over it.

Mr. Secretary, Senator King said about two weeks ago that he was drafting a tax bill to greatly increase the revenues of the United States by increasing tax rates on brackets from $10,000 to $50,000 and you say it's a question of whether to increase taxes or not.

That was Mr. Klein's comment.

My question, not my comment.

Mr. Klein thinks it isn't.

Do you think it's the time to increase taxes or not--your personal view?

I don't think I am giving it. I have one but I think I will keep it to myself.

What do you think of Senator King's proposal?
A. You will find if you look back in the record he has made similar proposals before and I haven't seen his present one so I don't know exactly what he has in mind but I do recall in 1934 he had a proposal to increase the normal tax to six percent from four, and to increase the rates in the middle area. Why don't you ask him?

Q. He's out of town.

A. Well, don't ask me because I didn't prepare his rate schedules for him.

Q. Well, he also has thoughts of reducing the tax base from $1,000 to $800.

A. Well, you remember Senator LaFollette had that kind of a proposal this year. It has been made time and time again.

Q. Did you say that?

A. Have I ever said that, Herbert?

Q. He did in Baltimore.

A. My Baltimore speech was on the subject of tax-exemptions.

Q. Did you say that? Will you say so now?

A. I don't think so.

Q. It's true that's one of the studies being made.

A. That is certainly one of the studies being made.

Q. Thank you, Mr. Secretary.
Q. As they say in French, it's an elegant joint (referring to Mr. Morgenthau's remodelled office).

Mr. Klein has been instructed to ask you about the French girls.

R.M. Jr.: In your capacity as ex-president of the association? My best report is that you will have to see it with your own eyes.

Q. Mr. Secretary, Chairman Sheppard of the Senate Campaign Committee criticized you today for permitting employees of the Treasury to make donations to political causes under what he claims is a misinterpretation of the law.

A. Well, I asked Mr. Gaston to get together for me what we have done on this and I find, altogether, there are four different instructions which have been given out all in 1934. Here's one set and you can get more if you are interested. (Hands set to Cecil Dickson) I'll give them to you and they speak for themselves. There are four different ones—June through September—covering political activities.
Q. Of this year of '34?
A. They were issued in 1934 and for four years they served our purposes.

Q. May I suggest that Mr. Gaston read the pertinent points?

Mr. Gaston: I can get you copies.

Q. The reason I suggested that—as soon as the conference breaks up we all rush downstairs and don't get the copies until too late.

Mr. Gaston: Shall I do that?

E.W. Jr.: Yes.

Mr. Gaston: Well, the first one that was put out in June, 1934, called attention of all employees of the Treasury Department to two provisions of the code, one which makes it unlawful for any Senator or Representative or any candidate or individual elected or any officers or employees of the United States or any person receiving compensation for services from the Treasury, etc. to solicit from any other such officer or person—that is, any other Federal employee; and the other prohibits solicitation of political contributions in Federal buildings and this letter is simply calling attention of all Treasury employees to the law and asking them to abide by it.
And then the second letter on June 20, 1934—the Secretary said he had considered the matter of Treasury employees holding office in political party organizations and said "I have come to the firm conviction that no officer or employee of the Treasury Department ought to continue to hold any political party office" and it gave them the option of resigning any political party office they might hold or resigning from the Treasury. And then on August 2, 1934, a circular was issued—513— instructing officers and employees of the Treasury Department from and after September 1—that was supplemented on September 10, 1934, with a letter which said that the instructions contained in the previous circular should not be construed to restrain an employee from voting as he or she desires or from expressing his opinion privately or publicly on political subjects and to prevent any person from voluntarily contributing to a party fund if made freely and without coercion and is not made to a person in the service of the United States. And there are a few other minor matters — they can make speeches on public questions if offensive partisanship is not
displayed; they can go to conventions as delegates if they don't act as chairman or use their powers as a Federal employee to influence policies. They can hold positions on boards of education, libraries, etc.

Q. The criminal code says it is unlawful for any Senator or Representative or anybody employed by the Treasury to assess or receive political contributions. Wouldn't you say, on the basis of that, if the charges that Senator McNamara's campaign committee is soliciting funds from the Internal Revenue people in California are true, it's a violation of the law?

A. I've only been back a couple of hours--can you answer that one?

Mr. Gaston: The injunction in the law there is against the solicitation or acceptance of contributions from Federal employees by any candidate, any office holder or candidate—the interpretation of that is that the injunction against the candidate, I should say, would lie with some other branch of the government than the Treasury.

Q. You are referring to the Justice Department?

Mr. Gaston: It might be—I should think so.
R.W. Jr.: The point is these have been out for four years. I don't know of any other department that has more complete or detailed instructions than we have and I don't know of anybody who has taken more interest than I have to keep our department clean. If you don't think I have done it all you have got to do is look back and see how many people I have separated from the Treasury for having broken those regulations. We've got a very large department with some sixty or sixty-five thousand employees and I have always felt that we have been particularly fortunate in the Treasury that ninety-nine per cent of them lived up to both the spirit and the letter of these regulations. As I say, they have been useful and served their purpose for four years and if out of the great group of Treasury employees there are some, and there always will be some, who try to find their way around these regulations, it's just an automatic affair—why, we take care of it. As I say, we've done it now for four years. I was worried about it four years ago, but I'm not now because I think we have successfully met this particular question year in and year out and not just before the campaign.
Q. Could you tell us whether you are planning to investigate these reports from California?

A. It's just automatic, and as I understand from Mr. Gaston, the investigation has been under way for some time.

Q. How long?

Mr. Gaston: Well, it started before I left here—it started some time in June or July.

Q. How was it called to your attention?

R.M. Jr.: Well, the first I heard about it was some newspaper man here from San Francisco brought it to my attention and I told him if he had any facts I would be delighted to receive them. It must have been a couple of months ago.

Q. Is the investigation completed?

A. It hasn't come to me yet, but if it is, it will be handled in the usual way. During the last four years we have had a number of cases like this and we've got a regular technique—a routine—and we just go through it, and you men know, who have been here that long, of the number of people in the Treasury who have been removed by me for just this sort of thing. We do it day in and day out. You might like to keep these for a reference anyway.
Q. Mr. Secretary, in the Internal Revenue office at Baltimore, the collector called the non-civil service staff in and announced how he was going to vote. Does the department approve? He did say they could vote as they wanted.

A. I couldn't answer offhand. I'd have to verbatim report of what he said, but the point I want to make is we handle this thing every month and I don't have to worry just before a campaign because other than these things which always crop up, there are no sore-spots in the Treasury. If something like this happens in Baltimore and we can get a written statement or sworn statement of what he said we have a way of investigating.

Q. I'd like to keep you in Maryland. This little poster has been put out by the treasurer for the Tydings campaign committee at Curtis Bay. (Klein reads poster) Now did Senator Tydings at any time in your knowledge attempt to get you to keep from closing that plant or did you have any plans for closing that plant at any time?

A. I'm not familiar with it, but we will find out and ask the Coast Guard what the circumstances are and be glad to give you a formal answer; offhand
I just don't know, but I will be delighted to find out—the Coast Guard will answer it for you. What other business have you got?

Q. Mr. Secretary, getting away from national to international politics, did you talk about the war debt over there?

A. Nobody ever mentioned the war debt. If I didn't know there was one before I left, I certainly wouldn't have known it while I was in Europe.

Q. How about the tripartite agreement?

A. Well, as I said this morning, the tripartite is just where I left it and I sailed on the 15th or 16th of July and it's just where it was then—no change or modification of any kind—still working at the old stand.

Q. A considerable quantity of gold has been coming in lately; are you contemplating any steps along the line of sterilization?

A. I have no news in mind. The mechanics of the setup for handling gold are working perfectly—I don't know of any reason to change them.

Q. How about September financing, Mr. Secretary?

A. Well, we will announce the September 15 financing on the morning of Thursday, September 8, in order to give you all a nice long weekend.
Q. Is that Tuesday following Labor Day?
A. No, it's Thursday. So that's as far as I've gotten.

Q. When do you plan to see the President, sir?
A. At his convenience on his return.

Q. Probably tomorrow, do you think?
A. I know how busy he is.

Q. Talk over taxes tomorrow or whenever you go over?
A. Oh, we will talk, and as you know by now, I've got to tell him what I did on my trip first.

Q. Can you tell us, Mr. Secretary?
A. Sure.

Q. Mr. Secretary, will you see the executive committee of the Federal Reserve Board?
A. Thursday, at eleven o'clock.

Q. On taxes, do you have anything to lay before the President? I realize he hasn't asked you for anything.
A. No, I spoke to him today on the 'phone and told him I was back and at his convenience I think he will see me.
Q. Mr. Magill spoke of some studies made during the summer and I was wondering if there was anything you could put on his desk yet, as a result of these studies.

A. No. I've been working on this financing.

Q. Mr. Secretary, you said a minute ago and you came back to that "among other things."

A. Well, I've got a job to do.

Q. Nothing specific?

A. No.

Q. While you were in France, did the French officials broach any monetary changes to you?

A. Well, I just was in Paris the first three days and where I went and what I did was reported in the press.

Q. The question I had in mind, sir, was whether the French officials themselves—as I understand it, you didn't commit yourself to anything over there. I wondered if they themselves had offered any proposals.

A. There were no proposals made to me while I was in Europe by the French.

Q. None whatsoever?
A. Nothing concerning the tripartite agreement. They made no proposals on the tripartite agreement.

Q. You want to amend your statement—no proposals by the French on the tripartite agreement?

A. Ask me the question again, will you? I mean, I'm always very careful. In the first place, I believe in being very careful, and in the second place, you boys sometimes know something.

Q. I think you know something, too, Mr. Secretary.

A. Let's start all over.

Q. Did the French make any kind of proposals to you while you were in France?

A. I'm not going to answer that. It's too broad a question. All I will say is the tripartite agreement is just where I left it.

Q. How long will it stay that way?

A. That I can't answer.
Q. What impression did you get, Mr. Secretary, of what is likely to happen when the Czechs turn down Henlein?
A. You will have to go over to the State Department to get that answered.

Q. Have you had any reports on business conditions since you've been back?
A. No.

Q. How long do you expect to be in town?
A. Well, I will go up to the farm Sunday and Monday, but with that exception I am back for good.

Q. Will you go to the President prepared to take up tax matters, if necessary?
A. No.

Q. You mean this next time you see him?
A. I'm not prepared for anything other than a friendly conversation. I'm not taking anything over with me. Naturally, I will discuss the coming financing but with that exception I have nothing.

Q. What change in the tripartite agreement would there be if there was to be another devaluation of the franc?
A. We will cross that bridge if we come to it.
Q. Are you going to come to it?
A. I think that comes under those "if" questions. After all, today the tripartite agreement is all right and I again say it's just where I left it and there have been no changes or modifications of any kind.
Q. Are you going to ask for a lot of money in September?
A. I will let you know in a couple of days.
Q. Would you say that because of the international crisis it might be well to keep the Treasury's working balance over a billion dollars?
A. We will give you that in a couple of days.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, SEPTEMBER 1, 1933

H.M. Jr.: I think I have nothing to offer.

Q. Mr. Secretary, can you tell us what the Treasury and Coast Guard are doing about the proposal of the Maritime Commission to have a merchant marine training school set up?

A. I just got through talking with Admiral Waesche and I gave him an O.K. and there ought to be some kind of a formal announcement this afternoon.

Mr. Gaston: I think we might have something, yes.

H.M. Jr.: I just put it up to him a few minutes ago and I would suggest that Gaston pick it up and let Waesche talk to the boys.

Q. Mr. Secretary, aside from the details of the operation of the program, can you tell us anything about the reports that have been going around that there has been some difference of opinion between the Treasury and the Maritime Commission regarding a union advisor?

A. I don't want to comment on that. As far as I know, as far as the chairman of the
Maritime Commission is concerned—Admiral Land—and the Treasury, there isn't any difference. In principle they are going to turn the money over to us and I am sure the Coast Guard will do a good job for them and the responsibility will be with the Coast Guard.

Q. How much money?
A. I don't know exactly.

Mr. Gaston: It depends on the number of enrollees.

Q. Mr. Secretary, now that they've had the primaries in California, do you look for any action in filling the vacancy down the hall in the Comptroller's office?
A. I don't know how to answer that.

Q. Well, the corpse is cold, Mr. Secretary.

Mr. Gaston: The President will be holding a press conference in a day or two.

H.M. Jr.: I needn't point out to you that I do not appoint the Comptroller of the Currency, so I mean the decision doesn't rest with me; it's a White House appointment.

Q. It's safe to assume that Mr. O'Connor isn't coming back here?
A. I wouldn't say.

Q. You wouldn't even say it's safe?

A. If you want me to say, off the record, as far as I am concerned, I'd be delighted to see him back.

Q. Off the record?

A. Yes, because it's a presidential appointment—off the record, I'd be delighted to see him.

Q. What job?

A. The one he had. He was a good Comptroller and I'd be delighted to see him come back.

If you publish that I'm in the position of forcing the President's hand, which I don't want to be in. It's different than any other setup in the Treasury. The point is, without the advice or consent of the Secretary of the Treasury. It used to be with the consent and that was removed so I don't want to be in the position of seemingly forcing the President's hand.

Q. Mr. Secretary, still on California, have you received or acted on any report regarding political activities of Treasury employees there?
A. Nothing but what was already under way, which was started some time ago.
Q. Does that imply that there has been some disciplinary action?
A. No, there has been no report reach me, but I think I said last time there was an investigation under way—check me if I'm wrong on this, Herbert—but I think that investigation has been under way for some time, but no report has reached me.

Mr. Gaston: I don't think the report has reached you; I think it's probably in transit somewhere.
H.M. Jr.: But the fact that the election is over or on, as far as the Treasury is concerned, doesn't make any difference; we go on the same, week in and week out, as far as Treasury employees are concerned and as far as any investigating committees are concerned—we go ahead just the same.

Q. Mr. Secretary, some time ago—I believe it was upon the occasion of the visit of Mr. Phillips (?), Chancellor of the Exchequer, you said the Treasury would follow a policy of having exchange visits between officials of the various countries; that policy hasn't
been carried out to any extent, has it?

A. No, we've been too busy tending to our own business.

Q. Getting back to California, do you have any comments on the $30 pension plan?

A. I think it would be fine if you could find the money, but I don't know where you could find it. You'd better not write that. What I was going to say, it's swell if you can get it. You'd better skip that one—just skip that.

Q. Did you receive any of the tax reports from your tax experts on the studies they have made during your absence?

Q. When are you going to take the tax matter up?

A. I don't know.

Q. We were lead to believe that reports would be ready for you immediately on your return.

A. I am getting some reports and I am going to study them over the weekend.

Q. You haven't gotten them yet?

A. No, but I understand they will be ready for me but don't look for anything when I get back because, after all, with Mr. Magill
leaving and Mr. Hanes taking over, why, he's got to do a little homework, too, and Mr. Helvering is away. He doesn't get back until Tuesday and we've got a financing coming along and there are no Congressional committees sitting so there's no pressure on us to do anything other than to get ready for whatever comes up. I suppose the Ways and Means will sit some time in December, but until that time I don't think we will have anything to say publicly.

Q. Both Doughton and Harrison said they wanted to talk to you some time this month.

A. I'm here.

Q. Have they communicated with you?

A. Not in any way and until I hear from either side—Doughton or Harrison—I certainly will take all the time they will give me because, whatever the program, it has to be worked in connection with the new budget—it's the whole question of fiscal policy—so we need all the time we can get.

Q. You think it will be November then?

A. Oh, November or December. We may have to wait until the President's budget message
so I wouldn't be too hopeful.

Q. Mr. Secretary, there are stories again about the elevation of Mr. Nanes to the Under Secretaryship.

A. Somebody did some great sleuth work on that.

Q. Is the story true?

A. Now you don't want me to embarrass and throw down an honorable paper like the Washington Herald.

Q. I don't mind.

A. Well.

Q. Did you discuss with the President the foreign situation going on over there this week?

A. You know I'm not going to tell what I talked to the President about, even to please you (Klein).

Q. I understand Mr. Roper spoke about his visit with the President.

A. O.K., thank you.

Q. Do you meet with the Open Market Committee today?

A. Yes—not until 2:30—it has been postponed.

Q. Do you expect to have anything to say afterwards?
A. No, and I don't think there will be anything for you gentlemen on that until Wednesday night about four or five o'clock. In fact, I'm quite sure there won't be anything until Wednesday evening.

Q. The details will be announced next Wednesday?

A. There won't be anything until you get the full statement Wednesday evening for Thursday morning papers.
Mr. Gaston: This release and all the material of this conference is for release tomorrow morning and none earlier.

H.M.Jr.: None of it is for radio announcement?

Mr. Gaston: After publication in the newspapers.

Q. No leaks, huh?

H.M.Jr.: Where's the president of this organization?

Q. He's on vacation. He's been exiled to the SEC.

A. Well, to boil this imposing looking document down, what the Treasury is doing, for tomorrow morning's papers, is to offer for cash $400,000,000 of 12-1/4 2\(\frac{1}{2}\) per cent Treasury bonds to fall due in 1950 and 1952 and $300,000,000 of cash of a 1 1/8 note which will fall due June 15, 1943. This is the same note that we offered last June. We are re-opening that note. And for those investors who hold the December maturities, they will have an opportunity at this time to convert into either a bond or a note but this will be their only opportunity. Those who don't choose to convert, why we
will pay them off in cash in
December.

Q. What is that December note interest?
A. One and one-quarter.

Q. Well, this bond bears 2 1/2.
A. Well, the way we run it is this:
Those who decide to convert will get
their 1 1/4 per cent up to September 15
and after September 15 they will get
the interest on the bond or the new
note, whichever one they convert into.
I have a December note and I wish to
convert. Well, I get my 1 1/4 up to
September 15; if I convert into a
bond, from September 15 on I will
get the interest the bond pays,
or if I don't, get 1 1/8. Adjustments
will be made on that basis.

Q. Isn't this the first time you have
allowed exchange of notes for bonds?

A. No, exactly the same in June.

Q. I thought those were both bonds.
A. No, exactly the same—they had a
choice of a 2 3/4 per cent bond or
this same note—exactly the same.

Q. Does Mr. Bell have handy the amount of the December notes?

Mr. Gaston: It's on the last page.

Q. That's a new record for a 12-year bond.

Mr. Bell: 49-53s were $2\frac{1}{2}$.

Q. Those were issued in June, were they?

Mr. Kilby: December, 1936.

Q. Mr. Secretary, with a billion, six hundred million dollars in cash, could you tell why you need seven hundred million dollars more?

A. Yes; in the budget summation we published how much the deficit would be. We've got to raise a lot of money between now and July 1st next year, and I want to do it in an orderly manner, and, therefore, I am taking a goodly portion of the cash now.

Q. In view of the favorable money market?
A. No. The money market is favorable, but I want to divide it up. I don't want to have to raise all of that money at one time and, therefore, I am dividing it up and I am going to take $700,000,000, plus, now.

Q. This would be about a third of the amount you'd have to raise?

A. About a third.

Q. That isn't all new money?

A. $700,000,000 is cash; that's new money.

Q. Can you say, Mr. Secretary, whether the foreign situation influenced the decision?

A. No.

Q. I mean you are taking in the December maturity.

A. Well, that's $700,000,000 plus that; that new money approximately, as the picture looks today, is a third of our needs.
Q. Will this clean up all of the maturities aside from the bills for this calendar year to December 31st?

A. Yes, except bills.

Q. There's a $17,000,000 note issue coming due the 15th; are you going to pay that off in cash?

A. They will be paid in cash.

Mr. Bell: That's the hangover.

Q. You will have a clean board for December financing.

A. When this is completed we have no maturities the balance of this calendar year other than the weekly bills.

Q. Mr. Secretary, aside from the bills how long is it since you borrowed new money?

Mr. Kilby: New money was last December.

Q. Your bill program, will it be fifty million a week?

A. $100,000,000 a week; we have worked it out; there will be $100,000,000
each week which will make a
billion three hundred million
outstanding.

Q. How long does that hundred run,
Mr. Secretary?

A. Ninety days.

Q. I mean, how long is that program
of one hundred a week going to
continue?

A. We reserve the right, the way we
always do ~ ~ .

Q. How far ahead are you willing to
commit yourself?

A. For ninety days on the one issue for
one week; I mean I'm not committing
myself to anything.

Q. You won't say how many weeks?

A. No, I will say this to you
gentlemen: I have nothing in mind
at this time. I am not contemplating
anything at this time, but I don't
want you to consider that a commitment.
Q. The last bill program you announced, I think, terminated on August 31; you haven't made any statement since then.

A. The program, until further notice, is $100,000,000 a week, for bills.

Q. Beginning this week, Mr. Secretary?

A. We've been doing that how long?

Mr. Bell: Today is the first day it begins as a roll-over.

H.M.Jr.: Today.

Q. For an indefinite period?

A. For an indefinite period.

Q. Mr. Secretary, do you have some big expenditures on September 15 you have to meet?

A. Well, we have interest amounting to how much coming due?

Mr. Bell: About 160 million I think.

Mr. Kilby: $160 million plus the $17 million.

Mr. Bell: $155 million of interest.

H.M.Jr.: $155 of interest and how much?
Mr. Bell: The hangover from the note—about $17 million and that's all, except the regular.

Q. In addition to this money, you will have the quarterly income tax?

A. Yes, receipts.

Q. Have you any rough figure as to what you expect the working balance to go to as a result of borrowing, the income tax, and the financing?

A. Yes, but I don't see any particular reason to announce it.

Q. Well, do you intend to operate on a larger working balance from now on, Mr. Secretary, than you have in the last six or eight months? It has been permitted to run down a little.

A. Well, for a time it will be bigger but as we approach December 15 it will run off considerably, but for those who are interested in mathematics, we did a little figuring on what the one billion seven hundred million dollars
worth of bills cost us on an annual basis and at the present 0.05 it works out about $650,000 interest we pay for a billion three. In other words, it costs us less than a million dollars at present to borrow a billion three hundred million dollars, which, I suppose, is the lowest rate that the government ever borrowed at, I suppose, in its history.

Mr. Bell: Yes.

H.H. Jr.: While the balance is big the present one billion three hundred million is costing the taxpayer $650,000.

Q. The banks got the bad news yesterday about lower earnings for the first half of the year.

A. Well, as a matter of fact, I think it's quite remarkable the way all the banks are paying their dividends and covering them. I think the banks seem to be doing very well and, as you know, we have no failures to speak of.
Q. Kind of glad to get this business, too, Mr. Secretary.

A. I think they will be and as far as I know banks keep right on paying their dividends and have them well covered and it isn't.

Q. You wouldn't say that there won't be more cash borrowing between now and the end of the year, would you, Mr. Secretary?

A. Oh, no. I'm not saying anything. This is the program we have mapped out between now and the 15th of September and that's as far as I want to go; I don't want to leave the impression I'm going to do something right after that; but we have worked this out as the September 15 program.

Q. Mr. Secretary, since the sterilization of gold you have permitted all incoming gold to accumulate in the general fund; do you contemplate any changes in that?
A. Not for the time being.

Q. Was that policy considered in getting this $700,000,000 cash figure?

A. Oh, we consider everything — at least I hope I did. I spent enough time on it — Mr. Bell and I — and we hope we haven't overlooked anything. I'd hate to pay for my telephone bill, personally. I think we have checked every corner of the state and the universe.

Q. Anything new on the international situation?

A. If you don't mind, I think we will keep this on financing.

Q. In relation?

A. I was asked the question whether this amount was made in view of the international situation and I answered no.

Q. Are you going to have a press conference tomorrow?

A. Herbert, are we?

Mr. Gaston: Ten-thirty, tomorrow morning.

H.M. Jr.: To welcome you home (To Gregory).

Q. Mr. Secretary, I didn’t hear the reply to a question as to whether this 2 1/2 bond, considering maturity, is lower than anything ever offered.

A. The answer is it isn't; there was one longer.
Secretary of the Treasury Morgenthau is today offering for subscription, through the Federal Reserve banks, $400,000,000, or thereabouts, of 12-1/4 year 2-1/2 percent Treasury bonds of 1950-52, at par and accrued interest, and an additional $300,000,000, or thereabouts, of 1-1/8 percent Treasury notes of Series A-1943, due June 15, 1943, at par and accrued interest from June 15, 1938. At the same time, the holders of 1-1/4 percent Treasury notes of Series E-1938, maturing December 15, 1938, are offered the privilege of exchanging such maturing notes either for the Treasury bonds or the Treasury notes, the exchange to be made par for par with an adjustment of accrued interest as of September 15, 1938, and to the extent the exchange privilege is availed of, the offering of bonds or of notes may be increased.

The 2-1/2 percent Treasury bonds of 1950-52 now offered for cash, and in exchange for Treasury notes maturing December 15, 1938, will be dated September 15, 1938, and will bear interest from that date at the rate of 2-1/2 percent per annum payable semiannually. They will mature September 15, 1952, but may be redeemed at the option of the United States on and after September 15, 1950. The bonds will be issued in two forms: bearer bonds, with interest coupons attached, and bonds registered both as to principal and interest; both forms will be issued in denominations of $50, $100, $500, $1,000, $5,000, $10,000 and $100,000.

The Treasury notes, also offered for cash and in exchange for Treasury notes maturing December 15, 1938, will be an addition to and will form a part of the series of 1-1/8 percent Treasury notes of Series A-1943, issued pursuant to Department Circular No. 585, dated June 6, 1938. They are identical in all
respects with such notes, with which they will be freely interchangeable. The notes are dated June 15, 1938, and bear interest from that date at the rate of 1-1/8 percent per annum payable semiannually. They will mature June 15, 1943, and will not be subject to call for redemption before maturity. They are issued in bearer form only, with interest coupons attached, in the denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000.

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

Subscriptions will be received at the Federal Reserve banks and branches, and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Cash subscriptions from banks and trust companies for either issue for their own account will be received without deposit but will be restricted in each case and for each offering to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Cash subscriptions from all others must be accompanied by 10 percent of the amount of bonds or notes applied for. Exchange subscriptions for either bonds or notes should be accompanied by a like face amount of 1-1/4 percent Treasury notes of Series E-1938 tendered in payment, to which final coupon dated December 15, 1938 should be attached.

The right is reserved to close the books as to any or all subscriptions or classes of subscriptions at any time without notice, either for the Treasury bonds or the Treasury notes and with respect to the cash offering or with respect to the exchange offering of either. Subject to the reservations set forth in the official circulars, all cash subscriptions will be received subject to
allotment and exchange subscriptions will be allotted in full.

Payment for any bonds or notes allotted on cash subscriptions must be made or completed on or before September 15, 1938, or on later allotment. Treasury notes of Series Z-1938, maturing December 15, 1938, with final coupon due December 15, 1938, attached, will be accepted at par in payment for any bonds or notes subscribed for and allotted. If such maturing notes are tendered for Treasury bonds, accrued interest on the surrendered notes from June 15 to September 15, 1938, (about $3.14 per $1,000) will be paid following their acceptance. If such maturing notes are tendered for Treasury notes, interest on the surrendered notes will be credited from June 15 to September 15, 1938, interest will be charged for the same period on the notes issued, and the difference (about 3.1 cents per $1,000) will be paid following acceptance of the notes.

Treasury notes of Series Z-1938, maturing December 15, 1938, are now outstanding in the amount of $433,460,900. The offering now made will be the only opportunity afforded the holders of these maturing notes to exchange them for other interest-bearing obligations of the United States.

The texts of the official circulars follow:
I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for 2-1/2 per cent bonds of the United States, designated Treasury Bonds of 1950-52. The amount of the offering is $400,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to increase the offering by an amount sufficient to accept all subscriptions for which Treasury notes of Series E-1938, maturing December 15, 1938, are tendered in payment and accepted.

II. DESCRIPTION OF BONDS

1. The bonds will be dated September 15, 1938, and will bear interest from that date at the rate of 2-1/2 percent per annum, payable semiannually on March 15 and September 15 in each year until the principal amount becomes payable. They will mature September 15, 1952, but may be redeemed at the option of the United States on and after September 15, 1950, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.
2. The bonds shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any state, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, or gift taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds authorized by the Second Liberty Bond Act, approved September 24, 1917, as amended, the principal of which does not exceed in the aggregate $5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above.

3. The bonds will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege and will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $50, $100, $500, $1,000, $5,000, $10,000 and $100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

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

III. SUBSCRIPTION AND ALLOTMENT.

1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Others
than banking institutions will not be permitted to enter subscriptions except for their own account. Cash subscriptions from banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Cash subscriptions from all others must be accompanied by payment of 10 percent of the amount of bonds applied for. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, to make allotments in full upon applications for smaller amounts and to make reduced allotments upon, or to reject, applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest; and his action in any or all of these respects shall be final. Subject to these reservations, subscriptions in payment of which Treasury Notes of Series E-1938 are tendered will be allotted in full. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted on cash subscriptions must be made or completed on or before September 15, 1938, or on later allotment. In every case where payment is not so completed, the payment with application up to 10 percent of the amount of bonds applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depositary will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified
by the Federal Reserve bank of its district. Treasury Notes of Series E-1938, maturing December 15, 1938, with coupon dated December 15, 1938, attached, will be accepted at par in payment for any bonds subscribed for and allotted, and should accompany the subscription. Accrued interest from June 15, 1938, to September 15, 1938, on the maturing notes ($3.143076 per $1,000) will be paid following acceptance of the notes.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve banks of the respective districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
1.73

UNITED STATES OF AMERICA
1-1/8 PERCENT TREASURY NOTES OF SERIES A-1943

Dated and bearing interest from June 15, 1938 Due June 15, 1943
Interest payable June 15 and December 15

ADDITIONAL ISSUE

1938
Department Circular No. 594

Public Debt Service

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, September 8, 1938.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for 1-1/8 percent notes of the United States, designated Treasury Notes of Series A-1943. The amount of the offering is $300,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to increase the offering by an amount sufficient to accept all subscriptions for which Treasury Notes of Series X-1938, maturing December 15, 1938, are tendered in payment and accepted.

II. DESCRIPTION OF NOTES

1. The notes now offered will be an addition to and will form a part of the series of 1-1/8 percent Treasury Notes of Series A-1943 issued pursuant to Department Circular No. 585, dated June 6, 1938, will be freely interchangeable therewith, are identical in all respects therewith, and are described in the following quotation from Department Circular No. 585:

"The notes will be dated June 15, 1938, and will bear interest from that date at the rate of 1-1/8 percent per annum, payable semi-annually on December 15, 1938, and thereafter on June 15 and December 15 in each year until the principal amount becomes payable. They will mature June 15, 1943, and will not be subject to call for redemption prior to maturity.
"2. The notes shall be exempt, both as to principal and interest, from all taxation (except estate or inheritance taxes, or gift taxes) now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority.

"3. The notes will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury in payment of income and profit taxes payable at the maturity of the notes.

"4. The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

"5. Bearor notes with interest coupons attached will be issued in denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000. The notes will not be issued in registered form."

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Cash subscriptions from banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Cash subscriptions from all others must be accompanied by payment of 10 percent of the amount of notes applied for. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, to make allotments in full upon applications for smaller amounts and to make reduced allotments upon, or to reject, applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest;
and his action in any or all of these respects shall be final. Subject to
these reservations, subscriptions in payment of which Treasury Notes of Series
E-1938 are tendered will be allotted in full. Allotment notices will be sent
out promptly upon allotment, and the basis of the allotment will be publicly
announced.

IV. PAYMENT

1. Payment at par and accrued interest from June 15, 1938, for notes
allotted on cash subscriptions must be made or completed on or before September
15, 1938, or on later allotment. In every case where payment is not so completed,
the payment with application up to 10 percent of the amount of notes applied for
shall, upon declaration made by the Secretary of the Treasury in his discretion,
be forfeited to the United States. Any qualified depositary will be permitted
to make payment by credit for notes allotted to it for itself and its customers
up to any amount for which it shall be qualified in excess of existing deposits,
when so notified by the Federal Reserve bank of its district. Treasury Notes
of Series E-1938, maturing December 15, 1938, with coupon dated December 15, 1938,
attached, will be accepted at par in payment for any notes subscribed for and
allotted, and should accompany the subscription. Accrued interest from June 15,
1938, to September 15, 1938, on the maturing notes will be credited to sub-
scribers, and interest for the same period on the new notes, which will be de-
ivered with coupon dated December 15, 1938, attached, will be charged to sub-
scribers. The difference ($0.314206 per $1,000) will be paid following acceptance
of the notes.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve banks are
authorized and requested to receive subscriptions, to make allotments on the
basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve banks of the respective districts, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

---End---
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, SEPTEMBER 15, 1938:

H.M. Jr.: All right, gentlemen. What's on your
mind?

Q. None of them will admit it?

A. That they've got a mind?

Q. Being gentlemen.

How does the dollar reflect the Czech crisis,
Mr. Secretary?

A. Well, I think the answer that I can give
you is this: That when you consider the
nervousness all over the world due to the
European situation that it has been
extremely remarkable that there has been
as little fluctuation in foreign exchange
as there has been, and the reason that there
is as little fluctuation as there is is
due to the fact that Congress has given the
United States Treasury the necessary
legislation and the means by which to see
that no groups should manipulate the
dollar to the disadvantage of the American
businessman. And I think the record
speaks for itself.

Q. You are referring, of course, to the
stabilization fund?
A. The stabilization fund and the tripartite agreement.

Q. Mr. Secretary, would you want to comment on this $30-a-week program in California, as Secretary of the Treasury?

A. I may. I am studying it just now and if I do it will be in writing.

Q. Formal statement?

A. It will be a formal statement.

Q. It will be?

A. No, I say I'm studying it.

Q. Mr. Secretary, during the last French crisis you told us that the stabilization fund had undergone somewhat of a strain. Is that same strain evident now?

A. I don't want to argue with you, but I don't think I said that. I will let the stenographic notes speak for themselves. It's your memory against mine. We'll let the notes speak for themselves.

Q. As I recall, you said it was working smoothly, despite conditions over there.

A. That sounds more like Morgenthau. No, I've got nothing to add. Conditions are what they are and if you compare this
with any other time during the last few years, under similar conditions, and see what happens to even foreign exchange or to American dollars, you will just see that I think we are proving to the world—and the United States is the financial center of the world—and we can resist the kind of nervousness which people who have money are feeling at this time.

Q. I see that you call the situation nervousness. I think it's the jitters.

A. Well, you may be right.

Q. I see what's happening in London --.

A. I'm trying to be moderate and there's this tremendous flight to the dollar.

Q. What's the flow of hot money to this country? Have you seen any recent figures?

A. It's very, very large. It's the biggest it has ever been. It's a flight to the dollar. It's the biggest it has ever been.

Q. Is it coming in at an alarming rate?

A. I'm not alarmed.
Q. Or is the flow of capital - -?
A. No, there's no reason to be alarmed. We are here. If people want to send their money here as a haven of refuge we will take good care of it for them.

Q. Under the circumstances, our stabilization fund is working overtime to keep these currencies good in relation to the dollar, like the pound sterling and the franc.
A. In relation to the dollar?

Q. You are selling dollars to keep these currencies from going too low.
A. It isn't that. The rush is to the dollar. All over the world they want to buy dollars. The only way they can get their dollars here is by shipping gold, and the attitude of the government is that if individual investors and governments and central banks want to send their money here in the form of gold, as a haven of refuge, why we stand ready to buy it at $35.00 an ounce.

Q. Well, certainly you are defending the pound sterling.
A. No, no, we are not.
Q. There's no interference --. Under the tripartite agreement the signatories have agreed to defend each other's currencies.

A. No, no.

Q. Mr. Secretary, what you are essentially doing is seeing that plenty of dollars are being made available.

A. Let me go through this again. A man anywhere in the world today has got X currency and wants to sell it and wants to buy dollars. Now under the present monetary system what he does is he sells his currency and converts it into gold and ships it here. Now that's what's going on all over the world and as I say everybody wants dollars. Now we've got just one price—we've had that now for about four years—and that's $35.00 an ounce, and we haven't changed. It's the only stable price of money in the world—is the $35.00 an ounce. Now we don't want to do anything to defend the dollar but these people who have X currency—I mean, they are defending their own currency, and we assist them in
making gold available and making dollars available, but we don't do anything to defend the dollar. The dollar is defended through its price of $35.00 an ounce. I mean the pound sterling.

Q.

A. No, we don't—I want to make that plain—we assist them through the machinery we have set up which makes dollars and gold available, but they simply carry out their own wishes as to what they want to do, by making currency available. But it's a flight to the dollar through gold. I mean, I want to make it very, very clear—this off the record—if I was defending some of the currencies I would feel pretty sick the way they acted.

Q. But you are taking gold.

A. If it was my responsibility, after what's happened to them, why I would say I had done a bad job, but I think I've done a good job, as far as the dollar is concerned.

Q. On the record, you could say it would be unwise for the United States Treasury to buck the trend in foreign exchange?
A. We couldn't. We couldn't, because we
don't deal in foreign exchange. We deal
for some other government but not for
our own account. Some other government
asks me to buy or sell their exchange and
then they settle in gold—I am doing it for
some other government but I don't do it
for myself or for the United States
Government.

Q. In other words, what you are saying is
that this government is helping other
governments to defend their own currencies.

A. With their money.

Q. By making dollars and gold available?

A. With their money.

Q. And they pay up each day?

A. Every night, but I am doing it with their
money. If they want me to buy and sell
their currencies and pay with gold every
night, all right, but I am not doing it
with my money.

Q. Are you doing it for Great Britain as
well as France?

A. We are doing it for any country in the
tripartite agreement or any other country
we have special arrangements with—there
are five countries.
Q. Isn't this gold coming in to the country—wouldn't it tend to put American businessmen at a disadvantage in the foreign market?

A. Why?

Q. Because of the fact that foreign exchange drops to a lower level.

A. Yes, but the money is here. What are they going to do with it? Try to find some place to put it to work. May I add, until we got this turn in business last summer, the one particular part of business that stood up through the previous 18 months was the export business, and practically every export or anybody who had any branch of his business export, that was the one particular part of his business which continued to be popular generally. If the automobile people, business machinery people—all of these people who have a large export, the one part of their business which stayed good through these recent
difficult times was the export business, and the reason that that particular part of his business stayed good was that he was selling in the world's market in competition with the rest of the world and he was able to sell because he had a stable dollar and the dollar was so valuable that it was on a favorable relation with the rest of the currencies of the world and that's terribly important.

A.

Isn't it true that the foreign exchanges at that time were higher and that export business is now being jeopardized by the fall?

A.

Not yet. That is not yet true.

Q.

Where's this gold going—into bank deposits or securities? Do you happen to know?

A.

It's too recent. We don't know yet—we can't tell. It's all a matter of ten days' movement and in two weeks you can't tell what they are going to
do with their money.

Q. Have you been in communication with London or Paris in connection with the war crisis?

A. No.

Q. Have you talked to London or Paris on this monetary crisis?

A. No.

Q. You said no to the first question— I'm asking you again.

A. What I don't want you to write is that I consulted anybody on the war because I don't want to admit there's going to be a war. We are in constant touch with tripartite members all the time, daily and hourly touch with them.

Q. Would it be proper to say that you don't consider this hot money problem as one to be dealt with at this time? I have reference to the study made in November, 1936, with a view to arriving
at some conclusion as to what could be done about the inflow of money.
This is a very pleasant worry to worry about. It wouldn't be so pleasant if the movement was the other way.
If you look back at history and see what happened once before when we were facing a situation when they were selling stocks and money was leaving, the situation was different. I would classify this as a pleasant movement.
This is an opportunity for the United States Government to demonstrate to the world that we are the financial center of the world and we can take care of ourselves and anybody who wants to trust their money to us, this is our opportunity and I think we are meeting it and we have up to date, and if I may add, the demonstrated success with which the issue was made last week, that in the midst of all this nervousness
that we can sell and issue and meet with the success that we did last week.

Q. Mr. Secretary, in view of all these funds that are coming into this country, isn't it a rather forlorn hope? Couldn't all those funds be taken back by the governments of those countries, almost inevitably, in case something would happen?

A. Well, I just don't know. That's an 'if' question.

Q. Mr. Secretary, do you have any estimates at all on the amount of this foreign money going into United States bonds and securities and stocks?

A. We don't yet.

Q. Are you attempting to get that?

A. Oh, yes, we keep working at it. We try to be as intelligent about this as possible. As you know our government bonds aren't registered and we can't
tell just where they do go, but we try to keep as well informed as possible as to who our customers are.

Q. Can you tell us what country the gold is coming from, Mr. Secretary?

A. Only as it's announced officially as shipments arrive.

Q. Mr. Secretary, will all this gold be purchased and held in the general fund as you have been doing? In other words, does the war situation and the possibility of withdrawal make it desirable to continue your present policy of absorbing this gold up within a certain limitation and keeping it there against the possibility of foreign withdrawals?

A. At the moment we don't see any reason to change the method of handling the gold from what we are doing, but as you well know here I can not permit myself the luxury of any monetary hobbies and keep my mind open.
Q. I wasn't raising that question.
A. No, but one fellow believes gold should be handled one way and thinks that's the only way and somebody else some other way. But for the moment we think we are handling it the best way and if somebody comes in and thinks he has a better way I am always ready to listen. My mind is open, in other words.

Q. Have you had any suggestions on how to handle the gold?
A. Oh, yes.
Q. Can you tell us who?
A. Different people. I am consulting people every day. Some of the best financial brains in the United States have been down to see me in the last ten days.
Q. Can you name a couple?
A. No.
Q. Has Mr. Eccles been with you?
A. You know who Mr. Eccles is.
Mr. Gaston: Just by ads in the papers.

H.M. Jr.: I have had what I consider as able people as possible and I have talked to them every day and had them come down every day and will continue to do so as long as this nervousness lasts.

Q.: You don't think there's a nervousness.

A.: Oh, yes, sure.

Q.: Mr. Secretary, are you going to make any recommendations to the President to fill the vacancy existing in the office of the Comptroller of the Currency, soon or contemplated?

A.: Well, under the law, I don't make any recommendations.

Q.: That's under the law, Mr. Secretary. Did you advise with the President on the matter?

A.: I don't know.

Q.: Do you see any possibility of Mr. O'Connor coming back, Mr. Secretary?

A.: Under the law, I don't make any recommendations to the President.
Q. Has Mr. O'Connor indicated to you that he is definitely out or have you indicated that to him?
A. I just can't follow you; you're so complicated.
Q. Back to this gold matter, Mr. Secretary.
A. Thank you. We all thank you.
Q. Before you dewaterized gold you had a two billion dollar cushion to cushion the outflow of this hot money. Now you have removed that by dewaterizing and how are you going to handle that problem when the money flows out and there's an exodus of funds?
A. Well, we have this gold that has come in recently.
Q. Well, you've got practically four billion of hot money and I don't know how much.
A. We've got the gold in the general fund plus a billion, eight, in the stabilization fund in gold.
Q. 140 million is that gold profit now. What is the cushion that you think desirable, Mr. Secretary? I wonder if you could give us any round figure at all as to the extent of the flight to the dollar?

A. No.

A. Mr. Secretary, in view of the fact that your gold acquisitions the last few weeks were pretty near a couple of hundred million, would you say it's near --?

A. I don't want to, please.

Q. You say the total?

A. Volume.

Q. Could you say what foreign country is being put to disadvantage as a result of this flight to the dollar?

A. I wouldn't want to answer that.

Q. Mr. Secretary, T. V. Soong, vice president of the Bank of China, arrived at San Francisco this morning and a lot of
secrecy surrounded his travelling: is he coming to see you?

A. I think you had better talk to the Chinese Embassy.

Q. Well, have you made an appointment with him?

A. I have no appointment with any Chinese gentlemen. With T. V. Soong? No.

Q. Awful cagey today, awful cagey. Have you seen him at all yet?

A. You go see the Chinese Embassy.

Q. Mr. Secretary, have you done anything on that Magruder report yet?

A. That Magruder report arrived on Tuesday morning, the day after the primaries, so I figured if Senator Sheppard wasn't in any hurry with all this excitement going on I could take my time. I read it in the newspapers Monday morning but it didn't get here until Tuesday morning. It's the only pending thing of its kind we have; everything else is cleaned up.
Q. California?
A. California is cleaned up.
Q. What's the result of the situation there?
A. The two men have resigned their political positions.
Q. Can you remember their names?
A. Gaston will give them to you.

We gave them their choice of resigning from the Treasury or their political positions and they resigned their political positions.
The only other case we've got was in Arkansas and there are no charges there. The only other case we've got is Magruder and if Senator Sheppard isn't in a hurry I can wait.
Q. Mr. Secretary, you had a visitor here today, Mr. V. A. L. Mallett, the counsellor of the British Embassy, and he was in here with Mr. Lochhead, apparently concerning monetary matters, wasn't it?

H.M. Jr.: Treasury business.

Q. Treasury business? Well, I'm sure that the British were here; undoubtedly it involved the Stabilization Fund or the tripartite agreement, didn't it?

A. Well, it was Treasury business.

Q. Are the British interested in our Treasury affairs?

A. They are, as far as the tripartite agreement goes, after all.

Q. Well, then, obviously it concerned the tripartite agreement.

A. Well, I would put it that he was here--after all, under the tripartite agreement, I think it says that we consult and this was a consultation.

Q. Before the operations, Mr. Secretary?

A. Before, during and after--it's a constant performance going on all the time.
Q. Is the agreement operating satisfactorily to all parties at the present time?

A. As far as I know, I haven't had any complaints.

Q. Had it to do with the possible mobilisation of British credits in the United States and the orderly marketing of securities?

A. Well, I'm not going to discuss anything here other than the workings of the tripartite agreement.

Q. Mr. Secretary, there have been discussions about revising the Johnson Act to facilitate the extending of credit to Great Britain in the event of war.

A. I haven't heard of it.

Q. Would you say such a move —?

A. That's an 'if' question.

Q. Mr. Secretary, was there anything in your luncheon engagement today out of the ordinary? Did you discuss taxes, Mr. Secretary?

A. I can answer that one, truthfully, no.

Q. Would you make any comment on the tax-exempt report of yesterday?

A. I'll have to refer you to Mr. Gaston; he's an expert on that.
Q. Mr. Secretary, are you still consulting with the so-called master minds? We saw one on Friday—Mr. Tom K. Smith.

A. But he wouldn't admit he was one? There will be others drifting in this week.

Q. How are you coming with your investigation of the California pension plan?

A. We are still studying it.

Q. When do you think you will have a report on it?

A. I don't know—this week maybe, or next week; certainly within a week or ten days.

Q. It doesn't take very long to study it, does it?

A. Yes. There are evidently a lot of people out in California who seem to think it's all right.

Q. I sort of liked it myself. (Henderson)

A. But you came back here.

Q. Well, they haven't put it into effect yet.

A. May we lose you?

Q. Not for a few years.

A. All right.

Q. Mr. Secretary, can you tell us anything about the reported visit of the Chinese delegation, including Mr. Soong?

A. There's no Chinese delegation in Washington.
Q. Do you expect one?
A. Yes.
Q. How soon?
A. Within the next twenty-four hours.
Q. That's tomorrow you expect to meet a Chinese delegation?
A. Twenty-four hour basis.
Q. Do you meet with the Chinese tomorrow, Mr. Secretary?
A. I don't know; they will have to—their Embassy will have to make the first announcement, I guess.
Q. Are you discussing the silver purchases?
A. I don't know; we will have to wait until we see them.
Q. Will you give us the names?
A. No. They will have to do that—the Embassy.
Q. Mr. Secretary, in the event of war—I suppose you have scouted the possibilities of such a thing—have you discussed the question of closing the New York Stock Exchange with the SEC or any agencies of the government?
A. No, and for background purposes, following what I said the other day about our being the financial center of the world, I think that we ought to act that way, and what I mean by that is that certainly
the situation would have to be far more serious
than anybody can envision it now to close any
exchange and it will have to be some great, great
catastrophe to convince me that it should.

Q.
Would war be a catastrophe?

A.
No. It so happens that the responsibility isn't
mine but certainly, following the thought that
we are now the financial center, following the
thought that we have grown up and ought to act
that way, and, therefore, every effort should be
and will be made to keep all the exchanges open.

Q.
Well, the only thing is that the securities market
will remain open.

A.
If you don't mind, I want to put it my way. The
reason I don't want to be quoted is it isn't my
responsibility, but I will tell you how I feel and
I think, as far as I know, and everybody else in
the Administration feels the same way--in other
words, business should continue open so that the
world can trade in our markets.

Q.
Well, you certainly must have in mind how to stop
the panic.

A.
I don't look for any panic.

Q.
In the event of selling from abroad?
I don't know—there's no reason anybody can tell me why there should be any panic in our markets. I don't look for any and there's no indication, no sign, no reason why there should be any panic in our markets.

Do you mean, Mr. Secretary, that the exchange will be kept open until or unless there's a war?

No, unless there should be a real panic, and I don't look for any panic (this is all for background); it's just the reverse of what it was in 1914. Everything is coming this way. With all of this money coming this way, I can't envision a panic.

This isn't the same as in 1914; then, they were withdrawing; we were a debtor nation.

That's the point, and selling our stocks so gold couldn't leave the country fast enough; now it's the reverse.

Was this matter discussed today across the street, for background?

No, but I'm very sure of my ground.

Back— and foreground, Mr. Secretary.

But my answer was correct. I have had this in mind for some time. I'm not sitting here. I'm doing the best I can and, as I said, I am con-
sulting the best brains available and we have gone into this thing ever since I returned from Europe, and, as I say, for background, my best judgment is we can act like the financial center and in order to do so we must keep our markets open.

Q. Have you discussed this with the president of the New York Stock Exchange?

A. No, I haven't.

Q. Have you discussed this with the President?

A. I have said enough, thank you. It's for background, gentlemen and ladies.

Q. Mr. Secretary, I understand you asked the Navy Department to have two warships available in British waters to bring over any gold, in view of the prohibitive insurance rates?

A. You will have to ask the Secretary of the Navy what he's doing with his warships.

Q. I'm not asking what the Secretary of the Navy is doing. What I'm asking, sir, is what you are doing with the warships.

A. There's a great authority behind you (pointing to Cecil Dickson).

Q. He's not Secretary of the Navy.
Mr. Dickson: Nothing.

A. Well, I refer you to the author.

Q. On the level, Mr. Secretary.

A. He's on the level.

Q. Will you tell us something about that story? It has been floating around now.

A. I refer you to the man who wrote it.

Q. I'm not going to have an INS man cover the UP.

A. Are you sure?

Q. Pretty certain.

A. I'm not going to discuss it.

Q. Could you tell us, for background, if it's true?

A. I don't want to say anything.

Q. It certainly has the proper effect, if that's what you're driving at.

A. I'm not driving at anything.

Q. Could you tell us in the event of a blockade what would happen to the tripartite agreement?

A. That's an 'if' question.

Q. Is it, sir?

A. Sure.

Q. Would there be a threat? If there was a blockade you couldn't ship gold which would send the dollar up in terms of the foreign currencies.
A. The dollar is all right as of today and I'm not worrying about it.

Q. You will not have to worry about the dollar, if it goes too high.

A. I'm not worrying particularly anyway, as far as the United States is concerned.

Q. Mr. Secretary, in your discussion across the street, did the matter of filling the vacancy at the end of the hall come up?

A. End of the hall?

Q. Second floor--Comptroller of the Currency.

A. How many ends have we got? The end of the hall and across the street--I don't know what you're talking about.

Q. Well, you had luncheon with the President.

A. And a mighty good lunch today.

Q. The story remains undenied or unconfirmed about the ships being in Graves End waters; it just stays that way. It's rather unusual on your part.

A. Now there's my old friend, Cecil Dickson; I don't want to do anything to embarrass him.

Q. He's my friend, too.

A. All right, but I'm not going to say anything.

Q. You're embarrassing the rest of us, Mr. Secretary.
A. Well, you people don't embarrass so easily.
Q. We've got queries on it; I called Gaston and he referred me to you.
A. I'm sorry, gentlemen; I can't say anything.
Q. Going to use the Navy to defend the dollar—that's a new wrinkle.
A. If you write that don't come around to see me next Monday or Thursday. (To Crider)
Q. That's a good one.
A. What else have you got?
Q. You don't care to comment on the filling of the vacancy?
A. At the end of the hall? No.
Q. Was it under discussion today?
A. Thanks but I don't want to get into it.
Q. Mr. Secretary, you said we could interview Mr. Cecil Dickson; could we interview Mr. Crider the same way—use the Navy to defend the dollar?
A. You people are free agents and this is a free country.
Q. Is Jefty O'Connor still trying to get the job?
A. I don't know; you'll have to ask him.
Q. There's talk out in California about Mr. McAdoo's wanting to fill the job.
A. Far be it from me to keep the Californians from talking.

Q. Thank you, Mr. Secretary.
PRESS CONFERENCE WITH CHINESE REPRESENTATIVES

September 20, 1938.
10:40 a.m.

Present:
Mr. Lochhead
Mr. White
Mr. K. P. Chen
Mr. Hai Teh-Hon (Manager, Central Bank of China)
Mr. S. D. Ren (member Chinese Foreign Trade Commission)
Mr. Gaeton
Newspapermen

Q: Good morning, Mr. Secretary.
A: How are you?
Q: Good morning. How are you this morning?
A: Fine.

Chen: Mr. K. P. Chen and Mr. Hai Teh-Hon - ah . . .
Chen: General Manager of Central Bank of China.

H.M.Jr.: And the other is Mr. S. D. Ren, Commissioner of the Foreign Trade Commission. Mr. Chen, as you will remember, was here a couple years ago on my invitation, and he has come again on my invitation, representing Dr. Kung, the Minister of Finance of China. And these gentlemen are here to discuss with the United States Treasury mutual financial problems. And I am particularly glad that Mr. Chen is back because on his last visit
his commission, I believe, was successful from both the standpoint of his government and ours. Period, paragraph, page.

Q. Safe for us to assume that this is about the silver purchases?

A. Well, I can't - I don't want to go any further, if you don't mind, than what I have said, because I have just exchanged greetings. I haven't had a chance to talk with Mr. Chen and it will be some time before - a lot of things have happened the last two years and it will take me time until Mr. Chen brings me up to date.

Q. Did I understand you to say "here to discuss mutual" or "neutral" ....?

A. "Mutual."

Q. "Mutual."

A. "Mutual."

Q. There will be further conferences?

A. Oh yes, we'll be meeting - most likely will be meeting with Treasury people every day. We'll meet every day for some time.

Q. Mr. Secretary, before you went on your vacation, when there was some discussion of the further extension of the Chinese silver purchase understanding and you said
that the thing would go on for some time
after you got back from your vacation –
has that schedule of shipments expired?
A. It will, and that is one of the things
that I will discuss with Mr. Chen. I say
it will expire, but it hasn’t yet.
Q. Could you give us the date of that, sir?
A. I’m not sure what the date is. I’m not
sure.
Q. Would anyone else know?
A. I hope they won’t.

(Laughter)
Q. I happened to look at Mr. Lochhead.
A. Well, Archie is supposed to be dumb, deaf
and blind.
Q. Charlie McCarthy, eh?
A. No, try him some time when he’s outside
the Treasury.
Q. Thank you, Mr. Secretary.
H.M. Jr.: What story did you bring in today?

Q. He's knitting. I've run out of questions,

Mr. Secretary. What is the latest situation

on taxes, Mr. Secretary?

A. Nothing new.

Q. Have you taken it up with the President yet?

A. No.

Q. Have not?

A. No.

Q. What is the reason for the delay? There was a

lot of talk about your doing it when you got

back from your holiday.

A. That talk didn't emanate from the President or

from me.

Q. Oh, I think it generally emanated from around

here that you would take it up when you got back.

A. Well, weren't they sort of hard-pressed during

July and August and they thought taxes were a

nice cooling subject?

Q. Mr. Secretary, how is your 930-a-week study

coming along?

A. Well, we are still studying it.

Q. Are you still planning on having a statement

about it?
Q. I don't know, frankly. There are other things which are more pressing.

Q. Jefry (O'Connor) explained to us yesterday that that was not part of the party's platform, even if the candidate did back it up.

Q. Was not?

A. Was not. It's hardly conceivable any opinion you might have on that would be at variance with the President's.

A. I will say now anything the President says goes for me.

Q. What did he say?

A. Well, they can dig it up but he made a statement on it and Mr. Gaston will be glad to furnish you with a copy of it, and I don't know that I will add anything to what the President said.

Q. Mr. Secretary, did you come to any understanding with the Chinese delegation?

A. No, that will be a matter of, oh, I imagine they will be here several weeks.

Q. Can you tell us, sir, what topics outside of silver will be discussed?

A. No, I'm sorry, I can't because it's too early.

Q. Was there any significance to your statement
that they came at your invitation? Was that just an expression of courtesy or did it mean something else?

A. An expression of courtesy and an expression of fact.

Q. Mr. Secretary, do you intend in the near future to approach the German Government in respect to the Czechoslovakian bond issues outstanding in this country?

A. I never approach any government on outstanding obligations.

Q. Well, you know what I mean.

A. No, but I'd like to explain that the Treasury doesn't take any part in that except in debts owed by other governments to the United States Government; that's the only thing that we interest ourselves in.

Q. Are you preparing any customs regulations concerning Czechoslovakian goods that came out of the Sudeten area?

A. I really don't know, but if they are I will have Mr. Gaston find out and advise you gentlemen; I don't know.

Q. Mr. Secretary, in regard to those Czechoslovakian issues outstanding here, what department makes
it their business to —?

A. The State Department.

Q. You don't cooperate?

A. I have taken no part since I've been here in debt matters, other than governmental debts. I mean, debts owed by other governments to this government. That's the only thing I have concerned myself with and you know how successful I have been with that.

Q. Do you know what the Czechoslovakian debt is?

A. Does the Czech government owe us?

Q. I think they do.

A. We can find out. As far as I know they are in a category with all the other countries who owe us. How could they owe us? They weren't in existence until after the war.

Q. It was a post-war debt.

Mr. Gaston: Finland is in that same class—a post-war debt.

H.M.Jr.: Will you check that?

Mr. Gaston: I'll check the Czech's.

Q. If there is one of them will you take it up?

A. No, whatever will be done will be done by the State Department.

Q. You will take the same activity as you did in connection with the war debts?
A. That was all handled by the State Department. 
I don't want to have anything to do with it. 
I couldn't even tell you what they did.

Q. Mr. Secretary, has the influx of money continued 
or has the tension relaxed?

A. I will answer that. The influx of gold continued 
on account of previous engagements, but the last 
day or two the actual transactions have almost 
dried up.

Q. By that you mean future engagements, don't you, 
Mr. Secretary--the transactions?

A. I mean the transactions in the last few days have 
practically dried up, but the fact remains there 
was a lot of gold landed in New York during the 
last ten days which was contracted for prior to 
Monday.

Q. Is there any prospect of an outflow?

A. I haven't seen any yet. I haven't even got out 
my telescope.

Q. The foreign exchange market is very weak this 
morning--the franc is within striking distance of 
that 179-to-the-pound minimum that was established 
in the last franc devaluation; can we assume that 
the stabilization fund will continue to operate as 
usual at that point?
A. Well, we are operating today as usual.

Q. Have you any indication as to where this incoming capital is going? Either into bank deposits or securities? You said you were watching it.

A. I think you gentlemen know that I get, every morning, a statement which the SEC prepares for me as to the sales and purchases of securities; I have had that every day for over a year and then I get a weekly report on movements of capital—I get that each week. So I am kept up to date on either—in the case of stocks, on a daily basis, and on the movement of capital in and out of the country, on a weekly basis.

Q. Would you mind disclosing where these funds went?

A. Yes, I do mind.

Q. The weekly report is from SEC also?

A. No, that weekly report is collected for us through the Federal Reserve Bank of New York.

Q. Mr. Secretary, now that the influx of gold has abated somewhat, could you give us some round figures as to the size of the total influx during the last two or three months?

A. No, there's nothing other than—those figures are
published daily as it comes in. You get those every day—the amount of gold that's landed.

Q. Could you say anything about stock market transactions—whether or not those transactions have followed pretty much of an even basis over last year?

A. No.

Q. At no time has there been any selling, net or balance, has there?

A. Well, you people get our quarterly report on capital movements which gives you this whole thing in the greatest detail and I don't want to do it. We feel that that's giving you more information than has ever been printed before, but we want a certain amount of time to elapse before we give it.

Q. The last report was the first quarter of 1938.

Mr. Gaston: The second quarter will be out within the next week or so.

Q. I wish it were possible—we have, for example, the first half of the year and three months have elapsed.

A. We get the trends; as a matter of fact, I don't
think they get them together. They don't lay around the office, do they?

Mr. Gaston: They do them as rapidly as they get them in; it takes them three months to do it.

H.M.Jr.: As far as I know, as soon as the thing is done it's given out.

Q. The reason I asked the question, Mr. Secretary, was I think in previous times you have commented on the stock market sales—on the transactions—aside from the quarterly report.

A. I doubt it, really; have I?

Q. Last Fall you said foreigners were not selling American securities.

A. Well, there's nothing particular in the sales or purchases in the stock market which is worthy of comment at the present time.

Q. Well, we can assume that they are buying on balance, can't we?

A. No, I will just put it that way: The sales and purchases of stock at the present time, by people outside of the United States—that the volume isn't large enough either way to comment on it.

Q. No volume at all?

A. Well, I will just let it go that way—the volume
isn't large enough to be worthy of comment.

Q. Mr. Secretary, is there anything new on the appointment of a Comptroller?

A. No, there's nothing new.

Q. Mr. Secretary, have you reached any conclusion as to the effect of the elimination of the tax exemption feature on the government bond market? It would increase the interest rates.

A. Well, I made a statement on that the first year I was here on that question of the tax exemption and my position hasn't changed since then, and if you haven't got it, Mr. Gaston will be glad to dig it out for you. I made it in '33 or '34. He'll be glad to give it to you.

Q. Mr. Secretary, is the Treasury making any study of the probable cost of a program such as this which was recommended by the President's committee last July? (Health program) That matter has recently come up in the American Medical Association convention in Chicago.

A. I am not familiar with the cost. Maybe Mr. Bell is or somebody is. I am not. I really don't know.

Q. Mr. Secretary, how about these reports of incentive tax measures to promote recovery that
have been printed recently? Do you know if any plan is under way to work out a program whereby tax rebates would be granted by the government to encourage certain industries to more activity?

A. Where's that coming from?

Q. The Vandenberg committee is sending letters out.

A. Well, Vandenberg hasn't taken me into his confidence, strangely.

Q. It was also said that the Treasury was studying such a plan.

A. Well, they may be, but I'm not familiar with it. That's right. I'm not.

Q. Anything new on the Mexican silver situation--purchases of Mexican silver?

A. No.

Q. Mr. Secretary, has Harry Hopkins been around here to discuss relief financing with you recently?

A. Well, I mean, Mr. Hopkins calls on me frequently. He hasn't happened to be in this week; it just so happens. He might be in today or tomorrow. He comes in quite often, as I said before. But as it happens he hasn't been in this week.
Q. Are you talking over what the anticipated needs will be after this money you now have is out of the way?

A. We haven't started those conversations.

Q. Will the Treasury favor repeal of the Silver Purchase Act at the next session?

A. The next session is a long way off.

Q. Thank you, Mr. Secretary.
Q. Hello, Mr. Secretary. Have a chance to listen in on Mr. Hitler's firearms chat?

H.M.Jr.: I guess we will skip that one.

Q. Skip it altogether?

A. Altogether, please.

Q. Were you in conference with the President today over at the White House?

A. I had luncheon with him.

Q. Did you discuss the international financial situation with him?

A. Well, I never discuss what I discussed with the President.

Q. You didn't discuss taxes then, did you?

A. That's one safe bet.

Q. And you didn't discuss the -- .

A. No, please. I never--I am his guest when I'm over there.

Q. We can assume that you canvassed the situation then?

A. I wouldn't assume anything.

Q. When do you expect to go over again--this evening?

A. I have no appointment but I am on call 24 hours a day.

Q. Have you called Mr. Taylor back from his
vacation yet?

A. No.

A. Are you planning on doing that?

A. He stuck here all through July and August when it was hot and my agreement was that unless it was necessary he could stay out until next Monday, which is only three weeks.

Q. You don't anticipate calling him in before then, do you?

A. I haven't thought of it; it's a good idea though.

Q. I don't want to be blamed for anything like that.

A. I'll tell him you think he ought to come back.

Q. Mr. Secretary, will you say whether or not the Treasury and other similar agencies have completed their canvas of, and their preparations for, any of the repercussions that might occur if there were war in Europe?

A. Oh, no. All I will say is this: That I like to think that the Treasury is always ready for any situation which may arise at any time, and as far as it is humanly possible to get it ready, it is ready.

Q. Mr. Secretary, I have seen published reports in the newspapers about an advisory council which the President has set up with you, as sort of a
war council in the event of war; is there anything to that?

A.

If you believe what you read in the newspapers. What paper do you read?

Q.

Mostly the New York Times. (Gregory—N. Y. Herald-Tribune). He didn't see it there, I don't think. (Criden, N. Y. Times).

Mr. Gaston: He ought to interview the New York Times now.

Q.

As a matter of fact, it was in Alsop and Kintner's column, with you at the head of such a council in the event of war.

A.

All I can say is the little statement I made that we like to think that we are ready for anything that may come up.

Q.

It's a fact that Dr. Viner and Tom K. Smith and others were here consulting or being consulted on eventualities?

A.

They and about a half a dozen others.

Q.

About eventualities, isn't that correct?

A.

They were here and at least a half a dozen others were here giving me their advice on the financial situation, both inside the United States and outside.

Q.

How long will Dr. Viner be here, Mr. Secretary?
A. He's gone back to the University of Chicago; he was just here for a couple of days.

Q. And he's completed whatever it was he was going to do?

A. He was here and we consulted and he's gone back.

Q. Will he be called back in?

A. I have no plans.

Q. Mr. Secretary, the question came up today at the State Department about if there are any funds available to aid in getting Americans out of certain parts of Europe where they've been advised to get out and the Secretary said there wasn't enough money there. Is there any way you could put your hands on cash for that?

A. It's the first time the question has been raised but I will be glad to look into it. If there are any such funds, Mr. Gaston will let you know.

Q. It's the first time the question has been raised.

A. You wouldn't consider that a stabilization operation, would you?

Q. I'd like to but I'm afraid I can't.

A. Mr. Secretary, you saw the President last evening before he drafted that note to foreign countries; you were with him from 7:15 to 7:45, Stephen Early said.
Q. The question in my mind was whether your discussion had anything to do with dispatching that note.

A. Well, if Mr. Early told you that, I think that my policy of letting the White House announce when I call on the President or what he says to me or what I say to him, I think that it's a pretty good policy, as far as I am concerned, to let them do the announcing. When I go over there I'm the President's guest and I think it's up to the White House to do it and they do do it and whatever they say is o.k.

Q. Mr. Secretary, back to financial affairs, I notice that you have more or less loosened up on your policy of putting more gold in the general fund—now you are releasing it to the Federal Reserve Bank. I think about $114,000,000 went into the credit channels and one of the commentators called that a vacillating policy. I wonder if you would make any comment now on the comment that they made—any reasons for changing your policy or shifting gold from the general fund?

A. Well, didn't you gentlemen have a chance, and lady, have a chance to discuss this with Mr. Gaston?
Mr. Gaston: I talked to a few people on the subject.

Q. Well, I was off on Saturday and busy on Friday and I didn't discuss it with him. (Gregory)

A. Well, I'm sure that Mr. Gaston would be delighted to talk to you about it afterwards and answer any questions you might have.

Q. Are you ready to say anything about the California pension plan?

A. I think I will stick by what I said the other day. What the President said at Hyde Park, I am willing to sign my name to that statement. If you haven't got that statement, Mr. Gaston will be glad to give you a copy.

Q. You are not going to make a formal statement then?

A. Nothing other than what he said in Hyde Park--I can't improve on that.

Q. Has the date been set, Mr. Secretary, when the new Comptroller will take office?

A. No, no. He has to get his own job in order and find a successor and that will take a little time.

Q. Did you have a large inflow of hot money and gold--any engagements of gold today over the European tension? You said it had quieted down last week.

A. It did, for a couple of days.
Q. There has been a renewal then?
A. Well, it started to come this way again.
Q. Very large quantities, Mr. Secretary?
A. Enough.
Q. Would you say they were larger than previously?
A. No, not as large.
Q. That's gold and hot money?
A. I don't distinguish; it's gold, as far as I am concerned. In other words, hot or cold, it's gold.
Q. Well, we will call it fugitive then.
A. I will call it gold.
Q. Are you making any preparations, Mr. Secretary, to guard against any sudden large withdrawals of foreign funds?
A. Oh, yes, that will be easy to meet.
Q. What do you mean?
A. Well, it will be such a pleasant surprise—there's plenty of gold in the country that can flow out without disturbing anybody.
Q. Do you infer by that the present inflow is unwelcome?
A. Oh, no; oh, no!
Q. You said -- .
A. No, I said and still say that we buy all the gold
anybody offers us at $35.00 an ounce, until
further notice.

Q. Mr. Secretary, there have been a lot of disparaging
remarks made by some of the economists lately
about the value of this gold.

A. What's the fellow's name who wrote that story?

Q. Well, there was one in Harpers--some college
professor wrote that.

A. Wasn't that a college professor wrote that under
the financial news Sunday?

Q. Burton Crane, in the Times. His idea was a little
different--some of the nations, like Germany,
manage to get along without gold and raw materials.

A. In my ignorance, who is Burton Crane, anyway?

Q. I really don't know much about him.

A. I'll tell you about him (Gregory).

Q. Why do you stand up?

A. He used to work for the Tokyo Advertiser and then
he came to New York and was hired by the New York
Times. He's an expert on the Far Eastern markets,
so-called, Philippine Stock Exchange and Manila
Stock Exchange and Tokyo Stock Exchange.

Q. That includes silk?

A. I think so.

Q. All right, I was perfectly serious. Be seated
again, please.
Q.

I just wondered if you would discuss that.

Well, I'm going to be serious for a minute.

I'm going to talk, off the record. I said, and I meant it, that we stand ready to buy all the gold--our purchases of gold for the last four years at $35.00 an ounce is the only stable thing in the whole monetary field and without wanting to be personal or anything else, when somebody starts to write and throw a doubt on thirteen billion, plus, of gold and has no good substitute to offer, I think he's taking on a huge responsibility. Now I could perfectly well--this Administration could do what previous Administrations did and lend money and I think I made this statement before--I have examined foreign debts going back to 1900, to date, including war debts and there are seventy per cent in default.

Not being personal, I'd rather have at Fort Knox and Denver--they seem to forget about Denver--thirteen and one-half billion dollars in gold, which still seems to be wanted more than any other form of security in the world, than I would have defaulted securities of all countries, and until somebody can offer me a better scheme than selling our merchandise and having the unfavorable
balance paid for in gold why I am going to stick to our policy and that is we will continue to buy and offer at $35.00 an ounce, and, as I say, it's very easy to follow what the previous Administrations did and make a lot of loans and have seventy per cent of them in default, but, as I say, until somebody can offer the United States Government a better plan I think whoever writes that is taking on a terrific responsibility--this is off the record--but I am very serious about this and certainly no one works harder at this and no one asks more divergent opinion--people of different opinion--to advise me and I am constantly asking whether anybody has any suggestions and I have yet to meet any serious-minded person who was well-grounded in this subject who has an intelligent suggestion to make other than what we've done.

Q. The Guaranty Trust Company made a suggestion in a report this morning and they said the same thing about this gold coming in here being dangerous to trade.

A. What do they suggest in place of it?

Q. They said the tripartite agreement should be extended to other nations.
As I say, far be it from me to say that I know the last word because I don't; all you've got to see that, with gold hoarding going on, the one thing frightened people want is gold and the value of gold today is greater than it has ever been.

Some people contest that.

The answer is they can contest it but the answer is look at the hoarding that's going on today--people are selling everything in Europe and the one thing they want is gold and dollars; they can contest it. As I say, all I'm trying to do and have done for four years is to keep a stable dollar with a stable purchasing power and until somebody has something better--I just repeat myself and I don't like to do it--whoever writes should be very careful in weighing responsibility they take on themselves in casting doubts because the doubt doesn't exist in the minds of people who have money or in the governments who have money, or the central banks who have money--these people, there's no doubt in their mind, and furthermore, there's no doubt in their mind that the safest place in the world is the United States and, as I say, as soon as anybody has anything to offer that
will work you will do me and your government a
favor if you bring them in, and I'm not being
personal—I am very serious.

Q.

You admit that there is a maladjustment with the
United States holding fifty-five per cent of the
world's gold and at the rate gold is flowing in,
when you are going to attempt trade and financial
equilibrium for all the nations, how are you
going to distribute it?

A.

You can also argue that we shouldn't have a
favorable balance of trade.

Q.

They are arguing that very strenuously.

A.

That's a matter of opinion but in the meantime
go back to the fact that during the last eighteen
months the one business which stayed profitable
and held up better than any other was the export
business, and our manufacturers made money at it.

Q.

But, of course, there are war conditions abroad.

A.

But I am talking about facts—they did make money—
International Business Machine, General Electric,
General Motors, Chrysler—all these people got big
export business. They weren't selling war materials,
but they were selling merchandise. On the record,
I say again, as far as I am concerned, we will buy
all the gold they want to offer us.
Q. And sell?
A. And sell. Anything else?
Q. No, Mr. Secretary.

Mr. Secretary, in view of the precipitate drop in the gold working yesterday morning, I wonder if you could tell us if the British central bank decided not to play the part of any partner?
A. I think you will have to ask them.
Q. Have you talked to your people yesterday?
A. We have already been contemplating.
I think the best answer to the price at which starting closed.

Q. Well, there are a thousand reasons why the prices were.
A. Avoid difficult assets, but I don't know the
question you ask. But what I can say is that under extremely difficult conditions during the
past few days the adjustable agreements have had
and functioned extremely well—nothing at all? I can say.

Q. You told us, Mr. Secretary, if this country's
government would be willing to absorb some of

A. No, I can not, Mr. Secretary.

Q. But you are planning to balance today the debt
A. I am planning.
Q. Good morning, Mr. Secretary.

H.M.Jr. All right?

Q. Mr. Secretary, in view of the precipitate drop of the pound sterling yesterday morning, I wonder if you could tell us if the British control had decided not to stop the pound at any figure?

A. I think you will have to ask them.

Q. Were you asked to buy pounds yesterday?

A. We never discuss the day-to-day operations. I think the best answer is the price at which sterling closed.

Q. Well, there was a tremendous rebound of about ten points there.

A. About fifteen cents, but I can't answer the questions you ask me, but what I can say is that under extremely difficult conditions during the past few days the tripartite agreement functioned and functioned extremely well—that's all I can say.

Q. Can you tell us, Mr. Secretary, if this country did purchase pounds for British account yesterday?

A. No, I cannot tell you.

Q. But you are pointing to the fact that the price closed fifteen cents higher?

A. I am pointing.
Q. You didn't answer no to that query—you just said you couldn't answer that.

A. I just said I couldn't answer that because I have always taken the position that whatever we did for any country it's the relation of client and attorney—if we did operate for any country we do it for them and we have always taken the position if they want to say what their operation was that's their business, but I do want to say that we have been through a very difficult period both in the foreign exchange market and the government bond market—

Q. I think both have acted extremely well and if you men haven't looked back to 1914 and seen what happened during that period I think you would find it very interesting to compare the two periods. There certainly has been a minimum of fluctuation in the government bond market.

A. Do you believe then—I wonder if it isn't possible that the recovery yesterday couldn't be attributed to the fact that the conference was called?

A. Yes, I don't think there's any question of that, but even before that, yesterday morning, ten to ten-twenty-eight, when things were most strained...
considering that what was in the offing, I think that the government market and the foreign exchange market acted extremely well under that very difficult strain.

Q. You must have been watching it very close to know it ran from ten to ten-twenty-eight.

A. Well, that's my job and I did watch it very closely.

Q. Mr. Secretary, to go to a little different angle of the foreign situation, there have been reports that your father might be invited to help transfer the Sudeten lands as he did in the Greek situation—can you tell us anything about that?

A. I don't know anything about that; I haven't heard anything. I don't know anything about it.

Q. I've been reading the columns again, Mr. Secretary, and there was a line in one of them that these various financial experts with whom you've been conferring in the last two or three weeks might be formed into a sort of an advisory board, not of any official nature, but just some board you might call on every so often, like the Commerce Department's Business Advisory Council; anything to that at all?
A. No, there are certain people that I do call on for different things and they might come down here once or twice a year or they might come down half a dozen times. It's very informal and I don't have much confidence in boards, committees, and so forth, and so on. We've got to act and act too fast here and when there's a certain problem that we have and I feel that I want advice I can ask these people if they will drop down and they do and that's the way I will keep it because they don't like to come down at regular times and then sit around and maybe have nothing to do.

Q. Mr. Secretary, the other day you said that the Treasury was prepared as much as it was humanly possible to prepare it for any situation that might arise. Well, have any arrangements been made with the British and French in anticipation of war, as to what would be done if and when war was declared, under the tripartite agreement?

A. I can't discuss that.

Q. Is it too early to ask whether the inflow of gold is abating as a result of this?

A. A little early.

Q. A little early in the morning, you mean.
Well, was there any sign of it diminishing yesterday afternoon?

A. That's a little early, too.

Q. Mr. Secretary, I notice that you've been releasing gold; how much do you expect to release over any -- in the near future?

A. Oh, it depends on the size of the inflow.

Q. Do you consider what you have now in the inactive fund sufficient to withstand any sudden withdrawals that might take place?

A. That, plus what we have in the stabilization fund, would take care of, I think, any situation which might arise.

Q. Do you mean, Mr. Secretary, that substantially all of the new gold that's acquired now will be immediately turned into the Federal Reserve?

A. No, no. The way it looks now--there's no great mystery about it--as gold comes in now we are depositing approximately the same amount that's coming in, plus, as the deposits of the various Federal Reserve banks throughout the country are drawn through money which is paid out by the Treasury, instead of transferring gold from one bank to another we transfer gold certificates
in a particular Federal Reserve district
which happens to have its account run down—
that's the whole story; you've got the whole
operation. I mean, a certain amount of gold
comes in and we have to pay for it; we deposit,
if the account in New York goes down -- .

Q.
Then you don't anticipate any increase in the
amount of gold in the general fund?

A.
No, I don't think we will go beyond the amount
now in the fund. Does everybody get it?

Q.
Isn't it correct that you want to keep the
working balance from being drawn on too much
by the purchase of this gold?

A.
Yes. As this gold comes in at New York the
Federal Reserve has to pay for it and rather
than let their account run down we deposit gold
certificates with them; in the St. Paul district
or the Dallas district, their accounts run down
and instead of retransferring gold certificates
from say New York we deposit gold certificates
there right out of the Treasury. Now that's
the whole operation.

Q.
I just want to be straight on this question.
As the gold comes in now you are going to let
an equal amount out. Is that correct?
A.

Approximately.

Q.

Are there any prospects of diminishing the gold reserve fund? I see it was down $14,000,000.

A.

Just as I explained, if in a certain district, the Federal Reserve Bank’s account runs down due to payments, we will deposit gold certificates there to replenish that deficiency and in that way the amount of gold in the general fund will go down as the money is spent either for gold or for deficient payments.

Q.

Mr. Secretary, can you tell us anything about the Chinese mission now?

A.

Excuse me. Are you and I about together on the explanation?

Mr. Gaston:

Yes, you just went a little bit farther than I went.

H.M.Jr.:

Well, I just wanted to make sure--the thing is there’s no mystery about it and that’s the whole operation and it’s done every day at one o’clock--five minutes of one. Now if you will come back.

Q.

On this same thing, did I understand you to say that the gold we have in the general fund, plus what we have in the stabilization fund, is enough to meet any situation?
A. To meet any situation of withdrawals from abroad, anything. As I say, it would amply take care of withdrawals from abroad and the amount coming this way is far in excess of any flow we have ever had. When you're talking about withdrawals, it certainly isn't around the corner.

Q. This amount of gold you have now in the general fund—it's safe to say that you will keep that amount in there for the time being.

A. No. We will use it under two conditions: 1, as we have to pay for gold in New York or San Francisco, wherever it should come in; 2, if the accounts of the Federal Reserve Banks should run down due to payments they have to make for whatever they may be, we replenish both of their accounts. In other words, we will replenish any Federal Reserve Bank's account where our deposits with them run down—we will replenish that with gold certificates out of the general fund. That is until further notice always; remember, we always reserve the right to change if we think it's to the public interest to do so.

Q. Mr. Secretary, can you tell us anything about the Chinese mission and what success they have had?
A. No, other than that I can report progress—
that's about all. It takes four or five days
from the time we bring something up until they
can get an answer.

Q. When does that agreement you had before expire?

A. I don't know.

Q. It has expired, hasn't it?

A. No, no.

Q. Can you give us, for background, just a round
picture of what they are shooting at?

A. They're not doing any shooting over here.

Q. I'm serious about that.

A. I'm serious, too.

Q. What they are aiming at?

A. No, I can't; I can't go beyond 'making progress';
just as soon as we've got anything I will be
delighted to tell you, but I haven't got any-
thing beyond that we've made some progress.

Q. Any idea when they will get through?

A. No.

Q. Well, over a week?

A. Oh, easily. The last time they were here it
lasted five or six weeks. It's a slow process
of getting notes back and forth.

Q. I read in my favorite newspaper (Gregory—
Herald-Tribune) that the Dutch guilder would be tied to the dollar. Formerly they were tied to the pound sterling.

Have you had any conversations with the Dutch Government?

A. Not on that particular subject. We are in touch with them but we did not discuss that.

Q. I understand that you’ve got an awful lot of customers on the dollar now with the pound dropping. Does that in any way affect the tri-partite agreement?

A. Not a bit.

Q. Could you tell us anything about your conversations with the Dutch Government?

A. No, it’s the way it is with the French and English, Swiss or Belgians—there are conversations almost every day.

Q. There has been a lot of conjecture about the amount invested by foreigners in common stocks, purchased bonds, etc. I understand the Treasury has those figures which are somewhat at variance with the Department of Commerce’s and I wondered if you could make those public.

A. You will get a statement today—our quarterly statement on the movement of foreign capital—
from Mr. Gaston; and, incidentally, Mrs. Klots, will you get him a yearly subscription to the New York Tribune (Gregory)--I don't think he reads it. Charge it to my account.

Q. Thank you, Mr. Secretary. As a matter of clarification, is the guilder tied to the dollar now?
A. I'd say no.

Q. You'd say that?
A. I'd say no. At least--I'll put it this way--if it is, I haven't been informed officially of it. I have not officially been informed of any such movement.

Q. No, but unofficially?
A. Unofficially, I don't know. Is that clear?

The Netherlands have not advised me of any such movement. Now they may have something in their minds. If they have, I'm not aware of it.

Q. It's the choice of the Dutch as to what foreign currency they want to tie the guilder to?
A. Entirely their choice.

Q. Did I understand you to say you are back of the Dutch Government in some way--the Treasury is?
A. They are a member of the tripartite agreement.
Q. Obviously, the discussions you have had concerned the tripartite agreement.

A. It's just day-to-day. They are in the foreign exchange markets and they are looking after the guilder just as any other country does.

Q. The answer to my question is yes?

A. Do you mind putting the question again?

Q. It's obvious your discussions did involve the tripartite agreement?

A. That's right.

Q. Mr. Secretary, a Coast Guard question: Have you received any report from San Juan about a German ship that landed there and dropped six passengers and scammed?

A. Yes.

Q. What are you going to do about that?

A. Nothing. It's none of my business.

Q. Well, they are subject to customs laws.

Mr. Gaston: They didn't clear.

H.M.Jr.: That I didn't know, but whatever the law is the customs will do its duties but I was informed of that yesterday forenoon, but I didn't know that they broke whatever that is.

Mr. Gaston: They didn't even complete their entry.
H.M. Jr.: Whatever it is, I'm sure customs will do their duty.

Q: Can I get cleared up here? You were asked if the Treasury has been asked to buy pounds and you said the best answer is the fact that the pound closed fifteen cents higher.

A: Fifteen cents.

Q: Fifteen cents higher--can we take that to mean that you did buy pounds or not?

Mr. Gaston: He didn't get that quite correct. The Secretary said he couldn't give any answer to that question, but what he did say was that, considering all the circumstances, the foreign exchange market behaved very well yesterday.

H.M. Jr.: I very carefully said I never discuss the business of any other country.

Q: Thank you, Mr. Secretary.
(Immediately after swearing-in of Mr. Upham as Deputy Comptroller)

Q. Has Mr. Delano taken the oath yet (as Comptroller)?

H.M. Jr.: No. Mr. Delano?

Mr. Delano: As you all know, I have been over at the Federal Home Loan Bank System for several years now and there are some important matters to be cleaned up there, notably the President's conference coming in a couple of weeks, and the Secretary of the Treasury has kindly permitted me to stay over there to clean these matters up. The exact date is somewhat doubtful, but as soon as I can get the desks clear --.

(News paper men adjourn into Secretary's immediate office.)

H.M. Jr.: Being Saturday, I'll stand up. All right; at your service, gentlemen. Do you want to know about the tripartite?

Q. No.

A. Gold movement?

Q. We will stick to this today. Which would you prefer? Any talk about the tripartite today?

A. It's all right with me; I'm all set to go home.
Q. Well, I read a story in the papers about a
purge over at the Comptroller's Office,
Mr. Secretary.
A. And so what?
Q. I haven't written the story but can you
expound on that?
A. I think that what has happened speaks for
itself.
Q. Well, Mr. Secretary, could you tell us, sir,
why the resignations of these two gentlemen--
Mr. Oppegard and Mr. Diggs--were asked in
this particular manner?
A. No, I think that Mr. Delano, in talking the
matter over with me, asked if he could have his
own assistants and I think anybody going into
an important office like that is entitled to
have the people that he wants, and we asked
these two gentlemen for their resignations.
Q. Who asked for them?
A. Mr. Upham did it in order to save me time
inasmuch as I was head over heels trying to
keep finances on an even keel, and we have all
been working about eighteen hours a day ever
since I came back from abroad and I have assistants
in order to help me out and in order to save
my time they asked these gentlemen whether
they would hand in their resignations. Now,
for background, in order not to do these people
any disservice, I have asked the Federal De-
posit Insurance whether they would take these
two gentlemen on from now until the first of
January and they held a board meeting on
Thursday and decided they would.

Q.

They are both going over?

A. They are both going over and I, personally,
arranged that both should be taken over by the
Federal Deposit Insurance. They are going to
have ample time to turn around and decide what
they are going to do. I wanted to be absolutely
fair and I felt that if they had at least three
months in which to turn around that was fair.

Q. Well, was Mr. Diggs a little perturbed over
having to hand in his resignation in this
particular manner? He said (quotes from Diggs' 
letter of resignation to the effect that he had
intended handing in his resignation when the
new Comptroller took office). He apparently
wasn't aware Mr. Delano had asked for Mr. Upham
at that time. Is that correct?

A. That's his note.

Q. That's obviously the situation.

A. I don't know what's in Mr. Diggs' mind.

Q. That's what he did say.

A. I don't know what's in Mr. Diggs' mind or anything else. All I know is Mr. Delano and I talked this matter over and, as you gentlemen know, when I have people in charge of these very important offices they are given all the authority and leeway they want to go ahead and run the office. Now with Mr. Delano coming in it's only natural he wanted his own people and he's going to have them and in order not to do a disservice to these two gentlemen I personally sent word to Mr. Crowley and arranged that they would be given positions over there where they were formerly until a few months ago.

Q. Are you going to keep the Deputy Comptroller, Mr. Gough?

A. That's up to Mr. Delano, but that's the whole story. Again for background, I think that, using the vernacular, I think Diggs went off half-cocked.
Q. That's for background?
A. For background, yes. I think he went off half-cooked. I don't think that he's got any kick coming.
Q. May I ask if there are any plans yet on the one deputy?
A. Just as soon as Mr. Delano goes in this is his shop, he's going to run it, and the President and I selected Mr. Delano because we have the highest confidence in him. He's made an outstanding record as an administrator in his job, and, as you know better than anybody else in this room, I have never attempted to be Comptroller of the Currency. I have let--the Comptroller of the Currency has run his own job, but in this difficult transitional period somebody had to step in and I take it it was my responsibility and I have stepped in.
Q. Is there any particular reason for this hurry in view of the fact that Mr. Delano has not yet been sworn in--for the 24-hour notice?
A. Is there anybody who doesn't want me to talk a thousand per cent off the record?
Q. All right with me. (Wilcox)
A. Yes, there was, but I'm not going to explain. There was a very, very important reason and you men who have followed me the last five years know I don't go off half-cooked. We had a very important reason.

Q. To move fast?

A. To move fast. And again, very much off the record, the President has been acquainted with every single move I have made and has approved every single move I have made, and the situation was such I had to move fast and in order not to injure any one personally Mr. Diggs, if he had kept his mouth shut—he's got a job—nobody would have known the difference.

Q. In justice to Mr. Diggs, I have never met Mr. Diggs. (Klein)

A. I'm not looking at you.

Q. I know, but I was the one that wrote it.

A. The situation was very serious and if it wasn't, the President and I wouldn't have taken the steps we did. That was strictly off the record—very strictly.

Mr. Gaston: All those comments about Mr. Diggs—that's off the record.
Q. How about the fact that the President knows about this—is that off the record?

H.M. Jr.: Absolutely.

Q. He went over to see the President today.

A. He went over to say goodbye, I suppose. I haven't heard. But what I said about Mr. Diggs, what I said about the seriousness of the situation, and what I said about the President knowing—that is strictly under the ropes, but this was very carefully thought out and the situation was such that it called for the action taken but nobody has been hurt. My record speaks for itself. I have never hurt anybody on purpose and never will and when you give a man three months to turn around in in view of the seriousness of the situation I think he should be satisfied; I know I would be.

Q. Mr. Secretary, that raises a lot of conjectures—the seriousness of the situation. What were the causes for the sudden resignations?

A. Well, I doubt it. I'm not going to say another word. I am through. If I had to do it all over again I would do it just the same and you will have to take it at face-value.
Q. Can you tell us about this conference?

Mr. Delano: That's the conference of the twelve Federal Home Loan Banks who come here each year. It is a conference with the governor which job I now hold and we were anxious at my shop to have that conference out of the way before I came over here.

Q. What's the date of that conference?

Mr. Delano: October 17. I don't say I won't be here before that but that's one of the motivating forces for staying there.

Q. Can you tell us how long your term will run?

Mr. Delano: Five years?

H. M. Jr.: I think it's five years; do you know?

Mr. Wilcox: Five years from the time of appointment.

Q. Does this indicate any change in policy?

Mr. Delano: I haven't the slightest idea. I've got to get my feet on the ground.

Q. Have you any one in mind for the other deputy?

A. No. This gentleman over here asked a question about the third deputy. My understanding is that Mr. Gough has reached the retirement age.

H. M. Jr.: In nine months.

Mr. Delano: In nine months and for that reason it wouldn't be exactly cricket.
Q. Who will succeed Mr. Upham?

(No answer)

Q. Dr. Viner coming back?

H.M.Jr.: Oh, I don't know. Got any suggestions?

I'll take it under consideration.

Mr. Preston Baker, the Sec. Superintendent, talked the matter over with me, and asked if Mr. Baker be appointed to this Bureau and I feel that Mr. Baker, on taking on and assuming a very difficult responsibility, I think it would be the assistant be trust and could, and it was only that Mr. Viner was going from my office to the Superintendent's Office, which is not too far distant, that I have authorized him. I must be take this opportunity to wish him all possible success since he is associated with Mr. Baker.

Mr. Baker. I think I am not very little to what the Superintendent has said. I would like to say, however, that I have every confidence in Mr. Viner and I look forward to his success.
STATEMENT BY SECRETARY MORGANHAN AFTER SWARING-IN OF CYRIL B. UPHAM AS DEPUTY COMPTROLLER OF THE CURRENCY

"Friends of Mr. Upham, I want to say that Mr. Upham has been associated with me during the last four years as one of my assistants, and it has been a great pleasure and most useful to have him with me during a very good time. And it was really with real regret that I see him leave the Office of the Secretary of the Treasury to go as First Deputy in the Office of the Comptroller. But Mr. Preston Delano, the new Comptroller, talking the matter over with me, asked that Mr. Upham be appointed as his deputy and I feel that Mr. Delano, on taking on and assuming a very difficult responsibility, is entitled to have the assistants he wants and needs, and it was only that Mr. Upham was going from my office to the Comptroller's Office, which is not too far distant, that I have relinquished him. I want to take this opportunity to wish him all possible success when he is associated with Mr. Delano."

Mr. Delano: I think I can add very little to what the Secretary has said. I would like to say, however, that I have every confidence in Mr. Upham and I look forward to the association.
Q. Mr. Secretary, have you seen any of this California wallpaper yet?

H.M. Jr.: Yes.

Q. What do you think of it?

A. Very amusing.

Q. Mr. Secretary, have you gotten down to a discussion of tax matters with the President yet?

A. Yes.

Q. I assume it began today; is that correct?

A. Yes.

Q. Can you say anything more about today's discussion? It was called the first long series of budget discussions.

A. Budget and tax. We started working on the budget and tax—both of them today.

Q. They are interrelated, of course.

A. Right.

Q. Any discussion of the undistributed profits tax?

A. No, we just discussed budget and taxes.

Q. The coupling of budget and tax—is there any particular significance in that?

A. Like the chicken and the egg—don't know which comes first.
Q. Well, isn't it a rather unusual thing to couple the two subjects?

A. No, I think we have always done it that way before, as far as I know.

Q. Well, isn't it safe to assume, Mr. Secretary, that first you are going to figure out what you are going to need to spend next year and then decide where you are going to get your money?

A. What we have always done, as far as the Treasury is concerned, the President announces his appointments and we go over there. Hanes has got charge of internal revenue and taxes; Mr. Bell is the Director of the Budget; and we will follow the same program. Until the President's budget message is released why nobody in the Treasury will have anything to say about it. It belongs to the President.

Q. You mean Mr. Hanes goes his separate way and starts preparing the tax program?

A. No, I just mean the President invited Mr. Hanes and Mr. Bell and myself to come over and talk about budget and taxes and work with him on his budget message.

Q. Wouldn't you say also at the same time you are formulating your new tax program?

A. We talked about taxes and it's up to the President. I don't think he's ever discussed it or hinted at it,
as far as I know, but his message goes on the Hill
the first week in January.

Q. Will the two subjects be considered simultaneously
throughout?

A. I don't know. I'm sorry I can't be any more helpful
this year than I've been any other year.

Q. Social Security matters also figured in the discussions,
didn't they?

A. I'm sorry, I can't break it down.

Q. Any hope for a balanced budget next year, Mr. Secretary?

A. Well, you will know the first week in January.

Q. I know right now.

Could you say anything, Mr. Secretary, as to whether
additional expenditures or additional programs for
expenditure, either in Social Security or any other
line, would have to be accompanied by additional taxes
or whether it might be the policy to levy additional
taxes to take care of any increased expenditures?

A. I'm sorry, I can't add anything to what I've said.

Q. Can you answer this, Mr. Secretary? Business is
improving, it's conceded, I guess, by Federal Reserve
and Commerce Department, and, I understand, around the
Treasury. Is it possible on that basis there's hope for
less spending next year than there was in this current
fiscal year?
A. I'm sorry, I can't answer that. Let him answer his own questions. O.K.?

Q. Mr. Secretary, can you tell us anything at all about what the Chinese have done or are going to do here?

A. No, I wish you men would ask me something I could talk freely on.

Q. You volunteer something, Mr. Secretary.

A. I did. I gave you a nice letter to Senator Sheppard.

Q. Is it nice?

A. It's all right, I think. It's important. I think it's important. We don't write many letters. The four years that I've been here in the Treasury there has never been anybody who had had an opportunity of raising the question of politics in the Treasury or our method of handling contributions and I've taken a lot of time and effort on that whole question and, therefore, I am writing this letter again and I don't want Senator Sheppard or anybody else to think that we haven't leaned over backwards in seeing that Treasury employees conduct themselves according to both the spirit and the letter of the law.

Q. Mr. Secretary, I understand these letters do not involve the McGruder case. Since we last talked to you about it Senator Sheppard's committee has issued new criticisms of the fact that Mr. McGruder was able to get from the Treasury permission to make the
statement that he did to his employees; have you anything further to say about that?

A. I answered that in a letter to Senator Sheppard and I haven’t got anything to add to that.

Q. Was that letter made public?

A. Yes. The original letter.

Q. I mean the one that followed.

A. I had nothing more to say; I’ve got nothing more to say.

Gaston: The committee made it public.

Q. Yes, but I’m talking about this criticism; did you ever do anything about that?

A. No, I don’t think there’s anything—there’s nothing for me to do.

Q. Do you agree with him?

A. No, I agree with the letter which I wrote; I simply stand on that.

Q. Mr. Secretary, will Mr. Hanes be appointed Under Secretary of the Treasury now or later?

A. I can’t answer that question.

Q. Will you say anything about your conference just concluded with Mr. Delano?

A. No, until Mr. Delano takes office we will meet frequently to discuss problems of the Office of the Comptroller of the Currency, and when he
does take office I suppose the meetings will be much less frequent, but until he has a chance we will keep each other informed of what is going on.

Q. Those conferences include just the Treasury officials and Delano?

A. Just the Treasury.

Q. Can you say definitely now as to when he will take office or does he know?

A. I think he's planning to do it the end of this month. Oh, I have something to offer you: On the 15th of December the Reconstruction Finance Corporation has approximately $300,000,000 worth of notes coming due and we will— at the request of the RFC, we propose to refinance those for them on November 1.

Q. Refinance them when?

A. On the 1st of November, which means that we will do it, whatever we do we will do on Monday, October 24.

Q. It will be strictly a RFC offering?

A. It will be strictly a RFC offering and for the same amount—no new money will be asked.

Q. Those notes due September 15?

A. December 15.

Q. What's the object in calling them then?

A. Well, the object is that $300,000,000, which is a lot of money, and we want December 15 free for the Treasury.
C. What sort of notes are they? Are they Treasury-held notes?

A. No, they are held by the public. They are 1% notes—they call them Series K, I think. $299,000,000 of these due on the 15th of December and, as I say, I want to clear the decks for the Treasury on December 15.

C. Have you decided what the new note will be like? Will it be the same as this 1%?

A. No, we will tell you on the 22nd of October for the publication on the morning of the 24th.

C. The offering will be made October 22?

A. No, it will be made the morning of the 24th, Monday, but Mr. Gaston will give you an announcement on Saturday, the 22nd, which is the way we handle the Treasury—we handled one in June or July for the Reconstruction Finance; we will handle it exactly the same.

C. Have you already discussed December 15 financing?

A. Oh, no.

C. Does it mean there will be Treasury financing in December?

A. Not necessarily, but this is a lot of money and we like to do it now and have those quarterly dates free for Treasury financing.
Q. There will be no new money involved in this transaction?
A. There will be no new money involved.
Q. Has the RFC abandoned its plan to sell a lot of notes and repay the Treasury?
A. No, the plan has not been abandoned, but on account of the ample balances of the Treasury at this time it isn't necessary to ask for any additional money.
Q. How much do they owe you now?
A. Roughly, $600,000,000.
Q. Well, the two hundred million issue in July—was that entirely used to pay the Treasury?
A. Yes, I think so.
Q. Cut that down to six hundred million?
A. Approximately six hundred million from eight and the plan to sell additional notes for them has not been abandoned but just postponed.
Q. Mr. Secretary, there are published reports from Prague that Germany is making some economic moves toward further control of Czechoslovakia and that this might even include issuance of German money there; has that any effect any way in which we would be interested?
A. Offhand, I would say no, but this is the first I've heard of it.
Q. Are you now preparing any customs decisions in connection with products coming from that section of Czechoslovakia coming over from Germany?
A. I don't know what the answer is; I will be glad to have Mr. Gaston find out; I just don't know.
Q. These RFC notes will be 90-day notes?
A. No, the number of years and the rate will be decided and we will let you know on the 22nd.
Q. Mr. Secretary, there have been reports of another imminent devaluation of the French franc; have you had any discussions on this? They have run out of names—Bonnet, Laval, and now what kind of a franc are they going to have next?
A. Well, it hasn't reached me yet.
Q. You have had no discussions on that?
A. There has been nothing going on as of right now. You just took my breath away; I hadn't heard of the French franc for a week or two.
Q. They are writing editorials about it.
A. No!
Q. Dope sheets have it, too.
A. Well?
Q. The franc sank to below the level at which the Daladier Government decided to stabilize and defend it.
A. Well, it's close enough.
Q. One thing about it, it can't go very much further. That's the value?
A. 2.65 3/4 on this sheet.
Q. They decided to defend at 2.71.
A. Well, just now I am thinking of RFC notes and I am fully occupied.
Q. Mr. Secretary, can you say anything about the visit of Mr. Morgenthau, senior, on Friday and Saturday?
A. I certainly can—a very important occasion in my family—my daughter was sixteen and he came down to celebrate.
Q. Not on government business?
A. No, that was much more important than government business.
Q. Mr. Secretary, in case the King and Queen of England should come to the United States, is there any fund available for entertainment?
A. I don't know.
Q. The State Department?
A. I guess you'd better ask the State Department—the Protocol Division over there; I don't know.
Q. I didn't mean to stooge for you, (Klein) but that's all right.
Have you had any discussions about reducing margin requirements?

A. The King and Queen?

Q. No.

A. That would be Federal Reserve Board.

Q. Well, they would take it up with you.

A. It hasn’t gotten here yet; I would read about it in the papers.

Q. Thank you, Mr. Secretary.

Q. Mr. Secretary, I have been asked by Salt Lake City to inquire about the truth or falsity, if any, about a story that you are contemplating a further reduction in the price of domestic silver.

A. Never heard of it.

Q. You mean, Mr. Secretary, that it hasn't been taken up?

A. I mean, it isn't in my mind at this moment.

Q. You mean the question of domestic silver price hasn't been considered?

A. Right.

Q. The question of reduction?

A. We will just say I haven't been thinking about the question of the price of domestic silver. I've got from now until midnight, December 31st; I just haven't been thinking about it.

Q. That doesn't necessarily mean that the price ought to be cut.
A. To give you a very honest answer, I haven't thought about it and there are a lot of other things, why take up something that you don't have to?

Q. Well, it's a fact, Mr. Secretary, let me ask you this, sir: Have you changed your mind as expressed in the past, at least in certain places, that the domestic price of silver is too high?

A. I have answered. I am just not thinking about it. I haven't thought of it.

Q. You were on record last year, as a matter of fact, of opposing a subsidy on anything.

A. That speech in November?

Q. No, testimony before the House Committee. That's your exact language—that you oppose any subsidy of any form.

A. Well, if I said it, I will stick by it.

Q. Did you say it?

A. Do you remember?

Mr. Gaston: There was some talk about subsidies.
H.M. Jr.: Whatever I said on it look it up and I haven't changed.

Q. But under the law you are under an obligation to provide a subsidy—this domestic silver, you can't do anything about that.

A. No. We were directed by Congress to buy until one of two things happened, but they don't say at what price.

Q. It's a matter of discretion. Presidential discretion.

A. Presidential discretion entirely, but I haven't discussed it with the President nor he with me.

Q. Then if you disapprove of a subsidy you and he disagree.

A. No, because we haven't discussed it and I mean if you write this question, you were talking about all subsidies. I wouldn't single out silver; I would single out all subsidies. If you are going to do away with one, do away with all.
Q. That include farm subsidies?
A. All subsidies.

Q. Your views are in sharp contrast with those of Mr. Wallace.
A. Well, I haven't got the exact language but as I say if you are going to do away with any, let's do away with all of them.

Q. For example, subsidizing wheat—they are going to buy the surplus to feed the lower third.
A. That will be the best money they have ever spent; I'd be glad to be on record on that.

Q. To aid the export?
A. Well, if they are going to spend the money, the story I read in this morning's paper, to give it to the undernourished in this country, I'd say that would be the best use the Agriculture ever made of the money.

Q. You think it would be more profitable to do that than ship it abroad.
A. It isn't a question of being profitable; it's a question of being humane.
Q. As opposed to export.
A. As opposed to anything else. I am delighted to see Mr. Wallace do that—the quicker the better.

Q. Has he discussed that with you?
A. We had a lot of meetings around May and June—a number of meetings in which Dr. Parran, Surgeon General, participated—Public Health. If they are going to spend the money, I don't know where they could spend it to better advantage or more useful from the standpoint of the social well-being of the country.

Q. Mr. Secretary, I read a story to the effect that you are very much concerned with regard to the sharp rise in the government bond market and its ultimate effects on the present structure in the event there's a tightening of money rates—that you are very much concerned about the bond market.
A. I don't know who wrote the story but whoever wrote it they must have been doing some star-gazing, because I haven't
discussed it with anybody. I don't know who wrote it or where you saw it, but I have absolutely not discussed it with anybody.

Q. One of the controversial things which will come up before Congress, the first of the year, is whether the President's power to devalue the dollar should be continued; that expires June 31. Do you regard that as essential?

A. I wouldn't give an answer at a press conference—it's too important. If I was going to answer it I would rather give a formal statement.

Q. Well, how about a formal statement?

A. I don't think it's necessary at this time—it's too informal, if you don't mind.

Q. Would you comment on the stabilization fund which also expires next June?

A. No, that is, measuring time and events, I would say that that was years off.

Q. You have already gone on record as indicating you would like that thing extended, wouldn't you?
A. Both matters, as I say, are too important and I will most likely wait until Congress asks me.

Q. Mr. Secretary, the United Press today had a story saying that the Social Security Board would handle the President's seven-point program increasing the number of eligibles another sixteen million people; have you had any discussions on that?

A. I, personally, haven't, but it's possible that somebody in our staff has, but it hasn't been brought to my attention.

Q. Would it affect the Treasury at all?

A. I don't know; I saw the headlines and that's all.

Q. Harlan Miller had a little comment this morning that he saw an increase in tax rates and also at the President's conference last Tuesday the Chief Executive inferred that you and he had discussed budgetary problems quite extensively.

A. Didn't he say he would take it up at his next press conference?
Q. Yes, he did.
A. Well, I don't want to give you boys a scoop.
Q. You did say at your last press conference budgetary matters were discussed.
A. I said we took up budget and taxation but I don't want to scoop the President.
Q. Mr. Secretary, what's the word on the Chinese?
A. Nothing.
Q. Still conferring?
A. Still conferring.
Q. With Mr. Taylor most of the time? Is that right?
A. Oh, lot of people around here.
Q. Have they brought in the Agriculture people here yet?
A. There have been some in.
Q. Mr. Secretary, under the wheat subsidy export plan, exports to Hong Kong of flour are getting a subsidy of 50 to 80 cents a barrel, depending on where it's shipped, and the Agriculture budget changed
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the subsidy from 50 to 80 cents to
Hong Kong; could you tell me if
the Chinese delegation had anything
to do with that?

A.
I don't know; you will have to ask
whoever is in charge at Agriculture;
I'm not familiar with it.

Q.
Did you read the story this morning
about silver?

A.
I did not see it.

Q.
Who wrote it?

A.
Some fellow in Mexico City I think
the Secretary is familiar with.

Q.
Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, OCTOBER 20, 1938:

H.M.Jr.: All right, gentlemen, at your service.

Q. When does Mr. Delano expect to take up office, Mr. Secretary?

A. Just as soon as he's recovered from his illness; he almost, not quite, had pneumonia, but he's better and just as soon as the doctor gives him an o.k. —.

Q. Presumably next week.

A. Well, there was some talk of his coming Monday, but I don't think he's well enough, but just as soon as the doctor gives him a bill of health he'll be here; it will be some time after Monday.

Q. Mr. Secretary, did you confer yourself with the Chinese earlier this week?

A. No, there were no Chinese on the farm.

Q. You just came back? They came out of this office the other day and I thought they were conferring with you.

A. No, I haven't been here. I've been strictly rural.

Q. Any comment to make, Mr. Secretary? Gold holdings reached fourteen billion dollars.

A. No.
Q. What progress are you making with the Chinese, Mr. Secretary?
A. Well, frankly, I haven't had a chance to check so I don't know.
Q. Didn't you go to the White House with them, Mr. Secretary, last week?
A. I took Mr. Chen over to call on the President.
Q. That didn't signify conclusion of the negotiations.
A. No, just a courtesy call.
Q. Wouldn't that have been ordinarily a State Department matter—taking an Ambassador over there?
A. He's not an ambassador.
Q. Oh, Chen.
A. K. P. Chen is here representing Dr. Kung who was Minister of Finance, calling on me as Secretary of the Treasury.
Q. Purely a courtesy call?
A. Purely a courtesy call. It was quite profitable for me to take him. He was here representing Dr. Kung—quite profitable.
Q. Secretary Hull was asked yesterday for some comment on the British debt and he referred that to you; any comment?
A. Which debt?
Q. The British debt—there is talk from London about some negotiations.
A. Well, nobody has offered to pay me anything.
Q. There was a report from Paris to the same effect.
A. I still say nobody has made me any offers.
Q. Any negotiations pending?
A. No.
Q. There was a story in some French newspaper saying that you were going to start negotiations after the November elections.
A. Where does that come from?
Q. Paris.
A. Nobody made me any kind of an offer on the war debt.
Q. Anybody suggest to you that they might make an offer?
A. What are you going to play? Twenty questions? I haven't even had a suggestion.
Q. No Englishman came to the farm?
A. I have gotten no suggestions; nobody has made me even a hint.
Q. Would you be open to suggestions?
A. If somebody wants to pay the door is wide open. Is that all you are worrying about? That's fine.

Q. I'm not worried about a thing this morning.

A. Good, neither am I.

Q. Mr. Secretary, in view of the growth of the gold stocks are you planning any more depositories?

A. No, we have plenty. Mr. Gaston will have a release for you Saturday about 12:30 on the RPC notes.

Q. Saturday?

A. Yes, for Monday morning.

Q. There's a report up on the Hill of a ten per cent rise in income tax rates being considered to finance the armament program.

A. Well, it hasn't reached me. Nice weather these days.

Q. Have there been any conversations at all as to how the armament program is to be financed?

A. Well, I think you gentlemen will have to wait until the President's budget message. All right?

Q. Thank you, Mr. Secretary.
H.K. Jr.: All right, at your service.

Q. Mr. Secretary, can you throw any light on this study of the exchange situation? Is it serious—the situation?

A. I wouldn't say so.

Q. You would not say so?

A. That it was serious.

Q. Yes?

A. No, I wouldn't say it was serious.

Q. Well, it isn't pleasing though, is it?

A. Well, I think if you gentlemen will read Saturday morning's newspapers—I found them very interesting.

Q. You are referring to the ——?

A. The stories which I read in the various newspapers.

Q. Which one in particular?

A. Oh, I read a lot of newspapers and was very much interested.

Q. Everybody seems to have handled it in a different way.

A. Well, I wouldn't say that any one handled it—taking them all together—I thought the
men who covered the Treasury did a swell job; I was quite proud of them.

Q. Wouldn't you say, Mr. Secretary, that there's some disappointment among Treasury officials over the failure of the pound to recover more than it has?

A. Well, I just refer you to Saturday morning's papers.

Q. Well, we don't all read the newspapers and we depend on our own knowledge and information.

A. We would be glad to let you see our clippings.

Q. We still can't quote other newspapers.

A. I can't add anything to what I read in the American press; I thought you fellows were all good American citizens—safety first.

Q. It's obvious that there's some disappointment in your mind.

A. All I can say is that taking all the stories and putting them together I thought it would represent a very good cross-cut of the opinion in Washington.

Q. Mr. Secretary, you read the papers—did you read what the International Chamber of Commerce said about readjustment of the Tripartite Agreement and return to gold?
A. Well, we don't let the International Chamber of Commerce, or the United States Chamber of Commerce, write our policy.

Q. Mr. Secretary, there is no doubt the decline in the pound sterling did upset the equilibrium between the pound and is upsetting our trade in view of the fact that through the Tripartite Agreement we have increased our exports.

A. I still fall back on the stories which I read which I thought expressed the opinion here in Washington extremely well.

Q. Can you say it represented your opinion too as long as we are dealing with newspapers? Can we have some comment.

Mr. Secretary, perhaps we can nail it down this way: Most of those stories said you and other people who should be interested in the subject were concerned about the position of the pound.

A. Well, let me answer you. If I wanted to make an official statement I could have made it Friday night and I didn't think it was wise to so I didn't and I don't think it's
wise for me to make an official statement
today on the record.

Q. Well, for background, what's the situation?
You have been willing to say that upon occasion.

A. I think I will just let it ride as is.

Q. It leaves all of us out on the limb—on record
writing stories that you are concerned,
apprehensive.

A. I am not denying, am I? I am praising you.

Q. That's your position then?

A. I am perfectly satisfied with the stories as
they appeared on Saturday.

Q. What reaction has come?

A. None. The power of the press ain't as
powerful as it should be.

Q. Did the pound go up?

A. It went off a little bit Saturday—today it's
just about ---. I can't say that I have
noticed any reaction.

Q. Well, I devalued the franc some time ago;
I wouldn't want to go on record as devaluing
the pound now. Mr. Secretary, was it hoped
that there would be a reaction abroad?

A. Oh, I don't know. That's an if, as and when
story—the three together.
Q. Mr. Secretary, if the stories covered the point that it apparently should, it destroys the purpose of the Tripartite Agreement.

A. I again say if after having these people down Friday—down to confer with me as they have in the past—I could have made an official statement but I didn't think it wise to for the moment, and, if you don't mind, I won't now.

Q. Because of your experience with the French?

A. Has that got anything to do with it?

Q. No.

A. You are more on guard now than you were perhaps?

Q. No, I just think this particular time is impolitic.

A. There might be some change, is that it?

Q. You mean I might make an official statement?

A. No.

Q. I think at this time it would be impolitic for me to make an official statement.

A. Mr. Secretary, did you have the French financial attache in here today?

Q. He was in the Treasury to say goodbye—he's leaving. I didn't see him.
Q. Any meetings soon?
A. I don't know.

Q. Mr. Secretary, could you name some of the outsiders who called? Some of the so-called masterminds?
A. No, I'm sorry.

Q. It would be appropriate to ask if the Tripartite Agreement is operating satisfactorily?
A. I can answer that question—yes.

Q. But how?
A. Why, satisfactorily.

Q. Reports and rumors of devaluation of the pound have gone undenied in London; have you made any inquiries in London with the Bank of England authorities as to what they intend to do?
A. No, because I didn't take the rumors seriously enough to inquire.

Q. At the same time you were concerned.
A. He's psychoanalyzing me. No, I can't be very helpful, I'm sorry. You fellows did such a wonderful job on Saturday I couldn't add or detract any.

Q. We don't seem to be doing such a good job on you today.
A. Take an old softy like Herbert (Gaston).
Q. I'll say he's a softy. (Klein)
Q. Mr. Secretary, whatever the feeling is you have about the situation, have you communicated it to Great Britain and France?
A. That's getting beyond the realm.
Q. What's getting beyond the realm?
A. Well, he was asking a very personal question.
Q. We seem to be getting nowhere.
A. I agree with you.
Q. Did you have a budget conference with the President?
A. I didn't confer with the President.
Q. Hyde Park said you did—that was just guesswork?
A. We have no definite appointment, at least, I haven't.
Q. Seven-eighths per cent is pretty low money, isn't it, for RFC?
A. It's what the market is willing to pay for their notes and it went well enough that we will have an announcement in a little while for you. We are closing the books as of Tuesday midnight. It was very well received and we will close the books as of Tuesday, midnight.
Q. Have you received any communication from the Joint Internal Revenue Committee on the Hill concerning that ten per cent increase in taxes for the armament program?

A. I have had no communications from them.

Q. Has any one in the Treasury, as far as you know?

A. That I don't know. I, personally, haven't, but I don't know if anybody else has, but not to my knowledge.

Q. Mr. Secretary, do you think it's possible if business keeps on the way it's going now—it's going up steadily—that you could possibly balance the budget in the 1941 fiscal year without any major increase in taxes?

A. Come around and see me the first week in January and I'll be glad to talk to you about it.

Q. I'm asking an opinion.

A. I still say come around the first week in January.

Q. Mr. Secretary, this picture relayed to the President by Hopkins, about decreased
expenditures for relief, does brighten the picture, doesn't it?

A. It might.

C. Are you delaying formulating any definite tax proposals until about January to see how business turns out?

A. Oh, no, we are going along. We are working. As the budget unfolds to us in our conferences with the President we are also talking about taxes.

Q. You are working on the assumption that business is getting better right along?

A. It is getting better, no question about that.

Q. And you are working on that assumption right along?

A. I mean business certainly is better and we are taking that into consideration.

Q. Mr. Secretary, you couldn't raise enough taxes to meet the recurring deficits anyway; you would have to take practically all the income.

A. The present national income is how much?

Q. Net, net.

Q. You say that next year's tax program will depend on business conditions; is that the answer?
A. I'm not saying anything as to what the program will or won't be; all I am saying to you gentlemen, as far as I am concerned, as far as the Treasury is concerned, as to what the budget and tax program is you will have to wait until the first week in January, but it's White House business. If the President wants to talk about it, that's his business.

Q. Mr. Secretary, about a year ago you went to New York and gave an optimistic speech about balancing the budget and this year you won't say much about it; is it a fair assumption that you don't see as much hope as last year?

A. I don't know how optimistic I was last year. The speech can talk for itself, but I have nothing to say about it, so the wise thing for me to do is to keep quiet. If I had any light to throw on it, anything to contribute, I would do it, but I haven't anything to throw on it.

Q. Are monetary considerations involved in the talk on the Anglo-American trade agreement?

A. No, there's the same clause in that trade
treaty as there is in all the other trade treaties.

Q. An escape clause? What do they call it?
A. I wouldn't know; it's the same as in all the others.

Q. I read the Tripartite Agreement the other day ____________
A. I think, as that gentlemen says, we've gotten nowhere so let's drop it. I mean it's fairly obvious that I don't want to say anything about it and I would appreciate it if you wouldn't push me any more on it.

Q. Mr. Secretary, have you given any recent consideration to the question of any change in the purchases of Mexican silver? Did that come up recently?
A. No.

Q. How are the Chinese? The Treasury has got to do the laundry work.
A. I wish I could give you a good story but the books of the RFC offering will be closed tomorrow night.

Q. We've got that.
A. You have got that?

Q. One more question. You've got some gold figures—
quarterly acquisitions—is that something new?

Mr. Gaston: That's the regular quarterly release.

Q. Thank you, Mr. Secretary.

A. Delight.

Q. I consider myself very fortunate in being able to get him into the Treasury.

A. We've got to have an off-seasonal situation now. Some of the boys are wondering if there are any more possibilities.

Q. Well, what we try to do in times there's a good job to provide them—we considered Illinois and you never knew. It's as far out there.

A. So it is, Mr. Secretary.

Q. What do you want of him then?

A. Nothing to say.

Q. Are we the transgressor-thief relationship still,

A. It's everybody all that? It's all right today, thank you.

A. The separate agreement is still in effect.

Q. Will that be okay?
Q. I see you left us leaderless today.

H.M.Jr.: Meaning?

Q. Duffield.

A. I consider myself very fortunate in being able to get him into the Treasury.

Q. We've got to have an off-season election now. Some of the boys are wondering if there are any more possibilities.

A. Well, what we try to do is when there's a good job we promote them—we promoted Upham and you never know. I'm at your service.

Q. Be a patriot today, Mr. Secretary.

A. What do you want me to do?

Q. Anything to say?

A. No.

Q. How is the franc-pound-dollar relationship getting on?

A. As hard up as all that? It's all right today, thank you.

Q. The tripartite agreement is still functioning?

A. Still functioning.
Q. Mr. Secretary, is there any comment on the New York Chamber of Commerce's request for repeal of the Silver Purchase Act?

A. Sure, if they feel that way let them direct their request to Congress; no use of addressing me any letters. They've got their representatives in Congress.

Q. How do you feel about the silver situation?

A. Congress orders and directs me to buy until one of two things happens and I am simply carrying out the law and if the Chamber of Commerce of New York feels that way they ought to know by now where to direct their communications. They have their representatives here and let them write their letters to their Senators and their Congressmen.

Q. You say they have their representatives in Congress?

A. I hope so, as individuals.
Q. Would you oppose such a move or further it or what would be your attitude towards it?
A. I haven't had to cross that bridge—until I am called upon the Hill to testify—a couple of months, or years, off.

Q. Would you welcome such an opportunity to state your views to Congress on the silver situation?
A. I never enjoy going on the Hill.

Q. What I mean to say is have you some views on silver?
A. Well, I would have to talk it over first with Herbert Gaston and he would tell me what my views are.

Q. They would be the same as they were last year, I presume.
A. I suppose so.

Q. You mean you never enjoy going to the Hill on silver?
A. On any legislative matter.

Q. Wouldn't you feel relieved if the burden of the Silver Purchase Act
were removed?

A. Oh, I think I had better wait until I go up on the Hill.

Q. It's a long time away.

A. I know it is.

Q. Are you likely to have some recommendation on silver in the Annual Report?

A. I don't think so.

Q. You talk as though you are pretty sure of going on the Hill on silver.

A. Oh, I don't know, no.

Q. Well, do you think there is much likelihood of Congressional action on silver?

A. I don't know; we've got to wait and see who the Congress is, or are.

Q. The Administration has no program on silver?

A. No, that I can say.

Q. Is there any likelihood of action on gold?

A. That I don't understand.
Q. I mean, is it possible that the Administration may further devalue it up to the limit of forty-one dollars, something?

A. Well, that's too important a question for me to answer verbally. I wouldn't attempt to answer it and don't try to interpret my mind one way or the other; let's not think about it.

Q. Well, there's no thought being given currently to that situation?

A. I am just not thinking about it; you asked me something I am just not thinking about.

Q. If you did have something to say you would say it in a statement?

A. Well, I'm not even thinking of it.

Q. Well, should you ever have anything to say about it you would make a statement?

A. Well, I mean, I am not even thinking about it; you are asking me something just not even in my mind.
Q. Is it that remote?
A. I’m not even thinking about it.
Q. Mr. Secretary, have you any hope that the silver in the vaults would ever reach the proportion required under the Act?
A. Oh!
Q. In other words, do you regard the activities that you are conducting under the Act as more or less folly? Is there any prospect of ever getting there?
A. Well, I think we will skip all that, as far as I am concerned.
Q. I do want to ask you one question elaborating on what someone asked about your having nothing in your Annual Report; it doesn’t go up until around June, does it?
A. It goes up around budget time.
Mr. Gaston: It’s released the same day as the budget message.
H.M.Jr.: Because they have parts which go together.
Q. You say there's nothing in the Annual Report on silver and gold?
A. There's lots of statistics; I don't think we philosophize on it in the Report.
Q. You do that when you testify on the Appropriation Bill—that's what you did last year in response to questions.
A. Well, I mean, it's their privilege to ask me and it's up to me to answer as best I can but I think I will postpone that privilege until I go up on the Hill.
Q. Well, you remember what you said last year.
A. I don't remember; I'd have to look it up.
Q. Mr. Secretary, are you making any pre-election speeches?
A. No, no, I have nothing to say.
Q. Can you tell us anything about taxes, Mr. Secretary?
A. Not a thing. I wish I could give you fellows some good stories.
Q. Did you discuss taxes with the President today, Mr. Secretary?
A. Oh, we just had a nice lunch.
Q. Don't you enjoy, Mr. Secretary, selling some gold in exchange to Siam?
A. I'd love to if it's true. I'm not sure that that is, from our standpoint, a correct statement.
Q. What's the status of the Anglo-American Trade Agreement now?
A. You tell me.
Q. Well, are monetary affairs still hindering its acceptance?
A. I didn't know that they were. I told you gentlemen the other day that the monetary angle had nothing to do with it, and, as far as I know, that still holds true.
Q. Incidentally, Mr. Secretary, I suppose you have watched very closely—that the pound never seems to chin itself up to its old level.
A. I don't know.
Q. Well, that hasn't changed — the fact that you were concerned about it the last time.

A. The situation isn't any different than when I talked about it last time.

Q. You are still concerned?

A. Is that what I said?

Q. Yes.

A. Well, whatever I said when I saw you the last time on the pound sterling, the situation is just the same; it hasn't changed for the better or worse.

Q. You said we were right in saying you were concerned.

A. Whatever I said the last time the situation is exactly the same as it was; when was it? A week ago today?

Q. Yes.

A. Just the same.

Q. The pound did perk up a little when the word got out you were concerned about it.

A. You boys gave it a boost; maybe it needs another one, I don't know. As a result of the stories you wrote it went up.
Q. Mr. Secretary, if France should adopt some form of exchange control wouldn't that mean the changing of the tripartite agreement to just a two-party agreement between this country and Great Britain to stabilize the two currencies?

A. That's an 'if' question.

Q. What do you think about that?

A. I'm not thinking.

Q. I think it's past the 'if' stage. What are the prospects for another monetary conference between the principal three powers to the agreement?

A. You men know we confer and exchange information almost daily.

Q. I mean a formal revision.

A. Nothing that I can tell you about.

Q. There's a story from New York the other day about this long study made by this graduate school of New York University on the types of loans banks make and they thought if they could bridge that maybe by making these long-term loans in order to offset the formation of these intermediate banks—
have you seen that?

A. No, I haven't; I'm not familiar with it.

Q. Has the study of the banks been dropped?

A. It isn't hot any more, as far as I am concerned.

Q. New York bankers think it's hot; they are worried.

A. I mean, as far as I am concerned, I have nothing.

Q. Are you scheduled to make any speeches on the budget in the next few months?

A. I have no plans. The only plans I have are through Gaston. I think the next time I talk anywhere it will be at the National Press Club; that's what I said—the next time I speak anywhere would be there if they still want me.

Q. What would be the subject of that address?

A. They've been kind enough to ask me and I never did go but I just want to put myself on record, if they still wanted me, I would go. If I ever spoke anywhere again I would speak there.
Q. You only made a few speeches in the last few years—they were on the budget. Would you take that opportunity —?

A. Well, I haven't got anything in the works.

Q. There have been some talks about the RFC making some loans to utilities in connection with this RFC expansion program; have the Treasury and RFC discussed the possibility?

A. No, they haven't.

Q. Is there a five billion dollar national defense program? There have been references in the press to the five billion dollar national defense program.

A. If there is it hasn't gotten to me yet.

Q. Do you have any conversations scheduled with Pierson of the Export-Import Bank?

A. No, I haven't, but I'd be delighted to see him whenever he's free.
Q. Mr. Secretary, you say you confer
almost daily on the exchange situation;
do you receive almost daily reports on
the franc situation?

A. Oh, yes, through our fiscal agent, the
Federal Reserve of New York; they are
in touch a number of times every day
by cable and telephone.

Q. You are keeping close touch on the
French situation?

A. No more the French than the English,
the Belgian, Dutch and the Swiss.

Q. Mr. Secretary, does the Munich
agreement between Great Britain and
Germany, which makes a renewal of
trade between those two countries,
complicate the monetary situation
between this country and England?

A. It hasn't yet. As I said the other
day as far as the trade treaty is
concerned the monetary factor isn't
playing a role one way or the other.

Q. But if England does big business with
Germany that would affect the pound,
wouldn't it, rather materially?
A. I don't know, I don't know.

Q. Do you know anything, Mr. Secretary, about a proposed billion dollars to be made available for railroads?

A. Oosh, you fellows talk big figures today!

Q. That's part of the five billion dollar armament program.

A. That hasn't gotten here yet either.

Q. Thank you, Mr. Secretary.
H.M. Jr.: Mr. Gaston probably will have a preview of the Jefferson Nickels on Monday. We can have them then.

Q. Is that the first time that they are being shown anywhere at all?

A. You will see them before anybody else has seen them.

Mr. Gaston: They will be distributed on the 15th and we will try to get some samples down here.

H.M. Jr.: All right, gentlemen?

Q. Any comment on the election, Mr. Secretary?

A. No.

Q. Did you vote for Ham Fish? Any comment on the market's rise yesterday, Mr. Secretary, apparently as a result of the election?

A. No.

Q. How's the British pound situation coming along?

A. I think that speaks for itself, too.

Q. Mr. Secretary, is there any chance that you might, for some reason, that the Treasury might speak with Batista on general financial problems affecting Cuba?
A. Well, I take it that the State Department is making out his schedule and it—I have had no notice of any kind from the State Department or the Cuban Embassy.

Q. Have you heard, Mr. Secretary, whether any New Dealers got any solace out of the conservative trend in the elections?

A. Did you think that up all by yourself?

Q. That wasn't the Tribune that asked.

A. Oh, boy!

Mr. Gaston: Absolutely not a frameup.

H.M. Jr.: That's a very nice question—I congratulate you.

Q. I would like to hear the answer so I could congratulate you.

A. Well, the election is over.

Q. Any news on Paul Reynaud's program of saving the franc again?

A. No, I haven't.

Q. Have you talked to the French?

A. I don't want to say anything.

Q. Mr. Secretary, do you expect to meet with the Federal Reserve Open Market Committee shortly on December financing?
A. Say, is it getting around to that time!
Q. Pretty soon.
A. I'm glad you reminded me. Yes we will have
to ask them to come down. I suppose it will
be right after Thanksgiving. I suppose we
will most likely ask them down right after
Thanksgiving.
Q. That's the Executive Committee of the
Open Market Committee?
A. Yes.
Q. There will be some December 15 financing
then, Mr. Secretary?
A. Well, we will talk it over with the Executive
Committee, but anyway the group—the
Executive Committee of the Open Market
Committee—if they will accept my invitation,
we will have them most likely come down here
on the 30th.
Q. Mr. Secretary, have you got any idea when
the new armament program details will be
announced?
A. I'm sorry, I can't help you out on anything.
Q. Are you going to see the President tomorrow
on one of those budget conferences?
A. I haven't heard anything.

Q. Mr. Secretary, will your departmental committee on banking legislation be functioning again this year?

A. You never can tell.

Q. The Reserve Board had a release on that interlocking directorates which indicated Congress should have another law and extend the powers.

A. If anybody has any banking legislation I will call the group together but officially I haven't been notified.

Q. Have you had any conferences, informal or formal, on the excess reserves situation?

A. No, I haven't. If you men are interested in the ruling that Commissioner Doyle got out yesterday on the customs, why, Mr. Gaston will be glad to see any of you and will have somebody in from the General Counsel's Office to answer any technical questions, because I noticed a number of stories this morning and, as I say, he will have one of Mr. Oliphant's attorneys in and they will be glad to answer it. All right? Who says thank you?

Q. Thank you, Mr. Secretary.
Q. Mr. Secretary, can you say anything about the French monetary situation or its effect on the Tripartite Agreement?

A. I don't see that it will have any effect one way or the other.

Q. It won't have any effect? The revaluation of the Bank of France's gold won't have any effect?

A. I would say it was an internal matter.

Q. I don't understand what they've done, Mr. Secretary. There's such a sketchy report from Paris that they revalued their gold holdings leaving the franc where it is now—it's 170 to the pound compared with 160?

A. As I understood it—I haven't read it very carefully—don't take it as an official explanation—that they just had this gold which they had held and they hadn't marked it up, so to speak, at the present value and they proceeded to do it. I think it's as simple as that. Don't take that as official,
but that's the way I understand it. They hadn't marked it up to the present price—that's what they did.

Q. Have you had any word from the British that they are planning on changing the value of the pound?

A. No, I haven't had any word, and, for your own information, not to be attributed to me, the Bank of England last week denied that story several times.

Q. To you, sir?

A. No, to their own people. No, I have had no communication.

Q. Denied there would be a revaluation?

A. Well, there was that talk all around about a $4.50 pound and they went to the extraordinary steps of calling up people in London and telling them it wasn't true, but don't attribute that to me. Last week's story started last Thursday, as I remember it.

Q. Mr. Secretary, there was a rumor on the market today, that affected the market, that dealt not only with the so-called $4.50 pound but also an allegation that the war debts were to be
included in the trade agreement.

A. Let me talk off the record. I don't know just why but there seem to be an awful lot of rumors—last week there was a $4.50 pound one—but this time they are not attributed to the United States Treasury but they all seem to be over there, but they seem to have a case of jitters. I don't understand it. I don't know why but I simply tell you people, for your own information, nobody said anything to me and if they were going to do anything about war debts or anything they would communicate, but they haven't.

Q. We can quote you on that?

A. I just have no news at all—you can say that.

Q. Where are these rumors from?

A. I don't know.

Q. They are not from Great Britain, are they, in your opinion?

A. Well, if you call England part of Europe I would say Europe—that's as near as I can get. I'm not trying to parry your question—I just don't know.

Q. If they have been denied over there by the Bank of England to people in Great Britain and
London the chances are that the rumors would be coming from some other quarter, wouldn't they, outside of Great Britain?

A. Well, I don't know, but this story was a Thursday story last week and I know that they went to the extraordinary lengths of denying it.

Q. The pound is off today.

A. Right.

Q. More than most people consider would be warranted in the light of the French situation. Is there any explanation for that?

A. I can honestly say I have no explanation to make and nobody in the Treasury has any explanation.

Q. Can we quote you on that?

A. No, all you can say officially is I have no news of any kind on the pound sterling.

Q. Would you say the drop in the pound today was more than is warranted by the French action?

A. I went to the White House at one; I got back at three minutes of four and asked Archie quick to tell me about the pound and that's all I know. That's honest. I've been over there
since one o'clock.

Q. What's the pound at now?
A. You'd better get it—this says 71 1/8; I think he said 71 1/4; you'd better check that.

Q. It reached a low price.
A. I can't give any explanation and Archie didn't have any on the run either.

Q. The rumors of the $4.50 pound still existed today and they connected with the British-American Trade Agreement.
A. Well, I can tell you the position isn't any different from what it was last Thursday.

Q. Were you apprised of the French steps before they were published in Paris?
A. In the newspapers here—the Sunday morning papers.

Q. You didn't know before?
A. All I knew about those decrees was what I read then in the paper.

Q. Did you have any through communication?
A. No, the decrees as they were written—the first I saw them was when I picked up the papers Sunday morning.

Q. But you knew what the decrees were before and what they were considering doing over there?
A. I did not know what the decrees would contain until I picked up the paper.
Q. The Treasury was opposed to any exchange control.
A. Be careful. When I read those decrees that was the first time that I or anybody in the Treasury knew what would be contained in them.
Q. That answers the story of the previous week that you were asked for an opinion.
A. What organization are you with?
Q. Oh, the United Press; I'm just trying to get things straight. (Klein)
A. I was told by a mutual friend that you said that story was very exclusive.
Q. I am asking whether it was exclusive.
A. It was very exclusive.
Q. I'm glad to know that. It seemed like an awful lot of people bet on it afterward.
A. I didn't bring this up, Sandy; you did.
Q. I knew when I asked it.
A. That story? Lyle Wilson should ask somebody over there how come?
Q. It's possible to get a wrong steer.
A. Yes.
Q. I knew that we had it alone—that's the reason I asked.
Q. Mr. Secretary, is there any comment on this convention of the State Bank Supervisors in which they criticize you for allegedly assuming too much power over bank supervision?
A. Well, I didn't see it, but all I can say is I don't think the Secretary of the Treasury can ever do too much to make sure that the depositors in the banks are looked after. I didn't read the story, but, I repeat, I don't think I can do too much to look after the interests of the bank depositors.

Q. Did you talk taxes at the White House today?
A. You've been covering me a long time now and you always get back to asking me what I had for lunch—a swell lunch.

Q. Mr. Secretary, did you see Marriner Eccles this morning?
A. Yes, sir; guilty!

Q. All right. Were three other gentlemen in with him?
A. Yes.

Q. I wonder if you could tell me the nature of the discussion.
A. Off the record, I think the President most likely will announce it tomorrow at his press
conference.

Q. Will announce it?
A. I mean what we were doing, but you will have to wait. How will you handle that now? What I'm trying to say is what we were doing here was something for the President and I think he will tell you.

Q. Wasn't the gentlemen who is closely—not closely—related to the President also here?
A. Sure.

Q. New appointee to the Federal Reserve Board?
A. No, no. We've been working on this—I'll tell you this. It's nothing very startling, but we've met here to do some work for him and, when does he have a press conference? Tomorrow?

Mr. Gaston: Tomorrow afternoon at four o'clock.

A. I think he will tell you then. It was the National Resources Board, the Federal Reserve, Budget and myself.

Q. I knew that.
A. Yes. I always tell you the truth.

Q. I couldn't prove it, but I wanted to make sure they were here.
A. They were here and, as I say, we've been meeting for a month.

Q. On the same subject?
A. On the same subject—what I told you.
Q. Just the National Resources, the Budget and
yourself?
A. Federal Reserve.
Q. Mr. Secretary, can you tell us anything about
the conference on national defense this
afternoon?
A. No, I'm sorry.
Q. Has the Administration changed its mind on the
undistributed profits tax?
A. Boy! Would you print it if I told you.
Q. If you give me a nice answer I will.
A. No, we will skip that one.
Q. Are we going to have a general tax bill at the
next session?
A. You and me both—I'd like to know.
Q. You really don't know.
A. I really don't know.
Q. Can we quote that?
A. That I don't know.
Q. That there will be taxes at the next session?
A. There will be taxes, yes, but I don't know;
the program absolutely hasn't jelled. There's
no program as of tonight; we are not that far
along.
Q. Could I ask you for your opinion on the restoration of the undistributed profits tax to its original form?

A. You can ask me anything but I don't have to answer.

Q. It might be reassuring to business.

A. Business is getting along all right. You will get contaminated if you stand too close to the New York Times.

Q. Thank you, Mr. Secretary.
H. M. Jr.: All right, gentlemen.

Q. Mr. Secretary, can I ask when this Chinese Government loan is going to be made and how much it's going to be?

A. You can ask the question but I don't have to answer.

Q. Will you answer it?

A. No, I'm sorry.

Q. Is there going to be a loan?

A. I'm sorry, I'm not going to answer any questions on that.

Q. Could you say whether the negotiations are through with the Chinese?

A. I'm not going to answer anything on the Chinese, if you don't mind.

Q. When is Mr. Chen going back?

A. I don't know that. He is in town—I know that.

Q. Do you have any more meetings scheduled with him?

A. No, but I'm sure I will see him again.

Q. I notice by the papers that Roswell Magill says that revenues should be increased by fifty per cent if the budget is to be balanced and I
wondered if you could say anything about
the prospects for increasing revenues.
A. Nothing except he's a good man, Roswell.
Q. I've heard of him; he has an excellent
reputation.
A. Excellent.
Q. Did he leave that thought with your people
before he left? It sounds like simple
calculation.
A. I will just simply say Magill is an excellent
person.
Q. Will you say you followed his suggestions in
the past and still think he makes good
suggestions?
A. I won't say.
Q. You could get increased revenues other
than by tax increases.
A. I don't know about the fifty per cent; the
revenue could increase considerably if the
national income increases considerably.
Q. That's axiomatic.
A. Well, I'm trying to be helpful. I can admit
to the axiomatic. That's a big word.
Q. Fifty-cent word.
A. Seventy-five-cent.
Q. By the same token as -- -.
A. Same axiom.
Q. Yes, same axiom; as business increases and puts your revenues up, by the same token, or by the same axiom, spending might necessarily be decreased.
A. Spending might what?
Q. Might be decreased by the same ratio, possibly.
A. Oh, you are getting too hot now; I think you will have to wait until about the first week in January.
Q. These economists that met with you day before yesterday all agreed there would be an increase in business, didn't they, Mr. Secretary?
A. I don't think we are going to say what they met about and the President said he would leave that go with the cherry trees until Friday, I was told. I understood he was asked a question and he said he would let that go with Gravelly Point and cherry trees Friday.
Q. You think we will get something on the budget then?
A. No, I don't think so. I think he will explain what we were doing here-working for him, at his request.
Q. I had reference to these outside economists that met on the question—.
A. Oh, I misunderstood you; I thought you meant that group Sandy was asking me about.
Q. No, they met day before yesterday.
A. I'm sorry, I haven't had a chance to get George Hare's report; I don't know what happened.
Q. Are you going to have an increase in taxes to meet the defense budget?
A. You will have to wait. That is all President Roosevelt's business and he's the only person who can talk on that.
Q. Mr. Secretary, can you tell us anything for use now or after the signing of the British Trade Agreement as to the effects of that agreement on the currency situation of the Tripartite Agreement?
A. No.
Q. Could you tell us, Mr. Secretary, what you spoke to Secretary Wallace about?
A. Well, I read the story in the paper. I don't know. I don't mind talking freely about what happens in this office but I am a little hesitant about talking of what happens in some other Cabinet officer's.

Q. Could you tell us for background?
A. I think it's up to Mr. Wallace. Needless to say, it's on his business. If he wants to talk it's up to him. I don't know how often he has press conferences. It was his business, his office, his invitation, his hospitality and I think it's up to him. I was surprised to see the story in the paper. I saw it on the ticker.

Q. Mr. Secretary, in view of this great day in the annals of reciprocal trade agreements, do you believe in free trade? (Laughter) Here the totalitarian powers are grabbing off
European trade, for example, in Central Europe, and Mr. Hull expounds the
theory of reciprocal trade. We face the same danger in South America and
you always have said the Tripartite Agreement has helped our export trade.
Do you still believe that policy could be pursued?

A. Now I see why they made you president of this association. (Treasury
 correspondents) I think that on this eventful day we will let Mr. Hull do the
talking.

Q. Well, can you give us your own opinion? Do you think that policy can still be
pursued in view of what's happening in Europe?

A. No, I'm not offering anything.

Q. Would you say, Mr. Secretary, that you think a monetary agreement is
a necessary adjunct to a trade agreement?

A. No, I'm not going to get in on it at all. This is Mr. Hull's day and he can
do a much better job than I can.
Q. Except the monetary factor is in your field.
A. It isn't on the carpet, so to speak.
Q. Except the pound is droopy so it's on the carpet or might be.
A. Yes, but we have our own agreements and I do the best I can even though some people may not think it is very good. I do the best I can as to the monetary agreement which is outside and separate from the trade agreement.
Q. Are you contemplating any loans to South American banks to stabilize currencies in view of all this solidarity talk?
A. The only country we have an agreement with is Brazil.
Q. But you are not contemplating any other to stabilize currency—earmarking gold to their account?
A. I will look into it since you suggest it. It's a good idea.
Q. Do you know of any plan to stimulate your commercial loans or otherwise to South American countries to enable them to arm themselves by buying American airplanes?

A. Well, I haven't seen Warren Pierson since he's gotten back. He may have something but I don't know about it.

Q. Do you mean for us to take it that you are going to consider the subject of loans to other South American countries?

A. Well, if the president of the Treasury press association (Gregory) makes a suggestion—no use your own judgment. I mean I'm not. The only thing we've got is we have this agreement with Brazil and I haven't got an agreement with anybody else.

Q. That agreement with Brazil has more or less lapsed.

A. No, no.

Q. In other words, they can still get their sixty million dollars?

A. Yes.
Q. You can still buy silver and gold from those countries.
A. Surely.
Q. Have they indicated they might come forward for it in the near future?
A. No, they haven't, but they did send some up here within the last month--some gold--Brazil.
Q. Very small?
A. Yes, a million dollars.
Q. Mr. Secretary, anything new on financing Program still stand?
A. I will be working on it the week after Thanksgiving. I will be working on it--as to what the program ought to be.
Q. When are you going to start thinking about the silver question?
A. Not today anyway. At eleven o'clock the night of the 31st. (December)
I know where to find you fellows.
Q. Do you think the publication of this trade agreement will have any stabilizing effect on the pound?
A: All comments on what the trade agreement will or won't do will have to come from Mr. Hull. I won't offer anything.

Q: Well, tell me this, Mr. Secretary. Do you see eye-to-eye with Mr. Hull on this trade agreement stuff?

A: I'm not going to get in on it. It's his day.

Q: But I mean in view of what's happening in Europe -- .

A: I'm not going to comment but I don't want you to infer anything.

Q: In case he leaves something out this afternoon will you give us something later?

A: No, I will stick to my job which is the monetary agreement. I'm more than willing to let him run his which he does very well.

Q: Will you comment on the monetary aspect?

A: There's nothing to say.

Q: Has it got an escape clause?

A: Surely, the same as any other treaty.
Well, gold is reaching new lows and
the pound is dropping.

Off the record, you got a denial on
that out of the State Department.

Yes.

And, as I told you last week, the
Bank of England denied it so you've
got two stories.

The State Department said there was
nothing in it. Will be recommended to him and
that's right. To his, to do whatever he wishes.

Thank you, Mr. Secretary.
All right, gentlemen. No gentlemen?

Q. Is there anything you can tell us, Mr. Secretary, about the new committee on fiscal and monetary affairs?

A. Real spot news. We met today, period.

Q. Could you tell us, sir, whether the advice of that committee will be transmitted through its chairman?

A. What we will do is at the President's request. As, if and when we have any recommendations to make to him it will be communicated to him and then it is up to him to do whatever he wishes with it. But it will come, as far as the committee is concerned, it is White House business, and until the President wishes to discuss it why I am afraid you gentlemen will have to wait.

Q. Did you draw up any recommendations at today's meeting?

A. I think you gentlemen will have to wait until the President discusses it—it is his business.

Q. Is this the first meeting today?

A. No, I think it's the third or fourth.

Q. Could you say whether you contemplated anything in connection with this year's budget or next year's budget?
A. No, it's his business. As far as this committee is concerned, I will be, and I am sure the other members will be, as discreet as we are when we are handling the budget for the President. It's his business; we are working for him. Sorry.

Q. What relation does it have to the budget, sir?

A. I said the only relation it had was we would be as discreet in discussing its business as we were in discussing the budget.

Q. Could you say whether the committee's discussions are confined to budgetary matters?

A. I can't say anything.

Q. Could you say whether, either now or later, there's a possibility the committee will discuss or review monetary questions?

A. I think you will find out what its business is if and when the President decides it's worthwhile to release any of our reports.

Q. It's a fiscal and monetary advisory committee though, isn't it?

A. Oh, yes, I will admit that.

Q. I was afraid you were going to deny that.

A. No.

Q. Does this indicate any change in policy, Mr. Secretary, whereby, say, for example, the
Federal Reserve Board should decide upon any monetary question it would be cleared through the committee for action by the Board?

A. So far, our relations have been extremely cordial and I can't tell; I just don't know; I don't know.

Q. You don't know whether any change of policy is involved then?

A. No, because we are studying a lot of things for the President and we send them over to him and until he decides what he's going to do with them how do I know?

Q. Mr. Secretary, did you get a report from the Budget Director on the cash requirement needs in connection with December 15 financing? Could you enlighten us on that?

A. All I can tell you—I guess you already know it—the last time, somebody said they read it in the paper and that is that the offering will be on Monday, December fifth. I don't know whether I said that before or not. Last time there was some other issue—how they said they didn't know the Treasury was going to offer and when we went back to look in the papers it was pretty hard to find, even in the financial column.

Q. I don't remember it.
A. They did—it was done but anyway the offering will be on December 5.

Q. Could you say whether it would be a cash offering or request for new funds?

A. No.

Q. Could you say whether you will refund the March maturities?

A. I said more than I realized.

Q. You said it would be announced; why can't you give us a few details?

A. That's one for you—strike one.

Q. Of course, you have no maturities now so you either must sell for cash or refund your March maturity.

A. I guess I will sit tight.

Q. The announcement on December 5th, or the offering on December 5th?

A. An announcement on December 5th.

Q. When do you meet with the Federal Reserve Board open market?

A. Well, that, I would say, still is good—Wednesday, November 30th, we will have something. What is today? Monday? A week from today.

Q. We can stand on your statement that an offer will be announced December 5? That's what you said.
A. I think you'd better say 'an announcement,' if you don't mind.
Q. Regarding financing?
A. Yes, there will be an announcement on Monday, December 5th.
Q. Mr. Secretary, Secretary Hull said today that the German reply to his request for Germany to assume the Austrian debt to the United States was waiting. Do you have any comment to make on what you expect Germany to do with this eight hundred-and-some-odd-million they owe us?
A. Off the record, I didn't even know he had an answer. The State Department has handled it entirely; I'm not familiar with it; I didn't even know the details.
Q. He announced that today.
A. I'm not at all familiar with it; he's handling it, and, as far as I know, nobody in the Treasury is working on it.
Q. Mr. Secretary, now that Mr. Hull has had his day on the trade agreements, will you tell us the Treasury angle?
A. There isn't any Treasury angle.
Q. Is it going to help the pound any do you think, Mr. Secretary?
A. Time will tell; if not The Times will. That's pretty bad, isn't it?
Q. Mr. Secretary, is the budget complete now?
A. No.
Q. Is the tax program complete?
A. No. (Veheemently)
Q. Mr. Secretary, I didn't quite understand; did you say Wednesday, November 30th, you are meeting with the Open Market Committee?
A. Yes, of the Federal — .
Q. Executive committee?
A. Executive committee of the open market committee.
Q. The answer is the tax program is not yet completed?
A. I thought I was fairly loud.
Q. There will be a tax program but it isn't complete. There is a report that there will be a retrenchment all along the line except in military expenditures.
A. In just about five weeks you will have the answer to that.
Q. Mr. Secretary, I didn't quite understand what you said in answer to the question about this fiscal and monetary committee having a check on policy actions of the Federal Reserve Board;
the implication was that you didn't know
whether or not the committee was going to have
any check on such policy.

A. That's right—I don't, because it has never been
discussed. I mean, they are still an indepen-
dent agency and this committee wasn't set
up to check anybody. I mean, I certainly don't
want to leave the impression that we are here
to check or to clear through us—the answer is
they don't...

Q. They don't?

A. No, they are an independent agency.

Q. You said you didn't know.

A. I was asked—I think the question was something—
will they clear all things through us? But I
just don't know, but in no sense are we super-
seding anybody; does that make it clear?

Q. Yes, sir. The answer is no, they don't have to
check through you.

A. The answer is no.

Q. I was asking whether there was a change of policy
involved?

A. Change of policy? In what and of what?

Q. Isn't it, Mr. Secretary, as a matter of fact, a
coordinating policy rather than a change in policy?
A.

Well, the committee speaks for itself. The Federal Reserve has certain duties which were given to them and responsibilities, but Congress—I’ve got certain duties in the National Resources and the Director of the Budget—all of them have certain responsibilities given to them under the law by Congress and this is an informal committee where we sit down and discuss our mutual problems for the President. You might say act as a clearing house. That doesn’t keep me from carrying out my constitutional responsibilities any more than it does Chairman Eccles or Mr. Bell, but it’s a clearing house where we will sit down once in ten days or two weeks and discuss fiscal and monetary problems. The President wants us to. I don’t want to surround it with mystery but we have all agreed if we have something we will come to an agreement and we will sign a report and send it to the White House where he can throw it in the ashcan if he wants. It’s a clearing committee, that’s all. We had a group on banking legislation and I will very soon call up the people and say, 'Is there going to be any banking legislation and let’s get together.' That doesn’t mean the FDIC does have to clear through me. And I will call the independent
agencies and say, 'Have you got anything on your mind? I'd like to talk it over with you.' That still leaves Farm Credit. The job is for the President. We are his appointees and I would say, as a result, that you ought to get better organization.

Q. In other words, it's teamwork, primarily.
A. Very well put—teamwork.
Q. A better interchange of views?
A. That's all.
Q. That's what I had in mind when I asked the question. I gather from that, Mr. Secretary, you will talk about existing problems and anything new which might come up.
A. Anything might come up in the problems of these particular groups.
Q. Would the one with China come up by any chance?
A. It might.
Q. How about that loan to China; what can you tell us about that?
A. I can't tell you anything about that.
Q. Mr. Secretary, wasn't one of the purposes of that committee to study possible changes in the functions of these various fiscal departments?
A. No. It's just we might sit down here—we might sit down at one of these people's houses and say here's one particular problem—each person has a sphere of responsibility—what do you think we ought to do about it? As far as I see it now, and in discussing it with the President, that's what he has in mind all right.

Q. Thank you, Mr. Secretary.

A. This is kind of a hungry day, I guess.

Q. You couldn't say how far advanced you are with the tax program, could you, Mr. Secretary?

A. I think my talk of Friday would give you a hint as to how far we are.

Q. Is there anything we can tell you, Mr. Secretary?

A. I could tell you an off-record story, but not off-color. I was sitting next to Bob Doughton and he asked me what word and we just said one thing: We are going to put back that tax on checks and he said, 'Over my dead body.'

Q. Tax on blank checks?

A. All right? I've got nothing.

Q. What's going to happen to the undistributed profits tax?

(No answer)
Q. Has there been any delay, Mr. Secretary, in the tax program?
A. No more delay than usual.
Q. Why has it taken so long? What's it waiting on?
A. You tell me.
Q. Not getting recommendations together.
A. That would be telling.
Q. You've been studying all summer.
A. Sure, we will be studying all winter, too.
Q. Is this extra-legal committee taking the tax matter up in any way?
A. No.
Q. Taxes could come under that committee, however.
A. It might.
Q. As a fiscal policy?
A. It could.
Q. So far as the immediate problem is concerned will it relate to timing expenditures?
A. Fiscal and monetary.
Q. Would you want to give the impression here that this committee intends to or does not intend to take up either taxes or this Chinese loan business?
A. I'd say, for the time being, that neither of them are very imminent.
Q. But they still might take it up?
A. As far as the committee is concerned.
Q. You wouldn't say they were not going to discuss it?
A. No, but they are not imminent, as far as this committee is concerned. That doesn't mean we are not studying taxes or Chinese.
Q. Mr. Secretary, has the development of the defense program been holding up the tax program?
A. I think that's very obvious.
Q. Thank you, Mr. Secretary.
H.M.Jr.: At your service; I have no worries, have you?
Q. Anything to announce on financing, Mr. Secretary?
A. No, I don't think we will have anything—Herbert may have something for you Wednesday evening after we meet with the open market committee.
Q. Maybe?
A. Maybe. I mean, he might have something for you right after the open market committee—he might have something.
Q. You said last Monday that you might have something today.
A. True.
Q. But I thought you might --
A. No, I'm going to wait now until I meet with the people on Wednesday.
Q. What's this?
A. This is the financing. Have I got anything?
No. Not until I meet with the executive committee of the open market committee Wednesday at eleven o'clock.
Q. Is that in the evening or in the morning?
A. Well, I guess it will be about a one o'clock story, if there is a story.
Q. You don't want to imply there isn't going to be any.
A. There might not be.
Q. You might not borrow any money! That would be a story.
A. Maybe. I don't have to raise any money—it isn't necessary.
Q. You have enough now, do you think?
A. Oh, we could get by if we wanted to.
Q. Do you want to?
A. No, so you can take it either way. Are you going to make a story out of that, Sandy?
Q. Yes, we will now, thanks.
A. All right.
Q. That would involve using all your gold that you have in the general fund.
A. Oh, we're just having a little fun here. I don't know what I will do but I am in a position where I don't have to do anything if I don't want to. I mean I could sit tight until March if I wanted to.
Q. But do you really want to?
A. No, because I think that the chances are we know we need so much money from now until the 1st of July and I think the thing to do is divide it up into three bites and I think that's most likely what we will do.
Q. That certainly is in sharp contrast with private estimates that place your borrowing anywhere between five and eight hundred million dollars.

A. Higher or lower, which way am I? You'd better wait. You'd better not put any figure in; you can't tell what I will do. These sharp, snappy days you can't tell what I will do.

Q. It's pretty safe to assume the reason you'd go out now is to take advantage of the present market conditions and money rates.

A. We know we've got so much deficit financing to do from now until June 30 and the reasonable way to do it would be to divide it up—not do it all at one time.

Q. Mr. Secretary, I wonder if you would make some comment on this Transamerica's proceedings ordered by the SEC in which the Bank of America National Trust and Savings Association is mentioned prominently in the proceeding and criticized for the practices which the management followed from 1931 on, apparently on this thirty-five-million-dollar item.

A. I have no comment to make.

Q. Did the Treasury work together with the SEC in drawing up this proceeding?
A. The SEC consulted us.

Q. Mr. Secretary, can you straighten out any reports made today about studies of further devaluation of gold to meet trade?

A. No. Now this is off the record; I am not going to start confirming or denying any stories on gold at this time. This is not the season, and I mean that's usually in the summertime.

Q. Some time you might say something to put an end to it.

A. The denial to end all denials? No. There are too many really good stories around for you to be bothering with the gold devaluation story so I'm not going to say anything and I'm not going to begin, if you don't mind, and all this is off the record.

Q. How about some of those other stories?

A. Well, the papers are full—then they carry more advertising too.

Q. This dollar devaluation thing is tied up to the renewed decline in sterling, Mr. Secretary; it's gone down to near £4.62 now.

A. It's better today—£4.65, plus.

Q. Would you discuss the reasonableness or unreasonableness of using devaluation to compensate for the behaviour of the pound sterling which seems to be chronic?
A. No, no; if you don't mind, that devaluation story will just have to ride on its own. I mean, I'm not going to help it or hurt it, but I'm not going to begin to get into the position of denying because I don't think it's necessary.

Q. Mr. Secretary, could you comment on the renewed weakness in sterling and its possible effects on our export trade?

A. I think that I'm not going to say anything on sterling today.

Q. Have your experts informed you that the behaviour of the pound sterling is due to circumstances which may shortly clear up?

A. I'm not going to say anything on sterling today.

Q. Could you say anything, Mr. Secretary, on the general subject of the tripartite agreement? Is there any way in which that agreement can be strengthened or revised?

A. No, I don't want—if you don't mind, I will just skip that one.

Q. Would you go so far as to say that the Treasury is still concerned about the behaviour of sterling?

A. No, I don't think I will say anything on sterling today.
Q. Are there some negotiations pending on which you want to comment?
A. No, this is my off-sterling day.
Q. Mr. Secretary, are the Chinese negotiations over with?
A. No, they are still here.
Q. The question is what are they hanging around for?
A. I don’t think they are wasting their time.
Q. You don’t?
A. No.
Q. You think something is still going to come out of this thing?
A. They are still here; in fact, there are more of them here now.
Q. Maybe that shows they are not getting anywhere.
A. No. I guess it’s correct that the road commissioner of China is here now.
Q. To prove they’ve got some roads?
A. No, they’ve got lots of roads.
Q. Mr. Secretary, on that Transamerica thing could you say what phase the SEC consulted on?
A. No, they consulted us. That’s all I will say.
Q. They consulted the Comptroller’s Office?
A. Consulted the Treasury; the Comptroller’s Office is still in the Treasury.
Could you tell me if you had been in consultation with the Treasury?

Yes, because banks were involved, but I was not...

I understood the Treasury was the SEC, so I would like to hear what the reason for the SEC was.

Okay, you're asking me if the SEC can make a decision about the conversation at this time.

And do you have any statement to make about the Treasury?

No, there's no reason for me to make any statement, or be concerned, off the record, that there is.

The reason I'm asking is that the book broke.

Would it help if you told the Treasury what happened?

Yes, because banks were involved, but I was not involved.

Okay, so tell me if there's any statement about that.

Okay, so tell me if there's any statement about that.

You all want to be careful on that. The FBI wanted the revelation made on the Treasury auditor's.

Do you think you might take some action for that?

No, I just said they consulted with us.

We consulted with them during the preparation.

Could you say whether you had been in consultation with the Treasury?
and other people's money—I am serious about it—if there was anything to say I would tell you people about it. Are we altogether on this now?

Q. Well, of course, as far as this comment is concerned, the fact that the Treasury was consulted by the SEC, that statement isn't supported by any explanation as to why; there may be some doubt in the public's mind in reading a news story. I just wondered if you could back that up by saying the Treasury was apprized the SEC would take this action.

A. Naturally, we were consulted and before this action was taken. I am very truthful and always try to be. We were consulted because banks are involved, for your own information.

Q. We can't use that as coming from you?

A. No.

Q. You didn't initiate the action, did you?

A. I don't think that's a fair question.

Q. Mr. Secretary, have you had any meetings recently on banking legislation?

A. No.

Q. Are there going to be some? Will the Treasury make some statement in the future about that whole situation on the Pacific Coast?
A. If the occasion arises we will make a statement but there’s no reason at this time for the Comptroller’s Office or myself to make any statement.

Q. Could we quote you as saying there is no occasion for Treasury action in the case or something like that?

A. No, I mean, those of you who went down to see the Comptroller, if you want to see him he’s available and he will make a statement. Some of you did see him; it’s his responsibility and he will make a statement about the Bank of America; if you want to see him you can get him.

Q. That’s fair enough.

A. If you want to see him, Gaston will arrange it and he’s available to make a statement. As far as I am concerned there is no justification for me and I am trying to be doubly careful and I think you people will be also, if you don’t want to start rumors or anything like that where there isn’t any reason for them.

Q. About the banking legislation, I asked if there will be any meetings on that.

A. I think there are apt to be some, yes, but I haven’t called any because this week I am devoting myself to getting ready for my financing, but I think in the not too distant future I will ask
the people if they have anything in mind and if they have we will get together; we haven't anything in mind here.

Q. Don't you have in mind the possibility of single examination by one agency?

A. To be very frank, Sandy, since we got out those rules and regulations I haven't thought about it since—from that day to this. I really haven't done any work on it.

Q. The idea of that job was to eliminate the necessity for legislation. Didn't the President say that?

A. Well, it was at least to make things easier for the banking—for the people here in Washington. We cut out all the duplications we could accomplish. Whether that's enough I don't know, but at least it was a step forward.

Q. Mr. Secretary, the group that would meet on banking legislation—would that be the group that worked on examination rules or would it be the newly appointed fiscal -- ?

A. No, it would be the old -- .

Q. The old Interdepartmental Committee?

A. That's right.

Q. You only have a month left for the silver situation; have you thought about it at all?
A. Sure. I gave you a time—11:55 p.m., December 31.

Q. You aren't going to think about it until then?

A. How do I know?

Mr. Gaston: You ought to be careful; you've advanced the time four minutes.

H.M.Jr.: You don't want to put a censor on my thinking and here you've got me slipping four minutes earlier.

Q. Thank you, Mr. Secretary.
H.M. Jr.: Where's the president of the organization?
Dead?

Q. Probably. There's a big story in the Post this morning that says the transfer of these bank examiners is a possible outgrowth of this Transamerica business.

A. Well, I refer you to Mr. Delano—that's his shop—Preston Delano. What else? What is it? Cold this morning or something?

Q. The Chinese are still with us.

A. Right.

Q. When I met Mr. Chen yesterday I decided he was a fast flier. (Klein)

A. I hear you met him.

Q. Yes, I was very happy to meet him. I saw him today. He hadn't seen the contradiction of that story. I saw the Chinese out in the hall and I said, "Well, is Mr. Chen back in China?" and they all laughed and said, "Here's Mr. Chen." The worst of that thing was one of the newspapers didn't print the story the night we carried it but saved it until the next day after we had denied it.
A. They value your stories so much they put them in the icebox. If we get along pretty well today, why, maybe late this afternoon Gaston will try to have it for you, as to what we are going to offer. We will have everything except the coupon rate. I hope to have it for you late this afternoon.

Q. For immediate release or morning?

A. For release morning but it will be quite late. But I have nothing else.

Q. That will be just the type of security?

A. The type of security, without the coupon rate.

Q. Mr. Secretary, have you had any conferences recently with Harry Hopkins regarding relief for a certain portion of the rest of the fiscal year?

A. No, I haven't seen Hopkins—not since Thanksgiving.

Q. Was that question discussed—the question of relief funds for the remaining four or five months of the fiscal year?

A. Well, we talked about all of his problems. That doesn't particularly stand out. I am not trying to evade the question but we talked about all his problems—I do it with Hopkins or Aubrey Williams,
depending on who's here. We talk about it because it's one of the Treasury problems also.

Q. Do you think, Mr. Secretary, the money appropriated by Congress will be sufficient to last through the first eight months?

A. Well, you've got to ask that of Hopkins. I don't have anything to do with apportioning money. It isn't my legal responsibility and I have nothing to do with the apportioning of money for any agency. That's between the President and Mr. Bell and Mr. Hopkins. I have no responsibility and have nothing to do with it.

Q. Have you discussed with Mr. Hopkins the possibility of asking for extended apportionment?

A. You will have to talk to Mr. Hopkins. He's in town, isn't he?

Q. The only reason I asked that is because I know you are the man who has to go out and get the money.

A. The question of apportioning money, as I say, is the responsibility of the President and the Director of the Budget—it isn't mine.

Q. Has there been any discussion of new funds for PWA?
A. When I see Hopkins and Williams, which I do quite frequently, we talk over all their problems and hardly a week or ten days passes that I don't see one or the other, or Col. Harrington or Gill. They're always coming in and talking about how the thing is going.

Q. I mean FWA—Ickes.

A. No, I have nothing to do with that. This question of money is allocated to these departments and my job is to raise the money and their responsibility is to spend it. I have nothing to do with that.

Q. Thank you, Mr. Secretary. Anything you can say about taxes at this time?

A. Nothing but what I said the other day.

Q. I understand Mr. Hanes had a conference with somebody up on the Hill the other day.

A. It's perfectly possible. I'd be surprised if he wasn't having them every day.

Q. I'd like to ask a question. I read a column and I am just curious to know who's the big boss on taxes. After all, you are Secretary and you have the final say, haven't you?

A. I always have.
Q. And that situation hasn't changed any?
A. No, I am responsible to the President. I know what you are referring to but when Mr. Magill left Mr. Hanes came here and part of his work is to have the Bureau of Internal Revenue responsible to him but the good and the bad—I have to take it. I always have and always will on the taxes or anything else that has to do with the Treasury.

Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, DECEMBER 5, 1938:

H.M.Jr: All right.

Q. Mr. Secretary, did you receive from Mr. Eccles a memorandum containing banking suggestions?

A. What's the matter with Mike (Flynn)? Has he lost his nerve? Yes, judge, I did.

Q. All we wanted to know.

A. And that's all I'm going to tell you.

Q. Thank you. That's all I want to know.

Mr. Gaston: Thank you! That's all I want to know.

Q. Mr. Gaston is trying to cut this thing short.

H.M.Jr: You don't think I'd let Herbert and Mike down, do you?

Q. Mr. Secretary, have you called a meeting of the banking committee?

A. No, because I haven't.

Q. You said you were going to inquire if any of them had ideas and if any of them did you'd be happy to call -- .

A. Well, believe it or not, I've been busy on this financing and the report was given to me in the strictest of confidence and I haven't had an opportunity to look at it.

Q. But having received certain ideas you will call a meeting of them?

A. Well, when the President returns and when I see him I will ask him what his pleasure is.
Q. On this particular thing?
A. Well, on the question of banking legislation, inasmuch as it affects four or five different agencies.
Q. Mr. Secretary, will your committee on monetary and economic matters have anything to report to the President on his return?
A. I really don't know.
Q. Mr. Secretary, you had a distinguished visitor in here a moment ago - a Mr. Corcoran.
A. Yes.
Q. Could you tell us the nature of his visit?
A. Would you mind telling me what he told you so we will tell the same story?
Q. We didn't ask him. We figured we would ask you.
A. Well, he called on me on Government business.
Q. Sir, we were fair; we didn't ask him and we wanted the story out of here.
A. Yes, I see.
Q. Could you tell us the name of the person in here with him?
A. No.
Q. That's the story, isn't it?
A. Yes.
Q. That's all I want to know.
A. Thank you - you go to work. I don't think he left any hat with any initials.

Q. That's what you think.

A. Oh, really! Here's a nice one for you; now you go to work, J. Edgar, Jr.

Q. Well, that's part of my job. Was the offering well received, Mr. Secretary?

A. It has been well received and it's going very well and the cash offering will be closed as of midnight tonight and the exchanges will be closed on midnight Wednesday.

Mr. Gaston: That's for morning papers?

H.M.Jr: Thank you, yes.

Q. Who said that?

A. One, Gaston. We just didn't want the radio cutting in on you.

Q. We have fifteen minutes on the ticker yet.

A. I guess you'd better leave it until tomorrow morning; the ticker will be running tomorrow.

Q. Mr. Secretary, have you in mind anyone yet for the Assistant Secretary's post?

A. No, got any suggestions?

Q. Oh, no. I don't want to mix in politics.

A. Okay, Sandy.
Q. Mr. Secretary, you are about to make your annual appearance before the House Appropriations Subcommittee next week, I think on the sixteenth.
A. Sixteenth?
Q. You usually start off the proceedings up there.
A. Well, you are ahead of me.
Q. The independent agencies are up this week and you are next.
A. It's news to me. On the Treasury bill?
Mr. Gaston: That would be a week from Friday, wouldn't it?
H.M.Jr: That's news! I didn't know it.
Q. Will you say the usual things? In opposition to silver subsidy and all that?
A. Just the usual.
Q. Mr. Secretary, do you have anything to say about the reports from Mr. Cochran and Mr. Butterworth on affairs in London and Paris?
A. Which Cochran (Corcoran) are you talking about?
Q. C-o-c-h-r-a-n.
A. No, they will be here for a couple of weeks and we usually have them come here twice a year to go over the situation and so they are here to report and get acquainted with what's going on in the Treasury and acquaint us with first-hand information on what's been going on in London and Paris, financially.
Q. Is there less concern on the part of the Treasury now that the pound is going up?
A. I don't want to make any comment on that.
Q. Are you progressing with your tax program?
A. No.
Q. No progress?
A. No progress.
Q. What does that mean, Mr. Secretary?
A. Just that.
Q. You mean you can't get started on the thing until you know what you want.
A. Exactly.
Q. You mean there won't be any taxes?
A. No, we will wait until we know what the program is.
Q. You mean the expenditure program, Mr. Secretary?
A. Uh-huh.
Q. Principally the defense expenditure program?
A. Principally.
Q. Has that been completed yet?
A. No, no further than when you gentlemen asked me two weeks ago.
Q. Well, from reports that have been spread around, next year's defense budget will be probably more than thirty-three per cent higher than this year.
A. Don't ask me to get down to percentages because I've been very frank when I say I don't know any more than I did two weeks ago. Maybe somebody else does; I don't know.
Q. Could you give us an idea of when it will be completed, Mr. Secretary?

A. Well, I think it usually goes to the printers on about the 23rd or 24th of December and you gentlemen will know about it the first week in January.

Q. Well, in view of the lateness of your moving along on this tax business it leaves a lot of people the impression, and me too, that there will be no general tax bill this session.

A. You don't want to believe what the general public does.

Q. I'm just asking that question.

A. And I'm avoiding it.

Q. The tax bill might not be submitted until March, as a matter of fact - isn't that correct?

A. That's right, or April or May. I don't want to date it March.

Q. Is there a possibility of a statute eliminating tax-exempt securities in view of the refinancing of the March maturities at this time?

A. The answer is no.

Q. Had nothing whatever to do with it?

A. No, I mean, I would say in preparing the financing that that wasn't a consideration.

Q. You don't think it will be enacted then by March?
Please. I read the headlines. This is the last and it was not a part of the consideration that went into the program — whether it's the last or the next to the last.

Well, we didn't say so; we said it was possible.

Mr. Secretary, have you finally gotten around to deciding how much relief money you are going to need for the next year?

That isn't my decision; I don't decide that.

Have there been any discussions on that recently?

No, but that isn't my decision; it isn't up to me.

Mr. Secretary, some question has been raised whether the SEC is entitled to order some National Bank examiners in the Transamerica proceedings. The point has been raised that under the National Bank Act only the Federal Reserve and FDIC are expressly permitted by law to have access to those reports. It has been stated, on the other hand, that there is no provision of the law which bars or prohibits making available to other Government agencies those reports and that that is a matter of Treasury administration. Could you clear that up?

I think all you've got to do is to read the report of the SEC in their letter to Transamerica and I think that answers that question.
Q. Well, has the Treasury ruled that the SEC is entitled to those reports and entitled to make public parts which are permanent ——.

A. I will have to inquire and if there is an answer to the question Mr. Gaston will supply you with the answer.

Q. I would like to put that question, have any records been made available?

A. All you've got to do is to read the letter which SEC made public last week; just read it and the answer is right there.

Q. The answer would be yes.

A. The answer would be yes.

Q. Mr. L. M. Giannini call on you today, Mr. Secretary, of Bank of America?

A. No, he has not.

Q. That wasn't him with Mr. Corcoran, was it?

A. No.

Q. Did Mr. Corcoran bring in a new Assistant Secretary?

A. No, this is going to be good! Ten cents on Sandy.

Q. You are betting on me or agin' me?

A. For you.

Q. Thank you. I'll collect — I mean, the dime now, because I may not be able to deliver.

A. With no help from this office. On that question about reports being supplied let Gaston ask the
Comptroller of the Currency and Oliphant because I don't want you to be printing something which you might in turn be sued on, so let him --.

Q. I am very careful on that at all times. (Cotten)
A. You'd better let Gaston find out what that is. You see I don't want you sued.

Q. Nobody could be more careful about that than I'd be.
A. All right. He will find out what I told you; it's all there in the report. Anybody can read it, but as to the legal question, whether we have or have not the legal right, let him find out. It's right in the report. Anybody can read the report, but Gaston will get in touch with Oliphant and ask him.

Q. I'm not going to argue a point of law.
Mr. Secretary, can you say anything about the meeting this morning - of the fiscal and monetary meeting?

A. A good meeting and they met --.

Q. Isn't it true that there was a discussion of taxes at that meeting today?
A. I couldn't answer that question.

Q. Do I understand this announcement of closing of cash offering and closing of exchange is for tomorrow?
A. If you please.

Q. Mr. Secretary, is it the policy to meet any increases in the expenditures to equalize any increases?
A. You and I both will have to be patient on that.
Q. I just wondered which had been raised.
A. We both have to be patient.
Q. Can you enlarge any on your memorandum from Governor Eccles?
A. No, I just received it, that's all.
Q. What are you going to do with it?
A. Read it.
Q. If business keeps on the way it's going now - it's going along all right - do you think the budget can be balanced the year after next? (Laughter)
A. Honestly, I'm glad you've got a sense of humor.
Q. I am very serious about that question. Some of your officials around here think they can do it.
A. I see. You didn't take any offense, did you?
Q. No, I didn't take any offense. (Friedheim)
A. Well, I would rather leave it just like that.
Q. It might be reassuring.
A. Well, you've covered the Treasury long enough to know we don't go in for reassuring statements.
Q. It might be good once in a while.
A. Yes, but I still have refrained - I don't make them for the year-end either.
Q. Mr. Secretary, speaking for the budget and Governor Eccles, do you agree with the fiscal policy he recommended in that address last week?
A. I haven't read it truly.

Q. He said we ought not to cut down the deficit too fast.

A. Well, he's chairman of the Federal Reserve Board and I'm Secretary of the Treasury.

Q. I get the impression that the Eccles literature isn't very popular around here.

A. No, I happened to have a big job to do last week—seven hundred million of new money—and I had to concentrate on that.

Q. No offense meant.

A. Oh, no. All right, now that makes Eric feel better but I thought he was serious for a minute—he got a little peeved.

Q. Thank you, Mr. Secretary.

A. Thank you very much.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, DECEMBER 12, 1938:

H.M. Jr.: All right, gentlemen? What are your worries today?

Q. Are you going before the House Committee on Appropriations this week, Mr. Secretary?

A. Some one asked me that last week. You might find out, Herbert, will you?

Q. We asked you last week if you were going this week and I understood you were going.

A. I know it, but there's nothing, as far as I know, except the invitation I've gotten from you people.

Mr. Gaston: I think the committee is still uncertain whether they will get to us next week.

H.M. Jr.: As far as I know they haven't asked me.

Q. They always ask about the Stabilization Fund.

A. That's an idea.

Q. That's our invitation.

A. But you might find out, Herbert, from the clerk.

Mr. Gaston: The last I heard from McKoylolds, who talked to the clerk, was that they probably wouldn't be ready for the Treasury until Monday.

Q. Your fiscal and monetary advisory committee meet today?

A. Eh-huh. I admit they met.
Q. Mr. Secretary, in connection with that committee there have been some reports that it is studying a plan—you might call it an ever-normal fund—for relief taxation in good years to take care of relief in bad years—the Jerome Frank plan, Mr. Secretary.

A. Never heard of it.

Q. That never contemplates a balanced budget.

A. I never heard of it.

Q. You will admit it has been in operation for six years though?

A. Mike's good today, isn't he? Just wait a few weeks and we might have a story. All right, Mike, give us some good ones.

Q. How about the Eccles theory—the unbalanced, over-balanced budget—compensatory idea? Would you like to comment?

A. No, thanks.

Q. Would you say what the committee is discussing?

A. No, I explained before; I think the President has made the same statement—any report we would have goes to him first.

Q. Could you tell us if they discussed the coming year's budget today?

A. I'm sorry, I can't.
Q. Could you tell us when you will meet again?
A. We will meet again this week some time.
Q. Why was Mr. Magill not called down here?
A. I can't see what you are writing. (Klein shows notes.) I thought you were trying to give me a tip. Incidentally, don't you owe me a dime?
Q. I probably owe you a dime except I don't think any time-limit was set.
A. To be technical, I said I would put a dime on Sandy, but if you lose it's really the pressroom.
Q. I am willing to consider this ten-cent bet.
A. How much more time do you want?
Q. Let's be a little more liberal, Mr. Secretary.
A. A week from today?
Q. All right, a week from today.
A. Ten cents.
Q. You didn't do any business up at the other end. See if Sandy Klein knows.
A. I haven't the slightest idea what you mean.
Q. They said we know all about it and we are in on the bet, too.
A. That was in a column.
Q. Yes, but they stole that from me.
A. Did they? All right.
Q. That's the guy, isn't it?
A. I'm not saying anything. All I said was I saw that in a column.
Q. We will try again.
A. Ten cents from now until Monday.
Q. Boy, this is going to cost me dough! (Klein) Did you get an Assistant Secretary today at the White House?
A. No, I didn't ask for one.
Q. Is there an appointment imminent?
A. No.
Q. Have you got one in mind?
A. No.
Q. That takes care of that. Mr. Secretary, is the Treasury studying this health plan? I mean the plan that was presented last July or June.
A. You mean that Interdepartmental Committee?
Q. Yes.
A. I think you will have to get that from Dr. Parran.
Q. I just wondered if you were making a study as to the possible cost.
A. Ask Dr. Parran.
Q. Is the Treasury looking forward to studies in connection with loans to South American countries to enable some of them to trade more with us than they are able to at present
because of lack of exchange?

A. We are studying that problem very earnestly.

Q. Would that be through the Export-Import Bank, Mr. Secretary?

A. Well, right now we are just earnestly studying it.

Q. Is that a plan of extending credit?

A. He stated it. I can't state it as well as he did.

Q. Loans to South American countries to enable them to purchase more goods from the United States, due to their lack of exchange.

A. We are studying the whole question,

Q. Something on the order of that Brazilian agreement?

A. All I can say is we are studying the whole thing, with the knowledge of the President and Mr. Hull, before he left, and approval.

Q. Would it be safe for us to speculate that it is possible that similar means like the Brazilian agreement might follow?

A. No, simply that we are studying this whole question of relationship between this Treasury and other treasuries in this hemisphere.

Q. Is that connected, Mr. Secretary, with the trip of two State Department people who are en route to Argentina now to study the exchange situation?

A. No.
Q. Mr. Pierson is contemplating a study of Cuba.
A. There are a lot of these things going on but I was asked the question and I am personally making a study myself.
Q. The exchange situation is particularly important in that study, isn't it?
A. Very. Yes, the question of foreign exchange—I take it that's what you mean, foreign exchange?
Q. Yes. Of course, the way that you have made exchange available heretofore in some of these cases, at least, and perhaps most or all of them has been through purchase of metal.
A. Yes.
Q. Could you say whether that was involved.
A. No, I can't say anything because the study is too young and those of you who cover the Treasury know that until I have something that looks good I won't talk about it, but I have nothing. But I am personally studying it very hard.
Q. Can you tell me are you doing anything in cooperation with the State and Commerce Departments?
A. Well, I would rather you don't print this. Most likely it's my fault—I don't know what Commerce is doing. Most likely that's my fault, but what I am doing here the State Department knows all about it and they are assisting me,
but, I mean, the Commerce might be doing something. I suppose it's my fault but I don't know, but anything I do with any country, foreign, the State Department always knows and I work in the closest cooperation. Commerce may have something—I just don't happen to know about it.

Q. Can we say, on the record, that the State Department is cooperating in this study you have made—the fact that the President asked Mr. Hull?

A. No, I say I am doing this with the knowledge and approval.

Q. Well, could you say whether the Treasury's participation relates totally to making exchange available?

A. No, I'm sorry. I have said it three times. If you don't mind, until I've got something—I have nothing at the moment. The study is in the early stages but I can't talk about something when I haven't got anything.

Q. Mr. Secretary, I don't know whether you knew it or not, but the State Department has sent two men on a special mission to Argentina and Uruguay and they are going to stop over in Brazil and other South American countries to investigate and report back on numerous economic situations, but particularly with regard to the exchange situation.
A. I will be honest—maybe Wayne Taylor knows about it but I don't. It's the first I've heard of it.

Q. Does this involve all South American countries?

A. North and South.

Q. The Western Hemisphere?

A. Yes. Wayne Taylor may know about these other two people but all of last week I had a financing and didn't pay much attention to anything else.

Q. This whole thing is absolutely apart from the Export-Import Bank's operations and studies?

A. Well, we are doing it here, but Mr. Taylor is director of the Export-Import Bank and it will be coordinated.

Q. Obviously the loans would be made through the bank.

A. If they were that kind of loans—not necessarily, no.

Q. They might be direct Treasury loans. You can't do that.

A. We could with the approval of Congress.

Q. Any plan would need the approval of Congress.

A. I would say, certainly, if we get into this thing in any way we would want to submit it to Congress. If there's any new departure from any legal authority I have got I would submit it to Congress.

Q. Do you require Congressional authority to make loans to those countries there?

A. For the United States Treasury to make direct loans, yes.

Q. You can't make direct loans?
A. No, we can not.

Q. The Export-Import Bank can't make direct loans either, can it?
A. I don't think they can, no. You'd better check that. I don't think they can. All right on that?

Q. Of course, the bank could arrange to finance the sale whether they make direct loans or not; they don't have to do that.
A. Anything, I mean, Taylor does keep the Export-Import Bank informed of anything we are doing. I personally keep, in this case, the State Department informed, so there's complete coordination, with the possible exception of Commerce, and I don't know what they are doing.

Q. Does the Johnson Act enter this?
A. I don't think any of these countries owe us any money.

Q. Some bond issues but, that's right, not the Government.
A. No.

Q. Oh, that Brazilian loan—almost a direct loan—you made exchange available here of dollar credits.
A. It was within our authority—the Stabilization Fund.

Q. That wasn't a loan to Brazil.
A. Not in the real sense, no.

Q. Whatever happened to that, Mr. Secretary?
A. They used it to a slight extent.
Q. That is different from what you said last time. Have they bought any of the gold yet?
A. They did business in the last few months; they used it once to some extent. (The Secretary was referring to our agreement to sell sixty million dollars worth of gold to Brazil....He corrected this statement after the press conference....Brazil had sold gold to this country, which was not under the agreement)
Q. What are the mechanics of such a loan?
A. If you don't mind, it takes quite a while and I would be delighted for you to sit down with Archie Lochhead whenever you've got time. He would be delighted to do it.
Q. In other words, when you say they took advantage of this thing --
A. They did business.
Q. They bought a small amount of gold? We get that impression because that was the arrangement.
A. Yes. All right?
Q. There was a question asked about Roswell Magill being here over the weekend on taxes?
A. Oh, I had the whole group down here for a couple of days and Magill was one of them.
Q. On taxes?
A. To advise me on Treasury matters.
Q. Particularly taxes?
A. Treasury matters.
Q. Including taxes?
A. Including taxes.
Q. What sort of a group, Mr. Secretary, outside of Magill? I mean, were they outsiders, all of them?
A. All of them.
Q. Were they all tax experts?
A. No.
Q. What were they?
A. Experts.
Q. Is the tax program advanced any further this week than it was last? Is there a tax program?
A. Sorry, I can't.
Q. Is it possible that you are holding back to find out what Congress is going to do in the spending line then telling them to raise taxes for the amount they have appropriated?
A. You will know all about it the 3rd of January.
Q. Is there going to be a tax program?
A. I can't tell.
Q. Have you progressed any further on your preparation of tax legislation and recommendations?
A. I can't answer that.
Q. Well, the last time we understood the thing was being held up pending determination of what the National Defense was going to be. Has that been decided?
A. I can't answer.

Q. The answer is different from last week. The obvious deduction then is some decision has been made?

A. No.

Q. You were quite willing to answer that question last week and this week you are reluctant.

A. I know a little bit more this week.

Q. You are progressing then?

A. That's it, thank you. We are progressing in making a budget. There's news for you—spot news.

Q. You'd have to have a budget anyway by the time Congress gets back.

A. We are progressing. Mr. Hanes, Mr. Bell and I were over there this afternoon and we made progress, but don't go off on the limb about taxes.

Q. I don't want to go out on the limb, but why the reluctance this week?

A. Because I am a very honest fellow. Last week I knew nothing—this week I know that much (spreading fingers).

Q. I will ask this same question I asked last week then. Is the question of national defense holding up taxes?

A. And this week I can't answer you but I know something.

Q. You only leave one opening there.

A. And the answer is we are making progress. This thing has to go to bed. The budget has to be given to the printer by Christmas. If so, we've got to make progress.
Q. And you are beginning to have some decision made?
A. And some decisions are being made.
Q. Have been made?
A. Are, are.
Q. You don't have to make a decision on taxes for a long time, yet.
A. Don't have to make any, as I said the other day, until March, April or May.
Q. You have to make a decision on the requirement though, don't you, Mr. Secretary?
A. All you can write officially, without taking a gamble, is that Mr. Bell, Hanes and I, in our conference with the President today, made progress on his budget message. That is official.
Q. I know, but you said don't go off the limb on taxes.
A. No.
Q. That's a hint.
A. No, just don't draw any conclusions from me.
Q. But you say that you don't have to decide on taxes until April, May or June, etc., but you do have to get the revenue requirements on the basis of expenditures?
A. Oh, yes.
Q. Will this indicate then that, if this budget has to be in the printer's hands by Christmas eve, that the amount for defense has been practically settled?
A. No, all I am saying is this: Last week I didn't know anything; this week I know about so much (spreading fingers).

Q. I can't write that.

A. That's why I am doing it. All right, don't press me any more. I've given you all I can. Have a heart.

Q. Thank you, Mr. Secretary. How about the financing—final allotments?

A. I think they speak for themselves.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, DECEMBER 15, 1938:

Q. How about our Chinese situation, Mr. Secretary?
H.M.Jr.: I thought you covered that last night.
Q. Pretty good story, wasn't it?
A. It's all right.
Q. Correct, isn't it?
A. No. Anybody object if I go off the record?
Q. Couldn't you tell us on the record?
A. No.
Q. Couldn't we change our story if we are wrong?
A. No, if you want the facts I will tell it to you off the record.
Q. Will we be able to get them on the record very soon?
A. Yes.
Q. It's all right with me.
A. Well, the facts are these: The Export-Import Bank met the night before last and they voted this thing and then to be extra-doubly sure that the publicity statement has to go through the State and then the White House and Jones' being a little sick for a day or two slowed the thing up—he's sick in bed, you see, so we are just waiting to
clear there and the White House and as soon as
they have it—but that's the whole story.

Q. How much is it, Mr. Secretary?
A. Twenty-five million—that's right. Just as soon as
we can get it by the State Department — .

Q. Is it a loan or credit arrangement?
A. They will give it to you; it's a credit—Export-
Import through this universal trading corporation
here which is a corporation incorporated under the
laws of the State of New York to a Chinese corpo-
ration in China which is near to the government.

Q. As Mr. Welles stated it's an indirect commercial
operation but actually it's the government.
A. Well, it's from the United States Treasury to the
Federal Reserve, Federal Reserve Bank to the Export-
Import, Universal Trading—I don't know what they
call the Chinese corporation—and then the Bank
of China.

Q. Still off the record, is it for general purchases
in this country or specific, like trucks?
A. It's trucks and that kind of stuff, gasoline.

Q. Mr. Secretary, does this silver purchasing agreement
you have with them—is that going to be continued?
A. I suppose so, as long as they have silver and as long as Congress directs and authorizes me to buy, but this silver thing is not mixed up in this deal.

Q. But I assume you have discussed that in this deal.

A. Oh, yes, but there's nothing up—I take it it hasn't expired and that's why they haven't brought the thing up.

Q. I thought it expired in July.

A. Well, it must have extended because there's nothing between us and as far as I know whenever they have silver to offer we buy it at the day's price but this thing will be explained, I take it, I suppose from Mr. Pierson the release will come out.

Q. Have you any idea when so we can be on guard?

A. If you have some luck I suppose you ought to get it tonight, if not, tomorrow morning, but I would say within the next twenty-four hours.

Q. In connection with silver, have you talked with Senator Pittman or can you say anything as to a plan which he proposed for the sale of a lot of our cotton through taking silver from other countries at $1.29.

A. No, I don't want to comment on that; he's written me about that.
Q. Mr. Secretary, could we say that you said the
Chinese announcement would be made in twenty-four
hours?

A. No, I would rather not. You have a perfectly good
story; why not let it go at that? You know
Washington; if you said twenty-four hours somebody
else might think it would be forty-eight hours.

Q. Are you making a written reply to the Senator in
connection with that matter or don't you want to say?

A. I really don't know.

Q. As to how far he intends to push his plan or his
method?

A. No, I think you had better get your information
from him.

Q. I just wondered if you had any ideas.

A. I've got some ideas.

Q. Have you had any thoughts on the silver proclamation
yet? You've got two weeks to think it over.

A. Well, from Christmas to New Year's we ought not to
have much to do so we will concentrate on silver

Q. Do you think you will be giving the boys another
Christmas present?

A. I don't know.
Q. Mr. Secretary, in view of the fact that any addition to the capital of the Export-Import Bank must be made at the request of the Secretary of the Treasury, can you say, on the record, how much additional capital will be furnished?

A. No, I don't know. I know they will get additional capital but I don't know how much. Mr. Jones may not want it known that he's sick—I don't know; he's laid up for a day or two but that's sort of tied things up. It's nothing very serious; as soon as he's back on the job the thing will move again.

Q. Have the Japanese asked for any credit arrangement again?

A. Their financial attache was in last week—the one accredited to Washington, London and Paris and I listened to him and in ten or fifteen minutes he didn't have any request to make.

Q. Did he express concern over the negotiations with the Chinese?

A. No.

Q. Courteous fellows, aren't they? Mr. Secretary, you stated you were going to see the President about the question of the Interdepartmental
Banking—that is you would await his pleasure.
Anything on that?
A. No still awaiting his pleasure.
Q. Have you got your decision on taxes?
A. That would be a story, wouldn't it?
Q. What's the answer?
A. March or April.
Q. You mean there may not be a decision until then?
A. There may not be.
Q. But you have none now?
A. None for you.
Q. You'd be seeing Congressional leaders on taxes in the near future, Mr. Secretary?
A. I don't know what Senator Harrison or Congressman Doughton's pleasures are as I have had no invitation from them to see them.
Q. How about the Appropriations Committee? Have you received one from them?
A. None.
Q. It would be your place to call them if you had anything to suggest.
A. Well, you know I never suggest taxes to Congress; I always take the position I don't suggest specific taxes.
Q. Call them recommendations here, don't you?

A. No, we just hint occasionally, but we don't ever make recommendations.

Q. Are the loans to South American countries going to be as indirect as the ones to China?

A. I don't know. We haven't gotten that far, but I am working at it and, after all, this credit to China took us, what was it? From the middle of September to the middle of December. Didn't Mr. Chen get here about the middle of September? October, November, December—three months.

Q. He'll have to get a big loan to pay his expenses.

A. These things—they don't move so quickly.

Q. As long as you've got a formula thought out, if you are going to follow the same formula you can go right ahead.

A. Each country has different conditions and I don't know whether the same formula will work or not.

Q. Are you paying particular attention to Argentina and Uruguay?

A. This hemisphere.

Q. You would say mostly Latin America, wouldn't you, Mr. Secretary?
A. I will stick to 'this hemisphere' for the time being.

Q. Do we still have a silver buying arrangement with Canada?

A. Yes.

Q. Month-to-month, isn't it?

A. Yes.

Q. Is it the same? About two million ounces?

A. I'd have to check.

Q. It just continues on until you give notice.

A. Or they give notice.

Q. They have never given notice?

A. Not yet, nor have we.

Q. Do you expect your loans, if you make any to Argentina or other countries down there, to be followed by trade agreements? They've been working on that over a year but they haven't gotten there because of the ban on meat imports from that country or because of exchange.

A. On trade agreements you will have to get your information from the State Department.

Q. The State Department sent these two men down there to find out and they are in the trade agreement
section and if you clear up the exchange situation
doesn't that agreement follow?

A. Well, I think the State Department will clear up
that exchange situation. Haven't they?

Q. They haven't cleared it up yet.

A. Haven't they, as to what those two men were going
to do. I asked them to.

Q. Not that I know of.

A. I think they will if you ask them to.

Q. The men in charge told me personally they went down
there on that and specified exchange.

A. See Herbert afterwards and you will get the true
story.

Q. Do we have to see Herbert to get the true story?

A. Ask what they call it at the State Department; I
have asked them to clear it up. Herbert, you are
released on that assignment.

Mr. Gaston: Thanks very much.

Q. Any change in the silver purchasing from Mexico?

A. Well, there is no change. We have no agreement
with Mexico.

Q. On the open market now?

A. Yes, we have no agreement.
H.W. Jr.: A dime to Sandy; that's yours and my bet was that you would be right.

Q. Thank you; I owe another guy a nickle. You will notice a ten-cent increase in the deficit tomorrow. (Klein)

A. I want to know how he gets his news and how he pays for it.

Q. Reads the columns. I got it from a guy who got it from a column. There's a report that the nickels don't fit the slot machines. Is there anything to that?

A. I don't know. Let's go out and try them. They just gave me this slip -- it will have to be verified by Mr. Gaston -- but the bills today went to a new all-time low.

Q. Is that the New York figure?

A. I think this is the whole works, but it's .006 which I think is a new low. Mr. Gaston will verify it.

Q. Wasn't one-one the previous low?
Mr. Gaston: We've had a good many at seven.

Q. Mr. Secretary, are you going to get us out of bed on December 31st on silver?

A. I will just keep you from going to bed.

Q. Have you moved up the time from eleven-fifty-five?

A. What did we do last year?

Q. You gave it to us at six for release at nine. You told us on December the 29th what you were going to do.

A. No, no — I guess I must be slipping.

Q. Sen. Pittman wants you to increase the price.

A. Well, that's his privilege.

Q. When will we get it?

A. The boys said last year we got it at six o'clock for release at nine o'clock on the wire. My guess would be, but this is subject to confirmation from across the street, that it would be the same way.

Q. I think the 31st is on Saturday and it's a holiday. What's the chance of getting it for Saturday afternoon's papers on Friday evening.
A. No, but the coming Saturday there's no reason why we shouldn't advance it to maybe three o'clock. We will wait until San Francisco closes. I guess maybe we might be able to make it three o'clock.

Q. All of this, of course, indicates that there is going to be a momentous change in the silver policy.

A. Just that there will be a price, just a price. If anybody wants any more dime bets from me we have a hatful.

Q. Sen. Pittman said last week that unless the Administration made ___ out of the silver purchases to increase the price and expand the foreign market for American products he favored a reduction of foreign purchases of silver to a minimum. Do you care to comment?

A. No, thank you. Thanks for the opportunity.

Q. Are you in favor of a reduction in domestic purchases?

A. If you don't mind, I am not going to say anything one way or the other until you get an official statement which will be issued.
Q. When you say there will be a price, Mr. Secretary, does that mean that the policy of paying this special price will be continued? Would you say anything on that?

A. No, you fellows will just have to be a little patient until the afternoon of the 31st.

Q. Mr. Secretary, any indication that the Japanese are interested in borrowing or getting a loan or some credits here?

A. Well, our door is wide open (laughter).

Q. Have you received any official indication?

A. We haven't had any customers but our door is wide open.

Q. Which way?

A. Either way as long as it's a front door.

Q. Open-door policy?

A. Yes.

Q. Have you had any comment or criticism of this loan to China?
A. No.
Q. What do you mean, the doors are open? Japanese loan?
A. Sure.
Q. Would you be of a mind to give them one?
A. That's one of those big "if" questions.
Q. Sir, could you expand at all the remarks you made last week with reference to credits to South American governments? Have the plans progressed?
A. I didn't realize what I said had so much news value. What I said last week will have to stand.
Q. What you said has more news value than that anybody can come in and ask for a loan.
A. Can seek a loan, as long as they don't come under the Johnson Act.
Q. You couldn't make a loan to Japan any more than Great Britain.
A. No, but they could apply to the Export-Import Bank if they wanted to; there's nothing to prevent them.
Q. Well, is this RFC announcement the final upshot of all these conferences with the Chinese or is there anything further?

A. Oh, it will be continuous. In fact, Gaston has one after this meeting.

Q. What’s that?

A. One on China.

Q. On silver?

A. Do you want to give it to them now?

Mr. Gaston: I don’t care.

H.M. Jr.: Give it to them. I haven’t had a chance — I was late getting back.

Q. We want it on the press conference.

Mr. Gaston: "Secretary Morgenthau announced today that the arrangement announced July 9, 1937, under which the Central Bank of China has been enabled under conditions which safeguard the interests of both countries to obtain dollar exchange for stabilization purposes, has been extended for a further period beyond December 31, 1938."

H.M. Jr.: Give it to Sandy. Is that the only copy you’ve got?
Mr. Gaston: Only one I have but I might just as well give it to him.

Q. That's the silver buying?
A. No. (Gregory reads release)

Q. Could you say what that period is for?
A. The way they've written it I guess they don't want you to know.

Q. Well, I guessed that.
A. Well, I don't want to let Herbert Gaston down.

Q. Mr. Secretary, can you tell us anything about the mechanics by which they get that dollar exchange? Do they pay gold for it?
A. Do you want to go into that, Herbert?
I haven't had a chance to do my homework.

Mr. Gaston: I think somebody objected to going into it last time.

Q. This isn't another direct loan, is it?
A. No, it's just an extension of an existing agreement.

Q. Well, it's an extension of the silver purchase policy, isn't it?
Mr. Gaston: No.
Q. It isn't?
Mr. Gaston: No.
Q. What do they give for that dollar exchange?
Mr. Morgenthau: Gold.
Q. Where do they get the gold?
A. They have it.
Q. Do they have it now?
A. This is a gold loan; the gold is here on deposit with us.
Q. In what amount is that?
A. I guess you will have to ask the Chinese Government that; they are our client.
Q. You lend them gold, is that the idea?
A. This is their gold; we lend them dollars against that.
Q. They have that on deposit here?
A. Federal Reserve, New York.
Q. All of it?
A. All of it.
Q. They still hold the gold in their possession?
A. The gold is here, earmarked for them, but the physical gold is in our possession.
Q. I understand all of their gold is monetary gold.

A. No, this is an old agreement which we are now extending.

Q. Did they acquire some of this gold by selling you silver some time ago?

A. That's their business. The gold is there earmarked for their account and this gives them the privilege of borrowing foreign exchange against this gold on deposit.

Q. How much gold is on deposit?

A. You will have to ask the Chinese Government.

Q. Does this supplement the silver purchase understanding?

A. No, it's separate.

Q. Well, don't they get dollar credits for silver?

A. No.

Q. What do they get?

A. Dollars.

Q. They can get gold for that.

A. They can get anything they want to. We pay them United States currency and they are free to do whatever they wish with it.
Q. What about the gold?
A. Well, they can borrow foreign exchange.
This is their gold which is on deposit
with the Federal Reserve and against
which they can borrow foreign exchange.
Q. Well, was this gold which they deposited
here all gold which we sold to them?
A. Well, I say this is their business. If
the Chinese embassy wants to explain it,
it's up to them but I never do explain
the details of a transaction with a foreign
government. We do it for them at their
direction.
Q. But you don't want to make any mystery
of our part.
A. There's no mystery.
Q. It isn't clear.
A. The only thing that isn't clear is how
much.
Q. Isn't it a fact that they got their gold
as a result of their silver sales to this
country?
A. I'm not sure, frankly. I am not carrying
the details in my mind. It's their
business how the Chinese Government
acquired it; they got it honestly and it's
up to them to tell how.
Q. But the people of the country would be interested in knowing how.

Mr. Gaston: We announced in July, 1937, that they were buying some gold at that time from the United States Treasury. In July, 1937, at the time this arrangement was made they did buy some gold then.

H.M. Jr.: This is simply an extension of an old agreement.

Q. As a matter of fact, Mr. Secretary, they don't even need any new gold to do this; they could do it by using the same gold they had on deposit in 1937.

A. Sure.

Q. Mr. Secretary, doesn't this violate the spirit of the Neutrality Act?

A. Why? Who's at war?

Q. Mr. Secretary, to go to another mystery.

A. Please.

Q. When is your fiscal committee meeting with the President?

Mr. Gaston: That's an uphill-downhill committee.

H.M. Jr.: When I came out of the White House I told the men there that this was strictly White House business and you and the President and Mr. Early —.
Q. Mr. Early got pretty mad this morning when he was asked about it and it's up to you.
A. Did he?
Q. That isn't news, Mr. Secretary, when Steve Early gets mad. He didn't like the reference to calling
A. I have always found Mr. Early a very pleasant gentleman.
Q. Japanese Foreign Minister Arita said today that the Export-Import Bank loans to China would tend to further endanger American business in Japan and in China. Now this extension of credit coming on top of that I think would encourage Japanese criticism all the more; have you any comment on that?
A. No, we are extending credit to a friendly nation.
Q. In other words, as Mr. Chen said, they are not buying any sporting goods with this money — foodstuffs and munitions, etc., but they can buy munitions if they want to.
A. That I am not sure of. Here we are doing business with a friendly nation and if any other nation who wishes to use the same instrument — Export-Import Bank — and who doesn't come under the Johnson Act — the Export-Import Bank is there.

Q. You are not thinking of the Japanese government.

A. After all, we can do business with China and we can do business with any other country who doesn't come under the Johnson Act and we can help our businessmen sell merchandise to a friendly nation.

Q. Even if it does come under the Johnson Act they can come in and talk to you?

A. Yes, but it doesn't get any encouragement.

Q. Japan is also a friendly nation?

A. Japan is also a friendly nation and can come in and ask credits if she wants to.

Q. If the Federal workers come under the Social Security Act what would become of the Government's retirement fund?

A. Well, I've been fairly busy today on this work, and I haven't had a chance to read the report of Mr. Altmeier so I can't answer.
Q. On this silver price December 31 is that both domestic and foreign?
A. We don't announce on the foreign; that's day-to-day, just domestic.
Q. Mr. Secretary, on the Treasury's part in the investigation of Mr. Phillip Musica, alias Mr. Frank A. Coster, would you care to comment on the Treasury's part? Say anything about what the Treasury is doing?
A. No.
Q. Thank you, Mr. Secretary.
Q. I have one more question I want to ask on tax-exempt. Has the Treasury been meeting with Mr. Brown, of Michigan, on that situation or are you helping him with a bill?
A. Now, Mr. Hanes may have. I have not, but if anybody in the Treasury has or has not, Mr. Gaston will let you know. I don't know.