Agriculture

If commodity prices reach par, Treasury will save
about $220 million in parity payments - 9/14/39...
  a) HWR hopes this will happen for farmers' and
Treasury's sake - 9/14/39
Savings in Parity Payments will affect anticipated
loss in Customs duties - 9/14/39
If quotas are suspended and tax kept on sugar, $40-50
million in benefit payments may be saved - 9/14/39

SEE Budget Matters - 9/14/39

Appointments and Resignations

McReynolds, William H., Administrative Assistant to
Secretary, being "loaned" to President; no change
in Treasury status - 7/13/39
  a) Thompson, W. Norman, to carry on for
McReynolds in Treasury - 7/13/39

Appointments of 3, $1.00 a year, Special Advisers to
Treasury announced:
1. Burgess, W. R., Vice Chairman, National City
   Bank, N. Y., to look after government
   financing.
2. Baillie, Earle, Chairman, Tri-Continental
   Corporation and Associate of J. and W.
   Seligman and Company, to cover movement
   of international capital.
3. Smith, Tom E., President, Boatmen's National
   Bank, St. Louis, to look after national,
   state, and savings banks affairs.

All have previously been connected with Treasury -
9/5/39
  a) HWR feels their assistance to Treasury will
   be reassuring to business - 9/5/39
  b) Arrangements to secure them made in April,
   1939 - 9/5/39

Lochhead, Archie, Technical Assistant to Secretary,
resigns effective 11/30/39 - 9/5/39
Cochran, H. Merle, loaned by State Department to
carry on vice Lochhead - 9/5/39

SEE Press Service No. 13-63 - 9/5/39
Appointments and Resignations (Continued)

EWJR announces appointment of 3 more Special Advisers, who are world authorities on economics and international finance: 9/7/39

a) Viner, Jacob - on leave - from University of Chicago - 9/7/39

b) Riefelf, Winfield W., from Institute of Advanced Study, Princeton, N. J. - 9/7/39

c) Stewart, Walter W., from Institute of Advanced Study, Princeton, N. J. - 9/7/39

d) All will confer with EWJR daily to assist in meeting problems arising from European war - 9/7/39

Harris, Basil, appointed Collector of Customs and Assistant to Secretary to handle shipping under President's Neutrality Proclamation - 9/7/39

a) To enforce police powers of Treasury as regards sailing of ships from all ports; does not conflict with authority of Maritime Commission - 9/7/39

b) Work incident to enforcing Neutrality Proclamation too strenuous for Commissioner of Customs Hoyle because of his age - 9/7/39

Bailie, Earle; Burgess, W. Randolph; and Smith, Tom K., Special Advisers, return to private business as emergency situation settles down and bond market returns to normal - 10/19/39

Appropriations

SEE Export-Import Bank - 7/10/39

- B -

Bailie, Earle (Chairman, Tri-Continental Corporation and Member of J. & W. Seligman & Co.)

SEE Appointments and Resignations - 9/5/39

SEE Appointments and Resignations - 10/19/39
Banking

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Bond Market, Government

BMFr says reports that Treasury and Federal Reserve Board are in disagreement on issue of supporting Government bond market are untrue - 9/28/39.

a) Wants it made clear there are no official or personal differences between Secretary of Treasury and Marriner S. Eccles, Chairman of Federal Reserve Board - 9/28/39.

b) Satisfied with coordination and liaison between Treasury and Federal Reserve Board - 9/28/39.

Brazil

Gold - 10/16/39

Budget Matters

Financing, Government - 7/24/39

Agriculture - 9/14/39

Whole Budget program being studied; BMFr expects both increased revenue and higher expenditures as result of European war - 9/14/39.

Burgess, W. Randolph (Vice-Chairman, National City Bank of N. Y.)

Appointments and Resignations - 9/5/39

Appointments and Resignations - 10/19/39

Business Conditions

Appointments and Resignations - Bailie, Burgess, and Smith - 9/5/39

Tripartite Agreement - 9/11/39

Foreign Trade - 9/18/39

Stabilization - 9/18/39

Foreign Trade - 9/21/39

Foreign Exchange - 9/21/39

Foreign Trade - 9/25/39

Financing, Government - 10/19/39

Financing, Government - 10/26/39
Byrd Expedition
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9/7/39.................................................. Book 13: 95
a) Will use "Northland" as cutter "Hamilton" is
   larger and needed for police work - 9/7/39.  n 95

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Canada
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SEE Shipping - 10/2/39...................................... n 179-83

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Coast Guard, U. S.
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Cochran, H. Merle (Former State Department
   Representative in France)
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   n 308-23

Commodity Credit Corporation
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Comptroller of Currency
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   that post of Comptroller of Currency be abolished
   - 9/21/39.................................................. n 148

Countervailing Duties
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   on countervailing duties in all foreign
countries - 7/17/39........................................... n 22-25
   a) Ruling obtained from Justice Department before
duties were placed on German and Italian
   goods - 7/17/39........................................... n 23
   b) Duty on Italian silk imposed after careful
study - 7/17/39........................................... n 23
   c) As result of bonus paid Italian farmers on
raising of silk cocoons, price of silk too
   high to compete with world market; Italy
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Credits, Short-Term

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24-hour shopping rule (imposed on purchases made in "free port" of Tia Juana, Mexico, to protect American merchants from unfair competition) suspended to December 1, to allow investigation - 10/26/39.

a) Treasury felt that law, permitting US citizens to purchase up to $100 in merchandise in Tia Juana and bring it into California duty-free, is unfair to American merchants. They must either pay import duty or American wage scale on domestic goods and, therefore, must ask higher prices for same articles - 10/26/39.

b) 18 California Congressmen and 1 Senator file protest against 24-hour shopping law with President - 10/26/39.

c) Johnson, W. R., Deputy Commissioner of Customs, on ground investigating matter - 10/26/39.

Denmark

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Eccles, Marriner S. (Chairman of Federal Reserve Board)

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**Federal Reserve Board**

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**Financing, Government**

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<td>Securities issued under new spending plan will have same tax exemptions as</td>
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<td>At request of Agriculture Department, Treasury will offer $200 million</td>
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<td>new notes for Commodity Credit</td>
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<td>Corporation to pay off corn, cotton, and wheat</td>
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<td>notes, beginning July 31</td>
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<td>a) CCC borrowing was $206 million, maturing in November, 1939</td>
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<td>b) Reimbursement of $119 million impaired capital to CCC pending before</td>
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<td>Congress - 7/20/39</td>
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<td>c) See Press Release No. 18-39; and Departmental Circular 617 for July 24,</td>
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<td>offering 1-year, 5/3% notes for CCC - 7/24/39</td>
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<td>Delegation calls on HMJr re bill to provide $300</td>
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<td>million (30% grant and 70% loan) to FWA - 7/24/39</td>
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<td>a) Treasury opposes &quot;grants-in-aid&quot; and supports &quot;self-liquidating&quot; plan, as</td>
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<td>&quot;a bridge&quot; toward balancing budget - 7/24/39</td>
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$100 million - 13/4, bonds offered for Home Owners' Loan Corporation, thru Federal Reserve, of which over $60 million already sold since June 1, - 7/26/39.....................................................Book 13: 61-65
a) HOLC already made $2 profit on deal - 7/26/39.................................................. 61-65

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With assistance of Special Advisers, Treasury will carefully coordinate government financing - 9/7/39...................................................... 96

Offering $30 million, short-term debentures for Federal Intermediate Credit Bank, which is under jurisdiction of Farm Credit Administration - 9/7/39...................................................... 96
a) $20,650,000 of $30 million will be used to redeem debentures maturing September 15 - 9/7/39...................................................... 96
b) Not acting as fiscal agent, only clearing all Government financing - 9/7/39...................................................... 96-97

SEF Agriculture - 9/14/39...................................................... 116-17

$100 million bills sold at .083 as against .125 previous week - 9/25/39...................................................... 156

$150 million 90-day, bills will be sold October 16; $50 million is new money - 10/9/39...................................................... 192

Rate on October 9 financing .024 against .038 previous week - 10/9/39...................................................... 193

a) Working balance has been reduced by $500 million - thus E.M.a asking $50 million new money - 10/9/39...................................................... 194

b) Interest on $1.3 billion bills outstanding amounts to $750,000 yearly; average rate .053 - 10/9/39...................................................... 194

c) New money being asked to keep working balance ample so it will not be necessary to have quarterly financing unless it is in interest of public - 10/9/39...................................................... 199

$206 million, 1%, 2 years and 13 days, Commodity Credit Corporation notes sold October 17, to refund 18 month, 3/4 of 1% issue maturing - 10/16/39...................................................... 202

$150 million, 91 day bills sold at rate of .036, against previous .024 in N. Y., .022 in country - 10/16/39...................................................... 203
Financing, Government (Continued)

Commodity Credit Corporation note offering sold extremely well - 10/19/39............................................... Book 13: 213

a) Sales indicative that emergency situation, arising on declaration of war, has somewhat subsided - 10/19/39........................................... 213-14

1. As result of bond market returning to normal, Earl Beallie, W. Randolph Burgess, and Tom K. Smith have returned to private industry.

2. Issue not as widely distributed as previous one.

3. $100 million bought first day; "quite unusual".

1½, Series E 1944 notes, maturing 3/15/44 will be offered in exchange for 1-3/8%, Series E 1939, maturing 12/15/39, in amount of $526,232,500; no cash sales; notes not exchanged will be paid in cash at maturity - 10/23/39............................................................. 223

a) By postponing financing from September 15, and waiting for market to improve, Treasury able to sell notes at 1½ thereby saving approximately $1.8 million in interest - 10/23/39............................................................. 224

99% of $206 million Commodity Credit Corporation notes exchanged; "very satisfactory" - 10/23/39............................................................. 225

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a) This will clean up RFC indebtedness to Treasury - 10/26/39............................................................. 236

b) First new money asked since June, except for bills - 10/26/39............................................................. 237

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a) RMJr expects oversubscription of $250 million notes to cover full amount - 10/30/39............................................................. 248

b) Will clean up RFC indebtedness to Treasury - 10/30/39............................................................. 247-48

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**Departmental Circular No. 624 - 10/31/39**

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Of $526 million, 1% notes offered October 23, $515 million 1 - 3/8% notes exchanged; HjWr thinks returns are "wonderful" - 10/30/39............... 251

Only $100 million bills will be sold during following week (Duffield) - 10/30/39................................. 252

$250 million HFC 1% note offering oversubscribed 14 times - 11/2/39............................................. 264

a) Indicates Federal finances are sound; public is confident of direct government obligations and also government guaranteed obligations - 11/2/39................................. 264

b) US only government to do any financing since 9/3/39 - 11/2/39.................................................. 264

Only other financing anticipated to end of 1939 will be $500 million cash and $60 million for TVA securities to repay indebtedness to Treasury - 11/2/39.................................................. 265-66

In answer to criticism of H. T. press that HjWr is undertaking too much financing in short period, he cited the $3,643 billion subscription to HFC issue - 11/2/39.................................................. 266-67

HjWr calls press at 3:00 p.m. to give release on offering of $550 million bonds, due to arrangement among bond dealers not to trade after 4:00 pm. - 11/27/39.................................................. 291

$500 million 2%, 1948-50 Treasury bonds offered to public; also $50 million of same issue will be sold to government investment accounts - 11/27/39..... 292-301

a) Preferential allotment will be given to subscriptions for $5000 and under, for 60-day registered bonds; limited to 1 subscription - 11/27/39.................................................. 294-300

1. Purpose is to take these bonds out of hands of speculators and into investors hands.

2. Being done (off the record) specifically for FD Roosevelt and John N. Garner.

3. HjWr calls it, "Bell anti-loophole plan".

4. Lowest 2% government bond ever sold.
Financing, Government (Continued)

EMJr plans to take up March 15 refunding in near future; only other financing for year will be
TVA $60 million bonds - 11/27/39....................... Book 13: 298-300

S.E. Press Service No. 19-43 - 11/27/39......................... # 302-03
S.E. Departmental Circular No. 526 - 11/28/39.................. # 304-07

$1.278 billion, 3/15/40 maturities being offered refunding in form of: 1) 12-14 year, 2½%, 1951-53 bonds; or 2) 4 year, 9 month, 1½ notes, Series A-1940 - 12/11/39...................... # 335

$100 million additional bonds, Series A-1940, being offered government Investment. Accounts - 12/11/39
a) Not necessarily new money; may cancel 2% Postal Savings; or 2% FDIC issues; or for investments of special funds - 12/11/39... # 335-36
b) 100% allotment to government Investment Accounts is precedent - 12/11/39................ # 337-38
1. Being done to prevent competing with public and to save agencies money.

S.E. Press Service No. 19-59 - 12/11/39......................... # 350-51
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S.E. Departmental Circular No. 528 - 12/12/39.................. # 356-58

Sales of 1951-53 bonds and Series A-1940 notes running about 60-40%: subscriptions entirely satisfactory; no further refunding due until June 15, 1940 - 12/14/39......................... # 362-63

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Foreign Exchange

S.E. Tripartite Agreement - 9/11/39......................... # 100-10
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EMJr says if England has rules to protect $4.02 sterling price let them give out information - 9/21/39...

a) Press stories on sterling brought it from $3.75 (low) to $3.97 as of 9/21/39 - 9/21/39.................................................. # 140
b) Quoting another source EMJr says British, "are trying to muddle their way through" - 9/21/39.................................................. # 143
c) EMJr and Federal Reserve of NY being careful to await formal announcement of conditions under which they will buy $4.02 sterling - 9/21/39.................................................. # 144-45
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Foreign Trade

12 Federal Reserve Banks and General Counsel have drawn up a set of rules and regulations for handling short-term credits to aid American businessmen handle foreign exchange - 9/18/39...

- a) Federal Reserve Banks will act as fiscal agent for Treasury - 9/18/39...
- Regulations, drawn by General Counsel and Federal Reserve Bank, and passed on by advisory group, sent to President for approval and release - 9/21/39...
- a) Have no connection with Loree Committee - 9/21/39...

1. They probably picked up their information from London branches.

Regulations prepared and sent to President for approval have been put away, since Congress is considering legislation on same subject - 9/25/39...

- a) Law "would permit the President to grant 90-day credits to foreign purchasers if he considered suggesting a policy necessary to protect this country's commercial interests" - 9/25/39...

- War Debts, Finland - 12/7/39...

British Government insisting on navicert system. Except for Customs enforcing regulations, which require vessels sailing from US to neutral ports to accept any goods included under Neutrality Act, without navicerts, British position is matter for State Department to settle - 12/7/39...

France

- Tripartite Agreement - 9/11/39...
- Gold - 9/14/39...
- Neutrality Act - 12/11/39...

Germany

- Countervailing Duties - 7/17/39...
Gold

SM Japan - 7/26/39

Status of gold purchases from England and France has not changed; will buy at $35 ounce, less 1/4 of 1%

9/14/39

HMJr has idea of quantity of gold owned by Russia - 9/25/39

a) Also knows what happened to Polish gold but doesn't wish to comment on whereabouts - 9/25/39

l. Ml not on deposit with Federal Reserve.

"Off the record" HMJr explains President's statement re gold loans to Latin American countries - 10/16/39

a) Brazil now buying approximately $1 million of gold from US under 1937 arrangement - 10/16/39

(See Book 9, pages 28-31 for )
(original arrangements to sell)
(Brazil $60 million gold.)

b) Purchases will be ear-marked and left in US - 10/16/39

c) Reason for buying now because certain European purchase agreements fell through and Brazil had some free exchange; and as result of European situation Brazil will have to redirect their commerce - 10/16/39

d) Public announcement of gold purchase must come from Brazil; HMJr only clarifying President's statement - 10/16/39

Publication of gold figures abolished by Federal Reserve Bank of NY at request of HMJr to protect ships, people, and gold - 10/26/39

a) Result of publication of exact details of shipment of $6 million South African gold before ship even sailed - 10/26/39

b) Only gold figures now will be given weekly by Department of Commerce and Treasury Daily Statement covering gold which has actually arrived in US - 10/26/39

SEE Stabilization - 11/9/39
Guatemala

**SEE Inter-American Conferences** - 7/17/39

**SEE Inter-American Conferences** - 7/26/39

**SEE Inter-American Conferences** - 10/19/39

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Harris, Basil (Assistant to Secretary and Collector of Customs)

**SEE Appointments and Resignations** - 9/7/39

**100-10**

Holland

**SEE Tripartite Agreement** - 9/11/39

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**I**

Inter-American Conferences

North- and South-American treasuries will confer in Guatemala - 7/17/39

Statement of Sumner Welles, Under Secretary of State, while in Panama, on subject of capital loans to Latin American countries, has full backing of US Treasury - 9/28/39

Hanes, John W., Under Secretary of Treasury, will represent US at meeting of American treasuries in Guatemala - 9/28/39

Inter-American Economic Committee will meet in Washington on November 15, to discuss economic proposals made at Panama City - 10/19/39

a) November 15, meeting has no bearing on Guatemala conference - 10/19/39

1. Guatemala conference is outgrowth of Lima conference.

2. Up to State Department to straighten out mix-up of conferences; Treasury did not make arrangements.

3. HUIR will only send Under Secretary Hanes to Guatemala if it is "terribly important" as he is needed here.

Gaston, Herbert L., Assistant Secretary, will represent US Treasury at Guatemalan conference - 11/9/39

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Inter-American Economic Committee

**SEE Inter-American Conferences** - 10/19/39

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International Capital

**SEE Appointments and Resignations** - 9/5/39

**72-85**

Italy

**SEE Countervailing Duties** - 7/17/39

**22-25**
Japan
Secretary Hull advises Japan that 1911 Trade Treaty
will be abrogated in 6 months - 7/26/39.............. Book 13 52-60
a) EMWr will study question of Japanese gold and
silver imports and merchandise imports; does
not wish to do anything to hinder Hull's
plans or affect the gold market - 7/26/39........ 52-60
b) Nothing short of war will change US policy of
buying gold and silver from any foreign
country - 7/26/39........................................ 52-60
1. Must maintain gold policy to protect
dollar.
2. When Government buys gold from American
smelters, does not know original
source.
Justice, Department of
SEW Neutrality Act - 12/11/39.............................. 339-46

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Brazil:
SEW Stabilization - 10/30/39......................... 254-58
SEW Stabilization - 11/9/39.......................... 281
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Mexico, Tia Juana:
SEW Customs Duties - 10/26/39.......................... 238-42
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SEW Inter-American Conferences - 9/28/39........ 174
SEW Gold - 10/16/39................................ 204-12
SEW Inter-American Conferences - 10/19/39........ 218-22
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SEW Financing, Government - 7/24/39............... 40
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Interest rate to be charged should cover administra-
tive costs, except for first year. These may be
eallotted out of proceeds of loans by Budget -
7/20/39.................................................. 29-30
Loans, Foreign
SEW Export-Import Bank - 7/10/39.................... 10-12
SEW Inter-American Conferences - 9/28/39........ 174
Loans, Small Business
HMJr still interested in helping persons of
limited income obtain loans at reasonable
a) Thinks top limit on "small business" should
be $25,000 - 11/9/39............................................. 277
b) HMJr "still from Missouri" does not believe
person can obtain a loan of 5 to 10 years
to improve his plant; write it off and pay
it back "unless he makes exorbitant pro-
fits; in many cases they need 20 years" - 278
11/9/39............................................................
c) Banks are making many loans to business up to
$5,000 - 11/9/39...................................................... 278
d) HMJr does not say there is no need for loans,
but is not convinced there are facilities
to do so at reasonable rate - 11/9/39...... 278-79
Loree Committee
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Plans trip to Scandinavian countries - 7/17/39....... 19
Norgenthau family sailing August 2, on SS Normandie
for Scandinavia - returning September 11 - 7/31/39 68-70
a) At invitation of Minister, only official
visit will be to thank Finland for paying
war debt - 7/31/39.............................................. 68-70
Press correspondents present HMJr with original poem,
as result of Walter Winchell's radio-cast - 10/16/39 201
a) HMJr reads letter he wrote Winchell - 10/16/39
Sister's home robbed; radio persisted in saying HMJr
asked Mayor LaGuardia for police detail - 11/2/39.. 201-02
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Morgenthau, Henry, Jr. (Continued)
  Announces trip to Arizona for week or 10 days; only
  Mrs. Morgenthau will accompany him - 11/9/39...... Book 13: 271
  a) Washington to Nashville in Coast Guard plane;
  Nashville to Arizona on American Airlines
  - 11/9/39......................................................... 274-75

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France purchased eight trawlers from private
company - 12/11/39.............................................. 339
  a) Boats sighted in Cape Cod Canal by Coast
  Guard, who raised question of legality of
  movement - 12/11/39......................................... 339-44
    l. Three escaped beyond 12-mile limit.
  b) Attorney General asked for opinion as to dis-
  position of five remaining in US waters;
  further announcement of US action must
  come from Justice - 12/11/39.............................. 339-44
  c) HNDr, State Department, and Justice in
  accord - 12/11/39............................................. 344-46

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Bureau of Customs imposes restriction of information on ships' manifests to merchants directly concerned with each transaction, to prevent belligerents from obtaining information as to sailing dates and cargoes of their opponents - 10/2/39 ...................

a) Commerce Department reports on imports and exports, are not affected by censorship - 10/2/39 ........................................ 179-83

b) Purpose is to prevent submarines from sinking ships - 10/2/39 ........................................ 182

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- Two separate silver purchase laws passed - 7/6/39... Document 16: 1-8
  a) Foreign silver will be purchased as in past, except smelters will be given 4 months instead of 5 - 7/6/39... 1-8
  1. Agreement to purchase 1.2 million ounces from Canada extended for July - 7/6/39... 1-8
  b) Domestic purchases remain the same - 7/6/39... 1-8
  Treasury fixes price at 35â€¢ as compared to London price of 33.84â€¢ - 7/10/39... 9
  Foreign silver purchases lower since suspension - 7/20/39... 31
  Quantity of foreign silver reshipped by New York banks to England at 35â€¢ ounce by waiving their commission - 7/24/39... 34-36
  SEE Japan - 7/26/39... 52-60
  Status of silver purchases from Canada still undecided - 9/14/39... 118
  Agreement to take 1.2 million ounces from Canada signed September 25, for 1 month - 9/28/39... 172
    a) Has no bearing on Neutrality bill - 9/28/39... 173
    Silver purchase agreement with Canada extended each month - 12/21/39... 376
  Silver Purchase Act
  SEE Silver - 7/6/39... 1-8
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  SEE Loans, Small Business - 11/9/39... 276-79
  Smith, Tom K. (President, Boatmen's National Bank, St. Louis)
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    SEE Appointments and Resignations - 10/19/39... 213-14
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  SEE Appointments and Resignations: Baille, Burgess, and Smith - 9/5/39... 72-85
  English pound sterling sales are considerable - 9/18/39... 125
    a) HMWr disturbed at severe drop in price; does not think large sales are "malicious" - 9/18/39... 125
    b) Two rates (top and bottom) to pound sterling; official rate is $4.02; last quotation, September 18 is $3.83 - 9/18/39... 127
  c) US to do all possible to keep American market open - 9/18/39... 127-28
Stabilisation (Continued)

d) BMJr does not think English "handled themselves terribly well" on pound sterling matter - 9/18/39

  Book 13  127

e) None of US Stabilization Fund being risked to help stabilize pound sterling - 9/18/39...

  n  129

f) US has narrowed discrepancy between two pound sterling prices somewhat; hope for further reduction - 9/18/39

  n  130

g) If speculation in foreign exchange gets out of hand, Title I of Banking Act of 1933 can be invoked to require foreign exchange transactions to be licensed - 9/18/39...

  n  130-31

  1. For some time voluntary reports from banks have been accepted in lieu of licensing.

h) BM Jr worried about both the price of sterling jumping around and going down - 9/18/39...

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  Pound sterling is around $3.99 and $4.00; shows signs of straightening out to $4.02 price - 9/25/39

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  Pound sterling goes to $4.02 1/2 - 9/28/39

  n  170

  Pound sterling reaches $4.05 1/4 - 10/5/39

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  SEE Latin America - Brazil - 10/16/39

  n  204-12

  For background, BM Jr explains that he; Sumner Welles, Under Secretary of State; and Jesse Jones, Chairman, RFC, working on refinancing plan of a South American country to permit them to borrow money and also pay American holders of their bonds - 10/30/39

  n  253-58

  a) If plan is successful it can be used as pattern for helping other Latin American countries straighten out their financing - 10/30/39

  n  254-58

  b) Brazil owes over $1 billion of external debts and $3 to $4 billion to American bond holders, on which they have not made token payments; neither Brazil nor US can be satisfied with this condition - 10/30/39

  n  254-58

  c) BM Jr says country under study is not Brazil - 10/30/39

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d) Correspondent suggests country is
Colombia - 10/30/39....................... Book 13: 258
HM Jr favors using Treasury gold for loans to Latin
American countries - 11/9/39.................. 281
  a) Calls self "one of original South American
      Self-Help boys" - 11/9/39.................. 281
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Operations of fund "held in suspense" from July 1-5
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authority - 7/6/39....................... 4-7
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"Fund has not bought any securities on open market
in last few days, "HM Jr - 9/7/39.................. 94
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Consumer:
HM Jr reiterates opposition to further increase
of consumer tax - 12/2/39.................. 375-76
  a) When tax on consumers reaches over 60% (as
     is present case) HM Jr thinks it high
     enough - 12/21/39.................. 376
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Corporation:

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Exemption:

HMWr favors eliminating tax exemption on Government securities - 12/21/39................. 372-74

Legislation:

For 5 years Treasury has not made "a definite recommendation on taxes to Congress" - 11/20/39: 283

a) HMWr only presents views to Congressional Committees when invited to do so - 11/20/39................. 283-88

b) No tax program in Treasury submitted to President, or any member of Congress - 11/20/39..................... 286-88

c) HMWr regards Treasury only as "fact-finding body" as regards taxes - 11/20/39................. 287-88

Tennessee Valley Authority

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Thompson, W. Norman (Asst. Administrative Assistant to Secretary)

SEE Appointments and Resignations - 7/13/39............. 17-18

Tripartite Agreement

SEE Appointments and Resignations: Beilie, Burgess, and Smith - 9/5/39.............................. 72-85

"Off the record": while situation has changed, to all purposes agreement remains in operation - 9/5/39.

a) Nothing has been done by participants toward competitive devaluation or competitive advantage to affect agreement - 9/5/39...... 82-83

HMWr issues statement that emergency conditions impelled France to adopt exchange control, but Tripartite Agreement continues in effect - 9/11/39...

a) While England and France are on exchange control, machinery of agreement operates for Holland, Belgium, and Switzerland in full; also for exchange of information with England and France; "spirit" of agreement remains and can be adapted to meet emergency - 9/11/39.............................. 100-10

b) Purpose of Agreement is to facilitate American business abroad - 9/11/39.............................. 103-08

c) Gold will continue to be bought and sold whenever England or France request it - 9/11/39

100-01
Tripartite Agreement (Continued)

- d) Currency studies being made continuously of all countries with which US does
- e) Stabilization Fund more or less inoperative
  at present - 9/11/39 ........................................ 108
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Vinson-Trammell Act
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War Conditions

Closing Agreements:

Features of Closing Agreement in contract between Colt Firearms Manufacturing Company and War Department, under provisions of Vinson-Trammell Act, made public and explained by John L. Sullivan, Assistant to Commissioner of Internal Revenue -

a) All future closing agreements entered into by Internal Revenue will be made public - 12/4/39.................................................... 308-09

b) Certain provisions of report required under Vinson-Trammell Act, as to profits made on war contracts, are applicable to corporation tax law returns - 12/4/39.....

1. Depreciation factor is principal subject of Closing Agreements.

2. No more advantage will be given to manufacturers of war materials than to makers of peacetime materials. HMJr would, personally, favor the reverse.

3. In Colt contract no new plant is involved, only jigs, dies, fixtures, and gauges on which 10% per year depreciation allowed in agreement.

4. Advantage to manufacturer in event of any change of government as agreement is binding on successors.

c) Because of certain misinformation on percentage of depreciation allowed war plants, HMJr decided to make public each contract as it is entered into - 12/4/39.................................................... 313-14

1. HMJr says Colt Company has been very cooperative.

d) Since many contracts involve large investments, HMJr feels it only fair that manufacturers know in advance what government's attitude toward depreciation will be - 12/4/39.................................................... 315-18

1. Depreciation on Colt contract 12%.

2. 10% on boats; 12% on Army and Navy equipment under Vinson-Trammell Act.
War Conditions (Continued)

Closing Agreements:

a) Many phases of tax liability are subject to Closing Agreements - 12/4/39

f) Army or Navy certify necessity of additional facilities and degree of depreciation they expect. Company also present their estimate. Treasury does not have to accept either; can fix rate, or reject contract - 12/4/39

EM Foreign Trade - 12/7/39

War Debts

Finland:

HMWr has no comment to make on December 15, payment of war debt - 12/4/39

HMWr conferred with Hjalmar Procope, Finnish Minister, re borrowing funds from Export-Import Bank to make purchases of American goods - 12/7/39

a) HMWr arranged meeting between Procope and Jesse Jones, Chairman, RFC, to discuss matter - 12/7/39

b) Under contract Finland can, with permission of US Government, omit payment of principal and interest on war debt for 2 years, without being in default - 12/7/39

c) Finland's present plan is to present check to Treasury. Treasury will hold in suspense account while President asks Congressional authority to return it - 12/7/39

RFC and Export-Import Bank establish credit for Finland - 12/11/39

a) War debt payment in suspense account can not be used as collateral against loan without act of Congress - 12/11/39

Welles, Sumner (Under Secretary of State)

SEE Inter-American Conferences - 9/28/39

Winchell, Walter (Radio Commentator)

SEE Morgenthau, Henry, Jr. - 10/16/39
Q. We thought we would soften you up by making you a present of this. (AP wire report)

H. M. Jr.: Soften me up! I will read it; where does this come from?

Q. That is from today's Associated Press wire report.

Q. Discount it fifty per cent.

A. I will read it, thanks.

Q. Mr. Secretary, what we were softening you up for was the question of what was going to be the Treasury's policy as to price and quantity of foreign silver purchases.

A. Now, Mr. softener-up. Say it again, will you?

Q. Can you tell us, Mr. Secretary, at approximately what prices and in approximately what quantities the Treasury will buy foreign silver in the future?

A. Well, I can tell you as much as I know and that is that the State Department at my request has advised Canada that we will reinstate our monthly agreement with them which was to buy a million two hundred thousand ounces a month. At noon today we will announce a price at which the United States Treasury will buy foreign silver for today. In other words, we will go back to just where we were before.
Q. The Canadian price will be the same as the prevailing world price?
A. Yes, it always was. The only special treatment that they get is we do agree to buy a million two hundred thousand ounces a month at each day's world price.
Q. In the case of Canada, Mr. Secretary, that will apply for the month of July?
A. This will apply for the month of July, the full month. We will accept from them during the month of July a million two hundred thousand ounces.
Q. Mr. Secretary, in the case of Canada doesn't your agreement amount to purchasing virtually a quantity equal to the new production?
A. It amounts to that. It's approximately their new production.
Q. Have you considered extending those purchases elsewhere?
A. No.
Q. Have you considered any other curtailment devices?
A. No, the only difference will be more or less of a technical one—that heretofore in order to have the silver come into this country and give our own smelters the advantage, we have been giving them five months to run it through the smelters, and we feel that—we think four months is enough so from now on we give them four months.
Q. That is in the case of silver that comes over here and doesn't meet your fiscal specifications?

A. We will make them run through—I think so—you'd better check—I think the bars have to run through (I think so, you'd better check)—the only difference in the regulations will be that we will give the market smelters four months to run the foreign silver through but the domestic silver will be just the same, except for the price.

Q. Mr. Secretary, appreciating that you don't want to give the price except at noon each day, can you tell us in a general sort of way what your price policy is going to be? Heretofore you had a fixed price which held the world price at a particular level; the last prices you announced went down or stayed unchanged in accordance with the London price.

A. I think we will keep it on a day-to-day basis until we see what happens.

Q. You still take all silver offered at that price?

A. Yes, we will.

Q. Some of the short-sellers wanted to know if you are going to squeeze them very fast.

A. Well, they will know at one minute past twelve o'clock noon.
Q. What can you say about domestic silver?
A. Nothing. It is a matter of law now.

Q. Is it your understanding, Mr. Secretary, that the language of the amendment as adopted provides for indefinite purchase of domestic silver?
A. Well, I believe that the price of the silver—I think I am correct—is a matter of two years.

Q. Well, there is some question about it. The language is a little vague to the layman but some of those who promoted the amendment contend that this provides for purchase of silver at that designated price until Congress changes the law.
A. I think, from reading the newspapers, the impression I got from what they are talking about—I may be wrong—was as to method, but as to price that's the first time I have heard it raised, but the price is for two years.

Q. Will there be any changes in the operation of the Stabilization Fund, Mr. Secretary?
A. No.

Q. What happened to the Stabilization Fund in the interim?
A. Well, the answer I gave the people in the Treasury and people like Senator Vandenberg who have called me up was that it was in suspense.
Q. In the interim?
A. Yes, that it was in suspense.
Q. Were there some operations though, whether they were in the name of the fund or some other way?
A. No, everything was held—everything.
Q. Well, the employees stayed.
A. True.
Q. On whose payroll?
A. The lawyers haven't told me yet just what happens—whether they will be paid during that 1st to the 5th or whether we will think it necessary to put in an amount in the last deficiency. They don't know yet. The General Counsel doesn't know but there is no other doubt as far as anybody else is concerned. But as far as the operations are concerned everything was held in suspense.
Q. About how many employees are involved?
A. Oh, I don't know.
Q. Not very many.
A. No. After all, we publish our payroll—the figures are available. That is the only question on which the lawyers are in doubt and if necessary we will ask for an additional amount.
Q. In that interim did you have any agreement with the British and French not to let currencies fall out of line? There were consultations?
A. I don't want to go into that.
Q. We can assume that there were consultations?
A. I just don't think I will go into that.
Q. Were there any transactions in foreign currencies from the Federal Reserve Board in New York?
A. There were no transactions of any kind. Everything was in suspense.
Q. Was that because the exchange market was kind of steady and none of it was necessary?
A. No, we just thought pending action on the part of Congress that we would hold everything, and that is what we did.
Q. Some of them suggested that you had an emergency relief payroll that would suit.
A. No.
Q. That is supposed to be a joke.
A. A rather poor one, too.
Q. Mr. Secretary, many people have asked the question if the Treasury has a two billion dollar stabilization fund to protect the dollar and keep it on an equilibrium with other currencies, plus the power to purchase and sell gold at any price under the Gold Reserve Act of 1934, why was there such insistence about retaining the power to devalue the dollar when the same thing could have been accomplished?
A. Well, the fight is over. Why bring that up now?

Q. Mr. Secretary, are you fully satisfied as to the legality of the extension?

A. Entirely.

Q. Do you know, Mr. Secretary, of any way that the operations of the Stabilization Fund, for example, could be challenged in a court of law?

A. No, I don't.

Q. The taxpayer couldn't do it.

A. I don't know any way that they could challenge. No one has raised the question. I noticed even Senator Taft last night seemed moderately reassured, which is something.

Q. When will you issue your regulations on the purchase of domestic silver?

A. Immediately after the President signs, which I believe will be as soon as the bill comes down. He says he will sign it, and then immediately thereafter everything is ready just as soon as he signs it.

Q. If the President signed it before noon --

A. He can't because the bill won't come down before noon.

Q. You can still go ahead with the silver buying—the foreign?
A. We will go ahead with the foreign because there are two separate laws.

Q. Mr. Secretary, was any domestic silver mined after Friday midnight tendered after the deadline?

A. Not that I know of. I didn't hear of any.

Q. Thank you, Mr. Secretary.
Q. Mr. Secretary, I want you to meet the new president of the (Treasury Correspondents) association (John Crider), as of July 1st.

H. M., Jr.: Congratulations! I hope that you will carry the regular traditions--bigger and better deficits.

Q. The best I can! I don't know whether I can catch up with the Herald-Tribune or not.

A. Any more good news?

Q. Any news on financing the September issue?

A. Oh, my heavens! I've got another holiday first.

Q. You usually do it about the 15th of the month. Is it too early for that?

A. Three months ahead of time, more or less.

Q. Mr. Secretary, can you tell us what significance, if any, there is in the Treasury fixing the price for foreign silver at 35 cents after the London price had been fixed at the equivalent of 33.84 cents?

A. I've got no comment.

Q. Have you received any estimates yet, Mr. Secretary, as to how the revised budget figures on expenditures for the current fiscal year may look in comparison with the estimates?
A. This is the first time I've done this. We will try out Gene. Gene, have you got any of those figures?

Duffield: Not a one.

H. M., Jr.: Every once in a while I used to do that to Herbert so you might as well get it. Gene says not a one.

Q. Does he know?

A. I don't know—a good poker player.

Q. Is it your understanding, Mr. Secretary, that the new securities that would be issued under the new spending plan would be non-tax-exempt?

A. Well, they would have the same tax exemption features as whatever the RFC has now. It would be just the same. The money would be raised by the RFC for these various agencies.

Q. There have been reports that they might have abandoned the foreign loans; have you heard anything about that?

A. No, unless they have changed since Saturday.

Q. It isn't in the bill, Mr. Secretary.

A. It isn't in the bill?

Q. No, sir. It's left out of the bill and instead the $100,000,000 of capitalization of the Export-Import Bank is to be increased.

A. By $100,000,000?

Q. Yes, sir.
A. That's right.

Q. What is the significance of that?

A. None, but they just thought that was the better way to do it.

Q. That will enable them to do the same thing but in a smaller way.

A. That's right.

Q. Mr. Secretary, the Export-Import Bank isn't permitted to lend is it more than its capital, that is, at any one time?

A. Offhand, I would say not.

Q. They placed a ceiling on that. When they had the bill on the Hill I think they raised to 150 and left it at that level.

A. A hundred. This bill, if I am correct and Gene is ready, doubles the capital.

Q. Doubles it?

A. That's right.

Q. Mr. Secretary, what Mr. Linz had reference to in the President's message there was a suggestion of a maximum of five hundred million of foreign loans.

A. This has been adjusted.

Q. But they can do the same thing under the authority they now have that they could do with the five hundred million except they can't put out so much.

A. It's a hundred million instead of five but I think in the five, as I remember, they only talked of
doing two hundred within the calendar year
so it really cut that two hundred in half to
one hundred. Am I right?

Q.
Yes.

A.
I think that is correct.

Q.
What's happened to Aranha? Is he lost or is
he coming up here to seek that credit?

A.
I don't know; you will have to ask the State
Department.

Q.
What happened to that gold loan, Mr. Secretary?

A.
Nothing.

Q.
They never got around to asking you to introduce
the bill?

A.
That's right.

Q.
Is that for publication?

A.
No, you had better keep that still. I don't know.
He's never asked me to introduce it.

Q.
Mr. Secretary, some one made the suggestion the
other day, some one in official capacity made the
suggestion the other day, that the language con-
cerning this one hundred million dollars in the
present law is so ambiguous that they could do any-
thing they wanted to.

A.
Which hundred?

Q.
The provision in the Export-Import Bank—the
$100,000,000.
A. They could do anything they wanted?
Q. Pretty near.
A. Oh, no!
Q. Except for the prohibitions of the Johnson Act.
A. Not having read what you read I can't discuss it.
Q. The Johnson Act doesn't apply to the Export-Import Bank. The law limits the loans at one time to their capital.
A. I don't know what you refer to.
Q. Mr. Secretary, could you give us any further indications along the lines of this adjournment tax study, that is, merely to show how broad it's going to be?
A. I just think what Mr. Doughton and Jere Cooper said—they said they would follow what they did in 1933 under Mr. Sam Hill; he made that study and they would follow the same procedure. I suppose they will be at it all summer—their staff plus the Treasury staff.
Q. That study was confined to the conflicts between Federal and State taxation, was it not?
A. The purpose of that meeting was to decide what was the way to proceed. Well, they decided how they would proceed and now as to what they are actually going to take up I haven't discussed it with them and I don't know, but, I mean, a complete agreement as to how one should proceed.
Q. Have you people any suggestions that you might make?

A. I really haven't—last week, believe it or not, was a fairly busy week for me and I just haven't had a chance—the first thing first—it isn't, so to speak, a pressing matter.

Q. Are you going to talk to Doughton on it shortly?

A. Oh, yes, whenever he's ready. And I will discuss it with Hanes who's here for two days. He's going to testify tomorrow. He's giving a rebuttal on this tax-exempt thing at ten o'clock tomorrow morning. He came back for that.

Q. Mr. Secretary, inasmuch as the President said recently that broadening the income tax base might be worth considering, do you expect that to be one of the subjects of the study?

A. I am being very, very honest. Last week was a weak. I haven't given the first consideration to taxes—I mean the tax bill is just—the present one has just about passed. Roy Hough, who is the head of our section there, is out of town on vacation and Mr. Hanes has been away and even if they were all here I wouldn't have had time to discuss it.

Q. I realize that but I thought inasmuch as the President has spoken about it I thought you might be able to say.
A. No, being very frank and honest, I just haven't given the thing a thought because I've been busy and when this thing comes up we will get around to it but we haven't—I am not trying to dodge the question—we just haven't had time—that's all.

Q. Mr. Secretary, have you been asked to give your views on this new proposal to repeal foreign silver buying Senator Glass has put in a bill?

A. No, no one has asked me to come up and don't start anything either. I walked through on the way to the funeral—and this is just kidding—and was pleasantly greeted by Mr. Vandenberg and Taft and I asked Mr. Taft if he would mind my quoting his legal opinion and he said he would have no objection. I read in the papers they are going to call somebody from the State Department. Far be it from me to fight with them.

Q. Has Mr. Hanes given any consideration to whether he's going to leave soon?

A. No.

Q. There was a story in the paper that he was going to leave soon.

A. He hasn't given me anything.

Q. There was a story in the Wall Street Journal that he wasn't going to leave.

Q. Thank you, Mr. Secretary.
Q. Mr. Secretary, did the United States Government abstain from buying gold in order to let the Bank of England get its share the other day?

H. M., Jr.: Its share of what?

Q. I understand they bought about twenty-five million pounds of gold.

A. Something like that.

Q. Or did the Stabilization Fund make it available to them?

A. If I told you you'd know; a little knowledge is a dangerous thing.

Q. Mr. Secretary, in view of the fact that the London silver price today is over thirty-five cents will there be a silver price here?

A. Sure. Duffield? Doesn't he tell you?

Q. Fairly well.

A. Why shouldn't there be a silver price?

Q. I don't know, I'm just wondering. For background, Mr. Secretary, how do you set the price?

A. Can't you give this fellow a real story so he will stop kidding me. I've got a crystal room.

Q. Do you toss up a coin?

A. I go in there and go into a seance.
Q. Senator Pittman in it?
A. Well, I don't let any ringers in there; it's got to be all strictly amateurs. That's not bad, is it?

Q. How about a few forecasts?
A. Well, you get them every day. The more I think of that—that's very good.

Q. Did you notice where Major Angas turned bullish today?
A. No! (Turning to Mrs. Klotz) Sell all my stocks!

Q. Mr. Secretary, you are not permitted to hold securities while you are in office are you?
A. Oh, yes, sure. The only thing I am not allowed—I am not allowed to have a yacht and I am not allowed to own any United States Government Bonds.

Q. Is there any news today?
A. No. Unless Duffield wants to come through.

Q. How about it, Gene?

Duffield: I've got a nice long history of the Customs Service.

Q. How about an Administrative Assistant, Mr. Secretary?

H.L., Jr. : Well, we are going to keep Mr. McReynolds' position—as a matter of fact, his position doesn't change in the sense, as I understand it, that he keeps his title, salary and everything else. It's in the nature of a loan, so to speak. Just similar to what Danny Bell did.
Danny Bell never changed his position, salary or anything else. It was a loan and I suppose McReynolds will be in a similar capacity.

Q. That will safeguard his Civil Service status?
A. Probably. It will be just the same as Bell and while he is over there helping the President, why Mr. Thompson will carry on.

Q. May I ask Mr. Duffield what Mr. Thompson's initials are?

Duffield: W. Norman.

Q. Have you any comment to make on the sidetracking, at least at this session, of the removal of tax exemption?

A. I am very sorry that they are sidetracking it; I had hoped that they would get it through but it's nothing to be excited about.

Q. Have you talked about taxes at all yet with any of your staff members?

A. (Negative motion)

Q. Thank you, Mr. Secretary.
Q. Is it true that you are going to study cooperatives on this Scandinavian tour?

H. M., Jr.: Mr. Kent Kellar asked me that (this is off the record) when I was at the White House. He said he was going in January to study. I said I was going as a specialist in smorgasbord. If anybody thought I was going to do any studying he was wrong. They tell me there are six different kinds of beers. When I come back I will let you know. What else is there that is good?

Q. You are going to the Hill tomorrow, aren't you, Mr. Secretary?

A. So Mr. Duffield tells me.

Q. What's that on?

A. 10:30. Is that right? Is it still on?

Duffield: I think so.


Q. Do you think you are going to have a tough time?

A. I am looking forward to it.

Q. What is it on?

A. Self-liquidating.

Q. Will you have a statement?

A. Yes.

Q. Are you for it?
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A. Yes.

Q. Are you for it?
A. Enthusiastically!
Q. At this session?
A. At this session.
Q. When do you leave for your vacation?
A. Well, somebody was a little ahead. I mean, I will make up my mind, I guess, around about the 29th.
Q. Of this month?
A. Yes.
Q. Will your trip have any significance from the monetary standpoint?
A. No.
Q. In view of these countries being in the Tripartite bloc . . .
A. No, except for my oldest son, none of us have ever been to the Scandinavian countries and it was far enough away that they wouldn't call me back to tell me the bond market was up a half a point—what should I do about it?
Q. Do you appear before the Senate Banking Committee tomorrow?
A. Yes.
Q. How long do you expect to be gone on your vacation?
A. About a month.
Q. Do you expect to visit Finland at all?
A. It's on the schedule; whether we will have
time, I don't know.
Q. Just the three countries—Finland, Sweden
and Norway?
A. Denmark.
Q. Mr. Secretary, you said you were enthusiastically
for the lending bill at this session; is there
any particular reason why you want it at this
session?
A. Well, you can wait until tomorrow morning.
Q. We are always impatient.
A. I know you are but Gene has to read it over
to make sure it's all right tomorrow morning.
Q. Could you comment on the double-budget aspect
of this?
A. Tomorrow morning, 10:30.
Q. I am glad I wrote that story.
A. It was a very interesting story; I read it.
Q. Mr. Secretary, there was some doubt in our minds
when this Guatemalan conference takes place; is
that this year or next year?
A. I think the State Department said November.
Q. Of this year?
A. Yes.
Q. What was that again?
A. It's on the schedule; whether we will have time, I don't know.
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A. I think the State Department said November.
Q. Of this year?
A. Yes.
Q. What was that again?
A. Again you will have to check me; as I understand it, I think when they were down there in Peru they made some commitment down there about a conference of North- and South-American treasuries and they are supposed to send their experts there to exchange information and drink Guatemalan beer.

Q. Are you going?

A. No.

Q. Have you decided who will represent the Treasury?

A. If the meeting is on, Mr. Hanes will go.

Q. The Coast Guard is still going to run down that way, isn't it?

A. We will look into that very carefully.

Q. You ought to make a survey; it's just about time.

A. Just about time.

Q. I wish you would recommend my office to send me.

A. I will be glad to do that; I have such great drag there. (Herald-Tribune) (laughter)

Q. I didn't mean to be facetious.

A. Neither did I.

Q. Mr. Secretary, I see Matthew Woll urged you in a letter to put countervailing duties on Japanese imports; is there anything on that?

A. I asked this morning, after reading it in the paper, whether any such letter had come to the Treasury and up until noon today no such letter had been received at the Treasury . . . . .
Mrs. Klotz: It might still be somewhere.

H. M., Jr.: But it wasn't up until noon today, which I think, putting it mildly, is rather discourteous.

Q. You wouldn't comment on the proposition?

A. He seems to think it is more important to get it in the papers than it is for me to receive it, so why should I worry.

Q. Is there any chance there might be an expansion of countervailing duties against Italian goods? Are you studying others besides silks?

A. This thing of countervailing duties is a continuous study; we have Treasury agents abroad to make investigations continuously—cost of the manufacturing, cost of exports—and as these cases arise the Customs make recommendations and it so happens that in both the last cases, in order to be one hundred percent sure, in both cases we got a ruling from the Department of Justice—in both cases of German and in the cases of Italian goods so we have been extra-careful. But this thing is going on all the time, and, as far as I know, we aren't contemplating changing our routine one iota.

Q. I wonder if you saw a letter in the Herald Tribune from a chap by the name of Luigi Criscuolo, who I imagine is a propagandist in this country for the Italian Government—he's the fellow who used to
send out letters during the Ethiopian war to show decreased unemployment when men were shipped to Ethiopia.

A. You mean to say the Herald-Tribune permits that in its paper?

Q. We have a masthead explaining. He had a piece in the paper denouncing the Treasury for placing the countervailing duties on Italian silk and said what would really help would be a reciprocal trade agreement with Italy rather than countervailing duties.

A. Well, that's a matter which doesn't come within Treasury purview—it's State Department. But nothing was done more carefully and they asked for an opportunity and we sent Mr. Wait in charge of Customs Treasury agents for Europe down there especially and he went all through the situation and we even had people directly from here go over there; there wasn't the slightest doubt and the whole matter was reviewed by the Department of Justice and we got an opinion from them so everything was done very very carefully. There is no question; it is right in their law—they pay these farmers a bonus on the raising of the silk cocoons and that is where the subsidy is paid and it makes the price of silk cocoons so
high they can't sell the silk in the world market and therefore they have to subsidize it.

Q. Mr. Secretary, the Commerce Department had a release today saying France has announced a subsidy for newsprint.

A. Well, I just happened to be talking about it this morning. We have, as I understand, fifty or sixty cases under investigation right now of subsidies and it is a continuous performance but we have been very, very careful before we apply them—extremely careful—and so far nobody has questioned the legality of it.

Q. Isn't there one involving Japanese textiles that's been going on?

A. I don't know; I say there are fifty or sixty cases but as to details I don't know.

Q. About how many countries, Mr. Secretary?

A. I can't tell you that.

Q. You do have some countervailing duties now against Great Britain's products—about six or seven; I believe did have a few months ago.

A. I am not familiar with that.

Q. The FDIC report today says there is no overlapping of examining functions; do you have any agreement on that? There is some difference of opinion with the Federal Reserve Board.
A. Well, may I be a little facetious, off the record?

Q. Sure.

A. Between the two I would decide I lean toward the FDIC as I am their only stockholder and I am not going to disown my own company. No, to be serious, last year all of these groups got together—I don't know how many months—they worked along with the association of these State Bank Inspectors and as a result of that we did make real progress and all of the bank examining forces made long strides toward uniform bank examination, if that is what you refer to. And, as a matter of fact, I haven't had any more complaints about duplication and I think we went a long, long way towards eliminating duplication. And I don't know where there is any overlapping as between Federal agencies, or as between State and Federal agencies.

Q. Thank you, Mr. Secretary.
H.M. Jr.: The reason Mr. Bell is here is that he and I have been working on a refunding for Commodity Credit for next Monday.

Bell: No, it is a new issue, not a refunding.

H.M. Jr.: New issue; 200,000,000. Is that enough?

Q. What are they going to use the money for?

Bell: To pay off the corn, cotton and wheat notes that might be presented to the banks. The first loan is made through the banks and the banks have the option of renewing. If they don't renew the notes, the Commodity Credit has to put up the cash and beginning July 31 on there will be several of those notes presented.

Q. July 31 on?

Bell: Yes.

Q. That will be the end of the first year, will it not?

Bell: That will be the end of the year, yes. These new notes or whatever they are will be dated August 1. The new financing will be dated August 1.

Q. Will it be a short-term issue?

H.M. Jr.: Yes.

Q. This is the second Commodity Credit borrowing, isn't it?

Bell: Yes, I think it is the second.
Q. Do you recall what the amount of the other was?
Bell: The other was $206 million outstanding—that matures this November.

Q. This will be a Commodity Credit operation carried out for them by the Treasury? Is that correct?
H.M. Jr.: Commodity Credit, dated August 1; we act for them, at the request of the Secretary of Agriculture.

Q. Any more details as to the issue?
Bell: No.

Q. They have been notes heretofore and they will be notes again?
H.M. Jr.: Notes. Yes.

Q. When is this for?
H.M. Jr.: Saturday, for Monday, but I am doing it for the Secretary of Agriculture.

Bell: They are guaranteed, you might add.

Q. Might we ask Mr. Bell in that connection whatever happened to the preparations to reimburse Commodity Credit for impaired capital?
Bell: Still pending before the House Appropriations Committee.

Q. How much is that?
Bell: 119 million.

Q. What effect does that have on their loan program?
Bell: That is part of their cash; they included that in their cash requirements and if they don't get that some time in the Fall it may be necessary to raise additional money.
Q. Assuming they get that, that 119 million and the proceeds of this issue will both be available.

E.M.Jr.: That's right.

Q. Mr. Secretary, is any consideration being given to a new RFC issue at this time?

A. No.

Q. What effect will this new way of handling these business insurance loans have on the RFC?

A. I don't know.

Q. The details aren't clear.

A. I wasn't at the conference; I was on the Hill all day yesterday until 6:30 so I really don't know. You will have to get that from Mr. Jones.

Q. Are you agreeable, Mr. Secretary, to the revisions being made in the lending bill?

A. Yes. You mean by Mackley?

Q. Yes.

A. Yes.

Q. How about the elimination of the revolving fund?

A. That's all right.

Q. Danaher, of Connecticut, yesterday asked whether these loans under Section 8 of the lending bill pertaining to railroads - whether the traction companies could come in and borrow money, and the committee said they would consider that.

A. Yes, this Congressman in the House, Crawford from Michigan, asked the same question and wanted to add the word trans-
portation and we said we simply had't considered that.

Of course, the Senate and House can do anything they want
but they will have to qualify as being self-liquidating.

Somebody pointed out to me in the President's letter to
Senator Lynnes he had said that the interest to be charged
for the lending should cover the administrative costs and
there is nothing in the bill on that angle.

Bell: That is left entirely to Congress, except for the first
year and the first year's administrative expenses can be
allotted out of the proceeds of the loans by the Director
of the Budget.

Q: Is that in the bill?

Bell: Yes, sir, and in the second year they will have to go to
Congress and get either an appropriation from the Treasury
or an allocation of their funds to be used in 1941. It's
just like all other corporations.

Q: That still doesn't cover the costs. If the interest rate is
going to be high enough to cover the administrative costs
and it isn't shown in the bill—the Treasury will have to
stand the costs.

Bell: The bill says such interest rates sufficient to return the
costs to the government: that could be included in the costs.

Q: Mr. Secretary, can you tell us of any conversations you may
have had with people from Mexico with regard to the silver
situation?

A: I have had no conversations.
Q. Anything on taxes yet? Have you talked with your staff at all?
A. No, I haven't discussed it at all; I think Roy Klough is away but I haven't talked with anybody.
Q. Mr. Secretary, have your silver purchases been anywhere near the level before your temporary suspension?
A. You mean the foreign? No.
Q. They haven't been? I mean you're still buying Canadian silver?
A. You mean since the 1st of July? Much less.
Q. That is principally because of the London price being low; people don't want to sell at the lower price; people are waiting for a rise.
A. I can't answer; it's the supply and demand.
Q. You mean they are putting it back in the sock, waiting for a higher price?
A. I don't know.
Q. You have kept the price at thirty-five cents now for about ten days or so; are you aiming to keep it at about that price or haven't you any fixed figure in mind?
A. No, each day we take a look at it.
Q. It's much cheaper to pursue a good neighbor policy at 35¢ an ounce than at 43¢.
A. You will have to ask somebody that question over at the State Department.
Q. From Canada you are buying the regular amount?
A. We have offered to. Whether they have put it to us yet, I don't know. Whether they have put the million two hundred thousand ounces, I don't know. They can offer us that any day they want to in July.

Q. Commitments for purchases of Canadian silver are made in advance, aren't they? You don't buy it on a day-to-day basis.

A. We agree in any month— at least for the month of July— they can sell us a million two hundred thousand ounces if they want to; they can put it to us on any day, if they want to, and the day they put any or all of it, they get that day's price.

Q. No understanding in advance on price? In other words, if they presented it today they would have to pay 35¢. They would only get 35¢ an ounce.

A. Yesterday.

R.M. Jr.: Yes, the day they put the silver to us they get that day's price. There is no agreement on price, only on quantity.
H.M.Jr.: Mr. Bell informs me that the Commodity Credit offering went with the usual success and that the books will close as of midnight, plus mailing. This is for the morning's papers—please note, morning papers. You will have a release, when?

Bell: Very shortly.

Q. Have you any approximate figures on that, Mr. Secretary?

A. About the usual.

Q. Well, seventeen times.

A. No, about the usual—that is as near as I can say.

Q. It is about twelve or thirteen, isn't it?

Bell: The reports in are very preliminary.

H.M.Jr.: Bell wasn't Director of the Budget for four and one-half years for nothing.

Q. Mr. Secretary, I understand that some of the western people, I think some of the Senators, have sent you a letter inquiring what, if anything, you can or will do about domestic silver which was mined before June 30 and for which no transfer certificate was filed before June 30th.
A. The only one I know is Congressman White, of Idaho, has been in consultation with our General Counsel. It hasn’t reached me yet—I don’t know the facts. They have talked to him and they have been down here—I don’t know if there is anything we can do about it. It hasn’t gotten to me yet.

Q. Can you give us any idea of your policy in handling it?

A. I don’t know what the question is—simply that Congressman White is bothered about domestic silver turned in before the last of July.

Q. Does the silver belong to White?

A. He’s just a Congressman.

Q. Mr. Secretary, talking about bothers and silver...

A. bothers?

Q. And silver. This precious metal is going to London because of the difference in price. I wonder if you would make some comment. I see the Chase Bank in New York shipped some silver.

A. On the record or off the record?
Q. I would like to have some comment from you.
A. Well, off the record, it just shows how big-hearted we are.
Q. And on the record, for the sake of the Western Senators?
A. No, no. The only way I have weathered the silver story is to say nothing.
Q. You can't say anything to please the Senators?
A. At least I please myself by saying nothing.
Q. I stand corrected. Some of that silver is not newly-mined domestic—some of it was flown here and then flown back again. It didn't come on the clipper either.
A. We maintain the policy that we never know the source of origin of any of this foreign silver.
Q. I just can't see why they would ship domestic silver to London.
A. For background, I am informed by Lochhead it went to some of these banks. I don't know why they did it but by waiving the commission they were able to figure it out and ship it to London. Why they did it I don't know, but they had to waive the commission.
Q. The New York banks aren't altruistic.
A. I am just repeating the story.
Q. Still for background, do you know whether any of it is domestic or not?
A. O, no, that would be silly, from anybody's standpoint. Why sell it in London for 35 cents when you can turn the thing over here for 71?
Q. Do you think those might be short positions?
A. It might be and then some future positions, too. You see it might be (all this is not for direct quote) there was quite a short position developed—they might have to be covering those all right for the domestic companies, but they had to sharpen their pencils awfully fine. I don't understand it any more than you do. I think there was a million and a half ounces went out.
Q. How many banks shipped this? I think the Chase was one; I think the Irving Trust was another—I am not sure.
A. I can't say doctor's secrets; you know we doctors can't reveal the source.
Q. The Herald-Tribune carried a story on Saturday that an Englishman named Dennis Rothmore was here.
A. Why are you so formal about the paper—refer to it as my paper. This gentleman always says "my paper, the New York Times."
All right, go on.

Q. He said that the English Treasury had issued some regulations registering all securities held by British subjects, including filing for acquisition and confiscation in the event of war, and I was wondering if there are going to be any talks with this man at the State Department or the Treasury.

A. None at the Treasury.

Q. Mr. Secretary, how far has the Treasury progressed in its investigation of Mayor Hague in Jersey City?

A. He's not on my list.

Q. Isn't he being investigated?

A. Not that I know of. If he is, I don't know a thing about it.

Q. Mr. Secretary, in view of the fact that you will be away the whole month of August that brings us up to the 15th of September financing date.

A. Yes, go ahead. He's got a new way of getting it out. I will write it down before you finish the question and show it to you. Okay? Come on.
Q. Well, you've got to think about it before you leave them. I really gave you what I was thinking of in the first place.
A. What was that?
Q. What I asked you.
A. Do you mind repeating it?
Q. It is nice of you to give it away; in view of the fact that you won't be back until around September 1st and this financing is around that time—will you talk about that beforehand?
A. No, Mr. Hanes will take charge.
Q. Anything he does is all right?
A. Anything he does is all right. Okay?
Q. I guess that's all.
A. I'll be back here Monday.
Q. Are you sailing this Saturday?
A. No, I still haven't bought my tickets but I hope to go next week.
Q. Are you waiting for Congress?
A. Just waiting.
Q. Have you announced where you are going, Mr. Secretary?
A. No.
Q. Taking along any Coast Guard officer?
A. Oh, if I go we will take one of the boys with us—McKay.

Q. Not because of any foreign situation, is it?

A. No, I've just got to wait until my lst of August check comes in.

Q. In connection with that same question, last year, as I understand it, while you were in France a lot of your copy and a lot of your messages in this country cleared by way of some warship anchored not far off the French Coast. Are you going to have access to one this year?

A. Not that I know of. The Omaha was always there to take care of the Spanish situation.

Q. I know but you transmitted your correspondance.

A. Naturally, being economical. Why not save money and help balance the budget?

Q. Are you going to France again, Mr. Secretary?

A. No, definitely not. The country is too small.

Q. Mr. Secretary, can you say anything about the Treasury's policy of buying foreign silver at the reduced price or can you make any general comment on that matter?

A. No, we just keep on from day to day doing the best we can.
Q. Well, is it going to be your policy to continue buying all silver that is offered?
A. Well, we just go on every day. Every day we have a meeting and go down to that crystal room.

Q. Without Senator Pittman! Senator Townsend is trying to get his amendment through again.
A. I know but, after all, when I asked him what is silver to the State of Delaware he said "You'd be surprised."

Q. Are you going before the Rules Committee, Mr. Secretary?
A. Wednesday.

Q. Will that be on PWA?
A. Well, I had this delegation this morning down on PWA and I understand, I am told, that is what this other group wants to talk about.

Q. Who was that delegation?
A. This morning?
Q. Yes.

Duffield: There was Representative Starnes, of Alabama, and there was Pat Boland and Representative Dempsey and Thomas Ford and another man.

Bell: Two more but I can't think what.

Duffield: But I can get it.

Q. Any Senators among them?
Duffield: No.

Q. And they came down to see you about the FWA?

H.M. Jr.: Starnes Bill—I think they call themselves the Steering Committee of the House.

Q. What would the Starnes Bill do?

Duffield: $300,000,000 for FWA, 30 per cent grant and 70 per cent loan.

Q. Can you say anything about the subject?

H.M. Jr.: We are again it.

Q. You are against it?

A. I am for this self-liquidating bill and I can't be for that at the same time.

Q. Is it the self-liquidating bill? I understand they changed that.

A. They call it something—works but it's still self-liquidating.

Q. Weren't some of those grants?

A. It's the self-liquidating program and that is why the Starnes Bill doesn't fit into the picture as far as I am concerned.

Q. The language of the bill says recoverable investments.

A. The whole thing behind it is to pay back for these projects principal and interest—that's the whole thing behind it.
Q. Why is it, Mr. Secretary, at this late date in the New Deal, that you are opposed to the grants-in-aid and are for the self-liquidating?

A. I don't like to bore you but if you will take the trouble to read a statement which I gave on the Hill you will get the whole thing from that. I wouldn't want to do it ad lib.

Q. Wasn't the gist of that, Mr. Secretary, that the self-liquidating projects were a step further toward balancing the budget?

A. A bridge.

Q. Doesn't this involve what in effect would be a grant from the standpoint of the old FHA interest rate?

A. What they say, if you will take your pencil and paper and you've got a table here and they take the four per cent which has been granted and compute that at the rate of 40 years at the going rate of 3/8. It works out at a 22 per cent grant. We've got that little table and Gene can give it to you, but that is the way it works out as compared to 4 per cent.
Q. As a matter of practice, isn't it true that the PWA 4 per cent rate was barely sufficient to cover the cost and the losses?

A. I don't think they can figure the cost or the losses yet—it is an entirely new idea. It is an Administration Bill and I am for it 100 per cent and I hope it passes as is and I think it is terribly important that they pass it as written without introducing any grants-in-aid. If they are going to introduce grants-in-aid they might just as well drop the self-liquidating program.

Q. Will these bonds be tax-exempt, Mr. Secretary?

A. Yes.

Q. If you issue tax-exempt bonds they might cost more?

A. We couldn't answer that.

Bell: You might have to raise the interest rate a little.

Q. That would be provided for.

H.M.-Jr.: You mean on subsequent?

Q. On subsequent, yes.

A. Well, the bill says whatever the going rate is on long-term bonds. If they should remove the tax-exempt feature Bell says the interest rate might go up—I don't know.
Q. How can you increase the interest rate?

A. On subsequent issues?

Bell: Do you have reference to loans already out?

Q. No, not loans already out—on this spending-lending.

H.M. Jr.: Then you'd have to adjust it to the going rate.

Bell: That's right.

Duffield: After all, the rate on the State borrowing would go up too.

H.M. Jr.: Of course, I don't want to argue with Bell because I am most likely wrong, but I am not sure the rate would go up.

Q. Mr. Secretary, in figuring on what amounts to a 22 per cent grant....

A. No, figuring the PWA rate shows 4 per cent.

Q. Has there been any information as to whether or not the PWA 4 per cent rate has resulted in a loss or has resulted in any gain?

A. I don't know.

Q. Is there any experience to go by there?

A. I think it is too young—it hasn't been out long enough.

Q. The point I was making was whether or not it was possible to say if the so-called self-liquidating program would be actually
self-liquidated as a result of experience.

A. As I told them on the Hill, after very careful work on it that is what the people in the Treasury think and we put the Treasury's name on it and endorsed it but we are only human.

Q. Well, shouldn't there be some provision for losses?

A. Well, there is. I said there would be losses—there can't help but be losses, but as I told Congress we would ask them to reimburse these agencies. But anybody may make a mistake and if they do we will go to Congress, just as we did on Commodity Credit, and ask them to make up the deficit, but from an engineering standpoint these things will be very carefully done and will be recommended as self-liquidating. Engineers and Secretaries of the Treasury have been wrong before and I hope they will continue to be wrong.

Q. But you've got a very narrow margin between your lending rate...

A. It is all right.

Q. It is so very thin.
A. We figure it will return the principal and interest.

Q. Mr. Secretary, the Associated Press on Saturday said they had concluded a survey on the basis of all these spending-lending programs, etc., and the Mead Bill to make small loans to business and they had asked the opinion of leading economists of big banks in New York and they came away with the conclusion that this is the greatest threat of private banking. I wonder if you have any comment.

A. I practically have got one foot on the boat.
I am practically on my way.

Q. So are we.
The Secretary of the Treasury, on behalf of the Commodity Credit Corporation, is today offering for subscription, at par and accrued interest, through the Federal Reserve banks, $200,000,000, or thereabouts, of 2-year notes of the Commodity Credit Corporation, designated 5/8 percent notes of Series D. The notes will be dated August 1, 1939, and will bear interest from that date at the rate of 5/8 percent per annum payable semiannually. They will mature August 1, 1941, and will not be subject to call for redemption prior to maturity.

The notes will be fully and unconditionally guaranteed both as to interest and principal by the United States. They will be exempt both as to principal and interest from all Federal, State, municipal, and local taxation (except surtaxes, estate, inheritance, and gift taxes).

The notes will be issued only in bearer form with coupons attached, in denominations of $1,000, $5,000, $10,000 and $100,000.

Subscriptions will be received at the Federal Reserve banks and branches, and at the Treasury Department, Washington. Subscriptions will not be received at the Commodity Credit Corporation. 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 percent of the amount of notes applied for.

The right is reserved to close the books as to any or all subscriptions or classes of subscriptions at any time without notice. Subject to the reservations 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 August 1, 1939, or on later allotment.

The text of the official circular follows:
COMMODOITY CREDIT CORPORATION

5/8 PERCENT NOTES OF SERIES D, DUE AUGUST 1, 1941

Dated and bearing interest from August 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 Federal, State, municipal, and local taxation (except surtaxes, estate, inheritance, and gift taxes)

1939
Department Circular No. 617
Public Debt Service

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, July 24, 1939.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, on behalf of the Commodity Credit Corporation, invites subscriptions, at par and accrued interest, from the people of the United States for notes of the Commodity Credit Corporation, designated 5/8 percent notes of Series D. The amount of the offering is $200,000,000, or thereabouts.

II. DESCRIPTION OF NOTES

1. The notes will be dated August 1, 1939, and will bear interest from that date at the rate of 5/8 percent per annum, payable semiannually on February 1 and August 1 in each year until the principal amount becomes payable. They will mature August 1, 1941, and will not be subject to call for redemption prior to maturity.

2. These notes are issued under the authority of the act approved March 8, 1933, (Public No. 442-75th Congress) which provides that these notes shall be fully and unconditionally guaranteed both as to interest and principal by the United States; that they shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived
therefrom shall be exempt from Federal, State, municipal, and local taxation (except surtaxes, estate, inheritance, and gift taxes); and that the 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 officers thereof.

3. The authorizing act further provides that in the event the Commodity Credit Corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such obligations, the Secretary of the Treasury shall pay to the holder the amount thereof which is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such obligations.

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

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit but will be restricted in each case 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 August 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.
Q. Mr. Secretary, I want to present at this time Mr. Gregory who has a matter to take up with you as a member of the association.

Gregory: As former president of the Treasury Correspondents Association, the other day you mentioned the fact that you wanted to be a smorgasbord expert on your visit to the Scandinavian countries and the association took occasion to prepare you from amateur to professional status before you got there and we bought all domestic products and no Japanese crab meat. (Presents package of food, brightly wrapped, to the Secretary)

A. Thank you. That is very nice.

Q. It is tied with government red tape.

A. I am glad there is no crab meat. Well, that's fine!

Q. Nothing fishy about it?

A. I will take it up to the farm and Mrs. Morgenthau and I will enjoy it. I think this will be a good occasion right now to tell the Treasury boys that I would like to have them for lunch with me on the last day I am here—that will be Tuesday.

Q. Thank you very much.

A. That will be my last day here and I will be very glad to have you. I am going to take this home. I won't make you fellows eat it.
Q. Thank God!
A. So I won't make you fellows eat it.
Q. Mr. Secretary, in view of the fish and this United States abrogation of the Treasury with Japan have you something to say on that—its possible effect on the trade with the United States?
A. No, I have nothing.
Q. Have you been consulted before this action was taken?
A. I can't answer that question.
Q. Can you indicate, Mr. Secretary, either officially or off the record, whether study is being made now as to any discrimination against Japanese products? Studies being given to any —?
A. No, I can't help you out on that.
Q. Well, Mr. Secretary, are there any countervailing duty situations that you are investigating with respect to the Japanese prior to the abrogation of the treaty?
A. I can't answer that question.
Q. If the Japanese offer silver will you buy the silver they may acquire in China?
A. Well, may I parry your question in this way? The position we are in, as far as I know, is the technical position—is that this silver which comes from all over the world is brought here and is run through American refineries and then it is offered to us and we don't know the source.

Q. Well, would you remedy that? You certainly wouldn't now want to buy Japanese silver under this action?

A. Well, I can't answer that; I don't know. I would have to study that.

Q. How about Japanese gold? Are you going to continue to purchase Japanese gold and has any decision been made on that?

A. I would have to study that also.

Q. Can we say you will study the situation of these two precious metals?

A. Well, you are raising a question which I have not studied.

Q. Well, would you study it, Mr. Secretary?

A. Now that you have asked me, I will.

Q. Would the answer to these questions be somewhat different if an embargo were in effect?

A. I haven't got the answers; that is the thing. I want to make it plain that I have not been studying it but you have asked me questions;
I don't know that there is any answer but I will look into it.

Q. When you say study you mean study whether to continue accepting these metals from the Japanese?

A. I want to go over it again and make it very clear. Up until the time you people asked me the question I haven't been thinking of it. Now you have asked me a question and I will look into it and I hope you don't ask me again Monday about it. Let me say off the record, not so much silver but gold—that I suppose—I don't know—I am just guessing. But unless there is actually a state of war I should think we would continue to buy gold.

Q. This action now is just six months' notice of abrogation of the treaty.

A. Yes, so I don't want to infer that we would not buy gold or silver but, on the other hand, again very much off the record, I don't want to weaken what Mr. Hull is doing by making the statement that we are going along as usual, so if you don't mind, I don't know what the answer is, but I don't want to weaken anything he is doing over there. Would you handle it that way, please? I don't want to say anything out
of this conference that would weaken what
Mr. Hull has done.

Q. We can carry that for background. This first
part is on the record—you expect to study the
question of Japanese gold and silver imports.

A. That would leave the inference that maybe I
would do something about it.

Q. Why not let us carry for background what you
said—you believe that—we could handle it
very cautiously—just say it is understood
from Treasury officials that there is little
likelihood, short of war.

A. No, that is just what I don't want. No, I
would rather have the inference that I might
do something, if you have got to have an
inference. If you write the story implying
we will continue as is that weakens what Mr.
Hull is trying to do.

Q. Can we say the Treasury or the Secretary will
study all these questions?

A. Yes, but that is what I want.

Q. Does that include the question of possible
countervailing duties? You've been studying
countervailing duties. You mentioned sixty
items in a number of countries last week.
A. Well, put it this way: We will take a fresh look at them. You get what I have got in mind. Very frankly, I don't want to have it go out today that we are going to continue business as usual and so on, etcetera. You men have got it, haven't you?

Q. On those countervailing duties, my understanding from what I have been able to find out is that there is only one item that has been under investigation, that is, certain cotton textiles. It is my understanding that so far the evidence hasn't produced anything that would warrant a countervailing duty.

A. I really don't know. Until they get these countervailing duties or dumping cases where they are ready to make a definite recommendation they don't come to me. They've got to come through the Commissioner of Customs with a definite recommendation that the thing is ready.

Q. Is there a duty on raw silk?

A. There must be.

Q. Mr. Secretary, the paper here says the government's action was regarded in some circles as preparatory to an embargo on the shipment of raw materials utilized in the manufacture of munitions or used by the Japanese army in China. Now the charge has
been made that the Japanese have been acquiring dollar balances here through the sale of silver and gold to this country and that is the nucleus of all these purchases. Most of these purchases have been made in scrap metal, airplanes and parts. Again entirely off the record, the fact remains we announce and stand ready to buy all gold offered to us at $35.00 an ounce to the United States mints. Now again all Mr. Hull has done he's given them notice that in six months he will abrogate a commercial treaty written in 1911; that doesn't affect us; it doesn't affect our silver program, but I very much sincerely hope that you people won't write something which in any way will weaken what he's trying to do. It's exactly the same thing in Mexico and one time there they didn't want me to buy it and now they like me to buy it, so I always figure that as far as we are concerned we go ahead and try to run our business independent of international complications and I try to keep my feet dry and we go ahead whether today Mexico may be a friend or not a friend—that
isn't my business. They've got silver. They have it refined in American refineries and it comes up here and is offered to us. The same thing is true about gold and silver whether it comes from Italy or Germany or any other place. I am here to conduct the financial end of the government and I try to do that.

Q.
Can I ask you whether we couldn't put it this way: In the light of this treaty abrogation by the United States you are going to give study to the question of Japanese gold and silver imports and also their merchandise imports.

A.
That is all right.

Q.
In connection with silver, Mr. Secretary, can you say whether you have been asked for an opinion from the Senate on Senator Townsend's amendment to prevent the purchase of foreign silver?

A.
Nothing new other than the original testimony; we have testified on that bill but nothing recent.

Q.
Mr. Secretary, is there anything in the device under which you announced two or three years ago that you would sell gold to those countries that would meet certain qualifications—is there any way that you would turn that around for this situation?
I don't think so. When we start to monkey with gold it's pretty dangerous stuff because I don't want to have anybody have any possible excuse to lose confidence in gold as a medium of exchange so I would be very hesitant and very loath to do anything which in any way would make people think -- .

Q. That is an excellent statement. Could that be on the record?

A. No, the inference would be business as usual but I don't want to hurt anything he's done. Maybe in a week or ten days you could use that. I don't want to--we don't want to do anything here in any way that would throw doubts—or lacking a declaration of war—that we stand ready to buy gold at $35.00 an ounce, certainly not when we own sixty per cent of it.

Q. Mr. Secretary, could we say something along the line that while you are going to study this, studies will be made in the light of this determination to maintain confidence in the dollar and gold so far as is compatible with our interests.

A. I don't think it is necessary. I like the less said about gold the better. Now, everybody happy on this?
I just want to draw your attention to a press release we got out on May 22nd—I will hand this over—on the Home Owners Loan. It said, 'cash subscriptions will not be received, but to the extent the called bonds are not exchanged at this time, an additional amount of the new 1 1/2 per cent bonds may subsequently be offered for cash.' And we have been doing it perfectly openly. Some people seem to think there is some secrecy about it. I just wanted to draw your attention to it.

Q. Well, how are you offering that?
A. Through the Federal Reserve.

Q. In any amount?
A. Anybody can come in and bid for them and we have been selling them as they come in and bid at the Federal Reserve.

Q. Any amount?
A. Well, we have $100,000,000.

Q. Can you give us any indication of how many of those have been sold?
A. Yes, the figure is over $50,000,000. We can give you the exact figure.

Duffield: Dan told me a while ago it was about sixty-one million.

Q. Is that the one hundred million in a subsequent release the Treasury was taking up?
A. No, at the time we indicated there would be another $100,000,000 sold. We said so in the release and as people have come in and have offered 102 or better for these through our fiscal agent why we have sold them. We have succeeded in selling them.

Q. Is that the minimum price—102?
A. It has been. We haven't sold for less than 102.
Q. You sell up to $100,000,000?
A. Yes, it's approximately $40,000,000 to go.
Q. What is that?
A. That 1 1/2% Home Owners Loan. Everybody in the financial centers knows it; they know that the Federal Reserve has it for sale.
Q. How long has it been on sale—since way back in May?
A. Since whenever the issue was brought out.
Duffield: The issue came out on the 1st of June.
Q. That is the same issue that was offered in exchange.
A. Yes, and it's all in the circular. The trouble is some of these New York financial writers don't take the trouble to read the circulars.
Q. What was the amount of the exchange?
Duffield: Approximately $688,000,000.
Q. How much of the exchange was accepted?

Duffield: Oh, all of it.

H. M., Jr.: We accepted all of it but a couple hundred million didn't offer to exchange. There was a couple hundred million didn't offer to exchange.

Q. Mr. Secretary, if I could clear up one little thing—in the release in which you closed the exchange offering you said something about the Treasury investment accounts taking up $100,000,000; is that in addition to the $100,000,000?

A. If I said that I misquote myself.

Q. It was up to $100,000,000, I think.

A. Didn't we say we stand ready to take it?

Q. That's it.

A. I think we said we stand ready to take it and we haven't had to take it. In other words I underwrote for the Treasury if the public didn't take it we would take the $100,000,000, but it hasn't been necessary, because the public have been taking since June or July, a period of approximately two months, they have taken $60,000,000, and as they are legitimate offers of people who want to buy them, we have sold them. I think I said we stood ready to take
them. The whole thing involves $100,000,000.
You see these things don't come due until the
1st of August so we have come very nicely for
them. In fact the Home Owners Loan have made
a two per cent profit on the deal.

Q. Is there any limit?
A. No, we have been very careful that they are
people who want them for investments.

Q. You are not going to subscribe to them?
A. You mean the forty million?
Q. Yes.
A. No, not at the rate they are going but I just
wanted to assure the Home Owners Loan if they
needed the cash the Treasury would take them.

Q. I assume the HOLC will use that cash money to
pay off the old bonds turned in for redemption.
A. That is right. What it amounts to is this:
When we estimated how much mortgages would be
paid off, plus the number of bonds which would
not be turned in we figured they needed another
$100,000,000 cash to carry them through the
rest of this year. Therefore we added that
$100,000,000. Now we made a mistake in that
we closed the issue too quickly and we figured
it was like a government bond and we gave the
people what we thought was ample notice and it
wasn't ample notice and the next time we do
something like that we will have to keep
open two weeks.

Q.  It was scattered.
A.  Yes, there were a million individuals and they
didn't have the time. We treated it like a
Treasury issue.

Q.  Thank you, Mr. Secretary.
Q. Is Mr. Hanes being initiated in these conferences while you are away?
H. M. Jr.: No, but for today and tomorrow he's sitting here with me so he will know what — it will be like a relay race — you see the fellow runs along with you a little bit before you drop out. I am dropping out tomorrow night and he will take over and he will carry the ball.
Q. Could you tell us what Mr. Hanes will pick up tomorrow?
A. What he will pick up?
Q. Aside from martinis, Mr. Secretary.
A. Well, as a matter of fact, unless he makes some trouble for himself I don't think — I hope that I am not leaving him anything very difficult with my eyes open, but I am leaving him the Treasury, which is plenty.
Q. Mr. Secretary, all this seems to bear out a very hot tip this morning from New York where it is rumored that you are going to Europe secretly.
A. Secretly?
Q. You had better ask Dow-Jones about that.
A. Is this on the record or is it off the record?
Q. You are the boss.
A. No, Mr. Hanes will be here and I am going away with no worries and he will take good care of the Treasury while I am gone, raise a little money for the boys, tax study—there is plenty to do.

Q. Is he going to float a secret HOLC issue while you are away?

A. You never can tell. Incidentally, that was wonderful publicity. When we announced it we got bids from all over the country—that helped a lot.

Q. New York was discreetly silent. I ran everything except the fact that New York financial writers don't read the circulars. All you have to do is take the reporters into your confidence once in a while, Mr. Secretary, and we go to town. How many of the bonds have you sold now, Mr. Secretary?

A. I really don't know.

Q. Mr. Secretary, is there any consideration being given here at the Treasury to a possible reduction in interest rates in say Baby Bonds in line with — — ?

A. Not right now.

Q. No consideration has been given at all?

A. I say none is being given now. Now, none, is also good.

Q. Is there some plan to discuss this thing a little later?
A. You know we are on a twenty-four hour basis. There is nothing immediate.
Q. That leaves the inference there might be.
A. Well, anything might happen.
Q. I know the building might burn down too.
A. How do I know. After all, Mr. Hanes might reduce it to 1 per cent while I'm away.
Q. Would you sell any Baby Bonds if he did?
A. He might; he's a good salesman.
Q. Mr. Secretary, in view of all the rumors, etcetera, won't you give us the actual details of this secret trip of yours?
A. I told you why we are going over; this is a trip to test the smorgasbord.
Q. When are you sailing, Mr. Secretary?
A. Sailing Wednesday.
Q. What boat?
A. SS. Normandie.
Q. Be gone how long?
A. You sound like a passporter. Return the 11th of September.
Q. You going on the Normandie you say?
A. Going and coming.
Q. You will be in France a little while then, won't you?
A. No, no.
Q. What capitals will you visit? Are you going to study the cooperative movement?

A. The only official invitation I have accepted is one from Finland and I am going over there to say 'thank you' to the Finnish Government because they have paid their debt. I am serious. That is the only official invitation I have accepted—from the Finnish Minister here. I think that is the least I can do.

Q. Don't you have to go across France?

A. No, just going across a corner of England.

Q. Is there a possibility that you might visit some other capitals?

A. No, just those four countries.

Q. Name them.

A. Denmark, Sweden, Finland, Norway, England.

Q. You won't see anybody in England?

A. The only official invitation I have accepted is to go to Finland and I am going over there especially—

Q. You are going to London?

A. Come back that way.

Q. Are you going to stop there?

A. I think I will be there three or four hours.

Q. Anybody beside your family going with you, Mr. Secretary?

A. Lieutenant MacKay.
Q. You say the Finnish Minister presented an
invitation?
A. It is an official invitation and I accepted it;
that is the only official invitation I have
accepted.
Q. Is it likely you will talk to some British
officials?
A. I have made no plans other than to go over and
say thank you to Finland. Otherwise it's strictly
private, personal and pleasure—three p's.
Q. Can you make any comment on this conference that
opens tomorrow—bank examiners here?
A. No, I think that beginning with tomorrow Mr. Hanes
can carry on.
Q. Well, can you say what the meeting denotes?
A. I am not familiar with it—I don't know. You
ask Mr. Hanes or Delano. I really don't know.
Q. Is it true that you are going to serve martinis
at the lunch tomorrow, Mr. Secretary.
A. Don't you like martinis?
Q. Yes.
A. Would you prefer something else?
Q. He wants to know how many?
A. Well, there is all that you can drink.
Q. That is plenty.
A. Well, you ought to have inside information.
Q. Very good. The general study of the banking situation which apparently is under way—
could you say whether or not you have given that the green light?
A. Well, as I understand I don’t think, in the first place, they have any money to do that.
Q. Not yet. Wagner said he was sure to get it.
A. Well, he hasn’t gotten it yet but he did ask the other day that once he did get started would the Treasury let him have some help and I said we would gladly.
Q. You are speaking of Mr. Delano now?
A. No, I was talking of Senator Wagner.
Q. Have you and Mr. Hanes exchanged views on taxes in the last couple of days?
A. No, the only thing that we talked about was I said ... Nothing had been done—a clear field.
Q. The tax study will get under way now that Mr. Hanes has returned—is that the idea?
A. That is the idea.
Q. Thank you, Mr. Secretary.
A. See you all tomorrow.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, SEPTEMBER 5, 1939

Q. Are these some of the gentlemen who ordinarily consulted with you in connection with business prospects, etc.? (Press Service 13-63)

A. Yes, but there will be a little difference; the situation, of course, is different now. I mean Mr. Burgess will sort of look after government financing and Mr. Bailie on movement of international capital.

Q. There are still others coming?

A. Oh, yes. I've got Tom Smith coming down with the same idea that the Chinese have—they hire a doctor to keep the patient well, so Mr. Smith is going to be here to look after national banks, state banks and savings banks. So he's hired to keep them well and not wait until something goes wrong. But I am going on the basis that I want plenty of help and these are people who have all been connected with the Treasury before.

Q. They all have in some capacity?

A. They all have in some capacity.

Q. What did Bailie do, Mr. Secretary?
A. Bailie was here the first three or four months that I was here, an assistant to me, so he came right when I came.

Q. I suspect that he will probably watch perhaps liquidation of securities, etc.?

A. No, it is a question of movement of capital in and out of the country and the whole question of watching to see what happens. Things are happening so fast it is impossible for any one person to do it.

Q. I know that Seligman & Co., have London connections.

A. He's severed his connections.

Q. I beg pardon.

A. He's detached now from all private business. All these people have taken leave of absence.

Q. I didn't mean he would continue those; I meant the fact that Seligman & Co., had international connections with London.

A. It is a question of movement of capital, looking after it and watching it, and looking after our own interests.

Q. Dollar a year?

A. That's the idea. I don't know whether technically they get a dollar a year or not.
Q. They will be dollar-a-year men?
A. That is the idea.
Q. Will they receive any compensation at all?
A. Has that been made clear?
Q. That is the $25.00 a day for experts.
A. Something like that, whatever is allowed per day to pay their living expenses.
Q. What is Mr. Bailie's address, Mr. Secretary?
A. It is Wilton, Connecticut.
Q. You say they are taking leaves of absence.
A. Will they have offices here?
Q. Yes, we will fix up offices on the floor below.
A. We are clearing out that whole line of offices down there.
Q. How long will they be here, Mr. Secretary?
A. I told them to come prepared to stay indefinitely.
Q. You say you want plenty of help around here? Does that mean you will hire more people or will ask other people to advise?
A. Yes, there are some other people coming down.
Q. Mr. Secretary, will you clear up that matter of Smith on the national banks, particularly on state and savings banks? How would he get after those since they don't come under you?
A. Well, he is to sit here. If Mr. White, the President of the State Banking Association, wants to know how to do something, who is he going to ask? He can call up Tom Smith.

Q. Like a coordinator?

A. Yes. If some savings bank has some problem, who will they talk to? Why, they can talk to Tom Smith. In other words, off the record, it is somebody to hold their hand. He is just going to be here so if anybody in a savings bank has something they want to talk about, what should they do, what is the government's attitude, they will talk to him.

Q. As a coordinator for all banking problems.

A. So far as I am concerned.

Q. He will contact you; he doesn't know the answer --?

A. If I don't know the answer I will ask you.

Q. We are on the committee too?

A. Sure. I want somebody here--Mr. Hanes and I can't do it all. It is impossible. The problems are so big. And I am trying to be forehanded until--I am not going to wait until a crisis so anybody in the banking field that has something and wants to know what does the Secretary of the Treasury feel, etc., Tom Smith will know.
Q. Mr. Secretary, all three of these will be in
an advisory capacity but they won't have any
advisory authority.

A. They will be in an advisory capacity.

Q. To get this straight, Earl Bailie and Tom Smith
were Assistant Secretaries?

A. No, they were assistants to the Secretary.

Q. And Burgess was something in the Federal Reserve?

A. Burgess was vice-president of the Federal Reserve
and, the important thing, in charge of govern-
ment financing for the Fed.

Q. Chairman of the executive committee of the open
market committee?

A. He was manager of the open market committee.

Q. And he was manager also of the Treasury accounts
too, wasn't he?

A. That is right.

Q. Vice-president or vice-chairman?

A. Vice-chairman. His capacity in the Federal
Reserve was our agent for government financing
and handling all buying and selling of government
bonds.

Q. That is the way I understood it.

A. Yes, after all it is nothing new for him and this
question again—so that we will have additional
help, he's coming in on that basis.
Q. It is simply a matter that the Open Market Committee does work in cooperation with the Open Market Committee on that sort of thing.

A. Oh, yes. Gene says that is all right.

Q. You indicated that you might have others come in.

A. There will be others.

Q. Soon, do you expect, Mr. Secretary?

A. I think by Thursday we will have some others.

Q. How many?

A. Well, these other people are going to be economists.

Q. Any special duties? Two or three of them?

A. Two or three, just to sit and think—no duties.

Q. They have got to think fast, haven't they, Mr. Secretary?

A. You bet you they have and the boys that are coming down are the fastest thinkers there are in the country.

Q. Could you give us their names now? We might as well wrap them all together and make a swell story. If you don't I am going to write Angus is going to be one.

A. I can't do it because I told them I would let them look at the announcement.

Q. Could you eliminate Angus?
A. That's a good idea.
Q. We just wanted to make sure Barney Baruch won't be on it.
A. You can be sure. No, I told them I would let them see the announcement and I would like to do that; they will be down Thursday.
Q. What is the status of Mr. Lochhead? There are reports that he's going to be leaving.
A. That is correct; he is leaving.
Q. It isn't a bank?
A. No, it isn't a bank.
Q. Will Bailie act in his place until you appoint somebody?
A. No, Merle Cochran is going to take his place. He is here.
Q. I forgot all about that; when is Mr. Lochhead leaving?
A. Sometime within the next month or so.
Q. Did Mr. Hanes work this plan out during your absence?
A. No, all of these people were approached three months ago; all of these people made their arrangements over three months ago.
Q. They were all part of the plans?
A. That was all done at the same time and they all made their arrangements so when I sent them word to be here today it was all set; it was all done three months ago.

Q. Does this become effective immediately?

A. Yes, worked that out the same time we had that group here--SEC, etc.

Q. When will they arrive?

A. Well, Bailie and Burgess and Smith are here. Tom Smith will be back Monday, but the other two are here.

Q. Are they in the building now?

A. They are in the building now. These three were here today and the other three economists get here Thursday. This was all worked out--I don't know the date--but that week we had that time in April. It was all worked out then.

Q. Mr. Secretary, I am sure you have considered it but is there anything you can say about what plans the Treasury will follow or carry out in case the British and French sequester the holdings of their nationals in this country?
A. No, but after Thursday I think that I will be better equipped with able people; we can meet anything. That was my plan, and, as I say, the thing is so important—all this neutrality stuff and Customs and Coast Guard, everything that the Treasury is doing. I have signed all the telegrams in connection with the President's neutrality. They are all signed and everything is ready. There is no confusion. We are in shape so far as money is concerned. We don't have to do any refunding. Everything was done last April so everything is working like clockwork.

Q. Is this a kind of general program for cooperation with business or at least for keeping contact with business to allay any fears and that sort of thing?

A. Well, I think in the three men I am getting I am getting the three ablest men there are in the country, and I think that is reassuring. The beauty of it is these people know the government and the Treasury; they don't have to learn, which is very important. They can go right to work. I don't have to break anybody in.

Q. There was a report a couple of months ago that Mr. Hanes might leave in October. He's going to stay, or is he?
A. We haven't even discussed it and I have taken
it perfectly for granted that he is going to stay.
I have been back and we never even mentioned it
to each other. He carried the load of Acting
Secretary during my absence in a highly satis-
factory manner, both to the President and myself.

Q. There was no implication in my question.

A. No, but I am glad, in answering your question,
to say that he carried on beautifully and did
a swell job.

Q. Very popular on the Hill—I know that.

A. Deservedly so.

Q. That question naturally will, I presume, arise
from time to time, Mr. Secretary, because the
general feeling has been that Mr. Hanes was only
here temporarily.

A. So are all of us.

Q. Are you looking past 1940, Mr. Secretary?

A. I was thinking we are human beings.

Q. Mr. Secretary, how about Customs regulations on
neutrality? Anything to be released today?

A. That is up to you, Gene.

Duffield: The President hasn't signed the proclamation yet.

E.H.Jr.: That is up to Gene. I just had the General Counsel
and Cairns in—they just left here—and everything
is in order.
Q. We could take them, Mr. Secretary, subject to release upon the President's signature of the Proclamation.

A. That is up to Gene.

Q. In connection with the anti-profiteering measures the Justice Department is studying, has there been any consideration given at all to a possible taxation measure that might scrap that?

A. No, I think I have done pretty well in 36 hours.

Q. I think you have too, Mr. Secretary.

A. The ship is running all right.

Q. You haven't even wilted your collar down.

A. Everything is smooth. After all we made our plans last April and we are ready.

Q. Can you say anything about the capital movement in the last ten days or so, Mr. Secretary, as to whether foreigners are selling on balance or anything?

A. No.

Q. Mr. Secretary, would it be all right with you or would you elaborate a little bit on the status of the stabilization—the tripartite?

A. I would rather not. It is a difficult thing to do.

Q. Of course, your conversations, I presume your contacts, are continuing.
A. Oh, yes.

Q. So far as support operations, they seem to be --.

A. Well, very much off the record, I don't want to say anything—it is obvious that the situation has changed but we certainly don't want to do anything at this time to hurt anybody, and for all purposes the thing is as is and we will keep that up until something happens. Now they certainly haven't done anything in competitive devaluation, or competitive advantage, so there is no reason to call them --. I am giving these people a breathing spell. This is all off the record. If you ask me, we get into technical things and if the story is out it might be to their disadvantage.

Q. I thought we might be able to get around that by saying that the agreement still is in force and that there is cooperation between all parties thereto although certain emergencies have arisen.

A. I would rather rest on that statement Hanes gave you Friday.

Q. Friday?

A. Did he give a stabilization fund statement then?

Duffield: It was the day the British ceased their official support, Thursday of last week.
Q. Would you care to make any comment on the
government bond market in the last few days?

A. When you consider everything, I think it is
doing fine; I mean, considering what is going on
in the world I think the government bond market
is behaving beautifully.

Q. It was down a little bit today.

A. About a point, I think. I mean it is what you
would expect. It is an orderly market. That is
all we can hope for—an orderly market.

Q. Would you say anything about the December refunding?

A. We cleared up this morning until September 15th.

Q. You announced it today?

A. Yes, nothing doing on September 15, but what we
do on December 15—the book is open.

Q. Thank you, Mr. Secretary.
FOR IMMEDIATE RELEASE,
Tuesday, September 5, 1939.

Press Service
No. 18-63

Secretary Morgenthau today announced that W. R. Burgess, Vice Chairman of the National City Bank of New York; Tom K. Smith, President of the Boatmen's National Bank of St. Louis; Earle Bailie, Chairman of Tri-Continental Corporation and associated companies and a member of J. & W. Seligman and Company, have taken leaves of absence from their businesses and will act temporarily as special advisers to the Treasury.
(Secretary Morgenthau handed out release announcing appointments of Messrs. Riefler, Viner and Stewart to be his assistants.)

Q. Somebody named these fellows the three Wizards of Oz, Mr. Secretary—the theme song. Is Stewart also at Princeton?
A. Yes, Institute of Advanced Study.
Q. Riefler was with Federal Reserve; what is Stewart’s background?
Duffield: He was also with the Federal Reserve.
H.M.Jr.: He was also with the Federal Reserve and also with the Bank of England.
Q. Is that Riefler?
A. No, Stewart.
Q. As advisor, I suppose.
A. He was advisor I think for three years for the Bank of England.
Bell: He took Sprague’s place.
H.M.Jr.: No, Sprague took his place. They always did have an American advisor, at least during that period and he was the American Advisor for the Bank of England and Sprague followed him.
Q. Viner has always been a Treasury advisor?
A. That’s right.
Q. Mr. Riefler was also at National Resources, wasn’t he?
A. Executive Secretary.

Duffield: No, he was head of the Statistical Board when the Central Statistical Board was first set up.

H.M.Jr.: I might point out that all of these men have had government experience and are familiar with this government.

Q. That makes six advisors all to be here at the same time?

A. All here at the same time.

Q. Are they here already?

A. Yes.

Q. Have you got the brain trust segregated in one room? Is it a brain trust?

A. No, there's nothing exclusive about it.

Q. What is your plan with these fellows—to meet with them every single day—is that the idea?

A. Meet with them every day and follow Treasury operations and as new problems come up due to the war in Europe advise and assist the Treasury in its course of action.

Q. In the case of the other three gentlemen the other day, Mr. Secretary, you mentioned specialized fields for them; do these have specialized fields?
A. No, these men will just work together.

Q. These men are the anticipators; they sit and watch the mystic ball and sort of try to figure out in advance.

A. No, these men have got a reputation both in this country and all over the world among the best posted people on international finance and economics and they are recognized as such and I consider myself very fortunate in being able to get them to give up what they are doing to come down here and help me through this very difficult period. After all, we are on an uncharted sea and things change every minute and I want to get this kind of help for the problems which I can't envisage which may arise this afternoon, or tomorrow.

Q. That's what I meant; these men are going to be more in the role of look-outs for the future and anticipate possible necessities.

A. That's right and try to see them before they happen and help me avoid pitfalls.

Q. Does this complete, Mr. Secretary, your emergency staff or advisors?

A. For the time being and as far as this sort of thing is concerned.
Q. That is three and the other three; could we call them your war advisory council?

A. Oh, I don't like the word 'war.'

Q. That's what they are here for; they're not here for any other reason.

A. Yes, they are here because there is a world war but we invited them to come last April and made all arrangements last April; that's why they came so quickly; these people were all invited last April and made their arrangements.

Q. All six were advised?

A. Well, all six, with the possible exception of one, but I talked with all six but it is hard to label them; these people have got the ability.

Q. How about calling it the War-Time Emergency Advisory Council?

A. I can't give a name; it's up to you--be kind.

Q. They are certainly not a self-less six are they?

A. No, and if the things that they had--they are not going to hide behind any closed doors; they are people that are known, as I say, not only all over the United States but any place where economists are known as people outstanding in their field and I am most fortunate to be able to get people of this kind and they know government--
they have all been in the government which is a tremendous advantage and they know finance and particularly international finance.

Q. Are these three economists also dollar-a-year men?

A. I haven't even asked—I don't know. I know the two from Princeton are.

Q. Is this Institute of Advanced Study part of Princeton University?

A. No, it is separate; those two people—the head of it is Dr. Flexner—and my arrangement was with him and he's lent these people to me; they get their salary from him. Whether Chicago University is going to pay Dr. Viner I don't know. He will get paid either by the University or myself but in the case of Riefler and Stewart the arrangements that they have—they lent these people to the United States Treasury and they pay their salaries.

Q. Does this complete the personnel of the advisory group or do you expect some additional appointments?

A. There may be some more; I don't want to say there aren't going to be any more but I have nothing
for this week along those lines. This is what I planned in April. It's gone through and I feel lots easier.

Q. Mr. Secretary, how about appointments to the regular staff of the Treasury? You now have only one Assistant Secretary.

A. That's what I was trying to hedge on because I have two vacancies. I am going to try to fill those.

Q. You are?

A. Oh, yes, sure.

Q. Two vacancies of Assistant Secretaries?

A. Two which are vacant; one now and one the 1st of October. That's what I was hedging on.

Q. Do you expect to fill them soon?

A. Just as soon as I can get people who are up to the jobs.

Q. Do you want businessmen for the jobs?

A. One of them has got to be a businessman.

Q. Anybody in mind?

A. Oh, yes and no.

Q. You mean he hasn't accepted yet?

A. Yes and no. That doesn't mean he's a yes-and-no-man though.

Q. Hard to get though.
A. Damned hard to get.

Q. About Basil Harris, would you mind describing in your own way just exactly what he's going to do? Is he the ceo of the shipping industry?

A. No, after all we have a Maritime Commission.

Q. Just where is the dividing line?

A. We are charged with definite police powers under the Neutrality Proclamation of the President and I wanted a practical fellow that knew shipping and had made a success and knew shipping people—shipping people would respect and who would be responsible to see that the neutrality proclamation as it affected the ports and as it affected my duties under it would be carried out one hundred percent and that is his job. Now, in order to do that, so that he wouldn't be working through anybody else, I made him Collector of Customs as well as an Assistant to me. If in the middle of the night some boat wants to sail and has got munitions on it and somebody wants to make a decision he can make it. He doesn't have to ask anybody's permission but I figured being responsible for sailing of ships in all the ports is about as big a job as anybody can have and therefore I wanted to get as able a man as I
could and I asked Mr. Harris some time ago if he would come and, as a matter of fact, he was down here two or three days a week for a month familiarizing himself with the work so he knew just what the work was. There is no conflict between him and Maritime—Maritime has nothing to do with police powers of the Treasury. Does that explain it?

Q.

Except as an expert in shipping and formerly with the Maritime Commission I expected he would be consulted by people here.

A.

If not I would say it would be very stupid for a man of his caliber to be here and not consult him.

Q.

He's here for that job.

A.

Yes.

Q.

How about Mr. Moyle? What is he going to do? Haven't decided?

A.

Be kind to him and me on that; we will find something for him to do—a nice old gentleman—we will find something for him to do. Frankly, I don't know just what. He is a fine old gentleman and the last thing in the world I want to do is to hurt his feelings.
Q. Wasn't he Acting Secretary of the Treasury during the last war and immediately afterward?

A. No, he was Assistant Secretary under MoADoo—but the man is 81 years old. There may be days when Harris will have to work twenty-four hours a day. He can't do it and this way we take care of him. I am being very frank and I would appreciate the way you handle it—he's a nice old fellow.

Q. During the last few days, Mr. Secretary, has the Treasury itself been buying any securities in the open market?

A. You would like to know, wouldn't you?

Q. Or has the Stabilization Fund?

A. Well, we never give day-to-day operations.

Q. Well, it was denied to me here.

A. By whom? Denied what?

Q. The Stabilization Fund was involved.

A. That is correct. The Stabilization Fund has not bought anything.

Q. My information is the Treasury hasn't bought any. Does my information appear to be correct on the basis of this knowledge?
A. You are going too far. All I can say is that the Government bond market this morning is behaving extremely well and, as I understand, it is up a little bit.

Q. This is early in the morning yet.

A. True but we are thankful.

Q. Mr. Secretary, is the Northland going down to the Antarctic now?

A. As I understand it, and that was as of this morning, we’ve got—that Byrd expedition is still on; they will be delayed a little bit but they will be ready in November, which is still time for them to go. There will be no change in that. The Northland doesn’t involve as much personnel as that other boat. We wanted to send the Hamilton and that, after all, is one of our most modern cutters and we feel we need it here and we postponed the one for the National Geographic but the Byrd expedition is still on.

Q. Mr. Secretary, are any special precautions being taken to guard such Islands as Jarvis, Howland, etc. in the South Sea Islands?

A. I don’t know.

Q. How about financing?
A.

That is what I have here. Mr. Bell and I and our advisors will naturally be more careful than ever to coordinate all activities of the government in financing and we've been working on the one for the Federal Intermediate Credit Bank, which is under the jurisdiction of the Farm Credit. I will give you this: They will offer for sale in the usual manner in the next day or two $30,000,000 of short-term debentures. The rate at which they will be offered has not yet been determined. Of the proceeds of the $30,000,000 issue $20,650,000 will be used to redeem debentures maturing the 15th in that amount. But as I say the whole picture of government finance—we are watching it very very carefully, but that one we will go ahead with in a day or two now and the final announcement will come from the Farm Credit.

Bell: Through Dunn who is the fiscal agent in New York.

Q.

Have you acted as fiscal agent for this agency before?

H.W. Jr.: We are not now. It's just clearing through us. There will be no offering of government financing that doesn't clear through us.
Q. You are not acting as fiscal agent?
A. We are not now. We gave them the green light this morning; told them to go ahead with the financing.

Q. When are they going to offer it?
A. In a day or two.

Q. This will be a market offer.
A. It will be done in the regular way on the market through their machinery, but as I told you people there would be nothing and now there is this.

Q. Mr. Secretary, may I ask about the revenue situation? This situation abroad is going to change the revenue picture somewhat particularly with regard to Customs receipts and I wondered whether the Treasury is looking into the matter of possible additional revenue that might be needed because a lot of the departments are going to overstep their budgets.

A. Well, we haven't yet.

Q. The relief situation may be changed somewhat.
A. Well, all those things will be looked at.

Q. Are being looked at?
A. Yes.
Q. What is the status of the tripartite agreement these days?

A. Status quo.

Secretary Harmon announced today that Jacob Viner of the University of Chicago and Walter B. Conant and Winifred B. Matter, both of the Institute for Advanced Study, Princeton, New Jersey, have received honors of history from their academic posts and will not temporarily accept awards to the frontiers.
TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Thursday, September 7, 1939.

Press Service
No. 18-67

Secretary Morgenthau announced today that Jacob Viner of the
University of Chicago and Walter W. Stewart and Winfield W. Riefler,
both of the Institute for Advanced Study, Princeton, New Jersey, have
obtained leaves of absence from their academic posts and will act
temporarily as special advisers to the Treasury.
Q. Mr. Secretary, you say here (Press Service 18-72) that the tripartite declaration con-
tinues in effect. How about the machinery for it?
A. It is still in effect.
Q. Is it operating?
A. Wherever it is called on to operate, yes.
Q. What is it defending now? Not defending the 
franc or pound.
A. Well, there are still Holland, Belgium and 
Switzerland.
Q. In other words when you say that the machinery 
remains operative you mean with respect to Belgium, 
Holland and Switzerland?
A. That's right and the machinery, as far as the 
exchange of information is concerned, with England 
and France.
Q. Do you sell the dollar for gold to England and 
France?
A. Whenever they ask for it. Is that right, Archie?
Lochhead: It hasn't come up for the last few days.
Q. Did you say days?
H. M. Jr.: Well, you know his Scotch ancestry.
Q. In other words, you give gold whenever they want it.
A. Well, I mean, at the regular price of $35.00.
Q. You mean you will buy gold whenever they sell it?
A. Or vice versa.
Q. Well, how is the agreement operating between the three countries, Mr. Secretary?
A. Well, just the same way it always has.
Q. In other words, actually, the declaration is in effect but so far as France and Great Britain are concerned the machinery is practically inoperative except for the exchange of information—is that correct?
A. Well, I mean, the spirit is still there. The question of competitive devaluation and the lack of it still makes the spirit of the agreement still in force. Neither England or France have attempted to take advantage of the situation.
Q. It wouldn't make any difference if they could—they couldn't do anything about it—competitive devaluation is kind of difficult at this time anyway, isn't it?
A. True, but the answer is they haven't.
Q. They have what amounts to exchange control between those countries, and under a peacetime situation that would violate the spirit of the agreement but under an emergency situation — .
A. Correct, but they haven't devalued their currencies for competitive reasons.

Q. But exchange control is one of the things the agreement outlaws.

A. I wouldn't say that but those countries we have had the agreement with have been free from exchange control.

Q. Until now?

A. Until now.

Q. Until the emergency situation made it necessary?

A. That is right.

Q. Mr. Secretary, in view of the fact that Europe is all tied up with the war and the fact that the real currency problem might possibly be in terms of our relation with Latin-America, do you have plans for some sort of a similar agreement with Latin-American countries?

A. We are studying those problems all the time but we have nothing to announce.

Q. Are you studying that particularly in relation to the Guatemalan conference?

A. Well, I mean, studies as far as currency is concerned go on continuously in the Treasury.
Q. Are you negotiating with them on this question now?
A. No.

Q. Will that come up at this Pan-American conference?
A. I don't know.

Q. They have an agenda of six or seven subjects all relating to currency questions according to the Pan-American Union which released it.
A. You have the advantage over me because I haven't seen them.

Q. Would you say specifically that you are studying the possible extension of some sort of monetary agreement with South America?
A. No, I would say we are studying all currency continually with all countries with which the United States does business.

Q. With regard to exchange control with England and France you say that under present circumstances you do not regard that as violating the tripartite agreement.
A. The spirit.

Q. Are there any American funds that have been blocked from France or America under this exchange control?
A. Do you know of any?
Lochhead: I don't know of any. I imagine it's a question of working out the details there and they will do their best to make the thing work smoothly. I don't know of anything particular.

Q. Would the Treasury step in to loosen up these frozen balances if there are any as they have done in connection with Brazil?

Lochhead: I don't think you could draw a parallel there.

H. W. Jr.: You are about three jumps ahead of us.

Q. Mr. Secretary, was there any revision of the machinery mentioned to facilitate the normal peacetime commercial transactions between Great Britain and France and the United States?

A. You mean any change?

Q. Yes, in the operation.

A. There were no changes.

Q. Not necessary?

A. Not necessary.

Q. And it will facilitate them?

A. Well, I mean the arrangement—the fact that we have been working with these countries for three or four years on a very satisfactory basis makes it easier for us to adjust ourselves to their conditions. That is what we are trying to do.
Q. Would you say, Mr. Secretary, that the value of the tripartite agreement in the present circumstances so far as France and Great Britain is concerned, while a little different than it was, is still valuable in view of the emergency situation?

A. Valuable and useful.

Q. Mr. Secretary, so far as the old setup is concerned it simply doesn't exist any more. Temporarily at least, the method of operation is suspended.

A. No, I am sorry. I disagree with you; that isn't correct. The conditions are there. These people are at war. Now, fortunately, we have had three or four years or whatever it is, since September 25, 1936, of satisfactory arrangements with them on monetary matters. That is all to the good and it enables us to adjust ourselves to these new conditions.

Q. Of course, you are not controlling through your stabilisation fund the currency fluctuations such as you did?

A. We never did control them.

Q. Well, you kept them more or less smoothed out.

A. Well, we operated on their behalf.

Q. Are you continuing to operate on their behalf?
A. Whenever they ask us to.

Q. They haven't recently?

A. I don't know. I haven't been able to keep up with hour-to-hour operations.

Lochhead: Not necessary; after all, with exchange control we are not having any trouble with rates.

Q. That's the point I was getting at—with exchange control you don't have the same method of operation at all.

Lochhead: You can't make it hard-and-fast. When the tri-party went into effect, it was a flexible arrangement and would adjust itself as conditions changed.

Q. That's what I understood but the method of operation has changed somewhat, I mean so far as what you are doing; you are not doing what you were doing but the agreement stands and you can take any action that the situation calls for. Would you say that without the tripartite agreement in this emergency situation it would have been very much more difficult to adjust the exchange situation?

A. It would. What is the purpose? The purpose of this thing is to facilitate foreign exchange business for the American exporter. Now with this machinery setup any American exporter or importer
wanting to do business—the machinery still exists and we will be able to make it as easy as possible under these very difficult conditions.

Q. That leads us to the meeting that was held today with Mr. Hanes on credit; could you give us the report?

A. He simply reported that they were making progress, nothing definite, and he will meet with me again tomorrow and discuss it further, but there is nothing very definite other than they are getting ready.

Q. This spirit of the tripartite agreement could be considered sort of this same picture, Mr. Secretary?

A. I think so.

Q. It goes into your general formula to maintain normal credit transactions?

A. What we are trying to do here is to keep things on as even a keel as possible to the advantage of the American businessman so that he can continue to do business outside of the United States with as little effort as possible. Every effort in the Treasury is in that direction. Mr. Hanes here and his
committee working… Having received this notice from the French Government, all these things, what we are trying to do is to make it possible for the American business man to continue business as usual.

Q. Could you give any indication, Mr. Secretary, as to the nature of what you would do under exchange control or just how your general principle or machinery for cooperation would function?

A. No, no.

Q. Mr. Secretary, in view of the declaration of war by Canada is there any change in the Treasury regarding frontier control, such as Customs?

A. Not that I know of.

Q. Are we going to continue buying silver from them despite the fact that they are belligerents?

A. I hadn’t thought of that one; thanks for the memo.

Q. I understand we have been buying two million ounces a month from them.

A. You boys take a look at it (Cochran and Lochhead).

Q. What about the stabilization fund? Under present conditions, it is pretty much inoperative, isn’t it?

A. Pretty much so.
Q. Mr. Secretary, has any study been made over here on the question of taxing war profits?
A. Not yet.
Q. It will be, during the neutrality period.
A. Can't tell. We try to do the most important things first and so far we have been able to keep up with the show.
Q. When you say not yet — ?
A. We don't know; we just don't know. We do what seems to be the most important thing each day, each hour and, as I say, so far I think the Treasury has been able to keep up.
Q. On this short term credit, Mr. Secretary, does that cover everything not listed as contraband in the Neutrality Act?
A. I don't know.
Q. Thank you, Mr. Secretary.
FOR IMMEDIATE RELEASE,
Monday, September 11, 1939.

The Secretary of the Treasury stated that he had been advised by the Minister of Finance of France of the emergency action of the French Government in setting up a system of exchange control in France and in French territories overseas. The Secretary said that the United States Government recognized the emergency conditions which impelled this action, and stated that the Tri-Partite declaration continues in effect.

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TREASURY DEPARTMENT
Washington

Press Service
No. 18-72
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, SEPTEMBER 14, 1939:

H. M. Jr.: Yes, gentlemen?
Q. Are you taking up that September 15 financing
tomorrow?
A. What do you mean?
Q. I mean December.
A. Taking it up?
Q. Yes, are you meeting with the Executive Committee?
A. No.
Q. No meeting at all?
A. There is none planned.
Q. Mr. Secretary, under the Tripartite Agreement heretofore
you have said that the Treasury did a lot of things
as the agent for foreign governments and I wondered
if in that connection you might be acting as the
agent for the British and French with regard to their
exchange control. Wouldn't there be certain things
that they would like to have done over here with
regard to keeping the exchange situation in hand?
A. Well, they haven't asked us to do anything other than
they use the same channels to carry out their orders
but there has been no unusual requests that I know of.
Q. I don't know exactly what they would want done.
A. There has been nothing that would follow along the
idea you mentioned.
Q. For example, last September, Mr. Secretary, I got
understood the Stabilization Fund made pound
sterling available at certain intervals when they
were short in the market. That might
happen again.
A. We have no pound sterling. We don't own any.
Q. You don't own any?
A. None at all.
Q. Suppose they wanted to round up all the pound
sterling they could find around here; would the
Treasury act as agent in that capacity?
A. I am hesitant in answering that for two reasons:
In the first place I don't know the answer; in
the second place if I tried to fence with you I
might give an answer which would give the wrong
interpretation because, off the record, I don't
think the British yet have had time to get themselves
straightened out any more than the French have and
I don't think they know which way they are going
to go; I mean, how they would handle the situation
that's the way it is as of this minute. If you
will be any franker with me I will be franker with
you.
Q. I can't be any franker; I don't know any more.
A. There hasn't been anything yet. They haven't got
the situation worked out. That is the lowdown.

Q. What I am really trying to get is what function
you might be performing as a cooperative?

A. We haven't gotten anything yet. They are sort of
feeling their way.

Q. Like me?

A. And me too and I don't know where it is going to
end.

Q. Mr. Secretary, do you have any legislation to
propose at this special session?

A. I have nothing now.

Q. Did you use the word 'now'?

A. Now.

Q. Does that imply that there might be some later?

A. Oh, sure, the bright boys of the Treasury might
think up something.

Q. Mr. Secretary, does that also apply to supplemental
appropriations?

A. Well, they would go direct to the Budget; that
wouldn't go through us now.

Q. In other words, when you say you haven't special
legislation now you are not talking about
appropriations.

A. No, that doesn't clear through us.
Q. I thought you might bring up the proposal to increase the debt limitation.
A. No, I have nothing.
Q. There might be some emergency measures for protective reasons.
A. Oh, yes, something might come up any minute and I don’t want to close the door.
Q. Now about this war risk insurance?
A. That’s over at the Maritime Commission.
Q. There is a bill before Congress.
A. And I think some of our people helped them on it.
Q. When will you recommend the increase in the debt limit?
A. Oh, I don’t know.
Q. Mr. Secretary, in view of the fact that financing has been postponed for a time I can assume that the question of financing through larger amounts of Treasury bills will be undertaken although your cash balance is very large.
A. I really don’t know. We are watching it every day and I just don’t know what we will do.
Q. You mean you are watching the market.
A. The market and cash requirements.
Q. Your position with regard to the debt limit, I understand, is that you are not going to do anything about it now.
A. I can't imagine doing anything about it at the special session.

Q. Mr. Secretary, the Treasury, as I understand, helps prepare the estimates on governmental receipts for the purposes of the budget.

A. Yes.

Q. And I just wondered whether you could tell us whether in this current fiscal year you expect a larger income than was budgeted in January?

A. I can't answer that.

Q. With improved business, you based those figures on the low.

A. Isn't there going to be a supplementary statement?

Duffield: We are not sure yet.

Q. It's kind of late; last year it was put out in September.

A. Is there going to be one?

Duffield: We really don't know.

H.M.Jr.: We don't know.

Q. Mr. Secretary, what is the status of the interdepartmental committee's work under Mr. Hanes?

A. Again for background, what we have done is in that thing they made these recommendations and we are going to ask the Federal Reserve Banks in their capacity as fiscal agents (if you don't mind I would like you to hold off on this) to act as our agents to carry out
the action and night before last we sent out an
airmail letter asking them if they would act as
our agents and I think they will answer today and
I hope tonight to have a formal story for you.
That is why I am holding it up and furthermore
they might have some suggestions. Won't those
replies be in today?
Duffield: They were asked to be in today.

H.M.Jr. I They might have some suggestions. That's the way
it's going to be handled and people who handle
the stabilization—they will have the mechanics
and they will flow up to us for any policy
decision.

Q. The Federal Reserve banks will supply the credit.
A. Well, not the credit but the information.
Q. Mr. Secretary, if these commodity prices get up to
parity the Treasury won't have to pay out parity
payments any more.
A. I hope you are right.
Q. It will save you about a quarter of a billion dollars.
A. 220 million I think. Yes, I hope you are right,
both for the farmers' sake and for the Treasury's
sake.
Q. Has that been discussed?
A. Oh, yes, we have been talking to Harold Smith about it. We took a look at the sugar thing to see whether there was any sugar for the Treasury in that and there might be. There might be some money in it for us—forty or fifty million dollars.

Q. Suspending quotas?

A. Also if they keep the tax on and don't put in the benefit payments next spring there is a chance to save money. Danny Bell was running around all day yesterday on that.

Q. What's that?

A. The sugar quota. There is a tax and if they don't have benefit payments next spring they might have a forty or fifty million dollar saving.

Q. Mr. Secretary, this will more than make up for any anticipated loss in customs duties.

A. Quite.

Q. That is, the saving would make up for any loss.

A. Yes, if we save this.

Q. But it's still on an 'if' basis.

A. Well, you look at the parity payments—the President mentioned them the other day at his press conference. They've got a long way to go but it is a pious hope that we save some money.
Q. This forty or fifty million dollars an year is because the benefit payments would be wiped out and you would get new revenue?

A. If you want the technical thing, Dan Bell can give it to you. Let them talk to Dan.

Q. Mr. Secretary, has the question of the status of the Canadian silver been settled?

A. No.

Q. Looking into it?

A. Yes.

Q. Your General Counsel?

A. No, again off the record, I want to ask the President and State Department how they feel about it. Legally I can continue to buy it. It's a matter of policy. I am all right legally but I don't have to make up my mind until the end of the month.

Q. If you are willing to buy gold from Great Britain and France—they are belligerents—why not silver from Canada? Has the status of gold purchases been changed?

A. There is no change—until further notice $35.00 an ounce, less 3/4 of 1 per cent.

Q. Mr. Secretary, speaking of savings, have you got any idea of what you might save on relief?
A. No, but Bell and I are looking into it and we are going to watch it every day and, after all, there will be other extraordinary expenditures so anything we can save is all to the good and helps us keep our house in good financial fiscal order.

Q. What are those increased enlistments going to cost?

A. I don't know but it's easy enough to increase the things and naturally we want to watch any place we can make legitimate savings.

Q. Mr. Secretary, has the fall in the government bond market affected the baby bond sales? I wish you would make a statement on that question; there have been many reports—some are confusing.

A. I will have to get my facts.

Duffield: I have the sales figures in my office—you asked about sales.

Q. New sales, plus redemptions.

H.M.Jr.: I asked that same thing this morning. They didn't have it but they ought to have it during the day. When you (Duffield) give it to him let me see it too. I am working for the Treasury daily news.

Q. Will there be any special tax legislation at this special session?
A. I answered you, as of today, we have no special recommendations for Congress—that would cover that.

Q. Do you see any need for special taxes?

A. I don't know.

Q. Mr. Secretary, in view of the fact that you are having increased income from excise taxes due to increased manufactures any possible savings on sugar and parity payments and that sort of thing might make up for extraordinary expenditures?

A. It might.

Q. Isn't there a pretty good chance you might not have to ask for additional taxes?

A. I don't want to close the door but right now, as of today, I have no recommendations, but I am not closing the door.

Q. Mr. Secretary, without using any specific figures, as far as the fiscal year 1940 is concerned, since revenue prospects look better and you might make some savings, can you say you expect a smaller deficit?

A. I would like to say, but I don't know.

Q. Doesn't that depend on extraordinary expenditures?
A. I don't know. Aren't they increasing the Army and Navy 140,000 men and Coast Guard going up?

Q. This year it will only cost a few million dollars.

A. We are asking about it. I asked about unemployment figures; we asked about sugar yesterday and we asked about parity payments and George Haas has been on it three days studying it and the Maritime Commission—their program. We are studying each one of these things; we are studying customs receipts so when the President wants the information he can have it.

Q. In other words, you are resurveying the whole budget picture.

A. Expenditures and receipts—the whole thing and also particularly as it affects employment.

Q. Isn't the real question-mark, though, what the extraordinary expenditures are likely to be?

A. True.

Q. You are more certain that you are going to have higher revenues than that you won't have higher expenditures.

A. I think we are pretty certain of both. That doesn't mean the net will be any higher. We are working on it. The boys have been at it all week, but it takes a lot of time to run it all down and so is the Director of the Budget, and we work very closely with him.
Q. How about the Commodity Credit Corporation? If they are able to dispose of some of their holdings it will bring cash back.

A. I am told that they might not need any of this $119,000,000 they got from Congress. We are asking about that; we are not overlooking any bets. They may not need that $119,000,000.

Q. Thank you, Mr. Secretary. Mr. Secretary, yesterday in Los Angeles Federal authorities said they had recovered some $14,000 in Liberty bond coupons which were stolen in Washington from a former Spanish diplomat; at the same time they said they had determined that a million dollars in government bonds from which these coupons had been clipped had been stolen. Have you had any report on that?

A. Have you?

Duffield: I just saw the story in the paper.

H. M. Jr.: Will you let them know if you have something on it?

Q. Thank you, Mr. Secretary.
H.M., Jr.: On this question of credits we have finally heard from the twelve Reserve banks and the General Counsel's Office has drawn up a set of rules and regulations for me to carry out my responsibility and (there is no news in what I am going to say) Mr. Hanes gets back tomorrow and I want to do this advisory committee the courtesy of showing them these rules and regulations. We can mention the fact that some rules and regulations have been drawn up in connection with this short-term credit matter?

Q. A. Yes, there are rules and regulations which have been drawn up but, as I say, I want to do this advisory committee the courtesy of having them look at them and see if they can't advise me.

Q. In the meantime, Mr. Secretary, may we say that upon your invitation the twelve Reserve banks have agreed to act as your agents in carrying them out?

Mr. Duffield: Yes.
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Mr. Duffield: Yes.
Mr. Duffield: The answer is yes.

Q. As I get it, for instance, if I were a business man and wanted to give a 30-day credit to an English firm on some sort of a deal the way the Federal Reserve Bank would recommend it, I would make my application to the bank and they would put it through the mill and get the okay.

A. Yes, and if there was any question of policy it would come through my office for yes or no.

Q. In other words, the banks will be your regional contacts between the businessmen and you?

A. That is right.

Mr. Duffield: I don't know if there is any question of actually filing applications for approval or anything like that but if they do have any question requiring advice of legal counsel it will come through the Federal Reserve banks.

Q. There is no question of the Federal Reserve banks themselves extending these credits?

Mr. Duffield: No.

Q. That isn't involved, you say?

Mr. Duffield: No.
Mr. Secretary, there is a story published in London saying that the drop in the pound sterling last week was attributed to a Black Market in sterling in this country with some of the selling coming from the other side; have you noticed any of that selling or is it just gossip and speculation?

No, it isn't gossip; the rates show that.

Can you tell us who the heavy sellers were?

No, we are constantly asking the Federal Reserve in New York for information and I haven't received enough information yet to satisfy myself.

Well, there is a committee that has been organized in New York for foreign exchange purposes for the leading banks and the Reserve bank.

I am relying on my fiscal agent which is the Federal Reserve.

You are not relying on that committee?

I am not. I have got just one representative and that is the Federal Reserve Bank of New York and I hold them responsible and I haven't gotten enough information yet to satisfy me as to just what is going on.
Q. Mr. Secretary, when you say the rates show it, do you mean that it shows an illegal market or something?

A. Well, as I understand it, to use an example, you have some cotton paper—you sold some cotton and want to clear it. I think they are clearing at $4.01 and a fraction.

Mr. Duffield: $4.012.

H.M.Jr.: But sterling has been selling way below that.

Q. Has there been a very large amount of offerings of sterling in New York?

A. A considerable amount.

Q. And the London reports said most of the selling was coming from Russian account.

A. Well, my answer to that to get down to which countries are affected—I have a pretty good idea which countries are—I am watching this thing pretty closely, but as I say I am not satisfied yet.

Q. Do you think it was malicious?

A. No, I have no evidence it was malicious.

Q. Speculative, isn't it?
A. Well, the people are worried and they want to get rid of their sterling so they are willing to do it at any price.

Q. In the meantime, have the British authorities asked for any help from abroad to try to maintain the rates at the official rate?

A. No, other than that they may --

Q. They had a top and bottom in the rate.

A. Yes, the official rate still, as far as any information we have, is $4.02.

Q. What is quoted today in New York, Mr. Secretary?

A. The last I've got is $3.63.

Q. That indicates the existence of something that you might call a Black Bourse, doesn't it?

A. Well, there are two rates—you can call it anything you want to.

Q. Is there any way you can combat that?

A. I don't know; I don't know.

Q. Or is the situation being studied with a view of combatting it?

A. Yes, I want to point out this to you: We are practically the only country left which has a free market and as long as that condition is there naturally we are going to do everything we can to keep our market open.
But that puts the English at a disadvantage on this rate, doesn't it?

True, but it is of great importance that we keep our markets open not only to ourselves but to the rest of the world. Now it takes time and, for background purposes, the English haven't handled themselves terribly well on this thing; they just don't seem to know what is going on. They tell us that there is a war going on and I appreciate that and that we should be patient and I am being patient but I think in time they will be able to straighten the thing out, but in the meantime if a country wants to sell sterling and as long as our market is open there is nothing to prevent them selling it as long as somebody wants to buy it.

We can safely say then that you are disturbed by the severe drop in the pound?

Disturbed? Yes.

That is for publication? We can say that?

Yes.

Mr. Secretary, are they going through the usual channels in selling and unloading these pounds?
A. Yes, there is nothing -- I know who is doing it.

Q. Then there is complete collapse of these protective measures. A committee was organised in New York consisting of banks, I think members of the Federal Reserve, to prevent this.

A. That committee has no authority--they are in the business--I mean they are in the business.

Q. Those are the fellows that you were trying to keep from speculating a while back, aren't they?

A. That's right and they are human.

Q. And certainly the Treasury is not going to -- you are studying the rates with a view of averting it?

A. We are studying and working to try to get this thing straightened out but, after all, as long as I am not going to risk any of my money--when I say my money I mean the stabilization fund--I've got to get a little cooperation.

Q. From where, sir?

A. Well, from the British.
Q. We can say that on the record?
A. No, background; but that is the point.
We have made some headway but we have
narrowed this discrepancy—at one time
there it was twenty cents—we have narrowed
it and I hope we will be able to narrow
it still more.

Q. Has there been any raiding upon the French,
Belgian and Swiss currencies or has it been
confined to the pound alone?
A. I don't know.

Q. You say you have narrowed it?
A. Well, at one time it was down to $3.75.

Q. I understood you to say, for background,
that the stabilization fund was virtually
unable to cope with this situation, lacking
English cooperation; you don't want to
be quoted on that?
A. That is right.

Q. You are risking stabilization fund money
now, are you?
A. No, I am not.

Q. Mr. Secretary, when you speak of keeping our
markets open, when you talk about the foreign
exchange market, do you mean if the speculation
in foreign exchange gets out of hand we might
A. I don't want to leave that impression; I don't want to go that far today.

Q. Isn't there some authority in the law, Mr. Secretary, whereby every foreign exchange transaction has got to be licensed?

A. Yes, but we haven't invoked that for I don't know how many years.

Q. What act is that? It is a Presidential proclamation.

Mr. Duffield: Title I of the Banking Act of 1933.

H.M.Jr.: We had for a long time when Dr. Viner was here he set that up — a means of voluntary reporting on the part of the banks on transactions in foreign exchange. That has been in force for a number of years.

Q. Not the licensing provision?

A. No voluntary reports.

Q. But there are licensing powers which you have?

A. Oh, yes, but that is foreign exchange control.

Q. Was that invoked?

A. No.

Q. Was it ever invoked?

A. At the beginning.

Q. '33 or '34? Isn't that a possible weapon that you can use if this situation continues?
A. I don't like to throw out any hints or threats or anything like that but it is there.

Q. We can say that you called attention to the fact that it is there?

A. No, no, I don't want to go that far today. It is terribly important that we keep things open here. It is the one place left in the world where you can not only buy and sell but speak and think, etcetera, freely. It is all part and parcel of the same thing.

Q. You say you narrowed this; could you tell us by what method or means?

A. No.

Q. Well, could you say whether it was by stabilization fund operations?

A. No.

Q. You are not in the market at all with the stabilization fund.

A. I haven't risked one dollar of the stabilization fund money.

Q. This system of voluntary reporting by the banks—do you think that has worked effectively?

A. So far.

Q. Are they still reporting now?

A. Yes, in great detail.
Q. Are they of any value, these reports?
A. Yes, yes, we have had no reason to question their reliability.

Q. Mr. Secretary, late last week I believe the British announced in connection with their copper sales that they hoped to supply all their requirements from the Dominions but where they would buy from other nations they would pay in blocked sterling. I wonder if you would comment on that in relation to the principle of the tripartite?
A. Not today, thank you.

Q. Mr. Secretary, to get this Black Bourse situation straight in my mind, what is taking place up there in New York is a liquidation of sterling holdings?
A. There is no Black Bourse because it is perfectly open. I mean a central bank will sell so much currency and they will do it through the Federal Reserve of New York or some other banks so it is nothing — — —

Q. But there are two prices, you said.
A. Right.

Q. So that is why they call it the Black Bourse.
A. Yes, but I didn't want to leave the inference there was any secret about it.

Q. But there is this heavy liquidation that has sent the pound down?

A. Right.

Q. Most of the selling is from central banks?

A. No, but there are a number of central banks which are selling.

Q. Of neutral countries?

A. I don't want to go that far.

Q. Could you say definitely the selling is not malicious? You were asked that question a while ago.

A. I have no reason to think it is malicious. A fellow has got something he'd like to sell.

Q. Mr. Secretary, when you say you are studying means to combat it, when you talk about that, I would like to get clear what 'it' is.

A. 'It' is the discrepancy between the official price of sterling and the price—what would you call it?

Q. Gregory's Black Bourse price. Official and --
A. And unofficial.
Q. Mr. Secretary, not meaning to be impertinent, why is it our business that there is a discrepancy?
A. Why is it our business?
Q. Yes.
A. I can't answer that. For our importers and exporters it is very unsettling to have these two prices and if you had commodities to buy and sell and you had a variance of what is it--ten or fifteen per cent, twenty percent—I mean it is upsetting to you in your business. We never had anything as bad as that but it adds a new factor, an additional risk. That is very unsettling to a man in the importing or exporting business. It makes it that much more difficult for him to figure the prices of his goods.
Q. I didn't mean, Mr. Secretary, to try to put you on the spot in asking you about the malicious
A. That's what you are here for, isn't it?
Q. What I am here for?
A. All of you.

Q. Asking just what you are doing to narrow this discrepancy? I merely asked the question to ascertain how far you would talk on this subject. Now if you don't want to say, all right. Could you say what you are doing? I am trying to ascertain the facts in the case.

A. I just don't want to go into it, if you don't mind.

Q. This question of blocked sterling, not from the point of view of the stabilization fund or tripartite declaration, but are the British or ourselves and the Treasury working out some agreement to facilitate these things?

A. Well, we are exchanging information and we are trying to work out this problem as between treasuries and we have made some progress since last Thursday and we had a very bad day.

Q. Doesn't this fall in the pound make trading a little bit more advantageous for our export market?

A. No.

Q. I just happened to think of that question. They say in '14 J.P. Morgan forced the pound down.
A. Well, as I say, I haven't found yet—I am not satisfied—I haven't got all the story or complete information, but so far I can't find that there is anything malicious.

Q. Well, Mr. Secretary, then what it comes down to is you are not so much worried about just what the quotation is as that it is jumping around. Is that the idea?

A. I think I am worried about both—both the fact that it jumps and the fact that it is going down.

Q. There have been some published reports about the liquidation of British securities in the New York market. I know that the Treasury gets reports from the SEC. Have there been very large amounts of liquidations?

A. I think anything like that should come from the SEC. It is their information.

Q. Well, they just don't want to say anything.

A. Thank you.

Q. I don't know whether you said a while ago whether you were operating at all for British account as you have in the past or not.

A. I didn't say anything about it.

Q. Would you care to say whether you are worried? You weren't risking any dollars?
I said none of the United States Treasury

Q. What's the money was at stake.

A. Mr. Dear That means you are completely out of the

Q. brokers market in effect

A. yesterday. Well, I am not taking any risks.

Q. a moment. Thank you, Mr. Secretary, that

A. Mr. Let me explain first, off the record,

Q. the situation is and then we will see.

The rules and regulations were finally fixed

Q. up by the general council's office and

A. passed on by the general counsel, the

Q. subject because of the level, and then they

A. were shown to this advisory group and they

Q. appeared then. They weren't all finished

A. until yesterday morning but we sent them

Q. over to the White House because we thought

A. they were important enough that the President

Q. should see them. Well, he had a meeting

A. yesterday afternoon and a speech to make

Q. today, perfectly normal, and he didn't get

A. around to them. I suppose this afternoon

Q. or tomorrow we will get around to signing

A. that and that we will release them. But

Q. they are all finished but they are so im-

A. portant I wanted him to see them.
What's on your mind?

Mr. Secretary, were those rules that the bankers committee in New York announced yesterday with regard to sterling exchange a version of the rules on credits that--?

No. Let me explain first, off the record, what the situation is and then we will see. The rules and regulations were finally fixed up by the General Counsel's Office and passed on by the General Counsel, the Federal Reserve of New York, and then they were shown to this advisory group and they approved them. They weren't all finished until yesterday morning but we sent them over to the White House because we thought they were important enough that the President should see them. Well, he had a meeting yesterday afternoon and a speech to make today, perfectly normal, and he didn't get around to them. I suppose this afternoon or tomorrow he will get around to okaying them and then we will release them. But they are all finished but they are so important I wanted him to see them.
Q. Mr. Secretary, did I understand you to say that those things had been shown to that bankers group in New York?

A. No, I said Mr. Morgan, who is the General Counsel for the Federal Reserve of New York, came down here to take a look at them. They have not been shown to Lorré's committee—I have had no contact with Lorré's committee at any time.

Q. Have you seen those rules they announced?

A. No, what they announced was what they picked up most likely through their branches in London.

Q. Do you think there is anything to them?

A. Pretty good?

Q. Well, I don't think—I don't want to be in a position to say I am rapping them over the knuckles.

A. Not the Washington bureau?

Q. No, sir. I am still talking off the record. They have put together there all of this that they have picked up. There is nothing official about it. I imagine they got it from their branches in London. Well, as a matter of fact, I am just as well pleased that they got it out because I've got this
stuff myself and we are not giving it out
because I want to make very sure that the
British are going to live up to it and if
they have got some rules and regulations I
am going to let them give it out—this is
all off the record. I am telling you the
exact story. If they have rules and regu-
lations why don't they get them out.
After all, it's their rules and regulations
as to how you can get $4.02. If they are
not prepared to pay $4.02 to all comers why
don't they say so.

Q. They haven't. You said you still recognize
the official rate at $4.02.

A. $4.02.

Q. Mr. Secretary, doesn't that put them in the
position of being the official mouthpiece
of the British authorities rather than the
Treasury.

A. No.

Q. You just said you would just as soon as
they went ahead.

A. They didn't ask me or the Federal Reserve;
they just went ahead and did it and both my-
self and the Federal Reserve are tickled to
death because I think they stuck their neck
out, since my Monday press conference and
since the story you wrote, which was
excellent, sterling has steadily risen until
it is $3.97, from $3.75, the low—it is now
$3.97 so that story did a lot of good and
had a lot of effect on the other side which
I hoped it would. This Lerner committee is
just an incidental thing.

Q.
Well, assuming that there is a certain
amount of desire on the part of that bank-
ing group in New York to get a degree of
control in the situation.

A.
Sure.

Q.
Might it not be playing into their hands.
Suppose this thing works out fairly well,
won't that establish that group in a pretty
solid position?

A.
No, no. I still have my contacts with the
Chancellor of the British Exchequer; we are
still in communication. When he wants me
to say something we have the Ambassador here
and phones. Again off the record, when the
British attaché comes down here the principal
thing he talks about is how can we tell him
how to get $4.02 for his pay check. When
the British financial attaché can't get
Q. Aren't their relations strained?
A. I have no relations with Loree. The English authorities, Sir John Simon, and I talked (I am still off the record). The English still haven't made up their mind, I think, as to quite what they are going to do and if some of our people can get $4.02 each day, each day more people are learning how to get $4.02, but it is rather difficult to get $4.02 and until they pay everybody $4.02 I am not going to say anything. After all, if the British want to say to all comers 'come on and get it' it will be very easy but they haven't said it publicly so I am more than pleased to sit back and let somebody else say it for me.

Q. Do you think this is a trial-balloon by the British?
A. Again off the record, quoting from somebody else, I think they are trying to muddle their way through.

Q. That isn't like the British.
A. And in the meantime the Treasury isn't going to take any steps for them. We are very careful and so is the Federal Reserve of New York very careful. You haven't seen them say anything.

Q. But they have represented that the Lorne committee is their baby.

A. They haven't in the last week or so—very quiet.

Q. The child has no parents.

A. Oh, I think George Harrison would admit their parenthood if he was pushed to it, but he hasn't, but I have been very careful and the Federal Reserve of New York has been very careful not to make any formal announcement.

Q. Mr. Secretary, you are awaiting then from the British an announcement of the explanation of the conditions under which they will buy $4.02; is that correct?

A. That is right. After all, it's their money; they are paying and it is up to them to do the talking. I am a little disturbed and a little bothered and gradually things will come up to $3.97. Today it's all right. I will do it through the press.
Q. Next time you tell us I would like to buy some and make a killing at $4.02.
Evidently the principles of the tripartite agreement to which you are still adhering won't do much good them until the British make up their minds.

A. Yes, we are talking off the record; they can pay $4.02; they know how to do it and everything else. They still have access to the press.

Q. They certainly have.

A. But in the meantime sterling has steadily climbed, so I am perfectly satisfied, but in the meantime I am not going to say anything on the record.

Q. Back on the record, Mr. Secretary, is there any legislation which the Treasury is hoping to get through outside the course of the neutrality legislation at this session? There is none?

A. We have none.

Q. You are closing the door until — ?

A. No, as of today, I have none.

Q. We assume from that that you haven't prepared any legislation or have any committees for deficiency appropriations or supplemental appropriations.
As of today, I've got nothing.

Q. Nothing prepared even?

A. I've got nothing.

Q. Mr. Secretary, there have been published reports about the Army and Navy and other departments making sort of sketchy appropriations with regard to the war and they have placed them as high as twenty billion in some cases. Have there been any discussions with you?

A. None. No, I wondered who wrote the story and where he got it. He certainly took a trip up in the stratosphere.

Q. The President said he was going to ask for more men.

A. But he didn't talk of twenty billion.

Q. On the contrary, he made no mention of money.

A. Somebody certainly took a flight in the stratosphere. I succumbed, almost succumbed, when I read it.

Q. Would you say there are no requests for extra appropriations?

A. You would have to ask the Director of the Budget. I know of none.
Q. Are there any plans for government financing?

A. We are watching the government bond market and when she settles down we will be there.

Q. There are published reports today that the support of stabilization operations by the Federal Reserve have been withdrawn—today governments are weaker. Is there any truth to the report that support has been withdrawn?

A. Well, I don't want to contradict New York.

Q. They are here also. Would you contradict Washington. I wonder if the Herald-Tribune wasn't a little sensitive.

Q. It was in the Wall Street Journal.

A. I don't know where they got it but they are all right.

Q. On that story?

A. On that story.

Q. Oh, it's always all right. Did you see Mr. Felix Cotten's story today on this business of Mr. Hitler's banking a lot of money in Switzerland?

A. Where is Felix? Did he succumb?

Q. Have you heard anything about that?

A. Not a thing. I am not the high authorities Felix is referring to.
Q. At the Supervisors Convention at Salt Lake City the head of the State Bank Supervisors asked for abolition of the post of Comptroller of the Currency. Would you make some comment on that?

A. I am again it. I think he ought to continue as is.

Q. Mr. Secretary, is there any reason why the recent developments should interfere with the studies on further tax revision at the next regular session?

A. Oh, don't press me on that today.

Q. Does that mean that you are not changing your program on taxes?

A. Well, the world situation moves so fast.

Q. Apropos of these extra army and navy appropriations, you said a while back you were looking into the fiscal situation very thoroughly.

A. That is right.

Q. Have you gone far enough so you could speak or speculate about the prospects?

A. I don't speculate; I am in the Treasury.

Q. Well, you have to make a pretty good guess as to business conditions six months hence.
A. Yes, careful study.

Q. Any Polish gold coming in here to the Treasury, Mr. Secretary?

A. Not that I know of.

Q. Mr. Secretary, there have been daily statements from various governments in which they have adopted exchange control and other wartime measures with regard to imports and exports that directly affect our trade. Is the Treasury at this time studying that situation with a view of sort of eventually knocking down the barriers?

A. I wouldn't know how to answer that.

Q. Well, what is the Treasury doing in connection with exchange control to alleviate the condition?

A. Well, the only thing we are doing—we can't do anything about a country which wants to put on exchange control, but we can do everything possible to maintain a free and orderly market in the United States and that we are doing.

Q. For example, exchange control has been adopted by the Central and South American countries where the good neighbor policy was in effect.
A. All I can say is we are doing everything possible to maintain an orderly free market.

Q. Everywhere?

A. Everywhere in the United States. All right?

Q. I quit!

A. Thank Heavens!

Q. Thank you, Mr. Secretary.
Q. Mr. Secretary, anything about the regulations?
A. No.

Q. Are they coming out?
A. No.

Q. They are not going to come out at all?
A. I doubt it.

Q. Do you think the new bill will cover it?
A. Exactly. Got the ticker right here on the thing. It says, "It would permit the President to grant 90-day credits to foreign purchases if he considered suggesting a policy necessary to protect this country's commercial interests."

But if Congress is going to include that in this legislation, certainly the Treasury is not going to try and anticipate it.

Q. But wouldn't there still be a necessity for regulations just as there were under section 3 of the Neutrality Act?
A. If somebody wants to find out they can get in touch with the Federal Reserve Bank or call us up.

Since I have been back here there have been only one or two inquiries — since I have been here in
three weeks, and those were both unimportant so you might say there is no interest.

Q. In other words, you will handle inquiries through the Federal Reserve Banks?

A. If some bank has some problem they will go to their Federal Reserve Bank or can come here. We will attempt to interpret for them, but as I say, during the time I have been back there have been only one or two and they were unimportant, so interest on the part of the bankers is practically nil.

Q. That powerful committee is dead now — that interdepartmental committee? Has that been disbanded?

A. No, something may come up. If there is and I think that their advice would be useful, why I will consult them, but for the moment there is nothing for them to do, or for me to do.

Q. Nothing for them to do at the moment in view of the decision not to issue regulations pending action on the Neutrality Bill?

A. No.

Q. Is it pretty safe to say they have taken the recommendations of this committee in drafting this legislation?
A. I really don't know.

Q. That legislation was in the Bloom Bill —
the 90-day limit was. Apparently they have
taken it. They are not taking any of your
suggestions, Mr. Secretary?

A. I have not made any suggestions.

Q. To Congress?

A. No. Nobody in the Treasury has made any
recommendations. You check me on that,
Gene.

Duffield: No, not a one. I asked.

Q. Except that you have turned your draft of the
regulations over to the White House.

H.K.Jr.: Who said so?

Q. Well, if you haven't, were you told not to or
told you wouldn't need them?

A. I made an explanation to you gentlemen off the
record. Off the record. I gave you the facts.
What I gave you were facts. I am not going to
discuss it any more.

Q. Off the record, the thing at that time was that
they had gone over there.

A. I am not going to discuss it, but I gave it to
you off the record, but as long as I am here
I will never tell you anything that is not so,
but it was off the record.
Q. Did it go on the record?
A. No, sir!
Q. You seem upset about it.
A. I am not upset, but I am not going off the record again on that subject.
Q. Some feeling that it is rather difficult to draw these regulations. I don't know whether you explained it in your off the record statement or not.
A. If you don't mind, with Congress considering this question of course the Treasury is not going to do anything until Congress takes action and any studies that we have made are in the cooler unless some member of the Senate or Congressman asks for it, but up to now I have had no request from any Senator or Congressman for any advice, nor has anybody else in the Treasury.
Q. Who are they asking? Mr. Barle?
A. I don't know.
Q. On the basis of your experience, you don't see any necessity for regulations?
A. I have been back here three weeks; I have had one or two insignificant inquiries which we
were able to take care of, which seems to indicate that there is not interest. When the time comes that there is some interest, we will try to give these people the best information that we can, but as I say, as of today there does not seem to be any interest.

Q. The conclusion is to let the law stand and solve these problems as they come up?

A. The conclusion is that we will wait to see what Congress does. Everything, the work we have done, is put away in the filing case and we will wait to see what action Congress takes.

Q. Will Congressional action relate to anything except munitions?

A. According to this it talks about credits, 90-day credits.

Q. Somewhat connected with that whole question is the matter of British and French purchases over here. Have you heard anything, Mr. Secretary, as to whether or not they are waiting until Congress acts on this thing before setting up any organizations?

A. I can't comment on that.
Q. You know?
A. I don't care to comment.
Q. Are you pleased with the action on the pound?
A. For the moment I am satisfied. Off the record may I thank the press for their assistance.
Q. Why don't you put that on the record?
A. I don't want to make you fellows blush.
Q. Are you making any progress with the British authorities on the question of blocked sterling, one, and two, export-import controls that they have placed on a lot of things?
A. I can't discuss it. If you have a minute, I was pleased to see we borrowed 100 million dollars on bills at .083 as against last week .125.
Q. That's usually for release for morning papers?
A. Yes, but I just thought it was interesting.
Q. How much did you get?
A. They got out a formal release on that.
Q. I think on the other thing that did disturb you, some inexperienced man who was here for just a day or so, never covered the Treasury before, handled that.
A. Well, in the family, I think it's the first time it has happened. I try my best when you ask me difficult questions, I try to give you
background, off the record. Up to now I have not had any trouble and it gives you people an opportunity to see my problem and you people handled the situation, as far as I am concerned, beautifully.

Q. We don't want to scare you off. That's why we are trying to explain. We had this stranger here - a man who had never been here before; just thought he could pass it on through another source.

A. Well, it didn't lose me my lunch at the White House. It wasn't that serious, but it bothered some of the other people. Didn't bother me, but it was unfortunate according to your ethics and mine.

Q. That's the reason we are making this explanation.

A. According to your ethics and mine.

Q. It's all status quo ante bellum.

A. If you fellows say so, O.K., because I think it's to your advantage as well as to mine to let me talk once in a while off the record. At least you know what's going on.

Q. Has the Bank of England informed you how to get $4.02 for the pound?
A. No, but more and more people are getting it every day.

Q. Is that on the record?

A. No, I don’t want to go on the record, but the very fact that the pound is around $3.99 and $4.00 shows it’s straightening out.

Q. You said you might make public the names of the central banks who were instrumental in driving the rate down.

A. I won’t avail myself of the opportunity.

Q. It wasn’t Russia?

A. We won’t get down to countries.

Q. Any more smart boys here? Any more experts?

A. That’s kind of tough on the rest of us.

Q. I meant any “other” smart boys. What are the first two crews doing?

A. Busy.

Q. Any new ones in? We were just wondering. We see them tearing up this second floor.

A. I am not going to answer the question.

Q. Last night I dreamed you announced your financing plans.
A. The only dream I know is, "I dreamt that I dwelled in marble halls." I recommend it to you.

Q. Speaking of marble halls, have you any official information as to what the Russian gold stock amounts to?

A. No.

Q. Are you interested?

A. Yes.

Q. Wouldn't it have some effect on your own gold dealing business?

A. Yes.

Q. So it's important?

A. Might be of importance.

Q. Have you ever tried to find out from them?

A. On or off the record?

Q. It's up to you.

A. Well, I am on the job.

Q. The Treasury has tried to find out and it still doesn't know?

A. I have a pretty good idea.

Q. Is it as big as the French?

A. "Is it as high as it spins?"

Q. A lot of that Russian gold went to Germany.
A. We have a pretty good idea - have had for several years.

Q. Would you mind clearing up this situation? You know the amount of gold Germany has. They have always reported a certain figure. Then they took over Czechoslovakia - that is we assume they took it over; missed the Polish but took the Austrian. Any idea of the amount of gold now held by the Reichsbank?

A. I suppose the boys have. I don't have it at my finger tips.

Q. What has happened to the Polish gold?

A. I think I know.

Q. Could you tell us?

A. No.

Q. It isn't with the Federal Reserve Bank in New York?

A. I can say no.

Q. Could you tell us whether the Polish bank had shipped out any of its gold to here or Canada prior to the war? The reports were that some had gone to England. Any reports of it coming here?

A. What does Polish gold look like? I can't answer.

Q. Could you tell us whether you know that gold is in the hands of Germany?
A. I can't say. I don't wish to say.

Q. If we wrote a story there is, would you deny it?

A. I haven't used this since I came back; it comes under the subject of "stop beating your wife".

Q. With regard to Polish gold, could you give us an idea as to what you believe it amounts to? Is it a large quantity?

A. No, we have watched it for a long time.

Q. The last time it was at Bucharest. Could you tell us if it got out of there safely?

A. Where is the Bremen?

Q. According to a writer in one newspaper it was seen on the streets of Chicago with whiskers.
Q. Mr. Secretary, is it true that you and Mr. Eccles have been in disagreement on the issue of supporting the government bond market?

H.M.: Mr. Secretary, is it true that you and Mr. Eccles have been in disagreement on the issue of supporting the government bond market?

Q. Can you put the question a little differently?

Well, is it true that the Treasury Department has —?

A. Well, let me talk first for background. The Federal Reserve Board and the Treasury—those people who are responsible for looking after the government bond market—they have been in continuous conferences; sometimes they would meet in my office; sometimes they would meet over at the Federal Reserve Board. At no time has there been anybody raise his voice or has there been any question of personal differences and I want to say that these stories that are circulating—that there has been a tremendous fight between Mr. Eccles and myself—that there has been not one scintilla of truth to it—not one.

Q. Can we quote you on that?

A. No, I am talking for background.
Q. Why can't we quote you?

A. Well, I don't like these resigning things. I don't like to go into this thing so often. Mr. Eccles usually has lunch with me once a week and we talk to each other. Yes, there is a letter here (holds it up) 'Dear Henry' signed 'Marriner,' a beautiful letter, and there isn't one scintilla of truth to the personal differences between Mr. Eccles and myself.

Q. That is getting into the personal differences. Now can we get on the question of policy?

A. The Treasury has no announcement to make on the government bond market.

Q. Well, they bought bonds the other day without your knowledge after it was agreed no bonds should be bought. Apparently you wanted to find out the natural level of the bond market in order to do your financing.

A. I don't care to discuss it, off the record, on the record, background, or anything else.

Q. That does lend some credence to the story then?

A. I don't know where the story came from; I don't think it came out of the Treasury. We
are talking about Federal Reserve operations and wherever the story came from let them confirm or deny it.

Q. Can you tell us what your policy is with regard to bonds?

A. No.

Q. Do you feel government bonds should be allowed to seek their own level?

A. There is no occasion for me to expound on the Treasury policy; I don't feel it is necessary.

Q. The only occasion is the fact that the bond market has been going down pretty steadily.

A. Well, for several days now she's been going up, but it is important, for background, for the public to know that there are no personal differences between Mr. Eccles and myself. I consider that important.

Q. I wrote a story that there were no personal differences but only over policy.

A. I want to clear it in your minds that the Chairman of the Federal Reserve and Secretary of the Treasury are two individuals as well as officials. We get along extremely well.

Q. Mr. Secretary, you say it is important for people to know that there are no differences but you don't want to be quoted.
A. I gave it for background. That's good enough isn't it?

Q. Everything you say only denies half the story; the other affects the public interest.

A. The other half you will have to get from the Federal Reserve; I am sorry.

Q. Won't you defend yourself?

A. I don't have to; that is just the point; I don't have to. There is nothing to defend myself about.

Q. Well, suppose somebody says your ideas on the subject are rather foolish and gave reasons for it.

A. That's all right. What if they did! The Treasury is not on the defensive and neither am I. We are all right.

Q. Wouldn't it be better to have just one Treasury-Federal Reserve organization without all this friction?

A. We get along.

Q. Get along all right?

A. Sure, these are difficult times and I am satisfied that, today, as to the coordination and liaison between the Federal Reserve and the Treasury, I am satisfied.
Q. It would be easier though if there was no possibility of friction as to these things which more or less fit into the same pattern.

A. Did you ever study biology?

Q. A little bit.

A. I have a little bit, too. It would also be nice if people didn't fight each other.

Q. Could we say that on the record? That you are satisfied with the coordination and liaison.

A. As of today I am satisfied with the coordination between the Federal Reserve and the Treasury. We are in constant communication between the two organizations.

Q. Well, Mr. Secretary, I am pretty sure that you will be here after the first of the year but how about Mr. Eccles? I understand his term expires.

A. Please! Have a heart!

Q. Is there anything you could say on the record as to your views on the bond market today?

A. No, there is no occasion for it.

Q. I had the understanding that the Reserve Board would never enter the bond market unless there was an extraordinary situation develop and that was told me by an executive in the
Treasury and two days after Mr. Eccles went in and bought government bonds, I understand, contrary to your wishes.

A. An executive told you that in the Treasury?

Q. I heard the same thing.

A. From an executive?

Q. I heard from an executive in the Treasury that there was a feeling the government bond market ought to seek its own level very much along the lines of the column about which we are talking.

A. Not knowing who you discussed it with I don't know; there are lots of executives.

Q. It wasn't an elevator operator.

A. There are lots of executives.

Q. In addition to the bond market there are other opinions as to how discount rates should be handled, the question of easy money.

A. There is nothing at present, as of today or yesterday, that is a matter of policy between the Federal Reserve and the Treasury that isn't under control.
Q. Can we quote you on that? No policy differences between the two that are not under control as of today?

A. No, still for background.

Q. When you said you were satisfied with the coordination between the Reserve Board and the Treasury you were willing to be quoted on that?

A. Yes.

Q. The operations of the Open Market Committee have never been of any importance during the last two years because the bond market has been more or less on the upside and it's up to the Open Market Committee to do what they wish with regard to purchase of government bonds but the significance of the situation is the fact that they bought bonds at a time when you felt that they should not buy bonds.

A. Listen, old man. I don't know who you talked to in the Treasury. Nobody has interviewed me and I haven't told any newspaperman how I felt. No newspaperman has asked me how I felt up to today so anybody, I don't care who, was talking out of turn.
Q. Thank you.
A. No newspaperman, so I am not throwing down any newspaperman because no newspaperman has asked me how I felt about this thing since I am back.

Q. Well, we didn't see you in the interval.
A. Well, you can see this fellow (Duffield) and I don’t think you get any bum steers from him.

Q. Never.
A. Okay. No newspaperman has asked me how I felt about this and I don’t feel conditions are such that it is necessary for me to say so.

Q. You are leaving the door open.
A. How?
Q. Well, you won't leave yourself be quoted on the lack of friction on bond matters.
A. No, I am talking about the personal relationship between the Chairman and myself.

Q. That part is all right.
A. The other stuff, after all, you are talking about a Federal Reserve policy. They’ve got six or seven board members; they’ve got a man, Mr. Thurston, over there.
Q. We know Mr. Thurston.
A. So there are plenty of people you can talk to.
Q. Sometimes.
A. Just as long as we understand each other, neither Gene nor I told you anything which is contrary to what I am saying or what you wrote.
Q. Mr. Secretary, to get back now, I was wondering if you could explain what Sir John Simon mean when he gave his budget message, saying that the tripartite agreement was still in effect?
A. Off the record? (Here the Secretary went off the record) *

Q. How is cooperation with the British getting along, Mr. Secretary? Has the question of blocked sterling been worked out yet?
A. Well, the rate of sterling is above $4.02. One of my men rushed in here and said, 'Sterling has gone through the ceiling, $4.02\frac{1}{2}, my God!' That actually happened.
Q. Did you see the British financial attache?
A. That's right. He can get his check cashed.
We will have to have him down.

Q. Are plans for new financing by the Treasury
still in suspense?

A. Yes, we are watching it very closely. Just
as soon as it levels off why we will take a
look at it.

Q. Mr. Secretary, anything on taxes? Has there
been any decision made around here that no
tax legislation is needed?

A. You mean during the special session?

Q. The regular session under apparent conditions.

A. That's years off!

Q. Are you continuing your study nevertheless?
How is the revenue situation? I noticed
Mr. Harrington said there was no letup in
the unemployment situation and the Industrial
Conference Board said there were better con-
ditions than in many years. Miss Perkins
said they had employed -- .

A. I thought we had a Central Statistical
Bureau.

Q. You have no central mouthpiece. You have
nothing to say on the revenue situation?

A. No.
Q. Mr. Secretary, a couple of weeks ago you said you were going to look into the situation on the Canadian silver agreement.
A. I signed it today, extending it for a month.
Q. For a month?
A. We always do that, a month at a time.
Q. No change in the situation?
A. No change.
Q. What is the total you purchase? Two million ounces a month?
A. I think it is 1,200,000 ounces.
Q. That runs about $2,500,000, doesn't it?
A. It is 1,200,000 ounces that they can offer us for sale at the price.
Q. You said you would take it up with the State Department.
A. Please don't quote the State Department or White House but nobody objected; there were no objections.
Q. Mr. Secretary, 1,200,000 ounces at 35 cents wouldn't come near --.
A. Maybe 39 cents in London; I think it is 1,200,000.
Q. Mr. Secretary, have you read the Neutrality Bill? I wonder if you would make some comment on the 90-day clause?

A. I honestly haven't read it; I have a summary here but I haven't read it.

Q. Status quo as far as the Treasury is concerned on short-term credits?

A. Oh, yes, and everybody is happy about that in the Treasury, too.

Q. With regard to Canadian silver, I guess we can assume that has nothing to do with neutrality.

A. That is right.

Q. Who is going down to that Guatemalan treasuries conference?

(Here the Secretary went off the record) **

Q. What happened to that Brazilian gold? Aranha never showed up.

A. I can't answer that.

Q. Isn't it because they haven't set up that central bank?

A. That is one of the reasons and why they have not I don't know.
Q. Is the Treasury participating in conferences with Commerce or any other department with regard to the expansion of American trade?

A. We are confining ourselves to the purely financial end of it. We are in constant touch with both the State Department, Mr. Jesse Jones and Mr. Warren Pierson. After all, the Treasury has a director on the Export-Import Bank and we had a conference with Mr. Welles before he left and we are meeting every day on that and as we get — we are purely on the financial side.

Q. You are meeting every day?

A. Yes, there are questions coming up every day in connection with Mr. Welles being down in Panama.

Q. It appears Mr. Welles is in favor of making capital loans to South America.

A. All of what he said down there was worked out together here before he left, so whatever he says has the full backing of the Treasury.

Q. And how about helping out some of those central banks down there with gold? Wouldn't that be a good way to put it to work?
A. When the definite proposals come to us we will be glad to consider them.

Q. Mr. Secretary, Mexico proposed yesterday an organization of central banks of all the Americas, something like a bank for International Settlements; do you favor that?

A. Well, I wouldn't want to say. I would want to study it.

Q. They are having a lot of trouble getting the directors of the Bank for International Settlements to meet.

A. All right, gentlemen?

Q. Thank you, Mr. Secretary.
(Off the record excerpts from Secretary Morgenthau's conference of Sept. 28)

*  

H.M. Jr: He (Sir John Simon) meant just what I told you—just exactly the same. Do you think so? Sure.

Q. I think he was fibbing.

A. You what?

Q. I think he was kidding.

A. Well, I didn't kid you fellows. You and I talked it all over and we agreed. They are at war.

---oOo---

**

H.M. Jr: Off the record, it was decided two or three months ago it would be Mr. Hanes but I take it that announcement will come either from the President or the State Department. Several months ago we decided on him but I don't know whether the President or the State Department announces it.

---oOo---
Q. Any news on financing, Mr. Secretary?
A. Well, for background, that is the way you have had it so far, isn't it? Due to the situation outside of the United States I think we will postpone it for at least another week. That is for background.

Q. You have apparently very bearish news—is that it?
A. Nothing but what I can read and you can read in the papers.

Q. The behaviour of the market has been contrary to bearish move; this last move apparently has driven bonds up higher; stocks have gone down which indicates they place a lot of faith in these things.
A. In what things?
Q. In the peace gestures.
A. Well, while people are looking across the water as much as they are unfortunately we don't have to refund this week or next week so we will take advantage of it and take another look at it next week.

Q. Does it indicate that you are not really satisfied with the action of the bond market?
A. No.
Q. Since those background stories got out?
A. No, it isn't that. Abroad it looks like a rather critical week.

Q. Would you mind saying what you are alluding to on the situation abroad, just for our information?

A. No, no.

Q. Have you some information?

A. No, no, just pick up the papers; everybody else reads the newspapers.

Q. The news is censored, Mr. Secretary.

A. Well, I haven't got anything; I am not doing this on anything that isn't available to everybody.

Q. The financing then is going on a week-to-week basis—is that it? 24-hour day?

A. No, it just isn't going to be this week; that doesn't mean it is going to be next week.

Q. Postponed for at least a week.

A. Postponed for at least a week, not to be attributed to me, because I haven't gone on the record on this thing and I don't want to go on the record now, but what Gene told you last week was what I had in mind as of last week so if you would handle it just the way you handled Duffield's story when he gave it to you —.

Q. Are the peace negotiations likely to affect the market, if there are any peace negotiations?
A. I mean it is just —.

Q. Unsettled? In other words, last week we had a war; this week we have a war; next week maybe we have peace.

A. Exactly. People are more interested in what is going to happen abroad than they are in what is going to happen at home; there is no mystery. It seems to me it is fairly obvious.

Q. Well, it is pretty clear then that the reason you are holding it up would be due to the fact that you don't know whether there is going to be a war on or whether we will have a truce.

A. It isn't what I know; it is what the people who own these maturing notes—it is the way they feel.

Q. The market reaction?

A. I mean it is the way they feel and it is the market reactions to these constant conflicting rumors from abroad, and these people who own these things they are more interested in these rumors than they are at present in what I might have to say.

Q. Mr. Secretary, my people are pretty much concerned over this first application of censorship in the new war.
A. Well, I don't know anything about it and I will have to refer you to the Commissioner of Customs.

Q. The Commissioner of Customs will refer us to Mr. Duffield.

A. Well, between the Commissioner of Customs and Mr. Duffield you will be taken care of.

Q. How do you mean, we will be taken care of?

A. I didn't realize how good that was. I will just let it go at that.

Q. We are deprived of information we have been carrying as a newspaper service ever since the paper was started.

A. How long was that?

Q. A little over one hundred years—not very long: about 110 years.

A. You mean to say that Customs hasn't changed?

Q. They used to go out in a clipper boat in New York harbor, take the information off the boat and bring it back to New York. You ought to read the history of our paper (Jour. of Commerce) it is rather interesting.

Mr. Secretary, since most of us are interested in the more general part of it could Mr. Duffield tell us what it is?

A. Maybe he could tell us all, including myself.

Duffield: It prohibits anybody from seeing the manifests of ships either coming in or leaving the ports of the United States, except the importer or exporter who is concerned with that
particular transaction or anybody else who has an interest in that transaction.

Q. That leaves out the Journal of Commerce.

Any purpose, Gene?

Duffield: The purpose is primarily to prevent the publication of information on the sailing dates and that sort of thing which might be of assistance to belligerents who are interested in interrupting the commerce of their opponents.

Q. Conceals sailing dates—that is the main thing.

Duffield: And the cargoes.

Q. It prevents publication of sailing dates and their cargoes.

Duffield: And cargoes.

H.K.Jr.: It has nothing to do with sailing dates, does it?

Duffield: Except these manifests do carry the dates of arrivals and departures.

Q. It isn't only the Journal of Commerce which is interested. Quite a number of papers are.

Probably the German papers are very much interested.

Isn't it a fact that this was a little more drastic than was done in 1913 or 1914 at the time we went into last war?
Duffield: I am not sure of this, but I have been told in the Customs Bureau that what they did at that time was to close the manifests but put out official summaries after ten days or two weeks to enable importers and exporters to know quantities and types of goods entering and leaving the country.

H.M. Jr.: Just so there is no misunderstanding, I am back of Mr. Harris; I am not familiar with the details.

Q. If you don't know anything about this it would indicate he has a free hand.

Q. And he is doing it.

Q. Yes, and I want the public to know whatever he does I am back of him; he's got a big job and he is doing it extremely well and I am delighted he is here.

Q. This has already gone into effect, Mr. Secretary?

Duffield: The 27th of September.

Q. May I ask this: How will this affect Department of Commerce reports on its exports and imports?

Duffield: They will continue.

Q. Mr. Secretary, as I get it, this will prevent X-company from going down to New York City to the Customs and getting information as to sailing dates, what cargo is carried by a boat and then send a submarine how to sink that boat.
From listening to the question I would gather that was the answer.

I think import manifests are more largely involved.

We are having protests on both.

But on import manifests that stuff is already in here.

Mr. Duffield will be glad to have you see Mr. Harris; that is all I can do.

Is there anything I can do on Latin American credits, Mr. Secretary?

No.

Mr. Secretary, would you make some comment on this bill to tax manufacturers of munitions 75 per cent of their profits?

I haven't seen it.

This is the second bill and a group lead by Rep. Voorhis last week had a conference with the State Department officials, Mr. Berts, on that angle; it is a taxation matter.

As I say, I am not familiar with it.

Have you had any conferences with Congressional leaders on this angle?

No.

None whatever.

No, and I should think Mr. Doughton and Mr. Harrison
should know something about it; it is a tax
matter and would have to originate with them.

Q. Has the general question of that kind of taxation
been studied by the Treasury?

A. I don't know whether this particular kind has but
naturally all forms of taxes are being continuously
studied.

Q. How about excess profits tax?

A. I don't want to get in that; as far as I know at the
time at this special session of Congress, as far as
I know, the Congressional tax leaders have no tax
legislation in mind.

Q. For this special session?

A. At this special session and neither have we.

Q. How about this subcommittee that meets November 1?

A. Well, that would be .

Q. Are you preparing anything in the way of excess
profits legislation?

A. Well, that would be for recommendation to the Congress
that meets after January 1.

Q. Did you see Mr. Doughton last week when he was here?

A. No, I didn't see him.
Q. Mr. Secretary, during the last war large amounts of British investments were suddenly withdrawn in order to build up dollar balances and at that time the Treasury and British authorities cooperated in relieving any credit conditions—contingencies—which may have arisen, especially in the South; I wonder if any discussions along that line are taking place now?

A. I don't care to comment.

Q. Have you had any indication of plans that some firms may have completed about withdrawal of British capital, whether they might apply for government financing?

A. No, we have had none; at least, I have had none.

Q. Have there been any heavy withdrawals of British capital of any size?

A. Well, the thing hadn't arisen until Gregory raised it. Okay?

Q. Thank you, Mr. Secretary.
Q. Mr. Secretary, anything on financing?
A. No.
Q. Haven't made any decision yet, is that it?
A. No.
Q. Have you scheduled a meeting with the Executive Committee of the Open Market Committee of the Federal Reserve Board?
A. Board of Governors of the Federal Reserve System.
Q. Could you give us an idea what the committee of wizards that you have down there is doing? They've been here now for practically a month.
A. They have earned their dollar.
Q. Any more?
A. Eh-huh, about a dollar and a half.
Q. Sounds like Gimbel's bargain basement. 50 per cent increase.
A. We won't get into an argument on that one.
Q. Mr. Secretary, if this bill goes through Congress your shipping experts won't have anything to do, will they?
A. You fellows are sort of hard up for stories, aren't you?
Q. What do you think about the possibility of stopping all shipping?
A. I am not a shipping expert.

Q. Well, why have a shipping expert if there is not going to be any shipping?

A. Well, he's got plenty to do.

Q. There won't be any customs collections; there won't be any ships going out; there will be lots of crews without jobs.

A. I think the debate is taking place on the floor of the Senate. We learn (I know I do) a little every day.

Q. I understand the gentlemen up there have no consideration for the shipping industry; thinking only of keeping boats away from submarines.

A. Well, if I answered you, you would be surprised, so I won't.

Q. I would like to hear it.

A. All right.

Q. Mr. Secretary, there was a group of businessmen met at the Commerce Department the other day and they suggested that in order to smooth out the exchange difficulties they will probably develop in Latin America that this country send a financial attaché to every important commercial city in South America. Could you comment on that?

A. No, because I haven't heard it before.

Q. How many do you have already in that part of the world?
A. Financial? None.

Q. Will your representative at this Guatemalan treasury conference (I understand Mr. Hanes is scheduled to go down there)—will they discuss the question of lifting these exchange restrictions?

A. What we do is: when I say none, we have none of our own but the various embassy and legation staffs constantly report for us anything which is of financial interest and we are constantly getting information.

Q. But none of the embassy personnel are designated as financial attaches.

A. No, but they act in that capacity and are constantly reporting anything of interest to the Treasury.

Q. Do you anticipate more exchange difficulties than they have already had down there?

A. Oh, I wouldn't want to make a sweeping answer.

Q. There has been a lot of talk about Latin American trade; could you tell us some angle about it? You said you had been studying it.

A. Well, you have had a lot on that—Commerce and State and everything else—the papers are full of it.

Q. Mr. Secretary, you said some time ago that you were studying this whole problem of Latin American trade as related to the monetary and fiscal end; what progress, if any, have you made on that and what are you doing?
A. Well, nothing I can talk about just now.
Q. Have you done anything?
A. Yes.
Q. Has that Brazilian transaction been successful?
That would give us an insight as to what might
be expected in the future.
A. That is for them to say.
Q. Well, outside of increasing the capital of the
Export-Import Bank, which I understand the
President intimated was going to be done, is there
anything tangible you can say with regard to
extension of credits to Latin America?
A. Nothing. I can refer you to Mr. Welles, the
resolutions which, when was it, yesterday they
came through; very interesting, very important,
very worthwhile looking at.
Q. Isn't it true, generally speaking, if we are to
increase our trade it must be done largely through
extension of credits since the interchange of goods - - .
A. I am not going to get in on a discussion.
Q. As I understand, one of the decisions down there
was to set up some kind of an economic committee
here in Washington; there will be - - .
A. Twenty-one experts?
Q. I was a little bit confused as to just what
authority that committee would have.
Would it be an information clearing house?
A.
I haven't got the thing before me so I can't quote directly.
Q.
Is there a plan under way to correlate all this information on Latin American trade? The State Department, Treasury and Commerce are all participating.
A.
Plus RFC and Export-Import Bank.
Q.
It's scattered all over town.
A.
Well, that's a Democracy.
Q.
Don't tell me there isn't an interdepartmental committee on Latin American trade.
A.
I find no difficulty in working with these agencies.
Q.
I suspect you will when they start asking for the money.
A.
No, they have asked.
Q.
Mr. Secretary, some of the minds that occasionally advise the Administration have studied the Latin American trade situation and have published a finding that what is needed in Latin America is long-term capital rather than short-term capital. What can you do about that?
A.
Well, I am not going to get in on that thing today because I haven't got anything definite to say and we are not making any forecasts and when we have ac-
Q. You are all for it? For developing trade?
A. Oh, yes, I would say I was one of the first.
Q. Nothing else, Mr. Secretary? Any reports on business generally?
A. No, I would love to give you a hot story but I haven’t got one.
Q. How is the war boom coming along?
A. Thank you.
Q. Did you see where the pound sterling went up to $4.05½?
A. Yes. Wonderful!
Q. Certainly the Federal Reserve committee wasn’t responsible for that, was it, Mr. Secretary?
A. What did you all have for breakfast this morning?
Q. It would be nice for us to get on the telephone and say Secretary Morgenthau has nothing to say.
A. That would be great.
Q. They would say you boys didn’t try hard enough.
A. I will answer them and say you did.
Q. Thank you, Mr. Secretary.
Q. Financing?
A. A little bit.
Q. How much?
A. We are going to increase the bills next week, next Monday, from $100,000,000 to $150,000,000.
Q. From $100,000,000 to $150,000,000; for any period of weeks?
A. No, week to week.
Q. That is actually new money.
A. Of $50,000,000.
Q. $50,000,000 next week?
A. That is right.

Mr. Duffield: Morning papers.
H.M. Jr.: Morning papers.
Q. In other words, you are not saying anything at all about the probability of the following week?
A. No, just a week from today we will offer $150,000,000 worth of bills.
Q. It would be a pretty good guess if that one went over all right you would keep them running.
A. Oh, I wouldn't guess these days.

Q. Well, if you don't want to be quoted directly, how about for background?

A. The chances are they will run higher.

Q. That is for background?

A. For background, but if I change my mind I don't want you fellows to say I let you down.

Q. Is the question of refunding still in suspense more or less?

A. Oh, yes. I am trying to see how Duffield put the thing. Yes.

Q. What is today's average rate, Mr. Secretary?

A. Got a nice rate today—.024. Last week it was .036.

Q. What is it in the discount?

A. They don't give me discount.

Q. They just give you the equivalent?

A. They just say the average on the first $100,000,000 was .024; that is all they say; they don't give it. I am sure Gene can figure it out for you without straining himself. Can you?

Mr. Duffield: Don't ask me to do it right here.
Q. Can you tell us, sir, why you decided to ask for additional money?
A. Yes, because my working balance is reduced by at least $500,000,000 and in these times I like to have what I consider a comfortable working balance.

Q. That was reduced by that much since when, Mr. Secretary?
A. The last of July, I would say. You might be interested—the billion, three hundred million which are now outstanding, if you estimated the cost of the interest on a yearly basis it just comes to $750,000.

Q. For $1,300,000,000?
A. $1,300,000,000 of our bills outstanding and figured on a yearly basis the cost is $750,000.

Q. Have you the rate?
A. No, I guess the rate—you had better check me—I think the average rate is .058. This is the average on what is outstanding. Now you had better check that .058.

Q. If that was the average that would be the cost.
A. Yes, but I have got this in my own handwriting and I want to be sure.
Q. What kind of bills will they be?
A. 90-day bills.
Q. Will this run through the thirteen-week cycle?
A. No, I just answered that question—that I won't commit myself beyond one week.
Q. Well, I knew that you had said that they would run a while—that was for background—but I was wondering if you could indicate whether or not it might run — — ?
A. I thought I had. It is just next Monday, one week, but somebody asked would he go out on the end of the limb if he said it would run a little longer and I said no.
Q. That's me but I am not on the limb (Klein). Could you tell us, Mr. Secretary, what was the last time you borrowed by this bill method, I mean for new cash, new money?
A. I can't but Gene will look it up for you. I don't know.
Q. Mr. Secretary, last week you recall you said the question of refunding would probably be held off until the European situation clarified.
For background, it is the same thing—
Mr. Daladier makes a speech tomorrow—
Mr. Chamberlain Wednesday—I have no way of
knowing what he is going to say and so, again
for background, I could refund this week but
I would like to be able to look ahead for a
little more than three days.

But, still for background, the situation is
unchanged. You haven't abandoned, as a result
of the new borrowing, the proposed refunding?

Oh, no. Between now and the 15th of December
we have got to refund, but I just don't want to
do it with the European situation as uncertain
as it is.

The Government bond market has been quite strong
in the last couple of days.

It has been quite strong.

Anything you can tell us in the line of enforce-
ment, Mr. Secretary? Coast Guard work, neutrality
enforcement?

That's Navy.

Well, I am talking about not necessarily Coast
Guard but Customs. Have you had many reports
of violations of the Neutrality Act?
A. I haven't had any. Am I right? Gene says I am right.
Q. That is as far as Customs is concerned; how about other agencies, except the Navy business?
A. Nothing out of the ordinary has been brought to my attention.
Q. The Federal Reserve has been allowing bills to run off; is this increase in the amount of available bills outstanding in cooperation with their policy?
A. Well, I have been in consultation with them. I think I have talked to Eccles at least three times today and what I am doing is most agreeable to them but if you don't mind let it come from them, see. I mean, as to how the Federal Reserve feels I am asking you to get that story from them.
Q. No differences of opinion between you? We can say that on this thing?
A. No, but I don't want to be saying how the Federal Reserve feels on the bond market. I would like you to get that from them, if you don't mind, but for your own information I have talked to them three times today and they are entirely satisfied.
Q. It took you three phone calls to get them satisfied, didn't it?
A.

Q.

As far as you are concerned, could we say that you have been in consultation with the Federal Reserve officials?

A.

Yes, but not as to how they feel; I have been in consultation, yes, you might say repeatedly, today.

Q.

Is Mr. Eccles ever satisfied with less than three calls?

A.

Yes, sometimes with one.

Q.

What is that about a golf game or something?

A.

But if you want to write a story how do they feel about our doing bills, if you don't mind, I would like you to get it from them.

Q.

We've got to lay a bear trap for Thurston. Have you the working balance figure on that?

Mr. Duffield: A billion, four hundred million dollars on the Daily Statement today.

Q.

What is that, the number of bills outstanding?

A.

No, working balance.

Can you say business is pretty good? Have you any forecasts of your own, Mr. Secretary?

A.

Have I any forecasts? Yes, but none --
Q. What do you regard, Mr. Secretary, as a comfortable balance? Have you got any figure in mind you would like to tell us?
A. Well, I don't want to see it go much below what it is now.
Q. In other words, you figure that fifty will take care of current spending.
A. Something like that; it might slip a little but it will hold the line.
Q. You mean even with the fifty million it will not hold at that?
A. No.
Q. Spend more than that. Is the purpose of that, Mr. Secretary, that you can do what you did in September if the markets get jittery or something? You can pass up a period?
A. Yes, I want to keep this very fine position the Treasury has that it never has to do anything on a quarterly date unless it is to the interest of the Treasury to do so, the interest of the public, so I am going to keep that position that I never have to do something on a fixed date. I mean, I am going to try to. I have been successful, I think, now for a year and a half and I am going to try to keep that very favorable position.
Q. Mr. Secretary, last week after a group of Congressmen headed by Representative Voorhis had called on the President and talked about war profits taxation the President said that he had referred them to four departments, of which the Treasury was one. Have they been in communication with you since their talk with the President?

A. For your information, no. Am I right?

Mr. Duffield: (Nodding assent)

Q. Tell them also what Mr. Roosevelt told them. Can we go now? Thank you, Mr. Secretary.
Mr. Secretary, since so many of us were kept up all night answering calls on account of Mr. Winchell, and didn’t have anything else to do, some of the foremost poets of the association got together and worked on this. (Hands poem to the Secretary)

H. M., Jr.: Is it readable, with ladies present?

Q. Oh, yes.

H. M., Jr.: (Reads)

CLOSING QUOTATIONS

by
Henry Longworth Perimeter and Omar Khayyam Klein

From border to border and coast to coast,
Winchell searches for Morgenthau’s ghost.

Call out the coast guard, call the marines!
A denial, says Walter, ain’t what it seems.

Hunt over Fishkill. Look at Hyde Park.
Don’t let the ectoplasm hide in the dark.

Flash: Quotes Morgenthau; Walter’s quite rash.
He’s starting too early to cook up my hash.

The pound is still falling; London is calling.
I haven’t much time for dear Walter’s bawling.

I’m hale. I’m hearty. You can tell that smarty
That it’s gold we’re buying; not this party.

Now may I try mine? This was this morning, October 16:

(Reads letter)

Mr. Walter Winchell
Daily Mirror
235 East 45th Street
New York, New York

Dear Walter:
You will be glad to learn—and some people when you and I both know will not be so pleased—that Sunday morning I enjoyed a two-hour horseback ride. Sunday afternoon Mrs. Morgenthau and I took a long cross-country walk. Everything was perfect until nine o'clock when I turned on my radio to listen to my favorite Sunday night commentator. From then on I wasn't sure which of us was sick. You caused a number of my friends considerable worry. The telephone began to ring and the press associations through personal contact wished to ascertain the state of my health. I assured them that up to the time of your broadcast I had been perfectly well. As they used to say when I was in Constantinople I hope you are not trying to put the evil eye on me. My telephone is in working order. How's yours?

H. Morgenthau, Jr.

Q. I notice you list this as contingent expenses.

A. Well, nothing to Winchell's report. This is marvellous! (Poem)

Q. Anything on financing?

A. Yes, we are doing the Commodity Credit tomorrow. Two years and six months.

Bell: Two years and thirteen days.

H. M., Jr.: Can't you forget you were Director of the Budget? Two years and thirteen days—a half a month is what I meant to say. The reason for the thirteen days is that two years from now RPC has a maturity so we went way, way out and added thirteen days. One percent. The present maturing note is eighteen months, 3/4 of 1%.

Q. What is the amount of this issue?

A. $206,000,000.
Q. Will you repeat what you just said?
A. The present one is 18 months, 3/4 of 1%; we are refunding it to two years and thirteen days at 1%. For the benefit of Mr. Klein, this is for immediate release.

Q. Mr. Secretary, the higher rate --
A. It is for immediate release; you've got twenty minutes, Dow-Jones.

Q. Mr. Secretary, although the maturity is longer, is the higher interest cost indicative of the money market conditions?
A. I was upset by Mr. Perlmer's cough; would you mind giving it again? I didn't see the social significance.

Q. My office just put in a Dow-Jones tickler.
(Perlmer—AP)
A. Would you go it again?
Q. In view of the higher cost, is that indicative of the money market condition?
A. We just borrowed $150,000,000 for 91 days—.036, as against last week's .024. In other words, the extra $50,000,000, we paid -- .

Q. Close to one per cent.
A. .024 for New York; the country was .022.

Q. Mr. Secretary, any comparative figures on a similar $150,000,000 offering?
A. I don't know.
Q. Mr. Secretary, are you ready to say for how many weeks the bills will be at $150,000,000? Will they be next week?
A. Another week. I love that poem—it's marvellous!
Q. Mr. Secretary, somebody might get the impression that it will be limited to another week.
A. No, what I am trying to get at is each Monday I will be glad to tell you that we are going to do it another week. Until Dan tells me no, that I should do it on a Wednesday.
Q. Mr. Secretary, there was a gentleman in to see you from the State Department this afternoon; is there anything you can say regarding it?
A. Do you care to call him by name or do you want that exclusive?
Q. Well, I am under the impression Mr. Welles was in this afternoon.
A. That is true. Well, we were talking over his Panama trip.
Q. Mr. Secretary, the President last Friday said something about gold loans to Latin American countries, and you, on a number of occasions, have asserted that the subject is under constant study with the Treasury Department. I wonder if you could say something on that?
A. No.
Q. Well, was he referring to Brazil when he said
negotiations are at a certain point?
A. Well, I will just let it ride where the President
put it.
Q. The impression was created by that statement that
perhaps a considerable amount of gold might be
passed down there.
A. Yes, well -- ?
Q. Mr. Secretary, is it true that he was twisted
and he meant reciprocal trade pacts and not gold
loans?
A. The President was not twisted.
Q. The State Department doesn't know anything about
it. They were as surprised as could be.
A. He was not twisted and we just need a little
more time, that's all.
Q. Do you mean to say you are doing something Mr.
Welles doesn't know about? Cordell Hull doesn't
know—Mr. Hull said it was entirely in the hands
of the Treasury Department.
A. That is right, which is quite different from say-
ing he doesn't know or Mr. Welles doesn't know.
Q. One of his spokesmen said he didn't know; Mr. Hull
implied the Treasury was studying something.
A. The Treasury, State and White House—we are all
together.
Q. There have been published reports and expression of hope in connection with these gold negotiations or perhaps financial help that might be rendered to South American countries that American bondholders would be protected in view of the fact that some of these countries have defaulted on their foreign bonds; have you anything to say on that?

A. No. Just strictly off the record, if anybody doesn't want it off the record--.

Q. I don't. (Linz)

A. I am going to say it anyway and you can be excused.

Linz: Do you mind if I leave?

A. Do you mind leaving?

Linz: Do you mind?


(HERE THE SECRETARY WENT OFF THE RECORD FOR THE REMAINDER OF THE CONFERENCE)
H.K. Jr.: Because somebody said the President was twisted, we have done business with Brazil and we have made gold available and they have availed themselves of the arrangements made by Sousa Costa when he was here, and that was done in the last two or three weeks; when they are ready to announce it, all right.

Q. Which transaction are you referring to, the $50,000,000?
A. No, the original $60,000,000 and they have done business and availed themselves of that in the last few days and it is up to them to announce it, if you can pry it loose.

Q. We can call up the Brazilian Embassy?
A. Yes.

Q. But you don't want to be quoted on that?
A. No, it is definitely off the record.

Q. It is all right for us to check up and not to say we heard it from the Treasury?
A. That is right, but on account of this statement about the President, we did do business under the original $60,000,000 which Sousa Costa originated in 1937; well, under that agreement, am I right?

Mr. Duffield: Just so when they call up they don't say 'the Treasury said.'

H.K. Jr.: They have to protect me.

Q. Just to get this straight, Mr. Secretary, as I recall under that agreement Brazil was to purchase $60,000,000
worth of gold so that anything that they would have done under that agreement would be to take some of the gold and to make arrangements to pay for it.

A. Yes, what we will do, we will dig up that press release at the time and we will dig it up and give it to you.

Q.  Well, have they taken all the gold?

A.  No, but they have begun to use that device.

Q.  What is the status of the $50,000,000 that Aranha agreed upon?

A.  Well, the way you fellows have written it, and I told you off the record that we are waiting for them to ask us to ask Congress and we have not received that request, but they did avail themselves of the arrangement that they could borrow against credits and leave it here, the $60,000,000—it's in that press release.

Q.  How will they pay for that gold they take under the $60,000,000 arrangement?

A.  How will they pay for it?

Q.  Well, how will they, or how have they?

A.  I think I am right; they borrow it and then leave the money here—leave the gold here.

Q.  They borrow the gold?

A.  They borrow it and leave it here.

Q.  What do they put up as collateral?

A.  The gold they borrow. It's all explained in the release. It helps them on their own statement—they borrow gold and
leave it here on earmark—it's similar to the Chinese thing. But you look up the press release and if it isn't entirely clear—Duffield, are you familiar with it?

Mr. Duffield: I remember it and I think it is all in there—how the loan was set up and how the collateral works.

Q. What I had in mind, it is in connection with setting up a central bank there to facilitate exchange clearances, isn't it?

A. That is the $50,000,000.

Q. You've got to go back to when Sousa Costa was here and in defense of myself this device wasn't my invention.

Q. Is this a little sweetening for that treasuries conference down in Guatemala City?

A. No, I think—again you will have to confirm this—the arrangements that they had with some of these European countries on their purchases, you see they found themselves in a position that these agreements that they had on purchases from some of these European countries at war weren't going to go through so suddenly they found themselves with some free exchange and the first thing they decided to do was to buy some gold with it. I think that is what happened, but, as I say, please protect me on this thing.

Q. They also have some exchange they can't collect on, don't they?

A. Yes, but I think they suddenly found themselves with some extra exchange on some of the deals they had with European countries.
Q. And what is equally important they found themselves in need of a new source of material.
A. Well, as a result of that, they will have to redirect their commerce, but they did find themselves with some extra money and they used it.
Q. They didn't buy the gold; I thought they borrowed it.
A. They bought it and put it up here on earmark.
Q. Well, then it isn't borrowed.
A. I am not one hundred per cent sure; it is at least one million. I am not sure of my facts, but at least a million and not more, but we were very much surprised to find they were in a position to go through with this.
Q. They paid for it?
Mr. Duffield: That is in the press release.
H.K.Jr.: I don't know; I am not stalling. I am not sure.
Q. One reason I am not clear about this, at the time of the Aranha agreement you said something about if and when you lent gold to somebody you would ask Congress for permission to do it.
A. In that case we would have lost the possession of the gold; the gold would have left the country; in this case the gold hasn't. I am not stalling. A lot of things happen every day. I haven't got this thing at my fingertips; it involves at least a million dollars. I don't know; Gene can find out and let you know. But I didn't want the impression to go out that my President
was talking about something about which he was twisted.

Q. If this device works in Brazil do you think it might be used in the case of other South American countries?

A. Yes, this thing has been here for two years and they suddenly decided to avail themselves of it.

Q. Is all this discussion off the record?

A. Very much so, please, because we are doing business with a country, and I ask you to protect me. The Brazilian Embassy is here; in the meantime Gene will get the press release and find out what the device was and the amount and, off the record, will give you the figures. I haven't got to the last dollar how much it is. Yes, ought to have, but I haven't.

Q. Could we go on the record now for an expression of your opinion on this question of foreign loans, gold loans?

A. No, not today.

Q. They have been criticizing it editorially in a number of papers.

A. That is right; I am used to that.

Q. But I wonder if you could say something.

A. I may have something to say but up to now there is nothing for me to defend because I am not responsible.

Q. You say you may have something to say?

A. No, I don't want to go on the record on this thing because I have nothing to say on it. Let Gene look this thing up and get the facts one hundred per cent
right; let Gene get the thing one hundred per cent right for you.

Q. That was LaFollette's suggestion.

A. Well, Gene will get the thing and give it to you exactly correct; I can't give it to you exactly correct.

Q. Thank you, Mr. Secretary.
Q. Any pieces for the paper today?
A. Well, the only thing I've got is that our first offering of this, what shall I say, since war in Europe? of Commodity Credit went over extremely well and it is sort of indicative of, what shall I say? that this emergency situation which arose on declaration of war has sort of passed and is sort of settling down here.

Q. You say it is sort of indicative of the emergency situation?
A. Yes, I mean that the emergency has sort of subsided.

Q. Sort of indicative that the emergency situation has subsided? Is that what you mean?
A. Yes, and as a part and parcel of that situation Mr. Bailie and Mr. Burgess are going to return to New York to their own business and they both have—and Mr. Smith.

Q. Smith returning too?
A. Yes, all three have been extremely helpful in the, what, six weeks?

Q. Seven.
A. Seven weeks.

Q. About seven weeks since the first of September.
A. Yes, and if any other situation should arise why they will be on call to come down again.
Q. The crystal gazers, however, are still here?
A. Well, that isn't my favorite nickname for them.
Q. Who are they, Mr. Secretary?
The economists, I mean, the sit-and-think boys.
A. Stewart, Viner and Riefler.
Q. You say all three of these? You refer to Tom Smith as one of the three?
A. Yes.
Q. Baille, Burgess and Smith.
A. Yes.
Q. Let's see, at a dollar a year and they only worked seven weeks, they get—I won't figure it.
Two mills.
A. But as I say the bond market—the prices of long-term governments are higher than they were September 3rd.
Q. Bond market settling back to normal?
A. I would say so. The whole thing is.
Q. Would you say they were instrumental in any way in bringing this about?
A. Yes, they were very helpful.
Q. This indicates—you say the bond market returned to normal? We can expect the refunding shortly.
A. That would be the next thing I would take up.
Q. That's the December 15th?
A. Yes, that is the next thing.
Q. And probably soon?
A. Let's leave it be the next thing—the next piece of business.
Q. Would you give us any figures on subscriptions on that CCC issue?
A. No, you see they had up to midnight to mail and the whole thing went, I would say, better than usual. I mean the first day I think they turned in almost half which was quite remarkable.
Q. This isn't a widely distributed issue like that last one where they might stay out.
A. No, this was closely held, but as to final figures I don't know whether it will be tonight or tomorrow morning that they will have them.
Q. When you speak of the first day, that would be Tuesday.
A. Tuesday, I think they turned in $100,000,000 which is quite unusual for one day.
Q. Now as far as the economists are concerned, they will stay here?
A. Yes, because they are not on day to day operations; they are on month to month or year to year, and we still have plenty of unsolved problems in this tremendous shakeup that is taking place in the world
every day as to trade, redirection of trade, money—all these things going on every day mean something new and long-time studies and that is what they are on.

Q. Mr. Secretary, is the Guatemalan conference of Pan American treasury representatives going ahead?

A. Which one?

Q. I mean the one in Guatemala of treasury representatives; is that going to be held?

A. Well, in the absence of Mr. Linz I can talk freely?

Q. Sure.

Well, I will leave the room (Gregory); I will get the story anyway.

A. Well?

Q. Mr. Secretary, I think this needs a point of explanation for my own conscience, to get this thing straight. I had wired New York first.

A. With a weak stomach can I take a confession from you?

Q. It isn't a confession. I don't need any defense. It is an explanation of the circumstances.

A. All right, sir.

Q. I wired New York immediately after you gave the story and they wired back and said Burico Pentendo, the financial attache of New York, refused to confirm or deny the story but suggested we get in touch with the Brazilian Embassy here. I got hold of Mrs. Martin and
she said, 'I will bring His Excellency to the phone', and then she comes back and says 'He's out.' But then I got confirmation here from other authorities.

A. Brazilian authorities?

Q. No, I got my story from the Federal Reserve Board. Here?

I won't tell you that.

A. Well, I haven't the slightest idea why I am giving this explanation not being in the newspaper business, it's a pretty difficult business, but I hope it satisfies all of you afterwards.

Q. We all had the same difficulties but the rest of us didn't use the story.

A. Well, you have an association down there—I am talking seriously now—and I am satisfied to let you do your own policing; is that fair enough?

Q. Self-regulation?

A. Right. It is up to you fellows to do your own policing.

Q. That is satisfactory, Mr. Secretary, but I think somebody, perhaps poor little Gene over there, ought to lay down the rules of warfare pretty clearly so we will know when we are in bounds or out of bounds. I also forgot to tell you I called Mr. Duffield and told him I was writing the story. (Gregory)
Q. If you will pardon me, Mr. Secretary, the only confusion arising over this is the interpretation of the circumstances under which the story is released. Some of us, perhaps erroneously, got the impression the story could only be released by Brazilians here, Brazilians in New York, or Brazilians in Rio.

A. That is what I had in mind.

Q. And some of us thought it could be released elsewhere.

A. No, I definitely referred you to Brazilian sources; that is what I had in mind.

Q. I suggest we get some news and adjourn the controversy until later.

A. Let me take a little different angle. On yesterday's meeting—we met here yesterday, Mr. Welles and Mr. Jones and I, to confer and get a report on the Panama conference, that is, the financial aspects of it, and also to talk about the November 15th meeting which is going to take place here. We did not discuss Guatemala—that is all on the record.

Q. That meeting on November 15th will concern itself with the economic proposals made at Panama City—is that correct?

A. So I understand.

Q. The Pan American Union late last night put out an announcement saying that they were responsible for this
meeting and it would be held on November 15th and they would take up the subjects embodied in the resolution adopted at the Inter-American governments conference at Panama. What is the name of that group?

What is the name of that group?

Going to be held on the 15th?

Inter-American Economic Committee.

A. Don't ask me—I am not trying to duck it, but with the Pan American Union, the State Department, I haven't got the details.

Q. You use the word 'duck', Mr. Secretary; are we correct in understanding Mr. Hanes is trying to do the same thing about the Guatemala conference?

Is he going down, Mr. Secretary?

A. On or off the record?

Q. On the record; we have had right along that he is going down.

I know the answer so may I leave the room?

A. You know the answer? What is the answer?

Q. I don't think he is going down.

A. It is up to the State Department to announce who is or who isn't going down so I will leave it to them. There is no difference of opinion. Mr. Hanes and I are one on this; there are no differences in the Treasury.
Q. I didn't mean to imply there are any differences, but I understand because of pressure of other work he may want to get out of it.

A. Naturally, I am loathe to let him (Mr. Hanes) go. I am not putting this on the record. I have to satisfy myself that it is damned important (excuse me, ladies) before he goes. All of this is not on the record. But final announcement as to who is going down will have to come from the State Department.

Q. We can say on the record in answer to a question whether Mr. Hanes will go down there that names of the persons attending the Guatemala conference will be announced by the State Department?

A. Right.

Q. Mr. Hanes will be available here then on November 15th?

A. No, you are going too fast.

Q. How can they hold two meetings at the same time?

A. That is what we would like to know.

Q. I would like to find out, Mr. Secretary, if you can give us any intimation as to the possible importance or unimportance of the Guatemala meeting?

A. Well, you and I both.

Q. Who set that up?

A. What?

Q. Who called this Guatemala thing?

A. That was done down at Lima.
Q. That is an outgrowth of the Lima conference?

A. That is an outgrowth of the Lima conference. Then somebody down at the Panama thing got the idea we will do this thing on the 15th of November. It is up to the State Department to decide what are we going to do about it? They got themselves into it and have to get themselves out of it, but you can be sure I am not going to let Nanes go unless it is terribly important because I need him here, and that is the whole point.

Q. Is it true, Mr. Secretary, that you have things in the Treasury that you could do down in Guatemala that might be important economically?

A. It is just a question—there is only so much you can do.

Q. Are they going to do it in Guatemala or here?

A. Where they are going to do them? In Guatemala? I don't know the answer and I haven't been given the answer. I haven't got the answer.

Q. Apparently it is a two-ring circus.

A. Not in this shop. We know what we are doing. They've got to decide over there. I think, frankly, they've gotten themselves into something—what are they going to do about it? I am talking very frankly. I am putting myself in your hands. I haven't lost confidence in you boys; I hope you don't lose confidence in each other. Because to me it is a big advantage and I
should think it would be to you to let me go off the record and if I can't, I have to sit here and I can't be talking this way—I like to go off the record.

Q. As far as the November 15th conference is concerned, do you know whether representatives at that conference would have any authority to carry out any actual proposals?

A. They have got to do their homework.

Q. Doesn't it boil down to the question of whether the solvent nation should go to the bankrupts or the bankrupts should come to the solvent nation?

A. I don't know; I have talked more than I should, but please protect me.

Q. Would you like to say anything, Mr. Secretary, about the merits and demerits of unilateral—?

A. No, I have talked more than I should.

Q. Thank you, Mr. Secretary.
(Release 19-15 given out)

Q. What is that?

H.M. Jr.: 4% years.

Q. What are the maturing notes?


Q. I mean they mature in how many years?

Bell: They were issued in July, 1935—a little over four years.

Q. The others were — ?

A. Over four years as well; they were from July 15 to December 15, four years and five months.

H.M. Jr.: And these are four years and four and one-half months—they are practically the same. 1 3/8% offered the right to convert into 1%. We will handle this the way we did last week. It is for immediate release.

Q. That is rather surprising—a lower rate of interest?

A. Very satisfactory.

Q. Excellent for the Treasury; everybody has been expecting a higher rate.

A. It paid to wait. I mean, we waited and by waiting we made money.

Q. What is the saving to the Treasury, Mr. Secretary? Has Mr. Bell computed?

Bell: 3/8%, about $1,300,000 a year.

Q. Saved on interest? $1,300,000?
H.K. Jr.: Just check that; $1,800,000 on $500,000,000?
Bell: Yes, an eighth is about $600,000.
Q. Is that based on the assumption if you had refunded back in September you probably would have had to make it 1 3/8%?
A. That statement is correct; that is true, too, but what he is talking about is that if we had done it a couple of weeks ago we would have paid 1 3/8%; now we pay 1%, but the saving on the conversion is about $1,600,000 a year.
Bell: Because you are getting rid of 1 3/8% coupons for 1%.
H.K. Jr.: It pays to be patient.
Q. In other words, the market conditions are better now for this kind of issue; is that it?
A. Considerably.
Q. Isn't that a record for a four-year note at 1%?
A. No, we did one at 3/4 last June.
Q. I meant the 1% now.
A. No, last June we did a five-year 3/4.
Q. Not this past June but a year ago last June.
A. No, this past June.
Q. Do you know the amount, Mr. Secretary?
A. This past June? Yes, $417,000,000.
Q. This is, of course, some stiffening since June, but then everybody expected that.
But this 1 3/8% note—as I recall, that is a 15-months note; it isn't a 5-year note, is it?
A. The one that is just coming due?

Q. Yes.

A. It is four years and five months. Then on the Commodity Credit the returns were even better than we thought; we got 204 out of 206 — a little better than 99%, so a very satisfactory day. (Release 15-14 given out)

Q. How much was that issue?

$206,000,000.

I would like to have your comment, Mr. Secretary; very satisfactory?

A. A very satisfactory day, financially; almost as good as Ivory Soap.

Q. They say 99.44% pure.

A. That is too good for me.

Q. Well, 99%, is just about a record, isn’t it?

A. I asked these boys; they think so.

Bell: Pretty close to it.

K.M.Jr.: Some fellow down in Texas didn’t turn in his stuff; he is weeping today.

Q. Mr. Secretary, have you the amount outstanding?

A. Have you got this one?

Bell: $526,000,000; you mean of the December notes?

Q. Yes.

Bell: $526,000,000.

K.M.Jr.: I guess that’s the story, isn’t it?
Mr. Secretary, Senator Vandenberg told everybody in the country by way of the floor of the Senate that he had written you a letter in which he made certain inquiries about the large stocks of gold; have you received that letter?

A. Yes.

Q. Have you answered it?

A. No.

Q. Are you going to answer it?

A. Yes.

Q. When?

A. Within a reasonable time—day or so.

Q. Do you think that your essay on gold before the Senate Banking and Currency Committee will stand you in good stead for Mr. Vandenberg? The one you delivered last March?

A. I think if he would read that, plus the so-called Wagner letter, all the answers are there. There is nothing new.

Q. Mr. Secretary, will you serve the press in the same manner that Senator Vandenberg did? That is, make it public?

I didn't get your comment. You said, I think, this statement and the Wagner letter, you say, suffices.

A. I can't think of anything new, but I will answer his letter as a matter of courtesy. We will send it up on the Hill and it is up to him to make whatever disposition he wants of it.

Q. You mean you are not going to let us have copies down here?
A. I don't think I ever have done that.
Q. In this case, where he has made his public—that isn't a precedent.
A. Well, after all, he is a Senator.
Q. And a Republican candidate.
A. Now, Tribune, be good.
Q. Three years ago, Mr. Secretary.
A. Is he yours?
Q. You can have him, Mr. Secretary. (Gregory)
A. You asked for that. I am picking Democrats.
Q. Who do you pick, Mr. Secretary? Give us a good name.
A. I am not a delegate.
Q. You are not a candidate?
A. Not a candidate, no. Both. I am very exclusive.
Q. I was just saying, as I recall, about three years ago Mr. Vandenberg made a similar inquiry and you made a similar reply to the Wagner letter reply and that letter was made public.
A. (Here the Secretary went off the record)

Q. You didn't give kick (Gregory) a chance to run out of the room, Mr. Secretary.
Q. I have sore feet—played handball last night. (Gregory)
A. He looks a little weak; I think you fellows put him through the wringer last week.
Q. That's the doghouse.
A. He looks a little weak.
Q. I bit the dog.
A. That is news!
Q. Sandy is the keeper of the doghouse.
Q. Mr. Secretary, some people that have been around the department lately say there is a lot of interest around the Department on the 'ham-and-eggs' proposition and that considerable opposition and apprehension exists here. Can you state your views or the Department's views on it?
A. Personally, I am allergic to eggs.
Q. How about ham?
A. I can eat that.
Q. How about these cigar coupons, Mr. Secretary?
A. I can't help you out.
Q. Will you say whether the Department has been interested particularly in this new central bank and the branch banking phases?
A. I don't know; I have been concentrating on my financing.
Q. Haven't been called to your attention?
A. I have been just concentrating on federal finances.
Q. You have, I think, in the past, made some comment, Mr. Secretary, on some of these California pension plans; I think you indicated your opposition to them.
A. Well, thanks for the opportunity, but you fellows want to get this story on the wire, don't you?

C. Representative Woolcott introduced a bill the other day to curb the powers of the Stabilization Fund with regard to the purchase of securities and also the Export-Import Bank of the RFC. I wonder if you would make any comment on that as affecting the Stabilization Fund. Senator Taft also recommended it.

A. The Senate is on the bill to take care of that.

Q. Any final decision as to whether Mr. Hanes is going to Guatemala City?

A. Same situation—State Department.

Q. Will there be any Guatemala meeting?

A. State Department.

Q. Thank you, Mr. Secretary.
H.M. Jr.: Off the record, Vandenberg called me and I called him back and I said if you will give me the name of who wrote the letter I will get together with you and help you answer it, and he said, 'I wrote the letter.'

Q. Is this on the record?
A. No, off the record.
Secretary of the Treasury Morgenthau announced today the offering through the Federal Reserve banks, of 1 percent Treasury Notes of Series B-1944, in exchange for 1-3/8 percent Treasury Notes of Series B-1939, maturing December 15, 1939. Exchanges will be made par for par, and accrued interest on the notes exchanged will be paid to November 1, 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 B-1944, now offered only in exchange for Treasury notes maturing December 15, 1939, will be dated November 1, 1939, and will bear interest from that date at the rate of 1 percent per annum payable March 15 and September 15. The notes will mature March 15, 1944, and will not be subject to call for redemption before that date. They 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 first coupon will be for the fractional period from November 1, 1939, to March 15, 1940, and subsequent coupons will each cover one-half year's interest.

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 released 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 December 15, 1939, with final coupon due December 15 attached. The notes will be accepted at par, and accrued interest on such notes from June 15 to November 1, 1939, (about $5.22 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 December 15, 1939, are now outstanding in the amount of 526,232,500. 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

1 PERCENT TREASURY NOTES OF SERIES B-1944

dated and bearing interest from November 1, 1939

Due March 15, 1944

Interest payable March 15 and September 15

1939
Department Circular No. 623

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, October 24, 1939.

Public Debt Service

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par, from the people of the United States for 1 percent notes of the United States, designated Treasury Notes of Series B-1944, in payment of which only Treasury Notes of Series B-1939, maturing December 15, 1939, may be tendered. The amount of the offering under this circular will be limited to the amount of Treasury Notes of Series B-1939 tendered and accepted.

II. DESCRIPTION OF NOTES

1. The notes will be dated November 1, 1939, and will bear interest from that date at the rate of 1 percent per annum, payable on a semiannual basis on March 15 and September 15 in each year until the principal amount becomes payable. They will mature March 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 November 1, 1939, or on later allotment, and may be made only in Treasury Notes of Series B-1939, maturing December 15, 1939, which will be accepted at par, and should accompany the subscription. Coupons dated December 15, 1939, must be attached to the notes when surrendered, and accrued interest from June 15, 1939, to November 1, 1939, ($5.221995 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.
REPORT OF SECRETARY MORGENTHAU'S
PRESS CONFERENCE, OCTOBER 26, 1939.

H.M. Jr.: Well, the next piece of financing that we do will be a $250,000,000 issue for RFC.

Q. Is it another refunding?

A. No, it is new money.

Q. To repay the Treasury?

A. Repay the Treasury; they just owe us approximately that amount.

Q. That will clear them up?

A. I think so. It's approximate—I mean they owe us just about $250,000,000.

Q. They have been as much as a billion dollars in debt to you.

A. How much have they owed us? He said a billion.

I wouldn't want to guess.

Q. I said wasn't it roughly a billion at one time?

A. He will get the figure for you, but this will approximately pay us off what they owe us.

Q. When will this be done, Mr. Secretary?

A. The first convenient time.

Q. On notes?

A. Yes.

Q. What do you mean by the first convenient time, Mr. Secretary?

A. Just that.
Q. Going to wait until the Herald-Tribune runs another editorial like they did yesterday?
A. I don't think I could stand two like that.
Q. Perhaps Mr. Hanes had some influence like that in New York.
A. They had to have a good excuse and I guess that's as good as any.
Q. Is this announcement designed to take the pulse of the money market? Why do you make this announcement now?
A. I don't know.
Q. To determine whether or not to sell this issue?
A. That will be the next piece of business we do in government financing.
Q. Of course, you are getting $50,000,000 of new money through new bills weekly.
A. That's right.
Q. But this is the first new money in notes for some time.
A. This is the first new money we have done since last June.
Q. Except for the bills?
A. Except for the bills.
Q. Could you give us the rate at which RFC sold new money last time?
A. 7/8, I think.
Q. In notes was it?
A. Yes, 3-year notes. I think it was 7/8%, but you had better check me on that. I think it was 7/8 for three years, quite sure.

Q. That was last Spring?
A. I don't know. Gene will have to get that for you.

Q. Mr. Secretary, have you decided what you are going to tell that California delegation about the 24-hour shopping ruling?
A. Postponed until the 1st of December, pending additional investigation as to the facts.

Q. Mr. Secretary, on that matter, some of the members who saw you yesterday said that you put the blame on Tom Ford for that. You said that Tom Ford was the principal reason why the ruling was adopted. Is that correct?
A. Oh, I don't want to comment.

Q. Well, would you give me an explanation as to why the ruling was applied down there?
A. No, it is, well, I mean the reason that we were considering putting it on is that Tia Juana is a so-called free port and the people would go over there and buy a lot of merchandise and bring in a hundred dollars worth without paying any duty. Now we felt that that was taking advantage of American merchants who paid American laborers the full wage, paid duty on the goods they imported—it was unfair competition.
Q. You mean that they could take anything they wanted to over from Tia Juana without paying duty? What does "free port" mean?

A. The way it is now you live in San Diego; you get in your car and go across to Tia Juana and buy a hundred dollars worth of goods in the city of Tia Juana, a free port, and don't pay any duty to Mexico and bring it to the United States and don't pay any duty to the United States. Now they have got a lot of imported merchandise and you go to a store in San Diego or Los Angeles and either it is of American manufacture and they pay the American scale of wages or you get up against imported merchandise and they have paid the duties and we thought this was unfair competition, so we put on the ruling that if you went across you had to go over and stay 24 hours in order to get the advantage of the $100 exemption although you could bring in $5.00 worth every day. Eighteen Congressmen signed this petition to the President and if eighteen Congressmen from California don't want it I am only the hired man and I will re-examine it for the facts, and see if there are some new facts which we have not found. As a matter of fact we have got Mr. Johnson on the ground right now as Deputy Commissioner and we will give them a chance to show us whether we are right or wrong and we will take
thirty days to re-examine it, but they tell me they are lined up five deep buying there, but what we thought we were doing was to the benefit of the people of Southern California.

Q. Milnor's had a big going-out-of-business sign in the last three weeks.

A. I know. Evidently he wants to stay in business.

Q. Apparently he has reconsidered.

A. We can too. Off the record, he seems to have an awful lot of influence. But when eighteen out of twenty Congressmen say we are wrong, plus Senator Downey, at least I, as an administrative officer, should re-examine it.

Q. You wouldn't want to contradict Senator Downey?

A. If he was wrong, yes. But that's all and they are satisfied and Mr. Tom Ford is satisfied that this thing—we will re-examine this thing, but your friend Mr. Milnor has quite a business.

Q. Don't blame him on me.

A. No, but we are like the four-weeks-old kitten; our eyes are open.

Q. Mr. Secretary, your first remark implied that there had been some complaints from various business interests in San Diego and Los Angeles; is that correct?
A. The original thing that was brought in is this committee said United States citizens would go over and buy duty-free merchandise and bring it in up to $100 worth without paying any duty, and they say it is just unfair to American merchants and laborers.

G. I see; did you have some squawks about it?

A. Originally? Oh, yes. It was on that basis we put in this ruling. I think we are right but 18 out of 20 Congressmen, plus one United States Senator, say 'You are wrong,' and I say 'All right, we will re-examine it.' That's democracy, isn't it? We say we will re-examine it but I still think we are right.

G. Does that mean you are likely to change your present set-up at El Paso?

A. I am not sure that the same thing applies because I don't think that there is any other free port on the Mexican border except Tia Juana.

G. That is right, but they can still buy $100 worth of merchandise and bring it in duty-free.

A. They tell me you go into this store and buy the finest English merchandise and all that stuff which is entirely duty-free and you go into Los Angeles and buy exactly the same thing. They paid our duty or if it is American manufactured they paid our wage scale, and it is a peculiar thing which I don't think exists anywhere but at Tia Juana.
Q. No intention of changing El Paso?
A. No, we haven't gotten any complaints from the American merchants on our side. I think we are right but O.K. we will take a look at it. Nobody is going to be hurt by postponing it for thirty days.

Q. You won't lose a great deal of revenue?
A. No, and I am on the side of being fair.

Q. You have suspended the effectiveness of this regulation until December 1? I presume that gives you time to look at this thing.
A. Johnson is out there now looking at it.

Q. W. R. Johnson?
A. He is out there now.

Q. Mr. Secretary, are they going to form a Far Eastern dollar bloc with the yen in the lead? Would you make any comment on the yen being tied to the dollar?
A. No.

Q. Will it have any repercussion here?
A. I don't know.

Q. The Federal Reserve Bank of New York has abolished the publication of the gold figures; in the story they said they had talked it over with Washington authorities. I wonder if you could give us any reason why they have been stopped. We have to depend on the Commerce Department and the Daily Treasury Statement.
That is enough. For background, somebody pulled the stupidest boner. They gave exact details of the shipment of $6,000,000 worth of South African gold before, I think, it even left South Africa. What do they want to do? Set the thing up as a target? Maybe that is very indiscreet for me to say that but that is what happened last Saturday.

Q. I recall that.

A. Yes. What do they want to do? Endanger the lives of these people and have everybody laying for them?

Q. Did you give the order to stop this?

A. I asked the Federal Reserve Board of Washington to stop it.

Q. Could that go on the record?

A. What do you think?

Duffield: I would use it as background.

Q. You asked the Federal Reserve Board here?

A. If they would look into it.

Q. Was the ship sunk?

A. I don't think it has even left, has it?

Duffield: I think not.

A. I mean it endangers the lives of everybody on that boat.

Q. That is, publication of gold engagements?

A. Yes.

Q. Now they have abolished it entirely.

A. Sure, but you get it once a week from the Department of Commerce.
Q. And Commerce is the only source now?
A. Yes.
Q. And the Daily Treasury Statement?
A. Yes.
Q. And that reflects only shipments that have arrived?
A. Yes.
Q. Mr. Secretary, can I ask another California question?
A. Sure.
Q. Would the Treasury Department accept 'ham-and-eggs' warrants in payment of obligations owed by various governmental bodies—you are likely to be offered some.
A. I couldn't give you an off-hand answer; I don't know.
Q. You haven't had a chance to study the action yet?
A. No, I couldn't say and I think that was what the President called a 'triple-iffey' question.
Q. I have a copy of that Act with me.
A. I haven't read my issue this week. My copies of Time and Look.
Q. Mr. Secretary, about a week ago you said, for background, that the Brazilian gold plan might be used as a formula for use of gold by other Latin American countries; is there any objection to quoting you on that? It has been published now.
A. Then why ask me?
Q. No, I mean, but we haven't been able to say that you have said that.
A. No, until we've got something accomplished; I think there is too much talk as it is.
Q. There is too much talk?
A. Yes.
Q. Well, let's have something concrete.
A. All right, when I have got something, but I have nothing concrete.
Q. No more deals like that?
A. I wouldn't say that, but when we've got a deal that is accomplished we will be glad to say something.
Q. What has happened to the silver market? London has prohibited the import of the metal, the price has risen and the leading source of supply has dried up. Can you make some comment on that?
A. No.
Q. Mr. Secretary, one of the members of the Senate Banking Committee intimated very strongly yesterday that you had requested the Wagner Committee not to start hearings on the Wagner Resolution until after the first of the year.
A. Not knowing who the informant is, but for your information, that is not correct. The shoe is on the other foot. Take my word for it. No, I wouldn't be that dumb to ask that. The shoe is on the other foot. Do you know what I mean?
Q. I know what you mean.
I don't, Mr. Secretary.
A. Well, I don't want to spoil his pipe line.
Q. Mr. Secretary, did I understand you to say that the Treasury had no program for economic aid for Latin American countries?
A. No, no, we are working on it very hard.
Q. You have got a program, haven't you?
A. We are working on it very hard, but I believe if and when we accomplish something it is time enough to say so.
Q. You mean by accomplishing, when you have completed the program?
A. With a country, yes.
Q. But you know what you want to do?
A. I think I do.
Q. Does the State Department know?
A. The State Department and ourselves and Mr. Jones—we are all working together.
Q. Have they got a good program worked up for you over there?
A. Listen, haven't you got any other place to go?
Q. Is there going to be a money-giving conference on November 15th?
A. Let's both of us be in the front seat.
Q. Mr. Secretary, how have the subscriptions been coming in on the note exchange offer?
A. All right; quite satisfactory.
Q. Thank you, Mr. Secretary.
H.M.Jn: Due to the bad weather the mimeograph machine got a little stuck—it will be up here shortly—and when you do get it it will say that tomorrow in behalf of the RFC we are offering $250,000,000 worth of 1% notes, dated November 10 and coming due on July 1, 1942.

Q. What does that make it?

Bell: You mean term?

H.M.Jr.: Less then three years—a month or two.

Bell: Two years and eight months, lacking ten days.

H.M.Jn: Put down two and carry ten.

Q. What is the purpose of this issue, Mr. Secretary?

A. For the RFC to borrow the money to pay the Treasury back what it owes them.

Q. I thought they already borrowed that.

A. No, with this borrowing they will pay us what they owe us.

Q. This is the difference.

A. They owe us in the neighborhood of $258,000,000 and with this money they are going to borrow tomorrow they will pay the Treasury back what they owe us.
Q. You are helping them to borrow the money to pay back—is that correct?
A. That is right.
Q. Where are they going to get the eight?
A. Well, if luck should continue with us we might have a little oversubscription.
Q. But they are going to clear up the whole 258?
A. I think so.
Q. The reason I asked you you said that last week it would clear that up.
A. This is it.
Q. You said you were going to do it.
A. And now I am. This is it. It is for immediate release, tomorrow morning.
Q. Is that what Jesse was here for today?
A. I beg your pardon.
Q. Is this what Mr. Jones was here for today?
A. The answer is yes.
Q. Mr. Jones also discuss with you the matter of making some sort of commodity loan or credits available for Finland?
A. No, we were concentrating on this one job today.
Q. He didn't happen to mention the Latin American situation?
A. No, this was big enough for one meeting.
Q. Can you say anything about Guatemala City?
A. No, (Here the Secretary went off the record) *
Q. On this Latin American situation, do you favor direct negotiations with these governments for settlement of these dollar defaulted bonds?
A. You are serious, aren't you? Who is that? (John Fisher asked the question)
Q. There seemed to be an inkling of that last week at the President's press conference.
A. That was some inkling. No, we will let that ride for awhile.
Q. Would you state your position on that whole question, Mr. Secretary?
A. No.
Q. Now the President said that the Foreign Bondholders Council wasn't making good progress and on the other hand Herbert Feis and Commissioner Matthews of the SEC both complimented the Council for their good work in their report issued July 7.
A. What have they done?
Q. Well, they settled three or four debt questions there.
A. Did they?
Q. Yes.
A. I didn't know.
Q. I haven't got the report before me but they specified at least a half dozen cases in which some settlement was made on behalf of American bondholders. The Cuban one is the main one they have settled, isn't it?
A. No, there is no money passed. I would like to know. Gene, look it up. I would like to know of any settlement that has been made.
Q. I would like to know.
A. Mr. Secretary, on this whole question of foreign bonds, Brazil pledged itself, that is some qualified pledge, I understand, to the State Department that it would pay its interest—a token payment at least—but it has failed to do so; still the country has found enough foreign exchange to buy gold and pay --.
Q. They paid a million, didn't they?
A. There is some money in escrow in New York.
Q. They didn't pay what they said they were going to pay.
A. Now, you've all been kidding.

Q. No, we are serious.

A. Now I'll be serious.

Q. Oh, yes.

A. I thought he was kidding a little bit.

Q. Could I say it this way: That you are satisfied with the present negotiations? (Here the Secretary went off the record, later changing it to background) **

Q. Are you satisfied with the exchange of the 1% note for the 1 3/8%?

A. $515,000,000 out of $526,000,000? It's wonderful.

Q. I just wanted some comment.

A. It killed me, if you told me I ought to get another $5,000,000.

Q. Is it true, Mr. Secretary, that when the Navy comes in the Coast Guard moves out?

A. On the North Atlantic patrol?

Q. Yes, the weather is pretty bad out there now, isn't it?

A. Who comes in?

Q. When the Navy comes in the Coast Guard goes out.
A. You will have to see my former Public Relations man on that. Mr. Gaston is handling that.

Q. No, Admiral Gaston.

A. You will have to see Admiral Gaston. I refuse to deprive him of that story.

At the end of this conference Mr. Duffield informed the newspaper men that only $100,000,000 worth of bills would be sold the following weekend.
(OFF-THE-RECORD AND BACKGROUND PORTIONS
OF SECRETARY MORGENTHAU’S PRESS CONFER-
ENCE OF OCTOBER 30, 1939)

*  

Q. Can you say anything about Guatemala City?
A. No, but off the record, I would give $5.00
or $10.00 or $25.00 to be able to tell you
who was going.

Q. Keep it at that high figure, will you?
A. I will settle for $25.00, if you will get
me somebody to go.

Q. I can tell you who is not going right now.
This sounds like a director’s fee.
A. That was back in ’29. You get them for
$4.99 now.

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**  

Q. Could I say it this way—that you are
satisfied with the present negotiations?
A. No, for the benefit of Clarence Linz, I will
say off the record.

Q. How about making it for background?
A. Let me go off the record first and see how
it sounds. I hope in the not too distant
future to be part of a group working in the
Administration on a refinancing or
reorganization of a South American country, not only their debt but their whole finances, and I hope that that will be --.

A guinea-pig?

Q.

A.

No, an example of what we can do with other countries. Now we have never done it but we are in that process now and after we have done it that will be an illustration, I believe, of what the Administration has in mind of what can be done for South American countries who not only owe our private citizens money but who wish to borrow. We are not anywhere near that but you fellows who cover the Treasury know I don't talk until I have something to say. I have nothing. When I say it is the future it may be weeks or whatever is necessary, but part of a group working within the Administration and see when we've done this job on this country and we can do it on others. In the meantime there is no use asking me that. I have got nothing to tell you.

Q.

Does that mean, Mr. Secretary, you are dissatisfied with negotiations going on with
Brazil heretofore and you want more direct negotiations?

A. I don't say I am dissatisfied.

Q. The President said he was.

A. They owe us external debts of over a billion dollars; they owe our citizens three or four billion dollars and they don't pay token payments and nobody is going to be satisfied with that—the Brazilians or the one who owns the bonds.

Q. This will not involve a scaling down of American debts?

A. Listen, old man, until the plan is completed and has the approval of the Administration and we have got a nice complete package for you I am going to sit tight. I haven't got that. Nobody has got that, but we hope to have it for you.

Q. Mr. Secretary, can we say this is going on without attributing it to you?

A. Sure.

Q. For background?

A. Yes.

Q. Well, still for background, so that we might understand the thing a little more clearly,
you mention general over-all refinancing which would involve not only over-all debts but other things. Could you indicate the general nature of that financing or the approach to the problem?

A.

No.

Q.

That would be one country that in a sense would be a guinea-pig.

A.

If you don't mind, use it a 'pattern'. I didn't know they had guinea-pigs in South America. Pattern.

Q.

Mr. Secretary, to go back on the record again, would you say that you feel that the government could do a better job now in settling the South American debt question than the bondholders committee?

A.

No, if and when we complete a financing job for a country then I am willing. My aim is to let the public decide whether it is a good job or not.

Q.

Where does the State Department stand? You are working with them?

A.

Oh, yes, I mean we make no bones about it—Mr. Welles, Mr. Jesse Jones and myself are working together.
Q. Would that be part of the agenda for the Intra-
American Conference?
A. I don't know.
Q. Well, your statement is very encouraging to
American bondholders.
A. You can't get me on that, but whatever it is
I am going to be satisfied before I put my
name to it that it is fair.
Q. We can say that?
A. I mean, I won't put my name to it unless I
think it is fair.
Q. Can we say for background, Mr. Secretary,
that you and Mr. Jones and Mr. Welles are
working on this? It is understood that that
is the case?
A. That's all right.
Q. That's public information that there is a
committee working on that?
A. It is an informal group. Yes, it's all right
for background.
Q. There is no doubt that this pattern country
is Brazil.
A. I will answer one question. The answer is
no. But don't guess who it is.
Q. It didn't work out so well.
A. Again, let the public decide. I had nothing to do with it but let the public decide or the bondholders decide.

Q. There is one question. The State Department and Brazilian officials have for the last three or four years worked very hard trying to work out a basis to extend credit.
A. No, what they have done — we may not be able to work it out, but if we do and I am willing to stand for it publicly. We are trying very, very hard to work out one.

Q. Is the word a 'formula' to apply to these countries?
A. That is a good word.

Q. I will buy South American bonds.
A. Well, thanks for the vote of confidence.

Q. He said South American — be more specific.
A. That might be a good idea. Suppose we get out of South American bonds. Maybe that's an idea. We will get out of South American bonds.

Q. The Colombian Minister was at the White House today.
A. All right, are you moderately satisfied?
FOR IMMEDIATE RELEASE
Monday, October 30, 1939
10/30/39

The Secretary of the Treasury, on behalf of the Reconstruction Finance Corporation, is today offering for subscription, at par and accrued interest, through the Federal Reserve banks, $250,000,000, or thereof, of notes of the Reconstruction Finance Corporation, designated 1 percent notes of Series S. The notes will be dated November 19, 1939, and will bear interest from that date at the rate of 1 percent per annum, payable January 1 and July 1 on a semiannual basis. They will mature on July 1, 1942, 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, $5,000, $10,000 and $100,000.

The notes will be fully and unconditionally guaranteed both as to interest and principal by the United States. 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, by any Territory, dependency, or possession thereof, 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; they will not be received at the Reconstruction Finance Corporation. 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 percent of the amount of notes applied for.

The right is reserved to close the books as to any or all subscriptions or classes of subscriptions at any time without notice. Subject to the reservations 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 November 10, 1939, or on later allotment.

The text of the official circular follows:
1 PERCENT NOTES OF SERIES S, DUE JULY 1, 1942

Dated and bearing interest from November 10, 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, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

1939
Department Circular No. 624
Public Debt Service

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, October 31, 1939.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, on behalf of the Reconstruction Finance Corporation, invites subscriptions, at par and accrued interest, from the people of the United States for notes of the Reconstruction Finance Corporation, designated 1 percent notes of Series S. The amount of the offering is $250,000,000, or thereabouts.

II. DESCRIPTION OF NOTES

1. The notes will be dated November 10, 1939, and will bear interest from that date at the rate of 1 percent per annum, payable on a semiannual basis on January 1 and July 1 in each year until the principal amount becomes payable. They will mature July 1, 1942, 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 "Reconstruction Finance Corporation Act") approved January 22, 1932, as amended and supplemented, which provides that the notes shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty...
shall be expressed on the face thereof; and that they shall be exempt both as principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, 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 officers thereof.

3. The authorizing act further provides that in the event the Reconstruction Finance Corporation shall be unable to pay upon demand, when due, the principal of or interest on notes issued by it, the Secretary of the Treasury shall pay the amount thereof, which is authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, and thereupon to the extent of the amounts so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such notes.

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

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit but will be restricted in each case 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 November 10, 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.
RMJr.: The RFC note issue was oversubscribed at least fourteen times and the basis of the allotment will be made public tomorrow.

Q. What was the rate on that note?

A. The rate? 1%.

Q. $250,000,000?

A. Yes. At least fourteen times.

Q. What does that indicate to you, Mr. Secretary?

A. What does that indicate to me? Federal finance is sound, confidence of the public in not only the direct obligations of the government but the guaranteed obligations. Incidentally this is the only offering to the public that any government has made since the 3rd of September.

Q. What do you mean by that?

A. There isn't any other government that has done any financing since the 3rd of September. I mean a public offering where the public has a right to subscribe.

Q. Mr. Secretary, have you reached any decision as to when the Treasury will do any direct cash financing?
No, the picture looks something like this:

From now until the end of the (calendar) year, between now and the end of the year, I will want to raise $500,000,000 cash, and if the market stays as good as it is now I may anticipate the notes which fall due in March—a billion 370-odd million. There is $1,370,000,000 of March notes and I may anticipate those between now and the end of the year.

Q. This $500,000,000 cash is in addition to the RFC offering?

A. Yes. The only other financing that I would have any part with is TVA, due to the sale of their properties.

Q. Tennessee Electric?

A. Yes.

Q. Rather the other way around—they purchased.

A. Yes.

Q. $75,000,000?

A. No, $60,000,000.

Q. That would be new money?

A. That would be new money.

Q. Is that sixty million the amount they propose to borrow?
A. Well, it would be somewhere between $50,000,000 and $60,000,000. They owe the Treasury and we would offer their own obligations.

Q. What was the name of the company they bought from?
A. Commonwealth and Southern, but that gives you the whole picture, from now until the end of the year.

Q. Of course, these would be in the form of notes, rather than long-term bonds.
A. I don't know, it is a TVA obligation.

Q. Do you know offhand what the debt of the TVA is?
A. They have no outstanding issue other than to the Treasury.

Q. That would be a fully-guaranteed obligation?
A. Gene would have to look up what the trimmings are; I don't know. But I am trying to answer the question. (Fully-guaranteed as to principal and interest)

Q. Would you say something on this point, Mr. Secretary? I saw in the New York press a rather faint criticism of the fact that you have been undertaking too much financing in so short a period.
A. With all due respect, I think the answer is the fourteen times. I mean the actual figure (that
will be cut down when they go through it) is
$3,643,000,000 have been turned in so let the
New York press take a look at that.

Q. That is the amount of the subscription that is in?
A. Yes, but some of them will be thrown out, but
I think that is the answer. Wouldn't you say
so, off the record?

Q. Yes, I would, for the record, too, Mr. Secretary.
A. No, if the thing had flopped their criticism
would have been correct.

Q. Well, quite frankly, I saw it in the Herald-
Tribune. (Gregory)
A. I am surprised!

Q. I read the gossips from Wall Street.
A. Well, they have to earn a living, too.

Q. Anything new on this international situation?
What has happened to the blocked sterling and all
that thing we were talking about some time ago
at the outbreak of the war?

A. There is nothing new. I can talk about. If
things stay quiet like this why the middle of
next week I may go away for a week or so.

Q. Sea Island?
A. No, I am thinking of going somewhere out in the
Middle West.
Q. Give us your address.
A. All right.

Q. Mr. Secretary, I was reading over the State Department agenda on the Intra-American economic conference and one of the subjects they were going to discuss on November 15 would be the question of using silver as a monetary base and I was wondering if you could say something involving that subject.
A. No. Coming back, I don't know whether this is the Tribune but (this is for background) one of the New York press yesterday ran this story: That I asked Mayor LaGuardia to put on a police detail. Well, I didn't, and it happened to be another man by the same name, but it wasn't me.

Q. Another Morgenthau? Related to you any way?
A. I didn't ask Mayor LaGuardia.
Q. Father?
A. Oh, that was a nice little robbery of my sister's but they keep putting it on the radio that I asked Mayor LaGuardia.

Q. That story broke in New York.
A. That was a New York story, I think, in the Tribune.
Q. I saw an AP story.
Please, Mr. Perlmeter.
I will take all the responsibility for financial stuff but the robbery—I just don't know anything about that. (Gregory)

A. All right. What else? I saw Colombian bonds were up. I didn't have time to get in, did you?

Q. No, as a matter of fact I bought them at six and sold them at eleven two years ago. (Gregory)
Mr. Secretary, is Mr. Hanes going to remain here?
Obviously, he can't get down to Guatemala now unless he flies, so it can be pretty well assumed he is not going.

A. You fellows know the story, but it should come from the State Department. You've got the facts, haven't you?

Q. No, I haven't. Is Harry White going?

A. The State Department will have to say it right now, as to who does or doesn't go. The State Department will have to say it.

Q. The State Department is determined to let the conference go on.

A. They will have to do the talking.

Q. Mr. Secretary, are you still in favor of going ahead with the tax program?
A. Oh, gosh, I haven't even taken a look at it!
Haven't even talked about it.

Q. One more question on the South American business,
Mr. Secretary. In that agenda they list one of
the proposals, the formation of an Inter-American
Banking institution, which I suppose is somewhat
along the lines of the Bank for International
Settlements in Europe. What is behind all that?

A. I just can't talk ad lib on this stuff. You fellows
will have to be a little patient. If and when
there is something I will talk then.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, NOVEMBER 9, 1939:

H.M. Jr.: At your service, gentlemen; I've got one foot in a plane.

Q. Speaking of experts, Mr. Secretary, do you mind telling us who your visitors were? They look mysterious.

A. Nothing mysterious. It's Washington's Self-Help Cooperative, of which I happen to be honorary chairman—I take a great interest.

Q. Where is this airplane going to take you?

A. A place called Arizona.

Q. How long do you expect to be away?

A. A week or ten days.

Q. A little ranching?

A. I think so.

Q. Have you made any arrangements for us—we might want to find you. You are not going to mine any gold out there?

A. When I go mining I go out to Fort Knox to make it sure.

Q. Is this a family affair?

A. Just Mrs. and myself. Why take a chance (on gold mining).

Q. How about the bills from now on?
A. Oh, I think just a week or so that I am gone they will run a hundred million a week.

Q. Then there will be no extra financing while you are gone?

A. No, everything will be status quo. In fact, I think there will be quite a lot of golf in the Treasury.

Q. Mr. Secretary, how about the size of the public debt next session of Congress? Will you have to ask for five, ten or fifteen billion?

A. It depends upon Congress. I am just paymaster, that's all. They pass the laws, appropriate the money, and I pay the bills and raise the money to pay them, that's all.

Q. You need that now, don't you, more than you did?

A. Well, every day, I mean, we get that much closer but I figure that's Congress' worry, not mine. I only pay as long as I've got the legal authority to do so. I mean, that is their worry, not mine.

Q. Well, it looks like you are hitting your limit pretty soon.

A. I am not worrying about it. I mean, after all, they make the laws, they vote the money, appropriations, and I am just here, as I say, as paymaster, as they say in the Navy.
Q. Well, will you recommend any amount?
A. No, I never do.
Q. The bill is before Congress now, isn't it, for that extra change?
A. I am not sure.
Q. Mr. Secretary, in the hearings about a year ago didn't you recommend an additional five billion? I think you said we will need five billion or something like that.
A. It is just a matter of arithmetic. Anybody can figure it out. There are so many appropriations and the deficit is so much and when the President's budget message goes up in January you get a chance to figure it out again.
Q. You think he (the President) may ask for it.
A. I don't think so. It is purely a matter up to Congress.
Q. Well, it may be kind of desperate, though.
Mr. Secretary, you are willing to say, aren't you, that if the appropriations that they vote make it necessary to increase the debt above forty-five billion you hope they will also increase the limit?
A. Well, I hope they keep the thing regular and legal.
Q. Do you mean by that that of necessity if you get to the point where you have to go over the present
A. Oh, no, no.

Q. You said it was just a matter for Congress.

A. Sure, I am not going to draw checks one penny over the regular authority I've got.

Q. Well, you might be put in a position where you had to draw money.

A. Oh, no, no, no, definitely not, and Congress isn't going to put me in that position. I am not worrying about this.

Q. Mr. Secretary, do you have any idea of when the limit might be reached at the present rate of spending?

A. I really don't. I know we are all right until Congress meets again and this is not one of the things that I am worrying about.

Q. Mr. Secretary, what are some of the things?

A. Well, what kind of weather we are going to have tonight. I am hoping for a cool, clear, still night.

Q. It looks good. Stay out of beer halls.

A. Are you leaving late today or during the day?

Q. I am leaving some time this afternoon.

A. Coast Guard plane, your own?
A. It is American Airways I am going on. That is, I am going part way, in the interest of always trying to—we are going as far as Nashville on the Coast Guard then I am going American Airways.

Q. How do you feel about the prospects for increased revenue? Do you think things look better, brighter, or not?

A. That's why you are here, huh?

Q. Well, I always like to get something cheerful, you know.

A. Am I not cheerful today?

Q. Well, some remarks.

A. Well, I guess you fellows will just have to wait from now, as far as I am concerned, until the President's budget message as to estimates and all that sort of thing.

Q. In the absence of the Herald-Tribune — --

A. Is this fair? Who is here for the Herald-Tribune?

Q. UP.

A. Should I phone Gregory?

Q. I was just curious how the foreign exchange situation was getting along.

A. Well, I don't want to embarrass the Tribune so I won't answer the question.

Q. That is a good reason.
A. It is as good as I can think of.

Q. How about the Latin American debt situation, Mr. Secretary? Anything new on that?

A. No, we are working on it.

Q. No final decision reached by the committee?

A. No.

Q. Your departure might indicate that things more or less have reached a - -.

A. It has no significance. The Treasury goes on just the same. Mr. Hanes will be Acting Secretary. Has the State Department announced the mission that is going down to South America?

Q. Yes.

A. Good! Have you seen Ambassador Gaston?

Q. Admiral Gaston has become Ambassador.

A. That's right. You are just full of news. What else?

Q. Mr. Secretary, about a year ago you expressed considerable interest in small loans for businessmen. They've got a new bill, as you know, Senator Mead has put in vital measures Chairman Eccles talked about at the last session of Congress. I understand they are asking the Treasury for a report on it. My point is are you still interested in the problem as you were back there? Still feel there is necessity for it?
A. Well, I haven't read the bill so I don't know what the bill is. I am still interested, and I always will be, in seeing that a man of limited resources can get a loan at a reasonable rate.

Q. A limited loan at a reasonable rate?

A. Limited resources can get a loan at a reasonable rate of interest. But I think it is something that we will always have with us and always have to keep after, and I am still from Missouri—that the man can get this loan when he is entitled to it, from the experiences in the letters we have received.

Q. This particular bill has a top limit for any one individual—a million dollars, which is hardly a small business.

A. Well, I don't call this small business. I have always felt if they are going to do something on this thing the top limit should be $25,000. I think when you get up above that it is an entirely different problem.

Q. Well, I understand Mr. Jones said yesterday or the day before that there had been very little demand for business loans and that they had recently established branch offices.

A. I was talking yesterday with three bankers from different sections of the country—from Boston, Atlanta and St. Louis, and they tell me in their banks they have
a tremendous increase in requests for one, two and three thousand dollar and five thousand dollar loans and that they are able to take care of it.

Q. Don't you think that is the answer—that the banks are loosening up a little bit?

A. Possibly, but these men say it is a big business for one, two, three or five thousand dollars and that they are, wherever possible, taking care of them. That doesn't take care of the fellow that has an order and wants to add to his plant and wants a loan of from five to ten years. That is the great trouble because he can't add to a plant and write it off and pay it back in five years unless he makes exorbitant profits. It is a very difficult thing. I listened to these fellows yesterday for an hour and when they got through I said 'I am still from Missouri about the man who needs to improve his plant and wants ten years to pay it back.' In many cases they ought to have twenty years but the banks are making a lot more small loans. That may, as you say, account for the RFC, but I still say I haven't read the bill and I don't know what's in that bill.

Q. Mr. Secretary, when you say you are from Missouri on this proposition, you mean you want to see a plan that would handle it?
A. Some people say there is no need for it. I am not convinced that there is not a need for it. People come in and say there is no need for it. We have all the facilities to give a man say up to $25,000 for five or ten years. I am not convinced that there are the facilities to get that at a reasonable rate of interest.

Q. Have we forgotten anything, Mr. Secretary?

A. How is your Customs Service working on this enforcement of the neutrality law?

Q. After all, the Congress gave that authority to the State Department and we are here to carry out the orders when we get them from the State Department. We get them from the State Department and this question of giving them certificates of sale is a question of the State Department.

A. It has kind of relieved you of a lot of the work. The question of arms shipments, etc.

Q. Oh, yes, but there are plenty of legal entanglements right now which haven't been straightened out and we are awaiting word with a lot of ships tied up in the harbors and we don't know what to do; just as soon as we are advised what the procedure will be, in the meantime a lot of ships are tied up.
Q. Mr. Secretary, in spite of your very compelling letter to Senator Vandenberg a lot of people insist the gold problem is becoming increasingly acute. What do you think about that?
A. Oh, on such a nice day, don't spoil it.
Q. A nice shiny day—very suggestive of gold.
A. I gave you an idea where you could get it (Fort Knox). Brazil, I see by the papers, bought $2,000,000 worth of gold and it is still in demand.
Q. How is Colombia coming along?
A. Still in the study-stage.
Q. Mr. Secretary, are the Coast Guard ships on patrol under the Navy now or the Treasury?
A. You will have to see Admiral Gaston.
Q. I saw Admiral Gaston on that and he said 'ask the Navy.'
A. That was a good beat.
Q. Triple pass.
A. Okay, did we make it?
Q. 'Fraid so.
All I asked was whether that was part of his diplomatic training?
A. He and I are both learning things; can you gentlemen?
Q. Mr. Secretary, on that gold thing—.
A. Gosh!

Q. Isn't it true now that the criticism folks make about not using this Treasury gold and that it should be used for certain kinds of loans to South America, isn't it true you are in favor of using it for certain South American countries?
A. Oh, sure. I said that for two or three years. I am one of the original South American Self-Help boys.

Q. You mean help-yourself boys?
A. No, I said self-help.

Q. Thank you, Mr. Secretary.
H.M. Jr.: Everything quiet?
Q. I don't know.
A. It has been very quiet where I have been.
(Arizona)
Q. We gathered that you would be open to charges of lack of patriotism pretty soon for going over to see a Mexican bullfight when you could have attended a little bull-slinging contest around here.
A. I see. Well, I didn't buy any Mexican money, anyhow.
Q. Mr. Secretary, Dr. Feis, of the State Department, Mr. Cochran and Mr. Hanes— I don't know whether you were in on the conference or not—not today and we just wondered what it was about.
A. Well, it was in connection with a message from Ambassador Gaston.
Q. For instructions?
A. That is right.
Q. What were the instructions?
A. Huh?
Q. I asked what were the instructions?
A. I can't hear.
Q. What was the request?
A. Well, it was just asking for instructions. We gave them to him.

Q. When are they having their concluding session, Mr. Secretary?
A. I don't know.

Q. You don't mean to say the Ambassador's pockets were picked.
A. I don't think so. What else, gentlemen?

Q. Attorney General Murphy said last week that there had been conferences with the SEC and Treasury on a Transamerica case and later Lane, the general counsel, denied that there had been any. Could you confirm whether the Treasury had been in any conferences on this subject?
A. I don't care to comment; thank you just the same.

Q. Mr. Eccles seems to think we need more taxes; Mr. Hanes thinks we don't; which side are you on?
A. Well, I think we will pursue the same policy we have pursued for the last six years, in which I know Mr. Hanes concurs, that the Treasury will not make any recommendations to Congress. We never have and
I don't think we will start it now and I know Mr. Hanes feels the same way.

Q. That doesn't mean the Treasury won't have some ideas on the subject.

A. No, but we have never made any formal recommendations.

Q. Well, you present the facts so compulsively.

A. That is a powerful word.

Q. But you have made statements from time to time as to what should be done and I wondered if you had any comment today as to —.

A. No, if we go through the same—if Congressman Doughton or Senator Harrison should see fit to invite me on the Hill—I have always confined my tax statements before the committees. I don't think I have ever made any from this desk and I don't intend to.

Q. You made a speech one time, I think.

A. No. Well, one speech in six years is a pretty good record, too.

Q. Mr. Secretary when you said the Treasury doesn't make any tax recommendations, you are speaking of it in the formal sense of the word, aren't you?

A. Yes.
Q. That is, actually, the Treasury has had and I suppose does have some ideas about taxes in one way or the other. Congress seems to learn about them—I don't mean that facetiously, Mr. Secretary. It is also the Treasury's responsibility to advise Congress on such things, isn't it?

A. No, we make available the information they ask us for and have done that for the last six years.

Q. In other words, if they say are you in favor of a certain tax, you say yes or no.

A. Or if they want to know the other way around: What will this tax produce in revenue and what is this loophole, etc., and so on.

Q. Sometimes the gentleman across the street talks for you.

A. That's his privilege. I'm only the hired man.

Q. I mean, going back to the undistributed profits tax, that sure wasn't born in Congress; that was brought in.

A. Well, and so what?

Q. I mean, if I was to tell my readers the Treasury has not for six years made any
tax recommendations to Congress they would call me a damned liar—excuse me.

A. Well, I don't think they would have any right to and you could go through the record.

Q. They would say I was quibbling; in other words, that you haven't sent a piece of paper in saying I recommend such and such.

A. You go through the record and you will find that the Treasury has never made a definite recommendation on taxes to Congress and I will lend you a clerk to go through my records; that's fair enough.

Q. Does that mean that the Treasury for six years has not had a tax program prepared?

A. That is right, and has not got one now.

Q. But don't you have any personal views on the matter of taxes at this time at all?

A. No, I have not, and I may say that no tax program has been brought to me by anybody in the Treasury this Fall; nobody in the Treasury has brought me any tax program in the Treasury this Fall, beginning with Mr. Hanes and going on down the line. There is no tax program before me and I will go a step further—I have brought no tax program to the attention of the President
or any Member of Congress.

Q. Did Mr. Eccles discuss his tax program with you?

A. You will have to ask him that; he's out in Salt Lake; that's easy.

Q. Then, I take it, Mr. Secretary, that you regard the responsibility of the Treasury in regard to taxes only as a fact-finding body.

A. I have always so regarded it and I have been scrupulously careful to live up to that and will continue to do so for the next year.

Q. Didn't Mr. Oliphant have a hand in writing the undistributed profits tax?

A. I am not going to go into that discussion.

Q. We can tell him to go ask Mr. Oliphant. Mr. Secretary, you wouldn't also say that the Administration has not made any tax recommendations.

A. Well, my job is big enough for me and I just talk for myself and the Treasury.

Q. You said you didn't take any tax program to the White House; has the President suggested --?
A. You are getting over again.

Q. You volunteered the information.

A. What I am trying to convey to you is that the Treasury at this moment has no tax program; there are no tax recommendations from anybody in the Treasury on my desk, and, therefore, I have been unable to make any recommendation to the President or to anybody on the Hill and nobody in the Treasury has made any recommendations.

Q. So there is no tax program.

A. There is no tax program.

Q. As far as the Administration is concerned.

A. As far as the Treasury is concerned.

Q. Do you expect there would be before Congress meets?

A. I can't answer that question.

Q. Mr. Secretary, have you decided when you will undertake your contemplated cash financing?

A. Well, I certainly will carry out the program that I spoke to you gentlemen about, that I think I said we would have to raise some $500,000,000, didn't I, between now
and the end of the year and if the market continues the way it is I would say it was fairly imminent. That doesn't mean tomorrow. And I think we will wait until after Thanksgiving any way.

Q. Which Thanksgiving?
A. The Thanksgiving.
Q. There was a news report from Rio de Janeiro this morning stating that the Brazilian Government has now decided to go ahead with the establishment of a Central Bank; do you have a communication from them?
A. There might perfectly well be one in the Treasury but the only one I have is this clipping here; I mean, there might perfectly well be one but I haven't got it.

Q. The Times said they would use their own metallic resources.
A. I, frankly, don't know; I haven't been back long enough to be up-to-date on that.

Q. That story also said the President had asked Congress to appropriate $50,000,000, which I believe is incorrect.
A. We never have asked; we were never asked to ask.

Q. But you said you would ask if you were asked to ask.

A. Well, if you ask me—.

Q. Thank you, Mr. Secretary.
H.M. Jr: I hope I didn't spoil anybody's siesta by asking them to come in at 3 o'clock.

Q. Broke up the pitch game, Mr. Secretary.

H.M. Jr: The reason for having it at 3 o'clock as against 4:00 is this. The government bond dealers have sort of decided not to deal after 4 o'clock and my giving this out at 4 when Dow Jones does work, which it didn't do last time, what between their not working and their getting it after 4 o'clock how can they live up to the rules and regulations if we get it to them by 4:30 by other means than Dow Jones.

Q. You are making this offer this afternoon?

A. No, the offering is for tomorrow morning, for immediate release now.

Mr. Bell: The circular will be dated tomorrow for its immediate release.

H.M. Jr: Immediate release.

Q. You said the Government bond market dealers or dealer does not trade after 4 o'clock?

A. Dealers. There is an agreement they should not trade after 4:00 and the Federal of New York said if I would get this stuff to them by 4:00 it would help.
Q. There was a report of no trading at our lunch hour because the buyer was at lunch.

H.M. Jr: You have your countries mixed. They buy governments in this country. They will tomorrow.

Q. The total to be raised is 550 million cash?

H.M. Jr: 550 million, that is right.

Q. That makes them 9-11 years?

H.M. Jr: 9-11 years.

Q. Mr. Secretary, this has not been done very often where the Government has sold an additional amount for Government investment.

H.M. Jr: I don't think we have ever done this before.

Q. Will that represent cash to the Treasury, that extra 50 million?

A. No, let me explain. It must be close to 3 billion dollars worth of trust funds exclusive of — or is it 4 billion.

Bell: Between 3 and 4 billion.

H.M. Jr: Between 3 and 4 billion — must be able to get it closer than a billion.

Bell: I think it is closer to 3½ billion.

H.M. Jr: Over 3½ billion trust funds exclusive of the Stabilization Fund which I have to invest in governments. Well, as you gentlemen know, we issue a lot of these special 2's, you see, postal savings and Federal deposit insurance
and different institutions. Well, now we come along with an issue and I feel that we can invest these trust funds to the extent of 50 million dollars in this special issue.

Q. In preference to going out in the market and buying?

A. That is right.

Q. Is that because of large demand, as for example, the Federal Reserve is letting bills go, they are not replacing?

A. No. After all this cash gives an opportunity to get for these trust funds a Government issue at par and to the extent of 50 million dollars.

Q. Doesn't that give you 50 millions more cash in the working balance?

A. No.

Q. Because you are not going to be paid for cash out of the trust funds?

A. No. The money is there. Let's say it is postal savings. Let's say it is invested now in the special 2's. I cancel the special issue of 2's and give them 50 million of this new issue.

Q. It won't affect the debt either?

A. No, it won't affect the debt, that is right.

Q. You can't say it is 550 million new money, it's 500 million new money.
A. 500 million new money but there will be 550 million of this particular security outstanding.

Q. In other words, you are simply restoring the debt with a new debt as far as the 50 million is concerned.

A. That is right.

Q. And giving the trust accounts ....

A. .... a security running 9-11 years as against the 2 percent note.

Q. Is it correct to assume the fact that you are giving preferential allotment to purchases of $5,000 and an effort on the part of the Treasury to take this out of the speculator's hands into the investment hands?

A. Yes. Can I give you a story off the record. This is to take care of two people. This is off the record. One is a man named Franklin D. Roosevelt who had $25,000 to invest in a church at Hyde Park. Says he can't get it because he never could get an allotment and the other man is John Garner who says he never could get an allotment and they are both kicking. One likes Dutchess County steer and the other Texas County steer.

Q. You are just going to have two preferential allotments?
A. One for the church and one for Texas. The reason is there are a great many people who have $5,000 to invest and who want to keep it. We tried it every other way and they have always found some way to abuse it. We feel that by giving them a registered bond making them tie up their money for 60 days that eliminates the speculator and that gives the person or trust fund or individual or church, whoever it is who has money, to get Governments and get a 100% allotment up to the amount of $5,000.

Q. This is on the record?

A. This is on the record. The Roosevelt-Garner story is off the record.

Q. In other words will that be applied to future issues?

A. We will try it out. Maybe some fellow will find a way to beat the game but Mr. Bell guarantees this has no loopholes.

Q. And this is the first time this has been done.

A. First time. It is known as the "Bell anti-loophole plan."

Q. Can we quote that?

A. Why not.
Bell: Maybe you can find a better name than that.

Q. But these preferential allotments will get 100% allotment.

H.M. Jr: That's right but also 60 days I wanted to use 6 months, they said 60 days because that's the way with public bonds. You buy public bonds and you have to wait 60 days to get your money back.

Q. They can sell these bonds.

A. Not for 60 days.

Q. Anybody can?

A. Anybody can.

Q. Those that don't get it under the preference they get their bonds right away and can sell them right away?

A. That's right.

Q. No free riding on this scheme?

A. Not if the Bell plan works.

Q. You mean, for the reason that they are tied up for 60 days they would not be inclined to do it?

A. You say you want $5,000. We give you a registered bond, but for 60 days you have a commitment with the Treasury.
Q. The speculator would not be likely to want that.
A. We think not.
Q. Suppose I have a $5,000 bond and want to sell it under the open market.
A. You can after 60 days.
Q. Would that go if somebody bought $50 or is it only $5,000 ones? Can't they make an offer of subscriptions for over $5,000 to be delivered immediately without strings?
A. Oh yes, oh yes.
Bell: They have to satisfy if they want to register.
Q. How can you keep track?
A. They are going to apply for a registered bond.
Q. And it will take 60 days to issue it?
A. That's right.
Q. The investor does not lose by the Treasury holding it?
A. Oh no. This is an effort on the part of the Treasury to meet the complaint of the man who wants the Government bond and wants to keep it. Under the past plan he can't get it. Well we have tried every way but they have always found some way to beat the plan and the speculator would put in 60 to 70 names in order to get an added allotment. No way that we can satisfy
the demand of the legitimate investor and not have it abused. We hope it works.

Q. As I recall they could buy 10% and sell the rights before the bonds were issued.

Bell: That's right.

H.M. Jr: But you can't do that any more.

Q. This is the first time you have had any Treasury financing for about a year, any new cash? Can you explain the reason why you are going back to the market this way, besides needing the money?

Q. What occasions this situation?

A. Just need the money or will need it.

Q. When shall we expect the refunding of the March 15th?

A. Couple of weeks, no sooner than a couple of weeks.

Q. Was that discussed today?

A. Yes.

Q. That is the refunding for March?

A. Yes, we won't take up anything else for a couple of weeks.

Q. There is nothing more coming after you have your March 15th out of the way?

A. Only thing is TVA.
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Q. That is the refunding for March?

A. Yes, we won't take up anything else for a couple of weeks.

Q. There is nothing more coming after you have your March 15th out of the way?

A. Only thing is TVA.
Q. Is that the fifty million TVA?
A. 50 to 60 million.
Q. When will that be coming along? Any idea?
A. No I haven't.
Q. Was that discussed?
A. They asked what about that, and I said that after a couple of weeks we would consider the March notes.
Q. And after that the TVA.
A. That's right.
Q. The TVA bonds are marketed by the Government?
A. Yes.
Q. Why couldn't you have sold TVA bonds to these new accounts instead of offering another fifty million. The law does not allow it, does it?
A. You could but the idea is to get them into the hands of the public. I have never looked it up but since I have been here we only buy direct obligations of the Government for trust funds.
Bell: That's the general policy—we have not been in the market.
H.A.Jr: I only buy direct obligations.
Q. Have you announced any date for the March refunding?
H.M.Jr: No, all I am saying is after a couple of weeks we will consider it.

Q. Mr. Secretary, this 2% is 3/4 of percent lower than the last bonds you floated. Can you tell us how you arrived at that?

A. I think — I am not sure — I think it's the longest 2% bond the Government has ever sold. I think I am right on that.

Bell: Yes we had a 2% 9-year December 15, 1936.

H.M.Jr: This is 9-11. The longest 2% bond we have ever sold.


H.M.Jr: Excellent demand.

Q. In other words your rate is still lower than it was December 15, 1936, even after it has gone up.

A. It's a better rate, cheaper money.

Q. Than what?

Bell: December 15th we had two bond issues - two three-quarter 22-27 and the 2% nine year bond and 1-1/8% 5-year note.

Q. This will get you closer to the debt limit.
H.K. Jr: Sure, 5 hundred million closer.

Q. Aren't you worried?

A. No.

Q. What are you going to do about that?

A. Watch and see.

Q. Got them in the switches haven't you, Mr. Secretary, either raise taxes or raise the debt limit.

A. Got to do something if the boys are going to eat and the boys will eat.

Q. Who are the boys, Mr. Secretary?

A. You and me.
Secretary of the Treasury Morgenthau today offered for cash subscription, through the Federal Reserve banks, at par and accrued interest, an issue of 2 percent Treasury Bonds of 1948-50. The amount of the public offering is $500,000,000, or thereabouts, and in addition $50,000,000 of these bonds will be sold to Government investment accounts. For the benefit of small investors, preferential allotment will be given to subscriptions for $5,000 and under where delivery in registered bonds 60 days after the issue date is specified. Subscribers for preferential allotment will be restricted to one subscription.

The bonds now offered will be dated December 6, 1939, and will bear interest from that date at the rate of 2 percent per annum, payable semi-annually on June 15 and December 15, with the first coupon covering a period slightly more than six months. The bonds will mature December 15, 1950, but may be redeemed at the option of the United States on and after December 15, 1948. They will be issued in two forms: bearer bonds, with interest coupons attached, and bonds registered both as to principal and interest; both forms will be issued in denominations of $50, $100, $500, $1,000, $5,000, $10,000 and $100,000.

The bonds will be accorded the same exemptions from taxation as are accorded other issues of Treasury bonds 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. 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 percent of the amount of bonds 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. The basis of allotment will be publicly announced. Payment for any bonds allotted must be made or completed on or before December 8, 1939, or on later allotment.

The text of the official circular follows:
UNITED STATES OF AMERICA

2 PERCENT TREASURY BONDS OF 1948-50

dated and bearing interest from December 8, 1939

Due December 15, 1950

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND
AFTER DECEMBER 15, 1948

Interest payable June 15 and December 15

1939
Department Circular No. 626

PUBLIC DEBT SERVICE

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 28, 1939.

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second
liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for 2 percent
bonds of the United States, designated Treasury Bonds of 1948-50. The amount of
the public offering is $500,000,000, or thereabouts. In addition to the amount
offered for public subscription, $50,000,000, or thereabouts, of these bonds will
be allotted to Government investment accounts.

II. DESCRIPTION OF BONDS

1. The bonds will be dated December 8, 1939, and will bear interest from that
date at the rate of 2 percent per annum, payable on a semi-annual basis on June 15
and December 15 in each year until the principal amount becomes payable, the first
coupon being dated June 15, 1940. They will mature December 15, 1950, but may be
redeemed at the option of the United States on and after December 15, 1948, in whole
or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall
prescribe. In case of partial redemption the bonds to be redeemed will be determined
by such method as may be prescribed by the Secretary of the Treasury. From
the date of redemption designated in any such notice, interest on the bonds called
for redemption shall cease.

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

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

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

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

1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. 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 bonds applied for. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, to make allotments in full upon applications for smaller amounts and to make reduced allotments upon, or to reject, applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest; and his action in any or all of these respects shall be final. Subscriptions for amounts up to and including $5,000 where the subscribers specify that delivery be made in registered bonds 60 days after the issue date will be given preferred allotment. In each such case payment must be made as provided in Section IV of this circular. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.
IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made or completed on or before December 3, 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 bonds applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depositary will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve bank of its district.

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 or 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.
REPORT OF SECRETARY MORIENTHIAU'S
PRESS CONFERENCE
December 4, 1949.

(Present: John L. Sullivan, Assistant to Commissioner of Internal Revenue and Mr. Eugene Duffield.)

H. M. Jr.: This, gentlemen, is the first publicity on the first contract that the Internal Revenue have ever closed under the Vinson-Trammell Act and through the cooperation of the Colt's Fire Arms Manufacturing Company and the War Department. I am very happy to be able to make the terms of this closing agreement public, and from now on any closing agreement that we enter into with any contractor, as part of the agreement we will stipulate that we can make this agreement public. Now, the underlying idea is I feel very strongly that no contractor should be permitted to make one penny more profit than was intended by Congress when they passed the Vinson-Trammell Act.

Q. Is this one of those educational orders?
A. No. This is not. This is a regular order of the War Department and this is the first time since the Vinson-Trammell Act was passed that there has been any closing agreement on the part of Internal Revenue and we are
making it public and from now on all the closing agreements we enter into will be made public.

Q. Does this include an arrangement or concession under the Revenue Act?

Mr. Sullivan: There are some provisions that are applicable under the report filed under the Vinson-Trammell Act and the return filed under the Income Tax Law.

Q. In other words, there is a depreciation allowance made under the Revenue Act so I suppose in this particular case, as in many others, Colt will have to build new equipment or new plants. Is that all?

A. Yes. You see, when the reports are filed under the Vinson-Trammell Act they have to be associated with the income tax returns for the similar period of time and some provisions are available for use on both the report under the Vinson-Trammell Act and the return under the income tax report.

Q. Isn't it generally true that the depreciation factor is the principal subject of the closing agreements?
A. I think that is a fair statement.

C. It is a setting up of depreciation, generally speaking.

A. No, although in this closing agreement the depreciation is taken on equipment which is of no further useful value after the contract is completed and the same type of depreciation would be allowable to private industry for machinery that was purchased for one contract and then abandoned.

C. That's part of the general revenue law, isn't it?

A. Yes.

H. W. Jr.: To make it perfectly clear, we are certainly not going to give advantages to anybody who is making munitions rather than peacetime materials. If it were left to me, I would give the peacetime manufacturer a break over the war manufacturer.

C. To make it clear, how does this work out in general? You said it was a depreciation factor. As I understand it, in some of these wartime contracts a company has to build a plant that is good only for the time it takes to turn out the order. Then it is scrapped.
A. Yes, but he is out of luck as far as we are concerned on that.

This is the only contract that has been entered into by either the Army or the Navy in which the Treasury has entered into a closing agreement.

There is no other contract; this is the only one.

Mr. Sullivan: That's right and there is no plant involved in this case.

Q. It's just the equipment?

A. That's right.

H. H. Jr.: Jigs, dies, fixtures and gauges.

Q. Would you make some comment on the statement by Senator Borah regarding the December 15th payment of Finland of the War Debt. I asked you last week and you said you had no comment. But it's coming from Congressional sources now.

A. I still have no comment.

Q. Is there any study being made of that question?

A. Yes.

Q. Have you had requests aside from Congressional sources?

A. I can't go beyond that.

Q. But there is a study being made of the question.

A. There is a study.

Q. Returning to this, if I may, as to this additional standard machinery discussed on page 2 for which a
depreciation allowance of 10 percent a year is specified, I wonder if we could ask Mr. Sullivan how that 10 percent compares with what they would ordinarily be allowed.

Mr. Sullivan: You understand a closing agreement is entered into by the Bureau on the basis of information that is furnished to us by the contractor, a certain part of which is subsequently certified to by the War Department or the Navy Department. This closing agreement gives to the Colt Company nothing to which they would not have been entitled by operation of law or closing agreement; in other words, if at the end of this particular contract there is no further work for this particular equipment they then would be entitled to everything they are getting under the closing agreement even though they had no closing agreement.

Q.
What is the benefit of the agreement?

A.
The benefit of the agreement to the manufacturer, the contractor, is that in advance and before making his bid to the War Department or the Navy Department he knows that if the facts he represents in his petition for a closing
agreement are true and correct, the tax situation will be the one that is outlined in the closing agreement and in the event of a change in Administration in the Bureau or in the Treasury ...

H. M. Jr.: ... or in the Government ...

Mr. Sullivan: ... or in the Government, that closing agreement is binding upon the succeeding Commissioner and the succeeding Secretary of the Treasury.

H. M. Jr.: May I add one thing? In this case Colt's have to invest considerable money and before they invest in jigs and dies it is perfectly normal that they would like to know where they stand, and it's only in the last year or two that any corporation can come down here and get a closing agreement in advance. That's something which was inaugurated while Mr. Herman Cliphant was alive.

Mr. Secretary, I think it all comes down to the fact that some of us have written stories that we should not have about some policy in the Army or Navy or Treasury, either policy or proposed policy, to encourage manufacturers of certain materials wanted by the Government to invest in plants or equipment or something by
assuring them of a more rapid depreciation allowance than would otherwise be permitted. Is there such a policy, or does this have anything to do with it?

H. M. Jr.: We are as much to blame as anybody and we wanted manufacturers to know that this method was available and therefore, a month or so ago ....

Mr. Duffield: September ....

H. M. Jr.: .... you gave out a statement. Now some people, I think, interpreted that as a bid for a way, possibly, to get around the Vinson-Trammell Act. That was not the intention and on account of that erroneous belief having grown up, we felt that the easiest way to overcome that was simply as each contract is entered into to make it public and everybody can understand it and if there is any criticism it will only be on the one contract and not on any subsequent ones. Because if the criticism is fair, we will naturally listen and I want again to emphasize that the Colt people have shown a fine spirit in this thing and I hope you will give them a little hand on it.

Q. Just to go over it again then the assumption that the availability of these agreements, the assumption that that meant a more liberal depreciation allowance would be granted was erroneous.
A. Correct.

Q. In other words, before and now you are offering them nothing more than you did previously except here you have a procedure where they can tell in advance what it's going to be.

A. A great many of these contracts entail considerable investment on the part of the manufacturer and it is only fair to him that he should know in advance what the attitude of his Government is going to be towards depreciation and we simply say to Mr. Colt or Mr. Smith, if you are going to enter into a contract involving the outlay of equipment, if you will come in, we will sit down with you and tell you just what we will or won't do.' Now in the case of a munitions contract we ask either the Army or the Navy to certify to us what, in their opinion, the depreciation will be. We don't rely just on our own judgment.

Q. In other words, all the stories of tax concessions to war-order manufacturers are out?

A. Completely. If it rested with me as to whether a fellow would get a break because he had a munitions contract I am afraid he would fare rather badly.
Q. Mr. Secretary, is the Colt Company's contract with the War Department one that has been closed already?

A. This contract is signed, sealed and delivered, finished, and I had the officers of the Colt Company come down today and asked their permission to do this because I don't think it was fair to them—without their permission—and they cheerfully gave their permission.

Q. How about the contract with the War Department?

A. That’s finished; the War Department gave their permission to do this publicity.

Q. Could you give us any indication as to the amount of the contract or the amount of the investment Colt will have to make?

A. No, that is their business.

Q. To emphasize the importance of what little concession you are giving them here, if you didn’t tell them in advance what the depreciation would be then after the contract was fulfilled the burden would be on them to come in and prove — .

Mr. Sullivan: That is right and if there were a succeeding commissioner or Secretary of the Treasury they might be obliged to go under litigation to establish that right.
H. M. Jr.: And the normal thing would be for the manufacturer to hesitate to enter into a contract where he is manufacturing a new line.

Q. But could any manufacturer just—say he gets a private contract involving new investment—is this procedure also open to him to come down here and enter a closing agreement?

A. Yes.

Q. This is just the same—any manufacturer who—no matter who—? In other words, if Colt had a contract with some private company there wouldn't be a closing agreement?

A. Supposing Colt decided to go into the business of manufacturing electric razors and he never made them but it did cost him several hundred thousand dollars to put in new machinery and let's say he had a contract with a mail order house to sell five, ten or fifty thousand of these razors. Now before he wanted to put in several hundred thousand dollars worth of machinery, although he had the order in sight he would come down and say now I have got a chance to make an electric razor; I have never made them before. I want to make this investment in jigs and dies. What can I be expected to write off?
Mr. Sullivan: It is based on their representation of what they expect—in other words, if they represented to us that the equipment was only to last three years and if at the end of three years we say they were wrong and we have acted on their representation solely, we could then void the closing agreement.

Q. It seems to me there might be some little difference in an order of that kind where the business might become very successful and go on indefinitely and in a war order which is definitely of a limited character, unless it is to be assumed that we are going on always buying arms from Colt.

Mr. Duffield: There is a difference—that there is a profit limits act involved in these things.

Q. What is that?

Mr. Sullivan: On this particular order it is twelve percent—ten percent on boats and twelve percent on army and navy equipment.

H. M. Jr.: This doesn't mean we pass an okay on every contract because last week we turned down a big one; we just couldn't go along.
Q. Under that '38 law you can have closing agreements on other than depreciation allowances, can't you?

Mr. Sullivan: Yes, yes. Many phases of tax liability may properly be made the subject of a closing agreement.

Q. Is that '38 this past — ?

Mr. Sullivan: Yes.

Q. Mr. Secretary, can you tell us what this contract covers?

Mr. Sullivan: No.

H. M. Jr.: No.

Q. Is that different? I know the Procurement Division and others make public, every now and then, make public contracts for airplanes and plane parts, etc. I realize the Treasury is backing into this in a different way.

H. M. Jr.: This is a contract between the War Department and Colt.

Q. Is it a war secret so we can't learn?

A. I wouldn't want to say anything other than it is War Department's business.

Q. I might have misunderstood you, I thought you said ten percent on boats, or did you say bolts?

Mr. Sullivan: The question was asked what percentage of profit was it on Vinson-Trammell?
Q. Ten percent on what?
You said it was twelve percent in this case.
Colts doesn't build airplanes, or could it be — ?

H. M. Jr.: What shall we do? Play twenty questions?
He's had three.

Q. When the War Department, or Navy Department as the case may be, makes their estimate as to what the depreciation allowance may be — ?

Mr. Sullivan: They certify the necessity of additional facilities and the degree of depreciation they expect will occur under the life of the contract.

Q. And that is based under the company's estimates?

Mr. Sullivan: No, when representations are made to us by the company and we base our closing agreement on the representations made to us by the company provided they are in line with the certification by the Navy Department.

Q. If they don't run along, do you take the Navy Department's figures?

Mr. Sullivan: We have never had to.
Q. This raises a question, it seems to me there was something that the War Department was going to be kindly disposed to munitions manufacturers. Adding that up, wouldn't it mean that the War Department would certify to an extremely short life for equipment of this kind, giving a considerable concession in that respect?

H. M. Jr.: I think the answer is if we felt the certification of the Army or Navy was unreasonable we wouldn't accept it.

Q. What I am trying to get at is you want the impression to get out very definitely that there is nothing being given in this closing agreement that would not be given in an ordinary peace-time contract.

A. Definitely, or anybody else. There is nothing—I am trying to use the words get over—there is nothing in any of these contracts that can't stand the light of publicity.

Q. Although that factor would indicate the War Department might be disposed to speed up depreciation?
A. The final responsibility is the Treasury's
and we have to be satisfied whatever the War
Department or Navy certify is reasonable and
comes within the spirit of the intent of
Congress. If it doesn't come within the intent
of Congress we wouldn't accept it and, as I
said, last week we turned down a big contract
which had been certified.

Q. Was it DuPonts? There were some stories about
DuPont. War Department, Mr. Secretary?

A. I am not going to say.

Q. Can you say, Mr. Secretary, for what period
this contract runs?

A. I don't know, but I just answered the question
that we don't take everything they give us; we
turned one down.

Q. Which had been certified by the War Department?

A. Which had been certified by one of the two
departments.

Q. Mr. Secretary, was this a proposed closing agree-
ment that you turned down? You said you turned
down a contract.
A. This was a certification which one of the two departments made to us.

Q. Of similar nature to this?

A. Along the same lines.

Q. For a closing agreement?

A. For a closing agreement and we were not satisfied and we turned it down.

Q. Mr. Secretary, can I return to ask some peacetime questions now?

A. Yes.

Q. Has Mr. Crowley notified you that he is going to resign from the FDIC?

A. I go off the record and Gene can tell me—Mr. Crowley wrote me a very nice letter in which he said before he did anything he would like to talk to me about it. Is that on the record or off the record?

Mr. Duffield: Since he doesn't owe any responsibility to you —

Q. He's over at the White House now.

H. W. Jr.: And he was over here Saturday, so I don't know whether that is important or not, is it?

Mr. Duffield: It isn't important because, after all, he doesn't have to resign to you.
H. M. Jr.: I had a very nice letter from Mr. Crowley about his proposed new work.

Q. In the event he does resign and the President doesn't immediately name his successor, Mr. Delano would be the official head over there.

A. That's what the paper said; I don't know.

Q. Wilcox or somebody looked it up in the law.

A. It must be so.

Q. Our legal department.

A. Gene will look it up.

Q. Getting back to this contract, do you know whether Colt manufactures machine guns or not?

(Laughter)

A. All right; what else?

Q. Water pistols.

Q. Thank you, Mr. Secretary.
H.W.Jr.: I have asked the Executive Committee of
the Open Market Committee to meet with
me at eleven o'clock on Monday to consider
the possibility of refunding the notes which
fall due on the 15th of March, 1-5/8%.

Q.
Does that also include, Mr. Secretary, the
TVA notes?

A.
Not at this time, no; not at this time.

Q.
You will not consider that at this time?

A.
No.

Q.
Those are bonds, aren't they?

A.
They are notes.

Q.
The TVA?

A.
No, no, the maturities falling due. No, we
won't do anything on TVA at this time.

Q.
TVA was what? It was also maturing bonds?

A.
No, they owe us some money and we can sell
securities—what kind of securities they
will be we don't know yet, but I doubt if we
will get to that this year.

Q.
It's about sixty million?

A.
We keep saying fifty to sixty. That's all
the news I've got.
Q. Anything on the Finnish debt, Mr. Secretary?
A. Nothing but what the President told you.
Q. Mr. Secretary, are you in favor of a special national defense tax to pay for the added expense of the national defense?
A. I am not ready to express my views on that yet.
Q. In connection with the Finnish matter again, Mr. Secretary, Mr. Jones said yesterday after talking with the President that you would canvass; I believe he said, government establishments to see what, if any, further aid could be extended to Finland. Could you tell us anything about that?
A. The President?
Q. Mr. Jones.
A. Oh, I talked to him about it over a month ago when Mr. Procope came in to see me about it. It must be at least a month ago that we discussed the matter.
Q. That, of course, was on a different status; situations change so much that possibly those conversations --
A. No, but I imagine—I wouldn't say the status had changed any, no.
Q. No?
A. No, quite the contrary. It would be the same status as we discussed a month ago.

Q. Procope came to see you and you talked to Jones.

A. I talked to Jones and asked him to go and see Jones and arranged for him to see Jones.

Q. That was when the Minister came to see you regarding some funds from RFC or any other kind?

A. Well, we have been talking about the thing for some time and about his wanting to borrow money through the Export-Import Bank—on which the Treasury has a director—Mr. Cotton is the director—and we discussed the matter with him and he gave me a list of the various things they wanted to buy and I think the Export-Import Bank had this matter under consideration for at least a month.

Q. I understood the President to say that was out, the war was on, etc. I gathered that impression.

A. Did he?

Q. Didn't he say that?

A. I didn't understand that.
A. Did he? He’s the President.
Q. I may be wrong.
A. I would be surprised if you are correct.
Q. That is interesting.
A. I would be surprised if you were correct.
I think you will find it is just the opposite.
Q. Mr. Secretary, when Mr. Procope showed you this list that you mentioned, can you give us any idea of how much was involved?
A. No, anything like that would have to come from him. Off the record, you friends of the Fianna, I am trying to lay this down—that this proposal was given a month ago, that this proposal is at least a month old—I didn’t think I would have to underline it.
Q. Mr. Secretary, I understand in connection with the Finnish war debt that the Treasury and the White House can give them permission to skip payments for two years without calling it a default—I think that is in the agree-


A. That I don't know; I am advised that after they present payment --.

Q. You can turn it down?

A. I am advised that legally I have to accept it, if they offer payment, and, as far as I know, they are going to offer payment.

Q. I understand, that they can omit, with the permission of this government, omit payments of principal and interest for two years and not be called defaulters; that is in the agreement, I understand.

A. I don't know but you can ask Danny Bell—he follows those things. You may be right, but, as far as I know, unless they have changed their program they are going to offer us their check and in carrying out the wishes of the President we will put it in a suspense account and hold it there pending his asking Congress for authority to return it.

Q. In the meantime can they use that as credit?

A. No.

Q. They can not until you get Congressional authorization?
A. No, they can not, but as to this two-year contract you may be right.

Q. A man in our office pointed that out to me, looking up the Finnish contract.

A. Well, it would be an interesting point.

Q. I read it.

A. Did it say that?

Q. Yes.

A. I didn't know that.

Q. I was surprised to learn that.

A. As far as I know, he expects to go through with it.

Q. And as far as I know, it's the only such agreement.

A. I see.

Q. Mr. Secretary, do you think that the British Government is trespassing on your authority to grant clearance to ships by insisting on this navicert system?

A. That is a matter of foreign affairs—State Department.

Q. Customs is one of your children.
A. Well, we just carry out the orders, that is all; we just carry out orders. I keep out of that one.

Q. Carry out regulations?

A. Carry out regulations, yes, and the regulations, as I understand it, do not include navicerts.

Q. So legally you are against 'em.

A. No, but I think I am all right that that is something between the British Government and our private citizens.

Q. The law says that you have something to do in connection with that, doesn't it?

A. I don't think so.

Q. My impression is that you are supposed to crack down on any of our private citizens who recognize the British right --.

A. No, the only thing which I am supposed to crack down on (we never do) would be to politely draw the attention of any shippers going to a neutral port who refused to receive American goods a shipper wanted to ship, irrespective of whether he had a navicert.

Q. I may be wrong; my impression is they are not only supposed to inform him but to refuse clearance to him.
A. I think you are wrong. I think the law is a ship sailing for a neutral port has to accept any goods which are included under our neutrality bill and if the ship doesn't accept these goods because they don't have a navicert then it is up to us.

Q. That's what I meant. In other words, if a ship line insists on corges with navicerts then it is your duty to crack down and say the ship can't sail.

A. If we get a complaint from a shipper who wants to put some goods on the boat then it is our responsibility.

Q. All very politely?

A. I hope so. Am I right?

Duffield: Yes.

H.H. Jr.: I think so. I am not a good deep-sea lawyer but I think I am correct on this.

Q. Mr. Secretary, has such a situation arisen?

A. It hasn't, except in the mind of this gentleman. Gene, you had better check up on me—I am going out on the deep end. I think I am all right but you had better check what I said with Huntington Cairns. I think I am right.
Q. Are you going to announce these 77-B agreements with South America? Have the plans been drawn up?

A. The bonds keep going up.

Q. I realize that but I thought you might announce shortly.

A. He's got the funniest terminology. One talks about here's the question our private citizens are discussing with the Government of Great Britain and you people call it 77-B and cracking down. What did you have for breakfast?

Q. I had oatmeal.

A. Will you announce one of those plans shortly?

Q. What plans?

A. Well, you know.

Q. Oh, one of those 'you-know-plans.'

A. To put it another way, how is the Colombian scheme coming along?

A. According to Mr. Wanders of the New York Tribune, not so good.

Q. You don't believe everything Mr. Wanders writes!
A. I believe everything you write! (Gregory)

Q. I will send him the transcript. Can you say anything about that at all, Mr. Secretary?

A. It is getting along very nicely.

Q. Mr. Wanders or no?

A. Mr. Wanders or no, getting along very nicely.

Q. Do you look for any early action?

A. Oh, I don't like these time factors; I mean, it makes me nervous.

Q. That is a two-fold proposition, fixing up the old debt and providing for new credits.

A. I have never said.

Q. I think we will have breakfast. Thank you, Mr. Secretary.
REPORT OF SECRETARY MORGENTHAU'S PRESS CONFERENCE, DECEMBER 11, 1939:

H.M.Jr.: This is for tomorrow morning.

Q. This is for refunding?

A. Yes, the March.

Q. $1,276,000,000?

A. That's right.

Q. And in addition to that another $100,000,000. They can have their choice of a bond or note?

A. They can have their choice of a bond or note.

Q. Mr. Secretary, why have the investment accounts the choice of taking it up in the next three months?

A. Well, as far as we know, there will be money coming to these various trust funds and in order that we don't have to go in the market and compete with people who want to invest in government bonds, we thought we would have this amount available for the government trust accounts.

Q. In other words, Mr. Secretary, supposing there was a full subscription of a billion, three seventy-eight, then you would give yourself the option of issuing an additional hundred million?

A. That's right.

Q. That is new money?
A. Not necessarily.

Q. Or will that replace retiring maturities?

A. The last time I got myself in a jam with Danny Bell because I told you gentlemen we cancelled dollar for dollar those two per cent notes. Well, we had some teachers' fund, I guess, but we were as good as Ivory Soap anyway.

Q. Is that for the record, Mr. Secretary?

A. You can use your good judgment. And so this time it may cancel Postal Savings 2%, it may cancel FDIC 2% special issues, or it may be used for some of these special funds—Government Life or these different funds that we have, which have money to invest. So the answer to your question is there may be an increase in the public debt as a result of it.

Q. That is the $100,000,000 may increase the public debt?

A. It might.

Bell: Part of it.

H.M. Jr.: Part of it, not all. You might add three-quarters of it for Postal Savings, or we might use all of it for Postal Savings and FDIC, but on the other hand the Home Owners Loan might, or the different agencies might, have money to invest.
Q. Mr. Secretary, you are definitely planning on the release of this $100,000,000. The release said 'may.'

A. No, it may take 90 days or 3 months—we don't know. We will only sell them to a government agency.

Q. The reference to 99% was what? That fifty million last time?

A. Yes, some account, teachers fund, or some special small account that we gave a few of those to.

Bell: About $300,000.

H.M.Jr.: $300,000 out of $50,000,000—what's $300,000 out of $50,000,000?

Q. That is better than Ivory Soap.

A. Postal Savings and FDIC, but Bell cried so I just couldn't stop his tears without wiping the $300,000.

Q. Mr. Secretary, has this policy in the past, the practice of allocating money for investment accounts, been used?

A. There was another incident, wasn't there, years ago?

Bell: I think this is a precedent in just that way--

100% allotment.
H.M. Jr.: Yes, this is the Morgenthau plan; the last one was the Bell plan.

Q. This is a precedent?

Bell: The $100,000 was a precedent.

Q. What did you do in the past when you wanted to provide investment funds for the accounts? Go out in the open market?

A. Let's say FDIC had $10 million. We would only let them have $10 million and if there was a 10% allotment they would only get the 10% allotment. We treat them just the way we treat anybody else; the result was they always had money to invest and at times when there was a strong market it was very difficult to invest.

Q. That's the reason I asked you whether it was for market conditions.

A. Yes.

Q. This means you won't have to go in the market.

A. We won't have to compete with the public.

Q. It will also save the agencies some money.

A. Yes, it will save them some money.

Q. Mr. Secretary, are you and Justice having some trouble about these trawlers sold to the French?

A. No, you are.
Q. What's the story?
A. Well, the story in this morning's papers, as far as it said the head of any other agency had called up the Coast Guard, is incorrect; no agency called us up; the Coast Guard, so to speak, discovered these boats after they had sailed and brought it to our attention down here on Friday. Mr. Gaston brought it to my attention on Friday morning—the boats had sailed on Wednesday. And then Friday night we brought it to the attention of the office of the Attorney General but there was no communication, no orders, from the Attorney General's office to the Coast Guard.

Q. And what is the outcome of it, Mr. Secretary?
A. Well, the outcome was we asked for a ruling and we got it and whatever disposition is made now rests entirely with the Attorney General.

Q. What was the ruling, Mr. Secretary?
A. That's up to him; it's his ruling.

Q. You haven't got the ruling?
A. Oh, yes.

Q. You asked for the ruling?
A. Yes, on Friday night, but we brought the matter to his attention.
Q. Will any of the boats be detained by the Coast
Guard, Mr. Secretary?

A. I think the matter now is entirely in the hands
of the Attorney General; we asked for the ruling
and got it.

Q. They will probably tell us it's in your hands.

A. Well, if that's so, I will have to call him up,
that's all, and ask him, but I don't feel it's
up to me to release a ruling of the Attorney
General, but we have one.

Q. You've got the ruling of the Attorney General?
He's got the matter in his hands?

A. That's right. In view of the ruling it is a
matter for him as long as the ships remaining
are still in the harbors, why, it's up to him to
decide what he wants to do with them; once they
are on the high seas, it's the Coast Guard.

Q. Some boats are being detained then, I take it.

A. You get the rest of it from him, but the point
I want to make is the entire initiative was with
this department.
Q. My point was if they are still in the harbors it would appear the ruling was adverse.
A. Well, you can get it; it's in his hands.
Q. Are the boats going to stay in the harbors?
A. Well, it's up to the Attorney General.
Q. Do you know how many boats are involved?
A. Right.
Q. Three get away?
A. That's right.
Q. Were they armed, the three that got away?
A. I am not going to say anything.
Q. It would be technically a violation if the trawlers were armed here, and in that particular case it is a Treasury matter, Mr. Secretary. I thought the Treasury was the enforcement agency for the neutrality laws, Mr. Secretary.
A. On the high seas.
Q. Three of these boats are on the high seas.
A. Well, they are outside of the 12-mile limit.
Q. The President said the limit goes as far as you want it to go.
A. I never heard him say that.
Q. If those ships were fitted in any American port with guns or war supplies, that is a Treasury matter, Mr. Secretary.
A. Well, in the condition in which they left it wasn't a Treasury matter.
Q. You are trying to tell me they were not armed.
A. You are a smart guy.
Q. Would that figure eight include those three that got away or not?
A. Right includes the three but we were never more careful with anything and just what disposition the Attorney General is going to make I don't know. Certainly the story that Pearson and Allen wrote this morning was as far from being correct as any story I have seen in a long time and you can call up Pearson and Allen and say I said so and get it first-hand. We laid all the facts, everything we had, before the Attorney General and he's got it—it's entirely up to him. The matter is entirely up to him. We are waiting to hear from him.
Q. Oh! You haven't heard from him?
A. As to anything further—what, if any, action should be taken, but we have a signed opinion from him.
Q. Why did you ask an opinion from him, Mr. Secretary?
A. Because I wanted to back up the legal advice the boys were giving us. They advised me what they thought my duties were.

Q. Can you tell us what your own men advised you?

A. No, no, because then you would know what the Attorney General's opinion is.

Q. I think the public would be interested in knowing what the legal aspects of this thing are.

A. I agree with you but I am just the Secretary of the Treasury and I am asking you to see the chief legal officer.

Q. I just asked you what the opinion was in your own office.

A. Whatever it was, the Attorney General backed us up 100%.

Q. I understand a private company owned these boats. Could the French Government, under the cash-and-carry provisions of the neutrality act, pay, say, one-third down and pay the balance when they got out to high sea?

A. Let me say this for background. What the French did, in this case, was perfectly open and above-board; they didn't hide anything, the whole business was right in the contract; there was no
attempt on the part of the French to hide anything; they were entirely on the up and up.

Q. Who brought up the question of impropriety?

A. Coast Guard, on their own initiative.

Q. The fact those three had gotten away......

A. As I understand it, I think I am correct, those three passed through the Cape Code Canal and that was the first time the Coast Guard saw them—I think that is correct, isn't it?

Duffield: Uh-huh.

H.M.Jr.: And then they raised the question.

Q. Saw them in the Cape Cod Canal?

A. I think that is correct.

Q. I understood you to say they got away.

A. They did get away.

Q. Who was the vigilant officer who saw them?

A. I don't know; somebody connected with Coast Guard.

Q. There was something in that column, as I recall, about a difference in opinion between State and Treasury—I don't know—maybe Justice Department—as to whether it was okay to let those boats go out.

A. There is no difference between Mr. Hull and myself on this.
Q. Any difference between any of the departments?
A. I don't know of any difference between Mr. Hull, the Attorney General and myself. As a matter of fact, I can say we are in complete accord on this.
Q. Then your legal advisers were right?
A. I conferred with Mr. Hull two or three times about this thing on Saturday.
Q. The story indicated that in the final analysis the boats probably would be allowed to sail. Could you comment?
A. That gets up to the Attorney General and that is just where it is, but the matter was fully discussed between Mr. Hull and myself. I can only say Mr. Hull, the Attorney General and I are in complete accord as to what action has been taken to date.
Q. Did the Maritime Commission approve the sale of these boats?
A. Now you are out of my bailiwick.
Q. Suppose these boats were sunk in territorial waters.
A. I am not a sea-going lawyer.
Q. What flag were they flying?
A. I don't know.
Q. I take it the Maritime Commission was not consulted in the group of the departments here.
A. I don't know but everything was perfectly legal and I discussed this with Mr. Hull and the Attorney General's office—he didn't happen to be here Sunday—he was away.
Q. In other words, from the time the Coast Guard came in everything was regular.
A. Everything was regular. From the time Coast Guard came in everything was regular.
Q. Who actually bought the boats? The French Line bought the boats?
A. All of that you will have to get from the Attorney General. All right? Are you satisfied as far as I am concerned?
Q. Would the Attorney General refer this back to you?
A. I don't think he will; I don't see how he can.
Q. How about this yawl with seven Germans aboard?
A. I don't know. I just happen to be familiar with this other thing because I was here Saturday and Sunday and handled it myself. The other thing,
you will have to see Mr. Gaston, but this particular thing I handled myself. Mr. Gaston had a cold so I just had to handle it. All right?

Q. Mr. Secretary, are you conversant with the affairs of the Export-Import Bank? I want to ask you a question as to whether you know what percentage of the unobligated balances of the bank will be absorbed by this Finnish loan.

A. I don't know; I don't know. I think there is a meeting going on right now of the directors. I am not trying to evade—I just don't know.

Q. I wonder if the Treasury would discuss the probability of a government loan as distinguished between an Export-Import Bank loan.

A. There is nothing pending.

Q. Can you put any of the money in the suspense account as collateral against the loan of the Export-Import Bank?

A. I doubt it.

Q. Is that involved in any arrangement?

A. That isn't possible, is it?

Bell: It would take an Act of Congress.
Q. You could use it for relief purposes.

Ball: Take an Act of Congress.

H.M.Jr.: It would take an Act of Congress—it's in suspense until the President asks Congress to unsuspend it. Okay? That isn't bad, is it?

Q. The announcement made by Mr. Jones last night was rather unusual. He said credits were established for the account of the Finnish Government by the RFC and the Import-Export Bank, which indicates they're down on their resources. I wonder if RFC has loaned money to the Export-Import Bank?

A. You will have to ask Mr. Jones.

Q. Mr. Secretary, is the Treasury conducting an investigation into the 29 Club in Indiana?

A. What's that?

Q. I could suggest where you might find out, Mr. Secretary. It's the Indiana Democratic machine's own social security program.

A. Listen, I'm not going to kid. You know I never, if I can help it, by the wink of an eye say yes or no, whether we are or are not investigating, so my smile is meaningless. I have never discussed,
except before a grand jury, we don't talk about whether there is or isn't an investigation until it is completed. So I am not going to answer, if you don't mind.

Q. I am just making an attempt. There is always a lapse in every man's life, Mr. Secretary.

A. I know it, but this doesn't happen to be the exception. I had mine yesterday.

Q. Thank you, Mr. Secretary.
Secretary of the Treasury Morgenthau announced today the offering, through the Federal Reserve Banks, of 12-14 year 2-1/4 percent Treasury Bonds of 1951-53, and of 1 percent 4 year and 9 month Treasury Notes of Series C-1944, both in exchange for 1-5/8 percent Treasury Notes of Series A-1940, maturing March 15, 1940. The amount of each offering to the public will be limited to the amount of maturing notes tendered and accepted in exchange therefor, and in addition up to $100,000,000 of the bonds may be sold to Government Investment Accounts for cash during the next three months, at par and accrued interest.

The Treasury Bonds of 1951-53, now offered in exchange for Treasury notes maturing March 15, 1940, will be dated December 22, 1939, and will bear interest from that date at the rate of 2-1/4 percent per annum, payable semi-annually on June 15 and December 15, with the first coupon, however, covering a period slightly less than six months. The bonds will mature December 15, 1953, but may be redeemed at the option of the United States on and after December 15, 1951. They will be issued in two forms; bearer bonds with interest coupons attached, and bonds registered both as to principal and interest. Both forms will be issued in the denominations of $50, $100, $500, $1,000, $5,000, $10,000 and $100,000.

The Treasury Notes of Series C-1944, now offered in exchange for Treasury notes maturing March 15, 1940, will be dated December 22, 1939, and will bear interest from that date at the rate of 1 percent per annum, payable semiannually
on March 15 and September 15, with the first coupon, however, covering the fractional period from December 31, 1939, to March 15, 1940. The notes will mature September 15, 1944, and will not be subject to call for redemption before that date. They will be issued only in bearer form with coupons attached, in denominations of $100, $500, $1,000, $5,000, $10,000, and $100,000.

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

Subscriptions will be received at the Federal Reserve banks and branches, and at the Treasury Department, and should be accompanied by a like face amount of 1-5/4 percent Treasury Notes of Series 1-1940, maturing March 15, 1940, with final coupon due March 15, 1940, attached. The maturing notes will be accepted at par, and accrued interest on such notes from September 15 to December 31, 1939, ($4,375 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 circulars, all subscriptions will be allotted in full.

1-5/4 percent Treasury Notes of Series 1-1940, maturing March 15, 1940, are now outstanding in the amount of $1,378,364,200. 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 texts of the official circulars follow:
UNITED STATES OF AMERICA

2-1/4 PERCENT TREASURY BONDS OF 1951-53

Dated and bearing interest from December 22, 1939
Due December 15, 1953

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER DECEMBER 15, 1951

Interest payable June 15 and December 15

1939
Department Circular No. 627

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, December 12, 1939.

Public Debt Service

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par, from the people of the United States for 2-1/4 percent bonds of the United States, designated Treasury Bonds of 1951-53. The amount of the public offering under this circular will be limited to the amount of Treasury Notes of Series A-1940, maturing March 15, 1940, tendered in payment and accepted, in addition to which $100,000,000, or thereof, of these bonds may be allotted to Government investment accounts against cash payment.

II. DESCRIPTION OF BONDS

1. The bonds will be dated December 22, 1939, and will bear interest from that date at the rate of 2-1/4 percent per annum, payable on a semiannual basis on June 15 and December 15 in each year until the principal amount becomes payable. They will mature December 15, 1953, but may be redeemed at the option of the United States on and after December 15, 1951, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.
2. The bonds shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, or gift taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds authorized by the Second Liberty Bond Act, approved September 24, 1917, as amended, the principal of which does not exceed in the aggregate $5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (b) above.

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

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

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

III. SUBSCRIPTION AND ALLOTMENT

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

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

IV. PAYMENT

1. Payment at par for bonds allotted to the public hereunder must be made or completed on or before December 22, 1939, or on later allotment, and may be made only in Treasury Notes of Series A-1940, maturing March 15, 1940, which will be accepted at par, and should accompany the subscription. Coupons dated March 15, 1940, must be attached to the notes when surrendered, and accrued interest from September 15, 1939, to December 22, 1939 ($4.376 per $1,000), will be paid following acceptance of the notes.

V. GENERAL PROVISIONS

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

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

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
UNITED STATES OF AMERICA

1 PERCENT TREASURY NOTES OF SERIES C-1944

Dated and bearing interest from December 22, 1939

Due September 15, 1944

Interest payable March 15 and September 15

1939

Department Circular No. 628

Public Debt Service

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, December 12, 1939.

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, invites subscriptions, at par, from the people of the United States for 1 percent notes of the United States, designated Treasury Notes of Series C-1944, in payment of which only Treasury Notes of Series A-1940, maturing March 15, 1940, may be tendered. The amount of the offering under this circular will be limited to the amount of Treasury Notes of Series A-1940 tendered and accepted.

II. DESCRIPTION OF NOTES

1. The notes will be dated December 22, 1939, and will bear interest from that date at the rate of 1 percent per annum, payable on a semiannual basis on March 15 and September 15 in each year until the principal amount becomes payable. They will mature September 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.

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IV. PAYMENT

1. Payment at par for notes allotted hereunder must be made or completed on or before December 22, 1939, or on later allotment, and may be made only in Treasury Notes of Series A-1940, maturing March 15, 1940, which will be accepted at par, and should accompany the subscription. Coupons dated March 15, 1940, must be attached to the notes when surrendered, and accrued interest from September 15, 1939, to December 22, 1939, (3%, 375 per $1,000), will be paid following acceptance of the notes.

V. GENERAL PROVISIONS

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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 FORCHTXAI, JR.
Secretary of the Treasury.
H.M.Jr.: It is a quiet morning for me, gentlemen.

Q. All right, Mr. Secretary. We got a story today from up on the Hill saying that you told a House subcommittee that you would like to see the debt limit raised to $50,000,000,000, or something to that effect. I am not familiar with the exact phraseology of the story.

A. What am I going to do? I go up there and I testify, supposedly to an executive session, and I make statements and some time along in January, February or March my statement is published. I've got to keep my confidences. I am told this is an executive session.

Q. Can we say you, not referring at all to that on the Hill, how you feel about the debt limit at this time?

A. You can ask me, sure, but I am not going to answer it.

Q. You are not going to answer it?

A. No.

Q. Mr. Secretary, it seems after that confidence has been broken or divulged, or whatever it is, once it is no longer a secret it doesn't seem you are bound any further.

A. Well, I like to think I am still a gentleman.

Q. I wasn't denying that.
I was looking right straight through you, going up on the Hill. In other words, if I go in a conference, it's an executive meeting, it's a question of your word, and I like to keep my word. That's all. I didn't think you would question it, that's all, and just because somebody on the Hill broke his word there's no reason I should.

Mr. Secretary, what can you tell us about the bipartite agreement (laughter)—a hard time thinking of that one.

Go on and practice and come back.

I've got it down now. I will start all over again. Mr. Secretary, was the Treasury here informed -- ?

Oh, you are going to skip it!

Was the Treasury here informed about the agreement, the economic two-way agreement? (Laughter)

If he wants to really help you, it's bilateral.

All right. They didn't call this thing here a trilateral agreement between Great Britain and France. I'll bet she's got some beautiful notes there.

You can see her (Miss Chauncey) afterwards.

Was the Treasury advised of that in advance?

Yes.

Could you comment on it, Mr. Secretary?

No.
Q. Can you say this much—what, if any, effect it has on us?

A. Well, I can't say that because I have seen it in the paper and I have taken it home to read it and I haven't had time to read it carefully—that, plus the notice we've got.

Q. How does that affect the tripartite agreement?

A. I don't know. My guess is it doesn't affect it at all; what's known as a side-bet—don't write that please.

Q. Some of the dispatches from over there said that the French Government understood that this government was sympathetic to these proposals.

A. They went through the form of letting me know in advance but, as I say, I haven't had time to read the dispatch carefully. According to the people around here I wouldn't say there was anything in it which was to the detriment of our own interests.

Q. Well, Mr. Secretary, did you mean to imply that after they informed you you didn't say anything back to them?

A. That's right; I haven't said anything to anybody. I just received it. They just notified me of this arrangement and I've got it at home next to my bed to read when I get time.
Q. In other words, you haven't told whether you approved or disapproved?
A. I haven't.
Q. Do you think it might need an answer?
A. It doesn't call for an answer.
Q. And have you been advised?
A. I don't know whether it would be unneutral for me to say I wish them luck, would it?

Duffield: (Headshake)
A. He said it would. All right.

Q. Is there anything in this agreement that contravenes the tripartite agreement? Is there anything in this bilateral agreement which contravenes the tripartite agreement?
A. There is nothing in there which vitiates -- (Laughter)
Q. That's got me stopped. How do you spell it?
A. I can pronounce it but I can't spell it.
Q. V-i-t-i-a-t-o.
A. Anything else serious?
Q. How have your subscriptions been coming in on the --?
A. Very well. It looks as though (this is just a guess) but it looks as though 60-40; sixty, bonds, forty, notes, but that is a guess.
Q. Pretty near a full subscription.
A. Well, what they said last night—it looked entirely satisfactory.
Q. Somewhere in the 90%.
A. Probably, but I don't want to say. I would say it's running about as good as they have been running.
Q. It has been running about 97 or 98.
A. Well, I think this is as good as any and I have a very comfortable feeling now that I have no maturity coming due until the 15th of June, which is very pleasant.
Q. Are you ready to say anything about a TVA note yet?
A. No, we won't take a look at it until after the first of the year, but the Treasury has no refunding until the 15th of June.
Q. Do you know whether the Coast Guard has released the German yawl? What about the Coast Guard release of this Lakala?
A. No, I haven't been following it; you will have to see The Admiral—I haven't been following it. All right?
Q. Thank you, Mr. Secretary.
Q. Mr. Secretary, there was a conference here this morning for two hours; could you tell us about that? Did it concern Agriculture?
A. It concerned the President of the United States.
Q. What do you mean by that?
A. It is his business.
Q. Do you mean by that, Mr. Secretary, that he asked this group to discuss something, some specific thing?
A. We were studying something for him.
Q. Was it the fiscal and monetary committee?
A. Eh-huh.
Q. Mr. Wallace certainly is not on that committee?
A. That is correct.
Q. He was the guest, wasn't he, Mr. Secretary?
A. Correct.
Q. Along with two other people from Agriculture?
A. We all have to have our experts.
Q. What I mean, Mr. Secretary, you had the full fiscal and monetary committee and three people from Agriculture besides.
A. Eh-huh.
Q. Obviously Agriculture was under discussion—some agricultural problems?
A. Public health, social security.

Q. I doubt that Mr. Wallace is very much interested in public health. Sure he plays around with boomerangs. Except for the cornborer.

A. You are satisfied?

Q. Oh, no. Just injecting a little humor into a serious situation.

A. All right. Well, I am satisfied.

Q. Was it an agriculture conference, Mr. Secretary?

A. We have gone far enough on the boomerang, agriculture.

Q. You mean he proposes another boomerang, Mr. Secretary?

A. I don't want it to be another boomerang.

Q. I see what you mean. You weren't discussing Frank Ginsburg on that Farm Credit Administration?

A. I can't help you out.

Q. Are there going to be any further meetings? It wouldn't be processing taxes, would it?

A. I can't help you.

Q. Are there going to be further meetings?

A. There are apt to be.

Q. Is that so?

A. There are just apt to be further meetings.

Q. When will you report to the President, Mr. Secretary?
A. Oh, if we come to any conclusion we might talk to him before long.

Q. Was this the first meeting on the subject, Mr. Secretary?

A. Yes. You fellows have had 13 questions and can have 13 more.

Q. Do you want the other half of that one?

A. I don't know.

Q. Mr. Secretary, there was a story in the morning's papers concerning a tax bill that is being prepared here.

A. Yes?

Q. What can you tell us about it?

A. Not a thing.

Q. Not a thing?

A. No.

Q. Is there such a bill?

A. I can't tell you such a story.

Q. Well, is there such a bill?

A. I am not going to comment on it.

Q. Well, in the past, you have always insisted that there hasn't been any tax bill here; now you don't want to comment.
A. What I said in the past still holds true. What do you call those stories? When you write a weekend story, haven't you got a name for them?

Q. Well, some of the weekend stories are true.

A. Well, this one wasn't.

Q. Does that mean it is being prepared somewhere else, Mr. Secretary?

A. Well, all I know—I have said enough. Somewhere else would cover a big territory.

Q. I have heard some talk about an Administration tax bill similar to that.

A. All I can talk about is the Treasury.

Q. The Treasury is not --?

A. Is not doing what that story said it was doing.

Q. Not working secretly?

A. No.

Q. Well, they are not working on the tax bill—that is the answer—whether they are doing it secretly or not.

A. The story, as far as the Treasury is concerned, is incorrect.

Q. Oh! This is the first meeting of the monetary committee in some time, isn't it?
A. I think it is, yes, the first one since Congress adjourned.
Q. Since they gave back the lending bill—the child died, didn’t it?
A. What else?
Q. Would you comment on this two per cent club? One columnist said today that the Treasury is going full speed ahead with its investigation and last week you didn’t want to make any comment.
A. I am kind of hard on my columnists today. Whatever I said last week I thought was very good.
Q. You said you won’t comment on it.
A. That’s right.
Q. Now it has been published.
A. Well, look up your statute on publishing that kind of stories—pretty dangerous, or for me to comment on it.
Q. If such an investigation is carried on would it be the Treasury agencies?
A. It is illegal for me to comment on it and I am a very law-abiding citizen, I hope.
Q. But you are not commenting on it. Would it be the agencies here or the Department of Justice?
A. Look, old man! As I said last week, I am not going to say yes or not going to say no on any tax investigation and the law is very specific on that, and, if you
don't mind, I would like to beg off. I can't help what anybody writes; I am not going to say yes or no on any tax investigation.

Q. There was another conference with you this afternoon, Mr. Secretary; was that routine among your economists?

Nothing special there, was there?

A. We weren't wasting our time. I mean, we weren't exchanging snappy stories. I wish we had been—I am running kind of low on stories.

Q. When will the next meeting be of that monetary committee?

A. I can't give you that information.

Q. Before Christmas?

A. I am not going to help you out—I'm sorry.

Q. What is the outlook for Christmas, Mr. Secretary?

A. Booming!

Q. Have you had any business reports lately?

A. Yes.

Q. What is the situation now?

A. Can't you give me something today?

Q. We've got two no's down here and the other is yes or no—that's three.

A. It's still on the no side.

Q. Business will be better next year?
A. It's going to be, yes.

Q. We hope it will. Did you appear before the House Appropriations Committee last week, Mr. Secretary?

A. Eh-huh, before the House Appropriations Committee, yes, I did. (Have you got any of those cards, excuse me (asks Mrs. Klotz). Who's president of the association?

Q. John Crider.

A. He isn't here; any acting?

Q. Mr. Plumbler is practically, I think.

Mr. Dorris is there. He can take over the show.

A. If you will stay behind, I have a contribution to make for the press room.

Q. Who's going to watch Dorris?

A. If you will stay behind, I have a contribution to make for the press room.

Q. Thank you, Mr. Secretary. A negative day at the Treasury.
Mr. Secretary, anything on the German freighter Aruita, or whatever the thing is?

A.

You will have to ask Mr. Gaston; I am not familiar with it.

Q.

Have you been advised as to whether there were any violations of our territorial waters?

A.

I am not up on it; Gaston is calling in a minute but I am not. He's got it at his fingertips.

Q.

Mr. Secretary, because of your former affiliation with the Farm Credit Administration, some gossip has arisen as to whether you may have had any part in some controversy over there regarding Mr. Hill, who is a friend of yours, isn't he?

A.

Yes. I don't think I will make any comment.

Q.

Well, do you have any views as to whether or not there should be any independence in lending agencies of that type?

A.

I've got plenty of views, but the barn is empty so I guess there's no use—I can't do anything about it now.

Q.

Your views would look very well in type, Mr. Secretary. Might be very helpful for Land-Bank bonds too, Mr. Secretary. You were the first governor of it, weren't you, Mr. Secretary?
A. Yes.

Q. Incidentally, Richard Stokes, of the St. Louis Post-Dispatch, did a very interesting article a couple of weeks ago on the Treasury's holding companies, showing all the super-companies financed by the Treasury.

A. I didn't see it. Stokes? Richard Stokes?

Q. Yes, very interesting. I hope you don't melt the subsidiaries, Mr. Secretary.

A. You oughtn't to put such ideas in my head.

Q. Or vice versa.

You do have substantial write-offs occasionally, though.

A. Yes, that's right.

Q. Mr. Secretary, there have been some stories of studies being undertaken somewhere with respect to excise taxes to meet the national defense next year. Could you say anything at all about that—the merits of excise taxes?

A. No, not at this stage.

Q. Could you say whether they are among the things that might be under study?

A. No, no.
Q. Mr. Secretary, Mr. Leffingwell, Assistant Secretary in a previous Democratic Administration, said a lot of things yesterday about the desirability of exempting government securities; is there anything new on that—elimination of the tax exemption?

A. Elimination. I thought you said it was something needing elimination.

Q. That's the first time I knew a Morgan partner to agree with the Administration. He said you were for it and he was for it back in the Wilson Administration.

A. I think every Secretary of the Treasury since time immemorial has come out in favor of it, including myself. I think I did it in 1934 in a formal statement; I haven't changed my position.

Q. Do you see any chance for it at the next session?

A. Oh, I don't know.

Q. A pretty controversial thing on Capitol Hill.

A. Yes, lots of mayors don't like it and that sort of thing.

Q. It's the municipal lobby, isn't it?

A. You can call it that but I don't have to agree with you.
Mr. Secretary, would you consider removing the exemption without the reciprocal —?

I don't want to. I made a careful statement on the whole thing and I haven't changed my position. I thought next Thursday or Friday we might give Duffield a party here around one o'clock. Which would suit you better, Thursday or Friday?

Thursday is the day before payday.

All right; we will make it Thursday at one o'clock. We will get the list of those eligible. Will you (Schwarz) give me the list? We will make it next Thursday then.

There were reports the Interdepartmental Committee had turned down Secretary Wallace's proposal for a processing tax.

That is not correct because we are meeting again at four o'clock today—the same committee.

Do you expect to draft a report today for the President?

I don't know. Everybody is working and we will see what they've got when they come in.
Q. Is there any significance, Mr. Secretary, to your statement of Monday that you would have a report if you agreed or when you agreed?
A. No particular.
Q. That's the monetary and fiscal committee?
A. Yes, we have made other reports to the President and we may or may not make one—can't tell.
Q. The meeting is on a plan for processing taxes?
A. I didn't say so.
Q. You said isn't it true that it was turned down that you would have another meeting today?
A. I slipped—strike one for you.
Q. Just what is the status?
A. I slipped. (Laughter)
Q. Mr. Secretary, it is just about a year ago this time of year that you made a rather strong statement about consumer taxes and it was in connection with the proposed processing taxes. Have you changed your views?
A. I don't remember that but I haven't changed my views on consumer taxes or processing taxes.
Q. Did you advocate consumer taxes?
A. No, I think the tax on consumers is something over sixty per cent right now and that's high enough.

Q. Would you say it was too high?
A. No, I think it's high enough.

Q. That applies to excise taxes too, Mr. Secretary, that general view?
A. I think when the tax on consumers reaches over sixty per cent it's high enough.

Q. Mr. Secretary, right after you made your statement the President, in a budget message, made a very similar statement. Is it your understanding that he feels the same way?
A. No, thank you. One slip a day is enough. What else?

Q. How is the international silver market, Mr. Secretary?
A. They tell me it's good.

Q. Pretty good. Have you made another agreement with Canada? I think the other one expired recently.
A. Every month.

Q. Does it look like there's going to be a pretty big demand from India?
A. I don't know; I saw a story somewhere.
Q. They have lifted the restriction on imports.
A. I don't know. I know that Handy & Harman raised their price, so there is --.
Q. A demand somewhere?
A. Yes.
Q. Mr. Secretary, on this fiscal and monetary committee is it the legal procedure of that group to present just one report or is it possible to have disagreement within the group when there is a report?
A. We are all human.
Q. I know, but is there such a thing as a majority and minority report?
A. It is very informal.
Q. In making a report you express the views of different members?
A. This is a Democracy.
Q. Mr. Secretary, as I understand it, the last meeting was confined largely to a listening session on the part of the committee listening to Mr. Wallace and his two chief aids expound on the virtues or lack of virtues of various plans.
A. You know I looked under the table and didn't see you there. (Klein)

Q. I am merely saying I understand it—is that correct?

A. Nice day!

Q. Will Mr. Wallace be here today?

A. Yes, as far as I know. He's been invited and the two people he had last time have been invited to come back also.

Q. One of the new men?

A. One is Robbins, President of the Commodity Credit and the other man was a new man to me.

Q. He's head of the AAA.

A. I never met him before and I think all three will be back unless they have changed their plans.

Q. Will Mr. Eccles be here?

A. I think everybody will be back.

Q. Do you expect to have some report to the President before Congress meets?

A. I don't know.

Q. Mr. Secretary, I recall at the White House one thing that the President said that there would not be any tax decision until December 26—is that correct?
A. Your memory is failing you; I will send you around to a good doctor.
Q. He did make such a statement.
A. You have the advantage—you were there and I wasn't.
Q. But you know when the tax decision is going to be made, Mr. Secretary.
A. I wasn't at the White House.
Q. What is all this talk about taxes, Mr. Secretary? I thought there weren't going to be any new taxes.
A. I can't help you out.
Q. So did you, Mr. Secretary? Mr. Secretary, there is a report going around that Mr. Procope is sounding out various people about another $50,000,000 loan; do you know anything about it?
A. He's a good man.
Q. Do you know anything about the proposal, Mr. Secretary?
A. He's an awfully good man.
Q. You mean he's good for $50,000,000?
A. I mean he's good at asking.
Q. We remarked downstairs, Mr. Secretary, that wherever you see Mr. Procope you can be sure he's putting the touch on somebody.
A. Well, he's putting up a good fight.
Q. How about your South American plans—the Colombian scheme?
A. She's cooking.
Q. Still cooking?
A. Still cooking—hasn't come to a boil.
Q. Do you expect a decision on that before the end of the year, Mr. Secretary?
A. I don't know.
Q. He wanted to know if that South American scheme was cooking with gas?
A. I am afraid it's oil. O.K.? (Laughter)
Q. Thank you, Mr. Secretary.
H. M., Jr.: The reason I am so late I have been trying for fifteen minutes to get a good story for you gentlemen and all I could get was just vacuum. I have been arranging for the lunch. I have been very busy the last fifteen minutes.

Q. Any news on taxes, Mr. Secretary? It looks like you are taking a health cure in here— it's cold— get the windows all open.

A. Well, up in the country it was zero and down here in the tropics—.

Q. Rugged individualist.

A. No, there's nothing on taxes.

Q. Mr. Secretary, there have been reports that Mr. Gaston was slated for the Under Secretaryship. Could you say anything about that?

A. No.

Q. Will there be an appointment soon?

A. Well, that will be up to the White House, won't it?

Q. Well, certainly, your recommendation will go a long way toward that.

A. I think so.

Q. You think there will be an appointment, Mr. Secretary?
A. No, no. I am just not saying anything on or off. I am trying to be strictly neutral. You can’t help a person thinking but I am strictly neutral.

Q. I see Secretary Wallace says processing taxes don’t hit the consumer, or some such statement. It seemed to be a direct reply to your’s of last Friday. Any comment on that?

A. And so what?

Q. Are the processing tax discussions completed?

A. Never!

Q. Mr. Secretary, are you willing to say that you are in disagreement with Mr. Wallace’s contention that processing taxes don’t affect the consumer?

A. Whatever I said on Thursday I stand by cheerfully.

Q. Cheerfully?

A. Cheerfully.

Q. That is that consumer taxes are high enough and that includes processing taxes and excise taxes.

A. Well, whatever I said, we went back a year ago, and people in the Treasury have not changed. I would rather not give you a follow-up story at this time.
Q. Could you say whether the fiscal and monetary committee's report on the subject has been made?
A. No.
Q. Will you make a report on it?
A. I don't know. I think that whatever I said last Thursday and a year ago last Thursday is all right—no change.
Q. Mr. Secretary, with all this discussion of processing taxes and budget, etc., is there any significance to the chalk and slate? (On Secretary's desk)
A. Yes, they had a party here the other day and they presented me with a slate.
Q. Is that for your homework?
A. Yes, they are afraid I would do too much at home.
Q. A little home calculation on the stabilization fund.
A. That's the idea, business as usual. That's my other sign. No, I am sort of in a Christmas-New Year's spirit and looking forward to seeing you all at one o'clock and I can't help you much.
Q. Apropos of luncheon, etc., is Colombia still cooking in oil, Mr. Secretary?
A. You had the nerve to run it—I trembled after I said it.

Q. Did you see Mr. Kluckhohn's story the other day?

A. Is that the way you pronounce it?

Q. Yes. Did you see that story the other day about this Latin American work going on here?

A. Yes, I did.

Q. Anything to it?

A. I don't remember details but we are working and there is nothing to report. It is a terrible morning for me and worse for you, so there we are.

Q. Mr. Secretary, you say some sort of a study is going on; is that the same sort of a study you've been talking about before?

A. No, there is this informal group composed of Welles, Jones and myself which is working, as you know.

Q. That is on a pattern or plan for Latin Americans to enable them to get credits on their dollar debt.

A. I never said that.

Q. You are still working?
A. Still working. But I never said what you said. No, we never said what you said—pay up, then we will lend you some money.

Q. No, no, it wasn't as blunt as that, but that was the implication. I am trying to cut the questions as short as possible but that was the implication of the discussion and more than that.

A. I wouldn't be as crude as that.

Q. No, of course, you have to be a diplomat to be Secretary of the Treasury.

A. Also a reporter of the Wall Street Journal.

Q. Mr. Secretary, in connection with this Latin American business, there is for study before this government the idea of an Inter-American Bank. I understand a good deal of that work is going on here at the Treasury.

A. (Turns over book on desk)

Q. Roving eye of Sam.

A. I hope not.

Q. I just wonder.

A. Really there is nothing that I can give you which is a story; everything is too hot just now.
Q. Is that because of the budget, annual message, etc.?
A. That's right.
Q. It's all going to be involved in that?
A. Yes, everything and I just don't want to contribute.
Q. You mean the South American thing will be covered in the President's budget message?
A. No, no. I can't give you anything on the record so I am going to ask you to excuse me.
Q. Can you say this then, that there will be something pretty soon on the South American--?
A. No.
Q. Can't even say that?
A. Can't even say that.
Q. Well, we'll put on our best bibbs and tucks for 12:45. Thank you, Mr. Secretary.