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REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, JANUARY 16, 1939:

Q. Mr. Secretary, can you tell us anything of your visit at the White House today?
A. No, it was one of those things where I don't contribute anything.

Q. Can you tell us whether it was just the national defense?
A. I think you will have to get that from Mr. Early.

Q. Mr. Secretary, did you receive any inquiries from the Hill regarding regulations on silver?
A. From whom?
Q. I don't know who sent them down.
A. Well, they are all signed—the new regulations will either be released tonight or tomorrow. It's finished, done. I signed them and the President countersigned them.

Q. Will they just conform with the new proclamation or is it something new entirely?
A. No. Should I go into it now?

Mr. Gaston: Well, if they are ready I don't see any objection. We haven't turned them loose yet.

Mr. Schwarz: They've been released for tomorrow morning's Federal Register.
Mr. Gaston: They will be published in tomorrow morning's Federal Register and we will get a release out and I think for the morning's papers.

Q. I just got a report about it.

H.L.Jr.: Well, for tomorrow morning's papers, it's actually the same as we have had it heretofore and that is that heretofore that people can mine their silver — the way it was before, to December 31 and they furnish us with a certificate of the amount of silver on hand and they would have five months in which to complete the refining of that silver and deliver to the Treasury and that means the same here — exactly the same procedure — that they will have up to June 30th when they can furnish us with a certificate of the amount of silver on hand or going through the refineries and they have five months' time to complete that process. In other words, it will be exactly the same as heretofore.

Q. Mr. Secretary, have you heard of Senator McCarran's bill which proposes to bar the Treasury from purchasing any foreign silver and raises the price of domestic silver to $1.00 an ounce?

A. No.
Q. Didn't consult with you at all?

A. No.

Q. Mr. Secretary, do you understand that what you told us about the silver plan is for release tomorrow morning and not now?

A. Tomorrow morning's papers, Herbert?

Mr. Gaston: I should think so, because we haven't got the text of it yet for release.

H.R. Jr.: They are about five pages the size of this.

Q. When will that be available?

A. I didn't see it in my office.

Q. Mr. Secretary, would you favor the discontinuance of foreign silver buying and confining the silver buying to domestic metal?

A. I think I will wait until Congress gives me further instructions. In the meantime I will carry out the mandate of Congress.

Q. Have you any comment on this resolution introduced to have an investigation of the Administration silver policy?

A. Anybody can have any information about anything we do in the Treasury that is available—silver or anything else.
Q. Mr. Secretary, does the Treasury have any opinion on the action taken by the Bank of America today on this Transamerica-SEC matter? The Bank of America sued in Federal District Court to deny the SEC jurisdiction as to its records.

A. I have no comment.

Q. I wonder if the Comptroller of the Currency has some comment on it? Also charges made by Mr. Douglas that the action by the Bank of America management may open a rift between the various offices—the Federal Reserve Board, Comptroller's Office and SEC.

A. Well, the Comptroller is available.

Mr. Gaston: I think probably that question that is asked is a question before the United States District Court; I hardly see how the Comptroller could have anything to say about it.

Q. I mean the question about jurisdiction; they contend they are complying now in every way with the requirements of the Comptroller's Office.

A. Well, I think, as Mr. Gaston points out, from what I have seen over the ticker, an injunction has been served before the court and I think while it's before the court it wouldn't be proper for me to
comment pending decision of the court.

Q. Could you tell us this, Mr. Secretary? Did you approve the Comptroller's Office making available certain Bank of America records to the SEC?

A. Yes.

Q. Isn't there a Federal law that prohibits a thing like that?

A. We consider what I did was perfectly legal and proper, on the advice of counsel.

Q. Mr. Secretary, did you have an opinion from the Attorney General on that point?

A. That I don't know, but I had an opinion from the Office of the General Counsel.

Q. I think you said once before from Mr. Oliphant.

A. I said from the General Counsel's Office, but I had an opinion.

Q. Mr. Secretary, have you been asked for your opinion on processing taxes?

A. Not very recently.

Q. Do you favor processing taxes?

A. Do I? No.

Q. Would you say why, sir?

A. Oh, why get into the whole business, but I think the percentage of taxes on consumers is sufficiently high.
Q. Mr. Secretary, the Social Security Council recommended that means other than payroll taxes be provided for carrying forward at least part of the Social Security old-age program.

A. I am going to have to beg off on that whole thing. I haven't had a chance to read the report or the President's message, so I'm not up to date on it.

Q. Could we go back to this processing tax business, Mr. Secretary? It's obvious from what you say as chief fiscal officer of the government that you are not going to recommend that processing taxes be enacted to finance these farm benefit payments.

A. I think I've gone far enough.

Q. It's a pretty safe assumption, isn't it?

A. Well, I mean, somebody asked me whether I was for 'em—I'm agin 'em.

Q. You won't recommend 'em?

A. Right.

Q. Mr. Secretary, on this Social Security matter, I had in mind partly what he had — also, you have Social Security, you have farm relief and you have national defense taxes under these various recommendations and I was just wondering whether you had any thought on the thing.
A. Yes, but the Treasury will withhold its thoughts until we appear before the proper committees.

Q. Your statement would indicate, Mr. Secretary, that you are opposed to any further increase in what might be termed nuisance taxes or savings taxes upon consumers.

A. I think you are going a little bit too far. I was asked a simple question about processing taxes and we here in the Treasury feel that that particular form of taxes is the least desirable and if and when Congress asks us to recommend what kind of taxes we do want to recommend, if they want additional taxes to carry out the President's suggestions in the Budget Message, the Treasury will be ready to appear before the proper committee and make its recommendations as to kinds of taxes if Congress asks us. We will carry out our usual policy here of waiting until Congress sends for us.

Q. Mr. Secretary, is that comment along the line of that speech of yours in November, 1937, in which you favored cutting out direct taxes on the consumers and broadening the tax base?

A. I think I've gone a little bit farther than I usually do and I will let it ride.
Q. The President said the other day he was against nuisance taxes.

A. Well, I don't know what he means or you mean but I think I've gone far enough.

Q. Sales taxes?

A. I think I've gone far enough.

Q. Mr. Secretary, your speech of 1937 has already been mentioned; what do you think about the budget message? Would you restate your position on that at this time? The President abandoned all hope of a balanced budget — never even mentioned it in his last message — and we just wondered how you feel.

A. I simply say the budget message is all right. I'm not going to say anything more than that.

Q. The budget message is all right?

A. It's all right.

Q. You can't say very all right, or something like that?

A. I can say it's all right with me.

Q. Is your speech in 1937 all right?

A. That is all right with me.

Q. Word for word?

A. I wouldn't change it.
Q. Put you on both sides of the fence again.
A. I don't know. Take a look at it.
Q. As I recall you spoke very loudly for a balanced budget in that speech, as quickly as possible.
A. I don't think I said that.
Q. And you are whispering now that the budget message is all right.
A. I am not whispering. I am saying it to everybody in the room.
Q. How can a thing be all right and wrong at the same time?
A. I am willing to stand on what I said in November, 1937, and I can still say that the President's budget message is all right.
Q. You mean, Mr. Secretary, that you consider conditions changed?
A. I mean it took a couple of months to prepare the President's budget message and it took me at least a month to do my speech of 1937 and I couldn't just ad lib a broad comparison between the two.
Q. Did you read Senator Byrd's statement?
A. Read the headlines.
Q. I am not clear on this budget thing and I'd like to get it a little straighter. In 1937 you came out strongly for a balanced budget, did you not?
A. All I do is refer you to the speech.

Q. And the present budget isn't anywhere near balanced or in that direction and you approve them both?

A. Un-huh.

Q. Mr. Secretary, I just read your speech and the main difference between the two is not so much in detail but the direction in which we are going. In your November, 1937, speech, you said that we ought to have a determined movement toward a balanced budget. You didn't call for a balanced budget at any particular time and that kind of a movement would foster recovery by encouraging capital and a great many people have taken this budget message to be quite the opposite thing—no drive towards a balanced budget at all. That confuses us.

A. Well, I can't help you out.

Q. Well, you think that after the present emergency (I don't know if one exists at all—that's a matter of opinion) you still think there should be a determined drive toward a balanced budget.

A. I am not going to get into a discussion of the budget.

Q. Do you care to comment on the cut in relief?

A. The only comment I've got to make is I think, in view of the present situation, in order to adequately take care of the unemployed we need $375,000,000.
Q. Do you say that in view of the fact that the amount of $750,000,000 was merely intended to obligate the government in purchases in order not to have a drop in the line of supply?

A. Well, the President indicated—I think I am correct—that in the fiscal year they would spend 750 but in order to keep the thing going it would take 875 million.

Q. But that goes on the next fiscal year.

A. That goes on the next fiscal year and in view of the present situation—we have a little over three million people on the rolls—I don't think that in the middle of the winter that we should drop the number of people it would be necessary to drop if the Congress doesn't vote 875 million.

Q. Mr. Secretary, from what the President said, it wouldn't be necessary to drop anybody except they would have to have money on the line July 1.

A. I wasn't there but if you don't mind I question that. He couldn't have said that. I'm sorry.

Q. I think Herbert will bear me out; he was there.

A. No, I wasn't there but it's obvious you couldn't obligate money not appropriated.
H.H. Jr.: Strictly off the record, he's got a figure of how many people would have to be dropped between now and June 30 and he gave me the figure and a very severe cut is necessary. He has it clearly in mind how many men have to be dropped and I am sure in Col. Harrington's testimony he made an estimate. The figure is $61.00 per man a month and $2.00 overhead—$63.00 per man per month. Anybody can figure out how many men you can carry from now until June 30th.

Q. The reason I referred to it was it was a surprise, to some of us at least, when he asked for $750 instead of 750.

A. Well, the 750 is the actual cash outlay on the Treasury but in order to obligate and keep the thing going it takes 875. I think it would be a good idea to ask Steve Early for a correction, but, off the record, I know he has in mind the figure that it would be necessary to drop if Congress votes the 725.

Q. 750 is merely the amount of vouchers that would go out of the Treasury.
A. But the figure that was necessary, and I am sure Col. Harrington has introduced the figure — it would be 875 — the budget figure is 875, but the out-of-cash-drawer figure is 750.

Q. What amount was the Treasury's figure?

A. Well, in the budget it's 875 but they estimated they would draw cash out of the Treasury between now and June 30 of 750, but 875 would be obligated.

Q. Any comment on the transfer by the Bank of England of this gold to the Equalization Account?

A. No.

Q. Anything doing on your South American studies yet?

A. No, except that I am looking forward to the visit of Dr. Aranha.

Q. Mr. Secretary, are you giving any thought to a western man as a successor for the late Mr. Oliphant?

A. Well, the position of the General Counsel will have to be filled wherever I can find an able, honest attorney.

Q. Without respect to the locality?

A. Yes.

Q. Mr. Secretary, this Dr. Aranha — ?

A. Yes.

Q. He is what?

A. Foreign minister.
Q. Of Brazil?
A. Brazil, and former ambassador. According to the newspapers, I see he's going to arrive on February 7.

Q. Mr. Secretary, can you tell us anything about any work that is being done on legislation to make the Stabilization Fund permanent or perhaps the dollar devaluation powers?
A. No, you are a little bit previous.

Q. I wrote a story on it; I just thought I could back it up.
A. Well, you are just a little bit early.

Q. It's going to be done, isn't it?
A. Well, you men asked me before I went away, if I was for extending it and I said yes.

Q. How about the domestic silver price after June 30?
A. We will have to wait for what, if any, action Congress takes.

Q. You favored extension of the Stabilization Fund?
A. That's right. I didn't go any further than that.

Q. Are you going before the Senate committee?
A. I read it in the papers. I am going before the Appropriations Committee of the House on the Treasury appropriation — I am invited to go up
there. That and Mr. Hanes, the Under Secretary, is going to appear before Senator Brown's sub-committee on this question of tax exempts.

Q. When is that?

A. I think he goes up tomorrow unless it has been changed.

Q. When do you go up?

A. I think it's Wednesday; I haven't heard.

Q. Appropriations, you said?

A. In the House on the Treasury bill — that's an executive session.

Q. Like this processing tax thing, do you think it's a bad thing for people to be tax-conscious in that they know what their taxes are going for?

A. I think I will rest on what I said on that, if you don't mind.

Q. I've got one more thing I want to clarify on the Stabilization Fund. Devaluation is part of that legislation. When you said you favored continuance of the Stabilization Fund, you were just talking about the Stabilization Fund itself and not the devaluation powers.

A. As I said, I think you can just be patient a little while on that and there will be something.
Q. Because your answer just now to one of these questions might infer -- .

A. No, you men ran a story a couple of weeks ago that I favored extension of the Stabilization Fund and that was a straight story and it's all right. I just said I didn't want to be committed on the rest of this -- that lots of legislation expires June 30.

Q. Thank you, Mr. Secretary.
Q. Mr. Secretary, last Monday Chairman Douglas of the SEC addressed a letter to Donald Richberg in which he admonished and pointed out that there is a controversy existing between the Bank of America Trust and the Comptroller's Office. I wonder if you could throw some light on that.

H.M. Jr.: Say that again.

Q. He sent a letter to Richberg saying that there exists a controversy between the Bank of America — .

A. Douglas sent it?

Q. Yes, and the Comptroller's Office. He also had information on hand to prove that. As I recall that, Mr. Secretary, Douglas said it was his information that, contrary to Richberg's contention in a letter Richberg sent to Douglas, there was no controversy between the Comptroller's Office and Bank of America.

A. And didn't Mr. Douglas make the statement before giving that letter out that he had cleared it with the various agencies?

Q. I understand that he cleared it with the Treasury.

A. That's right.

Q. Well, what's the controversy?

A. I haven't got the letter.
Q. Those are the words—"that there exists a controversy."

A. Without going into the thing very carefully all I know is Mr. Douglas, before giving the letter out, did clear it through the Treasury.

Q. Then you admit there is a controversy?

A. I haven't got the latter; I'm not admitting anything.

Q. We can get a copy of it. We got a request from our office as to what Douglas meant and he refused to amplify his remarks and it's caused a lot of concern as to what the controversy is.

A. Well, I just don't know and you will have to ask the Comptroller.

Q. He's in Florida.

A. Well, there's an Acting Comptroller.

Q. Would you ask him in here to explain for us?

A. No, but Mr. Caston will take it up and see whether he wants to see you. It's a physical impossibility that I should have at the tips of my fingers all of these answers, especially where it concerns a bureau in the Treasury. I just couldn't unless I devoted myself exclusively to one bureau; then I wouldn't do a very good job as Secretary of the Treasury.

Q. Well, this sort of brings up — remember, when Diggs left the office you said you had to act in a hurry; this revives the rumors as to what is going on
between the Comptroller's Office and the Bank of America.

A. Well, Mr. Gaston can ask the Comptroller whether he wants to answer that question; I can't answer it because I haven't got the facts.

Q. Is there anything you can volunteer, Mr. Secretary, about that situation between the Comptroller's Office and Bank of America?

A. No.

Q. That leaves us in the dark.

A. Well, I'm sorry. If you asked me about a case that was pending before the Board of Tax Appeals I couldn't give you answers, like that; I would have to ask you to go over to Commissioner Helvering. If you wanted to know about some Customs case I would send you over to Commissioner Boyle; it's a physical impossibility.

Q. The only reason I bring this up is because you are so interested in it. When you announced the changes in the Comptroller's Office you said you had to make the changes in a hurry.

A. I think the story was written that way but I don't remember making any announcement along those lines. You can look up those stories.

Q. I remember exactly because it was sort of a difficult story to write.
A. As I say, on a story like that, a story which is an income tax, or Coast Guard—you men have access to the heads of all these bureaus. Herbert Gaston will arrange it; you can ask them and use your own judgment. You have access to all these people, don't you?

Q. I suppose so.

A. All right, gentlemen. What else?

Q. Any news at all? Have you appointed a General Counsel, Mr. Secretary?

A. No, no. I have nothing to offer.

Q. How about taxes? When do you think you might be ready on that?

A. Well, whenever Mr. Doughton asks us to come up.

Q. Have you ever expressed your views in the last year or so in income tax increases?

A. I don't think so.

Q. What do you think of the feasibility?

A. He's trying hard. I don't know. I'm not going to talk until we get up on the hill and it depends on what they ask me. Sorry I can't give you a hot story.

Q. That fight would be a good story.

A. Well, it's also a distinct question of responsibility and a question of knowing the facts.

Q. I might have some facts I can't divulge now.

A. Well, you most likely know more about it than I do.
Q. Mr. Secretary, could you tell us something about this Federal Housing issue?

H.M. Jr.: Sure, the Administrator, Mr. Nathan Straus, advised the Treasury that he wanted to borrow $100,000,000 so inasmuch as it is a Federal guaranteed obligation—Treasury guarantee, Government guarantee, or whatever the technical thing is when the Government guarantees it—why, we proceed to market it for him.

Q. You will proceed?

A. We will. We are in the process. We will have an announcement for the press Wednesday morning available at the Treasury tomorrow some time.

Q. That is $100,000,000, isn't it?

A. $100,000,000.

Q. For five years?

A. Five-year notes.

Q. What sort of an announcement are you going to have on Wednesday?

A. Well, what the coupon will be, announcing to the public that they can subscribe.

Q. That is the first time the United States Housing Administration has had you finance them, isn't it?

A. Well, up to now they've been borrowing from the Treasury direct and out of the proceeds of this they will pay us back what they owe us.
Q. How much do they owe you now?

A. I can't tell you exactly, but Mr. Gaston will get you the figures out of the Daily Statement. I can't tell exactly, but whatever they are we pay out of the general fund.

Q. Are these offered to the general public?

A. Offered generally, which is the same as our own notes, through the Federal Reserve, acting as our fiscal agents.

Q. Will they be tax-exempt?

A. I can't give it to you exactly. As it is, they have certain tax-exempt features; I don't know what it is but the description of the notes is being very carefully prepared and if you want to know in advance we can tell you. It's all being done very carefully by the attorneys and will be available tomorrow afternoon.

Q. Is this because he's out of money?

A. Well, we were financing him until he needed some real money and now he needs some real money and so we are going to go into the market and borrow it for him and as he needs additional money we will follow this procedure.

Q. Does this mean that there will be an end to Congressional appropriations for Housing?

A. Oh, no.
Q. $500,000,000 is going to be asked for Housing.
A. I read it in the paper—I think it was eight.
Q. There was a proposal to increase it to $1,600,000,000.
A. Yes.
Q. Does it mean the beginning of this marketing of issues for other Federal agencies?
A. Yes.
Q. How about PWA?
A. I don't think that they have the authority.
Q. What other agencies might come in?
A. Well, in the budget message they mention the agencies specifically—the President recommended that they have legislation to bring them under so that we can do this—Commodity Credit, Farm Credit, now, RFC, now, United States Housing, now. But those other agencies over which we do not have that authority are listed in the budget message.
Q. These bonds will be an obligation of the Housing Administration?
A. That is right.
Q. And the President suggested that in his message?
A. Yes, and there are six or seven other agencies which, if Congress gives them the same authority, will follow the same procedure.
Q. So all financing will be concentrated under the Treasury, as far as handling them?
If Congress follows that procedure, but in case of RFC, if they want to market something, these notes we have marketed for them two or three times follow exactly the same procedure as United States Housing Commodity Credit paid the Treasury last year.

It did and we went to Congress for a $93,000,000 deficit and got that back.

The RFC made a repayment of a full issue of $200,000,000 of notes. Is there contemplated financing for RFC by Treasury?

We have it under consideration now.

That has been under consideration for some time, hasn't it?

Sure.

And I just wondered if anything was likely to develop on it this Spring?

Very likely.

This will also relieve the scarcity on the bill market of bills.

Well, I mean -- --.

I mean you won't have to borrow in the form of bills.

You stated it a little differently from me. I would say if people were there who want to buy a five-year note, they are going to have this opportunity.

You don't anticipate that there will be much of a public sale, do you, Mr. Secretary?
A. You mean down to individuals?
Q. Yes.
A. I don't think so. I think it will be mostly institutional.
Q. Usually the people who buy five-year notes?
A. At present interest rates I would say it would be largely institutional, although all individuals are welcome.
Q. Is there anything going to be done about the abnormal condition existing in the bill market? I read so much criticism about the fact that there aren't enough bills to go around and the banks can't replace them.
A. You mean government is so good? You don't expect me to say the credit of the Government is so high the people are waiting in line for our bills! Why, I am overjoyed.
Q. Mr. Secretary, along that line of government credit would you say that the government credit was as good with individuals as it is with institutions which have bought the Treasury offerings?
A. Is our credit as good with individuals?
Q. There has been some argument made that the credit of the Government, because of continued deficit financing, isn't as good with individuals.
I think the best answer to that is to look at the sales of United States Savings Bonds, which is continuing. The demand is strong and growing all the time. People are buying them. The amount of postal savings stands about the same but the United States Savings Bonds are constantly increasing so I think that is the best answer to that. We've got a big job to do. We are in the business of financing in a wholesale way so the United States Savings Bonds were particularly created for individuals and for people who wanted to save in limited amounts and the very fact that the amount that any one person can get—there is a top to it—so it will make it as convenient as possible for individuals. So the answer is it is continually growing.

Q. Mr. Secretary, there are a lot of rumors that you are going to stop the coinage of the new Jefferson Nickel because of defects. As a matter of fact, I think Walter Winchell last night made a statement like that on the radio.

A. Do you want to have Governor Ross come up here and make a statement?

Q. You'll do just as well.

A. Thank you. I doubt that, but to the best of my knowledge I hereby make a formal statement that the Jefferson Nickel is set and I'm not aware of any defects.
Q. I still have mine. They haven't ceased coining them, have they?
A. No.

Q. Any comment on the resignation of Dr. Schacht?
A. I think we will stick to the Jefferson Nickel. I can talk on that much freer.

Q. Mr. Secretary, the President, in his letter to the Vice President and Speaker of the House, there was an omission of any reference to silver, has given rise to stories that the silver purchase was to be junked. Can you say anything on that as to whether the omission didn't mean a whole lot?
A. I think I will have to answer it this way: That as far as silver is concerned, until Congress takes some action we will continue to carry out the mandate of Congress through the Silver Purchase Act.

Q. That didn't answer my question.
A. I know I didn't.

Q. You don't even slide around it.
A. I happen to be in good humor today—I hope you are, too.

Q. I want a silver story.
A. I can't give you one.

Q. Would you care to make some statement about the Coast Guard in the rescue work they did for the Cavalier?
A. I will let Admiral Waesche talk.

Q. Mr. Secretary, can you tell us anything about the extension of devaluation powers now? Do you favor that extension?

A. Well, I am sufficiently in favor that I delivered the letters in person to the Vice President and the Speaker. I gave it that much—that's about a hundred per cent endorsement.

Q. Can we infer that on the silver?

A. I was one hundred per cent for what was in those two letters.

Q. In extending that devaluation power do you favor extension of the law exactly as it stands now or would you make some changes?

A. Unless there's something in it I didn't understand, I believe last June 30 we simply extended the date, as is, and the Treasury has in mind that instead of two years it will be January, 1941.

Q. Well, in subsection B of Section 41 of the AAA Act of 1933—

A. Mr. President, do something with him, will you? It isn't fair.

Q. He's well up on that sort of thing. As I was going to say—

A. Well, what were you going to say?
This section carries with it the authority to buy domestically mined silver at special price and the President referred to the metallic powers in that section. Are you in favor of continuing the entire section?

I haven't done my homework as well as you have so all I can tell you is what was meant by the letter—maybe the letter wasn't clear—was that we simply want the extension of the Act as it is now and the date it expires, which is June 30, this year, is January 15, 1941. I know that helps you out without going into Title, Section B, etc., but I can simply tell you what was in the mind.

Just a further extension of what was in it before?

Exactly.

That means silver?

As I say, I haven't done my homework, but I don't want to embarrass Herbert Gaston by Title B.

Mr. Gaston: (Quotes title and section) (laughter)

H.K.Jr.: I think on that basis we can pass that one. Thanks, Herbert, for coming to my rescue.

The criticism of this gold clause thing seems to be directed principally at two things: One is the secrecy of the Stabilization Fund and the other is that to give the President continued power over the dollar would continue uncertainty as to possible
devaluation. Would you care to comment on those two points?
A. No, I think that can wait until I get up on the Hill. I can't say any more than that I am one hundred percent in favor of what this letter said.
Q. I mean on the question of secrecy.
A. If I didn't believe in what we were doing -- .
Q. I know you believe in it, but why do you believe in that method?
A. I think we will save that until we go up on the Hill.
Q. Did you give the profit figure this year like you do ordinarily?
A. Uh-huh.
Q. Did you get it? Not yet.
A. That's good. The committee kept faith so I will do the same.
Q. Are you admitting, sir, there was a profit?
A. Yes, I am.
Q. Was it more than the last figure?
A. Well, there was a profit.
Q. Well, it was six million last year.
A. It's six million, plus.
Q. Maybe we weren't quite as alert as we should have been.
A. I think it's the committee's fault.
Q. Can you comment on why the date January 15, 1941, was chosen instead of two years?
A. I think we will let the White House.
Q. Doesn't want his successor to have it. Any news of appointments around here?
A. No.
Q. Outside of financial matters, can you tell us how much of the counterespionage work has been put in your hands and what shape it is in? You got some additional money for it—Secret Service.
A. Do you want me to talk strictly off the record?
Q. No, no. (Linz)
Q. If you could give it to us for background -- ?
A. No.
Q. It gets out; that's the only trouble. (Linz)
A. Well, I won't talk, I'm sorry.
Q. Don't like to be a cold blanket but it gets out.
Q. Thank you, Mr. Secretary.
TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS, Wednesday, January 30, 1939. Press Service
1/24/39.

The Secretary of the Treasury, on behalf of the United States Housing Authority, is today offering for subscription, at par and accrued interest, through the Federal Reserve banks, $100,000,000, or thereabouts, of 5-year notes of the Authority, designated 1-3/8 per cent notes of Series B. The notes will be dated February 1, 1939, and will bear interest from that date at the rate of 1-3/8 per cent per annum payable semiannually. They will mature on February 1, 1944, and will not be subject to call for redemption prior to maturity. They will be issued only in bearer form with coupons attached in denominations of $1,000, $10,000 and $100,000.

The notes will be fully and unconditionally guaranteed upon their face by the United States as to the payment of both interest and principal. They will be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, county, municipality, or local taxing authority.

Subscriptions will be received at the Federal Reserve banks and branches, and at the Treasury Department, Washington. Subscriptions will not be received at the United States Housing Authority. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Subscriptions from banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount
not exceeding one-half of the combined capital and surplus of the subscribing
bank or trust company. Subscriptions from all others must be accompanied by
payment of 10 per cent of the amount of notes applied for.

The right is reserved to close the books as to any or all subscriptions
or classes of subscriptions at any time without notice. Subject to the reser-
vations set forth in the official circular, all subscriptions will be received
subject to allotment. Payment for any notes allotted must be made or completed
on or before February 1, 1939, or on later allotment.

The text of the official circular follows:
UNIVERSITY STATES HOUSING AUTHORITY

1-3/8 PERCENT NOTES OF SERIES B, DUE FEBRUARY 1, 1944

Dated and bearing interest from February 1, 1939

FULLY AND UNCONDITIONALLY GUARANTEED BOTH AS TO INTEREST AND PRINCIPAL BY THE UNITED STATES, WHICH GUARANTY IS EXPRESSED ON THE FACE OF EACH NOTE

Exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, county, municipality, or local taxing authority.

1939
Department Circular No. 601
Public Debt Service

TREASURY DEPARTMENT,
Office of the Secretary,

I. OFFERING OF NOTES

1. The Secretary of the Treasury, on behalf of the United States Housing Authority, invites subscriptions, at par and accrued interest, from the people of the United States for notes of the United States Housing Authority, designated 1-3/8 percent notes of Series B. The amount of the offering is $100,000,000, or thereabouts.

II. DESCRIPTION OF NOTES

1. The notes will be dated February 1, 1939, and will bear interest from that date at the rate of 1-3/8 percent per annum, payable semiannually on August 1, 1939, and thereafter on February 1 and August 1 in each year until the principal amount becomes payable. They will mature February 1, 1944, and will not be subject to call for redemption prior to maturity.

2. The notes will be issued under authority of an act of Congress (known as "United States Housing Act of 1937") approved September 1, 1937, as amended, which provides that the notes shall be fully and unconditionally guaranteed upon their face by the United States as to the payment of both interest and principal; that in the event the Authority shall be unable to make any such
payment upon demand when due, payments shall be made to the holder by the Secretary of the Treasury with money authorized to be appropriated for such purpose out of any money in the Treasury not otherwise appropriated; and that the notes shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, county, municipality, or local taxing authority. These notes shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or agency thereof.

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

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Subscriptions from all others must be accompanied by payment of 10 percent of the amount of notes applied for. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.
2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, to make allotments in full upon applications for smaller amounts and to make reduced allotments upon, or to reject, applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest; and his action in any or all of these respects shall be final. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for notes allotted hereunder must be made or completed on or before February 1, 1939, 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.

V. GENERAL PROVISIONS

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

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

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, JANUARY 26, 1939:

(Henry Morgenthau, Sr., present)

Q. Mr. Secretary, you have a visitor outside--
   Mr. K. P. Chen.
A. Oh, you might almost call him a constant visitor.

Q. Is there another twenty-five million in the offing?
A. No, no, but I suppose, while he's in Washington, he drops in the Treasury almost every day to see somebody about commercial aspects of his business. He's here almost every day to see somebody.

Q. No further negotiations?
A. No, they haven't. I doubt if they have used any of the twenty-five million yet. (I'm talking low because I have a sore throat--I'm doing the best I can.) No, I doubt if they have even used any of the twenty-five million yet. They may have but he has things all the time -- -

Q. Mr. Secretary, have you made any plans for this first conference of the representatives of the treasuries of the South American republics with this Treasury? Who you are going to send there or what you are going to do or talk about?
A. No, I haven't just gotten down to it at all yet.

Q. Well, what do you expect to come of all these treasuries conferring together?
A. I don't know. I can't help you out because I really haven't gotten down to it.

Q. Have you gotten anywhere at all in your studies of loan proposals yet? I mean that you can tell us about.

A. No, it isn't particularly interesting, but the Treasury is working to get ready for Dr. Aranha's visit. We are all hot up for that.

Q. Is it possible his visit may result in the first announcement of some loan?

A. I wouldn't say that, but it is expected that we will cover all aspects and phases, at least we will, of any mutual financial interest.

Q. Have you figured out any way with the other countries or by yourself to overcome some of the exchange difficulties, particularly in Argentina and Uruguay, and Brazil also?

A. No, not yet.

Q. Do you think they can be overcome?

A. Do I think so? I don't think it's impossible.

Q. If they are overcome it will mean a considerable increase in American trade with those particular countries, won't it?

A. I should think it would be helpful both ways.

Q. Facilitate the signing of a trade agreement with Brazil and Argentina?
A. I think you are going a little fast—that would be a State Department matter.

Q. They are working on it, as you know.

A. They can answer that, but as for my own, I think I have answered you.

Q. Are you participating in any conferences regarding particular items of possible import from Argentina?

A. Well, the Treasury has a representative on that inter-departmental committee that sits on that—they sit continuously.

Q. Do you know anything about whether or not they propose to do something to reduce this embargo on Argentine cattle or meat?

A. Not first-hand. I have no first-hand information.

Q. Any second-hand?

A. No second—or third—.

Q. Have you any comment on Mr. McNary’s criticism on the plan of the Administration for financial assistance to South American countries owing private debts here?

A. No comment.

Q. There is no exchange restriction as far as Brazil is concerned, is there? Just Argentina and Uruguay.

A. I think that you had better check up. I think that there is some delay but don’t take my word for it. I think there is some delay in payments for American
merchandise, but I wouldn't want to be quoted. I
think they would clear, but recently there has been
some delay, but you'd better check.

Q. How about your peaks and valleys committee, Mr. Secretary?
Have you gotten a report together at all?
A. They met two or three times while I was away and they
keep making reports from time to time to the President,
but as I pointed out before, it's work they are doing
for him.

Q. Would you have any comment on the present improved
state, I would say, of French finances?
A. No.

Q. Their adverse trade balance shows a tremendous reduction
in 1938 from 1937.
A. As a matter of fact (this is just for background) of
the ten leading countries on the figures it seems that
France is the only country whose exports and imports
figures are up very much. Of the ten leading countries
from which we get reports France is the only country
that both exports and imports have increased tremendously.

Q. What does that mean in relation to the franc?
A. Again for background, it means that their position has
strengthened greatly in the last two months. Again
for background, there has been a tremendous return of
capital. The whole picture has improved very much.
Q. Since the ouster of Schacht there have been published reports that there is a considerable flow of gold to the United States again. Can you give us any idea of how much that flow is? Is it as high as during the Munich crisis?

A. No, our reports are always about ten days late on the foreign capital and I have nothing. For background, I would say this: There is no evidence of a sharp flow this way.

Q. That is for background?

A. For background, there is no evidence. As a matter of fact, we don’t know, but it looks as though it might be going the other way. It’s too early to tell, but there is no evidence of any sharp increase in flow of net capital.

Q. Would there be any objection to using that?

A. For background.

Q. You insist on its being for background?

A. Yes, because I would have to dig out the reports to be sure, but my impression is that there is no—in the last ten days—no sharp increase in movement of capital.

Q. Well, the gold exports that came out Saturday increased substantially.

A. Yes, but I am talking about the net movement of capital this way.
Q. Mr. Secretary, last week some mining organisation adopted a resolution urging the Treasury to start circulating gold again in coin form in view of the mounting gold stocks. Any comment you have on that?

A. Nothing, except as I said the last time I saw you men, my position is extension of the date on devaluation, and so on and so forth—that is my position on that. There is nothing about coinage of gold.

Q. Has anybody from the Treasury conferred with Senator Glass on the bank holding bill? Any legislation in that direction? Are you preparing a bill?

A. I think you will have to ask Senator Glass.

Q. Well, have any Treasury experts conferred with him?

A. I don't know of any Treasury experts who have seen Doctor Glass. I don't know of any Treasury people. They may but they haven't with my knowledge.

Q. Last night we called Senator Glass on the sale of this foreign—he said he didn't want to be disturbed because he was listening to the radio program "Gang Busters."

A. That's very good. That's swell.

Q. Mr. Secretary, there has been some speculation that you might testify in District Court on the government's side in this Transamericana business.
A. I have been advised by our attorneys that all they want is somebody to go over there and say that is my signature, because there have been some letters entered which we have furnished them and all they want us to do is send somebody over from the administrative office here and say that is my signature, and, as far as I know, that is all the court wants.

Q. That is in connection with the exchange of information?
A. Yes, certain letters between Mr. Douglas and myself.

Q. Mr. McReynolds?
A. Either McReynolds or Thompson will go. As I understand it all they want is somebody to say that is Mr. Morgenthau's signature. Either one of those gentlemen can say that.

Q. Have you any comment on the petition of the gold miners?
A. No, I say my position is in the request for the extension of authority.

Q. Thank you, Mr. Secretary.
Mr. Secretary, I see where the Stabilization Fund made about $12,000,000. Is that correct? According to Senator Barkley, he also paid you a compliment and said you had operated very conservatively.

A. What do you want me to say?

Q. Is it true that you made $12,000,000?

A. I'm not going to comment on that.

Q. Where did he get his information?

A. I don't know.

Q. Have you any comment on the alleged charges that the Stabilization Fund is being used to finance munitions purchases for France?

A. Yes, I have a statement to make. The Stabilization Fund is not being used, directly or indirectly, or in any way whatsoever, to help any country to make any purchases of any merchandise.

Q. Could you make some comment on the resolution introduced by Senator Lodge seeking public hearings on the operation of the Stabilization Fund—the veil of secrecy should be torn away from it?

A. Yes, I will make a comment on that. All the information—all of the business of the Stabilization Fund is audited once a year by three Treasury employees who, I believe,
have been in the government service on the average of over 27 years and these three men make this audit every year—every single transaction. If the Congress of the United States should decide that they want to see this information or have it made public it is available, but I don't believe that it is in the public interest to do so.

Q. Did you say that the information of the fund's operations and the audit are available if the Congress should decide to make it public?

A. No, no—if the Congress should so direct me, all the information is available, but I don't believe that it is in the public interest, as regards the operations and everything.

Well, I mean, the audit of the report of all the operations and I don't believe it is in the public interest to make this information available.

Q. Is it your view, Mr. Secretary, that the usefulness of the fund would be destroyed by publicity?

A. I wouldn't go that far, but it certainly would be lessened—and we act as agents for other governments and there's a relationship as between ourselves acting as agents for other governments—for their account and with their own money and they want their operations kept secret.
C. Do you think the Lodge resolution is a fishing expedition? I think Senator Lodge would know much better if we tell them every day what we are doing with the Stabilization Fund.

A. If you don't mind, I actually thought in advance what I would say and that is all I have to say, and there is no fund which has been more carefully administered or that the expenses are more carefully watched. I tell the Appropriations Committee in the House each year what our expenses are, give them a breakdown on what the situation is. I answer all questions every year—Republican members are present every year—they've been satisfied and, as far as I know, I don't think anybody on the floor of the Senate has ever questioned the way the fund is administered.

C. Apparently they got the impression on the Hill that the fund is being used to help other countries and apparently they don't understand that all transactions are settled nightly with debtors or creditors.

A. I don't think they understand and I don't think they understand we are operating for other governments and I know some of the other governments will object strenuously to releasing the information of their business, but, as you may know, we are operating the other fellows' money for them and you know I told you people we settled every night.
C. Mr. Secretary, can you tell us what the role of the Treasury is in these operations to help people buy planes, etc.?

A. Well, I testified on that for an hour and three-quarters before the committee up there and I suppose that my testimony will be published, and I am sure when it is published that any question that, even good reporters that you are, might think of you will find answered because I answered every question I was asked and backed it up with documentary evidence as to my part. Further, I mean, the testimony is up there and I hope they will print it—my testimony—

C. I hope they will print my testimony. It's entirely up to the chairman of the committee. I am just as much opposed to executive sessions as the former Senator from Michigan used to be—Cousens. I think Senator Cousens was right. He said whenever they went into executive sessions he walked out. I think he had the right idea.

You will never be able to testify about the Stabilization Fund if they eliminate executive sessions.

A. They wouldn't have to ask but as I explained on the Hill, whether it is planes or whether it is the Stabilization Fund, or anything else, any qualified committee of Congress that wants to know any of our Treasury business—our books are open 24 hours a day and they can come down and see them or anything else.
Any committee that is so authorized can look over them any time.

Q. Suppose they ask you to appoint independent auditors.
A. I mean, anything that they do, in the first place, before they do that they had better decide whether they want to insult three men who have served 27, 28 and 29 years in the government—the best type of civil service employees. When they want to decide those men are not honest—that's what they are saying—those three men that are doing it are not honest. If they want to decide that, all right, but I would say that would come under the heading of the least of my worries.

Q. Where's the most of your worries?
A. Recovery, unemployment and peace.

Q. How do you feel about recovery?
A. Well, it's something that we've all got to put our shoulders to every day and do all we can to help.

Q. On Tuesday at 3:10 P.M. it was the fifth anniversary of the devaluation of the dollar; would you make some comment as to what you think happened in this five years?
A. A little birdie tells me I am going to have a chance to do that not too far from now on the Hill.

Q. You say recovery is something we've all got to put our shoulders to and do everything we can. How about unemployment?
You are going to have me make -- ?

Well, we might as well break this down. You've got a lot of worries here. I want to clarify them.

Well, I think I've gone far enough.

Mr. Secretary, have either Italy, Germany or Japan sought to purchase airplanes in this country recently and offered to pay cash for them or anything at all similar to the French offer?

If they have I don't know anything about it.

Mr. Secretary, were you asked to extend the same sort of assistance to any other countries, such as Great Britain, through the Procurement Division?

I think you will have to wait until my testimony is published.

Well, it's pretty well revealed about France. I wondered if you could tell us if the same thing was done for England because England is interested in getting purchases here.

Well, the same question was asked up there and it is in the testimony and you don't want to waste an hour and three-quarters with me going over the same ground.

Oh, yes, we would.

Oh, you are too busy.

Mr. Secretary, would you say your opposition to executive sessions applies equally to all executive sessions?
A. No, I just said when I go up on the Hill, as far as I am concerned, I would just as leave and prefer a public session because you men are good and sooner or later you get the story anyway so I'd rather give it first-hand.

C. You apply that to all executive sessions?

A. I am just talking about my own self, and, as far as I am concerned, I would rather you get the story right from my lips rather than second-hand.

C. What I am getting at is whether you believe things which vitally concern the country should be decided behind closed doors or not.

A. Well, I can only tell you about my testimony on the Hill.

C. Thank you, Mr. Secretary.
Q. Mr. Secretary, are you ready for your silver conference tomorrow?
A. No. Off the record, I told the boys to come up at 8:30 tomorrow morning so that they could brush me up. I was going to do it today.
Q. I understand it's going to be open.
A. Good! So they are coming at 8:30 and they are going to give me an intensive pump-praising on silver.
Q. I hope they do a good job.
A. So do I.
Q. Your attitude hasn't changed, I assume, on the silver subsidy question.
A. It may by tomorrow morning at 10:30, but it hasn't yet.
Q. What is your present attitude?
A. What is it?
Q. You were against it in 1937.
A. Well, you've only got to wait about 14 hours—wait until tomorrow morning.
Q. Mr. Secretary, will you have a prepared statement before you go up?
A. No, no.
Q. Will you have it afterward?
A. No, no prepared statement.
Q. I mean after you have finished up.
A. No, I have no prepared statement.
Q. Are you just going to answer questions or are you going to make a statement?
A. Well, I will answer questions and make a statement.
Q. I hoped you'd go up and take the ball down the field.
A. Well, come on up and see what happens.
Q. Maybe I will.
A. All right.
Q. Anything you can offer today?
A. Yes, the offering of the RFC note issue was a complete success and, for tomorrow morning's papers, there will be a formal announcement. We will close the books at midnight.
Q. You will close the books as of midnight?
A. Well, I don't know what the regular—they close them now before the mail is—you know what.
Q. Closed this coming midnight?
A. Tonight the issue is closed. It's a complete success and there will be a formal announcement for tomorrow morning's papers.
Q. Mr. Secretary, the subscription on the Housing notes was a record for times submitted. Can you tell us whether this will or not?
A. I can't tell. I think you'll have to wait.

Q. The little statement you have just given us is not to be held for tomorrow?

A. Yes, it's for tomorrow morning's papers. People feel—if the announcement has gone out before a lot of people rush their orders into the mail and we like to wait until tomorrow morning.

Q. Could you tell us anything about the borrowing program for the remainder of the fiscal year? You've got to borrow about one billion some odd million.

A. No, we will begin to work on that shortly, but it's still all up in the air. We haven't been working on it—at least I haven't—the staff has.

Q. Can you tell us the amount left to borrow?

A. No, I can't.

Q. I think that the Treasury bulletin you brought out here listed a figure of one billion seven-hundred-odd million.

A. Well, I wouldn't want to do it offhand because I haven't got it.

Q. There's some refinancing due in June.

A. The next maturity is a June maturity but I, frankly, I won't get down to it for at least another week or two.
Q. Mr. Secretary, getting back to the RFC notes, can you tell us what proceeds are to be used for? Is that to pay the Treasury?
A. Yes.
Q. Can you tell us how much they will owe you after this?
A. No, but Mr. Gaston will get those figures for you.
Q. Mr. Secretary, in the Annual Report of the Federal Reserve Board, there's quite a discussion of their belief that there is a tremendous amount of overlapping authority over banks. Do you have any comment?
A. No.
Q. What do you feel about their analysis of the credit situation? They say that excess reserves now are about three billion, six, and that they can easily double themselves and they don't have enough authority in that eventuality to control credit.
A. Well, I can't, to answer frankly, I have not read the bulletin; I haven't read it so I can't discuss it. Sorry I can't help you out.
Q. Will the proposed devaluation of British gold stocks have any effect on Treasury policy?
A. No.
Q. Anything on South America yet?
A. No.
Q. Are you going to call your State Department loanees in when they arrive back here?
A. State Department?
Q. Loanees?
A. What are they?
Q. Didn't you borrow two men, figuratively speaking?
A. If you will let me talk off the record I will tell you the true story about those two boys.
Q. It would be very interesting.
A. It's their story.
Q. What did you say last week about Mr. Cousens?
(Expressed favor for Cousens' dislike of secrecy and executive sessions)
A. O.K. All right.
Q. You mean those two State Department fellows who went down to Uruguay? (Linz)
Q. Yes.
Q. That was just a vacation for them. (Linz)
Q. No, it wasn't.
Q. Ask the Secretary.
H.H.Jr.: You can ask over at the State Department.
Mr. Gaston: I want to ask, Mr. Secretary, Clarence Linz is putting over an off the record communication here.
Q. Well, you can confirm whether any statement......
H.M.Jr: No, excuse me. These are two men working for the State Department, and, naturally, I am not going to discuss the comings and goings of the State Department men unless, it is in your right, we won't go off the record, and if you want to know what the men did and why they were sent and what the mission was, it's up to the State Department. I happen to know. So does Clarence (Linz).

Q. Mr. Secretary, will you delay recommendations on taxes until after the March 15 collections?
A. I don't know yet. My guess is that I doubt if we get around to it until after the 15th of March.

Mrs. Klotz: A private press conference here. (Referring to discussion being carried on between Linz and Goodwin)

H.M.Jr: Is Linz good?

Mr. Gaston: Well, he's all off the record.

H.M.Jr: Just remember, please, as you write this 'as Mr. Clarence Linz said on a Monday afternoon.'

Q. Mr. Secretary, have you had any communication from the Senate Military Affairs Committee since last Thursday?
A. I think you will have to ask the chairman that. I haven't made any statements. When I left the meeting, well, I reported to them and that's still my position.

Q. What about the secrecy?
A. I have no secrecy. That's a policy I have always had when I appear on the Hill—I have left it to the chairman. I have always done that.

Q. Is it true that it was your authority that this French officer was in this plane?

A. When I left the room I said to the chairman, 'Will you handle all inquiries?' and he said, 'I will,' and I referred all inquiries to the chairman and unless I change my practice I will continue to do so and I have always done that on the Hill.

Q. I'm not trying to press it.

A. No, but I want to make it perfectly clear. Every time I have gone on the Hill, which is a great many times, I have always referred reporters to the chairman on the committee for comments as to what I did or didn't say.

Q. Mr. Secretary, more or less facetiously, in order to combat this secrecy program or this secrecy in existence particularly in some cases on the Hill, why wouldn't it be a very good thing if you just adopted free speech?

A. Well, I will take it under advisement. It seems to have some written and some unwritten remarks and I think the one I am following is the one I like, and if I am their guest when I go up there, I feel it's up to them to do the talking.
They are trying to get off the hook themselves.

I sincerely hope they will publish my testimony. I sincerely hope they will publish my testimony.

Have you read over the committee record of your testimony there since it was given by you?

Yes, I have.

You did?

Yes. Again it is a common practice when you testify to give you an opportunity to read it.

Was that before you advocated the trip be made?

That I don't know. That report was returned to the Hill last week. It was returned to them as I received it. It was returned to them as I received it. I mean, I am emphasizing now.

Can you tell us anything about any plans you may have for a discussion you may have with Mr. Aranha when he arrives?

No.

Or what he's coming up here for?

Well, I take it his visit will be handled by the State Department and his appointments will be announced by the State Department or his embassy.

Can you tell us what he's coming up here for?

No, as I say, I imagine all publicity will be handled by the State Department or by his embassy.
Q. I asked before whether the Treasury was looking into the Judge Lanton case for possible income tax violations?

A. I can't answer that. No, under the law I can't answer that question.
Report of Secretary Morgenthau's
Press Conference, February 9, 1939:

H. M., Jr.: The reason that we didn't give this to you last
night was that we found Mr. Lodge wasn't at his
office; his office was closed and we thought it
was a courteous thing to wait until he received
the letter and that's why we didn't give it out
last night; it was sent to his office but he wasn't
there to receive it and that's why we waited.

Q. Making this Stabilization Fund profit public?
Isn't that a violation of the Act?

A. Well, if it was I wouldn't be doing it.

Q. I thought you were supposed only to report to the
President.

A. Well, what I am doing here, I think, is proper.

Q. Might as well give us the profit for the past years,
Mr. Secretary. Is this twelve million only for the
one year?

A. Cumulative.

Q. It has been reduced; it has been higher, hasn't it?
A. No, this is the highest.

Q. The figures, in the past, have been wrong.
A. I don't know but this is the highest.

Q. Net total now is $2,012,000,000.
A. Approximately.
Q. Will this be an annual custom of making this profit or loss public?
A. I really haven't crossed that bridge.
Q. Could you tell us this, Mr. Secretary? How the profit was made?
A. No.
Q. I mean, can you tell us in a general way? I'm not asking for any specific breakdowns.
A. Well, in the operation of the fund.
Q. In the buying and selling of foreign exchange—could you go that far?
A. Well, I don't think—I mean, there's a number of ways. I think that this is enough. This has been done very carefully.
Q. $12,000,000 is in addition to paying its own administrative expenses, isn't it?
A. I mean, I've got $12,000,000 on the books that could be used for expenses or anything else; it's net after all expenses have been paid. It's net. The fund stands at $2,012,000,000, net. That's represented either in cash, gold or government bonds.
Q. Have you figured out the return on your $200,000,000?
A. I want to point out that we don't consider the fund was set up to make a profit. It's purely incidental in the operation. You will note that it is purely incidental. We have accumulated during the time an
increase of $12,000,000 and that is what it is as of today, approximately.

Q. $12,000,000 over and above all expenses?
A. Over and above all expenses—real money.

Q. Mr. Secretary, in the course of your normal operations you would sell when the dollar is high and buy when it is low. Wouldn't a profit be natural or inferred?
A. No, we don't speculate at all. We never speculate.

Q. I didn't mean speculating.
A. We never speculate.

Q. What do you do with this money? Just leave it in the fund? Could you apply it to any other government?
A. As I stated before, I believe that the fund should eventually be used to retire government debt.

Q. That's the whole fund?
A. The whole fund plus the increment should be used to retire government debt.

Q. Mr. Secretary, could you say whether any of the profit is due to commissions or anything like that for handling foreign accounts?
A. No, I don't want to. There are a multitude of operations that we go through in carrying out the purpose for which Congress set up the fund and over the period since 1934, after paying for all of our expenses, we have accumulated $12,000,000.
Q. As long as you have gone this far, could you tell us if the fund has, at any time operated at a loss? Has it at any time had a net loss?
A. You mean did the fund ever go below two billion?
Q. Yes.
A. No.
Q. Then you have never had a net loss?
A. The fund has never been below two billion; it has always been two billion, plus.
Q. You don't get commissions from foreign governments, purely as a cooperative.......
A. I don't want to get into that, but, purely for your information, no.
Q. The operating expenses have been rather nominal.
A. I think, considering the size of the operations they have been very nominal. I am not trying to run the fund at a profit. I have been operating very conservatively. I think I said there is no fund operated and as carefully checked as this fund. Everything is triple-checked. We make extra careful just because the fund is secret; there is no operation of the Treasury which is as carefully watched and administered as the Stabilization Fund.
Q. Could you give us any idea as to what their expenses run, approximately, on an annual basis?
A. No, they vary. I will say this. The biggest expense is communications, because officials of the State Department who are designated, at various embassies, to report and gather information for us—their cable bill and telephone bill is one of the biggest items we have in communications—telephone and telegram and cable checks. You people know that the State Department has designated different people to work in the various capitals for us and we pay for their cables and telephone. I mean that is one of the biggest expenses.

Q. Mr. Secretary, could you tell us what progress you are making on your study of credits to South America?

A. No, I think I did say but I will say it again—in connection with the visit of the Brazilian delegation all publicity, as far as I am concerned, will have to come from the State Department.

Q. I am not referring only to the Brazilian delegation.

A. I understand, but I volunteer that information.

Q. Have you a time fixed yet to see Mr. Aranha, Mr. Secretary?

A. I haven't, as far as I know; the State Department hasn't given me any word.

Q. Could you answer my original question?

A. No.

Q. You can't say whether you are making any progress on the study?
A. No.

Q. It's rather strange.

A. In view of the closeness of the visit and we will let the State Department handle it.

Q. Mr. Secretary, the other day when you were up before the Senate silver committee they didn't ask you about your views on the domestic program; I was a little disappointed, as a matter of fact, that they didn't ask you that so I will ask you now.

A. Are you a Senator?

Q. No, sir.

Mr. Gaston: This is the third house.

H.N.Jr.: I see; I thought it was the fourth estate. I'm sorry; we will have to wait until the next meeting; didn't you enjoy that one?

Q. That was a good meeting. How about the Treasury sending up its recommendation for continuation of that domestic price arrangement which expires on June 30? I notice they didn't send anything like that up; they sent up the gold but not the silver.

H.N.Jr.: Would you take these people, if they want a technical explanation. I understand from Ed Foley that he can explain it. He feels that everything was covered.
Q. I happen to know, Mr. Secretary, that the last time the thing was extended it was as the result of a bill or resolution, or whatever it was, drawn up here in the Treasury and sent up there.

A. We have sent no bill up.

Q. You are not going to?

A. I don't think so, other than the President's message to the Vice President and Speaker.

Q. He didn't say anything about silver in there.

A. Before you do that, for my sake, would you mind talking to Ed Foley about it with Gaston? He feels that the silver thing is all covered in there.

Q. He does?

A. He does, yes. He wrote me a memo—I haven't got it here—otherwise I would read it to you. Foley feels that that has all been covered and taken care of.

Q. That means you just extend the domestic price?

A. Well, I don't want to—it's getting into the lawyers' field and if somebody's wrong it's most likely me, but that's Foley's field.

Q. Thank you, Mr. Secretary.
TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE.

Thursday, February 9, 1939.

Press Service
No. 16-34

Secretary Morgenthau today made public the following exchange of corres-
pondence with Senator Henry Cabot Lodge, Jr., of Massachusetts:

UNITED STATES SENATE
Committee on Finance

February 2, 1939.

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.

Dear Mr. Secretary:

On page 1410 of the Congressional Record for February 1,
Senator Barkley is quoted as follows:

"I understand that the stabilization fund has been used in such a way as to make a profit to the American Treasury of something like $12,000,000."

Would you be so kind as to tell me whether Senator Barkley's understanding is correct and, if so, how this profit was realized?

With kind regards, I remain,

Sincerely yours,

(Signed) H. C. LODGE, JR.
My dear Senator:

In reply to your letter of February 2, in which you ask for information with regard to the stabilization fund, I am pleased to advise you as follows:

1. Not as a part of the purpose for which the stabilization fund was created by the Act of Congress (the Gold Reserve Act, approved January 30, 1934) but as an incident to its operation, the fund has increased by approximately $12,000,000.

2. While the Congress appropriated $2,000,000,000 as a stabilization fund, only one-tenth of that amount, $200,000,000, has been used as a working fund.

3. Since its creation, the fund has been operated, as specified by the Act, under the direction of the Secretary of the Treasury and with the approval of the President.

4. It has been employed for the purpose specifically stated in the Act, which is that of "stabilizing the exchange value of the dollar." In its administration all of the Act's provisions have been most scrupulously followed, both in letter and in spirit.

5. The fund has not been employed for any purpose, and it has not been operated in any way, directly or indirectly, for any other object or to effect any other purpose than that stated in the Act.

Sincerely,

(Signed) HENRY MORGENTHAU, JR.

Secretary of the Treasury.

The Honorable Henry Cabot Lodge, Jr.,

United States Senate.
H.M. Jr.: Inasmuch as the wife of the Secretary of the Treasury
got a refund on her tax I thought you might be
interested—I got Mrs. Morgenthau's permission to do
this—to have Mr. Helvering explain under what
circumstances she received the refund, and
Mrs. Morgenthau was willing to have her tax matters
made public so Mr. Helvering will explain it to you.

Helvering: The amount set out on the front page of that paper
(N.Y. Herald-Tribune) is correct for 1936.

Q. Would you kindly repeat the amount, Mr. Helvering?

Helvering: The gift tax paid by Mrs. Morgenthau for the year 1936—
she reported the correct amount of the gift and we
disallowed a deduction for exclusion on the exemption
of $5,000, the same as the bureau had on each one up
to that time. Shortly after this was done the
decisions in the Commissioner v. Wells and Commissioner
v. Krebs came down and said we must treat those as
a present rather than a future interest, and, therefore,
the deduction was permissible and on that ruling on
those two cases we adjusted this case which resulted
in the refund of $1,352.32 principal and $90.97 interest,
or fourteen-hundred-and-some-collars.

Q. Those were Supreme Court decisions?
Hulvering: Well, the Circuit Court and Board of Tax Appeals both.

Q. Can we continue on this domestic trend by asking, Mr. Secretary, if you are contemplating resignation? The Philadelphia Inquirer had a story to that effect.

A. Herbert, you answer; it's your turn.

Q. Have you stopped beating your wife?

A. Exactly.

Gaston: I can only say it's all news to us.

Q. Mr. Secretary, what can you tell us about your conversations with the Brazilians?

A. I'm sorry, I can't tell you anything, because any statements will have to come from either the State Department or Minister Aranha himself.

Q. Sir, may I try sort of a back door?

A. Sure. The Treasury back door was closed when I come in.

Q. About a month or six weeks ago, sir, you were talking about the desirability of considering extending new credits to South America for the sake of our commerce with South America, and I would like to ask, sir, if the conversations that are now being had with the Brazilians may be regarded as a sequel to the statement of that general policy.
A.

No, if you don't mind—I don't mind your asking me—but unless the State Department—I mean, after all, Mr. Amano is here at the invitation of President Roosevelt and unless the State Department asks me to make a statement all statements will have to come from them.

Q.

Well, usually when the Treasury has had conversations on financial matters with the various foreign government officials there is usually a joint statement issued. You've done that in the past. Will there be one here if there is any financial arrangement made?

A.

Well, we will cross that bridge when we come to it.

Q.

Mr. Secretary, in this press release of the Treasury Department of July 16, 1937, it says, "The United States undertakes to sell gold to Brazil at such times and in such amounts as the Brazilian Government may request, up to a total of $60,000,000. The United States will make dollar exchange available to the Government of Brazil or its fiscal agent, under conditions which safeguard the interests of both countries, for the purpose of promoting exchange equilibrium." I wonder if you could discuss, in view of the fact that a public statement was issued about it some time ago, I understand none of those
credits have been taken out and I wondered if there was a possibility of that now.

A. I'm sorry, I would like to be helpful but only to repeat what I have to say—until the state Department—either they want to or they ask me to do it, or we issue a joint statement—I think you gentlemen will just have to be a little patient.

Q. It's quite evident if any financial help came the conversations would encompass the claims of American investors in defaulted bonds; would we be correct in assuming that?

A. I'm sorry, I can't help you.

Q. Would it be on the agenda to talk about it?

A. I can't help you.

Q. That 1937 Brazilian arrangement is still in effect?

A. That I can say. Yes.

Q. And you said some weeks ago they hadn't drawn down that $60,000,000.

A. Yes.

Q. In December, I think, you said it had been used.

A. Well, we changed it the same day.

Q. They hadn't drawn down any part of their sixty million?

A. No.
Q. Could you explain, Mr. Secretary, any background concerning that agreement? As to why there was no withdrawal of gold?

A. That's their business.

Q. As far as the United States Treasury is concerned it's still open? It's still available to them?

A. It's still available to them.

Q. Mr. Secretary, isn't it possible though that the agreement might be modified or supplanted by the conversations?

A. Anything is possible.

Q. Just by the fact that you say the agreement is still in effect does not signify, does it, that it will stay in effect, as is?

A. I'm sorry; I really can't help you. You will have to get your information — —.

Q. Mr. Secretary, you told us in that statement that was the entire hemisphere that you were looking to the feasibility of making loans to countries and we asked does that include Canada and you said 'the entire hemisphere.' Can you tell us if your studies have developed anything in a general way?

A. No, with Mr. Aranha here I've got to sit tight and work.

Q. Have you any objection to us saying anything about it?
A. No, absolutely not—couldn't have any objection.
Q. There has been no bridge reached. Are you anywhere near coming to it now?
A. I did that once before and it's a long road.
Q. Well do you have a lot more converting to do with these people?
A. You will see.
Q. Do you plan to see them tomorrow?
A. I can't answer that. I mean, the State Department has this thing completely in hand and I am sure they will be glad to cooperate.
Q. Discussing that past agreement, Mr. Secretary, was that on the basis that they would buy gold with milreis or with dollars? That past agreement, it says, will make dollars available to them. I imagine that would be ....
A. Well, we would make .... if you want a technical explanation of that, Mr. Gaston will be glad to give it to you.
Q. What's so technical about it, Mr. Secretary?
A. Nothing too technical.
Gaston: In a word I couldn't explain it to you.
H.M. Jr.: You and me both.
Q. Have you found the agreement workable? I mean, you made these things available to them and they have not taken advantage of it and there must be some
reason for it.

A. Well, it's up to the Brazilian Government to do any explaining that they see fit.

C. Does the possible purchase of airplanes by Brazil fall in the same category, Mr. Secretary?

A. I'm not discussing that.

C. The United Press said something about machine guns.

A. I'm not discussing that either; I'm not familiar with their....

C. Do you hope that through these conversations the exchange situation, particularly as it pertains to the Argentine, will be helped somewhat; in other words, the general South American exchange situation.

A. I don't know.

C. You said that's what you would be working towards that end when you met these people just recently - to improve trade.

A. Well, whatever I said I stand by.

C. You didn't the other day?

A. Didn't stand by what I said? What was that?

C. You said the 500,000,000 credits and I didn't get the correction.

A. Well, don't you ever make any mistakes?

C. Plenty, but I'm not Secretary of the Treasury.

A. That's why I make so many.
Q. Have you any comment on the limit they placed on the Export-Import Bank's capital?
A. No.
Q. Sir, do you think that if and when such a limitation is agreed to it is possible to make the extension of credit through the Export-Import Bank that has been envisaged and hoped for with our relations with Latin America as a whole, not speaking of any particular country?
A. Mr. Jones discussed the matter and he and I both felt that that limitation would take care of what we could envisage at this time.
Q. You mean one hundred million, Mr. Secretary? Or one twenty-five? He was talking about one twenty-five, wasn't he?
A. As I understand that resolution came out at one hundred.
Q. Yes, but he justified one-twenty-five before the committee.
A. Well, one twenty-five would be better. I was talking about one twenty-five. When Mr. Jones and I talked we were talking about one twenty-five.
Q. Do you feel that the reduction to one hundred is a crippling one?
A. Oh, I wouldn't go that far. Congress will be here for some time.
Q. If they get near a hundred, in other words, maybe they would hike it to one twenty-five?

A. I'm sure if they got near it—I don't like to talk for Mr. Jones—but I'm sure if he used it up and felt he needed more he wouldn't hesitate to ask for more.

Q. They are about sixty now—is that correct? Forty, I think. That's what I've heard; I don't know.

Mr. Secretary, don't you think you will meet some possible disfavor from American investors in Latin American bonds when the Treasury of this administration goes out and lends them money when they refuse to pay interest on their outstanding dollar obligations when they can very well pay it? How can you reconcile that?

A. Well, you know, as Secretary of the Treasury, I have never taken any part in the collection of private debts, or public debts for that matter, so my debt work is one hundred per cent nil.

Q. I think that's serious, Mr. Secretary—the complaints of American investors in South American dollar bonds is uncomfortable for the administration.

A. Well, I'm not defending it or supporting it; I am just not taking any part in it.
C. Doesn't it rather aid these countries though that have defaulted on their bonds, if we lend them money despite that fact?

A. As I say, I am not taking any part and haven't taken any part in that discussion.

Q. You mean in your negotiations now with these Brazilians?

A. Since I've been Secretary of the Treasury, I have not taken any part in any discussion with any country that has to do with the private debts of our citizens owed to them by either private people or governmants. I mean, I have taken no part in any discussion along those lines and don't expect to now.

Q. You mean you will not take that into consideration?

A. I didn't say that. I simply said it isn't my responsibility.

Q. You don't feel, Mr. Secretary, that you are giving them the money they couldn't get from private sources because they defaulted?

A. No, I just say the Brazilian Government is not in default to the United States Government and that's my only interest, and as long as the Brazilian Government is not in default to the United States Government, why....

Q. Aren't you giving taxpayers' money to Brazilians? Would you finish that?
A. That is my interest. If they were (in default of
debt to U.S. Government) the story would be
a different one, but they are not.

Q. They would come under the Johnson Act then?
A. I believe so.

Q. There is no Latin American government in default
to the United States Government.
A. As far as I know, that is true.

Q. Well, Brazil had a favorable trade balance of
$30,000,000 last year.
A. Excuse me, you are wrong. No, just within
a million dollars of breaking even; as I understand,
their total exports and imports were within a million
dollars.

Q. You are talking about the entire trade; we are
talking about trade with the United States.

A. About the trade of the world. After all, it's their
world trade which has the effect on their foreign
exchange.

Q. Did you have a letter sent to you from the Foreign
Bondholders Council?

A. I don't think so. In fact, I don't believe I have
had any correspondence with them.

Q. None at all?
A. They know my position.
Q. Well, the Foreign Bondholders Association reports to the SEC or the State Department.
A. I believe so; at least they don't report here nor I to them.
Q. Going back to the Stabilization Fund profit, could you say any substantial part of it resulted from transactions in government bonds?
A. Oh, I'm not going to go beyond the letter which I wrote to the Senator from Massachusetts.
Q. Can you tell us how much is in the Stabilization Fund in the form of government bonds?
A. No.
Q. Is that financing the government deficit—the Stabilization Fund. I mean, have you already applied the two billion dollars?
A. Well, I refer you to an editorial on the Stabilization Fund in the Journal of Commerce; I thought it was very good.
Q. I don't read the editorials—don't want to be contaminated.
A. I read them; I thought it was very good.
Q. Is it possible that you could revalue the silver you have and take a profit on it as you have done on gold—up it to a price of $1.39 an ounce?
A. That's one of the questions they asked on the Hill. There's a certain amount of silver we took in at cost and we have not issued the full amount of certificates. Yes.

Q. You could revalue it?

A. Oh, yes.

Q. What would be the profit on the basis of $1.89?

A. Well, I would be glad to get you the figure; it's just a mathematical value and we would be glad to give it to you.

Q. The Reserve Board in its annual report said the Treasury had more potential power to inflate credit than the Reserve Board had to contract it and pointed to the silver available for revaluation on the arbitrary monetary valuation as one means whereby you could do that; also the gold in the Stabilization Fund. Do you care to comment on that, Mr. Secretary?

A. No, thanks.

Q. They also minimize the effect of hot money. Any comment on that?

A. No.

Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, FEBRUARY 23, 1939:

Q. Mr. Secretary, would you give your version of the resignation of Mr. Taylor?

A. No.

Q. Any comment on the reported disagreement on the so-called Treasury's foreign policy?

A. I'm not going to comment on that.

Q. Are you ready to appoint a successor in either of the Assistant Secretaryships?

A. No.

Q. Have you any comment, Mr. Secretary, on the statement from the Caribbean that there will be no new taxes?

A. Yes, I would like to say something about that. As you gentlemen know, we are studying taxes here continuously and we have quite a large staff and I was very glad that the President made a statement, and, talking for myself, the thing that bothers me is the businessmen that I see. A good many of them have what I call a what's-the-use attitude. Now it's going ahead in their own business and I feel that what I call the what's-the-use attitude is holding back...
a number of businessmen from expanding their business and taking some what I would call normal business risks. And I sincerely hope that Congress will take a careful look at the tax law and see if there are any deterrents which are holding back business and businessmen from making future commitments, and I think that the businessman ought to feel that the Administration wants him to go ahead and take a normal business risk and that we want him to make money, and the tax legislation should be of such a nature that it will not be a deterrent from having him make what I call reasonable profits.

Q. You are telling Congress what you want in the way of taxes — is that it?

A. No, I am just talking with you gentlemen — my attitude towards business profits, because, after all, I think in the President's message, the statement that he's made and as to how I feel personally, we must get additional revenue and the only way to get it is through increased business and through letting the businessman make more money. Now I take it that when the President says 'no more taxes',
I take it that's what he had in mind — at least, that's what I've got in mind.

Q. Well, that is just one phase of business recovery. Business has been complaining about the question of additional legislation, about such appointments as Mr. Amlie's on the Interstate Commerce Commission — the appeasement is knocked for a cocked hat.

A. Well, I am talking about that particular part of the government with which I am charged, and we are charged with the responsibility of collecting and protecting the revenue and in answer to this question I want to use this opportunity, inasmuch as the President spoke about it, to let you gentlemen know how I felt about it. I think I made an explanation of what my attitude is.

Q. Mr. Secretary, when you said that you sincerely hoped Congress would take a careful look at the tax laws to see that there are no deterrents, do you mean to imply you have no opinion or statement to make as to whether there are any or not?

A. Well, go back to our original position. If Congress decides it will take a look and will
invite us up there we will be glad to cooperate with Congress and put the various studies we have here at their disposal.

Q. In other words, you have no tax bill, even tentatively, drawn up now?

A. There is no tax bill.

Q. Even tentatively?

A. As far as I am concerned no tax legislation has been shown to me for this year. I have not seen any and nobody has discussed it with me. In other words, as far as I am concerned, being very technical, no one has brought any tax legislation to my attention in the Treasury.

Q. That would mean there is no Administration plan for any except for the excise?

A. There is no tax bill in the Treasury as far as I am concerned.

Q. Therefore, anything else must originate in Congress.

A. Yes, it has always been that way — almost always.

Making it plain, we have studies and we have plans and we would be glad to give, naturally, Congress what we have, but they've got to ask us to come up and I hope they will.

Q. You can tell them a thing or two?

A. I wouldn't put it that way.
Q. Have you a conference with Senator Harrison?

A. No, I mean, we send messages back and forth to each other all the time but I have been away and I read the statement, had a chance to do a little thinking as to what was my attitude —.

Q. What I had in mind — did he give you in your exchange of statements any assurance that there would be no introduction of tax legislation?

A. No.

Q. He said last summer at a press conference he thought there would have to be a revenue bill — additional legislation — this year — Senator Harrison.

A. Well, I don't know. I think I am correct. At least certainly messages have gone between Mr. Doughton and me that we would wait until after the 15th of March and inasmuch as tax legislation always starts in the House my first contact would be with Chairman Doughton.

Q. You want to see how revenue comes along first.

A. Revenue and legislation in Congress — depending on how much they vote to spend — makes a lot of difference in how much we've got to raise.
In the President's message he said there will be need for additional taxes to pay for some of these Social Security benefits and to finance part of the armament program.

Q.

H. M. Jr.: Farm benefits.

Farm benefits of 211 million and the armament program, I think he talked about, was somewhere between two hundred and 250 million, because the figure we have been carrying is somewhere between 400 and 450 million.

Q.

What's the reason for the change?

A.

I can't tell you; I don't know.

Q.

There is a change though, isn't there, Mr. Secretary, from what was said in the Budget Message which definitely called for new taxes? That has confused the situation.

A.

I think, if you don't mind, you are asking me to interpret the President. You've got his budget message and you've got what he said in Miami. You can lay the two statements down and you've got what I have said today.

Q.

Can you say anything for our guidance?

A.

I can't help you, I'm sorry.
Q. Mr. Secretary, does your statement mean that the Administration has adopted as its policy that any new revenues must come from improved business rather than new levies?

A. I am talking as Secretary of the Treasury and talking about how I feel. I would say I don’t think there is much question about it. I mean, there might still be some special legislation like the 211 million which is in a sense a hangover from last year, but talking about as far as the Treasury is concerned and talking for myself I can say that additional legislation other than these special matters like a hangover of the 211, additional revenue must come from increased business.

Q. Does that take care of the armaments also?

A. I don’t know. We will have to put a question mark.

Q. Is there any possibility of our following Britain’s lead and borrowing to pay for armament?

A. I would say there was a good likelihood—not following their lead. I mean, I don’t want to—in the first place you have the President’s message; you have the other statement; and you’ve got what I have said. And I don’t want to tie myself more than I have.
Q. Mr. Secretary, does your statement mean that the
Administration has adopted as its policy that any
new revenues must come from improved business
rather than new levies?

A. I am talking as Secretary of the Treasury and talking
about how I feel. I would say I don't think there is much question about it. I mean, there
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following their lead. I mean, I don't want to—in
the first place you have the President's
message; you have the other statement; and you've
got what I have said. And I don't want to tie
myself more than I have.
Q. One more point — if you are going to borrow that would throw the estimates of the President for the 1940 budget out of kilter to the extent of $200,000,000.

Mr. Gaston: His estimates didn't include any taxes to pay for the armament program.

Q. He said taxes to pay for them.

Mr. Gaston: His estimates didn't include anything for the armament program.

H.M. Jr.: There was no estimate for the 211 either.

Mr. Gaston: No, it was all on the present tax structure.

Q. Mr. Secretary, if you are going to borrow to finance this armament program how does that coincide with the President's statement that he feels that the armament program should be contracted for on a pay-as-you-go basis? I think he said that at a press conference.

A. I don't think he made that statement.

Q. I think he said it at a press conference.

A. Gentlemen, again off the record, I don't go to the President's press conferences. I don't want to interpret what he said. I think, again off the record, what he did say down there was most encouraging and I am glad he said it. On the record, as far as our own plans towards
financing are concerned, I can tell you how
I am figuring on financing. I will answer you
that way. I don't know what Congress will do
but I am not counting on any new tax legislation.
I am not counting on it in connection with any
estimates for the need of financing for the rest
of this calendar year. Does that answer it?
That is as far as I can go.

Q. You already said you don't want it, not only
you are not counting on it.

A. What I am counting on for additional revenue is
an increase in business and in figuring my
financing for the rest of this year I am not
counting on any new tax legislation.

Q. Mr. Secretary, we've been skipping back and
forth between on and off the record.

A. The only thing I did off the record was I said
I didn't want to interpret what the President
said. That part is off the record. What I
said to you is on the record. I don't want to
be in the position that I am interpreting the
statements of the President.

Q. Mr. Secretary, all the corporation taxes expire
the end of this year -- the whole works, I
think.
A. No, just the so-called nuisance and miscellaneous taxes.

Mr. Gaston: He is speaking about these corporation tax levies which expire. They apply to the calendar year 1939 — the regular corporation taxes.

H. M. Jr.: I think I have gone much further than I ever have before and that's enough.

Q. My question is when does that expire?

A. Miscellaneous taxes do expire June 30.

Mr. Gaston: They apply to this year but Congress could easily enact new corporation taxes for next year.

Q. Mr. Secretary, in connection with no heavier taxes, the Administration is said to be considering the repeal of that section of the Social Security Act which increases social security taxes fifty percent next year.

A. Oh, yes, we are studying it and we have Mr. Douglas Brown down here who has been loaned to me by Princeton. If you will remember he was chairman of that advisory committee; he was here two days a week and on that particular phase, I am not ready to talk about it yet, and we most likely won't until Mr. Doughton asks me to come up but we are working on it very hard and that's the reason why Professor
Brown is down here and will stay here until that legislation is passed — to advise me personally on that particular subject. We have a whole group working on that and we are working very closely with Mr. Altmeyer on this whole social security legislation, but my approach on that is this: My relationship with Mr. Altmeyer is as the architect — he draws the plans and he submits the blueprints to us and we are the contractors, so to speak, and we give an estimate of what the costs will be as to the plan and the drawing, the conception, that is his responsibility and all he has asked me to do and the President has asked me to do is to do the estimating. That's the way we are working.

Q. I take it then you are planning on Social Security amendments being passed at this session.

A. I have no doubt there will be Social Security legislation and this question of whether it should go from 1 to 1 1/2 and the question of reserves and all that is very important as far as we are concerned and we are working very hard on it.
Q. Mr. Secretary, I just want to get this straight about the 212 million of farm payments; you want to pay that out of increased revenues?

A. No, that is up to Congress. That is a hangover. If Congress decides to pass some particular legislation regarding that I certainly wouldn't object, but to repeat myself, in making my plan for my financing I like to be a little practical and therefore I am just counting on what we've got in the way of legislation.

Q. Are you counting on Congress to appropriate 212 or 211 million for the farm program?

A. No, in making my plans for my financing I am not counting on any new tax legislation.

Q. Outside of the taxes --

A. There would have to be some sort of revenue legislation to produce an additional $200,000,000—maybe they will do it.

Q. It seems to me they promised last year they would.

A. There was some kind of a promise given but I can only go back—I am repeating myself in saying if it comes along, all right. We will accept it.

Q. You are not going to prod them into it?

A. I have been here now five years and I am trying to be practical and realistic.

Q. Did you get a letter from a chap, Jack, J. Henry
Schroder Banking Corporation, who sent a committee of the bondholders protesting against any loan to Brazil until they made some payment on their defaulted notes? They had some contact with the State Department, I think.

A. I don't know; they might have. I haven't seen it.

Q. Has Brazil made any move to buy some of that $60,000,000 they can get in gold from the Federal Reserve?

A. As far as I am concerned, there is nothing new to report with respect to Brazil.

Q. Mr. Secretary, in the studies made on the tax question here are there any particular features of tax legislation which you might consider to be deterrent?

A. If you don't mind, I am going to stop.

Q. On the question of change of attitude of the Administration, wouldn't you say what you have said today or what the President said the other day was a distinct change of policy or reversal?

A. I don't want to put any editorial writers out of jobs.

Q. I think they will enjoy commenting on it.

A. Why not let them have that privilege? You and I write spot news.
Q. When do you meet with the Executive Committee of the Open Market Committee?
A. Next Wednesday.

Q. Mr. Secretary, has the Treasury or Procurement Division, which has received considerable notice in the press, had any contact with the Dutch or any other nation outside of the French?
A. No, that particular assignment has been completed.

Q. Liquidated?
A. Liquidated successfully and we have no countries that we are assisting at this time.

Q. You mean all the Dutch business has been transacted and gone home?
A. I don't know anything about the Dutch business. I am talking about the French.

Q. You are not concerned with the Dutch?
A. No, I don't even know about it.

Q. Can you give us any reason why the Treasury was concerned with the British?
A. Here is my testimony. I think I have done enough.

Q. Have you finished your conversations with Mr. Aranha?
A. No.
February 23, 1939.

Memorandum on the Secretary's Press Conference,
Thursday, February 23, 1939.

Frank Goodwin of Central News asked whether the Secretary
could comment on the President's statement on taxes, made just
as he was leaving for the Caribbean. The Secretary's reply was
substantially as follows:

"We are studying taxes continuously. We have a large staff
at work. I am very glad that the President made that statement.
Speaking only for myself the thing that bothers me is that business-
men I see have what I would call a 'what's the use' attitude about
going ahead. I feel that that attitude is holding back normal
business, that it is preventing businessmen from expanding their
businesses and taking normal business risks. I sincerely hope
that Congress will take a careful look at the tax law and see whether
there are any deterrents that are holding back business and holding
back businessmen from making future commitments. Businessmen ought
to feel that the administration wants them to go ahead and take
risks and that the administration wants them to make money. Tax
legislation should be of a nature that is not a deterrent to busi-
nessmen. We want them to make profits. After all the President's
message and his recent statement speak for themselves. I am merely
saying how I feel personally. Of course we must have additional
revenue, but in my opinion the way to make it is for businessmen to
make more money."

Asked whether he had any definite ideas for changes in the tax laws, the Secretary said he didn't want to be more explicit at this time. He added "If Congress decides it will take a look we shall be glad to put our studies at their disposal. I hope they will."

Asked whether the Treasury had prepared any tax bill, the Secretary said that he personally had not seen any tax legislation for introduction at this session.
H.M. Jr.: On March 15th we will offer the June holders of $1,294,000,000 2 1/8% notes the right to convert into a new issue or issues and that will be the 15th of March operation.

Q. There will be no new money?
A. No. The right to convert into a new issue or issues and that will be the 15th of March offering.

Q. There will be no new money?
A. No.

Q. Have you got enough on hand?
A. Plenty for the moment.

Q. What do you mean by the moment?
A. Why, we've got enough to take care of our needs for the time being. Do you prefer that, Sandy?

Q. You mean through to June?
A. No, I didn't say that; to the 1st of April.

Q. You will discuss the terms of the offer Wednesday with that long committee?
A. Wednesday, with the Executive Committee of the Open Market Committee. I have that meeting between Stabilization Fund hearings on the Hill.

Q. When you say you have enough through April 1, where are you going to get the money after that, Mr. Secretary?
A. Well, I am not telling.
Q. Can you tell us whether you contemplate borrowing?
A. No, I am not telling. I don't know.
Q. But you think you will have enough up to April 1 but not beyond that?
A. No, I just don't know, Sandy.
Q. Depends on what Congress does.
A. Oh, a lot of things.
Q. Depends upon revenues.
A. Revenues, a lot of things. I just don't want to commit myself. I don't know.
Q. Mr. Secretary, when you said that April 1 were you excluding the March 15 collections?
A. Well, I am just making my plans for the 15th of March financing, and I think it's the custom here (if it isn't we will make it so) to announce borrowing the 15th of March.
Q. You are not making plans beyond the end of March, Mr. Secretary? Is that the idea?
A. I am making plans only for the 15th of March—only for the 15th. Anything beyond that is unknown territory.
Q. Well, now, so far as financing is concerned, would you say whether or not financing until June 15 would be largely limited to the individual agencies, such as the RFC?
A. I'm sorry; all I can tell you gentlemen is what my 15 of March financing is going to be and that will be a refunding operation and beyond that I don't know.

Q. Could you tell us what that map is?

A. A map of China.

Q. Why are you interested?

A. Oh, a lot of reasons.

Q. Is it likely that the June note holders will be offered similar securities to the issue in December?

A. Well, we don't know. That's one of the reasons why I invited the Open Market Committee to come in here Wednesday and advise with the Treasury, and at twelve o'clock Saturday we will have an announcement for Monday morning's papers.

Q. Mr. Secretary, did you see the statement made by Representative Doughton inviting the Treasury to cooperate with them?

A. Uh-huh.

Q. Have you prepared to go up?

A. Yes.

Q. Are you ready to go up?

A. If they ask us to go up tomorrow I don't think the people in the Treasury will be ready, but if they give us reasonable notice we will be ready.
Q. Do you think you will be asked to go up before the March 15 income tax date?

A. I have seen both Mr. Doughton and Mr. Harrison and the understanding among ourselves is we won't do anything until after the 15th of March.

Q. When did you see them?

A. Weren't you watching the hats?

Q. Not this week.

A. I saw one Friday and the other Saturday.

Q. Doughton, Friday?

A. Harrison, Friday, Doughton, Saturday.

Q. Why did you agree not to do anything until after the 15th of March?

A. We like to see how much the returns are going to be—get an idea.

Q. Have any estimate as yet?

A. Well, they may have but it hasn't come to me.

Q. But after the 15th it's pretty safe to assume that you are going to go ahead and start reexamining the entire--

A. Well, as you may know, I made a statement that I hoped Congress would do this and we are ready to cooperate. Now the next move is up to Congress.

Q. Have they invited you up?
A. Well, I mean, our discussions have been very friendly and there has been a complete meeting of minds as to procedure. We couldn't go into details because we weren't ready.

Q. Mr. Secretary, could you say again, for the record, and for business, or give a statement of reassurance; ironically they seem to be, well, as believing as they want to be about this appeasement to business. So I wonder if you would say anything more like you said last week.

A. No, I've got nothing to add. I said it for news reels for next Thursday.

Q. Under Secretary Hanes has been quoted as saying that he favors a tax program or bill drawn up for at least five years to remove any uncertainties about the future. What is your attitude?

A. Well, all I can say is that Mr. Hanes and I are working in the closest of harmony, and I am sure we will underwrite each other's individual statements and joint statements.

Q. Anything on the Assistant Secretary's vacancy?

A. No.

Q. Have the conversations with the Brazilians reached any final stage yet, Mr. Secretary?

A. You will have to ask Mr. Hull or Aranha.

Q. How about that Foreign Bondholders Council? Have they conferred with Aranha?
A. You'd better ask him. I am surprised. Don't you ever read the (Herald) Tribune?

Q. I saw a United Press story from Washington that said he had conferred with Mr. Aranha. I admit I didn't read the paper.

A. Well, I never met the gentleman.

Q. Do you expect the March returns to be up to the budget estimates, Mr. Secretary?

A. I wouldn't want to say; I don't know.

Q. Well, could you say anything by way of amplification on deterrents. The question was raised the other day — "What are the deterrents? What deterrents has the Treasury found? And what could be done about them?"

A. Well, that's really Mr. Lodge's question. He asked me some questions — so did Mr. Vandenberg—and I wrote both of them. I am going to give you copies. I would be glad to answer any questions before the appropriate committee and I have just written Senator Lodge this afternoon, and the story I read was I refused to disclose the thing. That's not correct at all. I have written this afternoon both to Mr. Vandenberg and Mr. Lodge: "My dear Senator: I beg to acknowledge receipt of your letter of February 17, 1939, asking for further information with respect to the stabilization fund. On February 8, 1939, I
furnished you certain information relating to the stabilization fund in reply to your letter of February 2. Senator Vandenberg, having read the exchange of letters between us, wrote to me on February 14, 1939, asking additional questions with respect to the stabilization fund.

'As you know, the Senate Committee on Banking and Currency, of which you are a member, has before it for consideration a bill to extend the powers under the stabilization fund. I assume that that Committee will hold hearings on the bill in the near future. The President has advised the Senate, and I have advised the Banking and Currency Committee, that the Secretary of the Treasury and other representatives of the Treasury Department will be available to discuss with that Committee the problems relating to such legislation. Although I am always glad to discuss in correspondence with members of Congress matters affecting Treasury policy, it seems to me that the appropriate time and place to consider questions you may have with respect to the stabilization fund is at the Committee hearings.

Sincerely yours, (Signed) H. Morgenthau, Jr.'

In other words, if I start answering every question that the ninety-six Senators ask me about this, there isn't much use going up and testifying, and I am going on the Hill tomorrow at 10:30 to testify and I suggested that the press be admitted and I understand that they will be.
Q. Before what committee?
A. Weights, Coinage and Measures of the House at 10:30, and I asked that the press be admitted, so if it is off the record—I would rather have you fellows get it directly from me than third-hand, and I made the same suggestion to Senator Glass. I know that you will be admitted tomorrow morning and I hope Senator Glass will admit you to his meeting.

Q. What is this on tomorrow?
A. Extension of the Stabilization Fund and power to devalue the dollar—tomorrow at 10:30 and Wednesday afternoon before a subcommittee of which Senator Glass is chairman. I know you gentlemen will be admitted tomorrow.

Q. This question may be answered tomorrow?
A. I am going up prepared to answer any question any Congressman may ask so if Senator Lodge and Senator Vandenberg will be patient for twenty-four hours they will get an answer.

Q. You see Senator Glass' committee on Wednesday?
A. Wednesday, 10:30.

Q. What is Senator Glass' committee?
A. As I understand, it is the subcommittee on Banking and Currency.

Q. To what date was this extension asked?
A. In the President's letter he suggested January 15, 1941.
Q. When the total gold holdings of this country reached $14,000,000,000 there was some question as to what was going to be done with this gold. Now we are approaching the $15,000,000,000 mark. There has been some criticism by the Guaranty Trust Company. Now you've got all the gold and Germany, Italy, and some other countries are getting along without gold and the approach of the $15,000,000,000 mark; does that make the problem more poignant and is the Treasury studying it?

A. If you don't mind, I've been at it all afternoon and I imagine that kind of question will be asked tomorrow and I will be up before the House Tuesday morning and the Senate Wednesday afternoon.

Q. Does the January 15, 1941, refer to the power of devaluation and both expire June 30.

A. Yes.

Q. Mr. Secretary, I read an editorial last week on one of your assistants but I am still up in the air about it.

A. Isn't that pleasant.

Q. It is a question of consistency—whether or not you have broken with the President's budget message in wanting to have no more taxes.

A. Well, thanks for the opportunity, but I still say I will leave it to the editorial writers.
Q. They are not very convincing. They have conflicting views.

A. The editorial writers? Tch-tch-tch.

Q. There is some talk about changing the tax structure in such a way as to stimulate the flow of capital to industry. I am puzzled. Can you comment on that general phase?

A. Well, I think we will wait until Mr. Doughton and Mr. Harrison invite us to come up.

Q. Thank you, Mr. Secretary.
(On the wall behind the Secretary's desk was a blue card with black lettering which read "Does it Contribute to Recovery?")

Q. Where did you make that statement?

A. Right here to my 9:30 group.

Q. Could you explain that a little more?

A. No, I made it to my 9:30 group and Hanes and White had it printed for me.

Q. 'Does it contribute to recovery?' What's that for?

A. It means that anything which comes up here for me, that's the question I put to them and if it doesn't contribute to recovery I won't listen to it.

Q. Have those been produced in bulk?

A. No, we have a few more. Do you want one for the press room? (Autograph card for each of newspapermen present)

Q. Now you have started something.

A. That's all right; I hope I have.

Q. Mr. Secretary, would you say that economy would be a contribution to recovery?

A. Oh, I will just refer you to the President's budget message and his message to Congress.

Q. Well, haven't you fellows changed your minds since then?
A. Not on that end of it. I refer you to what the President said.

Q. Mr. Secretary, is your new appeasement policy another breathing spell for business or is it permanent policy until 1940?

A. Oh, I am sorry, I can't answer that.

Q. Mr. Secretary, what started all this sudden rush to do everything—I mean so suddenly—at this time toward hastening recovery, shall we say?

A. Well, it's just tax bill time in the Treasury.

Q. Do you think it all revolves around the tax bill?

A. Well, as far as I am concerned, we are getting ready for a tax bill—we always do at this time of the year.

Q. Mr. Secretary, could I ask you if there is any...

A. You can set that to music—tax bill time in the Treasury.

Q. Like 'Tulip Time'?

A. Yes.

Q. Could you tell us, Mr. Secretary, without revealing any confidences, whether or not this business appeasement program undertaken in such a dynamic way was discussed or is any part of the National Defense discussions and program?

A. I can't answer that. All I know about is just the Treasury business.
Q. I mean you were in on those discussions.
A. Well, I couldn't answer that.
Q. It might be the business angle of national defense.
A. I'm sorry.
Q. Are there any other business angles under consideration now outside of the tax bill?
A. No, we are just concentrating on that.
Q. Any new assistant secretaries?
A. No, I was thinking I would have something for you gentlemen—Mr. Gaston later on will have a statement. We will close the books on Wednesday night on this refunding.
Q. Have you found any business deterrents in the tax law yet?
A. Well, we will say our piece before Mr. Doughton.
Q. Isn't it true, Mr. Secretary, that there are, according to the Treasury's own estimates, at least eighty-six sources of friction— I mean in the tax structure now?
A. There might be but I didn't know there were that many.
Q. That was the figure that was said to me and I have wondered if you were aware of it.
A. I don't know; I haven't seen it.
Q. Wouldn't the remains of this undistributed profits tax be considered a detriment?
A. I think you will have to wait until Mr. Hanes and I go up on the Hill.
Q. Will you go up with the material you have prepared?
A. Oh, we've got lots of material.
Q. You already have?
A. Yes, for months, if not years.
Q. The Federal Reserve Board today again advocated continued government spending as a means of business recovery. Do you coincide with that view?
A. As I say, the Treasury's position is the position the President stated in his budget message and his message to Congress.
Q. As far as taxes go there is some variance in policy now.
A. No, the President made his statement before he sailed and I amplified it—that's all.
Q. The impression I got from his Budget Message was that he felt that the situation still prescribed heavy spending. Do you subscribe to that view?
A. All I can say is the Treasury's position is the position in the President's Budget Message and his Message to Congress.
Q. Well, the Budget Message asked for some four-hundred-odd million of new taxes and I understand that has been thrown out now.
A. Well, I would say that from the President's statement and the statement I made--no new taxes--to that extent his message has been modified.
Q. That doesn't mean, though, that you won't collect the
422 additional.
A. It means no new taxes.
Q. But it doesn't mean you won't stick them on the
existing taxes.
A. I don't know what you mean.
Q. Well, if you are going to collect 422 million new
money you may have to increase existing levies.
A. All I can say is I haven't changed any--no new taxes--
and as to the tax you gentlemen will have to be a
little patient until we go up on the Hill.
Q. Do you mean no new forms of taxes, Mr. Secretary, or
no increases in rates?
A. I don't know what the exact figure is, but around six
billion dollars we estimated for this coming year.
Let's use that figure--just under six. There can
perfectly well be shifts within the present tax laws
but when we get all through the amount of estimated
revenue will be the same because a good many of these
laws expire.
Q. Could you say this, Mr. Secretary--you have already
said there will be no new taxes. Can you add to that
the Treasury will not recommend increases or stiffening
in the rates?
A. I can't say anything other than what I have said, and
just simply answer the question. Somebody would have
to make the statement that we expect to collect less
taxes and nobody is going to make that statement, but
there will be shifts within the tax laws.

Q. Mr. Secretary, Senator King introduced a bill last
week to have an open gold market and coin 10- and
20-dollar gold pieces and in the accompanying statement
he charged the Treasury's present gold policy of keeping
the price of gold at $35.00 an ounce has made it im-
possible for it to reduce its price without endangering
its policy. I wonder if you have some comment on that?

A. You come up tomorrow and see me.

Q. I'd be delighted.

A. Before the Weights and Coinage Committee. I am going
up tomorrow at ten o'clock.

Q. Could I ask you this, Mr. Secretary? Do you plan to
ask this session of Congress for an increase in the
time-limit?

A. That's a matter that will have to come from the President.

Q. Well -- ?

A. That's a White House matter, so any comment would
have to come from the President. I mean, the reason,
off the record, if you will look up the last time we
did it, I think it came in the form of a letter from
the President.
Q. There have been some rumors around that Danny Bell is anxious to be relieved of the Budget job and go back to his old one exclusively.
A. Danny is available; you can ask him.
Q. Well, I just wondered. I already have asked him.
A. That isn’t fair.

Mr. Gaston: What did he say?
Q. He said he did.

H.M. Jr.: Well, he ought to know his own mind.
Q. Well, I wondered if you were looking around for a good successor.
A. Well, you will have to ask Mr. Bell and the President because the Director of the Budget is a Presidential appointment, responsible to the President.
Q. Mr. Secretary, I gather Mr. Friedheim is a candidate for the job.
A. Do you think he would make a good one?
Q. Yes.
A. All those in favor say aye.
Q. No.
A. The motion is lost.
Q. Senator Harrison would make a good one.
A. Anything else, gentlemen?
Q. May I ask is this going to be given to all the government agencies? (Recovery sign)
A. No, just to my 9:30 group.

Q. Will you see Mr. Aranha again?

A. I don't know; I may.

Q. Before he leaves?

A. Oh, yes, certainly.

Q. Did you discuss that over at the White House today—the Brazilian arrangement?

A. We covered the hemisphere.

Q. If you don't want to be quoted can you just tell us for our background whether it came up?

A. No, I'm sorry, I can't.

Q. Mr. Hull said today he expected a statement on Wednesday.

A. If you remember, I said consistently since he's been here any statement will have to come from Mr. Hull or Aranha.

Q. When do you expect to see him?

A. No plans.

Q. Thank you, Mr. Secretary.
Q. I see I didn't get that budget job, after all.
   (Friedheim)
A. Well, you are a little slow.
Q. Any comment on this reported $200,000,000 loan to
   Brazil?
A. No, we stick to the same position — when Mr. Aranha
   first came — that publicity will come from either
   the State Department — —.
Q. Can you give us any idea when he's coming in?
A. Well — —?
Q. For our information, if you will.
A. Very much off the record, I've got a very strong
   suspicion that something will come this morning.
Q. Mr. Secretary, could you tell us whether that old
   agreement between the Brazilians and the United States
   of July 16, 1937 is still in effect?
A. Yes.
Q. Still is?
A. Yes.
Q. And can we say it will remain so?
A. As far as I know it will remain.
Q. Mr. Secretary, as I understand — I don't think
   there's any secrecy about it — but there's going to
   be a statement at the State Department shortly after
noon at their noon press conference. Is there anything you can tell us after it's announced there?

A. Let's put it this way. After it is announced and there are any questions you want to ask Mr. Gaston he's always available.

Q. Well, sometimes he's not as well informed as you are, Mr. Secretary.

A. Only on his off-days.

Q. One question about this 1937 agreement. Is that going to operate in a similar way to the Chinese whereby they build up their gold stocks here and you have agreed, say, to buying the Brazilian peso at a certain exchange rate in order to keep it up and then they buy it back at the rate you bought it. How's that going to operate under this agreement?

A. Well, if you want to know about that, I would be glad to have Professor Lochhead hold forth after press meeting, if you want to.

Q. Yes, I would like to have that.

A. All right. Now could I give you a little news on our refunding? While the final mail isn't in, from this morning's figures it looks as though it would be very close to 97 per cent turn-in. And 4 per cent of the holders of the maturing June notes chose to convert into a note; 26 per cent chose to convert into the
50-52's; and 70 per cent converted into the 60-65's, and I consider that a very favorable indication that the owners of government securities, where they have a choice of three different securities, that 70 per cent of them should choose to go into the longest government security outstanding.

Q. What is that 26 per cent again?
A. 4 per cent went into the note, 26 went into the 50-52's, and 70 per cent into the 60-65's. Now these things may vary by 1 per cent when we get the final figures, but I don't think they will vary more, but it looks as though—Kilby who's pretty good says—like 97 per cent turn-in.

Q. What happens to the other three?
A. We pay them cash in June.

Q. Coming back to this Brazilian thing, I am still hazy on just how the $60,000,000 gold is turned over. What do they give in return?
A. As I say, Mr. Gaston can have Lockheed come in his room and he can answer.

Q. The truth is that the Brazilians have never gotten any gold from us or asked for any gold. Is that right?
A. I am always hazy on the thing. I think there was one transaction.
Mr. Gaston: Not under this particular thing.

H.M. Jr.: Not under that. They have not availed themselves under this particular agreement. So Gaston knows more.

Q. This continues in operation—it goes on?
A. Yes.

Q. Can you say, Mr. Secretary, whether the new agreement coming up will create a situation which will make the old agreement effective? That is, give them some occasion to use the old agreement.
A. Well, one of your compatriots said there was going to be a press notice some time—just be a little patient.

Q. Can you tell us this much? We will supplement whatever they announce.
A. I'm sorry, I can't tell you.

Q. Mr. Secretary, two of the well-known columnists had a piece today in which they asserted Mr. Aranha gave you (pardon my use of the word) hell for your gold policy—acquiring all the gold and not using it to foster trade between South American countries. Is there anything to that?
A. Well, for background, at no time in the many
discussions that I have had with Mr. Aranha has
there been anything except on the most friendly
and gentlemanly basis, and there's no reason why it
shouldn't have been on that basis.

Q.
Could you make some comment on this bill introduced
yesterday by Senator Logan for small business loans
and Wright Patman?

A.
I'm not up on it, I'm sorry.

Q.
Were you interested in that?

A.
This particular bill, if you want to ask, hasn't come
across my desk.

Q.
How about the Clark-Pittman bill?

A.
None of those have come across my desk.

Q.
Mr. Secretary, you remember that committee you once
said had proposals like that; did they ever pass on
anything like that?

A.
Well, they made a study and recommendations. If you
asked me what it was I couldn't tell you this second,
but last year we were quite busy on it.

Q.
Mr. Secretary, could you say anything about the
progress on other South American conferences?

A.
No.

Q.
Are you planning to meet any other South Americans
soon?

A.
Not right away.
Q. Have you got any projected for the future?
A. I have no plans.
Q. Mr. Secretary, do you expect to have any further discussions with the President on tax matters before March 15?
A. Uh-huh. He's invited Mr. Hanes and me to come this afternoon at two.
Q. Will that be at the time that Senator Harrison and the gentleman from the House Committee will be there?
A. Simultaneously. Is that the word?
Q. Harrison and Doughton?
A. No, Doughton is ill. Jere Cooper.
Q. What progress can you report, if any, on that?
A. Well, the progress is we are invited to come back again.
Q. I mean, have you got anything definite that you are working on?
A. I'm sorry, I can't even hint, see. So you will make it easier for me if you don't embarrass me because I can't discuss it.
Q. Are you as bullish about the rise in national income as Mr. Hopkins is? He says it's going up anywhere from six to eight billion dollars in 1939.
A. Well, now if I may--let me practice on you off the record? May I say I don't want to be put in the
position, as I say—what I will say is I don't make any forecasts but by saying that doesn't mean I am in disagreement with Mr. Hopkins.

Q. Well, he must have had Treasury figures to have made a statement like that.

A. No, they do the estimating—that bureau is in his own department. If you don't mind, I never make forecasts, but that doesn't mean I am in disagreement. But the organization that does the estimating on the national income is in his department so he ought to know. So if you can use that for background, all right.

Q. I think it would help business if you said you agreed with Mr. Hopkins.

A. But I haven't seen his figures.

Q. On the basis of 1932?

A. But I haven't seen them.

Q. You don't need any figures.

A. I would rather, if you don't mind, let it go that way.

Q. Thank you, Mr. Secretary.
Q. I see you've been having company, Mr. Secretary.
H.M. Jr. Yes.
Q. What was it on?
A. Fiscal and monetary.
Q. Your sign is still up. (Recovery sign)
A. Still up.
Q. That's pretty broad. I asked one of the men if it was more RFC money and he said you would have to ask the Secretary.
A. Just joint problems.
Q. A little hot money in there?
A. Just joint problems.
Q. Was the situation abroad discussed?
A. I'm sorry. We just had some mutual problems.
Q. Domestic problems or foreign problems?
A. Joint.
Q. Did Mr. Eccles subscribe to the sign?
A. I don't know.
Q. Was the Export-Import Bank credit discussed? The acceptance—I understand that's one of the largest acceptance businesses on record—$19,000,000—I suppose these banks in New York and throughout the country — — —.
A. That wasn't Federal Reserve-Treasury.
Q. Did you see eye to eye, Mr. Secretary?
A. It was a very nice meeting.
Q. Do you agree, Mr. Secretary, with the report the Federal Reserve made on the monetary policies at the Hill?
A. I haven't read it. Which happens to be the truth.
Q. On this meeting a lot of speculation will now arise.
A. That will be good.
Q. You are against speculation?
A. He's for it if it contributes to recovery.
Q. Thank you. Beautifully put.
A. Mr. Secretary, Senator Barkley said on the Hill this afternoon after he had had a conference with the President that he wasn't in favor of any tax legislation at this session of Congress. Do you have any comment to make on that?
A. That's what Senator Barkley said?
Q. So I was told just before I came up here.
A. Well, that's his privilege.
Q. He said that he thought that if corporation taxes were simplified and revised that the effect might well be that the small corporations would have to pay larger income taxes and that he would ---.
A. Well, when we go up on the Hill we will be glad to testify on that.
Q. Have they got to pay more income tax?

A. As to what effect any changes would have on various kinds of corporations, by size or anything else. You gentlemen might like to know, you may have read in the papers that I would or did ask for an increase in the public debt from forty to forty-five billion dollars.

Mr. Gaston: Forty-five to fifty.

H.F.Jr.: Forty-five to fifty, thank you. That's entirely up to Congress after they pass the appropriation bills. We won't need that in this calendar year.

Q. You said last week that it would be the President's matter—in other words, it would be a message.

A. Well, I am now talking after having had lunch with the President. But what I do want to draw the attention of the public to is that after the last of September our authority to sell any more bonds or convert other issues into bonds will be reached. In other words, we will reach the $30,000,000,000 limit by the end of August or early in September, if we continue at the same rate. We figure, if you want to figure it yourselves, we figure about two-thirds of the conversion and new money goes into bonds, so certainly by the end of August or first of September we will reach the $30,000,000,000 limit and I hope Congress will raise that what we call "partition of limit."
Q. You mean at this session?
A. At this session.
Q. You are not abandoning your request to raise the limit?
A. No, what I will ask Congress is to lift this limit of $30,000,000,000 on bonds but the Administration will not ask Congress to raise the debt limit at this session above $45,000,000,000. If they wish to do it it would be very pleasing but the initiative won't come from this end of the avenue.
Q. Isn't this a change?
A. No, if you will read my testimony, the only thing that has been said by anybody was when I appeared before the Appropriations Committee January 16 and they asked me some questions, I remembered, which were 'would it reach?' and I said if you would take the deficit in the President's budget and add it within the fiscal year we would come to just under $45,000,000,000, but that would take us through to June 30 of next year but, I think I am right.
Mr. Gaston: I think you said you might ask for another $5,000,000,000.
H.K.Jr.: I think that's the way and that was testifying before an appropriations committee in the House, but they asked me a great many questions and I answered them as best I could.
In view of the criticism offered from various Congressional quarters I can interpret this change now as another statement in the direction of appeasing business?

No.

It can not be interpreted?

No, I don't think I would say that it has anything to do with it. I mean, people on the Hill or in other places seem to be doubtful about raising the limit. Well, we will wait and see how much the total appropriations are that are passed and I personally think that it would be sensible to do it now, but we are not going to ask them to do it in view of the rising debt due to deficits. But the only thing which would be helpful to me, unless Congress doesn't want me to sell any more bonds, would be that in the not too distant future they raise the $30,000,000,000 limit, otherwise, after the first of September or shortly thereafter I can't sell any more bonds. I would have to sell notes and bills.

Would that also mean suspension of baby bonds?

I would have to find out. I don't know.

Mr. Gaston: I think they are included in the Second Liberty Bond Act $30,000,000,000 limit.

E.K., Jr.: Yes.
Q. As the President suggested taking a lot of corporations which he mentioned in the budget message, outside of the general budget, you could borrow money through them, couldn't you? They would not come in the debt limits?

A. The Government guarantees obligations; they don't come under the forty-five limit.

Q. They don't come under so you are free to borrow through them?

A. To the extent they have authority.

Q. How much money do you have in them now? Do you know offhand? I mean, that could be converted. You got some RFC money recently.

A. Yes, we could borrow considerably more through RFC.

Q. Mr. Secretary, when you say personally you think it would be sensible to raise the debt limit now but you are not going to take the initiative, you mean you see no point in taking the initiative at this time. People who are talking about economy, as you more or less know, are using that as a rallying point.

A. Well, I mean after voting the money and then not raising the debt limit it is like closing the door of the barn after the horse is stolen. Now it's entirely up to Congress—if they vote the money, I can't imagine that they are going to put their fiscal officer in a position that I can't pay the bills. It entirely rests with Congress.
Q. In other words, you are viewing this with somewhat of an apprehension.
A. Well, I am looking ahead, but if they don't want to do it this calendar year I can wait until next year. In other words, I can wait until next January or February.
Q. Was that problem discussed at this meeting today?
A. We can assume that it was apparently.
Q. Yes, it was one of the things.
A. Was this a scheduled meeting or did you call this meeting suddenly?
Q. It wasn't sudden.
A. It wasn't called as a result of your lunch at the White House!
Q. No, this was arranged as a result—if you want the time, if it's important, as a result of a discussion which took place last Friday. We never do things here suddenly.
Q. Mr. Secretary, to make that barn door thing just a little more certain — —
A. You never heard that one?
Q. Oh, yes, but I mean the application of it. Is it your feeling, Mr. Secretary, that if Congress feels we are spending too much money the thing for them to do is to vote less money and not increase the limit?
A. Yes. Yes, I mean, as I say, but after the money is voted the horse is stolen and then it's too late to lock the barn door.
Q. But that's an old American practice.
   Yes, but they could levy new taxes.

A. Well, I think we will stop right there. I think it's a nice stable—we will stop right there.

Q. Mr. Secretary, do you want the limit removed altogether—the partition?

A. It would be easier for us if they lifted the partition entirely.

Q. What is the total amount of outstanding bonds now? Have you got that figure before you?

A. I just got the figure here which Bell gave me. It doesn't show me the way you ask. What he gave me was that by September it's minus.

Q. Could we have that?

A. This isn't what you want because this goes into financing which I am sure you don't want. The figures show that if we continue at the rate we are refunding and everything else, that by the time we pass the first of September we will have used up our authority and this does include United States Savings Bonds. It does—it's here.

Q. Mr. Secretary, can we get an approximation of that figure by adding about a billion dollars on the end-of-the-month statement and then there has been this refunding since then?

A. Well, that refunding wouldn't go — —.
Q. That was a transfer from notes to bonds.
A. I'll tell you what we can do. I will get you sort of a rough figure—get you one up in a few minutes as to where it stands after refunding is over. We will get you one right away.

Mr. Gaston: After this refunding.

M.M. Jr.: After this refunding.

Q. This September one doesn't count any new issues since then?
A. I can't say that. That's why I can't give you this statement then you would know everything. What Bell has done for me he's figured it out how long would my bond authority last and his answer is about the first of September.

Q. His estimate on—savings bonds are out after September 1?
A. Yes, we would have to stop selling all bonds.

Q. Have you reached the limit on the short-term paper?
A. No, no. The limit, you see, is thirty-five so whatever we say, roughly forty—forty-one—the difference would be in short term notes and bills. Whatever the difference is would be in notes and bills. Wherever we are on the first of September.

Q. I want to get this straight. You would rather have them lift the limit entirely, place no limit on
what the Treasury can do; instead of putting a
stop—it was from 30-35—you would rather have that
limit lifted entirely?

A.

Yes, entirely.

Q.

That refers only to bonds.

A.

No, leave the forty-five billion where it is but just
don't tell me how many notes, bills and bonds I can
sell. Say I can sell whatever we think is in the
public interest of notes, bonds and bills as long as
we keep it within the forty-five billion dollars.
Don't tell me I can sell thirty worth of bonds and
fifteen of bills and notes. Let me get what is the
cheapest money and at the same time spread our issues
over an equitable period so we don't pile up every-
thing into one period.

Q.

Do you think the ratio is disproportionate now?

Thirty-fifteen?

A.

I think our ratio now is very good. Not counting this
last refunding before this last refunding—when I
came here the maturity was due in about six years
and we have now lengthened them out to over ten,
which I think is very good and we would like to
keep it that way. The average length of the govern-
ment debt is over ten years now. When I came here
it was six.

Q.

Would you like to see the limit removed on the gross
debt, Mr. Secretary? Any limit at all?
A. What I said was it would be pleasing to me if Congress would raise it from forty-five to fifty but I didn't have to have it.

Q. That's what I say! Would you like to have it removed entirely?

A. No, no. I would not, definitely not.

Q. Mr. Secretary, do you expect any early action to ask Congress to authorize this fifty million dollars involved in the Brazilian agreement?

A. Shall I go off the record?

Q. Oh, no. (Linz) What good is it. It all gets in the columns and Herbert has to do a lot of explaining. If you can't explain it what's the use. Mr. Secretary, there's quite a discussion on the Hill today--Senator Lewis and Senator Reynolds and others got in it.

A. On the fifty million dollars?

Q. The fifty million, I think, was mentioned. Loans to Brazil was the thing.

A. Well, I can't discuss it on the record, I'm sorry.

Q. I just as leave go out and let you have it. (Linz)

A. It isn't letting me have it. I don't care. I am here trying to give all the information I can to the press. Now ninety per cent of it you can print, ten per cent you can't. When you ask me a question I'd like to answer it but I can't answer it on the record.
Q. Well, Mr. Secretary, I don’t want to throw cold water on anything somebody else wants.

A. Well, it’s a matter of interest to me and pride in the American press that every statement I made off the record before the Coinage committee—there hasn’t been a single leak.

Q. That doesn’t work for press conferences.

A. Yes, my heavens! If it isn’t before the committee and the press—some of them were just plain lobbyists—and there were no leaks so I think it was quite a compliment to the press.

Q. One more thing. A story from Shanghai says that the American Treasury will make representations to the Japanese Government for tying up our commercial transactions in Shanghai.

A. We wouldn’t do that; that’s State Department.

Q. Thank you, Mr. Secretary.
Q. Anything to contribute to recovery this morning, Mr. Secretary?

What's the status of "What's the use" attitude?

A. Have a cigarette.

Q. You don't agree with Secretary Ickes on the subject of tobacco.

A. I don't know what you mean.

Q. He thinks it is a pernicious weed which should be stamped out.

A. Did you ever hear the story the President tells about Camels when he went to the Lucky Strike town? Clarence Lins isn't here so I guess I can tell the story off the record. The President was going through this town and he reached in his pocket to pull out a Camel, whereupon the Governor of North Carolina took the President's hand and pulled it back, and the President was sort of annoyed. When they got outside he said, "What do you mean pulling my hand?" And the Governor said he didn't think it was quite appropriate to pull out a Camel in a town where they made Lucky Strikes.

Q. By the way, Mr. Hanes has some interest in Luckies -- Chesterfields -- I think it's Luckies.

A. I don't know; that's his personal business.
Q. Anything new on taxes?
A. No, except I think we can report progress.
Q. Progress on what?
A. On our conferences.
Q. Mr. Secretary, there has been a lot of talk about the program being born and dying and resurrected. Can you tell us what the situation is?
A. Yes, but I'm not going to.
Q. As I understand it, the Treasury went over there with a program of its own.
A. I will help you out and help myself. On these things, until I go up before the Ways and Means, neither I nor anybody in the Treasury will have anything to say.
Q. They have fixed the date?
A. No, and the reason why they can't fix the date is, as Mr. Cooper explained to me, that first they have to get the Social Security legislation out of the committee. They have to get rid of that first, naturally. They are not going to stop the Social Security meetings.
Q. Would you give us any estimate when that would be?
A. No, and I also explained to him that my family is taking its regular spring Easter holiday for the children. We are leaving March 24th to go down to Sea Island — so I explained that to them yesterday.
Q. For a week?
Q. You are going down there for two weeks, and nothing is going to happen until sometime after March 24th?
A. As I said yesterday, if anything is going to happen, it will happen either before or after, I take it; that is, if they want me to come up there. So it's a question whether they get the Social Security legislation out of the way, but that gives you some idea as to the timetable.
Q. This being the 16th, it's not likely that anything will happen before?
A. I wouldn't think so because I am following the Social Security hearings and I think they still have quite a way to go, and I might add another thing -- of course, Mr. Doughton was ill and he's in Florida recovering so all of those things had to......
Q. So it won't be until after the first week of April that you look for any meeting?
A. Well, you can do all your own figuring. I am giving you all I know. That doesn't mean if they want to go ahead without me, they can't. After all, it's entirely possible the Ways and Means Committee will say, "Morgenthau is away; we will go ahead anyway", which is all right with me, and I don't want to tie them up one minute. So if they want to go ahead and not wait, that's fine.
Q. Whenever you do go before the Committee you are able to say, are you not, that you will have a program to present?
A. I am not going to do any forecasting and let's just wait until I get up there.
Q. But you have a program?
A. No forecasting; no broadcasting.
Q. Pat Harrison said yesterday something about a 22 per cent flat corporation tax as being sufficient to cover any revenues coming in now. Is that correct?
A. I am not broadcasting.
Q. Did you see the reports in the press — I guess it was yesterday — about Speaker Bankhead's statement on taxes?
A. Uh-huh.
Q. What did you think of it?
A. Clarence isn't here — can I go off the record? Sort of like a fellow trying to climb back on a sawed off limb; whether he can use court plaster or not, I don't know. I wish him success. Don't write that!
Q. Could you tell us, off the record, or on the record if you wish, what was behind his first statement? Must have been something that caused him to make it.
A. I can't help you out. He took a limb and stuck it back on the tree and got back on it. As an acrobat he's pretty good.
Q. He seldom goes off without some reason.
A. You will have to ask him.
Q. Isn't this likely to be the situation……
A. I am laughing today, so let me enjoy my laugh.
Q. He may laugh tomorrow?
A. I said today.
Q. Off the record, is it likely to have been the situation that before accepting any recommendations the President has certain essentials that he wants met and that certain people on the Hill may have misunderstood those objectives?
A. I can't help you out, on or off, but I could not help being a human being and I got a good laugh.
Q. The boys are saying the next thing on the program is Mr. Hanes' resignation after the Speaker's statement, before he corrected it, because after the Speaker's conference that morning he said there's Hanes and Morgenthau sitting on the limb and it's been sawed off.
A. Mr. Hanes is all right; perfectly happy.
Q. No inclination of resignation?
A. No.
Q. No vacancy fillings?
A. Vacancies but no fillings in sight.
Q. When can we expect some figures on the March 15th returns?
A. Professor Gaston.

Mr. Gaston: The daily statement will show something about them.

We may have some figures, I suppose, about the
30th or 21st.

H.M. Jr.: What I said about Hanes being perfectly happy, etc.,
is off the record.

Q. There will be no bag kicking? It will be based on
actual count?

A. Yes.

Q. Can you say anything, in a general sort of way, about
collections? Do you have any word at all?

A. Oh yes, I get a statement every morning, but after
previous experience I had better wait until it's in
the bank.

Q. In the bag?

A. In the bag and bank. I said bank.

Q. Can you give us figures to use on our own hook?

A. No, I really couldn't -- sorry.

Q. Do you still believe, Mr. Secretary, in curtailing
the spending program?

A. Do you still believe in "stop beating your wife?"

Q. What is the status of this legislation which would
direct you to publish income tax return figures on
$75,000 and up for the last year?

A. That, I don't happen to be familiar with. I think
that would be a part of any change in the tax bill.
Q. I understood there was separate legislation to correct that mistake they made in the bill last year.
A. If it is, I don't know about it.
Mr. Gaston: I don't know what the status is. I think there is a proposal up there to make last year's account applicable to last year's returns.
Q. Does the changed situation in central Europe affect the Treasury of the United States in any way at all?
A. No.
Q. Have you discussed it with any of the other members of the Tripartite Agreement?
A. No.
Q. Got a lot of money handy in case you need it?
A. Nothing has occurred to require it.
Q. Any plans for borrowing after the end of March?
A. No, we are just recovering from our last great success.
Q. You mean to say there are no plans in mind now?
A. We are in the recovery period.
Q. On the level, you are cagey this morning.
A. I know.
Q. Could you give me a sort of general answer?
A. We are just in the recovery period. Incidentally, nobody wrote the fact that all but twenty-six million dollars was turned in out of almost one billion three hundred.
Q. What is your answer to whether you have any further plans in mind for financing? You said you would take it up to the end of March.
A. This is not the end of March.

Q. I am going forward.

A. Well, come up and see me after I get back from Sea Island.

Q. Have you received any invitations or received any notice that there are going to be any more foreign ministers or finance ministers coming here from South American countries?

A. You will have to get that from the State Department.

Q. What I am trying to find out is if there are going to be any follow-ups on this Brazilian matter.

A. Ask the State Department.

Q. How much does Czechoslovakia owe us?

A. They didn't owe — I don't think they owed the Government anything.

Mr. Gaston: One hundred sixty-five million dollars on post-war debts.

Q. What is going to happen to the money they have on deposit over here? I understand it's about thirty-five million dollars.

Hon. Mr. Jr.: I am being very honest; I haven't discussed it with anybody. It's so recent. The State Department has to advise me what is the status of what was Czechoslovakia and they haven't done that. We have had no advice from the State Department.

Q. Thank you, Mr. Secretary.
Q. How are taxes coming along, Mr. Secretary?
A. You mean the receipts?
Q. Well, let's start with receipts.
A. I don't know. What's the story on receipts, Herbert? Do you know?
Mr. Gaston: No, I haven't looked at the statement.
Q. What? The Treasury Daily Statement?
Mr. Gaston: Yes.
Q. I thought you said you were going to get some figures in a few days.
H.M. Jr.: Just the statement.
Q. You indicated you would have some special reports in a few days at our last press conference, Mr. Secretary.
A. See if Guy Wolvening can give you something to give to the boys.
Mr. Gaston: He will have a report as of the close of business tonight tomorrow.
H.M. Jr.: See if you can't give it to them tonight.
Q. Do it tomorrow for the p.m.'s?
Mr. Gaston: Yes.
Q. How's the tax program coming along over at the White House? Is it about completed?
A. When does the President have his press conference?
Q. Tomorrow at four.
A. I think I will wait until four o'clock tomorrow.

Q. You have always been willing to say "progress" in the past and I thought you might today. Did you hold a meeting today?

A. That was Social Security.

Q. Didn't you have lunch with the President and go over taxes?

A. No.

Q. They tried Hitler today. Could you tell us anything at all about the progress of your tax program?

A. No, not a thing.

Q. Why are you reluctant to tell us about it today, Mr. Secretary? You didn't seem so reluctant to say you were making progress previously.

A. There's nothing to tell you.

Q. You mean you are not making any progress?

A. No.

Q. But the answer --

A. I can't give you any answer. We went over there and saw him, had a discussion, and until he says something there's nothing to say.

Q. The last report I had was on how these modifications could be made without injuring revenues—it was more or less up to the Treasury to show him. Is the Treasury showing him?
A. Well, we are willing to do our part when we go up on the Hill. There's no news in that. I wrote that to Senator Harrison and Bob Doughton. The last thing—there's no news in it—is a letter which I wrote to Senator Harrison and Doughton.

Q. When do you think that you are going up on that?

A. Well, the way the hearings on Social Security are going, I doubt if they will be ready for a tax bill within a couple of weeks.

Q. Mr. Secretary, in your estimation how severe are these countervailing duties against Germany? Would you give us an answer, perhaps for background?

A. I can't.

Q. Any estimates in the Treasury where we could gauge as to the effect, not mentioning you but just for our background?

A. No, the best thing, if you want to talk about it, is to get hold of Johnson in Customs; if you want to talk to him, Mr. Gaston will get him for you.

Q. Can you give us any opinion or information, Mr. Secretary, as to the probable effect of additional duty on imports from Germany?

A. No.

Q. Mr. Secretary, I was interested in that statement on Germany because I think just the day before last in a letter to Mr. Coller you said the Treasury Department
had investigated the matter thoroughly and finds no
reason for putting on any such duties and you have
been kept advised and you feel -- .

Mr. Gaston: I would suggest you read that letter again, Mr. Goodwin;
it did not say that.

Q. Well, didn’t it amount to that?
Mr. Gaston: No, it didn’t at all amount to that.

Q. Just thinking back on the letter it seemed to me it
was just more or less the situation.

Mr. Gaston: No, no, it spoke about dumping.

Q. Is there an abnormal flow of capital to this country?

H.R. Jr.: I’m sorry, I can’t answer.

Q. You have answered before—during the Munich crisis?

A. Yes, but I can’t.

Q. Will you comment, Mr. Secretary, on the fact that
the gold stock has passed fifteen billion?

A. I wish you would ask me something I could answer today.

Have we got room in the depository? Yes, plenty of
room.

Q. I think it’s much more serious than that, isn’t it?

A. I don’t think it’s serious at all.

Q. Mr. Secretary, can I ask another question? I don’t
want to appear misinformed. The thing is in that letter
I understood it was against dumping or sending to this
country of subsidized German goods and this new
penalty of duty—doesn’t that acknowledge that as the
excuse, more or less?
A. I can't add anything to the statement plus the Attorney General's ruling which we have attached to it. I have nothing to add.

Q. Mr. Secretary, can you elaborate a little on this gold? Why you say you don't think this heavy inflow is serious?

A. Well, there just isn't anything to worry about.

Q. You have to apparently, if you have any bonds to buy, gold you won't have any when it goes above the $100,000,000 freezing level.

A. That has nothing to do with gold.

Q. It hasn't. I would like to have time to explain it?

A. I will.

Q. Well, you have a law here saying every quarter a hundred million dollars of gold will be frozen—sterilized.

A. That's been changed—last April or whenever we stopped sterilizing.

Q. What is the status now?

A. It just flows right through the general fund and we just issue currency against it and pay for it. That $100,000,000 thing is closed. It changed when we stopped sterilizing gold.

Q. Still all the danger is —-

A. Yes, but it has nothing to do with the amount of the public debt.
Q. I will correct my question. This gold coming in will send excess reserves to higher levels and the Reserve Board says they are scared.

A. That's something different.

Q. It does have an inflationary effect on currency.

A. It hasn't yet. It broadens the base and it broadens the amount of currency you can issue against the base-increases as the gold comes in. But as I said before—I will say it again now—the last time I looked at it the Bureau of Labor wholesale index on seven hundred commodities in '26-'28 are around 76-78 now and when you talk inflation you have got to go at least past one hundred.

Q. You would say there is no danger of inflation now.

A. I will say this—that the gold coming in is not a source of worry to me.

Q. You happened to mention broadening the base—I think you should amplify that, Mr. Secretary.

A. Well, .......... 

Q. The Annual Report of the Federal Reserve said the Treasury had methods of creating reserves and the Reserve Board has no means—-.

A. I am saying I am not worrying about the gold coming in. If they are worried that's their worry. I am not worried about the gold coming in and I am not worried about inflation because I don't see any in sight. Does that help you?
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Q.
Yes.

A.
Have you got something now?

Q.
Mr. Secretary, how much more gold would have to come in before you started worrying about inflation?

A.
All right. Do you want me to say it again. If you want it, I will say it again before two, no three, ladies. You got it the other day and didn’t like it.

Q.
It didn’t bother me at all. The only thing that bothered me was the ‘no answer’ to my question.

Q.
Could you say whether any plans are under consideration with regard to setting aside a reserve against gold imports? That matter has been under consideration so many times in the past.

A.
I would go over and see the Federal Reserve about that. They will set you right about that stuff.

Q.
Will they?

A.
Well, you read their annual report.

Q.
I read yours, too.

A.
I compliment you. Shall we give him a medal for it?

Q.
I wish you would make it out of that fifteen billion of gold stock.

Q.
Mr. Secretary, could you say to what extent central bank gold is coming in at the present time?

A.
No, I can’t say at the present time anything about the inflow of gold.
Q. Yes.
A. Have you got something now?
Q. Mr. Secretary, how much more gold would have to come in before you started worrying about inflation?
A. All right. Do you want me to say it again. If you want it, I will say it again before two, no three, ladies. You got it the other day and didn't like it.
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A. Well, you read their annual report.
Q. I read yours, too.
A. I compliment you. Shall we give him a medal for it?
Q. I wish you would make it out of that fifteen billion of gold stock.
Q. Mr. Secretary, could you say to what extent central bank gold is coming in at the present time?
A. No, I can't say at the present time anything about the inflow of gold.
Q. Has anything been said about it?
A. It's all too hot news.
Q. Putting it on a broader basis, Mr. Secretary, has there been a sizable increase in gold under earmark in this country?
A. I can't talk about whether gold is coming in or out of the country.
Q. There have been some talks about plans of ways to check Hitler. One would be to suspend all international gold payments for a period. Do you think that would have any effect?
A. I can't discuss that with you—I'm sorry. I don't care to discuss it.
Q. Mr. Secretary, there was a story several days ago that the United States planned to confiscate some $20,000,000 of gold held here belonging to the Czech government as payment against debt owed to us.
A. I am sorry—I will have to give the same answer to you.
Q. Have there been any discussions at all about the Czech debt?
A. I can't comment on the Czech debt.
Q. Is that feasible at all—about the gold seizure?
A. I am sorry, I can't help you.
Q. Mr. Secretary, can you tell me this? Can you tell me how much gold there is in this country that belongs to Czechoslovakia?

A. I can't answer that.

Q. Can you tell us in a round sum the amount of gold held under earmark for the account of central banks?

Mr. Gaston: The Federal Reserve Board publishes that regularly.

H.M., Jr.: In their annual report.

Mr. Gaston: No, I think the statement they give out regularly in New York.

Q. I know that but I thought you might have some up-to-date figures.

A. No.

Q. Mr. Secretary, the answer to your inflation observation would suggest you have definitely scrapped sterilization of gold.

A. No, the question, to go back, 'was I worried about gold coming in?' 'No,' 'Am I worried about gold passing the fifteen billion dollar mark?' 'No.' 'Am I worried as it increases the base and may tend to inflation?' 'No, because I can't see any inflation in sight.'

Q. In other words, sterilization is still there if you ever have to use it again.

A. Oh, yes.
Q. You are in effect practicing sterilization up to a certain point now, anyway.

Q. He's referring to gold, Mr. Secretary.

Q. I don't see anything funny in that.

Q. I think he's got a legitimate question.

Q. I would like a legitimate answer.

A. What do you do? Reach for a Murad? All you've got to do is to look for your statement. I don't know how much the gold is but the affect is sterilization in part, isn't it, Mr. Gaston?

Q. You are laughing too. I wish you would answer the question of Mr. Friedheim. The whole question revolves about the point as to all this gold coming in and the affect it would have on the credit structure.

A. I have answered that. I have given you three answers.

Q. All of them are that you are not worried.

A. Exactly.

Q. Mr. Secretary, to present the question in another way.

Q. I am satisfied my question is in the right way.

Q. I am not criticizing your question. Do you contemplate or do you see any necessity for increasing the present amount of the inactive gold account?
I answered the question. I am not worried about inflation. There is no inflation in sight, so there's no reason for my considering any steps at this time, and I can't add anything more than that; we just keep going around covering the same ground again, that's all.

Well, has the Reserve Board discussed with you any means of increasing their powers to decrease excess bank reserves? They mentioned in their report that they hadn't any more power.

We haven't been having any discussions about that because—I come right back to the same question—I am not worried.

You have had no discussions with the Federal Reserve on this gold movement at all?

On this gold movement? I am trying to think. Oh, we have discussed what's happening from day to day, yes. Of course, I discuss it with them.

Mr. Secretary, could I go on to another thing—still connected with the present international situation. Are you contemplating borrowing any money real soon in view of the international situation?

We won't even begin to think about borrowing, as far as the Treasury Department is concerned, until some time along the middle of May.
Q. Of course, that leaves out other agencies.
A. As far as the Treasury proper is concerned.
Q. That means as far as the Treasury is concerned is there any prospect of further borrowing June 15?
A. As far as the Treasury, I don't want to commit myself but under normal conditions we wouldn't think about borrowing for the Treasury before the middle of May.
Q. If the RFC borrowed you could get a couple hundred million dollars in cash that way, assuming they repaid you.
A. As a matter of fact we've got ample money to carry us through to the 15th of June or until the 15th of September without borrowing any new money.
Q. Ample until September 15?
A. We could go to the 15th of September without borrowing any new money, not refunding but as far as the new money is concerned.
Q. Could you explain in a few words the President's message to Congress today on the increase in the debt?
A. Did you read my letter?
Q. I haven't read the complete thing.
A. Well, if you would read the letter, my letter gives the reasons. It's attached to his message. I thought I had a copy. I evidently haven't. It's attached to it and giving my reasons why I thought it was necessary.
Q. Mr. Secretary, can you comment on your conference at the White House today in regard to Social Security?
A. I am sorry.
Q. When is your next meeting over there?
A. I have no date.
Q. Thank you, Mr. Secretary.
A. Nice day.
Q. Yes, so far.
A. I will try not to spoil it.
Q. There has been a lot of straightening out of the record. Have you anything to straighten out?
A. No, the Treasury record is always straight.
Q. I am sure it is.
A. I don't even know what you are referring to.
Q. Well, Senator Harrison, last night, following the President's press conference the night before, detailed incident after incident and represented the Hill as accepting the idea of the Treasury to take the business deterrents out of the tax bill—out of the tax legislation.
A. All I can say is this; as between Senator Harrison, Congressman Doughton or Congressman Cooper and the Treasury, we stand just where we stood when we exchanged letters and the Treasury is ready and anxious to have an opportunity to lay our tax studies before the proper committees. The conferences which Mr. Manes and I attended at the White House with Senator Harrison and Congressman Cooper, I felt were constructive and that we made progress.
Q. Mr. Cooper said yesterday—I talked to him yesterday at the Capitol—he said he is waiting for the Treasury to make suggestions and I told him you were waiting for him to invite you up there.

A. If you will read the two letters—and this is for background—if you gentlemen will go back about a week, I think I said—you asked me when did I think I would go up, and I said there were two things. In the first place, I am going away Friday night; second place, the Chairman of Ways and Means is ill; and in the third place, until Social Security is out of the way we can't testify. Those are the three things that—then somebody said, "Well, that means about the middle of April." And I said, "Yes, I would say about the middle of April." I am going up tomorrow to testify on Social Security, so that comes first. And I would say that this whole thing—still for background—is proceeding just as fast as can be expected. Now, again for background, there is nothing—there are three groups involving the White House, Congress, and the Treasury, and I would say that they were making progress just as rapidly as possible and nobody is waiting on anybody else and just as soon as the Ways and Means Committee clears its docket and has taken action on Social Security,
I take it that they will invite me up there and that's my understanding. So I would say the thing is moving in a steady way and just as rapidly as possible. So everything is going on schedule.

Q. Can we use that sentence for quotation?
A. What's that?
Q. "Everything is going on schedule."
A. Yes, and you can say it's proceeding in a steady way. I think I am right that I said this a week ago, that there were three things and we could not possibly get to it until the middle of April.

Q. Yes, that's right.
A. Is that helpful?
Q. Yes, sir. Can you say whether the tax bill will be a Treasury bill, administration bill, certain Congressman's bill, or whose bill it will be?
A. Again, I think I said that anything as to what kind of a bill, you will have to wait until the Treasury appears before the Ways and Means in the House.

Q. I think the thing that Mr. Perlmutter is trying to learn, and I think everybody's interested in knowing, is whether this is going to be, in what kind of bill, whether it will be an administration sponsored bill or Treasury sponsored bill, or something of that sort.
You people have seen what procedure I use when I have gone up before—I am now talking off the record—and I think that when you see what procedure I will follow tomorrow, it will give you again a pretty strong hint of what the method is that we will follow and the method we follow tomorrow on Social Security is according to the regular routine that I have followed and I think we will follow the same method when we appear before the Ways and Means again. I have been here five or six years and we have always done it the same way and we will do it again the same way.

Q. Are you going to have a prepared statement for tomorrow?

A. Yes, I will.

Q. Available down here?

A. I don't know how Herbert handles that.

Mr. Gaston: I guess we can have it available both places.

Q. What phase of the Social Security matter will you talk about?

H.M. Jr.: I think you will have to wait until tomorrow.

Q. Anything on appointments yet?

A. No. Are you satisfied on what I said?

Q. Yes.

A. Does that help?

Q. Yes, it clears the whole situation.

Peace!
A. Still a happy day.

Q. Except details of the bill. Of course, I am like everybody else.

A. Like everybody else, yes; but not until the middle of April, which is my guess. I don't know how quickly they can get rid of Social Security.

All right, any other worries?

Q. I just wondered if anybody asked you if your bill overcame the objections the President mentioned yesterday about this "little business status" and all the rest of it.

A. Again you gentlemen will have to be a little patient until we go up.

Q. There seems to be a real question whether the capital stock and the excess-profits taxes can be repealed and the loss made up by increase in the flat or regular corporation tax rate. It seems that some people have been frightened by the figure which the corporation tax rate would have to go to if you took the burden off capital stock and excess-profits taxes and placed it, superimposed it on that tax.

A. I am sorry I can't help you out on that. You will just have to wait until we go before the Ways and Means.

Q. Another thing, how did the returns, the collections, show up on the undistributed profits tax?
A. I don't know that but returns on income tax are running considerably above our estimates.

Q. But that other thing would seem to be rather strategic.

A. I am not dodging; I just don't know. I really don't know, but total returns from income tax, corporate and personal, of March 15th are running considerably ahead, and I think largely due to the fact that fourth-quarter reports on profits were better than expected.

Q. Mr. Secretary, does the fact that they are running ahead create a more favorable situation for the tax legislation which is in progress?

A. I certainly would say it makes it easier rather than more difficult.

Q. Would you say the more favorable showing was due in any measure to the new taxes in themselves?

A. No. I think it is largely due to the fact that earnings of the fourth-quarter were much better than anybody thought they would be.

Q. Wouldn't the key to the situation be the effect of its modifications in the '38 tax bill of revenues. In other words, does the modification of the undistributed profits tax result in any increment in collections or decrease in collections?

A. I haven't got those figures and I suppose when we do go up on the Hill they will ask for them and we will
furnish them, but I just haven't got them about.

Nobody has them because all of these returns, they are all in the field and it would be a mechanically impossible proposal to analyze them. I am not avoiding it; nobody knows it.

Q. You expect to have them by tomorrow?
A. Oh no. Oh no. If we have them in thirty days Internal Revenue will be doing a wonderful job. Until they can get those in and typewrite those—it's a terrific job.

Q. Can you say whether the increase is due to corporate paid taxes or individual paid taxes?
A. No, I am just saying from the various figures we have and other statistical organizations, it's a matter of record that earnings of corporations in the fourth-quarter were better than anybody expected.

Q. How much has ear-marked gold increased above the six hundred seventy million in February?
A. I don't know, but it appears in the Daily Statement.

Q. Not ear-marked?
A. Oh, ear-marked. Oh, I don't know.

Q. Federal Reserve gives that out.
A. Do they? I don't know. I just don't know those figures.

Mr. Gaston: Yes, Federal Reserve gives that out.
H.M. Jr.: I'll tell you fellows, off the record, an amusing story. When I was in Chicago ten days ago over the weekend, newspaper men wanted to see me and one man who considered himself a financial reporter started to question me on the Daily Statement. I knew if we got in on the Daily Statement I would never get out of the conference. I would be there the rest of the day. So I said, "Haven't you got a Federal Reserve Bank here?" He said, "Oh, yes." I said, "You go to the Federal Reserve Bank and if they can't explain it, you send me a telegram collect and I'll send Herbert Gaston out to explain it to you." I said it would be worth the price of the telegram to find out whether the Federal Reserve in Chicago can explain the Treasury Daily Statement.

Q. Have you gotten the telegram?
A. No. No telegram received, so I suppose Chicago is all right.

Q. Is Dr. Viner working here, helping out these days?
A. He's here, dropping in for a couple days to help and has been very helpful.

Q. On taxes?
A. He's been helping particularly on Social Security. I have not only Dr. Viner but Professor Douglas Brown too; both helping on Social Security.

Q. Thank you, Mr. Secretary.
What is the state of the nation?

Well, you fellows ought to know—you have been around for a couple of weeks.

Mr. Secretary, have you been invited up the House committee yet on taxes?

Nothing other than the letter which I had from Senator Harrison and Congressman Doughton.

When was that? Very recently, just before you left?

More than that—about three or four weeks ago.

What is the latest situation on taxes now?

Well, I suppose—I don't know—that when they get through with Social Security they will invite me to come up there.

That is in the nature of an invitation, Mr. Secretary, that letter?

Yes.

I just wanted to know if you were all set; if they called you tomorrow could you go up?

That would be a little bit quick. I would need a couple of days' notice but I will be ready when they are.

With recommendations?

I will be ready when they are to go up on the Hill.

Well, will you have recommendations?
A. Well, I mean, I will be ready when they are.
Q. Did you have some tax conferences today, Mr. Secretary?
A. I saw Roswell Magill around.
Q. He was here. You saw correctly.
A. He said you had some tax conferences.
Q. You did confer with him, didn't you?
A. Yes.
Q. Any one else? As long as you've got Roswell Magill here would you give us the rest of them?
A. Dr. Carl Shoup.
Q. Is he here regularly at the Treasury?
A. No, he used to be.
Q. Where is he now?
A. Columbia University.
Q. There is one plan that you people are working on—substituting a single corporate tax in lieu of some of these other taxes and taking no stand at all on the undistributed profits tax. In other words, the excess profits and the capital stock tax would be substituted for say a two per cent rise in the straight corporate tax. I know that is what you were working on.
A. Well, then why -- ?
Q. Are you still working on it?
A. I see.
Q. Are you still working on it?
A. It's O.K.
Q. I wonder if Eric beats his wife.
A. Thank you very much.
Q. I don't have a wife.
A. He'd beat anybody's wife.
Q. Very much obliged. That takes care of that issue.
Q. Are you still working, Mr. Secretary, on a proposal
to consolidate all corporate taxes?
A. That's wonderful. Gentlemen, to make it easy for me
and you, I don't think anybody will be making a statement,
on or off the record, in the Treasury as to what I will
say when I receive my invitation from the Hill, and I
think you gentlemen will have to wait until I make my
appearance on the Hill just as you did in the case
of Social Security.
Q. Mr. Secretary, in view of the increasing seriousness
of the international situation, do you think it
advisable to increase your present working balance
or to take steps to keep it high?
A. The working balance is large enough for any possible
contingency.
Q. If you don't borrow you indicated you had enough
money to last through until next Fall standing in
your working balance now—or will have—I will put it
that way.
A. Yes.

Q. That, of course, will be drawn down in the next few months and would that still be sufficient because there is a possibility the situation is going to get worse. You are taking all these various possibilities into consideration—probabilities?

A. Well, all I can say is what I said before. Our working balance is sufficiently large to take care of any possible contingency. What our plans are with regard to June financing I don’t know—I just don’t know.

Q. Mr. Secretary, has the Treasury, or have you, any proposals to consolidate the monetary powers of the government in line with Mr. Eccles’ suggestions in this morning’s papers?

A. No, we have no plans. I haven’t been working on it and nobody else, as far as I know, in the Treasury has been working on those lines.

Q. Do you agree with him—the powers are overlapping and confusing to banks and ought to be renovated?

A. Well, I only had a chance to read the statement today in the paper and I really haven’t had a chance to formulate an opinion. We haven’t been working in the Treasury along those lines and I read the statement in the paper and haven’t had a chance to discuss it with anybody.
Q. Academically, Mr. Secretary, do you think it's a good thing—there should be a division of power over monetary matters?

A. All I can say is, repeat what I said several times to Senator Glass. The kindest thing he ever did for me was when he had me put off the chairmanship of the Federal Reserve and I thought he did a great service and I haven't changed my mind.

Q. Mr. Secretary, if you don't mind, I don't think that quite answers my question. I am wondering if you had any idea yourself as to whether powers are sort of confused and need any clearing up.

A. Well, as I say, I haven't been thinking along the lines—as far as the Treasury is concerned, we are not confused as to what our duties are.

Q. Mr. Secretary, I think in the letter on gold some time ago you made some reference to the need for, that is, the monetary authority should have additional powers to deal with the credit situation.

A. I doubt that. You may be right but I don't remember it.

Q. There is some reference like that in that letter.

A. You may be right but I would like to see it. I don't remember that because, as I have said on the Hill both before the House and the Senate, we have got all the authority we need to carry out our duties here; the
only thing we are asking for is extension of the
Stabilization Fund and the President's right to
devalue the dollar and the Silver Purchase Act.
Now, outside of that, we are not asking for anything
and the conditions remain as they are, but we don't
need any additional authority.

Q. You don't need any additional powers?
A. If the conditions remain as they are.
Q. What conditions? You mean domestic or international?
A. International.
Q. You mean in addition to the Stabilization Fund,
devaluation and silver purchase?
A. Yes, we are not going to ask Congress for any additional
powers if the situation stays the way it is in the world
at present. In the Treasury we have got all the power
we need to do our job as we think Congress and the
President wants us to do it.

Q. Of course, in this letter you pointed out there was no
prospect of inflation as a result of the large amount
of excess reserves. That, of course, has been pointed
out by Mr. Eccles but there was some reference to the
need or necessity for provision for adequate powers in
the event the time would arise when injurious inflation
might threaten.
A. Do you mind if I ask somebody because I don't remember it.
Does anybody remember my issuing such a statement?
Q. I am speaking about the letter on gold.
A. I know, but does anybody know that I made it. I have absolutely no recollection. I may be wrong. I just don't remember it. Does anybody remember my making such a statement?

Q. You went into it very thoroughly and touched all contingencies.
A. It is possible—I just don't remember it. Why don't you look it up and take it up with Herbert Gaston afterwards?

Q. I know it's somewhere in there.
A. It's thirty-odd pages.

Q. Mr. Secretary, to go back to that Federal Reserve Board statement, they indicated and say that Congress intended the Reserve Board to have the powers over money and credit and in that part there they go farther along and say the powers of the Treasury far outweigh those of the Board. Do you agree with that statement?
A. Oh, I don't—. I am at a disadvantage because I haven't had a chance to study this statement.

Q. That's all it is; you know what the situation is, whether they issued the statement or not.
A. Well, I don't want to get into a public argument with the Federal Reserve Board.

Q. You might as well.
Q. They are having a public argument with you.
A. That's all right; we are pretty busy around here—lots of things to do, and I just don't want to get into a public argument with them.

Q. Mr. Secretary, another angle of that Board statement—is the Interdepartmental Committee working now on these bank bills?
A. It is there; it exists, but nobody has asked me to call a meeting, but if any banking question comes up before I take a position I certainly would call such a committee group and confer with them and ask them for their advice before I took any position. That is what I have always done—perfectly informal committee—but before I take any position I would ask them to come in and discuss it as long as it is necessary.

Q. That would operate on that statement too?
A. Anything; we've got a fiscal and monetary committee that takes up monetary matters; we've got a banking committee and a committee on lending agencies and before we take these things we thrash them out and try to come to some sort of an agreement, but I haven't taken a position on any banking matter this year so there is no reason to ask the group to come in, but before I do I will ask them.
Q. The Stabilization Fund and the powers over the gold and silver are in there.

A. I testified four or five times up on the Hill on those questions and other people in the Treasury testified so anybody in Congress who had anything to ask had ample opportunity to ask us and if the Federal Reserve Board had anything to say along those lines I should think the place to do it would be before these committees.

Q. Are you likely to call your fiscal and monetary committees together on this question?

A. I haven't got any question right now. We are very busy here doing the job the best we know how and I haven't got anything to bring before them at this time.

Q. You don't anticipate any banking legislation at this session, do you, Mr. Secretary?

A. I wouldn't go that far; I don't know.

Q. Has the Treasury commented officially on the Brown Bill?

A. Before I would, I would ask the people who had to do with banking agencies to sit down with me and talk about it, but we haven't had that question.

Q. Have you had that question of consolidating agencies?

A. I don't know. Have we, Herbert?

Mr. Gaston: Yes, we have had a request; there has been no reply yet.

Q. Before you reply ---
Q. The Stabilization Fund and the powers over the gold and silver are in there.

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Q. Have you had that question of consolidating agencies?

A. I don't know. Have we, Herbert?

Mr. Gaston: Yes, we have had a request; there has been no reply yet.

Q. Before you reply -- --.
A. I will ask those people to sit in with me and we will discuss the whole question.

Q. Is there anything in the international situation that would require a re-survey of the Tripartite Agreement?

A. Not as of today.

Q. Have you called for any conferences on that at all in the near future?

A. No.

Q. Mr. Secretary, all the trade of Albania is small and the amount of gold they may have is small, if any. Has the Treasury any intentions of enforcing restrictions of any sort against former Albania as a result of the coup over there?

A. I think you will have to get that from the State Department.

Q. You couldn't say anything yourself?

A. No, I don't know whether the case is the same or not, but the State Department notifies us if any such action should be taken and we haven't received any notice and I don't know that we will. I don't know if the situation is analogous to Czechoslovakia or not.

Q. Have they any gold over here?

A. I don't know.
Q. Mr. Secretary, to get back to Mr. Eccles, he recommended specifically that Congress undertake a survey to determine the overlapping. Would you think that would be a good thing to do?

A. I just don’t know. I mean, I have got all the machinery I need to do my job and when I appeared before these committees repeatedly no one on the Hill had any criticism as to what the Treasury was doing in its day to day operations, as far as I know; I have got all the machinery I need and I am trying to do the best I can.

Q. His statement involves the Treasury, Federal Deposit Insurance, Comptroller of the Currency; wouldn’t that be a matter that might come before this inter-departmental committee?

A. Personally, I think it would.

Q. But it hasn’t?

A. But it hasn’t—that’s all. In other words, I am trying to do my job and I am tending to the Treasury’s business the best I know how.

Q. And you weren’t consulted on it at all and neither was the committee?

A. No.

Q. It wasn’t mentioned at the White House at any time since you’ve been there?
A. I can only repeat what I have said: The first I knew about it was what I read in the papers.

Q. Do you regard monetary control as an essential thing to be divided between the Treasury and Federal Reserve Board?

A. I couldn't answer that.

Q. It is now, of course, an issue often pointed out because any question of monetary control naturally necessitates conferences with the Reserve Board and cooperative action and I wondered if you felt that that was essentially necessary.

A. I will try to paraphrase what this judge here in the District said when they brought up this question of our giving the reports to the SEC and he said that these various agencies and departments were like the various cells in the same brain and they should cooperate, and I think that that was a very excellent statement and that is the way I feel and that is the way I try to work with the different agencies. I feel we are all cells of the same brain and working for the same Administration and we should cooperate and that is what I am trying to do.

Q. Mr. Secretary, have you any information as to what is becoming of certain resources the Czech Government had in our Federal Reserve Bank at the time their government - - ?
A. No, but for your information for background, it was a very small amount.

Q. Nothing comparable to the amount of gold they had in the Bank of England?

A. I don't know what that was, but in terms of government, I mean, I think it was (for background) I know it was less than a hundred thousand and I think it was less than fifty.

Q. To the credit of the Czech Government?

A. Of the government.

Q. They have a national bank, have they not?

A. Yes, but I mean the national bank—to the government's credit—I know it was less than a hundred and I think it was less than fifty thousand, and in terms of government money it was very small.

Q. Mr. Secretary, has the German Government made any indication to come forth and try to settle this countervailing duty action?

A. Well, I have been away for two weeks and I don't know. Mr. Gaston can call up Customs and ask them. They may have but if they have I am not familiar with it. He can call up or you can call up.

Q. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, APRIL 13, 1939 (10:30 A.M.)

Q. Mr. Secretary, on the big meeting here last night
with S.E.C. officials and Mr. Wallace, can you
tell us about that?

A. What have you written?

Q. Nothing very authoritative, I am afraid.

A. The best way to handle this, from my standpoint,
is first to talk to you strictly off the record
and then we will see where we are at. Right?

Naturally, I read the papers and see what's going
on in Europe and what we are trying to do here —
the various agencies involved — is to be ready
if there should be a blowup in Europe. Now, the
fact we meet does not mean that anybody in the
Government thinks there is going to be, but it
would be the height of stupidity with all this
going on in Europe for the Administration not to
be ready. Now what do we mean by "ready"? We
want to do everything possible to make business
go on as usual; to protect the American investors
from the shock that might come if there was a war
in Europe, and we are exploring all possibilities
as to what the Government can do to cooperate with
business to soften the shock.
Now, why don't I want to go on the record? Because, if I go on the record and say that people are jittery, some will interpret it that the Administration thinks there is going to be a war and they are getting ready for it and they begin immediately to dump their stocks to beat the gun because where one's pocketbook is involved they are selfish.

Some people in the Administration have already said there will be a war and that story has been written, that this is the nature of these conferences. I got called back from it today. As a matter of fact, the story is already in print.

A.
What story?

Q.
Exactly that preparations are being made to take care of war emergencies, including stock exchange regulations or control. Mr. Purcell's office will tell you I called this morning about that very same story. He's head of the Trading and Exchange Commission. You may recall last fall at the time of the Munich crisis you were willing to say something about keeping the stock market open. Is there any reassuring statement you can give?

A. That's what I'm trying to think.
Q. Is this a similar session this morning?
A. Yes.

Q. Same group?
A. Bigger group.

Q. Federal Reserve of New York?
A. Yes.

Q. State Department?
A. Yes.

Gaston: It seems to me it would be rather better to simply ask the boys not to overdo the story and not to make it a matter of direct quote.

Q. We could say Treasury officials.
Why can't we make it Administration?

H.M. Jr.: Administration rather than Treasury, because it is the administration.

Gaston: Continuing exploration of what is necessary to keep things on an even keel that was started at the time of the Munich crisis.

H.M. Jr.: And you can say fairly authoritatively that the Administration would do everything to see that business continues as usual.

Gaston: And this is not based on any new disconcerting news. It's just a well-known situation which exists.
Anybody who reads the newspapers knows what's going on, but the efforts of the Administration are towards seeing that business continues as usual and to soften any shock that might come — something like that, and I would make it the Administration and not the Treasury.

Q.

Yes.

A.

But the point is, after all, you people are as much interested as I am. What we are trying to do is to keep people from being frightened and I don't want to let any stories go out that are going to frighten anyone, and then some smart fellow get busy and start selling — like Friday, a week ago, somebody said at 1:30 something would happen and everybody got busy and started to sell. We don't want any false rumors. The thing we are doing, as I see it, we are trying to do the constructive thing and to be helpful, and we don't want something to come out of here which would seem as though we are worried. I don't look worried; I don't act worried, and all through September we worked day and night to see that things were kept at as even a keel as possible and we have been able to do that.
Gaston: I think it might be desirable if they could avoid the use of "war" or "European war".

H.M. Jr.: Say "unsettled conditions".

Gaston: It was brought out this morning that there might be some crisis like the Munich crisis that would unsettle things and necessitate cooperation to keep things on an even keel, a crisis short of war, so I don't think we need to use "war".

Q. We have to refer to these conferences.

H.M. Jr.: You don't have to say Treasury. There are conferences going on in the Administration because everybody has agreed not to talk and if I talk somebody will say, "Morgenthau talked." Why don't you say that conferences are going on within the Administration. I suppose they are going on all over, each person looking after his responsibility.

Gaston: Those conferences are directed towards maintaining business on an even keel in spite of any crisis.

H.M. Jr.: Everybody is bending their efforts to keep the markets open.

Q. If you wanted the story to be reassuring, it might be better to tell us some of the things you could do.

A. Nobody around here wants to slap on a lot of regulations. We consider ourselves the world financial
center and we want to live up to it, and everything is looking forward to keeping the markets open in a steady manner. That's the approach of the Administration. That's the approach — it isn't the Treasury. It isn't just myself, it's the whole group. As Herbert says, it isn't war; it's any undue shock. It might be an earthquake or something and it might — some bombs blew up a couple bridges in London — it might be something else would happen that would frighten people and it's just to take care of an emergency.

Q. Do you contemplate the necessity of any additional legislation or have you sufficient authority?

A. Nobody had raised the question of legislation. In the talks we have been having no one has mentioned legislation.

Q. Could you make a statement as coming from yourself that foreign holdings here are so comparatively small that even their liquidation wouldn't......

A. No, I wouldn't want to be quoted. I couldn't be more frank.

Q. No.

A. I don't want, frankly, some other member that has been here saying, "Morgenthau talked and why can't I talk"? It happens that we had a 9:30 meeting.
Was the White House represented at any of these meetings?

A. Through me.

Gaston: There is nothing that we can do to prevent you from writing a sensational story that would be upsetting to people. We can only rely on your good judgment and good conscience to write a story that would not be.

Q. A reference has been made in the press — yesterday, as to these conferences.

H. M. Jr.: I didn't say that.

Q. Mr. Friedheim slipped that over on us.

Friedheim: I wrote that last night. Very little I can do.

H. M. Jr.: At 11 o'clock — on the record — the interdepartmental committee will meet to discuss banking legislation.

Q. Did Eccles report any recommendations?

A. Banking legislation in general, on the record.

Q. That includes, I presume, the Brown Bill?

A. The Brown Bill, or what is the attitude of the various agencies involved towards banking legislation. I have never discussed it with them. I am going to try to find out.

Q. Could you give us the names of those on the committee?
A. Those who are coming at eleven?
Q. Yes, sir.
A. Ecolos, Jones, Mr. Crowley, Preston Delano
and Hanes.
Q. Is Farm Credit on that?
A. No.
Q. Chairman Fahey on that?
A. No.
Q. Have you anybody lined up for any of those
assistant secretaryships?
A. No.
Q. You are looking for a business man?
A. Yes. Have you a candidate?
Q. I have four of them. They all have good jobs and
lots of money. They wouldn't be interested in
the Treasury; no money here.
Q. That's what I hear the trouble is.
Q. For background, on this other story that you were
talking about, there is no doubt that all, every
phase of our economic life was surveyed, securities
markets, commodities markets and....
A. All markets and any place that anybody would have
anything to buy or sell.
Q. For exchange?
A. Yes. Anything that is a question of buying or selling.

Q. Have you any dollar man up your sleeve?
Mr. Hopkins has jumped the gun on that already.

A. When they come to work for me they come to work for love.

Q. Not the dollar?
A. No.

Q. Thank you, Mr. Secretary.
H.M., Jr.: At your service.
Q. Any news today?
A. Nothing I can talk about.
Q. You are still having some meetings with that group that was in last week?
A. Yes.
Q. When did you hold your last one?
A. What's that to you?
Q. If you want to know, I am looking for news.
A. The last one Saturday afternoon.
Q. God! Somebody lied to me Saturday night. How about the interdepartmental banking conference, Mr. Secretary,—any agreement as to anything?
A. Unfortunately not, but I have hopes. I am an optimist.
Q. When are you meeting again, Mr. Secretary?
A. I have nothing scheduled. We will talk things over and we may get together again this week.
Q. Anything you can say about your luncheon conference with Secretary Hull and the President?
A. No.
Q. Can you say anything about the tax case involving Moe Annenberg?
A. As far as I know I have never discussed a tax case since I have been here.
Q. Just trying for a precedent.
A. I wish I had something. No, we haven't discussed it and won't.
Q. Mr. Secretary, the sub-committee of the Senate Banking and Currency Committee specifically requested information on the Brown bank examination bill. Have you transmitted to them your views?
A. That's one of the things we took up at the inter-departmental meeting and we are in the process of making up our minds how we will handle it — whether as a committee or each agency handle it on its own.
Q. You are betting on the latter though, aren't you?
A. Well, off the record, the Federal Reserve has made an annual report and followed it up with a letter. It's sort of hard on the rest of us — off the record — to make it a joint report, especially if you see that chart with all the criss-cross lines on bank examinations.
Q. How about taxes? Any word from up there as to when you will appear?
A. No, not even a murmur.
Q. Well, that gives you more time. Did you hear anything about the problems of the deliberation of the House Ways and Means Committee on the amendments to the Social Security?
A. I have not, no.

Q. I thought they might clear that so you can go up there.

A. That, of course, is what we are all waiting for.

Q. As Commander in Chief of the Coast Guard have you sent part of your fleet over to the west coast?

A. No.

Mr. Gonzon: We never withdraw our fleet from the west coast.
Q. Is it true, Mr. Secretary, that you are opposing the transfer of the RFC to the Commerce Department?

H.M. Jr.: Well, you can't oppose something — you can't fight a ghost.

Q. Do you believe it?

A. Ghosts? Do I believe in ghosts?

Q. Did you call it ghost or goat?

A. Did you see that Mickey Mouse — that ghost movie. Did you see that one when he tried to play a lot of ghosts and wasn't that cute?

Q. You don't believe in ghosts?

A. Well, I don't know how to fight ghosts.

Q. I don't think there's a ghost story about this. As I understand it, that actually is under consideration and certainly that matter would have come up here in discussions.

A. Nobody has discussed it with me.

Q. Nobody has discussed it with you?

A. No, let me put it this way: It hasn't come up here. Let's put it that way. The matter has not come up here.

Q. Has your interdepartmental banking group talked about consolidation of banking agencies under the reorganization program?
A. The only thing that we discussed was, for background, the so-called Brown bill; you are familiar with it.

Q. The Federal Reserve?

A. Well, I mean that particular Brown bill — how we would handle that.

Q. Have you rendered a report on that?

A. No, we have not. I am still waiting to hear.

Q. Have you decided whether it can be done that way — by the committee?

A. Well, I am still waiting and we have been circulating a lot of stuff around and evidently they haven't come to an agreement because it hasn't come to me yet.

Q. Do you think it would be feasible, Mr. Secretary, to put the RFC in the Commerce Department? I am giving you a big opening here.

A. Thanks. I am not going to discuss it.

Q. You wouldn't discuss it?

A. No.

Q. You think it's doing all right the way it is?

A. I am just not going to discuss it.

Q. Well, of course, it's quite feasible in view of the fact that the demands for small loans to business on the one hand and Mr. Jones' so-called apathy to make loans to small business --.
Q. He just cut the interest rate.

A. Well, gentlemen, I appreciate the wide opening you are giving me but I am not prepared to discuss it.

Q. You say the thing hasn't come up here at all?

A. I haven't been asked for my opinion so I am not prepared, not having discussed it.

Q. You previously told us you thought the credit agencies of the government are pretty well able to take care of the demand there might be for credit.

A. What I think I said in recent discussions, what I have said was, when you men asked me about the Federal Reserve, I think I said as far as the Treasury is concerned we have all the facts we need to do the job.

Q. I was thinking behind that one — the plans for intermediate credit agencies.

A. That must be a year ago. So many things have happened since. You are asking me about something I read in the papers and no one has asked me officially for my opinion.

Q. Unofficially, have they?
A. No, I am just saying that I can't go any further.
Q. Has there been any discussion of this thing around the Treasury?
A. You will just have to be satisfied with what I have said so far.
Q. There's something in the wind.
A. Maybe it's gone with the wind.
Q. Got to keep us straight on it.
A. I am keeping my lines straight anyway.
Q. Have you given any informal opinion on this thing?
A. No.
Q. Mr. Secretary, do you still expect that the lending agencies will be affiliated with the Treasury as was contemplated in the original Brownwell report?
A. Gentlemen, you are just ahead of me today.
Q. To get back to what I suggested before, it seems to me that you specifically called our attention to the fact that the Federal Reserve has certain lending powers to make certain kinds of loans to business.
A. That's right.
Q. And that the RFC also could do it and you cited those two things and some other lending facilities and the answer to the suggestion at that time that there should be more credit facilities offered by government to business.
A. Frankly, you've got me. I just don't remember and if it's a year ago that's a pretty good excuse. I am just not prepared to discuss it.

Q. Mr. Secretary, have Senator Harrison or Cooper or Doughton been up here in the last week or so?

A. No.

Q. Have you received word you may be called up there soon on taxes, say within a week?

A. I don't think they know when they will be ready; I don't think they know.

Q. Have you received any indication of any kind?

A. No.

Q. You are ready, aren't you?

A. Am I? You were pretty positive the other day and my position is just the same. Whenever Mr. Doughton is ready -- I haven't changed -- I am ready. Isn't that what I have been saying right along?

Q. Yes.

A. I will be ready when he wants me.

Q. Mr. Secretary, in event of a crisis abroad which stock exchange will be closed in connection with your plan to keep the market open?

A. You fellows have got a lot of things to worry about, haven't you?
Q. Did you see Bob Kintner’s column yesterday about closing down the banks for twenty-four hours if war is commenced? Is there anything to it?

A. All I can tell you gentlemen is this: As you know we had several meetings here. It was agreed we were meeting for the President — this is for background — and that we would report to him, which we did, and when we went out, as far as I know, I don’t think anybody said anything to the White House press.

Q. That is right.

A. Yes, and as far as I am concerned, I can’t discuss it; it’s the President’s business.

Q. Can you tell us, for background, whether there is anything to it or not?

A. I am sorry.

Q. Did that wind up your investigation? When you reported to the President everything was fixed up, wasn’t it?

A. I would say when we reported, we reported what progress we had made.

Q. Did you feel everything was o.k.?

A. Well, I mean, he gave us a job to do and we completed the job.
Q. It's all over now?
A. Yes.

Q. Has the inflow of foreign funds abated somewhat?
A. I am not up to the minute on that.

Q. Yes?
A. But I don’t think anybody went out of the White House and said anything.

Q. A question has come up. Some of these foreigners have been shipping gold here via South America in order to cover up capital changes moving out of those respective countries. Now in case of war can the governments of the countries involved in a way, if they asked the Treasury to make known to them these holdings, would you tell the governments?
A. I can’t discuss it.

Q. Have any discussions in that connection come up?
A. I am sorry, I can’t discuss it at all.

Q. Have you thought of that?
A. You are going into thought transference and psychoanalysis and all the rest of it — that is going a little bit too far. We do have television.

Q. This isn’t television. You might say whether there would be any change in present policy in that respect.
A. Well, I am not going to try.
Q. For example, some Argentine gold came in the other day — about $10,000,000 — the first shipment since 1932 and they suspect that most of the metal is coming out of Belgium, Holland and Switzerland and going by South America to the United States in order to cover up and I don't know what the policy has been in the past. Would you turn over all this information to the governments?

A. As for your premises, your premises is wrong.

Q. What premises?

A. That it is going from Europe to the Argentine.

Q. It isn't? Then you have been watching.

A. What do you suppose I do day and night? I mean, I've got all the answers to your questions but I am not at liberty to give it to you — that's all.

Q. Has it been discussed at all with the British authorities?

A. I can't discuss it, but I know what is going on every minute and if I didn't I wouldn't be doing my job.

Q. That gold from Argentine was an accumulation of British gold down there.

A. No. For background purposes, the explanation of that is very simple. I mean, they have a problem
of maintaining their rates; in order to maintain
their rates they have to sell gold in order to
get dollars. It's just a question of stabilizing
their rates. There is no great mystery about it.
I mean, there is no great mystery about that.
Just between other countries they now find them-
selves in a position that they want to stabilize
their rate; in order to do it they have got to
sell gold for dollars.

Q. Argentina has very little gold.
A. You are wrong.
Q. For several years there is none and then in a
crisis a lot of gold comes from there.
A. They've got foreign exchange rate troubles and
the only way they can maintain their currency
is by disposing of gold for dollars. That is
right. I hate to spoil a perfectly good story.
Q. This is really sinister, this report.
A. Subversive? Or just sinister?
Q. The Germans, according to the papers this morning,
have got a deal under way with Mexico whereby they
sell arms to Mexico for oil barter and the arms
are sold by Mexico to China for silver and Mexico
presumably sells the silver to us. Did you hear
about that?
A. What paper is that in?
A. I haven't read it. I couldn't comment on it.
Q. Would it be fair to assume from your comments on
the White House conference that there are no
further conferences scheduled either there or -- ?
A. To be perfectly fair, we were asked to explore the
situation — this isn't for direct quote, please —
we worked at it for six days and six nights and
when we had completed the exploration we made a
report to the President and that ends that. Now
all of these things are being done in case of
some unforeseen event there. That particular field
was covered and we put it in a safe and forget about
it.
Q. The fire escape is all right.
A. Oh, parachute, for a happy landing.
Q. Safe landing?
A. Yes.
Q. To return to this idea of disclosing foreign hold-
ings in this country, one of your gold experts
told me that a long time ago, I guess it's well
known, holdings of Italians and Germans particularly
were not divulged to those governments for the
reason this country doesn't feel obliged to submit
that information so they can sequester these funds held over here. I was wondering whether or not there would be any change in that policy or whether you would divulge that information to Germans, Italians or any other governments in the event of war.

A. I am not wondering.

Q. Well, we are.

A. And I can't help you out, I'm sorry. I can't help you out.

Q. In your studies have you found out what they did in 1916?

A. We are entirely familiar with what went on.

Q. Wasn't that a different situation then?

A. In some ways it is and in some ways it isn't.

Q. It would be different this time.

A. But just so they can get — if I may go off the record again — everything that is being done here is just one thing — to protect our own domestic interests and in case something should happen, and we are not saying it will or won't (certainly I hope it won't) and everything will go on as nearly as usual as possible, and I want to thank you men for the way you wrote the
story last week because you certainly did a beautiful job and what went out was quite a reassuring story to our own people. That is the tone we like to keep. That is the tone the newspaper men wrote the story in after we saw the President and I think the press has done a splendid job and I hope it can be done that way. Both the stories, after we saw the President, were very reassuring. There isn't anything domestically that I can find that isn't reassuring. We have taken all the steps to look after our own interests. There have been two stories and they have both been admirable. I hope you will maintain that general attitude. It does help. We don't want to get people unnecessarily disturbed. We want to reassure them and that is what we have been working for.

Q. May I correct you? There have been three stories.

A. What is the third?

Q. I wrote the first one on Sunday. (Gregory)

A. I stand corrected.

Q. Mr. Secretary, do you plan an early report on the Wagner Resolution to investigate the banking and monetary powers?
A. I don't know that I have been asked for one.

Q. Are you expecting that the President will get his powers over the dollar and stabilization fund? I see there has been a Republican attack on it.

A. You have got a good clean issue now. I mean, they are making it along party lines rather than along economic lines.

Q. Did you mean to intimate there would not be any change in present policy as far as divulging the funds is concerned?

A. I just didn't want to discuss it at all at this time.

Q. Thank you, Mr. Secretary.
H.R.Jr.: What can I add to this jolly afternoon?

Q. How about reorganization? Can you say what the Treasury has recommended in the way of organization either in or out of the department?

A. All I can say is we were asked by the Director of the Budget to submit suggestions and we did so this morning, and from now on I would say they belong to the President and the Director of the Budget. This we did in compliance with a request, Mr. Bell and Mr. McReynolds - Bell in his new capacity enjoyed walking down the hall and enjoyed delivering the Treasury's suggestions to Mr. Smith, but what they are, that's up to the President.

Q. Can you say whether they were strictly intradepartmental?

A. All I can say is that they only affected the Treasury.

Q. Are you considering any kind of certificate plan which would have the effect of processing taxes in connection with some foreign commodities?

A. No.

Q. No consultations with Agriculture people on that?

A. No, I didn't see the Agriculture people. For background, that was discussed — must be a month ago that that certificate plan was up.

Q. Is that up now, would you say?
A. May I ask, is it up again?
Q. That's what I'm trying to find out.
A. As far as I know it's not up. The last I heard was a month ago.
Q. You said your reorganization suggestions only affected the Treasury?
A. As they affect the Treasury.
Q. Might be pretty far-reaching.
A. Only as they would affect the Treasury.
Q. Would you say they involved agencies outside the Treasury at present?
A. We only discussed them as they would affect the Treasury.
Q. Do you expect to have any meetings this week in connection with the tax program?
A. Can't answer that, I'm sorry.
Q. Didn't you have one today?
A. I read a story yesterday that I had gotten a green light. I read that with great interest.
Q. Isn't that true?
A. I just read the story.
Q.WEREN'T taxes discussed today? How about across the street?
A. I wasn't across the street.
Q. Had to pay for your own lunch today.
A. Bad day. He had a newspaper publisher for lunch — one Roy Howard.

Q. Have you had an opportunity to look at these recommendations on the Brookings Institute study on reorganization?

A. Just the headlines, but I have asked for that and will read it very carefully.

Q. Could you say whether there is any change in the tax situation?

A. I am still waiting for the invitation from Chairman Doughton.

Q. Could you say, Mr. Secretary, any tax revision program will deal primarily with small or large business?

A. If I had my way, you gentlemen will have to wait until the morning I appear. I don’t know whether I will be successful but that’s the aim of the Treasury. That’s how mean I am.

Q. Could you say whether or not you believe help to small business would be more desirable than help to big business?

A. As I say, if we are successful we will try to withhold any information until the morning I go up to testify.

Q. Is your tax study completed?

A. You will just have to wait until I go up on the Hill.

Q. I wonder if you have any further conferences in prospect. Are you going to meet with Mr. Doughton or
Mr. Harrison this week?
A. I have no plans.
Q. Have they?
A. No.
Q. You say you are ready. Does that mean with suggestions or with your tax study?
A. I am ready to go up when Mr. Buehmann invites me. I have been ready for a month or six weeks but they haven't gotten rid of Social Security legislation yet.
Q. Would you care to comment on Mr. Eccles' testimony in regard to the silver purchase program, or leaving aside Mr. Eccles, the silver purchase program?
A. No, I had my chance to testify before the Senate and House.
Q. Of course, naturally there might be some surprise as to whether Mr. Eccles expressed the Administration's general point.
A. He has that opportunity almost every week.
Q. And naturally there has been a pretty general feeling that the Administration......
A. Well, you noticed the House passed the bill as it was written on Friday. That's one answer.
Q. You mean stabilization? Except for a report to Congress.
A. Yes, and they asked me about that when I testified. I told them it was entirely acceptable in my testimony.
They asked me if I was ready to accept that and I said, "Of course."

Q. I didn't understand that Mr. Eccles had any fault to find with that bill in his silver purchase program.

A. I try my best to run the Treasury and how well I do it, that's my job.

Q. This large in-flow of gold in recent weeks -- has that at all damaged the Tripartite Agreement?

A. No.

Q. In this connection there have been reports that if these small countries like Scandinavia, Holland, Belgium, Switzerland, lose large amounts of gold to this country, they might be forced to suspend gold payments, gold exports, and place embargos on the metal, which would be a direct threat to the Tripartite Agreement.

A. All I can tell you as of today -- everything is all right.

Q. Would you come in on the statement of the Guaranty Trust in their monthly bulletin that the proposal to sell gold to Brazil as worked out by yourself, the Secretary of State and Mr. Aranha offers a good precedent for redistributing the gold supply under the same conditions.

A. Well, I will just go this far. Naturally, I approve of what the administration did in connection with the
Brazilian Government and I hope that the opportunity will arise to make similar arrangements with other republics in South America.

Q. You wouldn't limit it to the republics in South America necessarily?

A. I think that's all right.

Q. Do you mean by "similar arrangements" the entire arrangement, Mr. Secretary?

A. Each country has its own particular problems and until someone of the the countries approaches us, I don't know, but I think that was a good formula and if another country has similar problems, I don't see why that same formula could not be worked out to the mutual advantage of both countries.

Q. Do you mean you hope the opportunity will arise to make similar arrangements with other South American countries or Latin American?

A. Why not say North and South American?

Q. How about the European democracies? Are they left out?

A. This is good enough for today. I think I can safely say it would be the Administration's policy to sit down with any country of North or South America if they approach us on a similar basis as Brazil.
Q. Are you planning to make a request to Congress soon for this five million dollar gold authorization to Brazil?
A. There's another one. If I can go off the record, I can give you the answer. If I can't, I can't.
Q. Could it be for background?
A. No.
Q. I don't know how the others feel, but we might ask the question this way — "If legislation would be all-inclusive to all countries that might come to you for similar arrangements"?
May I ask you one question on the record? Has any gold been sold to Brazil since this agreement?
A. No.
Q. I understand legislation is now under preparation.
A. I imagine so, naturally.
Q. What has held it up?
A. I am glad to tell you fellows, but it's got to be off the record, that's all.
Q. You said no gold has been sold and you supposed legislation is being prepared. Do you suppose also that legislation is under preparation as regards other countries?
A. No, we are not preparing anything, but I imagine the men have it all ready and drafted. If they haven't, I will be finding fault.
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Q. There has been no objection, Mr. Secretary, to your going off the record.

A. Well, the point is this — I had this understanding with Dr. Aranha that we are not to send it up to the hill until he sends a special representative here. He has asked us to wait and this special representative has not arrived. We are waiting on Dr. Aranha and he said when he got back he would send a representative of the Brazilian Treasury to work with us. But for reasons he did not explain, he did not want us to send it up on the hill, and naturally I don't want to get into a discussion — put him on the spot — why doesn't he send somebody up here, but the next move is from Dr. Aranha.

Q. You said you would be willing to discuss it with any other countries that presented it as Brazil did? Did Brazil present it or was it fostered up here? That's very important because if Brazil did not present it, we will go down there and present it to other countries the same way.

A. You are nailing me down too close. We have announced a policy and I am announcing it again here that we are glad to be helpful here and I don't want to be in a position that I'm trying to drum up trade.
Q. Would it be erroneous to say that you indicated that arrangements will be sought with other countries?
A. I will meet any fellow more than halfway, but I don’t want to be in the position of drumming up trade.
Q. Can you tell us whether plans are now in preparation for any other country?
A. I can’t answer that.
Q. How about the Chinese?
A. Where would they be in South America?
Q. To go back to the silver situation — I believe late last fall we were discussing the silver situation and you said the Treasury had a study which had been prepared and you might release it to us. I wonder if this is not an opportune time.
A. If I am correct, and I may not be, that was the study we made for the White Committee. This man White employed by Senator Fitts and others, and we made a very complete study and we gave it to them, as I understand it. I don’t know what they did with it.
Q. Could you release it now?
A. That’s up to that committee. The report is up there and he’s been up there for I don’t know how long. They can do anything they want with it. Most likely it’s in the ash can.
Q. Still off the record, any indication of why the Brazilian representative has not been sent here, or as to whether the plan for the Central Bank has fallen through?

A. I don't know, but he said, "Please wait until you hear from me and please wait until our representative arrives here to represent the Brazilian Government," but I haven't heard from him since he left so I am just waiting.

Q. Mr. Secretary, has the SEC asked you for any data on the German Government's finances regarding their unrecorded debt? They are holding up the regulation statement in connection with exchange.

A. I don't think so. I am not personally cognizant of any.

Q. Are these considerations involving other American countries inclusive of a plan whereby they might be able to pay for credit or gold through sending us raw materials?

A. Until we get down to it, until the State Department has announced they have taken it up with some other country, I have nothing to say, but we are busy all the time.
Mr. Bell also present.

H.M. Jr.: In behalf of the Home Owners Loan Corporation we announce that we will offer in their behalf on Monday new securities to refund the Series F 1¼ per cent bonds maturing June 1st and that announcement will be ready for you men Saturday noon for publication Monday morning.

Q. What is the amount of that issue?
A. $325,000,000.

Q. June 30, did you say?
A. No, June 1.

Q. Mr. Secretary, is there any plan of making an exchange offer on, I think, the series redeemable after August 1?
A. I've got an open mind on that.

Q. Mr. Secretary, what do you think of Senator Barkley's tax program that he announced on the Senate floor the other day? Did you read it? If you didn't read it, I can tell you what it is.
A. No, I read it. I have no comment to make.

Q. Have you been invited up to the Hill yet on taxes?
A. I have not.

Q. Could you say whether or not that is the Administration's program?
A. No, I have no comment.
Q. Mr. Secretary, could you elaborate on the statement of the President that the fact that the Treasury was preparing and would submit some general studies on taxes would not necessarily mean that the Treasury would make any recommendations?

A. No, I am not going to attempt to interpret that.

Q. You recall just before the Social Security testimony you said the method used in that testimony would be a precedent for this other statement.

A. I don't remember saying that.

Q. I remember you saying you would follow the same lines when you went up to talk on revenue.

A. Well, to make it easier for myself, I have nothing to add other than I am waiting to hear from Mr. Doughton and I am still in exactly that same position and nothing is changed and when Mr. Doughton and the Ways and Means are ready I will be ready, and it is exactly the same status as there has been over since that last time I appeared, March 24. There has been no change. Each week I make the same statement and when the Ways and Means are ready I will be ready.

Q. Mr. Secretary, the confusion exists as to whether the Treasury will make recommendations with regard to tax revision or only submit studies and data pertaining to what proposed taxes will develop in the
way of revenue. What is the precise situation?

A. You will just have to wait and be as patient as I am.

Q. Mr. Secretary, do you favor tax revision this session of Congress?

A. I can only restate the thing—I don’t know how often I have said it—I am waiting to be invited by Chairman Doughton.

Q. But you have already stated something about examination of existing tax legislation for the purpose of determining whether there are deterrents to business improvement in the current or present tax legislation.

A. Well, as far as I am concerned, in my relationship with the Hill nothing has happened which has changed my relationship, whether it was last week, two weeks ago or a month ago, since I received a letter from Chairman Harrison and Chairman Doughton. Our relationships between those two gentlemen and myself are exactly—they wrote me and I answered. Nothing has happened to change that and just as soon as the Ways and Means clears up Social Security I have every reason to believe that I will receive an invitation and nothing has happened that I know of between the Chairmen of those two committees and the Secretary of the Treasury to change that relationship.
Q. Mr. Secretary, do you recall the last tax revision took from November '37 to May '38?

A. Well, Congress wasn't in session in November, 1937.

Q. Well, they started the committee hearings.

A. And so what?

Q. It will look like the session will probably have to last until October or November. Mr. Secretary, it looks as if you are not taking a grave view of conditions abroad and undertaking this financing before Mr. Josef Beck's speech before the Polish Parliament.

A. Oh; I can't follow you. I mean, I understand you, but I can't follow you.

Q. Why can't you follow me?

A. Well, I think that I am pursuing a policy of business as usual, domestically.

Q. Well, the fact that you are undertaking this financing indicates that you are not taking a grave view.

A. No, I have got to take care of our own business.

Q. Naturally.

A. And I can't sit back and wait on acts outside of the United States to take care of our own domestic and fiscal necessities.

Q. Do you mean, sir, that the fact of this financing does not indicate whether you do or do not regard the situation as grave?
A. It has nothing to do with it. You have got $325,000,000 coming due on the last of June—the Home Owners Loan—and I have got to take care of it no matter what anybody does outside of the United States. I have just got to go ahead and do it.

Q. Well, of course, the bond market—so you feel that the thing is going to straighten out?

A. I can't rise to the bait. I am sorry.

Q. This really wasn't bait.

Q. Mr. Secretary, there was a story over the weekend about the Treasury imposing countervailing duties or some sort of penalty duties on Japan and Italy. Anything you can say about that?

A. Well, you boys have got a good name for those over-the-weekend stories.

Q. Are you looking at Sandy?

A. No, he just happens to bulk bigger.

Q. I happened to write a story that the Treasury was studying the situation. (Klein)

A. Did you write it? I didn't even know it. What do you call these stories? Thumb-sucking stories?

Q. That was my name.

A. It still holds good.

Q. Is this a denial of the story?

A. No, this is just fun.
Q. Well, you are not denying the story?
A. I am not denying or confirming it. I don't want to get in on it— that's all.

Q. Aren't you always studying those things, Mr. Secretary?
A. Well, we have a Customs Service and Customs Agents abroad. I suppose they are still working.

Q. The only thing I did not do, Mr. Secretary, was to carry a line saying those would be denied by the Treasury.
A. I am not throwing your story down or confirming it.

Q. Arthur Krock?
A. Everybody is having a good time this morning. I am.

Q. Are you?
A. Yes, fine. There have been reports that the Reichsbank has been issuing allegedly spurious bank notes in order to obtain foreign exchange. The report circulates in Paris first and the French Finance Minister issued a warning to banks. Have any of those notes showed up here?
A. I have no knowledge of it.

Q. Mr. Secretary, is the Treasury and the Administration still interested in promoting cooperation with business?
A. Well, I answered one of those questions before.

Q. If so, why weren't they at the Chamber of Commerce's meetings?
A. Again I give you the same answer. Sol Bloom was there and Mrs. Sol Bloom.

Q. They are everywhere.

Q. They didn't stay.

Q. Any comment on the statement of Senator Byrd that this is the most spendthrift government that this country has ever had?

A. (No comment)

Q. Mr. Secretary, there were some articles in the Saturday Evening Post not long ago by Mr. Kintner and Mr. Alsop which contained a lot of what purported to be direct quotations of conversations that took place in negotiations with foreign countries. Are those quotations official?

A. We reporters can never give out sources of information. We consider that like a doctor and his client—it's sacred.

Q. I mean, are those available in the future?

A. Why don't you ask Alsop and Kintner?

Q. Well, they got the stuff over here, Mr. Secretary. There is no use of our sparring with you. We know they got the stuff over here and the Treasury made it available.

A. And so what?

Q. And we are wondering if that establishes a precedent
A. Again I give you the same answer. Sol Bloom was there and Mrs. Sol Bloom.
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A. And so what?
Q. And we are wondering if that establishes a precedent
for the future. We have tried many times to get
information about inside details leading up to the
Tripartite Agreement, Stabilization Fund, etc., and
they have been denied us and two columnists writing
a story find it's available to them.

A. Well, I have nothing to say.

Q. I mean, does that establish a precedent and will that
be made available to the working press who cover this
place every day? I would like to get official informa-
tion on the war debts. Can I get that?

A. What do you mean?

Q. Anything on file on war debts. Would that be available?

A. If you will write me what you want I will take a look
at it.

Q. In other words, Mr. Secretary, we don't like favorites.

A. You don't? Well, all right.

Q. That was a departure from your usual policy around
here. You will admit that, Mr. Secretary.

A. Yes.

Q. You said that wasn't a precedent.

A. Yes.

Q. Of course, if we had had it it would have been off
the record.

Q. Thank you, Mr. Secretary.
Q. First, may I ask if you have said or done anything about the Russian debt proposal?
A. No, but I think you will get a statement from the State Department, most likely today, on that.
The Secretary of the Treasury, on behalf of the Home Owners' Loan Corporation, is today offering, through the Federal Reserve banks, to the holders of 1-1/2 percent bonds of Series F-1939 of the Corporation, which mature on June 1, 1939, the privilege of exchanging such maturing bonds for new bonds of the Corporation to be issued in two series. Both series will be dated and bear interest from May 15, 1939, one series being 1-year 3/8 percent bonds of Series K-1940, due May 15, 1940, and the other series being 2-year 5/8 percent bonds of Series L-1941, due May 15, 1941. The maturing bonds will be received in multiples of $100 only, and will be applied 40 percent to the new 1-year 3/8 percent bonds and 60 percent to the new 2-year 5/8 percent bonds, with adjustments to the nearest $100 where necessary. Exchanges will be made at par, and accrued interest to May 15, 1939, on the maturing bonds will be paid following their acceptance. The present offering is strictly on an exchange basis and will be limited to the amount of the maturing bonds tendered and accepted. Cash subscriptions will not be received, but to the extent the maturing bonds are not exchanged at this time an additional amount of either or both issues may subsequently be offered for cash.

The bonds will be fully and unconditionally guaranteed both as to interest and principal by the United States, and will be accorded the same exemptions from taxation as are accorded other issues of Home Owners' Loan Corporation bonds now outstanding. These provisions are specifically set forth in the official circular issued today.
Bearer bonds with interest coupons attached will be issued in denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000. The bonds will not be issued in registered form.

Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington, D. C., and should be accompanied by a like face amount of the maturing 1-1/2 percent bonds of Series F-1939 tendered in exchange. Subscriptions will not be received at the Home Owners’ Loan Corporation. The bonds surrendered should have final coupon due June 1, 1939, attached, and accrued interest to May 15, 1939, about $6.80 per $1,000, will be paid following acceptance of the bonds.

The right is reserved to close the books as to any or all subscriptions at any time without notice. Subject to the reservations set forth in the official circular issued today, all subscriptions to the new bonds, in payment of which the maturing bonds are tendered, will be allotted in full on a 40-60 basis. The offering now announced affords the holders of the maturing bonds an opportunity to acquire a like principal amount of new bonds of the Corporation. About $325,000,000 of the Series F-1939 bonds are now outstanding. Any bonds of the maturing issue not tendered for exchange under the present offering will be paid in cash when they mature June 1, 1939.

The text of the official circular follows:
HOME OWNERS' LOAN CORPORATION

3/8 PERCENT BONDS, SERIES K-1940 DUE MAY 15, 1940
5/8 PERCENT BONDS, SERIES L-1941 DUE MAY 15, 1941

Both series dated and bearing interest from May 15, 1939

Interest payable May 15 and November 15

1939
Department Circular No. 609

PUBLIC DEBT SERVICE

TREASURY DEPARTMENT,
Office of the Secretary,

I. OFFERING OF BONDS

1. The Secretary of the Treasury, on behalf of the Home Owners' Loan Corporation, invites subscriptions, at par, from the people of the United States for bonds of the Home Owners' Loan Corporation in two series, designated 3/8 percent bonds of Series K-1940 and 5/8 percent bonds of Series L-1941 respectively, in payment of which only Home Owners' Loan Corporation 1-1/2 percent bonds of Series F-1939, maturing June 1, 1939, may be tendered, in multiples of $100, of which 40 percent will be treated as a subscription for the bonds of Series K-1940 and 60 percent for the bonds of Series L-1941. Where necessary, adjustments will be made to the nearest $100. The amount of the offering under this circular will be limited to the amount of Home Owners' Loan Corporation bonds of Series F-1939 tendered and accepted. The right is reserved to offer for cash subscription, upon such terms and conditions as may be prescribed by the Home Owners' Loan Corporation with the approval of the Secretary of the Treasury, an additional amount of bonds of either or both issues, approximately equal in the aggregate to the amount of bonds of Series F-1939 not tendered and accepted hereunder.

II. DESCRIPTION OF BONDS

1. The bonds of Series K-1940 will be dated May 15, 1939, and will bear interest from that date at the rate of 3/8 percent per annum, payable semiannually
on November 15, 1939, and May 15, 1940. They will mature May 15, 1940, and will not be subject to call for redemption prior to maturity.

2. The bonds of Series L-1941 will be dated May 15, 1939, and will bear interest from that date at the rate of 5/8 percent per annum, payable semiannually on November 15, 1939, and thereafter on May 15 and November 15 in each year until the principal amount becomes payable. They will mature May 15, 1941, and will not be subject to call for redemption prior to maturity.

3. Those bonds are issued under the authority of the Home Owners' Loan Act of 1933, as amended, which provides that those bonds shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or any District, territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

4. These bonds are fully and unconditionally guaranteed both as to interest and principal by the United States of America, which guaranty is expressed on the face of each bond.

5. Bearer bonds with interest coupons attached will be issued in denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000. The bonds will not be issued in registered form. Provision will be made for the interchange of bonds of different denominations of the same series, under rules and regulations prescribed by the Corporation.

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 those respects shall be final. Subject to these reservations, all subscriptions will be allotted in full as provided in Section I of this circular. 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 May 15, 1939, or on later allotment, and may be made only in Home Owners' Loan Corporation 1-1/2 percent bonds of Series F-1939, which will be accepted at par and should accompany the subscription. Coupons dated June 1, 1939, should be attached to the bonds when surrendered, and accrued interest from December 1, 1938, to May 15, 1939, ($6.799451 per $1,000) will be paid following acceptance of the bonds.

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.
Q. Anything on taxes, Mr. Secretary?
H.E. Jr.: No.
Q. You haven't been invited up yet, is that it?
A. Yes.
Q. Can you tell us anything about your conversations with Mr. Doughton, Mr. Secretary?
A. No.
Q. Was Senator Wagner in to see you last week?
A. Yes, he was.
Q. I think he gave some statement out—I even forget what the subject was. Could you refresh me a little?
A. No, I didn't discuss his visit. What I would like to say is this: I see that the new Agriculture Appropriation Bill calls for one billion, three hundred and eleven million dollars, which is a $372,000,000 increase over the President's budget estimate.
Q. How many million, sir?
A. 372. I don't care to discuss the merits of the bill, but I do want to say that the increase of $372,000,000 added to our present deficit disturbs me greatly, period, paragraph, page.
Q. Mr. Secretary, do you want to tell us how that hooks up with the tax program?
A. No.
Q. Aren't you on record, Mr. Secretary, as favoring an increase in taxes if additional money is appropriated for agricultural purposes?
A. No. We talked about it last year when they added $212,000,000 parity payments and I was certainly under the impression that Congress would provide additional revenue to meet that sum, which they didn't.

Q. Well, do you still feel that they ought to provide the revenue?

A. Well, I think this: That if they are going to add $372,000,000 to the present deficit that I should think it would be up to Congress to find the revenue to meet that increase.

Q. Could you say from recollection, sir, what the present deficit is?

A. I am sure Mr. Bell has not left the budget so long but what he could recollect.

Mr. Bell: The current year is $3,972,000,000.

Q. Well, this is for the next fiscal year, which is about, three, three.

Mr. Bell: $3,300,000,000.

Q. That is the budget deficit for next year?

Mr. Bell: Yes.

Q. That's a net deficit?

A. Yes.

Q. Well, does this include it; have you got to add on top this the 212 million they have not provided for?

H.K. Jr.: Well, 212 is for this year and that is included in the deficit ending June 30, 1939, and now they come along with 372 million which would have to be added to the 3 billion three.

Q. You use the words "present deficit."

A. In the current fiscal year, the year ending June 30, the 212.
Mr. Bell: That's in 1939.

Q. I am talking about this $272 million; that's next fiscal year.
A. $272 would be added to the fiscal year beginning July 1.

Q. As a matter of fact, this appropriation bill is for that fiscal year.

Mr. Bell: That's right.

Q. Well, Mr. Secretary, we are not quite straight between the 212 and 372. If this proposed appropriation is passed and signed, how much will there be to be made up? $272 or 372 plus 212?

H.K.Jr.: I am talking about the 372. I have given up hopes on the 212, being a realist.

A. Is that right?

Mr. Bell: Yes.

H.K.Jr.: You haven't any hopes on the 212.

Mr. Bell: No, I haven't any. Didn't want to give away anything you thought I shouldn't.

Q. Wasn't there some understanding during last summer or the last session of Congress that taxes would be provided for that 212 million?

A. I was under that impression.

Q. You mean for the 212?

A. For the 212.

Q. My own recollection is hazy as to the nature of that understanding. Could you -- ?

A. No, I am sorry. I am just as hazy as you are.

Q. Could you tell us how it could be made up, Mr. Secretary?

The $272,000,000.
Q. That is up to Congress.

Q. You are opposed to the processing taxes and I just wondered how.

A. That is up to Congress.

Q. Mr. Secretary, is your position the alternative one that they should either abandon this additional appropriation or raise the extra money?

A. No, I am just pointing out the fact that this is 372 million on top of the $3,300,000,000 deficit and increasing the deficit by that much disturbs me.

Q. What is the status of that bill now?

A. Reported out, isn't it?

Mr. Bell: It's on the Senate floor.

Q. The Senate is talking it over today. Has it passed the House? I think it has passed the House but not with this 372 million in it. It was put in by the Senate Appropriations Committee. That was by the Senate Appropriations Committee which is very much in favor of balancing the budget.

Well, they were having a hot debate, Mr. Secretary, about 3:30.

A. Maybe it's already passed, but that doesn't change my feelings.

Q. Mr. Secretary, I get the impression from what you say that you feel it is about time to begin tapering down these deficits.

Are we correct in assuming that?

A. Yes.

Q. In other words, you haven't changed your position on the subject of deficits.

A. No, and this is just going the other way.
Q. Mr. Secretary, the budget recommendations which provide for a
deficit of approximately $3,300,000,000, represent, from your
viewpoint, the maximum deficit we ought to have in that fiscal
year?
A. Oh, I will put it—it's plenty.
Q. That's the three billion, three.
A. I don't know any more what is the maximum deficit.
Q. Mr. Secretary, can you say, if anything has been done or is
about to be done to implement the agreement with the Brazilians?
A. Nothing I can say.
Q. I believe we gave them assurance that we would present to Congress
the $50,000,000 gold loan. Was there any other assurance went
along with that?
A. I explained that the other day and if you ask the President of
this association (correspondents assoc.)—you take him outside
and tell him what I said. I went into it in an off-the-record
explanation, great detail, if you don't mind. You don't mind
that way?
Q. Not a bit. It was off the record?
A. Yes.
Q. There was quite a story in one of the morning papers about
credits, etc., you will extend to a number of Latin American
countries.
A. You and I were both surprised. The fellow who represents me
on the Export-Import Bank came in and wanted to know what I
had been doing over the weekend and I said that's what I wanted
to know, what he had been doing so we were both innocent.

Q. Mr. Hopkins, at his press conference this morning, said for at least the next twelve months government spending was needed to promote recovery.

A. Well, Mr. Hopkins has had a long vacation and I suppose he is full of vim and vigor. I have just told you how I feel about the present situation. My remarks about Mr. Hopkins are superfluous. I mean, he is a friend of mine. I am just kidding.

Q. Did you read the Chamber of Commerce's resolutions?

A. No. Did you?

Q. Yes. (Freidheim) I had to.

A. Did you write them?

Q. I didn't write them. I rewrote them. They made Mr. Hopkins very gloomy.

A. I haven't read them. I have been so busy with all these delegations coming here, I haven't had a chance.

Q. What delegations?

A. Oh, the Danes, Norwegians and Nicaraguans.

Q. Any of them put the touch on you yet?

A. The evil eye?

Q. How about the British war debt, because I hear that's a lively topic now.

A. With whom?

Q. Isn't it with you?

A. It hasn't reached here yet.

Q. Nothing stirring there yet?
A. Not here. All quiet on the Western Front.

Q. Mr. Secretary, there is an intimation from the State Department that you are considering the revival of the foreign debt commission. They have passed to you a proposition that it be done but have not yet heard.

A. I don't know—who gave you that?

Q. The Secretary of State.

A. That he had passed it on to me?

Q. I just read it in a transcript of his morning press conference.

Mr. Gaston: They sent me a copy of that Rumanian communication which they made public.

Q. Nothing else on the revival of the foreign debt commission to consider Hungarian and Rumanian propositions?

A. Now I don't want to throw Mr. Hull down.

Q. I may have misread it.

A. The messenger may be on the way over now, but he hasn't gotten here yet.

Q. Mr. Secretary, last week Mr. Giannini on the West Coast issued a statement which I haven't seen in the eastern papers—he accused you and Mr. Cy Upham of participating in a conspiracy against the Bank of America and today sent a telegram to Mr. Wagner asking for an impartial investigation. Would you have any comment about that accusation?

A. No, I wouldn't dignify it with a comment.

Q. Would you care to comment on the decision of the Court of Appeals today on the Bank of America case?
A. I haven't even seen it; I don't know what it is.

Q. Well, the SEC was given broad powers to investigate the Bank but keep the data confidential.

A. I see.

Q. That is, the Circuit Court upheld the District Court. Is that a remark about dignifying on the record or off?

A. No, I will just say no comment.

Q. Mr. Secretary, on the matter of taxes you said it was up to Congress to decide whether or not they shall raise revenue to meet this 372 million. I just thought I would ask you whether you mean to infer by that that in your opinion Congress ought to raise revenue to meet this addition to the deficit?

A. I think I have said all I want to.

Q. As a matter of fact, Mr. Secretary, couldn't you implement this by saying that you are opposed. You have indicated from time to time opposition to finding new sources of revenue at this time or increasing revenue.

A. No.

Q. You are opposed to new taxes, aren't you? This makes your tax program much more difficult than it was before?

A. Yes.

Q. You are opposed to raising new taxes, aren't you?

A. I am not going to answer that, if you don't mind.

Q. That is, it makes the tax problem more difficult then before?

A. Why, yes, I should say so.
Q. Do you plan any revision of your tax program? Will this necessitate any revision?
A. It's too early to tell.

Q. As I understand, your attitude is that it is entirely up to Congress to decide whether or not they will raise additional revenue to meet this expenditure if it should go through.
A. I can't help you any more on this thing.

Q. Mr. Secretary, could you straighten us out on this thing? Here are two members of the President's cabinet who are opposed to additional expenditures and Mr. Hopkins says he wants more spending this year.
A. Well, I am going to stick by what I said.

Q. Thank you, Mr. Secretary.
Q. Happy birthday, Mr. Secretary.
A. Thank you.
Q. Not to spoil your birthday, Mr. Secretary, but we saw a story in the New York Times this morning, did you?
A. Yes. Where is the New York Times reporter?
Q. Right here, but I didn't write it. I wasn't working yesterday.
A. Well, neither was I.
Q. Well, how about it, Mr. Secretary?
A. I have no comment on it.
Q. Do you still plan to go before the committees of Congress with your plan for tax revision or proposals to take out of tax laws deterrents to business recovery?
A. I stand on my letter of March 3rd.
Q. Would you mind reading that letter? It's a very short.
A. Surely. There were two letters, one to Senator Harrison and one to Chairman Doughton and on March 3rd I wrote them: "I received your letter dated, and signed. I hasten to reply that we shall be very glad to prepare the information you desire and to present it to your respective committees at your convenience. I appreciate very much your expression of desire to cooperate in effectuating the purposes which you state so excellently in your letter.
Yours sincerely."
Q. Just one more thing, Mr. Secretary.
A. Will you sign off then?
Q. There has been no change in your plans since that letter?
A. None.
Q. Mr. Secretary, have you a copy of the Harrison and Doughton letter handy to refresh our memories?
A. Well, Mr. Gaston will have a copy made for you.
Q. Mr. Secretary, you say no change has been made in your plans. Do you make that in cognizance of the fact that this letter merely says you will present certain information and doesn't state you will recommend anything?
A. I just have to repeat, I simply stand on that letter of March 3rd.
Q. Do you stand, sir, on the statement you made to us about a week before you sent this letter?
A. If I made a statement a week before I will stand on that.
Q. At that time you said you were going to look through the tax laws and see if there was anything deterring business and you hoped that if there was anything Congress would do something about it.
A. Well, something like that. Gaston can give you the exact statement.
Q.  But you still stand on it?
A.  I still stand on it.
Q.  Just a little further --.
A.  You are as bad as the photographers. One more please.
Q.  Will you sign off this time?
A.  Yes, that is, if you answer it correctly.
Q.  You mean if I answer it the way you want me to.
A.  Has there been or will there be, before you go up to
    Congress, any change in the preparations you have made
to present to the committees? How can you say that?
A.  I can't answer that.
Q.  How nearly have you completed your presentation?
A.  I am not going to add anything, I am sorry. I have
gone as far as I want.
Q.  Mr. Secretary, in one of these press conferences,
    when you were asked in what form you were going to
    present this tax program to Congress, you said just
    watch the way I am going to do this Social Security
    business and I will follow the same procedure; in that
    you listed a number of alternative proposals or alter-
    natives Congress could follow. Are you still standing
    by that?
A.  Well, I simply go back to what I stated in my letter.
    You gentlemen reminded me of what I said the week
    before—that's all right, and I can't add anything
    to that.
Q. We are trying to find out whether it establishes a change in procedure.

A. Well, as far as I am concerned, a letter from Senator Harrison and Chairman Doughton to me and my answer to it—I stood there March 3rd and stand there now.

Q. That leaves the implication, Mr. Secretary, that you are going to let Congress simply ask you for information and this will be nothing but a clearing house.

A. Well, I am only Secretary of the Treasury.

Q. I know, but doesn't the Secretary of the Treasury occasionally make recommendations on taxes?

A. I don't think I ever have.

Q. It's against the law.

A. I don't think I ever have since I've been here. Thank you. Come around and see me oftener.

Q. Mr. Secretary, going back to the Times story which started the thing, can you say if anybody has forbidden you to say anything about taxes?

A. That is ridiculous.

Q. Nobody?

A. I said I can. Ask his question again. What did you say?

Q. I said has anybody forbidden you to present a tax program?
A. No, that is ridiculous. We are living under a
Democracy, thank God!
Q. Well, perhaps the New York Times didn't mean the word
"forbid" as definitely as that.
A. It's a good question and my answer is all right.
Q. Mr. Secretary, have you heard yet from Chairman Doughton?
A. No, I have been talking about myself. When you begin
talking about Chairman Doughton he will have to speak
for himself.
Q. No, I am talking about inviting you up there.
A. You will have to ask Chairman Doughton.
Q. Are you having a conference with him today, Mr. Secretary?
A. Am I going to have one with him? No.
Q. Have you had one with him?
A. You will have to ask Chairman Doughton. You see, on my
birthday I am extra truthful.
Q. In the examination of the tax laws, Mr. Secretary, could
you tell us whether you have found anything that might
be considered deterrents to business?
A. I can't answer that question, I'm sorry.
Q. There was an item in the column today --
A. Do you want to see what one of the girls who is a
sculptress gave me today? (Exhibits sculptured figure
of bull over ashtray) I think it's very cute.
Q. Mr. Secretary, are you still applying that blue card to your consideration of tax problems?
A. Still applying.
Q. I mean are you still applying it?
A. Still flying.
Q. Has there been too much bull already, Mr. Secretary?
A. Well, I will leave that for the newspapers.
Q. I want to ask about a report in one of the columns.
A. You are the fellow that knows all about what's in the tax program. (Freidheim)
Q. Well, I have a suspicion. This has something to do with taxes about the Associated Gas and Electric Co. which is going to settle its income tax claim of $100,000,000 for $8,000,000.
A. I don't know the details. I don't know where it is. I haven't heard of the Associated Gas & Electric Co. for a long time.
Q. This report said there was only one more signature needed before this stipulation goes through. Can we have Mr. Gaston check up for us?
A. Surely, I don't know a thing about it.
Q. Have you selected any new Assistant Secretaries, Mr. Secretary?
A. No. All right, gentlemen?
Q. Thank you, Mr. Secretary.
Q. (Gregory wanted to know what the sculptured bull ashtray was; the Secretary thought he must have heard about it) I understand that the poor little girl who molded that was a little worried later that she pulled a faux pas.

A. We increased her salary.

Q. Is that an Argentine?

A. It hasn't been canned yet. How's that? (Laughter)

Q. Coming along all right. Any new Assistant Secretaries?

A. Talking about bulls, no.

Mr. Gaston: Bees we are talking about, not bulls.

H.K.Jr.: I like that one—hasn't been canned yet.

Q. Pearson and Allen said you offered one of those Assistant Secretary jobs to Ed Noble.

A. Whose column?

Q. Pearson and Allen.

A. Oh, I've been away for three days enjoying a breath of fresh air up in the country and I haven't been reading any columns.

Q. Is that true or false?

A. What? That I've been enjoying some fresh air?

Q. Whether you offered the job.

A. Why don't you ask the fellow who wrote it?

Q. We don't want to interview other reporters, Mr. Secretary.

A. I am a reporter, too.

Q. The New York Times had a story this morning out of Washington which said that the clause of the Silver Purchase Act which authorized purchase of foreign silver, due to expire at the end
of this month, it was reported at the Capitol this morning that the government was going to discontinue the purchase of foreign silver. Is that true?

A. Since when is the New York Times a Bible?

Q. True or false? Is there any authority that expires the end of this month?

A. No.

Mr. Gaston: The authority with respect to newly-mined domestic silver that is contained in the Thomas Amendment, not the Silver Purchase Act.

Q. That expires June 30.

A. Silver purchasing has no death sentence.

Q. So this story is based on a false premise apparently. I didn't intend to write a story about it but just wanted to know....

A. Have a heart.

Q. ....whether there's anything to it.

A. Off the record, some man who wrote the story—I don't know who wrote the story—but everybody can make mistakes sometime, even you make mistakes sometimes.

Q. Boy, do I!

A. Evidently somebody gave him the wrong thing. I don't blame him for getting mixed on foreign and domestic silver, but the right to buy foreign silver does not expire this month. The man was confused.

Q. Nothing expires this month. The domestic thing expires June 30th, doesn't it?

A. Yes.
Q. But nothing expires this month.
A. No, but the domestic thing does expire June 30.
Q. Do you expect to discontinue purchases of foreign silver in the near future?
A. Well, that is one of those 'double if' questions. I mean I am not going to answer it.
Q. Would you have authority to discontinue it? I thought the law directed you to purchase it.
A. It does.
Q. And the law would have to be changed.
A. It would.
Q. But it says in the public interest you could stop buying tomorrow, in the public interest.
A. Yes, if it was in the public interest.
Q. Mr. Secretary, are you still considering making a refunding -- ?
A. Is that all right for the New York Times--my explanation? O.K.?
Q. Yes. Is there any legislation under consideration which would change the law, Mr. Secretary?
A. The whole law is up, isn't it? Stabilization fund, right to devalue the dollar, and extension of that part of the Silver Purchase Act which has to do with domestic purchases of silver. It's all up for extension.
Q. Hasn't there been talk of a rider that would instruct you to discontinue buying foreign silver?
A. There are a lot of bills up there--Senator Townsend of Delaware--a lot of bills.
Q. Have you recommended the cessation of foreign silver purchases?
Q. You have not? Have you also decided that it isn't in the public interest to discontinue it?

A. Actually everybody can write any kind of a story he wants to, but that doesn't mean that I have got to follow those dope stories.

Q. I am not trying to confirm or get a denial of this story. I am trying to get a story, if there is one.

A. There is no story. There is no story. The only story is the pending legislation and that isn't news. O.K.?

Q. Do you expect any conferences on the renewal of the domestic subsidy?

A. Of what?

Q. Silver.

A. No, there are no silver conferences scheduled. There are so many subsidies I didn't know which one you meant. Conference on subsidies? I would be holding meetings every hour!

Q. You don't like them. Which do you dislike most?

A. Well, it's hard to tell.

Q. You have to take a day off to decide.

A. No, I have my favorites.

Q. Is the question of refunding the HOLC issue which must be called on August 1 still under consideration?

A. Yes, still have an open mind.

Q. Have you any Treasury financing plans for the next quarter?

A. Nothing for today.

Q. Are you going to consider any future meeting with the Federal Reserve?
Q. Nine o'clock tomorrow morning.
A. Tomorrow morning?
Q. Well, I mean we start a new day.
A. I just wondered if you planned to hold a conference.
Q. Not today.
A. Tomorrow morning at nine o'clock—a meeting with the Federal Reserve?
Q. No.
A. He's got me confused.
Q. No more than I am.
A. Any news today.
Q. That's just the trouble—there isn't.
A. Mr. Secretary, can you say anything about taxes?
Q. I wondered why somebody didn't bring that up and quote some newspaper. No. There's a meeting over at the White House at 4:30. That's the only thing I've got.
A. The question under consideration will be tax deterrents?
Q. I have just been invited to come over to the White House.
A. Is the tax bill in that valise?
Q. There are some papers in there anyway.
A. Mr. Secretary, has the Treasury under consideration any substitute for the undistributed profits tax from the standpoint of -- ?
Q. Well, I will make it much simpler, for myself anyway. I am not going to help you one little bit on taxes today—not one little bit.
A. Have you been invited up on the Hill yet?
Q. Is Mr. Hanes going over to this tax conference?
A. Yes. All I can say -- . Make way for the hat--let's see what's under it. (Woman reporter enters)
Q. How do you do? How do you do?
A. Very nice hat and a very nice lady under it, too.
Q. Thank you, Mr. Secretary.
Q. Mr. Secretary, what is your view on this British securities action?
A. I have no view.
Q. Were they in such bad shape that they had to put a sub rosa embargo on the purchase of American securities? They have been doing it gradually and then the Bank of England gave the order they shouldn't buy any more.
A. I'm sorry—I can't help you out.
Q. Was that under discussion by Tripartite members or individual action by the British authorities?
A. I can't help you.
Q. You usually help us on Tripartite matters.
A. I know but I can't help you on this.
Q. Mr. Secretary, will you comment on the Argentine situation in which apparently the Government has agreed to make more exchange available for the purchase of American automobiles provided that the American automobile manufacturers buy Argentine bonds or notes?
A. All I know about that is what I see in the paper.
Now to get back—I have changed my mind. That's my privilege.
Q. Sure.
A. For background, on this question of what the British have done. It has been a gradual move; it has been entirely on their own initiation. It's nothing to be startled about; it's nothing that affects us and it's just their own method of handling their situation.

As you men know, I think there are five banks, aren't there?

Q. Yes, the big five of London.

A. And they work with them on an entirely different basis than we work with our banks.

Q. Do you consider this a threat to the Tripartite?

A. It has nothing to do with the Tripartite.

Q. This is the second member that has taken such a step.

First the Belgians squeezed the speculators in the belga.

A. Again for background, not for quote or crediting to Treasury officials—this is something they are doing to take care of their situation.

Q. When you say situation, do you mean it's bad?

A. No. All you've got to do is to look at the figures and you will see the amount of gold that is being shipped. I take it they want to discourage capital from leaving the country.

Q. I thought they might want to have enough money for the King and Queen to spend here on their visit.
A. No, what I am trying to do, as far as our own situation, it isn't at all important; it doesn't affect us one way or the other as far as our own situation. It's their own means of discouraging capital from leaving England.

Q. It's pretty serious when the British get jittery and start imposing restrictions on the flow of metal.

A. Serious for whom?

Q. For England. I don't want to be bearing about it.

A. I wouldn't be too bearish. As a matter of fact, from their standpoint I think it's an encouraging thing that they are willing to take that step to protect their interests. I look at it as encouraging.

Q. From our standpoint, is there the possibility it might be encouraging in that it might improve the value of the pound slightly?

A. Well, I will put it this way.

Q. This is for the record.

A. No, all of this is to be helpful.

Q. I'll swear you in, sir.

A. Thank you. No, just repeat your question again.

Q. I was saying as far as we are concerned isn't there a probability that it will help rather than harm us because it will increase the value of the pound to some extent?

A. I will put it this way. To some extent it means the pressure on the pound is that much less. It is, I suppose, making a patriotic appeal to Englishmen to leave their
capital at home and, quite the contrary from being bearish, I think, from their standpoint, it's bullish. That is the reason for my trying to explain.

Q. Let's get on the record. What do you know about taxes? Just one moment.

A. Gregory is tough this morning.

Q. We take care of him. We clip him down to my size.

A. I would much rather continue talking to you but just forget what this fellow asks. Now where were you, Mr. Gregory? Let's just continue this discussion; the international situation interests me greatly.

Q. The point is this—the British have broken the ice and one of the dangers to the Tripartite Agreement—it might lead eventually to even an embargo on gold by the other members. They have broken the ice. They say you can't buy American securities—you can't quote them. Belgium, Switzerland and other countries and France—might say if the British have taken a step like this to protect their currency we might impose other methods which would be a threat.

A. If you look at the record, the Tripartite was set up—I can't remember the exact language but I will paraphrase it—to discourage competitive devaluation. Now if they take steps which would either stabilize their currency or help it to go up there's no threat to the Tripartite—quite the contrary.
Q. This might lead to an embargo on gold.
A. As long as they maintain the price of the dollar-pound it still --
Q. This might be unorthodox—they restrict the securities purchases.
A. The time for us to begin to worry is when you see a precipitous drop in the pound.
Q. There is no sign of that yet?
A. No sign whatsoever—quite the contrary. All of these steps—I interpret them, with the knowledge I have, as a stabilization move on their part with their own money and I say it's to the good.
Q. Could we get some of that on the record?
A. No, I am giving it to you for background.
Q. Also for background, I am under the impression that financial officials of this government would be just as well satisfied to see a cessation of foreign buying of our securities. Is that a correct interpretation?
A. No, I have never heard it discussed.
Q. Well, there were fears that some time there might be a heavy liquidation of foreign holdings.
A. We went all through that a year ago and every once in a while somebody comes back—still off the record—and talks about the Scottish Investment Trust going to dump all their securities or the Belgian Investment Trust and we go through a cycle of that but we find they are buying more of our securities.
Q. Cheap?
A. I am not confirming your 'cheap'.
Q. But that's the facts—this is still background.
A. I mean the only way I can interpret this thing is that it is helpful.
Q. Thank you, sir.
A. It is helpful. Every time each country gets its own situation under control it means that much less excitement.
Q. Mr. Secretary, you said it is helpful. Could we put that on the record? I don't think it would do any damage.
A. Oh, you can write a background story.
Q. Taxes, Mr. Secretary?
A. I've got nothing to say on taxes that I haven't said before.
Q. When do you expect to have another White House conference on the subject, Mr. Secretary?
A. I haven't heard.
Q. Would you care to comment on Owen D. Young's statement on abolishing of capital gains?
A. If you don't mind, I've got nothing new to say on taxes.
Q. Could you confirm Mr. Doughton's statement that you and he see alike all down the line?
A. No, I am not going to add anything. My position is just where I explained it over and over again.
Mr. Secretary, but in not saying you see "eye to eye" it would leave us in a position where we can write stories—let's get that story.

Q. Get what?
A. Well, you and Doughton are on the record, the letters are there and that's all there is to it.
Q. That's what I am trying to tell you.

Q. There is no change in that situation?
A. We exchanged letters March 3 and every time I tell you men—this is off the record—I am waiting for an invitation poor old Doughton gets upset and I don't want to upset him. We exchanged letters, these letters, and nothing has changed. Every time I say I am waiting to hear from him it upsets the old boy and I want him to keep his mind on his business. All right now?

Q. Yes, we are clear now on that. Mr. Secretary, you made the observation in connection with the addition to the Agriculture Appropriation Bill that the Senate made that it was disturbing in connection with the budget, etc.
A. Some people used another word. It was something or other. Disturbed is the word I used. Distressed somebody wrote.

Q. Disturbed was what you said.
A. Bother, disturb, distress—I was disturbed.
Q. Will you expand on that idea? We haven't got a damn thing yet.

A. I'm sorry, I can't give you anything either.

Q. Thank you, Mr. Secretary.
Mr. Secretary, is there going to be any mid-June financing?

Well, we will begin to think about it next week.

How about that September maturity?

I will ask Mr. Bell now if he will get the Executive Committee of the Federal Reserve Open Market Committee to come in here next Wednesday at eleven o'clock.

What day is that?

I am glad Gregory reminded us. It would be the 31st.

The day after Decoration Day?

That's right, the 31st. And then we will talk it over with them.

Mr. Secretary, at the American Retail Federation --.

Do you mind one second? Mr. Bell tells me that these refundings on the Home Owners Loan are going very well, and therefore notices will go out tonight that the offering will close Wednesday. Now all the notice that you gentlemen can give the better, because there are about a million pieces of paper outstanding, so if you will bring this to your readers' attention they won't lose an opportunity to exchange, which, at the moment, is a profitable one for them to do. We will put it in your service department. Seriously, the more publicity we get -- because there are a million pieces of paper out
on this thing—perfectly tremendous and I am sure a
great many of them fail to know this opportunity exists.
Q. Wednesday, midnight, Mr. Secretary?
A. Wednesday, midnight—that's right.
Q. Mr. Secretary, at the American Retail Federation forum
this afternoon Mr. Beardsley Ruml, who is not actually
a member of the fiscal and monetary committee, which we
call the peaks and valley committee, predicts that sooner
or later we are going to come to the compensatory fiscal
policy, more generally known as the Eccles plan. Could
you comment?
A. No, except that that is what makes horse races.
Q. We have that now, don't we?
A. What? Horse races?
Q. And the compensatory policy.
A. Are you going to write that down?
Q. It's a good line. That's a good INS line.
Q. Why pick on me. I'm a very conservative —-
A. All right.
Q. Mr. Secretary, Pearson and Allen had a piece today—
sorry I have to refer to a columnist about these things—
in which they said that the President admonished you in
no uncertain terms and that you felt very, very irked
about the tax and you insist on a tax reform, that is,
dropping the remnants on the undistributed profits tax for a higher corporate tax. Would you comment on that?

A. I didn't see Pearson and Allen behind the door or under the table so how would they know what happened. The answer is they don't know.

C. Well, did you come out for a drop in the remnants of the undistributed profits tax and did the President insist that that angle of taxation remain in force?

A. As long as I have been here, as long as I have stayed here, I have never commented on a conference that takes place at the White House. That is up to the President and his press section and I can't help you out.

C. Well, maybe you can help us on this score. Could the stabilization fund get along with half a billion dollars?

A. Well, I testified about five different times on that, recommending that they leave the fund as is and I haven't changed one iota and I think the President expressed himself on that last Friday also.

C. When are you going to have the first quarter balance sheet of the fund available for publication?

A. See, I don't know. Let's see—we may—I will have to think that over. I don't know.

C. You made a profit again, I assume.
A. I will have to think that over.

Q. Mr. Secretary, it now appears rather definite that the deficit for this fiscal year will be considerably under what was anticipated, both because revenues are a little higher than expected and expenditures a little lower. Do you have any estimate in mind of what the deficit will be?

A. I am just going to say this for you gentlemen and this is between us, but I am sure you don't want to run it. I will just tell it to you off the record, but that statement run by Pearson and Allen was full of inaccuracies. I am not going to try—between us, it was full of inaccuracies. I wish one of them was here so I could look him in the eye and say so but I don't see them. Do you? Now we will go on.

Q. Mr. Secretary, I was saying that it now appears very definite that the deficit for this fiscal year --.

A. Excuse me. And you can call him up and say I said so. If he wants to argue about it I will be glad to see either of them.

Q. I was saying, Mr. Secretary.

A. I am sorry.

Q. That it now appears definite that the deficit for this fiscal year will be considerably under what was anticipated. Do you have any future in mind as to what it will be?
A. Let's make the ex-director of the budget work a little bit, and squirm a little bit. He looks so healthy these days. Come on ex.

Mr. Bell: I don't know that we should comment on what the deficit should be.

H.M.Jr.: Well, don't look at me. I look at Gaston and he never helps me out. I get that baby-stare.

Q. But he winks sometimes at you.

H.M.Jr.: I never have even seen a wink. His eyelashes drop. I don't get any more help out of him. Maybe he winks at you fellows.

Mr. Bell: Can I talk off the record?

H.M.Jr.: Any way you want.

Mr. Bell: Well, I hesitate to talk about the President's official estimates. The President should give out receipts and expenditures.

Q. Mr. Bell, what I had in mind was the President's estimates were made last December and were a forecast of the future. Now we are within six weeks of the end of the year and it is largely a matter of fact now.

Mr. Bell: Six weeks is a matter of fact.

Mr. Gaston: This is getting to be a very matter-of-fact conference, isn't it?

Q. The new Budget Director estimates that as of April there was a saving of about $135,000,000 through withholdings; some of that will be saved, not all of it.
Mr. Bell: Well, those were taken into consideration when the estimates were made last December; we always contemplate saving some of the reserve.

H.M. Jr.: Mr. Bell, I thought you were going to furnish me today with how much money we saved on the Home Owners Loan on the two refundings in relation to their overhead.

Mr. Bell: Well, we saved on the two issues on the 325 million refunded and the one announced today, assuming that the holders of the outstanding securities exchange for the new offering, we will have saved an aggregate of about $14,000,000 annually, which is considerably more than half of their annual administrative expenses on the basis of the present year.

H.M. Jr.: I thought that was a nice point.

Q: Mr. Bell, that expenditure is not in the budget, is it?

Mr. Bell: No, it isn't; it's part of their own funds.

H.M. Jr.: It's just some nice figures to play with.

Q: Mr. Secretary, there have been reports and I have written some stories about the new spending-lending program in the offering and new recovery drive if we use part of the stabilization funds, which you said you wanted left alone. Have you heard of a new program?

A: Every day and I hope somebody finds a good one. I will endorse it cheerfully. You said a recovery program.

Q: That's right.

A: Right.
Q. Spending-lending?
A. He said recovery program.
Q. He said spending-lending also.
A. Then you changed and said recovery. Well, I direct my remark to recovery program—any recovery program.
Q. You don't have any right now on your desk.
A. I have none on my desk or in my desk.
Q. Have you been given any indication by the Brazilian Embassy as to when the Finance Minister is coming here for the loan?
A. No, nothing here.
Q. Apparently they don't want it.
A. I don't know. They tell me Mr. Aranha has been very sick. He just got back to work.
Q. Did you see that item in the Brazilian press asking South American countries to be careful about the machinations of this nation through fiscal help?
A. No.
Q. Mr. Secretary, you had a conference the other day with Mr. Rhea Whitley of the Dies Committee?
A. Yes.
Q. Can you tell us about that?
A. I left word when you asked that the committee was interested in income tax matters.
Q. You had an executive order to turn over tax returns.
A. That's been done.
q. Could you tell us which they are?

a. No.

q. Thank you, Mr. Secretary.
Q. Mr. Secretary, I see they raised you from a wholesaler to a jockey last night. You heard the President's speech to the retailers? Did you hear Fred Allen's program last night? He had Jimmy Stout, the jockey who rode Johnstown, and he told his experiences in the Preakness and horses he had ridden, his own experience as a jockey, and then Allen asked for a red-hot tip. Jimmy said, buy Baby Bonds. Allen said, with Morgenthau up? Is he part of the Public Relations Department of the Treasury?

A. No, but we'll make him one.

Q. He's liable under SEC for touting stocks and bonds over the radio.

A. I know the answer to that. No, you don't! I read Pegler too. This is the morning. I am still awake.

Q. Mr. Secretary, I don't mean to be sophomoric.

A. Oh, a 2-dollar word.

Q. Mr. Secretary, you conferred yesterday with Mr. Doughton and Mr. Cooper.

A. Yes.

Q. Concerning taxes. Was any date set for the beginning of the tax hearings? Have you been invited up?

A. No, but I can report that more progress has been made in the last couple of days than there has been
in the last couple of months.

Q. In what direction, Mr. Secretary?
A. Towards a solution.

Q. What's responsible for the progress, Mr. Secretary?
A. Good will all around.

Q. Does this progress embrace shelving of the undistributed profits tax?
A. Sorry; that's as far as I can go.

Q. Are they going to begin hearings next week?
A. That's up to....

Q. Was that some understanding? Can you tell us whether the thing might go on next week?
A. You will have to get that from Chairman Doughton.

Q. Well, for background, without saying it came from the Treasury, we can write it was understood hearings will begin ....
A. No, I can't because I don't know.

Q. Looks like it will be after the holiday.
A. I don't know. I am not stalling. I just don't know.

Q. Are there any further White House conferences on the tax matter scheduled?
A. Not that I know of.

Q. Does that mean, Mr. Secretary, the fact that there are no White House conferences scheduled so far as you know, does that mean as of today the thing is set to go?
A. Yes.

Q. You discussed procedure for the hearings yesterday?

A. Again, you gentlemen are very successful. I was left with the understanding it was supposed to have been a confidential meeting. Now evidently they don't think so, but I think I had better stick to my part.

Q. Can you tell me this? Are you going to appear first for the Treasury?

A. Always have.

Q. And then Mr. Hanes?

A. Well, after I make my appearance, Mr. Hanes will do just what Mr. Magill did. He will be in charge. I have always made my appearance and then the Under Secretary has taken over the job of managing it, but the introductory remarks with respect to George Washington, Alexander Hamilton, from that down to date, will be made by me, but then it will be handled just the way Magill did. It will be done the same way.

Q. Not meaning at all to be facetious, Mr. Secretary, but being very serious, does the set-up that was agreed to yesterday contribute to recovery?

A. The answer is definitely yes.

Q. Mr. Secretary, Mr. Berle testified before the Monopoly Committee the other day in which he predicted an
explosive situation in the next ten years if something had not been done in connection with helping small business. One suggestion, rather radical, was setting up a capital central banking system and also intermediate credit banks for small business. Would you make some comment on that?

A. No, no.

Q. Has that been discussed within the Treasury? He wants to tie up the bank with the Federal Reserve Board.

A. Has it been discussed here?

Q. Yes.

A. No.

Q. Are you familiar with the suggestion?

A. Only from the headlines. I take it he was on vacation when he made his statement.

Q. He said that he spoke not as Assistant Secretary of State, but as an individual.

A. Yes. Well, that's his privilege.

Q. He also suggested another FWA Agency as part of the scheme of getting capital out of the banks.

A. I really have only read the headlines and that's all, so I can't be very helpful.

Q. Have you any comment on the HOLC amendments that are under consideration now by the Banking and Currency Committee, which would in effect make Home Loan Banks
mutual savings banks and sort of participate in the private business of existing savings banks?

A. I am sorry, I am not familiar with it.

Q. Mr. Secretary, to return to this tax business. The President has indicated, time and again, that if there is going to be any revision of taxes he wants to be assured that they continue to get at least the same amount of revenue. Do the alternatives which you have in mind—will they all produce that same result or hoped-for result?

A. I can’t add anything to what I have said. I think I have said plenty.

Q. What is the status of the Associated Gas tax jeopardy? Ben Gray testified on the stand yesterday that Burroughs had sent you a letter.

A. I ought to send Ben Gray a letter announcing that I turned him down—to see him. It’s good publicity.

Q. On his part?

A. Both.

Q. Well, they argue that if they lifted this assessment, they could refinance some of their indebtedness at lower interest and use some of their money for expansion. Just a temporary measure that they want.

A. Off the record, those fellows have tried every single way of doing everything but what they ought to do,
and that is to pay their tax. I don't follow it. It's a matter that's over at Internal Revenue, and for two years they have hired all kinds of people and all kinds of attorneys, and I know there was one 3-week period they had five different attorneys. Tried each one who thought he had influence and he didn't and they canned him. All they have to do is pay their tax and then their troubles are over, but that's the only way they can get out of it.

Q. What's the chances of the Stabilization Fund bill coming out favorably? Are you bullish on those chances?

A. I am not very much worried.

Q. About eventual action by the Senate?

A. No, I am not much worried.

Q. Senator Barkley has already said, despite the fact that the Subcommittee is against this extension, the Full Committee of Senate Banking and Currency will report it to the Senate. He has said that.

A. I am not very much worried.

Q. What bill is that?

A. Extension of Devaluation and Silver Purchase—the thing that passed the House. He asked me about it and I said I was very much worried about the ultimate outcome. All right, gentlemen?

Q. Thank you, Mr. Secretary.
H.M.Jr.: On the financing we are simply going to offer the September note holders an opportunity to exchange into another five-year note.

Q. When is your offer going to be made?

A. Monday morning—you see will get it around Saturday noon and the only thing you haven’t got now is the coupon rate.

Q. What is that issue again?

A. $427 million or $428 million, 1 3/8%.

Q. 427 million?

A. I guess so.

Q. Of 1 3/8% notes? I think about 426–427 is closer to it.

A. Do you know, Herbert?

Gaston: No, I don’t know the exact amount. I can get it quickly.

A. (Mr. Morgenthau called Mr. Lockehead’s office and asked the amount) 427, 1 3/8. I thought I wasn’t slipping.

Q. No new money?

A. No new money; just the exchange.

Q. It is obvious from the fact that you are not asking for any new money that you feel you have an ample available supply until September.
A. Ample, underlined. We've got a working balance of somewhere between $2 million, 200 thousand, and $2,300,000, and I have no use for money.

Q. This June refinancing, in other words, clear the deck for September in case you do want to borrow new money.

A. Well, I won't go that far. All I will say is that the United States Treasury itself won't be in the market again before September, but that doesn't mean some of the many other agencies may not want some money between now and September. But as far as the Treasury is concerned we can't use any new money between now and September, then we will take another look at the picture.

Q. Does that imply that you will need some new money in September?

A. Well, I will see what withdrawals are then. We think this is good from the Treasury's standpoint because we can borrow for five years at a very reasonable rate and we haven't gotten out a five-year note for six months. It has been six months since we've gotten out a five-year note and it's a reasonable size issue and we feel it's in the interest of the Treasury and the taxpayer at this time to get out a five-year note.
Mr. Secretary, some of us were rather surprised by the 70% conversion figure on the HOLC offering. Can you tell us about it?

I will tell you, for background. There were more than a million pieces of paper out on that thing and the question came up whether we should leave it open the usual way—three days as we do for Treasury—or longer, and some people thought if we left it for a week longer we would get in very little more because they were scattered, and the Home Owners Loan didn't care to have us leave it open any longer because they said they would be just as much satisfied if they were not all turned in. The only reason, as I say, it didn't come in was because it was so very, very widely scattered, like the Liberty Loans. We could have left it open a couple of months but they were entirely satisfied and we were doing a job for them but maybe some of the people who didn't hear about it aren't so satisfied, but, after all, they had—it was in Thursday morning's papers—we closed it as of Wednesday night and they had a full week's notice—from Thursday morning until Wednesday night, which we think is ample notice. We have no way, unfortunately, of reaching these people when the bonds aren't registered.

There was some talk that the insurance companies balked at the coupons.
A. No, no. Look, the thing was selling the last I saw at 101 3/4. They may balk at the coupon but if they can sell it for 101 and get a profit, show me the insurance companies --. All the big holders turned in, but if you will remember I told you before this started there were a million pieces—a lot—outstanding and there would be a lot that wouldn't come in and I read the stories. It wasn't the coupon. This will be a good indication because this will most likely be the lowest coupon we have ever put on a note but you'll see them roll in.

Q. Is this going to be a one-way proposition? You can't say anything about that. There will be just one issue?

A. That's all—one note. It will be a five-year note and you will see them roll in and this most likely will be the lowest coupon we have ever put on a note. This is my own business. I know how to handle it, but when I've got a million pieces of paper scattered all over the United States it's like the Fourth Liberty's. Why, Bell and I think it may be six or eight months before these Home Owners Loan things come in, but the rate wasn't the controlling factor. It's the distribution and the fact that we can't reach these people. Don't you remember? I asked you men particularly to run it because I knew this thing was coming. It wasn't the coupon.
Q. Mr. Secretary, when you started talking about the
Musco you went on background, but I assume that this
offer of the lowest coupon is back on the record?
Perfectly all right to say it?
A. I think not for direct quote.
Q. Anything on personnel? New assistant secretaries, etc.?
A. If you will be a little patient until about twelve
o'clock I think the White House will have something
for you.
Q. It better be the right guy, Mr. Secretary.
A. It is. You know those things are presidential
appointments and we've got an hour and twenty minutes
to go before the drinks are on a certain fellow.
Cason: Did you get that turned around, Mr. Secretary? I had
it figured out the other way.
K.M. Jr.: I haven't said a thing.
Q. Any other personnel changes such as in the Public
Relations Division?
A. I haven't had time.
Q. Mr. Secretary, would you care to express an opinion
on this Head Bill for insurance of bank loans by the
RFC?
A. No, but I don't know whether we have been asked for one,
but I imagine we will be asked for an opinion.
Q. What do you think about it, Mr. Secretary—the bill?
A. Perfectly frankly, I am doing my homework on it at
eleven or twelve today. We've got everybody coming
in in the Treasury that is studying this thing and
most likely we will write a report but whether we
will be asked to say something . . . .

Q. You can tell us.

A. We may have a statement to make—I don't know yet,
but we just happen to be going to work on it between
eleven and twelve this morning.

Q. The impression has gotten out that the Administration
is backing it.

A. I can't help you out on it. I don't know. I don't
want to leave the impression I am not for it; I am
just getting down to be prepared in case they do
ask.

Q. Mr. Secretary, on this assistant secretarieship.
Does that fill the vacancy of Wayne Taylor or
Josephine Roche?

A. Well, there's some combination! I'll tell you—put
then both in a cocktail shaker, shake them up and
out will come the new assistant Secretary of the
Treasury at two o'clock.

Q. That won't show up on that nomination.

A. What? The combination of Josephine Roche and
Wayne Taylor?

Q. No, the cuties, Mr. Secretary.
A. Well, we will get around to that some time.

Q. Well, couldn't you give it to us for use when it comes from the White House? The White House will have only a paragraph that so and so was nominated and then they will ask us immediately what he's going to do.

A. Well, maybe we can give you something after lunch. Is that time enough?

Q. I don't know, the press associations work fast.

A. No, I can't.

Q. The White House just gives the name.

A. They have plenty over there. They have asked for material.

Q. Mr. Secretary, much of Mr. Taylor's duties were transferred to Danny Bell and Archie Lochhead but, nevertheless, you still need a man to get in on some of the phases of the fiscal work, isn't that right?

A. Oh, yes.

Q. In other words, some of Mr. Taylor's duties are still to be filled?

A. That's right.

Q. Thank you, Mr. Secretary.

A. Thank you.
Secretary of the Treasury Morgenthau announced today the offering, through the Federal Reserve banks, of 5 year 3/4 percent Treasury Notes of Series A-1944, in exchange for 1-3/8 percent Treasury Notes of Series D-1939, maturing September 15, 1939. Exchanges will be made par for par, and accrued interest on the notes exchanged will be paid to June 15, 1939. The offering of the new notes will be limited to the amount of maturing notes tendered and accepted in exchange therefor. Cash subscriptions will not be received.

The Treasury Notes of Series A-1944, now offered only in exchange for Treasury notes maturing September 15, 1939, will be dated June 15, 1939, and will bear interest from that date at the rate of 3/4 percent per annum payable semiannually. They will mature June 15, 1944, 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 notes will be accorded the same exemptions from taxation as are accorded other issues of Treasury notes now outstanding. These provisions are specifically set forth in the official circular issued today.

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 1-3/8 percent Treasury Notes of Series D-1939,
maturing September 15, 1939, with final coupon due September 15 attached. The notes will be accepted at par, and accrued interest on such notes from March 15 to June 15, 1939, (33.4375 per $1,000 face amount) will be paid following their acceptance.

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

Treasury Notes of Series D-1939, maturing September 15, 1939, are now outstanding in the amount of $426,554,600. The present offering will be the only opportunity afforded the holders of these maturing notes to exchange them for other interest-bearing obligations of the United States. Any maturing notes not so exchanged at this time will be paid in cash when they mature.

The text of the official circular follows:
UNITED STATES OF AMERICA
3/4 PERCENT TREASURY NOTES OF SERIES A-1944
Dated and bearing interest from June 15, 1939. Due June 15, 1944.
Interest payable June 15 and December 15

1939
Department Circular No. 611
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 3/4 percent notes of the United States, designated Treasury Notes of Series A-1944, in payment of which only Treasury Notes of Series D-1939, maturing September 15, 1939, may be tendered. The amount of the offering under this circular will be limited to the amount of Treasury Notes of Series D-1939 tendered and accepted.

II. DESCRIPTION OF NOTES

1. The notes will be dated June 15, 1939, and will bear interest from that date at the rate of 3/4 percent per annum, payable semiannually on December 15, 1939, and thereafter on June 15 and December 15 in each year until the principal amount becomes payable. They will mature June 15, 1944, 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.

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

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, 1939, or on later allotment, and may be made only in Treasury Notes of Series D-1939, maturing September 15, 1939, which will be accepted at par, and should accompany the subscription. Coupons dated September 15, 1939, must be attached to the notes when surrendered, and accrued interest from March 15, 1939, to June 15, 1939, ($3.4375 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.
(Gregory presented a copy of the "Bowl Street Journal" to the Secretary)

H.H.Jr.: We will take a look at this afterwards. What other good news have you got?

Q. Nothing. What have you got?

A. Well, our offering for exchange is going very well and we are announcing, for tomorrow morning's papers, we will close the books Wednesday night.

Mr. Gaston: For tomorrow morning's papers.

H.H.Jr.: For tomorrow morning's papers. And demonstrating that the thing was properly priced ....

Q. Not a sore point with you, Mr. Secretary.

A. And it wasn't a low coupon rate that was the trouble with the Home Owners Loan, but the number of holders. We learned a lesson there. If we ever do that way again we've got to work out some way of giving these people more time—the small holders—and still some way of not letting them gamble in the security while we keep it open. What we can do I don't know.

Q. Mr. Secretary, what we are interested in is who's going to remind you about putting it in the morning papers?

A. What?

Q. Mr. Gaston is going to have other duties.
A. Well, thanks for the reminder. We will get around to it.

Q. Mr. Secretary, Chairman Eccles testifying in the Senate Banking and Currency Committee this morning suggested the establishment of an industrial loan corporation under the Federal Reserve Board, more or less as an alternative to the Mead Bill; do you have any comment on his proposal?

Q. No. He was kind enough to read it to me before he went up there and I am studying it and learning and listening.

Q. Something new for you, isn't it—studying and listening?

A. No, do it every day.

Q. Have you learned all about the Mead Bill yet?

A. No.

Q. Maybe you like the Mead Bill.

A. I am still just studying, learning and listening.

Q. He said the meat bill? Oh, Mead. I'm sorry. When do you go up?

A. I haven't been asked. Don't stir up anything.

Q. Mr. Secretary, there have been a lot of reports about this PWA agency that Mr. Berle has suggested and this double budget idea.

A. What agency?
Q. PWA corporation.
A. Are those the initials?
Q. I don't know. We will just call it a corporation.
A. I see.
Q. Have you any comment on that—this corporation buying municipal bonds?
A. All of these things—there are so many of these suggestions.
Q. You mean they are coming too fast for you, Mr. Secretary?
A. Yes.
Q. They are? How about this double-budget idea?
A. Why, it's just like everything else. You fellows aren't serious any more than he is, are you?
Q. Well, why do you single me out, Mr. Secretary?
A. Because you are having such a good time today—why can't I have one?
Q. Well, of course, I am quite serious about this double-budget idea.
A. Are you recommending that?
Q. No, of course. I am working for the Herald-Tribune.
A. Just off the record.
Q. I would like to have your views.
A. Off the record, where are you on it?
Q. Well, I mean the French idea. You haven't studied it?
I have. As a matter of fact, the French are trying
to balance the budget on this double-budget idea
for a long time and haven't succeeded yet. It lead
to two devaluations.
A. Well, that is another new idea. We are studying
that one.
Q. Have you any comment on this double-budget idea?
A. No.
Q. Have you seen it?
A. The double-budget?
Q. Yes.
A. No.
Q. Haven't you had trouble enough with the single
budget?
A. Plenty.
Q. Mr. Secretary, have you got anything else that
contributes to recovery outside of the tax program
around here?
A. Not just for the moment.
Q. Something coming up?
A. I don't know.
Q. Mr. Secretary, there is a report out that the
Treasury's Intelligence Unit or at least some part
of the Internal Revenue Bureau is making a rather
coordinated investigation of the income returns of
various political bosses with a view perhaps to
action as in the Pendergast case. Can you give us
something on that?

A. My own answer is that we conduct our business on
income tax cases 365 days a year, the same way,
day-in and day-out, campaigns or no campaigns—just
the same.

Q. How about these reports that you are going to resign?
I'm sorry I have to bring this up again. Are you in
complete agreement with what the President is doing,
Mr. Secretary?

A. Will somebody take him out and run him around the
block and wear off the rough edges?

Q. He just got back from New York. He's very elated
today.

A. I guess that the New York atmosphere is too rarefied
for us Washingtonians.

Q. Anything on silver coming up soon?

A. Not a thing.

Q. Are you going to have any conferences on it this
month? It goes out on the end of this month—the
domestic subsidy.

A. Just ask me what I am going to do today. Nothing on
silver today.

Q. What are you going to do on silver?
A. It's up to Congress.
Q. If that bill passes you will have to do something.
A. Yes.
Q. Will you give me something today to justify my coming up here? My office will think it's a racket that we boys are coming up here.
A. You just tell them it is a racket.
Q. Thank you, Mr. Secretary.
Q. How is the amateur photographer this morning?
H.M. Jr.: Fine.

Q. Mr. Secretary, before we get started can we ask Mr. Gaston what the Finnish minister's name is?
Gaston: Yes. His name is Hjalmar Procope.
H.M. Jr.: He will be in here at eleven.

Q. We also agreed to ask you if it was true that Mr. Chen had joined the 9:30 conference group. (Chen emerged from Secretary's office just before press conference time)
A. No. It's a good idea though.

Q. Something new going on here now? Is he negotiating for some more dough?
A. No.

Q. He is not?
A. No—just comes in every so often—talks things over—keeps me posted.

Q. About Tientsin?
A. No, it's nothing other than the regular—really routine.

Q. You had a big meeting the other night with Mr. Eccles and various members of the monetary advisory group; can you discuss that?
A. No. We have had a lot of meetings. When was it we saw the President? Yesterday. Working for him—we made our report to him.
Q. I would like to be present some day. Why was Mr. Frederick Delano there?
A. He is a member, as chairman of the National Resources Committee.
Q. How do you stand on the Meat Bill?
A. Well, I don't, because Congress hasn't asked us for any report, so we are following a policy of watchful waiting.
Q. As a citizen could I ask you how you feel about it?
A. Yes. As a citizen I don't have to answer.
Q. Are you in favor of the investigation of the credit and monetary situation that Senator Wagner proposes?
A. It's all right.
Q. Do you expect to have any experts from the Treasury to sit in on that study?
A. Well, we haven't been asked, and of course it hasn't passed the Senate, yet.
Q. Would you like to have some Treasury experts — ?
A. Well, we will cooperate fully to the extent we are invited.
Q. Would the Comptroller's Office be independent in sending an expert to sit on that committee?
A. No, he's part of the Treasury.
Q. Are you going to have any further suggestions on the tax bill, Mr. Secretary?
A. Nothing new, no. We have no new suggestions.
Q. Cooper said the other day that while the bill is wound up tentatively, there might be further changes in policy or some additions before it comes out. I wonder if you are going
No, no.

Do you like the bill so far?

Very much.

Does it meet with your complete approval?

Entirely.

Does it go far enough? Or do you think it should go any further?

It went as far as I did. I was satisfied with my statement.

Is it going to be a considerable help to business?

Yes.

Contribute to recovery?

Yes.

Do you think the psychological effect of removing the undistributed profits tax will be all it's cracked up to be?

I will have to refer to my formal statement on that. I won't add to that.

Mr. Secretary, there have been several statements in the last few weeks by the silver people in the West and their Congressmen here as to the importance of some assurance as to what the silver price will be following June 30th.

June 30th falls on a Friday.

Fish day.

Fish day! Well, we will serve fried silver with trimming some time late Friday evening.

And not before then?

And not before then.
Q. Well, now suppose the bill that is now before Congress fails to pass by the 30th. Would there still be authority to go ahead and issue a proclamation?

A. I don't know.

Q. You don't know? Any consideration been given to what steps would have to be taken if the bill isn't passed? After all, the authority is contained in that monetary bill.

A. Well, I am still hopeful that the bill will pass as it passed the House. Therefore, I haven't given consideration to any other new steps.

Q. Well, does this Silver Purchase Act authorize you to pay anything up to $1.20?

A. That authority is in this bill.

Q. The Silver Purchase Act of 1934—I thought that was a separate bill entirely.

A. No, the power under which we are buying the domestic silver is in this present legislation. Now, if they don't pass it before the 30th of June, what we can do or what we would do, I really haven't been giving it any study because I am counting on the bill passing. But the domestic silver price legislation is in this so-called stabilization fund or monetary bill. I believe it's coming up Monday in the Senate, so I am told.

Q. Mr. Secretary, I read that the Senate yesterday ratified a resolution for a Panama conference calling for a meeting of Pan American treasuries in Guatemala next year. Have you any comment?
A. No, I think it is a good idea.

Q. We are all willing to go in a Coast Guard boat. There's no discrimination against the Coast Guard. We are all willing to represent the press.

A. That's a good idea.

Q. We will give you a sympathetic press. (Laughter)

A. We are always open to a good proposition.

Q. That's the best offer he's had today.

A. Well, I will pass the word along to Admiral Waesche.

Q. Mr. Secretary, is there anything new on the exchange situation down in South America?

A. Nothing new.

Q. Have you heard anything from the Brazilian Government as to whether they are ready to go ahead with the Central Bank proposal?

A. No, nothing on that.

Q. Is the Argentine situation clearing up any?

A. We are not doing anything in the Treasury so I don't know whether it is clearing up or getting foglier. Haven't been asked to do anything.

Q. In view of this Japanese blockade, is the Treasury doing anything - looking into the tariff law to see what the effect is on United States trade, etc.?

A. I don't know.

Q. Is there any possibility either on or off the record of similar steps being taken towards Japanese imports as were taken towards German imports?
A. I don't know. I can't answer you.
Q. Could you say whether the matter has been talked about?
A. No, I can't discuss it. Thank you.
Q. Thank you, Mr. Secretary.
Jr.: Hello! Hello, young lady. Let her sit down.

(Sandy Klein's daughter) (Mr. Klein introduced her to the Secretary and Mrs. Klotz)

Jr.: Do you want a pencil and paper? Your father will have to be good today—he isn't usually. All right, lady and gentlemen.

Mr. Secretary, Senator Barkley said late yesterday that the administration had offered to extend the present domestic silver price beyond June 30th in conversations with the silver Senators.

I have no comment. I have no comment.

Mr. Secretary, some person around the Treasury here said that, knowing you as he does for all these many years, that he doubts that you would enter into any deal with any one on the Hill regarding silver in exchange for assurances that there would be no impeding the monetary bill.

Well, time will tell whether he's right or wrong.

Mr. Secretary, in the event that the June 30 deadline goes by without the bill—the monetary bills don't go through—is the Treasury going to be hamstrung? Will the Stabilization Fund be operating?

I am not prepared to answer that question.
Q. Well, have you consulted with your counsel as to the
legality of any further operation?
A. In the Treasury we like to think that we are ready to
meet any emergency.
Q. Yes, sir, but have they given you any opinion
whatever on it?
A. No.
Q. Because today is the 23rd and there isn't much more
time.
A. No, they have not, but, naturally, they are working
on it. The situation is a serious one.
Q. I know; that is why I asked you.
A. Yes.
Q. Mr. Secretary, I understand on the Senate Banking
and Currency Committee that they have asked you for
an expression of opinion on the Head Bill; have
you sent that in or can you tell us anything about
it?
A. No, I have had verbal communications with Senator Head
and, as far as I know, he is satisfied.
Q. Will you tell us what you said to him?
A. No.
Q. Because we assume that you are, well, favorably
disposed toward it.
A. No, I wouldn't assume anything; I mean, as far as
I am concerned.
Q. Well, knowing your policies, it is evident from your conservative attitude...

A. No, no, I am—I just doubt whether we will make any recommendations.

Q. And there is no formal communication?

A. None, just telephone.

Q. Mr. Hopkins said yesterday he has some sort of a proposal up his sleeve he's going to spring soon. Could you enlighten us on that?

A. I am not in his sleeve so I don't know.

Q. Mr. Secretary, Alsop and Kintner had a column yesterday in which they said that in order to—I don't know how they phrased it—but that you would rather take this spending out of the regular budget and put it in this double budget idea. They said you had expressed that in order to at least obtain some measure.

A. Well, Mr. Gaston informs me (this is in the family) that as far as he knows Alsop and Kintner haven't talked to anybody in the Treasury so whatever they wrote is their own opinion.

Q. Mr. Secretary, you have had a number of conferences—at least you and your staff have had a number of conferences—at the White House—two I know of—in the last few days and a lot of hush-hush conferences around here.
A. Didn't Mr. Gaston enlighten you last night. You paid him a compliment.

Q. What was that?

Q. Mr. Gaston did not enlighten us. As a matter of fact, I think he turned the lights out.

A. I hear you called him a bad name.

Q. Who, me? Not to my recollection. If I do I would call it right in front of him. (Klein)

Q. The Secretary hasn't answered this question.

A. Well, I think if you fellows are a little patient, in not too many hours, the White House will do a little enlightening.

Q. Today you expect it? In connection with reorganization?

A. I think there will be a little daylight.

Q. Well, as long as we are going to get it ....

A. No, no. You be a little patient.

Q. How about lending-spending, Mr. Secretary? Are you doing anything over here on that? Have you got any plans?

A. I think if you will be a little patient—not too distant, not too many hours off, you will have something from the White House.

Q. That answer seems to hook up these conferences on lending-spending, Mr. Secretary.

A. Be a little patient. Is your father patient?

(To Mr. Klein's daughter)
Miss Klein: Sometimes; most of the time.

S. L. Jr.: All right.

Mr. Klein: I coached her before we came.

A. She's good.

Q. Mr. Secretary, would you care to make any comment on this resolution passed by the Senate Banking and Currency Committee ordering an investigation or inquiry into the banking and monetary problems of this country?

A. Well, at the last press conference I had, which you weren't at—I will repeat as well as I can remember—that if the Banking Committee invited the Treasury to cooperate we would be glad to do so. I think all of these things which have been bothering you men—within a few hours I think the White House will clear that all up.

Q. Will it be a message to Congress?

A. A couple of hours—not very far off.

Q. Well, thank you, Mr. Secretary.

A. Thank you.
Mr. Secretary, if this monetary bill fails to go through by the deadline what price will you pay for domestic silver?

H.M.Jr.: Well, that's a very pertinent question—very well put—and all I can say is that if there is no monetary legislation when I wake up on the morning of the 1st of July I will be faced with the question "what price silver?" and I haven't got the foggiest idea what the answer is. And I might point out that we have never bought any foreign silver on Saturday; we are closed Monday and Tuesday so we might not get around to it until the morning of the 5th of July.

Q. You mean on domestic?
A. On anything.

Q. You said foreign silver. Of course, my query was on domestic silver.

A. After the 1st of July we will be operating under the Silver Purchase Act and with all the banks closed and Monday being closed and 4th of July why I don't know if we will have a chance to do anything—might wait; might not do anything Monday; might not do anything until the 5th.

Q. You say you don't have the foggiest idea; does that mean your mind is open to continue paying sixty-four cents for silver?
A. Just exactly that; I haven’t got the foggiest idea.
Q. Does the President have the power to issue a proclamation?
A. That power will be done.
Q. Before tomorrow night?
A. It will expire at midnight June 30th. We don’t operate
under proclamation.
Q. I mean on domestic.
A. That expires.
Q. That’s part of the monetary legislation?
A. And while you are on silver, my attorneys tell me that
they are studying this seventy-seven cent amendment and
they don’t know, the way that amendment is written and if
it became a law, that the sellers of newly-mined silver
wouldn’t have to make out a tax blank and pay fifty percent
tax on that seventy-seven cent silver.
Q. They are not sure whether they would or not?
A. No, the attorneys haven’t had a chance to give me a ruling.
You see, under the Thomas Amendment and under the
presidential proclamation under which we are operating now
on domestic silver, the fifty percent tax is specifically
excluded. There is nothing said about it under the
amendment the way it is written now and our counsel are
studying it and they are not at all sure that they might
not have to pay a fifty per cent tax on the seventy-seven
cents.
I thought that fifty percent tax was on speculative
profits.

No, my counsel tells me they are not at all sure the way
that amendment is written that the owners of the newly-
mined silver would not be subject to the fifty percent
tax.

What is the history of that fifty percent tax?

It goes back to the original Silver Purchase Act; at that
time it had to do with the people who speculated in silver.

The Silver Purchase Act of 1934?

1934.

Mr. Secretary, the way that amendment is written do you
know whether that amendment would bar all kinds of foreign
silver or bar refined silver? What I have in mind is it
is my understanding that some of the Mexican silver comes
here in the form of ore and is refined here.

I think that is correct.

Do you know whether that would be barred too?

I don't know. You see, the only agreement we had with any
country was with Canada and each month along about this
time we notified Canada whether we would extend for
July the agreement to take a million two hundred thousand
ounces and now the State Department has notified Canada
that there will be no letter coming because we don't know
where we stand and, therefore, for the time being, have
suspended that arrangement with Canada.
Q. That will be for the month of July?
A. It will go into—put it this way: After June 30, midnight, I have no commitments of any kind outstanding to buy any kind of silver at any price.
Q. On that question of the silver ore, Mr. Secretary, was your answer that you didn't know?
A. I don't know.
Q. Could you enlighten us as to how in this ambiguity that surrounds the whole situation how it would be possible to pay sixty-four cents for ore if the presidential proclamation and his power to make new proclamations ceases?
A. Well, I will be glad—I just don't have it on my desk—to get you a copy of the Silver Purchase Act which directs me to buy until either silver reaches $1.29 or we have one-fourth of the monetary stocks in silver, "when it is in the public interest." The thing that the President and I have got to determine is what is in the public interest, and that is why I say naturally ... .
Q. In other words, the discretion is left to you, "in the public interest."
A. And the President. I mean, it's with the President and myself.
Q. Isn't there also something in that act about not paying more than fifty cents?
A. That fifty cents was on silver acquired before a
    certain date.
Q. That is nationalized silver.
A. That is nationalized silver.
Q. Mr. Secretary, that fifty percent tax on domestic silver—
    under it they pay to the government fifty percent of the
    price they get?
A. My attorneys tells me, and this is why there is so much
doubt about the whole thing, it is the difference between
the world price and what the Treasury would pay. That
would be what would be considered a profit.
Q. In other words if the world price is forty cents and you
    pay them seventy-seven cents they would pay fifty percent
    of that difference as tax.
A. That is what the attorneys believe. They haven't rendered
    a formal opinion but that's what they are studying.
Q. Mr. Secretary, in that case would it be your recommendation
    that if Congress in its wisdom determines to keep that
    seventy-seven price that they be asked to exempt the tax?
A. I haven't been asked for any recommendations by
    Congress.
Q. Have you had any word from London today as to the price
    there?
A. The price in London today is 37.79, as against 32.32
    yesterday; that is in our money. If you want it in their
    money I can give it to you; that is translated into dollars.
Q. Mr. Secretary, if monetary legislation isn't passed by June 30 what powers would you still hold to operate in the international exchange markets?

A. Oh, gosh, I can't list them all from memory! But we have certain powers and just what is going to happen I don't know. We are faced with an entirely new situation and it is serious; it is very serious.

Q. Without enumerating those powers, Mr. Secretary, aren't you sure that you could at least do what was done in 1933 by the RFC?

A. Oh, yes.

Q. You can still buy gold at any price you want under various statutes.

A. One statute—the Gold Reserve Act. But the situation—
I repeatedly told Congress that the powers that Congress delegated to the President and the Treasury were ample to take care of any situation that I could foresee.

Well, after midnight the 30th of June I can't make that statement any more and of all the times to lose those powers I can't imagine a more unfortunate time.

Q. What is that, Mr. Secretary?

A. Well, by just reading the papers certainly the situation abroad looks very serious.
Q. Is it your opinion, Mr. Secretary, that the continuing powers that you would have would prove ample to meet a situation similar to that which developed at the time of the Munich crisis in the exchange field?

A. I have felt as I say the powers which we have had up to date have been ample to permit the executive end of the government to meet any situation which has arisen so far and if I may say so I think we have met it successfully. Now with divided authority—some authority with the Federal Reserve, some with us, losing very important authority, just how successful I can be I don't know. I don't know. They are taking away from the President and the Treasury very important instruments and instruments which I believe we have shown that we are worthy of the confidence of having. Certainly from 1934 to date no businessman or farmer or laborer has had to worry about the dollar, but they had better begin to start worrying if this legislation doesn't pass before midnight. I mean, we go back to 1933. That is just where we go back to.

Q. Mr. Secretary, we have all been forced to speculate and guess as to the reason for which the Treasury has dropped its foreign silver price in the last two days—can you give us the reason?
The reason is perfectly obvious. With the price dropping in London why pay more than we have to. And we have dropped it after the price has dropped in London. There is no reason that we should pay more than the going price.

Was there any fear of a big influx if the price hadn't gone down?

Well, people always do—they would like to beat the gun if they could.

Could they in three days?

They have rushed all the silver bars available to the mints in the last couple of days—everything they could lay their hands on from here and Canada have been offered to us.

You say 'they'. Who is 'they'?

The owners of the silver. Anybody who has had any refined silver in either here or Canada, I am sure they have disposed of it in the last couple of days.

Dropping the price didn't deter them then?

They couldn't get it here quickly enough.

I don't suppose you have decided today, Mr. Secretary, whether there will be a further drop today?

If you don't mind I want to do it about noon.

Have any representatives of the interested foreign governments—China or others—conferred with this department with regard to the situation?
A. I would rather not answer that, if you don't mind.

Q. Mr. Secretary, there is at least a possibility then if this bill fails to go through the price of domestic silver will be dropped to 39 or 40 cents an ounce?

A. No. I would like to stick to my original statement—I will cross that bridge....

Q. Your original statement implied that when you said -- -- 

A. I haven't the foggiest idea and on the 1st of July if the President will see me and discuss the matter—he may be busy—why we will talk the matter over, but I am not going to—he's so busy and got so much on his mind—I am not going to bother him as long as there is a chance that the bill may pass between now and midnight, but, as I say, if he isn't too busy and will spare me the time Saturday morning why I will talk to him.

Q. Can you discuss the long-range effects caused by the fact that we won't have any more devaluation powers?

A. I don't know. We go back to '33 and I just say I am here—I don't know—I wouldn't be so rash as to say that I could meet the situation.

Q. You still have the Stabilization Fund, Mr. Secretary.

A. No, it expires.

Q. That apparently is going through though.
A. 
No, nothing has passed. That money will go back to the general fund.

Q. 
The Stabilization Fund is in the bill.

A. 
Yes, but supposing no legislation passes on the monetary bill. Then on the 1st of July the money in the Stabilization Fund goes back into the general fund of the Treasury. On the 1st of July it would go back to the general fund of the Treasury.

Q. 
Mr. Secretary, your statement about its being such a terrible situation --- .

A. 
Pardon me! I didn't say that.

Q. 
I mean your statement about its being a serious situation—it couldn't be a worse situation for the power of devaluation to be removed—do you mean to imply that if the bill didn't pass extending the Stabilization Fund and devaluation powers that this would be the case or did you refer only to the removal of the devaluation powers?

A. 
I am talking about if the monetary bill failed to pass as it was passed in the House.

Q. 
Mr. Secretary, do you feel that the lapsing of those powers would necessarily endanger the Tripartite Agreement?

A. 
It might.
Q. Could you amplify that?
A. No.
Q. You mean the failure at any time of this legislation to pass? With no legislation?
A. Yes, with no Stabilization Fund what am I going to do?
Q. That refers particularly to the Stabilization Fund, doesn't it?
A. The Stabilization Fund and the right to devalue because, after all, the Tripartite Agreement is an understanding that we agree not to forget the exact language—competitive devaluation. Well, suppose somebody starts competitive devaluation on the 1st of July. Then what? Supposing somebody starts competitive devaluation on the 1st of July?
Q. Do you have any fears of such a thing happening?
A. Do I?
Q. Yes.
A. Anything can happen. I read in one of the New York papers yesterday on the front page—they are talking about devaluing the money in Danzig on the 1st of July. If other currencies are going with it—I don't know.
Q. Did you say devaluing the currency of Danzig?
A. That's what the story said. I don't know just what
their currency is but evidently they have a currency and
whatever it is the story was on the front page of the
New York Times yesterday.

Q. Mr. Secretary, is it true that you have scared the
British out of devaluing by use of this power?

A. For background, there was much discussion in the last
two weeks in December between the British Treasury and
ourselves and they did send a number of messages that
they could not hold the pound and I sent them a number
of messages that it would be most ill-advised if they
didn't and the result was that they did hold it.

Q. Mr. Secretary, you put this on a background basis;
Senator Wagner told this on an on-the-record basis.
Could you?

A. Well, he's got privileges which I don't enjoy.

Q. Thank you, Mr. Secretary.